

9[nd] Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Telecommunications Equipment and Services
- Electricity & Power Generation (ELP)
- Port Development
- ~~AV~~ Medical Equipment and Supplies
- Safety and Security
- Franchise

Telecommunication Equipment and Services Sector

Overview

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	10,811,064	11,567,838	12,377,586	13,615,344
Total Local Production	9,574,479	10,244,692	10,961,820	12,058,002
Total Exports	1,100,000	1,177,000	1259390	1385329
Total Imports	2,336,585	2,500,145	2,675,155	2,942,670
Imports from the U.S.	244890	262032	280374	308411
Exchange Rate: 1 USD	LE5.7	LE5.9	LE6.00	LE6.06

Sources: Ministry of Planning, ITIDA, UN Comtrade, Industry sources, and estimates

The Information and Communications sector is one of the most active sectors of the Egyptian economy that grew at 15% in recent years. Given the current instability, this sector is expected to grow at a slower rate of about 10% for the remainder of this year. The telecommunications market is a well developed and rapidly growing sector with a total mobile subscribers in the three GSM operators Mobinil, Vodafone Egypt, and Etisalat reaching 66.87 million in November 2010, and 81.70 million in November 2011, a 22% annual growth rate; Internet users reached 22.58 million and 26.27 million for the same years showing a 16.35% annual growth rate; ADSL subscribers reached 1.36 million and 1.75 million for the same years, a 29% annual growth rate; fixed telephone subscription reached 9.59 million and went down to 8.64 million, for the same years showing a -9.89% annual decline rate.

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- Call Centers Equipment/Network Centers
- Fiber Optic Cables
- Media Convergence/ Triple Play
- Cloud Computing
- Mobile applications
- Adoption of Innovative Technology-based Services (Education of the 21st Century, & Mobile Health services)

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The lack of home computer ownership and the cost of Internet access are main barriers facing Internet and broadband growth among residential users. Estimates show that currently only 7% of Egyptian families own a PC. By cooperating with international technology providers such as Microsoft, Intel, AMD, the Government is able to come up with discounted and affordable packages. Example is the recent initiative: "Computers

for all Egyptians”, where Intel together with other partners: Lenovo (PCs), Nahdat Misr (Arabic Content), Ostaz Online (Online teacher software), Compume, Mobile Shops, Computer Shop, Carrefour, B-Tech, provide cheap computers, bought on installment with pre paid broadband Internet, and preloaded software.

As Mobile and Internet penetration rates are relatively slow in Egypt compared with the rest of the world, the National Telecom Regulatory Authority of Egypt announced in 2011 the National Broadband plan, “eMisr” to develop the broadband market in order to meet the increasing demand on video content, news, multi-media services, and the overall demand in different sectors. The short term investment in the coming four years would reach \$2.4 billion and will increase the number of broadband subscribers to 12.5 million, compared to 1.75 million in 2011.

MCIT launched a development program to support ICT Micro and Small Enterprises (MSE) that have been negatively affected by the country’s recent political crisis. The program aims at disbursing a total of \$5 million to boost 600 MSE’s. The program’s aim is to develop Egypt’s ICT products as well as build up marketing capabilities of national companies to open new markets, locally and regionally.

MCIT is to launch in the local market over the coming period a license for Mobile Virtual Network Operator (MVNO) to provide mobile, broadband and wireless services. Incumbent operator of fixed land line Telecom Egypt announced its plan to apply for this license.

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Ministry of Communications and Information Technology: <http://www.mcit.gov.eg/>

Telecom Egypt: <http://www.telecomegypt.com.eg/home-en.asp>

National Telecommunication Regulatory Authority:

<https://www.tra.gov.eg/english/Main.asp>

Information Technology Industry Development Agency: <http://www.itida.gov.eg/>

MobiNil: <http://www.mobinil.com/>

Vodafone: <http://www.vodafone.com/>

Etisalat: <http://etisalat.com.eg/>

NAB Show: <http://www.nabshow.com/2012/default.asp>

CES Show: <http://www.cesweb.org/>

Cairo ICT Show: <http://www.cairoict.com/home/index.php>

<http://ntra.gov.eg/emisr/index.aspx>

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Electricity & Power Generation Sector

