

Section Two:

Sector Specific Issues

- Building Materials, Contracting and Engineering Consultancy;
- Information Technology (IT) & Communication, Publications & Copyrights products
- Pharmaceuticals, Chemicals & Fertilizers Industry, and Agricultural Products and Food Industry
- Textile, Home Furniture, and Ready made garments
- Steel Industry, Electronics and Appliances, Leather and Footwear, and Wood Related Products
- Finance & Banking; and
- Education, Training and Consultancy
- Freight Forwarding, Exports, &Imports.

**Egyptian Junior Business Association
National Business Agenda 2004**

Regulatory Reform SFG1 (Construction and Contracting)

Challenge: Absence of One Unified Contract

Objective: Improve the competitiveness of Egypt’s construction sector in a way that would accelerate the growth of that sector both locally & internationally.

Background:

- The constructions sector contributes to 4.7% of GDP, 8.3% of employment & 48% of total investment in Egypt which makes the construction sector one of the most dynamic & important economic sectors in the Egyptian economy.
- Certain Egyptian laws have a negative impact on the construction & contracting sectors such as law no. 89 of 1998 replacing law no. 9 of 1983 for bidding
- Although there were several amendments made in law 89/1998 it still has a negative impact on the construction sector due to a number of problems.
 - No real concern for quality, despite the law stating that both the price & quality are the main factors in choosing a bidder for any project; low price is usually favored over quality.
 - Arbitrating conflicts between contractors & clients takes a long time in courts.
 - No penalties are imposed on governmental authorities for payment delay although this may delay construction schedules.
- The overall bureaucracy & red tape in various government agencies as most of the investors’ effort is wasted in obtaining various licenses.
- Unfair contract conditions that do not compensate contractors when owners default on timely payment. (no obligation for payment)

Action needed: Adopt an initiative for a unified contract form (taking FIDIC Contract as a reference)

Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> – The EFCBC (Egyptian Federation for constructions & Building Contracting) & Engineering Syndicate should play an important role & an effective one in setting rules & regulations for the construction business.(privatize the EFCBC) – Establishing well defined criteria in choosing the bidder that is mainly characterized by transparency and non-bias in order to ensure fair competition. – Omitting first and last bidders in bidding like applicable in other countries (country) – Having a considerable time limit for choosing the bidder according to the nature 	<ul style="list-style-type: none"> – Ministry of Housing, Utilities, and New communities. – Ministry of Justice. – Egyptian Federation for constructions & Building Contracting

<p>and scope of the project, three months maximum (two months to choose the bidder and one month to finalize the contract).</p> <ul style="list-style-type: none"> - Establishing an electronic portal for bids and tenders to facilitate the application process and establishing a database for all applicants (which is already done in many Arab countries i.e. Oman) - Studying the exemplary law of international bids and tenders that is prepared by the United Nations Commission on International Trade Law in order to make use of it when amending the existing Egyptian law 89/1998. - Investigating the responsibility of the contractor towards the designs. - Identifying exactly what is meant by “the responsible authority” in order to avoid conflict in resolving problems. (Amendment of article 2 of law 89/1998). - Facilitating investment through approving all licenses from one place. - The new unified contract should contain the following points in order to solve the existing problems: <ul style="list-style-type: none"> - Balancing duties and rights of all parties involved in the contract (owners, contractors, suppliers.....etc.) in the form of clear terms and conditions. - Pre-specified affirmative steps should be enclosed in the contract in case of unpaid dues leading to a final step of the whole project suspend (taking the steps specified in the FIDIC contract as a reference). - Definition of the responsibilities of the consultant and the owner. To have the so called “Owner consultant agreement document” which defines the role of the consultant and prevents his biasness to the owner against the contractor? - Resorting to arbitration solutions better than courts in order to save time and effort. Therefore, putting arbitrary option as a first step action in case of resolving conflicts. Those arbitration rules should be streamlined with law 27/1994 of arbitration with the recommendation of ignoring the necessity of 	
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<p>the related minister's approval on resorting to arbitration (amendment of article 42 of law 89/1998).</p> <ul style="list-style-type: none">- This can be facilitated through establishing engineering courts with consultant judges to be responsible to judge in construction and contracting cases. (There are special football courts)- To avoid the problem of sudden increase in prices of materials after signing the contract which results in many losses to contractors the only solution is Escalation formula which is based on inflation rates during the last 2 or 3 months (an index can be developed based on weighted averages of building materials prices).- The right for compensation in case of extraordinary conditions and/or basic materials price surge (at least 20% change in price in a certain specified short period).- Setting guarantees to avoid contract release except in few specified cases).- Speeding up the implementation of mortgage law 148/2001 which is expected to spur growth in the construction sector over the long term.	
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Regulatory Reform SFG1 (Construction and Contracting)

Challenge: The Role of Egyptian Federation for constructions & Building Contracting

Objective: To improve performance and profitability of the sector.

Background:

- The Egyptian Federation for constructions & Building Contracting should play a more useful role in solving the problems facing this sector, but due to the inefficiency of the law regulating this entity (law 104/1992 for the establishment of Egyptian Federation for constructions & Building Contracting), severe problems are facing this sector as a result:

1. Problems in classifying companies.
2. Problems of unqualified management of those companies due to the lack of needed criteria.

Action needed: Empowering the Egyptian Federation for constructions & Building contracting.

Association Recommendation	Relevant Authority
<p>The Egyptian Federation for constructions & Building Contracting should preserve the following:</p> <ol style="list-style-type: none"> (1) Having set criteria for the managing level in the construction sector in order to have the license and membership. A matter that would ensure a well qualified management base. (2) Re-organizing the classifications of companies based on 4 criteria: financial aspects, human resources, Banks, clients. (3) Having a black list that is issued quarterly or semi annually including records of all bad reputations of contractors based on their history and performance. On the contrary, having a white list that is issued quarterly or semi annually including records of all good reputations of contractors based on their history and performance. (Setting transparent and clear criterion for those lists is a must to ensure the credibility of the system). 	<ul style="list-style-type: none"> - Ministry of Housing, Utilities, and New Communities.

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Regulatory Reform SFG1 (Construction and Contracting)

Challenge: Custom duties & taxation

Objective: To improve performance and profitability of the sector.

Background:

- The construction sector faces high custom duties (Tax law 66/1963) & taxes which hinder its performance & decrease its competitiveness.
- Unclear tax laws related to sales tax.
- Direct taxes imposed on engineers, engineering offices can reach up to 40-43%.
- Relatively high professional with holding taxes imposed on engineering offices can reach 15% of their fees in every project.
- High Custom duties faced by Egyptian companies abroad prevent them from transferring their machines and equipment in sites outside Egypt. Therefore, they have to rent or purchase those equipments from abroad which increase their cost & affect their competitiveness

Action needed: Decrease cost through decreasing customs duties and taxes.

Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - A general tax reform must take place. - Levy indirect sales tax on capital goods. - Benefit from international agreement (COMESA & GAFTA) in order to promote construction exports abroad by removing barriers and customs. 	<ul style="list-style-type: none"> - Ministry of Finance. - Ministry of Housing, Utilities, and New communities

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Regulatory Reform SFG1 (Construction and Contracting)

Challenge: Absence of Building Standards

Objective: To improve performance and profitability of the sector.

Background:

- There are no specific standards for building and constructions. All standards are set haphazardly causing unfair treatment. The Egyptian law set a maximum height for all buildings which is no more than 36 meters (almost 12 floors) while we can find that many contractors are not committed by this law due to various reasons. This problem is obvious in elite places which are attracting big giant investors

Action needed: Amending the law by setting specific criteria and standards to be followed in order to ensure fairness of treatment between all contractors.

