Egypt
From strength to strength

Egypt has long been a regional political powerhouse and now it has an economy to match. Several years of steady growth, reinforced by a string of liberalising government reforms and heavy private investment, have transformed the business environment into one giving companies many reasons to be confident about their prospects. Economic growth is set to remain around the current heady levels, with real gross domestic product (GDP) expected to edge up slightly in 2007-08 to around 6.9%, sharply higher than five years ago. Meanwhile, inflation, driven up by buoyant consumer demand to almost 13% year-on-year in early 2007, is expected to ease to around 6% by 2008. The growth in demand has also caused the trade deficit to grow, but a booming service sector, especially in tourism, has helped offset the impact.

Observers give much credit for this positive outlook to the government of Prime Minister Dr Ahmed Nazif, elected in 2004. His administration built on the foundations laid by its predecessors by implementing a number of politically tricky measures, which have transformed the economy. For example, the bureaucracy faced by business, while still challenging in some areas, has been simplified considerably, while investment incentives - through measures such as new free trade zones - have been made more attractive. The export infrastructure has been much improved by opening up the country's ports for investment to fund badly needed expansion and modernisation, and swinging tax cuts, effective from the start of 2005-06, have given business a huge boost.

Economic success has also done no harm to Egypt's sometimes-fractious political scene. The government hopes that increased prosperity will soften the divisions between more Western-oriented groups and those with an Islamist approach. Certainly, over the last decade, there has been a marked improvement in the country's security situation - a major concern in any circumstances, but whose impact is heightened by its influence on the thriving tourism industry.

Constitutional reforms, being introduced in 2007, are designed to provide another step towards more open and consensual government. These have been criticised by some as being merely window dressing - a charge that the Prime Minister strongly refutes. He says the measures shift the balance of power between government and parliament and, within the executive branch itself, between long-serving President Hosni Mubarak and the government. "These are all steps in the right direction, as it allows the Cabinet of Egypt to share more responsibilities with the President, especially in terms of preparing new draft codes and laws," says Dr Nazif. The changes also make the government more accountable to Parliament, for instance allowing Parliament to dissolve the government without having to go to a national referendum, he adds.

In general, both Egyptian and foreign investors have benefited from recent reforms to such an extent that the thrust of government policy has largely retained their support, even when individual measures could be viewed as unhelpful. So the imposition of export duties on cement and steel products, while not welcomed in those industries, has been portrayed by some of the companies directly affected, as a politically driven short-term measure, rather than as a reason to be concerned about the overall direction of economic policy.

Business is also taking heart from Egypt's rapidly changing social background. The information technology revolution sweeping the country is not only providing major investment opportunities in areas such as telecoms and internet services, it is also redefining the way the people of Egypt interact with each other and the rest of the world. The internet is broadening cultural horizons and facilitating the acquisition of work-related knowledge, so helping to produce a population well-equipped to rise to the challenges of the new knowledge-based economy in which they will live and work. ■

FINANCIAL SERVICES

Reforms pay off

The successful privatisation of the Bank of Alexandria in 2006 was perhaps the clearest indication that the Egyptian financial services sector is coming of age. The $1.6 billion paid by Italy's San Paolo IMI for an 80% stake after a highly competitive auction not only exceeded most expectations, it also represented a vote of confidence in the wide-ranging reforms transforming Egypt into a regional leader in this growth area.

The deal, which created Egypt's largest private sector bank, also has significance for the long-term development of the sector, according to Dr Ahmed Nazif, the country's reform-minded Prime Minister. "We brought in an Italian bank to buy Bank of Alexandria not just for the financial investment, but because we wanted know-how and a critical mass of service. The introduction of this level of service is what we need and what we will be doing more of in Egypt," he says.

The introduction of such expertise is essential if the country's big ambitions for the sector are to be realised. "The financial sector will be one of the backbones of our growth and development over the next decade. The programme we are putting together and implementing is unprecedented," says Dr Nazif.

The foundations for this strategy are already in place. Besides reinvigorating the privatisation programme, a raft of other changes has been implemented to put the sector on a sounder footing. The minimum capital requirement for domestic banks has been raised in stages from EGP100 million ($17.5 million) to EGP500 million, while the minimum for foreign banks is now $50 million, up from $15 million. Moves to consolidate the sector have been led by the merger of the Bank Misr and Banque du Caire, Egypt's second and third largest banks - and both state-owned - to create the country's largest in terms of assets.

On top of the reform and liberalisation of banking, a range of other financial services are being introduced or overhauled, adding to an already huge task, which the government knows will not be completed overnight. "We now have mortgage finance, which didn't exist in Egypt two years ago and our insurance sector is being revamped," notes Dr Nazif. "Everything is happening at the same time and we still have a long way to go."

SME priority

One main goal is to ensure that increased efficiency, liquidity and versatility in the financial services sector benefit the mass of small and medium-sized enterprises (SMEs) which will provide the lifeblood of economic growth in coming years.

Dr Yousef Boutros-Ghali, Egypt's Minister of Finance, is well aware that the poor availability of loans for smaller companies has hindered their growth thus far, and that this needs to change urgently. "Credit growth rates have been low due to structural impediments in the banking system, which keep loans from going to the SMEs that constitute the bulk of domestic investment," he says. "We need medium-sized finance - loans of around EGP10 million to EGP50 million. This is a structural reform which we are pushing the banks to make, and the privatisation of the Bank of Alexandria should take this forward."

While these changes are taking hold, government support for SMEs is already being strengthened through the Export Development Bank of Egypt (EDBE), which, while catering to the whole Egyptian exporting community, is particularly keen to provide support to smaller companies to export directly, or to become feeders to companies that do export, in areas such as textiles and food processing. "Both the government and the bank are looking at SMEs a lot more closely. These companies might not be exporters themselves, but they are vital for exporters," says Hisham Hassan, EDBE's Chairman.

Having undergone a significant financial restructuring itself and with EGP1 billion worth of export guarantees, risk cover and other support to Egyptian manufacturers in its portfolio in 2006, EDBE is now an important player in providing financial support to industry, providing the sort of long-term credit facilities needed by Egypt's fledgling exporters to compete on the international stage.

However, the government will be eager for the commercial sector to play an increasingly large role in giving Egypt's budding entrepreneurs a helping hand - and there are signs this is now starting to happen. "SME banking is one area that the government has really signalled over the last few years, but which, I feel, the banks haven't taken up at the pace required," says Khalid El Gibaly, who was appointed Managing Director of Barclays Bank Egypt in 2006 and for Barclays Bank Egypt and North Africa in March 2007. "One of the first things I did here was to launch SME banking."

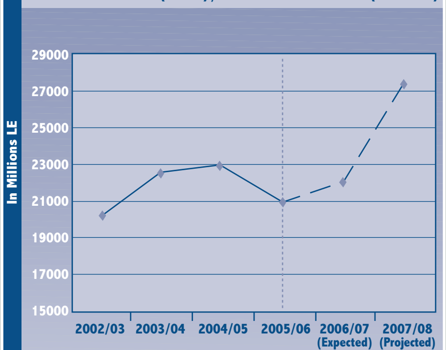
As in many developing economies, the financial information available to banks about smaller Egyptian companies seeking finance may be more limited than in the West, but this does not preclude investment in the sector. On the number-crunching side, this means using sophisticated credit-scoring models to assess the risk involved in investing in a company that may not have complete financial records. However, just as important is the creation of a close relationship with the clients in order to assess the potential of their enterprises and to find ways of helping them beyond straight cash injections.