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	Market Values		Unit: USD thousands	
	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	2,000	2,139	2,400	2,600
Total Imports	1,650	1,750	1,900	1,950
Imports from the U.S.	460	490	510	526
Exchange Rate: 1 USD	5.7	5.9	6.00	6.06

	Energy capacity and needs		Unit: GWh	
	2010	2011	2012 (estimated)	2013 (estimated)
Total Installed Capacity	22,583	23,000	23,600	23,900
Total Power Generated	131,040	139,000	148,313	155,939
Net Exported Power GWh	896	934	950	970

Data Sources: Egyptian Electricity Holding Company periodical 10/11

Egypt is the largest energy producing country in the Middle East. With its high population growth and growing economy, electricity consumption tripled over the last 20 years. Growth in demand for electricity is growing at an annual rate of 6.7 % out of which is 3% growth rate of fuel market, making it a highly lucrative sector for foreign and local investments. The government has plans for an additional 14,000 megawatts of electrical power capacity by 2013. This represents a doubling of the existing electricity capacity and entails additional investments of \$7.9 billion, of which \$5 billion is expected to be provided by the Build, Own, Operate, and Transfer (BOOT) model with the private sector. This year (2012), the Ministry of Electricity invested \$250 million in upgrading and revamping its conventional power plants to increase the current efficiency.

Egypt's power sector is currently comprised of seven regional state-owned power production and distribution companies that are held by the Egyptian Electricity Authority (EEA). In July 2000, the EEA was converted into a holding company, though still owned by the state. Egypt has several privately-owned power plants currently under construction which are financed under (BOOT) financing schemes.

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- Circuit Breakers for more than 66kv
- Nuclear related consultation and generation equipment and peripherals
- Power transformers more than 25MVA-66kva
- Power transmission lines
- Turbine generator units with associated equipment
- Vibration dampers

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The Ministry of Electricity is enacting for the first time a plan to partially privatize domestic electrical production. The government, through the Electricity Holding Company, which is currently Egypt's sole producer of electricity, a service for which it racks up an annual deficit of LE 7 billion (\$1=LE6). Now, in an effort to reduce debt, the government will begin selling contracts to private firms, who will co-own plants with the government. The government is liberalizing the energy sector gradually to reduce its debt and subsidy burden, and restructure the sector to allow more private sector participation. Over the next five years, Egypt plans to expand electricity capacity to 32,000 megawatts (MW). The additional capacity will come principally from 11 new thermal plants and expansions: Kureimat 2 and 3, Talkha, Tabbin, Nuberiya 3, Cairo West, Sidi Krir, el-Atf, Abu Qir, Ain Sokhna and Sharm el-Sheikh.

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- Commercial Service in Egypt: <http://export.gov/egypt/>
- U.S. Embassy: <http://egypt.usembassy.gov/USAID>: <http://www.usaid-eg.org/>
- World Bank: <http://www.worldbank.org/>
- Egyptian Government Web Portal: <http://www.egypt.gov.eg/english/>
- Egytec Engineering Co.: <http://www.egytec.com/>
- Ministry of Electricity and Energy: <http://www.moee.gov.eg/>
- Egyptian Electricity Holding Company (EEHC)
Email: necc@link.net
- New and Renewable Energy Authority
Email: nre@idsc.net.eg, Tel.: +20 (2) 227-13176, Fax: +20 (2) 2271-7173
- Power Generation Engineering and Services Company (PGESCO)
Tel: +20 (2) 2417-5863, Fax: +20 (2) 2417-5862.
<http://www.pgesco.com/>

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Port Development Sector

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Vessels' Calls	23832	20889	23000	25000
Total TEU	7,209,332	6,363,962	6,500,000	7,000,000

The Government of Egypt (GOE) is offering new opportunities to the private sector in port services and the shipping industry, and is involving the private sector in maritime transport development strategies. Efficiency in Egyptian ports has improved dramatically as a result of extensive modernization and competition from new ports and container terminals run by the private sector. This favorable business climate is now attracting investors to invest in various Egyptian ports.

In 2009/2010 the total implemented investments in the logistics and transportation sector reached around \$4 billion; of which 32% had been executed by the private sector. The GOE recognizes the critical role of the private investments in ensuring future growth and development. As a result it has been encouraging public private partnerships (PPP).