Association Recommendation	Relevant Authority
<ul style="list-style-type: none">- Amending the existing law by including a standardized environmental and technical assessment. If the investor or the owner managed to satisfy this assessment, he should have the complete right for the height he requests, with no need to wait for the Prime Minister's approval on that (unless near by an airport).	<ul style="list-style-type: none">- Ministry of Housing, Utilities, and New Communities

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Regulatory Reform SFG1 (Construction and Contracting)

Challenge: Human resources.

Objective: To improve performance and profitability of the sector.

Background:

- The constructions sector constitutes 8.1% of total employment share in Egypt however, there are still some draw-backs related to employment & HR.
- There is insufficient supply of technical & skilled labor in certain sophisticated specializations.
- Lack of international exposure & international required qualifications.
- Shortage of engineers & consultants specialized in chemical (only 2.6% registered engineers & 2% registered consultants).

Action needed: Establishing human resource development plans

Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - It is critical that construction firms rebuild their organizational capability by starting at the beginning of the cycle through an identification of what the business strategy is, understanding their target markets and market niches. - Firms need to undertake an assessment of their strategic staffing demands and start building their capacity for the coming years. - Workers need to acquire the required competencies and skill sets that will allow them to compete in regional markets. - Working on forming a standardized qualification exam for all engineers & labor that must be passed even after finishing the basic college education. (e.g. GMAT) in order to be recruited in Egyptian constructions company. - Link our efforts with those of (EFCBC) which is involved in various training programs for HR development in the construction sector. - National vocational skills standards & certification system projects. Skills Development Projects. HR Development Projects. Engineers Training Programs. 	<ul style="list-style-type: none"> - Ministry of Housing, utilities, and new communities

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Regulatory Reform for SFG2 (ICT Sector)

Challenge: Inability of Egyptian ICT companies in pursuing and developing business opportunities in foreign markets.

Objective: To support local ICT companies to penetrate foreign markets for exportation.

Action needed: Establish an International Business Development Focus group in ICT to develop awareness and encourage interaction.

Association recommendations	Relevant Authority
<p>A) Establish an International Business Development Focus group in MCIT. This focus group should be announced in the media to develop awareness and encourage interaction.</p> <ul style="list-style-type: none"> – This MCIT Focus Group will embrace members of the ICT community (corporations, associations, academia, etc) – Advertise the launch and the activities of the International Business Development Focus Group targeting business sector in specific, utilizing several contact mechanisms (website, 0800 telephone number, address, specialized contact persons, etc. – Perform a liaison role between ICT companies and Commercial Representation offices in relevant Egyptian Embassies in the Export marketplaces – Provide companies with assistance in terms of documentation and information related to target foreign market environments. (Existing ICT market players, company establishment procedures & fees, office rent, human resources availability & cost, etc.) – Assist companies in establishing contacts with PTTs, foreign ministries and identifying contact persons. – Identify potential local business partners for Egyptian companies in foreign markets – Assist in lobbying and advocacy with Governments of target export markets – Subsidize required expenses or assist in acquiring funds for Egyptian companies seeking to participate in trade fairs organized by target markets for export 	<ul style="list-style-type: none"> – Ministry of Communication & Information Technology

- Organize trade missions for Egyptian ICT countries seeking to develop business in target export markets

B)Support from Ministry of Industry and Foreign Trade to ICT companies for export promotion.*There are three key areas of support

- *Information*
- *Funding*
- *Political support*

1. Information: This entails the provision or availing of crucial information about the targeted market (s), that would be required by any company seeking to penetrate foreign markets, such as:

- Information on the macro level : e.g. economic, environmental, political, social , security, demographics...etc, (few past years, current & forecast)
- Micro-level Information concerning the Telecom & IT industry: market profile including main players, competition, main customers, multinational corporations and their market presence, opportunities, etc.
- Information related to potential local business partners, agents (history, credit worthiness, reputation...etc.) and possibly matchmaking activities.
- Information of other Egyptian companies working in the foreign country in order to share experiences and/ or collaborate to pursue opportunities when possible.

2. Funding This entails availing funds to companies:

- Travel & accommodation subsidies for market penetration activities (bus. Development, sales, presales trips... etc)
- Exhibitions participation
- -Conducting own seminars/events
- Office abroad: Co. setup fees, space rent, salaries of Egyptians hired there...
- Marketing collateral: web site, brochures, giveaways...etc.
- Subscription/fees for info: Tender alert agencies, countries and bus info, agencies (web based published journals...etc.)
- International sales and marketing and staff training.
- Financial facilities: cost of RFPs, bid bonds, performance bonds...

<ul style="list-style-type: none"> - Traveling Facilitation: Visa issuance...etc. <p><u>3.Political support:</u> This entails official ministerial support for Egyptian companies in:</p> <ul style="list-style-type: none"> - Trade missions under the ministry of trade umbrella - Lobbying with concerned agencies and decision makers to activate existing trade agreements and position Egyptian companies in these countries. - Direct support of commercial attaches and embassies in bids and opportunities 	
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG2 (ICT Sector)</p> <p>Challenge: <u>Low penetration rate of ICT usage in the private sector</u></p> <p>Objective: Encourage private sector companies to adopt the basic IT tools (PC and internet connection & usage) and facilitate the taxation process. As part of E-Gov., companies are to be allowed to register their tax reports electronically starting with Sales Tax (monthly filing) from 2004 / 2005, then Corporate Taxes (Annual) the following year and then finally Individuals</p> <p>Action needed: Tax reduction incentives.</p>	
<p>Associations Recommendations</p>	<p>Relevant Authority</p>
<ul style="list-style-type: none"> - Electronic Tax Filing to promote usage of IT in the private sector coupled with tax reduction incentive - 2% Reduction on Tax forms filed electronically with a maximum of LE15000 per annum. - Being eligible for procuring a PC + Training bundle on installment basis. 	<ul style="list-style-type: none"> - Ministry of Finance - Ministry of Information and Communication Technology

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Regulatory Reform for SFG2 (ICT Sector)

Challenge: Insufficient automation of ministries

Objective: Increasing Government usage / adoption of IT.

Action Needed: Take serious steps in implementing electronic government.

Associations Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Cabinet of Ministers to enforce a requirement on all Ministries to submit their reports electronically e.g. correspondence, Budgets....etc. - Enforce all Ministries to include 2 -3% of their annual budgets for automation projects2% Reduction on Tax forms filed electronically with a maximum of LE15000 per annum. - Enforce all Ministries to include 2 -3% of their annual budgets for automation projects. - Being eligible for procuring a PC + Training bundle on installment basis. 	<ul style="list-style-type: none"> - Ministry of communication and information technology

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**Egyptian Junior Business Association 2004
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Pharmaceuticals / Cosmetics**

Challenge: Low Local supplier quality & quantity

Objective: Improve the quality of local supply and increase quantity of suppliers.

Background:

- The industry showed bad performance since the 1960s, following nationalization schemes which brought the industry under full government control.
- The engineering and pharmaceutical equipment supply sector is not well developed and therefore almost all specialist services are imported.

Action Needed: To privatize public sector companies, and promote private investments.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Privatization of public-sector companies. - Promote private investments. - Facilitation of importing procedures. 	<ul style="list-style-type: none"> - Ministry of Foreign trade and Industry

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**Egyptian Junior Business Association 2004
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**Regulatory Reform for SFG 3 (Food, Agriculture & Pharmaceuticals)
Pharmaceuticals / Cosmetics**

Challenge: Unfavorable Pricing Regime

Objective: Eliminating price controls and adopt more favorable pricing regime.