"We approach SME banking not as just a business segment, but more as a partnership," he says. "These companies need working capital finance to pay their employees and to purchase their inventory, but what they are really missing are skills - vocational training, information on what is happening in their industries regionally and globally, and on best practice. So we have decided to go a step further. Yes, it's a profitable segment and we want to provide people with accounts and give them credit facilities, but if we really want to be successful in this business we have to help SME owners building their business for the medium-to-long-term."

And such partnerships are not just one-way traffic from bank to SME. Careful nurturing of the relationship now may reap rewards later on. El Gibaly says Barclays is taking a long-term view: "That's why I say to my team, do not belittle SMEs, because the 'S' might one day become an 'M' and the 'M' may turn into an 'L' - a large company. So these are your large corporates of the future."

EGYPTIAN GOVERNMENT INVESTMENT

2002/03 - 2005/06 (actual), 2006/07 and 2007/08 (forecasts)



Egypt plans a **24.3%** rise in public investment in **2007/08.** The government says the use of public private partnerships creates an incentive to ease budgetary constraints without affecting longer-term sustainability.

Source: Ministry of Finance

Private equity

It is not just foreign expertise like that at Barclays providing impetus to the development of the financial services industry. Increasingly, a new wave of smart Egyptian bankers is making a splash on the domestic and regional stage - often using techniques gaining widespread acceptance across the Mediterranean.

For example, Citadel Capital has made a name for itself as a private equity investor, having raised and invested almost $3 billion, mainly in Egypt, over the last three years or so. Hisham El-Khazindar, Citadel's Managing Director, says he believes the company is making an important contribution to the economy. "The policy has been to acquire good Egyptian companies - in some cases these have been distressed assets where we can come in and turn them around and in other cases they have been healthy and valuable assets we believe can grow," he says. "Then, typically, we take those companies and transform them into leaders in their own industries and then regional players that can compete globally as opposed to being mid-sized local players."

The strategy is designed to maximise returns to investors on exiting the company concerned, and has proved successful at both ends of the spectrum. For instance, the investment Citadel secured to take control of the then-struggling ASEC cement group in 2004 and the buy out of the Egyptian Fertilizer Company (EFC) have both resulted in growth domestically and in international markets. Using the gamut of financing techniques, Citadel has proved to have an eagle eye for sectors with potential, tending to specialise in industries that can be built up to benefit from economies of scale. These include cement, oil and gas, and the fertilizer business. Mass-produced cement, for example, makes sense because of the low production costs in the Middle East and North Africa compared to Europe and the close proximity to European markets, given the expense of transporting the product.

ASEC is now using the springboard provided by Citadel's investment to add to its 1.5 million-ton Qwna plant in Egypt with a number of regional projects. The company already owns 35% of a 1 million-ton Algerian plant, which is being expanded, and is building a 1.5 million-ton plant in Syria. It is also studying the possibility of building plants in northern Iraq and Ethiopia. "Our strength is not in day-to-day management, but in bringing in the different components that make a company successful, such as qualified and well incentivised management with the right opportunities and the right set of skills, and putting them together to allow those companies to grow," says El-Khazindar.

New services

The modernisation of Egypt's financial services sector is opening up a plethora of opportunities, not least for the companies able to offer consumer products previously considered out of reach for many people. An important element in developing financial services in Egypt is to look at what has worked well elsewhere and apply it locally, according to Aly El-Tahry, Director and co-founder of Beltone Financial, the company created in 2002 by a group of Egyptian financial services pioneers and now one of the fastest-growing investment banking and financial services operations in the Middle East and North Africa. "It's not rocket science; there is absolutely no reason to expect that products that have been successful in sophisticated markets would not be successful in less sophisticated ones," he says.

With this in mind, the company's asset management division thought a money market fund would find a receptive audience in Egypt; a view that has been borne out by the response. Some 50,000 accounts have so far been opened for the product, called "Day-By-Day", which Beltone created for Bank Misr and Egypt Post, which has been offering returns of up to 10% per annum.

Beltone's asset management arm has grown rapidly, so that now it has some EGP19.7 billion under management, benefiting from the firm's ability to be in the right place at the right time to gain maximum advantage from the booming investment scene in Egypt and the wider Middle East and North Africa region. The same has also clearly been the case for its investment banking division, which has participated in a number of benchmark deals in recent years. These have included, among others, being lead manager on a EGP336 million initial public offering (IPO) for ICT firm Raya Holding, placing EGP400 million of Vodafone Egypt secondary debt and being mandated for both the GB Auto (Ghabbour) and Bank of Alexandria IPOs.


Beltone

El-Tahry says the country's much-improved legal and regulatory framework, together with the resurgence of the privatisation programme, has done much to boost investment banking. "The legal industry has also developed to be able to handle corporate finance transactions, mergers and acquisitions and IPOs, as has the regulatory environment provided by the CMA [Capital Markets Authority] and the Stock Exchange. All of this has produced a transparency level that I could now compare with practically any sophisticated market anywhere," he says.

Regional players

Beltone, which has opened offices in Jeddah, Riyadh and Dubai, is part of a wave of Egyptian financial services companies eager to spread the footprint of their businesses rapidly to take advantage of fast-growing, increasingly accessible Middle Eastern markets.

EFG-Hermes, the highly ambitious investment banking and asset management concern led by Chairman and Chief Executive Yasser El Mallawany, is one of the front runners in this group. "From the very start we have worked to become the region's number one investment bank and a provider of value investment banking services," he says.

This push for growth has seen EFG-Hermes boost its market capitalisation to $2.7 billion from $80 million in just five years, and increase the size of its operations to require a threefold increase in staff to 600 people over the three years to the start of 2007. Much of the impetus for this has come from regional expansion, which means the company is not only a major presence in Egypt, but also a growing force in Saudi Arabia and the United Arab Emirates, with further expansion into Bahrain, Oman and Qatar on the way. And this regional activity is not regarded as a mere adjunct to the Egyptian business. "We are aiming to grow our business in the Saudi market to be bigger than our current operations in Egypt," El Mallawany says.

He says EFG's policy of adopting a "bottom up" process when investing in companies, focusing on valuation, a sustainable business model and high standards of corporate governance are also increasingly to be found in Egyptian business as a whole. “Egypt has been a regional pioneer in that arena,” he says, noting the Egyptian market’s openness, which permits the presence of sophisticated regional players. "The CMA’s new rules, designed to ensure international best practice is followed, is another major factor," he adds.

Changing perceptions

Meanwhile, the introduction of new technology is also opening up interesting new avenues for financial services providers and consumers alike. Visa International is one high-profile beneficiary of this trend. Having established offices in Egypt three-and-a-half years ago, the company has been promoting the benefits of plastic and electronic payments to a population, most of which has long preferred cash exchange when conducting business.

The company's task is to persuade Egyptians that a reliable electronic payments system - whether for bulk payments such as salaries, or everyday consumer spending - is more convenient, efficient and secure than cash, as well as making the country's financial infrastructure more attractive to foreign investors. "What will really change the behaviour of consumers is getting them to trust both the brand and the service behind it," says Tarek Elhousseiny, Vice President and General Manager for Egypt and Libya at Visa International CEMEA.