U.S. maritime service companies can now participate in such areas as shipping agents, warehousing, stevedoring, container handling, and pilotage services using tugs.

Data Sources: Ministry of Transport (Maritime Transport Sector)
<http://www.mts.gov.eg/statistics/capacity.aspx>

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U.S. companies can find their best prospects in the following fields:

- Stevedoring
- Warehousing
- Freight-forwarding and shipping lines
- Pilotage services using tugs
- Container handling equipment
- Container X-Ray equipment
- Container terminal construction
- Cold storage and refrigeration equipment in transport areas

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There are fifteen commercial and fifty-one specialized ports in Egypt. The breakdown of these ports includes six tourism, fifteen petroleum, nine mining, and twenty-one fishing. The four main ports are Alexandria Port, Damietta Port, East Port Said Port, and Suez Port. Alexandria Port is the largest port in Egypt and it handles over 55% of Egypt's foreign trade. It is followed by Damietta Port in which forty percent of the country's containers are handled. The East Port Said Port is a regional trans-shipment hub for container traffic. Finally, the Suez Port is vital for all cargo handling and Suez Canal transit operations.

The GOE is focusing on developing and upgrading the port efficiencies in order to accommodate larger vessels and increased trade. The number of containers handled through Egyptian ports has increased by 110%. The total number of ships calling on Egyptian ports for 2010 was 23,832 vessels and more than six million containers were handled.

The Egyptian government is placing special emphasis on increasing exports to international markets. To increase exports, Egypt must be able to transit its products through its own ports to foreign markets in a timely fashion and at competitive prices, in addition to reaching land-locked markets. The development of the maritime transport sector is a basic condition to this export expansion. Services in Egyptian ports are now being upgraded and prices revised to levels more comparable to those of other Mediterranean ports with the goal of attracting more passenger and cargo lines to Egyptian ports.

In early 1998, the Egyptian government amended the Maritime Transport Law and its relevant decrees and regulations, which had previously prohibited private sector firms from entering into maritime shipping agencies, stevedoring, container handling, and other port service activities. With those decrees, the government's monopoly over cargo handling in Egyptian ports ended. This has attracted wider participation by private sector domestic and foreign companies.

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Commercial Service in Egypt: <http://www.export.gov/egypt/>

U.S. Embassy: <http://cairo.usembassy.gov/>

Suez Canal Authority: <http://www.suezcanal.gov.eg/>

Damietta Port Authority: <http://www.dpa.gov.eg/>

Alexandria Port Authority: <http://www.apa.gov.eg/>

Ministry of Transport: <http://www.mts.gov.eg/statistics/capacity.aspx>

Egyptian Maritime Data Bank: <http://www.emdb.gov.eg/>

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Medical Equipment & Supplies Sector

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	335	284	378	415
Total Local Production	34	27	38	42
Total Exports	14	10	15	17
Total Imports	315	264	355	390.5
Imports from the U.S.	42	33	42	46
Exchange Rate: 1 USD	5.7	5.9	6.00	6.06

(Exchange rate used: 1 USD = LE 6.02. Values are in **millions** of U.S. Dollars. Figures listed are unofficial estimates.)

The medical equipment and supplies market in Egypt is estimated at roughly \$330 million, with an expected annual growth rate of 10% for the next five years. With little local production, the market relies heavily on imports and is steadily receptive to American products. Despite the solid reputation, U.S. market share is estimated at only 13%. Import duty is 5% plus a sales tax of 10%.

The ongoing healthcare reform project and the increasing population of more than 80 million are generating major demand for high-tech medical and healthcare items. With the government health reforms' target of achieving universal access to healthcare, the public sector is expected to account for the majority of expenditure growth the next few years.

The Health Ministry is currently undertaking an ambitious plan of building new hospitals and investing in renovating and refurbishing existing medical facilities with new technologies and up-to-date equipment, especially in the rural, under-served areas. The private sector's demand for sophisticated medical equipment is also growing.