Background:

- The Egyptian pharmaceutical industry is considered one of the oldest strategic industries in the country, it consists of 64 firms divided between multinationals (8 firms), private (48 firms), and public enterprise firms (8 firms).
- The Government controls prices in the pharmaceutical sector. In many instances, the Government has not allowed pharmaceutical prices to rise with general inflation and foreign companies occasionally claim discrimination in the granting of price increases.
- Drug prices in Egypt are administered by a cost plus formula, which allows a profit margin of 15 % on essential drugs and 25 % on non-essentials. The Cost Plus formula, which is imposed on national and multinational pharmaceutical companies in Egypt contradicts with market forces and may affect investing in pharmaceutical sector in Egypt especially after 2005 when licensing for new products will be subject to TRIPS agreements.
- After the devaluation of the Egyptian pound, the industry profit margins contracted. Since most of the raw materials and production components are imported, production costs rose between 20 and 25 percent.
- In 2002, the combined revenue of the sector failed to meet expectations of LE5 billion, earning only LE4.79 billion. According to International Medical Statistics, an industry monitoring company, revenue for 2003 should ring in at LE4.81 billion, a modest 0.42 % growth rate.

Action Needed: Moving gradually towards price liberalization of pharmaceutical products.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Discussing the issue of pricing with the Ministries of Health and Population and Investment to agree on reforming this formula 	<ul style="list-style-type: none"> - Ministry of Health - Ministry of Foreign Trade and Investment

<p>as de facto, it does not apply and give a negative impact on interference of the government in the pricing system and market mechanism.</p> <ul style="list-style-type: none"> - Apply the cost plus formula only to essential drugs leaving others to the market system. - Activating the internal supply chains, in order to reduce importing of raw materials. - Enhance health insurance schemes to protect the unprivileged population instead of price limiting through increasing number of insurance beneficiaries and establishment of companies to manage self insurance systems. 	
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)</p> <p>Pharmaceuticals / Cosmetics</p> <p>Challenge: <u>Insufficient R&D</u></p> <p>Objective: Enabling Egypt to change into an innovation-lead culture</p> <p>Background:</p> <ul style="list-style-type: none"> - R&D capability is very limited even in basic pharmaceutical sciences. - Lack of experience in R&D in Egypt acts as a disincentive for companies to invest in that field. - There are currently few incentives for companies to invest in R&D in Egypt - Individual researchers in Egypt also find it difficult to know how to develop their ideas <p>Action Needed: Encourage the role of R&D and innovation.</p>	
<p>Association recommendations</p>	<p>Relevant Authority</p>
<ul style="list-style-type: none"> - Train researchers of R&D in universities and research academies on innovations and developing new techniques - Encourage the role of private sector in R&D through introducing 100% tax exemption on amounts directed to R&D. - Government should contribute with equivalent amounts to those paid by private 	<ul style="list-style-type: none"> - Ministry of Higher Education and Scientific Research - Ministry of Foreign Trade and Industry

<p>sector.</p> <ul style="list-style-type: none"> - Egypt must ensure that it fully complies with TRIPS in January 2005, as the availability of a strong intellectual property infrastructure is essential to support an innovative climate. (enable law 82/2002 for protecting intellectual property rights) 	
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Pharmaceuticals / Cosmetics**

Challenge : Lack of clarity & stability of regulations

Objective: Having an efficient regulatory environment where decisions are made on transparent grounds and within clear timetable

Background:

- No single department has overall responsibility for drug approval and control (Drug policy & planning centre DPPC, Central administration of pharmaceutical affairs CAPA, and National organization for drug control & Research NODCAP) are all involved
- Existence of unnecessarily bureaucratic procedures that are often seen as being applied in an arbitrary and inconsistent manner.

Action Needed: Establish a single regulatory agency combining all departments.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Regulations should be harmonized with the current world health organization standards for pharmaceuticals - All functions should be combined in a 	<ul style="list-style-type: none"> - Ministry of Foreign Trade and Industry - Ministry of Health

<p>single regulatory agency and should have full authority overall aspects of drug research, development, manufacture, distribution and pricing</p> <ul style="list-style-type: none"> - Ensuring fixed registration costs, timescale, and transparent registration and pricing process. 	
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**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Challenge: Importation of raw materials and spare parts

Objective: Reducing the cost of capital and machines.

Background:

- Absence of enough local supply with adequate quality led to dependence on imported raw materials.
- Entrance procedures of imports take much time which delay production and result in inefficiency
- Customs on manufacturing equipment and spare parts of machinery are namely 5% where practically it reaches 19%.
- The customs on machines imported for investment are imposed to specific custom of 5%, without it customs may reach 54%.
- Several problems appeared in implementing law 106/2000 for facilitation of inspection and monitoring procedures on imports and exports. Those problems are mainly summed up in sophisticated procedures and long time scale.

Action Needed: Facilitation of input importation procedures.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Facilitate importing procedures of inputs (e.g. seeds, fertilizers...etc.) 	<ul style="list-style-type: none"> - Ministry of Finance - Ministry of Foreign Trade and Investment

<ul style="list-style-type: none"> - Enhancing the role of the General Organization for Export and Import Control (GOEIC) to be responsible for approving entrance of inputs within one week maximum. - Introducing obligatory quality systems (ISO 9001, EUROGAP, HACCP, ISO 18000, ISO 14000, Traceability) - Remove customs on all raw materials or at least a ceiling of 5% maximum. 	
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**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Challenge: Sales Tax on capital goods and machinery

Objective: Reducing the cost of production

Background:

- Sales tax imposed on capital goods and machinery discourages investment due to increasing the cost of production.

Action Needed: Eliminating sales tax on machinery.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Elimination of sales taxes on machinery and spare parts. 	<ul style="list-style-type: none"> - Ministry of Finance. - Ministry of Foreign Trade and Industry - Ministry of Investment

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**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Challenge : Inadequate transportation and shipment facilities

Objective: Creating the necessary and sufficient conditions for the agricultural sector to adjust to a more competitive environment

Background:

- Shortage of adequate transportation and cooling facilities is an obstacle to the development of exports.
- Egyptian trucks are not allowed to get outside Egypt unless insurance amounts are paid double the value of customs which hinders investment and exports, a matter that forces investors to use Jordanian and Syrian shipping facilities.
- The problem of the unavailability of shipping facilities was the main problem facing exports in years 2003/2004, however no improvement was made.
- High customs on containers heads with the increase of exports which decreases competitiveness, taking into consideration shortage in shipping facilities and its high prices

Action Needed: Providing more shipping facilities in order to decrease transportation cost.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Implementing the signed agreement with the International Development Agency linking Egyptian ports to facilitate information exchange and create Egyptian import-export database. - Upgrade the available transportation and communication networks through executing an assessment to identify their potentials and needs. 	<ul style="list-style-type: none"> - Ministry of Transportation - Ministry of Foreign Trade and Industry

<ul style="list-style-type: none"> - Making use of international organizations previous experiences in that field (The software ASCUDA developed by the UNCTAD) - Provide cooling facilities in ports and airports - Full implementation of tariff reduction on imported refrigerated trucks to reduce cost and losses of inland transportation. - In case of trucks, an insurance document against damage and stealing is enough. - Reducing customs on containers to 5% as a maximum to promote investment in this sector. 	
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**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Challenge: Problems related to field crops

Objective: Improvement of the process of planting and harvesting of crops.

Background:

- The cultivation technologies are almost unchanged since a long time.
- Only 50% of the seeds for min field crops is professionally produced.
- The current crop intensity does not exceed 70% of the recommended intensity.
- The harvesting system of our cereal crops, rice and wheat is time consuming, costly, with high losses amounting to 25%.
- The current percentage for this agriculture mechanization is 1-3% from the required upgrading.