Privatisation, banking sector consolidation and the arrival of foreign banks are all playing a key role in developing this confidence and in providing the infrastructure necessary to handle electronic payments, he says. Also important is the growth in Egypt's urban middle classes, which not only have more money to spend, but recognise the benefits and convenience of cashless transactions in cinemas, restaurants, shops and so on.

The combined weight of these changes has led to a rapid increase in electronic payments in Egypt, which have more than doubled, as a proportion of personal consumer expenditure (PCE), in the last four years. However, market penetration remains at a much lower level than in some other big economies in the region. For example, electronic payments still only make up a little over 2% of PCE in Egypt, compared to peer emerging markets in the region such as Turkey, where PCE is 29% according to Global Insight. Visa is encouraging more retailers and employers to install the necessary technology to make electronic payments technology more widely available. In particular, it is working with the Egyptian government to agree on a pilot project in the hope that the government will lead by example and adopt electronic payment technology in government-to-client engagements. Visa believes this step will lead to further developments in the electronic payments industry, bring value added to the way cash management is smartly managed in the economy, and create opportunities for investments and employment needed to support this industry.

A new wave of innovation

Global banking group HSBC's long-term commitment to Egypt is paying handsome dividends, as the company builds on its involvement across the economy. Now, the bank is looking forward to the development of new product lines, taking advantage of the country's fast-developing electronic payments infrastructure. "There is still a great deal of untapped market potential and plenty of room for the introduction of new and innovative products," says Abdel Salam El Anwar, HSBC Bank Egypt's Chairman.

HSBC Bank Egypt was founded, as Hong Kong Egyptian Bank, in 1982. When HSBC Group raised its stake in the company to 90% from 40%, the bank was rebranded under its present name.

One of its latest innovations is "Vodafone Cash", a pre-pay card venture between HSBC and mobile phone giant Vodafone, which El Anwar says will change the face of card business, introducing more Egyptians to non-cash transactions. "We have very high expectations for it," he says.

Given the continuing development of the e-payments infrastructure of Egypt, after a sluggish start, the highest profile developments are likely to fall in that area. "On the corporate side, new products in Egypt are going to be more in the 'e' field rather than classical products," El Anwar observes.

HSBC will be at the vanguard of these changes, given its strong position in many sectors, including the burgeoning oil and gas sector. "We have already played a very significant role in the banking sector, since we are considered the strongest corporate and retail bank in the country by virtue of the soundness of our portfolio, the quality of our products and services, the growth of our balance sheet and branch network. Our returns are the best in the industry and very competitive by international standards," he says.

Meanwhile, El Anwar says, a big expansion of the company's branch network - expected to total around 60 by the end of 2007 and to be double that figure over the following two years - reflects HSBC's commitment to organic growth in Egypt, and should help maintain its strong position.

Arab African International Bank - Positioned to prosper

Few participants are as well poised to take advantage of the growing strength of the Egyptian banking sector as Arab African International Bank (AAIB). With more than four decades of experience of the market behind it, AAIB has now embarked on a strategy of rapid expansion at home, while preparing to develop its international presence as a gateway to investments into the region.

AAIB hit the headlines in 2005, when it took over another Egyptian bank, Misr America International Bank, marking the first successful merger among the country's private banks. However, this is just the most high profile of a range of ambitious and innovative moves. In just three years, AAIB built up its domestic presence from seven branches to 30 by early 2007, tripling its market share and launching a range of new financial products aimed at both the corporate and consumer markets. AAIB, formerly focused on corporate banking is now diversifying its activities. It has established its own asset management company and is planning to launch another for brokerage and mortgage finance.

Hassan Abdalla, AAIB's Vice Chairman and Managing Director, says the timing of all this could not be better, given the "tremendous development" of the country's financial sector. His optimism is reflected in the bank's recent results, with net profits rising by 41% in 2006 to reach $74 million, raising return on average shareholders equity from 28% to 32%. The bank's loan portfolio and deposit base increased by 86% and 43% respectively, while total assets increased by 48% to $4.9 billion. "Egypt's strenuous efforts to put behind it the problems related to non-performing loans (NPLs) that previously dogged the banking sector are now paying off," Abdalla says. A wave of consolidation, market liberalisation, increased foreign investment and clearer legal regulation have rejuvenated it, so that financial companies are now looking ahead with confidence - and broadening their horizons. "The current challenge is not the NPLs, but rather providing the proper infrastructure to serve the retail and SME segments. This is something the banking sector in Egypt is not used to dealing with, having concentrated, in the past, mainly on big corporate clients," he says.

"In just three years, AAIB built up its domestic presence from seven branches to thirty"

The opening up of these new areas has unveiled considerable potential, allowing the company to enhance its reputation as an innovator. AAIB was the first bank to introduce, among other things, margin lending and long-term savings schemes for both local and foreign currencies to Egypt, as well as the first to offer credit cards to the public in the 1980s and to introduce smart card technology, in 2003, and the first to extend its working hours for full banking services across all its branches till 5 pm. The bank is currently unveiling a new wave of products, including a number of innovative liability and asset products. "The market is still under-banked and given the movement of the economy there is a lot of room for the finance industry to find new opportunities, especially in areas like bonds and mortgages," Abdalla says. Planned growth of AAIB's international operations will build on the foundations of the bank's already strong ties in the Middle East, which extend back to the creation of the bank in 1964, when the Kuwait Investment Authority took a stake of just under 49.4% in it (with the same amount being held by the Central Bank of Egypt). Since then, the company has developed a presence in the United Arab Emirates, where it has branches in both Abu Dhabi and Dubai, as well as Lebanon, where it has a branch in Beirut.

The bank will start with the international market it knows best, focusing initially on expanding its UAE operations, before further developing its opportunities to "go regional", Abdalla says. However, AAIB's plans are not just about corporate expansion and improved services: the bank says it is also aiming to benefit the country by leveraging its position in the financial community. Having already put resources into the renovation of a public sector local hospital, AAIB is now seeking to attract finance from its corporate clients to repeat this model across different governorates in Egypt via its new foundation for social development, "We owe it to Egypt", for which, Hassan Abdalla says, the bank has high expectations. ■

COMMUNICATIONS & IT

Creating a regional ICT hub

Egypt's information and communication technology (ICT) sector has been expanding at some 25% a year recently, compared to around 7% for the economy as a whole. This striking growth in the first years of the 21st century is no fluke, but rather the result of careful planning and hard work by the Egyptian authorities to establish a framework to convert the country into a regional technology hub.

The first major step along this path was only taken as recently as 1999, when the government established the Ministry of Communications and Information Technology, with a brief to turn the country into a global force in the sector. But the results are already regarded as impressive: a wave of deregulation, greater encouragement of foreign investment, construction of state-of-the-art facilities and expanded technical education have ensued. Telecom Egypt, the state telecoms operator has been partially privatised, the mobile telephony sector is thriving, partnerships between local and multinational companies have been facilitated, public-private partnerships have been spawned and business and technology parks, such as Cairo's Smart Village, have sprouted. All this has given Egypt a growing international reputation in the field.