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- Oncology and radiological equipment
- Laboratory and testing equipment
- Surgical and medical devices and supplies
- Software for hospital management/network
- Intensive care equipment

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Opportunities for U.S. exports to Egypt's medical equipment and services market are substantial and cut across the entire spectrum of medical-related activities and needs. In line with the country's reform efforts to upgrade the overall healthcare system, there are several opportunities for U.S. firms with business plans that can offer the following services:

- Construction, management, and rehabilitation of hospitals and rural healthcare facilities
- Emergency care (ambulatory) services
- Training programs for nurses and physicians
- Establishing quality control biological and laboratory centers
- Providing plans for regulator and accreditation body of quality standards for hospitals, laboratories, and healthcare institutions
- Providing training courses in FDA-drug classification for MOH officials

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Commercial Service in Egypt: <http://www.export.gov/egypt/>

U.S. Embassy: <http://cairo.usembassy.gov/>

USAID: <http://www.usaid-eg.org/>

World Bank: <http://www.worldbank.org/>

American Chamber of Commerce in Egypt: <http://www.amcham.org.eg>

Egyptian Government Web Portal: <http://www.egypt.gov.eg/english/>

Ministry of Health & Population: <http://www.mo hp.gov.eg/>

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Safety and Security Sector

Overview

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Imports	253	265	316	360
Imports from the U.S.	76	80	95	108

Unit: USD million

	2010	2011	2012 (estimated)	2013 (estimated)
Total Imports	253	265	316	360
Imports from the U.S.	76	80	95	108

The Safety and Security market is doing well in Egypt and it is expected that there will be a significant increase in demand over the next few years. Buyers are generally government entities such as the Ministry of Interior, the Ministry of Defense, and the Intelligence Department. The Egyptian government has set an objective to dramatically enhance its safety measures, which will require security upgrades of all the airports, seaports, and public facilities.

The Egyptian market is in need of specialized companies working in the field of security and other related business with the most up-to-date security technology available.

The Ministry of Interior is doing its best to create new horizons for investment in security technology within the Egyptian market to establish advanced industries in this field. Police agencies have the primary goal of keeping abreast of the latest innovations and strive to be familiar with the various companies and corporations working in the field. Companies with a reputation for cutting-edge technologies will have an advantage here.

Although Egypt has always been a price sensitive market, quality is also an important factor, particularly in this field. Because of the quality consideration, the main suppliers to the market are from advanced countries: mainly Japan, USA, UK, Germany, Italy and France.

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The main products needed are:

- Search and rescue equipment
- Access control & alarm systems
- CCTV and electronic surveillance equipment
- Walk through and handheld metal detectors

- Personal identification (security holograms for identity purposes)
- Firefighting equipment & detecting systems
- Traffic control systems and GPRS
- Bomb detection & jamming equipment
- Uniforms, Protective apparel & Accessories (industrial)
- X-ray equipment

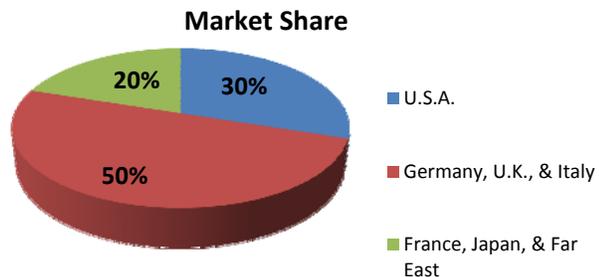
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Market Demand

The Egyptian market has always been receptive to U.S. safety and security products especially for walk-through metal detectors, handheld detectors and surveillance C.C.T.V. systems. Shops, stores, schools and small companies do not generally rely on security equipment. In some cases, safety equipment may be procured, but most commercial entities are not obliged to install safety and security equipment. However, Governmental, industrial, and touristic entities are legally obliged to install certain security systems.

The Egyptian security market has a special nature. It requires players to have expertise from within as well as advanced awareness of the global market. Successful key players have enhanced working knowledge of the government and its bureaucratic regulations. Although plans for security upgrades exist, these plans are not always carried out regularly due to changes in the Cabinet and other government officials.



The U.S. is very well known as having state-of-the-art technology, particularly in x-ray inspection machines and walk-through metal detectors. Sometimes European companies offer similar technologies without the need for an export license, which impacts the American reputation. Agents and distributors are better positioned to deal with both public and private sector concerns because they have a local reputation for being efficient. Moreover, agents can coordinate all transactions with the buyer, including after-sales service, and are committed to finalizing the transaction to the customer's satisfaction.