Action needed: Mechanization of all agricultural processes.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Real and widespread use of appropriate technologies. - Upgrading agriculture through mechanization of agricultural processes and mechanical planting and harvesting of crops. It is expected that the mechanization of these processes will led to an increase in production by 50%. (taking into consideration similar countries experiences) - The harvest machinery costs 250,000L.E. But it costs the farmer 250 L.E. to harvest 	<ul style="list-style-type: none"> - Ministry of Agriculture

<p>a feddan which is half the existing cost. So investor can gain a profit of 20% after the settlement of all his liabilities (depreciation, maintenance, and labor).</p> <ul style="list-style-type: none"> - The social fund for development must carry a project to work on training the graduates and helping them to own this machinery and establishing service centers for repair and maintenance. 	
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<p style="text-align: center;">Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals) Agro-industrial Products</p> <p>Challenge: <u>Problems related to animal feed</u></p> <p>Objective: Providing a balanced animal feed all over the year.</p> <p>Background:</p> <ul style="list-style-type: none"> - Unbalanced feed Budget. - Surplus and unbalanced feed in winter, on the other hand, faced with shortage in summer. - Agricultural roughages exceeds 18 million ton, where the utilized is not more than 40%. <p>Action needed: Full utilization of all sources of animal feed.</p>	
<p style="text-align: center;">Association recommendations</p> <ul style="list-style-type: none"> - Full utilization of crop roughages using physical and microbiological technologies with increase both feed palatability and feed quality. - Raising corn crop twice a year to be utilized as silage as it is known that corn for silage is harvested after 80 days only - Applying both previous recommendations reduces the area required for clover by 50% and replaces it by wheat. - Real and widespread use of appropriate 	<p style="text-align: center;">Relevant Authority</p> <ul style="list-style-type: none"> - Ministry of Agriculture

technologies.	
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<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals) Agro-industrial Products</p> <p>Challenge: <u>problems related to health examinations</u></p> <p>Objective: Promoting investment in the sector.</p> <p>Background:</p> <ul style="list-style-type: none"> - Health cases do not differentiate between commercial cheating and not fulfilling the specifications, which forms a burden on food companies accused in health cases. - This is considered the most important reason that hinders investing in food industry. - Criminal responsibility in all stages of product circulation in ports, factories, and markets. - Sophisticated health examination of local and imported products. (decree 411/1997 identifying acceptable food colors and their acceptable concentrations as well as daily intakes and decree <p>Action needed: Facilitating settlement of not fulfilling specifications and regulations.</p>	
Association recommendations	Relevant Authority

<ul style="list-style-type: none"> - Applying a legislative amendment to settle the cases of not fulfilling the specifications with penalties. - Putting factories under health supervision and responsibility becomes limited to the continuity of supervision or not. 	<ul style="list-style-type: none"> - Ministry of Health
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**Egyptian Junior Business Association
National Business Agenda 2004**

**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Challenge: Health examination of imported equipments

Objective: Promoting investment and facilitation of procedures.

Background:

- Imported equipments for food industry are subject to sanitary examination, which delays its release and increases fees and penalties.
- Custom agencies take 3 weeks to release production inputs, while this process do not exceed 24 hours in neighbor countries like Dubai, Israel, Jordan....etc. and sometimes it takes less than 10 hours till it reaches the importers.
- Not adhering to the international specifications (The variation in specifying Egyptian specification hinders importing raw materials and exporting).

Action needed: Cancel health examinations.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Facilitate the procedures of health examinations with a maximum time limit. - Harmonization of the Egyptian regulations for standardization (for example decree 179/1996 for mandatory standards) in order to align with international specification (like CODEX and ISO) as a primary reference. 	<ul style="list-style-type: none"> - Ministry of Health - Ministry of Foreign Trade and Industry

**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Objective: Promoting investment and facilitation of procedures.

Challenge: Difficulty in retrieving the duty drawback amounts

Background:

- The duty draw back system is introduced in chapter (7) of the custom law 66/1963. There are several problem that appeared in that system:
- The procedures of retrieving the amounts paid are very complicated in application, requiring many documents and time consuming (from 1 to 2 years).
- According to article 105 of customs law 66/1963, duty drawback amounts are only retrieved on re-exported products that have no domestic substitutes (according to determination of the General Organization for Industrialization GOFI), while not taking into consideration the probability that this domestic production might be insufficient or incompatible with the required standards and specifications or that its price is higher than the imported product.

Action needed: Facilitate the procedures of retrieving drawback amounts.

Association recommendations	Relevant Authority
<ul style="list-style-type: none">- Link all customs agencies, ports and airports electronically in order to facilitate the exchange of any required documents (a project started since several years and not applied yet).	<ul style="list-style-type: none">- Ministry of Finance- Ministry of Foreign Trade and Industry

**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture & Pharmaceuticals)
Agro-industrial Products**

Challenge: Health clearance of packaging and wrapping materials

Objective: Promoting investment and facilitation of procedures.

Background:

- Health clearance of packaging and wrapping materials take a sample from each shipment even it is imported from international companies. Until year 1996, one sample was taken all over the year and clearance was renewed as long as it came from same source and with same specification.
- Samples are subject to custom duties and are presented to supervisory agencies which delay their release to more than two weeks.
- A recent problem was addressed in aluminum sheets imported to wrap food products, which are subject to 10 % custom duty.

Action needed: Facilitate entrance of packaging materials.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Re-applying the clearance system that was applied before 1996. - Releasing samples and canceling all imposed duties on it. 	<ul style="list-style-type: none"> - Ministry of Health. - Ministry of Finance.

**Egyptian Junior Business Association
National Business Agenda 2004**

**Regulatory Reform for SFG 3 (Food, Agriculture & Pharmaceuticals)
Agro-industrial Products**

Challenge: Drying Steam

Objective: Replacing sterilization system with dry steaming

Background:

- The sterilization method used in Egypt is done nowadays by chemical compounds prohibited internationally due to its dangerous effect on the human health, a matter that affects Egyptian exports.

Action needed: Improvement of drying systems.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Sterilization the agricultural products using the dry steam method which exists only in Turkey (Middle East) 	<ul style="list-style-type: none"> - Ministry of Agriculture

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**Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals)
Agro-industrial Products**

Challenge: Pesticides analysis

Objective: Meeting the European standards in agriculture and food industry.

Background:

- The European standards set certain criteria for the imported agricultural products. One of these criteria is the pesticide analysis which Egypt sometimes do not meet due to the inaccuracy of the results of the Egyptian laboratories (for example Egypt do not perform analysis less than 0.5% where the European standards goes to 0.1%).

Action needed: Reducing the use of pesticides.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Upgrade the efficiency of the Egyptian 	<ul style="list-style-type: none"> - Ministry of Agriculture

<p>Laboratories and laboratories accreditation. (Using the technical assistance programs provided by the UNCTAD and other international entities)</p> <ul style="list-style-type: none"> - Establish new specialized laboratories. - Reduce the use of pesticides due to its bad side effects on the humans, accordingly the Egyptian exports. - Establishing specific geographical areas for organic farming that will be attractive to EU countries especially when implementing the traceability system. 	
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**Egyptian Junior Business Association
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**Regulatory Reform for SFG 3 (Food, Agriculture & Pharmaceuticals)
Agro-industrial Products**

Challenge: Coordination between Ministry of Environment and Ministry of Agriculture

Objective: Meeting international health conditions.

Background:

- Due to international health conditions, some of the Egyptian exports face problems. One of those conditions is that the exported fruits and/or vegetables should be dioxin free, which it is a toxic gas generated due to burning of petroleum products especially plastic products in an unprofessional way. It is also generated due to burning agribusiness waste products, plants, garbage ... etc. such toxic gases are transferred through air and goes directly in the molecules of water and plants.

Action needed: Control the spread of dioxin gas.

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - Issuing environmental regulations to prevent burning waste products. - Factories should be obliged by law to install filters so as prevent spread of Dioxin gas 	<ul style="list-style-type: none"> - Ministry of Agriculture
<p style="text-align: center;">Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 3 (Food, Agriculture & Pharmaceuticals) Agro-industrial Products</p> <p>Challenge: <u>The documentation of shipments</u></p> <p>Objective: Promoting investment.</p> <p>Background:</p> <ul style="list-style-type: none"> - Shipping requires many documents with no use for complication. - Any mistake in documents that are released from abroad delays the clearance of shipments and costs the investor penalties for delay, storage, and guarding, as well as delaying the production wheel. - The documentation fees on shipments are very expensive, which is not justified and reaches 500Euros regardless the value of the shipment. - Documentation takes more then 10 days which leads to delay of shipments. 	