"I would not be exaggerating to say that Egypt is already emerging as the regional Silicon Valley," says Dr. Ahmed Nazif, Egypt's Prime Minister. "We have gained the confidence of the big players in this area, the multinationals. Many have committed to Egypt as their regional hub. The cauldron of ICT in Africa is here."

The introduction of foreign investment to the sector has brought benefits across the board, according to Dr. Tarek Kamel, the Minister of CIT.

"Many opponents of the direction we have taken claimed that deregulation and privatisation would only bring revenues to the multinationals, but not to local industries or the government. The answer to that has been a clear 'no'," he says.

Kamel backs this up by noting the vast number of jobs the government estimates to have flowed from the ICT sector in the last six or seven years - 40,000 created directly and another 40,000-50,000 created indirectly. He also points to the billions of dollars of revenues generated for the government through the issue of mobile network licenses and the growth in tax income from the sector, as well as the gains brought to the wider population, in all social strata, through the communications revolution.

Coordinating development

Much state support for ICT is now channelled through the Information Technology Industry Development Agency (ITIDA). Established in 2004, ITIDA not only plays a major role in regulating aspects of the sector, such as electronic signature and transaction verification - an increasingly important task as ICT plays an ever more important role in everyday business - but also in promoting exports and further investment.

Mohamed Omran, ITIDA's Chief Executive, says the agency's most important objective is to develop a workable strategy for the sector, enabling Egypt to compete against much longer established rivals in Asia and elsewhere.

"We realised at an early stage that millions of pounds would be spent on developing the nation's ICT industry so we had to have a clear strategy," he says. "We consulted all stakeholders, including academics, ministerial officials, technical experts, multinationals and a number of NGOs."

The outcome of a year of planning was a priority list led by the need to develop business process and knowledge process outsourcing services, such as call centres. Egypt is now building on a strong, if still relatively small, base in this area. In 2006, consultancy AT Kearney ranked Egypt at number 12 in its Global Offshore Services Index, as the country benefited from the quality - and multilingualism - of the available workforce, the country's easy access to and from international markets and, of course, its increasingly comprehensive IT infrastructure.

Egypt currently generates around $300 million in exports through services such as software development and call centres, according to ITIDA. The government target for exports of offshore outsourced IT services alone is a cumulative $1.5 billion between June 2006 and end-2010. To help achieve this, the offshore sector is positioning itself to cash in on the country's large pool of skilled professionals. So, Egyptian technical support centres are offering services well beyond the norm, providing detailed advice and back up to global customers in highly technical areas from engineering to medicine.


SMART VILLAGE
Xceed

A key element in the sector's development is the government-backed Smart Village, the well-appointed technology hub on the edge of Cairo. The village plays host to a number of cutting-edge businesses, including leading Egyptian call centre company Xceed, which has a 1,200-seat facility there. The village also houses the headquarters of ITIDA, appropriately putting the agency at the physical heart of the country's technological push.

International showcase

Given the desire to attract joint venture partners to Egypt from leaders among the emerging IT nations, such as India and China, extra resources have been put into the Cairo ICT fair in recent years. The 11th staging of the event, held in February 2007, was a major international showcase for all that the local sector has to offer, with ITIDA, as sponsor, able to bring in international analysts and investors, while financing the participation of dozens of companies.

Egypt's increasing international stature in the industry brings with it the need to regulate participants, manage public and private investment, offer internationally recognised standards certification for software development and provide better intellectual property rights protection - all vital if the spirit of innovation is to be fostered and if large-scale private investment is to be encouraged. Responsibility for these diverse areas inevitably tends to fall across the remits of several ministries and authorities, but the creation of ITIDA has provided a focal point for coordination of these strands in many instances.

In one current example, ITIDA has been in charge of developing terms of reference for an international tender to select consultants for the Egypt-led NAVISAT project to place satellites in orbit over Africa to improve air traffic control over the continent. This has meant working in harness with the Ministry of Civil Aviation, the Ministry of CIT and others. "This promises to be a very good example of cooperation between administrations and ministries of a type we haven't seen before," ITIDA's Omran notes.

Solid foundations

No one in government is claiming that the job is finished in the ICT sector. There is recognition that a lot of hard work remains to be done, if it is to fulfil its potential. International communications services are still to be fully deregulated, more industry-specific training is needed and broadband internet penetration in many parts of the country remains low, for example.

However, there is optimism that solid foundations have been put in place to take the sector forward. And just as importantly, in the view of CIT Minister Dr. Kamel, this sector's successes provide a blueprint for the rest of the economy. "The ICT sector can now be taken as a role model for reform of other sectors," he says.

Calling the market

The companies that have gained a foothold in the Egyptian telecoms market over the last few years have ridden a wave of exploding growth. Now they face the challenge of producing further innovative services if this trend is to be continued - a challenge which they say they are ready to meet.

But how do you keep momentum going in an ICT sector that has been expanding at a rate that has enabled some mobile operators to create business growth of as much as 40% a year recently? The firms hope the answer is a mixture of developing existing successful markets, such as mobile telephony, and creating markets almost from scratch by, for example, unleashing the under-developed potential of broadband services.

A few years ago, the accepted wisdom in some quarters was that mobile phone use would be too expensive for most people in developing countries outside the middle classes, implying that a large swathe of the Egyptian population on low incomes would miss out on the benefits of the technology. However, a combination of falling equipment costs and innovative business strategies have helped to prove this wrong.

Homegrown global player Orascom Telecom has developed a blueprint for success in Egypt and a number of other developing markets by taking the needs of low-income customers seriously and providing them with an affordable service, according to Naguib Sawiris, the company's Chairman and Chief Executive.

"We always felt that what happens north of the Mediterranean would happen south of the Mediterranean so we looked at European values and said: 'Look - the same will happen here. People think these countries are poor; that they don't need to talk so much or need a mobile phone. But people have the same habits and the same need for communication - the fact that their income is less doesn't matter," he says.

Although the income derived from, say, three subscribers in Egypt might be equivalent to that from one in parts of Europe, the costs involved in providing that voice capacity are not three times as great and, in some respects, are cheaper, given the lower overheads in Egypt, Sawiris argues. Given this thinking, and soaring demand, he thinks Egypt and other developing markets hold just as much promise as those of Egypt's neighbours to the north did a decade ago.

"I think that these markets we will end up with 100% penetration just like anywhere else in the world. Look at Eastern Europe - there are many operations there which are now nearing 100% market penetration. A few years ago, nobody would have believed that could happen," he says.

If the same occurs in Egypt, and given that mobile phone use penetration stood at around 20% at end-2006, the market should have considerable upside. And it may need to have, because the sector is now a three-horse race, with UAE-based Etisalat winning the bid to join Orascom's Mobinil service and Vodafone Egypt in the market, launching Etisalat Egypt in May 2007.

Ian Grey, Vodafone Egypt's Chief Executive, says the introduction of a third operator will make customers more relaxed by giving them more choice. "The public will recognise that, with a third player in the market, competition will be strong," he says.

However, a price war is seen as unlikely over the long-term. "Prices in Egypt are already among the lowest in the world," says Grey. "Anyone operating in this business has to get a return on investment and investment levels have been high. We have spent something like EGP2 billion every year for the past four years and you do need a return on that figure."