German, British and Italian suppliers have captured nearly 50% of the market share in the sale of complete lines of equipment in Egypt. This is attributable to the fact that they operate through Egyptian agents, instead of trying to operate on their own. The remaining 20% is distributed among Japan, France and the Far East. The U.S. market share is about 30% (non-governmental)

The overall imports are estimated at about \$253 million in 2010. Accordingly, there is an expected annual increase of about 10% to 15%. This is mainly due to heightened security awareness. Government and private sector are reevaluating and upgrading security systems and technologies at all sites.

There are numerous competitive factors. Some of the most vital factors include technological advancement, high quality, and after sale services (low-cost maintenance). U.S. products have a critical price advantage over European products. Currently, the US dollar maintains a better exchange over the Euro for Egyptian importers.

Prospective Buyers

There are three different sectors of end-users which consist of governmental, industrial and commercial. Within the governmental sector, the Ministry of Interior and Ministry of Defense maintain the highest purchasing capacity.

Secondly, the industrial sector includes Oil & Gas companies, Chemical plants, Manufacturing plants, Ports and Real Estate Contractors. According to the Ministry of Housing, Utilities & New Communities all these factories are required to install fire sensing and detection equipment, fire alarm systems and extinguishing equipment.

In addition all commercial entities are legally obliged to install safety products. Some of the main commercial entities include hotels, museums, banks, malls, hospitals, theaters, cinemas, & operas, schools & universities, and entertainment & conferencing facilities.

The market for security sensing and detection equipment is growing in Egypt, as both the Egyptian public and private sectors realize that such equipment enables them to combat security threats more effectively. As a result, prospects for future sales of the high quality U.S. safety and security products, particularly sensing and detection equipment, are positive.

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Commercial Service in Egypt: <http://www.export.gov/egypt/>

U.S. Embassy: <http://cairo.usembassy.gov/>

American Chamber of Commerce in Egypt: <http://www.amcham.org.eg/>

Ministry of Interior: <http://www.moiegypt.gov.eg/>

Ministry of Defense & Military Production: <http://www.mmc.gov.eg/>

Ministry of Military Production: <http://www.momp.gov.eg/>

Arab Organization for Industrialization (AOI): <http://www.aoi.com.eg/aoieng/>

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Franchise Sector

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	2010	2011	2012 (estimated)	2013 (estimated)
No. of Concepts in Egypt	432	445	460	500
U.S. Concepts in Egypt	55	60	65	75
Direct Investments \$billion	5.5	6	7	7.5
Market Size (Food) \$million	600	700	750	800
Total Annual Sales \$billion	1.8	2.0	2.5	3.5
Exchange Rate: 1 USD	5.7	5.9	6.00	6.06

Franchising has increased in Egypt, as well as in the Middle East and North African (MENA) region. According to statistical business sources the Franchise Industry is valued at over \$14bn and is growing at an annual rate of 27%. Franchising has developed quite extensively in Egypt over a short time; it has proven to be one of the most successful mechanisms in entrepreneurship. The industry in Egypt is composed of 24% international franchises and 76% local franchises, 40% of the international franchises are American chains. U.S. franchisees are estimated to account for almost 45% of the total Franchise revenues in Egypt (just under \$200 million in sales).

This industry is dominated by American companies and the annual growth for U.S. franchises in both the food and non-food sectors continues to rise. Currently, there are 290 franchises in Egypt that have contributed to the substantial economic growth of about LE36 billion (\$6 billion) in the form of direct investments. The franchising industry employs around 55,000 people and generates around LE15 billion (\$2.5 billion) annual sales.

The ownership structure of the franchising industry in Egypt is:

- 40% are Master Franchisees and do not sub franchise
- 17% are Master Franchisees and sub franchise
- 43% are Local Franchisors

Food Franchises

The Egyptian fast food market has experienced notable expansion since it began in 1970. Market sources expect the growth to continue at an annual rate of 10-20% over the coming years. The current food franchise market size is estimated at more than \$700 million. In 1993 there were seven operational chains in Egypt, now there are 50+ American franchises that are operational or have imminent plans to open.