Action needed: Facilitate documentation procedures.	
Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - To reduce number of required documents on inputs and materials. - Cancel fees on documentation 	<ul style="list-style-type: none"> - Ministry of Agriculture. - Ministry of state for environmental affairs.
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals) Agro-industrial Products</p> <p>Challenge: <u>Steaming fees on imported agricultural materials</u></p> <p>Objective: Reducing cost of production.</p> <p>Background:</p> <ul style="list-style-type: none"> - Steaming fees reaches 1100 LE per ton in addition to amounts wasted due to transfer from ports to steamers. - In some cases lack of vacancies in steamers leads to a delay in release for one week. 	

Action needed: Improve steaming mechanism.	
Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - To apply what is done in more developed countries where materials are steamed inside containers. 	<ul style="list-style-type: none"> - Ministry of Agriculture.
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 3 (Food, Agriculture, & Pharmaceuticals) Agro-industrial Products</p> <p>Challenge: <u>Registration of new crops</u></p> <p>Objective: Developing new crops</p> <p>Background:</p> <ul style="list-style-type: none"> - The registration of new crops required for exporting takes 3 years and in sometimes is not approved. - The necessity of having minister of agriculture approval on all agricultural inputs and the lack of transparency and clarity of the process. 	
Action needed: Facilitate the registration of new crops.	

Association recommendations	Relevant Authority
<ul style="list-style-type: none"> - To find an efficient mechanism to import and plant new kinds of crops immediately under the supervision of ministry of agriculture. - Facilitate the approval of inputs and enhance transparency and clarity. 	<ul style="list-style-type: none"> - Ministry of Agriculture

**Egyptian Junior Business Association
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**Regulatory Reform SFG 4 (Textiles / Home Furniture)
Textiles**

Challenge: Smuggled Products

Objective: To prevent the industry from unfair competition

Background:

- 1 billion LE of smuggled textile goods enter Egypt annually
- 100 cases in year 2002 with compensations 20 million pounds only.

Action needed: Canceling all customs on imported raw materials.	
Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - Maximizing the penalty on smuggled goods. - Accelerating of the automation of customs outlets. - Enhancing the resources of security agencies to make customs outlets a more efficient job. 	<ul style="list-style-type: none"> - Ministry of Finance - Ministry of Internal affairs - Ministry of Justice - Ministry of Foreign Trade and Industry
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform SFG 4 (Textiles / Home Furniture) Textiles</p> <p>Challenge: <u>Lack of well organized storage system</u></p> <p>Objective: Investment Promotion</p> <p>Background:</p> <ul style="list-style-type: none"> - Storage consumes from 25-30% of the industry. - Storage areas should be lower in prices than lands for factories as it is not used in the production process. - The high cost of infrastructure in Egypt made the limited space for storage an extra cost and burden on investors. 	

Action needed: Providing low cost storage areas.	
Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - Providing land with low cost to establish storage areas. 	<ul style="list-style-type: none"> - Ministry of Foreign trade and Industry - Ministry of Housing - Ministry of Investment
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform SFG 4 (Textiles / Home Furniture) Textiles</p> <p>Challenge: <u>Lack of long term agricultural planning</u></p> <p>Objective: Having a long term agriculture plan.</p> <p>Background:</p> <ul style="list-style-type: none"> - The crisis that occurred in 2003 led to shortages in cotton. This crisis high lighted the absence of specified and declared target. - As the shortage reached 2.8 million kantar and this led to doubling the spin prices in 2003. - Working by the system of input management that was applied for a long time. - Lack of integrated vision between industrial and agricultural policies. <p>Action needed: Amend the agriculture plan in Egypt</p>	
Association Recommendation	Relevant Authority

<ul style="list-style-type: none"> - To work on output management system, which is known in modern management systems - To set a target for next year as a start and for the next 3 years and to be connected with the increase of exports from 1 billion to 1.5 in first year and to 3 billions in next 3 years. - Enhancing the cooperation between ministry of Agriculture and ministry of Foreign Trade and industry through biweekly meetings as example. 	<ul style="list-style-type: none"> - Ministry of Foreign trade and Industry. - Ministry of Agriculture.
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**Egyptian Junior Business Association
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**Regulatory Reform SFG 4 (Textiles / Home Furniture)
Textiles**

Challenge: Weakness of managerial structures

Objective: Improving performance and profitability of the sector.

Background:

- Lack of managerial skills especially in sales and marketing

Action needed: Establish a strong marketing agency to support the industry.

Association Recommendation	Relevant Authority
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<ul style="list-style-type: none"> - Establish an independent marketing agency for Egyptian textiles which will be assigned to: - Create awareness in the market to the importance of this industry. - Proclaim all factories with export opportunities - Provide job opportunities to graduates of technical institutes. - Promoting the ministry of foreign trade and industry services. - Work on modernization of managerial structures in public sector companies, through “management consultancy” system by Egyptian or foreign companies to benefit from their capabilities. - Establish a neutral agency independent from the ministry to evaluate performance. 	<ul style="list-style-type: none"> - Ministry of Foreign trade and Industry
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**Egyptian Junior Business Association
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**Regulatory Reform SFG 4 (Textiles / Home Furniture)
Textiles**

Challenge: Lack of access to information about factories

Objective: Ensuring the availability of information.

Background:

- Lack of an easy access to information led to many difficulties in finding data about Egyptian and foreign investors and prevented further expansion in the sector.

Action needed: Establish linked information center in all industrial cities, ports, and airports.

Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - Establish information centers in industrial cities, ports and airports. - Enhance the role of the branches of the ministry of industry in industrial cities and governorates to provide investors with any needed information. 	<ul style="list-style-type: none"> - Ministry of Foreign trade and Industry. - Ministry of Communication and Information Technology.

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**Regulatory Reform SFG 4 (Textiles / Home Furniture)
Textiles**

Challenge: Weakness of production structure in spinning companies

Objective: Improving the performance of public companies.

Background:

- The local companies are responsible for producing 90 % of market needs
- The recent studies showed low competitiveness of the spinning sector.
- The machinery in factories have not been renewed for years , resulting in huge delay in quality of spin which is locally supplied or that exported, which led to decrease in total value added of the whole sector.

Action needed: Modernization of local companies	
Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - Upgrade the spinning machinery in public sector companies, in addition to working on implementing the privatization program. - Focus on production of high quality yarn as compact yarn so as to maximize value added - To work on modernization of companies managerial systems 	<ul style="list-style-type: none"> - Ministry of Investment - Ministry of Foreign trade and Industry
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform SFG 4 (Textiles / Home Furniture) Textiles</p> <p>Challenge: <u>Facilitate access to Finance for the production of fibers.</u></p> <p>Objective: Promotion of textiles exports.</p> <p>Background:</p> <ul style="list-style-type: none"> - This will help in lowering the prices of Polyester fabric manufactured in Egypt which represent around 70% of total market consumption of firms and will help eventually in lowering prices for exports <p>Action needed: Provide finance to fabric industries to develop and reduce costs.</p>	

Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - Facilitating funds for the finalization of the POY projects manufacturing in the Suez Gulf. - Facilitating Access to finance and investment procedures for the project of manufacturing raw materials for Acrylic fibers in Alexandria. 	<ul style="list-style-type: none"> - Ministry of Investment - Ministry of Foreign trade and Industry

**Egyptian Junior Business Association
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**Regulatory Reform SFG 4 (Textiles / Home Furniture)
Textiles**

Challenge: Activation of joint Arab and bilateral agreements

Objective: Solve the problem of contradicting agreements.