Investment targets

Not that the Egyptian telecoms sector shows any signs of losing its lustre. Etisalat's hefty EGP16.7 billion outlay for the third mobile license is just the latest in a line of big investments reflecting confidence in the returns to be made there. In early 2007, Orascom Telecom successfully placed a seven-year bond offering - increased to $750 million from $500 million due to heavy demand - which has become a regional benchmark. It was the first international corporate bond issue from an Egyptian company since 1999 and the largest ever sub-investment grade corporate bond in the Middle East and Africa at the time of issue.

"People have now realised that, Orascom, while being an emerging market company, is showing the same management skills and financial parameters of its peers elsewhere, if not better," Sawiris says. He notes that the company's profitability in terms of Earnings before interest, taxes, depreciation and amortisation (EBITDA) margins is more impressive than those of most of its European counterparts, running at an average of around 50% across the group as a whole.

Meanwhile, Vodafone Egypt also received an investment injection recently, when state-controlled Telecom Egypt (TE) raised its stake in the firm to 45% from around 26% in October 2006, providing TE with an increase in an already valuable income stream. And TE itself could be said to have really given initial momentum to the present wave of private investment in the sector with its successful IPO of 20% of the company's shares back in 2005, which was more than ten times over-subscribed and made over EGP5 billion for the government.

Progress Towards Development of Egypt's ICT Infrastructure

Item	October 1999	November 2006	June 2007 (Target)
Fixed Lines Subscribers (million)	4.9	10.6	12.0
Fixed Lines Density (%)	7.6	14.9	16.4
Mobile Subscribers (million)	0.65	14.8	18.0
Mobile Density (%)	1.0	20.5	24.6
Public Service Telephones (thousand)	13.3	55.5	62.0
Internet Users (million)	3.0	5.4	7.3
Intl. Internet Bandwidth (G b/sec)	0.02	5.8	7.3

Source: Egypt's ICT Golden Book

Value-added services

Such interest is not based solely on the potential for market penetration of telephony, whether mobile or fixed line. Of as much, if not more, interest are the value-added services which come with a more comprehensive and modern communications network, not least those dependent on improved broadband internet connections.

"We have only 250,000 broadband subscribers, but the figure is doubling every year, so we expect to have 800,000 by the end of next year [2008]," says Akil Beshir, Chairman and Chief Executive of Telecom Egypt." We think broadband is the future because of the services that come with it. Content development and distribution will be an important part of our business."

Egypt also stands to make an impression internationally in this regard, given its existing role as one of the main purveyors of music, television programmes, film and other culture to the Arabic-speaking world. "Egypt is actually very well positioned because most of the cultural content for the region comes from Egypt. So, we are very enthusiastic about this. The growth drivers are many for the sector and for Telecom Egypt," Beshir says.

While TE dominates fixed line broadband provision, the mobile operators also hope to make in-roads in the provision of non-voice offerings via the 3G services now being rolled out in some parts of the country. These will enable faster internet browsing and e-mailing via the phone, or an attached computer, as well as music downloads and mobile TV services. However, there is also a more prosaic, if equally rational, reason for Vodafone Egypt and Etisalat to shell out hundreds of millions of dollars for 3G licenses, namely the extra capacity it offers in a country where spiralling demand is putting pressure on the existing infrastructure.

International ambitions

Egyptian operators are not just restricted to the domestic market. Success in the Arab world's most populous country has also paved the way for success elsewhere. When investors snapped up Orascom's bond offering, they were putting money into a now well-established global player. Having already acquired 56 million subscribers worldwide by end-March 2007, the company has set itself a target of raising the figure to 100 million by 2010 at the latest. The increase will be drawn largely from the most populous countries in which Orascom operates, such as Egypt, Pakistan, Algeria and Bangladesh, as well as Tunisia and Iraq. However, the group is not limiting its ambitions to the developing world, with Weather Investments - the holding company, also led by Naguib Sawiris, that controls Orascom Telecom - having already made strategic acquisitions in Greece and Italy.

This is a sensible business strategy, according to Sawiris. "It makes sense because of the location of the assets. To travel from Cairo to Rome, it takes two-and-a-half hours, from Algeria to Marseille or Tunis it is 45 minutes. Having assets on both sides of the Mediterranean definitely creates a lot of synergies, especially given the international traffic between these countries.

We will go where we can add value," he says. "The cultures are not that different. I sometimes joke that the Egyptians are nearer to the Italians and Greeks than Italians and Greeks are to the Swedes and the Danes."

Telecom Egypt is also beefing up its international strategy, starting with a small operation in Jordan, where it has recently added international voice calls to its license. The company has also made a foray into the Algerian market, where, investment conditions permitting, it hopes to play a role in the telecoms market, and has been bidding for services in other countries. "Regional expansion is definitely one of the elements of our strategy," says TE's Beshir.

Vodafone and Etisalat are already high profile regional or global players and so are able to bring that experience to the Egyptian market. In the case of Vodafone, this includes a fortuitous synergy between its Egyptian and international operations.

The glut of well educated engineers available in Egypt had already made it the best location for a technical call centre to advise Vodafone's Australian subscribers on their 3G and advanced data services, which have been in operation for some time. Now, as similar services are offered to Egyptian businesses, the company has a ready-trained pool of workers ready to provide support to its local customers.

New opportunities

The pace of change of the industry in Egypt and the wider region is unlikely to slow down much, even after the flurry of activity in recent years.

GIVING THE WORLD A VOICE

Broadband services promise to be the big growth area and one which the mobile operators and others are as eager to build up as TE, which currently has a monopoly on wholesale provision in that sector.

On the regional stage, consolidation may be the name of the game, according to Orascom's Sawiris. "It is no secret that we have a war chest of 5 billion dollars right now that will enable us to buy any smaller competitors in any region that would fit in with our strategy. You will see a lot of consolidation," he says.

In Egypt itself, one of the next big developments is likely to be the long-mooted offering of licenses to handle international traffic, all of which is currently run by Telecom Egypt. The country could also develop into an international hub for telecoms through-traffic, given its location on the cusp of sub-sea and overland routes between Europe and Asia.

All this costs money, so foreign investment is likely to play a major role in developing new infrastructure. For Sawiris, much depends on ease of finding investments in the telecoms sector. "Now the Arab world is full of cash and people are looking for opportunities," he says.

"We are seeing a lot of the Gulf countries looking beyond their borders and going to Europe. So if we are late in offering opportunities, they will just take their money somewhere else."

Delivering on service

If talk of Egypt's state-owned postal service conjures up a vision of a stale, over-stretched old institution, then think again. As the country's postal services gear up for full liberalisation, slated for 2009, Egypt Post is undergoing a radical transformation that is not only upgrading its mail services, but also putting the organisation at the heart of the ICT revolution sweeping the nation.

The wide variety of activities carried out by the company has meant collaboration with a broad range of multinational players. To create a national e-mail service, Egypt Post has collaborated with Google and Microsoft, while its new IT system has been developed in conjunction with Alcatel, Cisco Systems, Ericsson, Siemens and others.

Central to this development and to Egypt Post's future is the company's 50,000 staff and its network of some 3,600 branches, which can offer services to even the remotest corners of the country. Upgrading so many offices and re-training this vast number of employees is not an overnight job, so both elements are being done in phases. By early 2007, a second batch of 600 outlets was being assessed for quality improvement, while 7,500 employees had been given extensive training in customer services and IT skills.