Some of the popular chains include:

Chili's -TGIF- Hard Rock Café- KFC-McDonald's - Pizza Hut- Burger King- Hardees- Dominos Pizza-Papa John's-Sbarro- Outback Steak House- Subway- Auntie Annie's- Baskin Robins-Carvel Ice Cream-Cinnabon-Starbuck's -Dairy Queen, Coffee Bean and Tea Leaf.

Non-Food Franchises

During the 1990s, the non-food sectors began to emerge. These franchises have a large market potential, and many American franchisors continue to enter the Egyptian market. Several companies in the fields of hotel management, car rental, language education, health and fitness, electronics, and computer training are currently franchised in Egypt. Some of the non-food franchises that currently exist include:

Radio Shack- Nike-Coldwell Banker- Century 21-Fastrac Kids-Gold's Gym –Curves-Toys R US -Hertz-Harley Davidson-Starwood Hotels and Resorts-Planet Beach-Contempo Spa.

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Over the past two decades the Egyptian franchise market has been dominated by the food sector. However, within the past few years the non-food sector has emerged, primarily in the retail sector, as there is an increasing demand for clothing and lifestyle brands among the urban population.

The best prospects for U.S. non-food franchises are in the areas of: hotel management consulting, healthcare, childcare, entertainment and recreational centers, department stores, gift shops, cleaning services, real-estate service, education and training, home products and furniture.

Retail overall signifies the highest ranked sector representing 49% of the non-food franchising sector. There is an anticipated increasing demand for hypermarkets, home products and furniture, clothing and fashion, and leather products.

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Egypt has a relevant amount of "A class" consumers, which have an average monthly income of about \$1700. These end-users are well educated and familiar with foreign goods and services. They continuously seek high quality and well-priced goods. Price is not always a factor. Due to their education and travel experience the end-users have developed to be very receptive to western products and services, especially U.S. goods and services. Some of these end-users include tourists from Arab countries, which represent a strong seasonal demand factor.

It has also been noted that Egyptian consumers have become brand conscious due to the recent and growing trend of improved living standards, as well as increased exposure to western culture and media. The total population of Egypt is around 82 million, out of this figure five million consumers are drawn to the increasingly popular brands and convenient service. The median Egyptian age is between 18 -25 years old, which is a positive factor in the growth potential of the fast food and retail sectors.

Egyptians have initiated their own retail franchising businesses domestically, especially

in the apparel industry. This trend indicates that the franchise concept is acceptable within the Egyptian cultural setting. Most of the franchises operating in Egypt are the result of Egyptian entrepreneurs approaching foreigners, rather than the result of a marketing effort by foreign firms. While this may show an entrepreneurial spirit among Egyptian businesspersons, it also highlights an attention gap on the part of foreign business.

The Egyptian government is seeking to develop the franchise sector, with the aim of passing a new law that regulates the franchise sector nationwide. It established a Small Enterprise Development Organization (SEDO) as part of its Social Fund for Development (SFD) program. The SFD created its Franchise Development Department (FDD). The main goal behind the creation of the FDD was to: 1) increase opportunities for Egyptian franchises in all economic sectors: 2) offer and increase attractive investment opportunities in franchising applications to both local and foreign investors: and 3) assist with market expansion.

According to the African Development Bank (ADB), franchising has been one of the main mechanisms in developing the small-and medium-sized enterprises (SMEs) within Egypt and other African countries. Franchising is a booming tool, which has proven benefits to the economy: 1) it has contributed to GDP: 2) developed the private sector: and 3) launched high quality services and products to the market. Hence ADB has collaborated with local Egyptian banks in promoting franchising. ADB is keen to provide entrepreneurs with successful business models and support from the franchisor. Additionally, ADB lent Egypt \$40 million to develop the franchising industry. The money will be used to finance a program which supports the development of franchise businesses in Egypt.

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Commercial Service in Egypt: <http://www.export.gov/egypt/>

U.S. Embassy: <http://cairo.usembassy.gov/>

Egyptian Franchise Development Association: <http://www.efda.org.eg/>

Social Fund for Development: <http://www.sfdegypt.org/>

African Development Bank: <http://www.afdb.org/en/>

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