Background:

- There is a practical example on that which is the Egypt-Jordanian agreement which provides a tax exemption of 90% unless for textiles and some other commodities which impose 30% custom duties on Egyptian textiles which contradicts with the Arab trade development agreement which will provide 0% tax exemption in year 2005, such contradiction leads to missing many opportunities as Jordan is the gate to Iraqi market and several gulf countries.

Action needed: Modernization of local companies	
Association Recommendation	Relevant Authority
<ul style="list-style-type: none"> - Revise the signed agreements either bilateral or general which include more than one country to define contradicting points. - Cancel negative points in this agreements and customs distortions existing in it as well as establishing a supervisory agency to activate it and setting a time frame for its application. - Accelerating the QIZ agreement with USA. 	<ul style="list-style-type: none"> - Ministry of Investment - Ministry of Foreign trade and Industry
<p>Egyptian Junior Business Association 2004 National Business Agenda</p> <p>Regulatory Reform for SFG 4 (Textiles / Home furniture) Home furniture</p> <p>Challenge: <u>The impossibility of working with the drawback system in wood products</u></p> <p>Background:</p> <ul style="list-style-type: none"> - Designs of products are subject to several changes also products are not usually repeated. - It's impossible to pay back what the exporter paid as customs on its imports. <p>Action Needed: To accommodate a drawback system that suits wood industry.</p>	
Association's Recommendations	Relevant Ministry

<ul style="list-style-type: none"> - To pay back taxes as a percentage of exports receipts according to the study introduced by the chamber of wood industry, and the commodity council for wood products with a rate of 21% from exports prices. - Decreasing the cost of production with 21% will have a positive effect on Egyptian exports and exports will be doubled in 3 years to reach \$700 millions. 	<ul style="list-style-type: none"> - Ministry of Foreign Trade and Industry - Ministry of Finance
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**Egyptian Junior Business Association
National Business Agenda 2004**

**Regulatory Reform for SFG 4 (Textiles / Home furniture)
Home furniture**

Challenge: Export promotion of home furniture and wood products

Objective: Supporting the exports of wood industries.

Background:

- Exporters bear the expenses of opening new markets alone. The exporter is responsible for developing his products, shipping his samples, buying designs, paying the intermediaries' percentage and, the high cost of shipping their export.
- Egypt does not exist on the world map of wood exports despite its comparative advantage in this field compared to other countries.
- The cost of sharing in exhibitions is very high because of the huge area needed, the shipping which results in the refusal of many producers to share in international exhibitions.
- Countries like china, India, Spain, Philippines, Malaysia, Oman, and United Arab Emirates support their wood industries, which result in giving them relative competitive advantage.

Action needed: Setting a plan to support and promote industrial exports of wood.

Association's Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Establish export promotion agencies responsible for promoting and marketing exported furniture to foreign markets and opening new markets for those exports. (Expolink is a good example for promoting exports in Egypt) - Hold internal exhibitions for wood industries. - Setting fixed bases for the Cairo international exhibition for exported furniture (Furnex) and work on giving it a week charge free yearly for 3 years in the Cairo international conference center (with the coordination with the ministry of Tourism). - Providing this sector with export subsidies (legal form of subsidies according to the World Trade Organization) in order to enhance and promote this infant and promising industry that is expected to have strong future and potential 	<ul style="list-style-type: none"> - Ministry of Foreign Trade and Industry - Ministry of Tourism

**Egyptian Junior Business Association
National Business Agenda 2004**

Regulatory Reform for SFG 5 (Industrial Products)

Challenge: Deficiency in mechanic detecting of specification and standards

Objective: Increasing the efficiency and of final products.

Background:

- Deficiency in mechanic detecting of specification and standards that led to the appearance of illegal markets, decrease in the efficiency of the final product, the non-existence of correct database and overload the original product with extra burdens.

Action needed: Form a committee consisting of representatives from each industry to detect the specification.

Association Recommendations	Relevant Authority
<ul style="list-style-type: none"> – Prepare a committee that consists of a representative from each industry to detect the standard specification – Give freedom to the manufacturer and the supplier to choose from between several international specifications in parallel with the Egyptian Standardization. – Increase the awareness of Egyptian and international standards through publishing these data in formal newspapers. – Enhance the role of the Egyptian Organization for Standardization (EOS) in that field. 	<ul style="list-style-type: none"> – Ministry of Foreign Trade and Industry

**Egyptian Junior Business Association
National Business Agenda 2004**

Regulatory Reform for SFG 5 (Industrial Products)

Challenge: Weakness of the supply chain and feeding industries

Objective: Develop a strong supply chain to provide industries with needed inputs.

Background:

- Weakness of feeding industries hinders the industrial sector in Egypt, as investors have to import needed intermediate products.
- Lack of guide to existing industries working on producing intermediate goods.
- There is no comprehensive database covering all companies and factories working in this field.

Action needed: Support feeding industries to develop and providing information about them.

Association Recommendations	Relevant Authority
<ul style="list-style-type: none"> - The presence of a strong database in the Ministry of Foreign Trade and Industry will make it able to provide information and data about companies and upgrade this data continuously with making a survey on all existing companies and factories so as to be a comprehensive guidebook for anyone searching for information about any company. - Horizontal and vertical widening in feeding industries through opening internal markets first then external ones from basic users of each industry separately. - Choose and evaluate strong successful models from these feeding industries and represent them as a base for comparison. - Monthly evaluation of the Ministry of Foreign Trade and Industry to the expected market size for each industry separately with the help of companies to specify their problems and needs so as to guide feeding industry. 	<ul style="list-style-type: none"> - Ministry of foreign trade and industry. - Ministry of Investment.

**Egyptian Junior Business Association
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Regulatory Reform for SFG 5 (Industrial Products)

Challenge: Making use of military factories production to meet the various needs of internal and external markets

Background:

- Military factories have not got enough awareness of the markets requirements. They are not able to meet quality conditions of the market.
- There are industries like Hardware electronics designed to any production system that need caution in dealing, since the consumer has no enough experience with what he needs the ministry should develop an agreement based on international standards and hold meetings with directors to increase interaction and awareness.

Action needed: Cooperation between private business and military factories.

Association Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Establish an independent agency including representatives from ministry of industry, military production and a group of business men from different sectors to make use of the huge capabilities in military factories in a way that satisfies current consumer needs. - To prepare a program for re-orientation of the managerial and the organizational level in military factories in areas of comprehensive quality, marketing, exports and financial consultancy in order to as to technically support their development. 	<ul style="list-style-type: none"> - Ministry of Foreign Trade and Industry. - Ministry of state for Military production.

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**Egyptian Junior Business Association
National Business Agenda 2004**

Regulatory Reform for SFG 5 (Industrial Products)

Leather products

Challenge: Quality standards of exports and low value added “Wet Blue”

Objective: Promotion of leather products exports.

Background:

- Egypt has a comparative advantage in the leather industry & footwear, but due to problems in quality standards & exports of leather are in the form of “wet blue” without real value added, i.e. a final product, the local industry doesn’t benefit from such an advantage

Action Needed: Encourage high value added exports of the leather industry.

Relevant Authority	Association’s Recommendations
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<ul style="list-style-type: none"> - Ministry of Foreign Trade and Industry 	<ul style="list-style-type: none"> - Encourage high value added exports of the leather industry & help it to regain its comparative advantage. - Work on putting an export tax on unfinished leather products.
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**Egyptian Junior Business Association
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Regulatory Reform for SFG 6 (Finance and banking)

- The following sections are addressing the Access of Funding; access to bond markets, access to local equity markets, venture capital availability and ease of access to loans. We are briefly pinned pointing the problem and providing a simple recipe and short term goals for a recommended action plan addressing these issues. Other elements on the above list are also too broad to be addressed with our view to affect a change in the short term.