This has required the development of strategic international alliances, such as the 'twinning' contract signed between Egypt Post and the European Union in February 2007, under which EU postal services - primarily France's La Poste - will exchange know-how with Egypt in preparation for the sector's liberalisation. Alaa Fahmy, Egypt Post's Chairman, stresses this is very much designed to be a two-way street with expertise and possible investment flowing in both directions.

The potential of such a far-reaching organisation has not been overlooked by non-postal services either. The most notable link-up here is that with Etisalat Egypt, recently awarded the country's third mobile network licence. Under this arrangement, Etisalat services will be promoted and offered via Egypt Post's network, while Egypt Post has taken a 20% stake in Etisalat Egypt, which should earn Egypt Post around EGP100 million in net income over the next five or six years, according to Fahmy.

"I believe that Egypt Post will become the hub of the communications industry, not just offering mail delivery services," says Fahmy, who is a former Executive President of the National Telecommunications Regulatory Authority, the organisation which has overseen the opening up of the entire telecommunications sector.

This process is already well underway, as Egypt Post boosts its role as provider of e-mail, e-signature facilities and e-government services, as well as building up its financial services operations in conjunction with local banks. ■

INDUSTRY

Fitter and leaner

Egyptian industry has done much to shake off its old reputation of being over-staffed, inefficient and served by poor infrastructure and market mechanisms. Foreign companies working in the country now talk glowingly of the talent within the labour force and of the direction of the government's business reforms.

At government level, this has been done through a mixture of domestic reforms and the introduction of a more liberal trade regime and a much improved investment climate. The creation of agencies designed to foster industrial development, such as the Industrial Modernisation Centre - funded by the European Union, the Egyptian private sector and the government - have also provided valuable support.

Meanwhile, the private sector companies that have taken advantage of this framework have played their part by bringing management practices honed around the world to some formerly dilapidated state-run industries. This has proved crucial to injecting vitality into a sector that needs to be in good shape to respond to the huge opportunities on offer both at home and abroad.

The government has assiduously courted foreign interest in industry in recent years through its ongoing privatisation programme and through its promotion of Egypt as an export hub. Minister of Trade and Industry Rachid Mohamed Rachid

has been at the forefront of efforts to win over companies from a variety of countries, and not just Egypt's traditional trading partners in Europe, the US and the Middle East region. One recent success was the signing, in April 2007, of a memorandum of understanding for the development of a Russian zone for heavy industry near Alexandria. A similar agreement with Turkey has also been signed, and one with China is under consideration.

The benefits of bringing in international business insight are clear to see in a number of industries. The cement business, now one of Egypt's strong suits, has been transformed since it was freed up from state control - it is now mostly owned by investors from a number of other countries, including the UK, France, Portugal and Italy.

Cemex Egypt, which is owned by Mexican giant Cemex, is a case in point. Having acquired Assiut Cement in 1999, Cemex embarked on a complete overhaul of the company's business, upgrading facilities and reducing the number of employees in a process that Cemex acknowledges was not without pain - cushioned to some extent by early retirement packages - but which has left the Egyptian operation in a much stronger position to operate in a competitive domestic and international market. The restructuring cut the workforce from some 4,000 people to around 800 today. But Joaquin Estrada, Chairman of Cemex Egypt, is quick to point out that this is no reflection on the talents of Egyptian workers, but rather to remove the chronic over-manning that used to be a feature of public sector operations and so give the business an economically sustainable future.

He says the company is very happy with the current highly trained workforce. "We have developed our people here. The best illustration is that we have more Egyptians working in Cemex operations abroad than the Cemex staff from abroad working here," he notes.

All the big cement companies have made similar moves to streamline their operations and are now building a solid foundation for regional growth from their Egyptian base, but, for some, their priority remains closer to home. Roberto Callieri, Managing Director at Suez Cement, the group owned by Italy's Italcementi, says the domestic market remains very much his company's focus. "We are an Egyptian company and our strategy is to remain local," he says. "I think we can be part of the modernisation phase in Egypt, as we can bring in all the experience we have from other regions - transferring know-how, energy and resources here."

Suez does export around 10% of its output and so has been affected - as has Cemex - by the sudden imposition of an export duty on the cement and steel industries by the government in February 2007, which was designed to cap prices in the domestic market.

However, such moves are generally regarded as being short-term measures by industry chiefs and are not generally viewed as major setbacks, especially when balanced against the great strides made in opening up the economy.

Improving ports

One area where progress is now being made, which should have far-reaching effects on Egypt's manufacturers, is in developing the port infrastructure. The country's ports handle nearly 90% of Egypt's international trade and so are vital if exporters are to thrive. The introduction of private ownership to some smaller ports resulted in a sharp increase in total cargo handling capacity, which grew around 60% between 2000 and 2005. Since then, the responsibility for modernising, managing and expanding the ports of Alexandria, Egypt's biggest, and Dekheila has also passed to a private operator, Hong Kong-based Hutchison Port Holdings.

Egypt's textiles producers are only too well aware of the advantages such modernisation would have on their industry. They compete with regional rivals such as Turkey to supply the European market, but while Turkish companies can truck products into Europe by road, Egyptian firms are more dependent on sea links. However, Dr Alaa Arafa, Chairman of textiles manufacturer Arafa Holding says, the combination of increased capacity at, and more rapid transit through, Egypt's ports, together with the relatively low production costs of the Egyptian industry could give the country the edge in future.

"If you diminish your lead time, you are effectively doing the same as producing inside Europe itself, but at a much lower cost. If you improve the port infrastructure, people will say: let's produce in Egypt," he says.

New markets

Trading opportunities are no longer restricted to the traditional markets of Europe, the US, North Africa and the Gulf, however. Youssef Mansour, Chairman of the Mansour Group conglomerate, says Egyptian companies should also position themselves to take advantage of new markets, notably those on Egypt's doorstep in sub-Saharan Africa.

"When Egyptians think of exports, they tend to think of the US and Europe. But Africa deserves the increasing attention it is receiving. It is one of the world's fastest growing markets," he says. With a string of dealerships for Caterpillar construction vehicles and machinery in Kenya, Nigeria, Sierra Leone, Uganda, Tanzania and Ghana, Mansour is well positioned to prosper in the region, bolstering a success story that already incorporates interests and investments in Egypt and abroad ranging from vehicle plants to information technology and financial services. The group's spread of businesses provides ample possibilities for expanding into new export markets. The Mansour Manufacturing and Distribution division, for example, includes many products and ventures that are already household names in Egypt. The Metro supermarket chain, created in 1998, is now the largest in the country, while Mansour's own well-known consumer product brands such as Sunshine Tuna, Seclam dairy products and Hayat mineral water complement its distribution deals with US giants Kraft Foods and the Philip Morris tobacco group.

At another top Egyptian company, Lecico, the range of businesses is somewhat narrower, but the exporting issues are just as complex. As head of the largest manufacturer of sanitary ware in the Middle East, company Chairman Gilbert Gargour has come to know his markets inside out.

The company has been able to take full advantage of the decline in production of sanitary ware in Europe to make notable inroads into markets such as the UK and France. The company sells about 30% of its production of 5 million pieces of sanitary ware in Egypt and exports the rest, of which 80% goes to Europe. "In the UK, we benefit from having a very good market acceptance of our brand name," says Gargour. "There we focus on distributing to the independent merchants rather than to the big groups and we have done very well."