Challenge: All Access to Funding

Objective: Ease the access of funding.

Background:

- Access to Funding, is clearly a key element in promoting investments and if we managed as a country to ease the access of funding in a professional manner other elements would indirectly be enhanced like the soundness of banks and market sophistication.
- The essence of a viable investment environment is access to funding at the different level, be it a small or medium size enterprise (funding up to LE 500k) or a bold entrepreneurial endeavor or a well established and relatively institutionalized company. For all such institutions raising money has always been difficult thus hindering the opportunities for growth and the potential for investment.

Action needed: Sourcing funds and mobilizing savings	
Associations Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Funding and investment are two faces to one coin; sourcing funds and mobilizing savings and finding potential areas for investments. 	<ul style="list-style-type: none"> - Capital Market Authority - Ministry of Investment - Central Bank of Egypt

<p>Egyptian Junior Business Association National Business Agenda 2004</p>	
<p>Regulatory Reform for SFG 6 (Finance and banking)</p>	
<p>Challenge: <u>Access to Bond Market</u></p>	
<p>Objective: Establish a well developed financial sector.</p>	
<p>Background:</p> <ul style="list-style-type: none"> - The real problem in this market is lack of paper (investment opportunities) to invest in and lack of liquidity thereafter. 	
<p>Action needed: Effective regulation of sector activities.</p>	
Association Recommendations	Relevant Authority

<p>Regulation is a key to expand and broaden this sector:</p> <ul style="list-style-type: none"> - Regulator should sanction the establishment of dedicated placing agents and brokers to improve distribution - Make a license by default if the CMA does not respond in 45 days. - Expedite regulation for specialized paper like Mortgage backed securities and asset backed securities (even though this is not really in the domain of CMA) - Allow for the concept of an ongoing prospectus for short term paper, where periodic review can be mandatory, in addition to prompt disclosure in the event of significant events (re rating etc). The bonds can be made eligible for qualified investors only (Institutional) - Annual allotment of funds by the social insurance, NIB, and private insurance funds and insurance companies to be invested in the bond market through specialized portfolio management companies. - Promote post listing liquidity and secondary trading by expediting the introduction of the Primary Dealers and Market Makers systems for both sovereign and corporate debt. 	<ul style="list-style-type: none"> - Capital Market Authority - Ministry of Investment - Central Bank of Egypt
<p style="text-align: center;">Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 6 (Finance and banking)</p> <p>Challenge: <u>Access to Local Equity Market</u></p> <p>Objective: Ease access to local equity market.</p> <p>Background:</p> <ul style="list-style-type: none"> - Facilitating access to local equity markets will help all institutions to raise money a matter that has always been difficult thus hindering the opportunities for growth and the potential for investment <p>Action needed: Establishment of dedicated placing agents and brokers to improve distribution.</p>	

Association Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Regulator should sanction the establishment of dedicated placing agents and brokers to improve distribution - Regulator should liberalize fees for all service providers but mandate their disclosure, this will improve competition - Adopt standardized reporting and performance figures and returns modules. - Make a license by default if the CMA does not respond in 45 days. - Mandate independent fund boards to represent shareholders interest and review performance - Encourage cross listing in Kuwait and Saudi Market, benefit from higher multiples and ability to raise money will improve, but standardize the reporting and registration requirements (Kuwaiti Holding company) - Annual allotment of funds by the social insurance, NIB, and private insurance funds and insurance companies to be invested in listed equity investments through professional portfolio management companies. 	<ul style="list-style-type: none"> - Capital Market Authority - Ministry of Investment - Central Bank of Egypt
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 6 (Finance and banking)</p> <p>Challenge: <u>Venture Capital Availability (Alternative Investments)</u></p> <p>Objective: Availability of venture capital.</p> <p>Background:</p> <ul style="list-style-type: none"> - Providing venture capital will help in similar manner all institutions to raise money a matter that has always been difficult thus hindering the opportunities for growth and the potential for investment. <p>Action needed: Amending Law 95 for the year 1992 to allow for the establishment of open/closed private equity funds.</p>	

Association Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Amending Law 95 for the year 1992 to allow for the establishment of open/closed private equity funds. (Currently the law is only caters for Manual Funds.) - Amending the law to allow for strict and clear minority rights protection clause. - Compulsory transparency clause that requires closed companies to submit regular reporting to minority shareholders. - Enforcing corporate governance in the law with respect to: <ol style="list-style-type: none"> 1. Ownership representation in companies BOD 2. Separating management and board representation. - Taxation on off-shore investments and proceeds (management of off-shore funds) - Annual allotment of funds by the social insurance, NIB, and private insurance funds and insurance companies to be invested in private equity Funds through professional private equity management companies. - Adopt standardized valuation and reporting measures (e.g. British Standard, EVCA) - Encourage the concept of incubators to fund early startups. 	<ul style="list-style-type: none"> - Capital Market Authority - Ministry of Investment - Central Bank of Egypt
<p style="text-align: center;">Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 6 (Finance and banking)</p> <p>Challenge: <u>Ease of access to loans for SME'S</u></p> <p>Objective: Financial support to SMEs.</p> <p>Background:</p> <ul style="list-style-type: none"> - SMEs are an important segment of the Egyptian economy. - The SMEs are shy away from banking because o many reasons some are relevant to lack of professional expertise at the level of the SMEs to be able to deal with banks. - The banks are simple not catering for SMEs while demanding excessive guarantees that makes dealing with banks the last option. 	

Action Needed: Facilitate accessibility of loans to SMEs.	
Association Recommendations	Relevant Authority
<ul style="list-style-type: none"> - Cash flow lending versus lean on assets with no personal guarantees. - Bankruptcy laws, chapter11. - Ready-made packages to be available for SMEs - Promoting micro finance programs, placement fees or private sector companies screening the loan applications. 	<ul style="list-style-type: none"> - Capital Market Authority - Ministry of Investment - Central Bank of Egypt
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 7(Education, Training and Consultancy)</p> <p>Challenge: <u>Absence and inefficient Cluster Development</u></p> <p>Objective: Improve the sector.</p> <p>Background:</p> <ul style="list-style-type: none"> - There is no business alliance. - Organizations representing the sector are not empowered and do not play their role in solving problems facing the sector. 	

<p>Action needed: Develop a dialogue between companies working in this field and sector specific associations.</p>	
Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - Develop a dialogue between companies working in this field and sector specific associations. - Sector specific association should cooperate with other business entities to define the problems hindering their role. 	<p>Sector specific associations:</p> <ul style="list-style-type: none"> - Egyptian Human Resources Management Association (EHRMA) - International public relations associations (IPRA) - Management Consultancy Association (MCA)
<p>Egyptian Junior Business Association National Business Agenda 2004</p> <p>Regulatory Reform for SFG 7(Education, Training and Consultancy)</p> <p>Challenge: <u>Lack of trust in the consultants</u></p> <p>Objective: Build trust to create a better image.</p> <p>Background:</p> <ul style="list-style-type: none"> - The lack of understanding the concept of consultancy and its role in Egypt. - The image of the consultancy business in the market is still immature, this comes from either the lack of awareness among businessmen or that some of the consultants themselves are not quite qualified. 	

- Short term vision of the Egyptian market.
- Funding agencies policies lead to developing immature market.
- There is no system for accrediting the consultants which allows unqualified consultants to destroy the image of the sector.

Action needed: Build alliance with different organizations.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - EJB will hold meetings with other associations (IPRA, EHRMA & MCA), to alley, brain storm, and work on projects so as to improve the sector. - We need to have accreditation bodies to acknowledge the qualification of the consultants. 	<ul style="list-style-type: none"> - Sector specific associations(IPRA, MCA, EHRMA)

**Egyptian Junior Business Association
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Regulatory Reform for SFG 7(Education, Training and Consultancy)

Challenge: Lack of qualified caliber per sector.