TOURISM & PROPERTY

Tourism on the fast track


DDB/ETA

It is little wonder that Egypt has put fast-track development of tourism at the heart of its economic programme, given the huge potential of its alluring mix of sun, sea and sand with world famous antiquities - and ample space for development.

The government wants to boost tourist numbers to 14 million tourists by 2011 from the 9 million recorded in 2006, which is an ambitious plan, even allowing for the meteoric growth of Egypt's tourism industry. However, Zoheir Garranah, the Egyptian Minister of Tourism, says he is confident the figures will add up. "To meet that target, we need an additional 15,000 rooms every year and to reach a capacity of 240,000 rooms by 2011," he says. "In 2006 we achieved our target, with 16,000 rooms coming into operation. By the end of this year we have another 15,000 rooms coming on stream."

If this trend continues then Egypt will benefit from more than just a sharp rise in tourism revenues from the $7.6 billion generated in 2006. Garranah notes recent studies indicating that 200,000 new jobs will be created for every extra 1 million tourists.

With no shortage of tourists in all price brackets eager to visit Egypt, whether it be for all-year round sun on the Red Sea coast or the cultural riches of Cairo and the Nile valley, one main thrust of tourism policy has been to simplify life for those wishing to cater for them. This has involved the transformation of the investment environment in the tourism sector from one of restrictions and red tape to a much more liberal one, particularly where foreign investment is concerned. "In the past year we have witnessed a lot of demand from foreign investors in the tourism sector in general, mainly in hotels and residential tourism, and especially second homes," Garranah says. "This is due to the change in laws on foreign ownership, both for freehold and for 99 year leases. Foreigners are now treated exactly the same as Egyptians and this has really driven demand."

Sharm charms

The Red Sea now provides the main focus of the industry, with its winter sun, warm waters and coral reef diving. While Hurghada and other resorts are raising their profiles, it is Sharm El Sheikh that remains the jewel in the crown. The resort's image has been reinforced by visits from some high profile guests, such as former UK Prime Minister Tony Blair, who has been a frequent guest in Sharm for his winter holidays.

Offering tourists, predominantly from western Europe, the Middle East and, increasingly, Russia and eastern Europe, the sort of holiday and facilities they would expect in a European resort, Sharm is now at the heart of the debate on how best to market Egyptian tourism in the future.

The question is: how do you balance the benefits of mass market tourism, with large numbers of relatively low spending visitors, against the approach of attracting lower numbers of richer, high-spending visitors seeking more exclusivity? The answer is likely to be a mixture of both, given there is plenty of room for a variety of offerings.

At the upmarket end of the spectrum lie hotels such as the Savoy and its sister hotels the Royal Savoy and the Savoy Sierra, which have built good reputations based on top-class facilities and service, and prime locations in and around Sharm. Emad Aziz, Chairman of Savoy Hotel & Resorts International, which owns these hotels, points to the amount of repeat business they attract, as an indication of how this push for quality has paid off. "Around 60% of our business is repeaters now. People come specifically for the Savoy," he says.

Aziz also points to a growing list of industry awards to back up his claims for his hotels. In November 2006, the Savoy Sharm El-Sheikh was chosen as "Egypt's Leading Resort" at the World Travel Awards for the second year running, and the company also snapped up the "Middle East Leading Villas" award too.

He identifies three main factors for the success of the Savoy Sharm El-Sheikh. Firstly, investment in the buildings themselves, which he describes as being "a piece of art", complete with top-of-the range versions of the amenities you would expect to find in a leading hotel, and a few that you might not, such as demisters behind the bathroom mirrors to stop them getting steamed up. A second factor is the well-trained staff, totalling around 900 people, virtually all of whom are employed in-house rather than outsourced, right down to the gardeners and security team. And the third factor Aziz notes is the development of innovative facilities around the hotel, including a plethora of bars and restaurants, an ice skating rink and a "smart village", showing off the best of Egyptian culture in a high-tech environment.

These amenities also extend to another strong suit of the Red Sea resorts, the ability to combine work with pleasure. In the case of the Savoy, this is facilitated by provision of the full gamut of business facilities, at the centre of which is a state-of-the-art main conference hall, with a 1,700 capacity, making it the largest in the Red Sea region.

Property: thinking on the grand scale

The success of the Red Sea resorts in putting Egypt on the global leisure map, beyond its obvious cultural attractions, has also contributed to opening up huge opportunities in the property development sector, and these do not end at the coastal resorts. Visitors to Cairo - and indeed the city's more affluent residents - can now find facilities that would have been unthinkable two decades ago. What used to be semi-desert scrub on the edge of town is now being converted into lush, verdant complexes, replete with world-famous hotels, golf courses, theme parks and residential estates, plus all the associated services, such as schools, shops and cinemas and excellent IT infrastructure.

Marketing Egyptian property to markets with such diverse tastes as, say, northern Europe and the Gulf, and to customers with varying incomes, brings its own particular challenges.

Property developer Palm Hills Developments is one of the top three land bank owners in Egypt, holding 22 million square metres around Cairo - including its ground-breaking first project, Palm Hills October - and on the Mediterranean coast. As such it needs to identify opportunities across this spectrum of clients, if it is to maximise the potential of these assets.

In the Cairo area, this means developing residential, leisure and business complexes aimed at top income levels among Egyptian and other long-term residents, as others are doing, but the company also wants to cater for somewhat lower-income groups, which are not benefiting as much from the present wave of new construction around the capital. "Most of the housing built so far has been aimed at "A" class residents. That is why we are also looking more towards the "B" category," says Yasseen Mansour, Chairman of Palm Hills Developments. "The Egyptian middle class is now growing, which is a huge opportunity for us."

The Village, in Cairo, is the company's first mixed-use project, including both commercial and residential components. Located opposite the American University in Cairo (AUC) campus, its smaller residential units are aimed at a young, urban population, while the new shopping mall is likely to become popular among students.

Mansour notes that the present development of a mortgage market in Egypt, something entirely new to the country, is going to bring property ownership within the grasp of a much wider group of Egyptians. "It's already happening. We see a lot of young Egyptians, perhaps newly weds, who are not dependent on their parents, but on their own resources. They can afford to buy relatively expensive houses," he says.

Meanwhile, on the north coast, the target market is different, comprising tourists and, increasingly, foreigners seeking second homes. The company is positioning that project as the "new summer resort destination", with a full range of leisure facilities. "What we are looking at on the north coast is a complete mixed-use development which would include a golf course, two or three hotels, and residential units not only for Egyptians but also for foreigners - we are trying to penetrate the second homes market," says Mansour.

He says that tapping into the growing pool of people in the UK interested in investing in second homes overseas is the company's main priority in this area. While Egypt may not have been an obvious choice for the British in the past, given the relative ease of property investment nearer to home in Europe, the situation is changing fast. A determination to open up this lucrative revenue stream has triggered an overhaul of the legal framework for property ownership in Egypt. "It is a lot easier than before," Mansour says.

Another of the company's projects, currently under development, is the showpiece Golf Views at Palm Hills, close to the Pyramids, which features a 27-hole golf course designed by the company founded by sporting legend Jack Nicklaus, but the company is not just thinking domestically. Mansour says Palm

Hills Developments is also eyeing up potential developments in countries such as Algeria, Morocco and Oman. While the rewards of all this development may be extensive, the upfront costs are considerable. So it is not surprising that the Egyptian property sector is always rife with reports of financing deals and merger deals. Palm Hills Developments attempted a merger deal with another property firm, SODIC, early in 2007, which failed to work out. Now, the company is going it alone, restructuring its operations and planning an initial public offering (IPO) in the not-too-distant future, confident that the Egyptian property market is set to maintain its growth well into the future.

Savoy

Expansion plans

SODIC itself is also restructuring its operations to take advantage of the opportunities opening up in Egypt and the wider region. "We want to create an Egyptian answer to the big real estate titans, which developed and grew in response to similar opportunities in other areas of the Middle East," says Maher Maksoud, CEO of SODIC (Sixth of October Development and Investment Co). The company has recently announced a tie-up with Lebanese property firm Solidere, initially to develop projects in the Cairo region. It is also seeking to expand its land bank, not just in greater Cairo, but also in Alexandria, the Red Sea coast, the Mediterranean coast and elsewhere in the region.

Maksoud stresses the opportunities being opened up by the more equitable distribution of income in recent years to create a larger middle class and by the fledgling mortgage market. "Over the last three to four years, Egypt has become similar to many of the countries that have preceded us on the path to development, by opening up to the global economy. We now have huge demand for residential real estate at different levels. We also have huge demand for retail and services, due to all the new international brands and developers that have recently come into the market. Tourism is also creating continuously growing demand for real estate," he says.

Pionering development

Dreamland is one of the biggest projects in the Cairo region, covering a 2,000-acre site 20 minutes from the centre of the city. Overlooking the Pyramids at Giza, it should accommodate 40,000 residents in total, when the last phases are completed. The development was the brainchild of Dr Ahmed Bahgat, a businessman who, in the mid-1980s, saw the potential of the environs of Cairo for such a well-heeled complex long before the competition did.

"We were the first people to think of tourism mega-projects in the Middle East," says Hassan El Shafey, Vice Chairman of the Bahgat Group, which now has interests ranging from information technology and manufacturing to entertainment.

The company brought in a wealth of design talent, predominantly from the US and Canada, to create the master plan for the complex, which is now a well-established part of the capital's fast-expanding landscape.

"We have a lot of Americans, Canadians, French, British and Arabic people living here, in addition to Egyptians," says El Shafey. "Everyone has a right to own a house in Dreamland and then do what ever they want with it - live in it, rent it or re-sell it."

Such lavish projects draw criticism from some parts for only targeting a small pool of high-income earners, but El Shafey is eager to make a case for their wider value. "We currently have around 5,000 to 7,000 employees and we pay approximately EGP100 million [$17 million] in sales tax every quarter, not to mention income tax and social security. It's a tremendous contribution to the economy," he says.

Azza Fahmy Jewellery

Azza Fahmy has first hand experience of what the increased prosperity of Egyptians means for local businesses. The distinctive, top-of-the-range pieces produced by her fast-growing jewellery business - already popular among the rich of the Middle East and now, increasingly, in some European countries - are now being sought by greater numbers of her compatriots than ever in her firm's five retail outlets in Cairo and Alexandria.

"In the past two years we have seen an increase in Egyptians being interested in our high end, exclusive product line. Before that it was mainly Gulf royalty and Sheikhs that were the main clients for this limited line," she says.

And the company stands not only to benefit from the greater spending power in the domestic market, but also from the current economic reform programme, which should make crucial aspects of her business, such as financing expansion, training and exporting considerably easier.

Fahmy says there is an urgent need to remove obstacles to trade, including those relating to burdensome customs procedures and the speeding up of the hallmarking process. But she is in the ideal position to help tackle these issues, as she plays an important role on the government's steering committee on the jewellery sector. This also makes her well placed to appreciate the great strides the government has made in improving dialogue between the government and industry.

The Azza Fahmy jewellery business, meanwhile, goes from strength to strength, building up its international presence with more retail outlets and participating in a series of events that have boosted the company's international renown. In the UK, her jewellery is already available through a London retailer, Kabiri, and she is hoping to open her own store in London by the end of 2008. In the meantime, the company's profile has been raised by its participation in London Fashion Week in February 2007, which included the fruits of a collaboration with famed British designer Julien Macdonald.

"It was a very successful collaboration," Fahmy says. "When you collaborate with someone who is already known as a very good designer, you automatically position yourself at a certain level."

Now, she aims to build on this by introducing the full range of her products to as wide an audience as possible and will be present again at the next London Fashion Week in Autumn 2007.

PHOTOGRAPHS USED ON COVER: DDB/ETA, XCEED AND OCI

PANORAMA SAFAGA – A WIDER APPEAL

The mid-1990s was a difficult time for investors in Egyptian tourism, their efforts undermined by the effects of terrorist attacks in Luxor and elsewhere on the industry. However, those that stayed the course are now reaping the rewards of a much-changed situation in a country now firmly on the global tourism map and benefiting handsomely from the age of cheap air travel.

Michael Cutler was one of those pioneers, through Oyoun Tourism Development Company (OTDC), the Egyptian-British joint venture of which he is Chief Executive. He says Egypt is ideally located at the centre of the new pan-Arab tourism industry, stretching from Morocco to the Middle East, as tourists flock to the region not just to wallow in the beach attractions of the Red Sea and Mediterranean, but also, increasingly, with an eye for its cultural riches.

With this in mind, OTDC's present headline resort project is based in Safaga, an up-and-coming Red Sea resort, which Cutler says represents a synthesis of the positive points of the better-known tourist destinations of Sharm El Sheikh and Hurghada. "Safaga has the best parts of both," he says.

"You've got the privacy of your own resort at the front of the town and then a ten minute walk into the centre, little local coffee shops, restaurants and so on. The project will become the heartbeat of the town."

Aptly named Panorama Safaga, the beach-front resort development of around 120 villas and apartments is now two-thirds complete and in some cases 99% ready. Designed in an attractive Mediterranean – Egyptian style and including purchase, longer-term rentals and timeshare, it is intended to be a step away from the walled fortress-feel of some Red Sea resorts, with a much more intimate ambience. The aim is to provide visitors to the resort with the means, in terms of transport and information, to spread their wings and soak up the attractions of Safaga and the region as a whole. This could extend to Saudi Arabia and the rest of the Egyptian Red Sea coast, which is served by ferry services from Safaga. Given the ease of these connections, this destination is sure to attract residents from Saudi Arabia, as well as the more usual Red Sea markets, such as the UK, Italy and Russia, creating a cosmopolitan idyll.

The Panorama Safaga Development faces the coral reefs of the Red Sea

Michael Cutler, Chief Executive of the Oyoun Tourism Development Company (pictured above) says the firm's offerings are now more enticing than ever, given its "Better Buyer" scheme, which enables buyers to secure both their investment and the recreational use of their property. Oyoun's "Peach" properties in Safaga now have built-in guarantees, with prices starting at $90,000 for outright ownership, or $8,700 on a fractional ownership basis. Readers interested in securing one of these beautiful properties can contact Oyoun on:

Cairo: +20 100 200 857
Safaga: +20 65 325 3978
UK: +44 770 698 8666
Email: unique.resorts@yahoo.co.uk
Email: oyoun.developments@yahoo.co.uk
Web: www.peachresorts.com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