Objective: Provide the sector by well qualified caliber.

Background:

- Lack of knowledge transfer, Consultants usually gain experience through trial and error and by getting information from conferences outside Egypt.
- Lack of training centers to qualify trainers.
- No copy rights to protect any study or research from being circulated without the owners'

permission.

- Problems in recruiting employees, lack of skilled employees, university graduates need further training to get used to the work.
- No clear understanding of the difference between training, teaching and consultancy.
- No clear understanding of professionalism.
- Lack of accreditation mechanism for consultants.

Action needed: Upgrade qualifications of current players in the field.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none">- Source funds for the sector to be directed to training programs through IMC, and sector specific associations.- Cooperation between different organizations to establish training centers and hold regular conferences to improve the qualifications of human resources in the sector.- Develop a set of metrics to better understand the Supply Side of the Egyptian Management Consulting Market.- Enhancement of copy rights laws to protect new studies and researches.	<ul style="list-style-type: none">- Industrial modernization center- Management consultancy agency

**Egyptian Junior Business Association
National Business Agenda 2004**

SFG 7(Education, Training and Consultancy)

Challenge: Lack of accurate and comprehensive information on market in general

Objective: Facilitate access to information about sector players.

Background:

- There is no organized comprehensive data base for all companies working in the sector.
- Clients seeking consultants and training do not know who is providing services in the sector
- By lack of information, it is difficult to analyze gaps in the sector or to design programs to upgrade work in the sector.

Action needed: Build the yellow pages of consultancy.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - Through empowering Professional Institutions and this will be based on the meetings that will be held with other associations (IPRA, EHRMA and MCA). - Develop an integrated database for the management consulting professionals in Egypt specified according to field of specialization. - Communicate the acquired Market Information to all parties interested in developing the exportation of Egyptian Consulting Services. 	<ul style="list-style-type: none"> - Sector specific association, (IPRA, EHRMA and MCA).

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SFG 7(Education, Training and Consultancy)

Challenge: Lack of mechanism to develop the market in Egypt.

Objective: Build a mature consultancy market.

Background:

- The businessmen in Egypt usually have a short term vision; they always want to see a very quick affect and feedback. They do not usually believe in the long term vision on which the consultants may build their theories or plans on.
- Funding agencies do not play their correct role which leads to developing immature market and to having no collaboration between different agendas.
- Lack in creativity, we usually tend to adapt ordinary methods instead of .trying new methods.
- There is no adequate international Market to compensate the weak internal market.

Action needed: To promote the role of consultancy.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - Develop a public relation campaign on the role of consultancy and highlight successful consultancy case studies. - All sector players should incorporate in the aim of making the role of consultancy in improving business clear. 	<ul style="list-style-type: none"> - Sector specific associations, (IPRA, EHRMA and MCA).

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SFG 8(Freight Forwarding, Imports and Exports)

Challenge: Lack of regulator for the sector.

Objective: Build a mature consultancy market.

Background:

- The problems arise with shipping lines in particular and with shipping and transportation sector in general as a result of absence of any assigned authority responsible to enforce laws upon agents of shipping lines to keep their obligations, to respect laws and regulations, and prevent monopolization.
- Most shipping lines refuse to send written price offers so as not to be held accountable for any sudden rate change.
- Shipping lines employees open freight forwarding companies parallel to their jobs, which gives them an unfair advantage in competing with other companies, since they have access to all insider information about clients and rates.
- There are no regulation or set principles or prerequisites for opening freight forwarding companies.
- Shipping lines use Egyptian ports as transit hubs to serve their best interest, disregarding the interest of local exporters and freight forwarders.
- Rate fluctuation is totally unregulated.
- By law shipping line should pay a 5 % commission which was reduced to 2.5 % but actually they refuse to pay. There is no authority forcing shipping lines to pay the commission.

Action needed: To establish an authority responsible to regulate relation between Exporters/Importers, freight forwarding companies and shipping lines.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - There should be a relevant authority either to the ministry of transportation or to the ministry of Foreign Trade. - Shipping lines should issue a monthly agenda with all rates , increases, fees, etc. This to prevent sudden rate increases and manipulations. - Shipping lines should be forced to release a written offer to hold them accountable. 	<p>Ministry of Transportation. Ministry of Foreign Trade and Industry. EIFFA</p>

- We need an internal authority which regulates the work with agents and an external one to regulate work with shipping lines.
- The government needs to set tough measures and enforce fines and penalties on head offices of shipping lines so as to prevent them from mistreating their agents, monopolization, and sudden change of plans or schedules which negatively reflect on traders, freight forwarders, and agents.
- Set basic requirements to open freight forwarding companies, through establishing a syndicate or union to regulate such procedures.
- A freight forwarding union should be created which is managed by freight forwarders directly.

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SFG 8(Freight Forwarding, Imports and Exports)

Challenge: Unfair conduct by shipping lines which leads to monopolization.

Objective:

Background:

- Shipping lines compete with freight forwarders in all different and unfair ways
- No law enforcement on shipping lines misconduct
- Employees of shipping lines are very corrupt which greatly and negatively affect the industry.

Action needed: Prevent Shipping lines to work directly with exporters/importers.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - Shipping lines should be prevented by law to work directly with exporters/importers. All dealings should be with Freight Forwarders. Certain exceptions could be reached. - A union for shipping lines employees should be created to monitor and punish employees for any misconduct. This to minimize commissions and under the table dealing which creates an unfair environment of competition. - There should be a license mandatory for any shipping line employee which could be irrevocable. This to ensure minimum misconduct. - Fines and penalties should be enforced on shipping lines due to any illegalities or misconduct by employees. This to ensure tougher measures and monitoring by management on their employees. 	<ul style="list-style-type: none"> - Ministry of Transportation. - Ministry of Foreign Trade and Industry. - Ministry of social affairs - Ministry of working sector

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SFG 9(Freight Forwarding, Imports and Exports)

Challenge: Lack of shipping lines to East Africa

Objective: promotion of exports to East Africa

Background:

- Some international shipping lines specialized in transporting containers to East Africa stopped their work being a non profitable activity, as a result of high cost of containers
- Also the Egyptian company working in East Africa stopped its activity after it faced many losses.

Action needed: To establish shipping lines to East African countries.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none">- Encouraging authorities in the ministry of transportation and the ministry of foreign trade to establish shipping lines to Africa.	<ul style="list-style-type: none">- Ministry of Transportation.- Ministry of Foreign Trade and Industry.

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SFG 9(Freight Forwarding, Imports and Exports)

Challenge: Problems related to internal land transportation

Objective: To facilitate the transportation of commodities internally.

Background:

- There is no official pricing system for transportation; it is totally left to the transporter.
- The trucks are not allowed to move during the day, and in south Sinai they are not allowed to move during the night which wastes 12 hours of the day and delays shipments.
- Trucks are not allowed to more than 21 tons while it can hold up to 50 ton.
- Too many highly priced invoices and penalties on roads.
- Most of internal roads network lack basic technical design which creates a weakness in the land transportation system and its quick deterioration
- High investment cost in the land transportation sector due to trucks high prices and high custom duties imposed on it and registration fees.

Action needed: Regulate internal transportation.

Association recommendations	Relevant Authorities
<ul style="list-style-type: none"> - Set a pricing system for transportation on a declared base. - To allow trucks to move 24 hours. - Upgrading roads and supervision of the status of trucks regularly. - To increase the allowed weights for trucks. - To set regulations and mechanism that depends on scientific planning and aims to upgrade the sector. - Create a union for truckers that protect their rights, and also guarantee a body that controls their actions and misconduct. 	<ul style="list-style-type: none"> - Ministry of Transportation - Ministry of Foreign Trade and Industry - Traffic Agency and similar authorities

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