MED-Alliance Invest in the Mediterranean

INVEST in med

STUDY N°7 / January 2010

Mediterranean Investment Map

Sectoral guidebook on public investment policies in the Mediterranean

ANIMA Investment Network
Together for a competitive Mediterranean

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on public investment policies
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References

This report was prepared by the ANIMA team within the framework of the Invest in Med contract. This programme is co-financed by the European Commission through a grant contract, within the European Neighborhood Policy Instrument. It is targeted at the 27 countries of the European Union, and the 9 Mediterranean partner countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia).

The Invest in Med programme aims at developing sustainable trade relationships, investments and enterprise partnerships between the two rims of the Mediterranean.

ISBN 978-2-915719-37-6 EAN 9782915719376

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- Various Investment Promotion Agencies of the MED region and Invest in Med partners have provided information for this guide (see also the website references and the bibliography).
- Neither ANIMA nor any of the partners involved may be held responsible for the data or information supplied. Any error or lack of precision should be signalled to info@anima.coop. ANIMA is interested in your comments, complementary information and updates. Many thanks.

Acronyms

- ANIMA: Euro-Mediterranean Network of Investment Promotion Agencies
- BPO: Business Process Outsourcing
- ERP: Enterprise Resource Planning software solutions
- EU: European Union (somitmes the historical members EU-15, the new members EU-10, and the EU-25)
- FDI: Foreign Direct Investment
- GDP: Gross DomesticProduct
- GIS: Geographic Information System
- ICT: Information and Communications Technologies
- IP: Internet Protocol
- IZ: Industrial Zone
- MED or MED-9: The 9 Mediterranean partner countries of the EU: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia
- MIPO: Mediterranean Investment Project Observatory
- MICE: Meetings Incentives Promotions and Exhibitions
- R&D: Research and Development
- RMG: Ready made garments
- SME: Small and Medium Entreprises
- WTO: World Trade Organisation
- VAT: Value Added Tax

Table of contents

1. Guiding investors in the Mediterranean

Mapping the sectors and activity zones

The purpose of this guidebook is to provide investors, especially foreigners, who target 9 of the Southern Mediterranean countries benefiting from the Invest in Med programme, with an operational tool that would help them in answering the following questions:

- What are the countries that promote the development of entreprises in my business sector?
- What are the regions in these countries where my business can grow? What are the infrastructures, industrial or economic zones in which I am likely to find partners, sub-contractors, competitors?
- What are the facilitating policies that affect me? Whom to contact to activate them?

Consequently, this guidebook suggests, for each of the 9 concerned countries, a crossing between:

- the content of the latest sectoral and industrial policies established by the States;
- and the geography of the existing zones of economic development, structured are they (free zone, technological park, port area) or not (industrial area developed without the intervention of any authority).

Providing a quick access to operational information

The users of this guidebook have the choice between 3 gateways to access to information:

1. For each country, 3 printed colour maps with legends (resources, industry, services) provide an immediate view of the key sectors developed in the country (which sectors, in which regions, what cities), and the major facilities and zones in which economic development is

polarised (industrial zones, special economic zones, technological parks, geographic clusters);

2. For each of the 9 target countries, an access to a set of synthetic sheets indexed from the *Table of Contents*, page 3, provides information on:

   - the economic development strategy of the country, its ambitions and tools;
   - the country position vis-à-vis foreign investors and the legal framework;

   For each priority sector, a summary sheet presents: the main challenges in the country, the development opportunities available to companies and investors, the main present or targeted players, the places of concentration of the activity, the public schemes and the Internet addresses of the referent organisations;

3. For 15 sectors which development is considered a priority by the Med countries, or which have de facto developed in them, a list of countries where each sector is present is supplied, with the reference page to check the sheet displaying the sector in the concerned country. The synthetic chart is available in the *Panorama of the priority economic sectors*, page 12.

Towards an economic Atlas of the Mediterranean

The guidebook builds on the results of an investigation based on: interviews with key actors in the definition and implementation of these strategies and policies: Ministries, investment promotion agencies, chambers of commerce and industry, business organisations, investors. A workshop on "Territorial Marketing" held in Amman (Jordan) on the 13th and the 14th of January 2010 has been an opportunity to share and validate the results of this survey with investment promotion agencies, chamber of commerce and industry and business organisations of the Mediterranean, as well as private companies established in the region or having such a project.

Providing dynamic and interactive tools

This surveying and mapping work represents the first step in a work undertaken by the Invest in Med programme in order to provide investors with practical tools, especially information services and decision support for their possible establishment in Mediterranean.

Indeed, this mapping work on business sectors and locations in the Mediterranean is feeding the database of the intelligence centre on foreign direct investment (FDI) which ANIMA has been developing since 2003 (MIPO observatory) and making available to Invest in Med since its launch in April 2008.

The programme is planning to develop on its website a Geographic Information System (GIS) which enables an interactive display of clusters and places of polarisation of sectoral activity. It will also geolocate most investment projects detected since 2003 by the MIPO observatory. Each of these investment projects will be classified by country of origin, sector, invested amount, created jobs, etc.

Other economic printed maps can also be developed according to needs and opportunities.

A mutualised knowledge database among operators

Such information system will have value only if a process of ongoing updating is introduced, and it is obviously desirable that an organisation benefits from the necessary resources to complete this work of capitalisation and formatting of the economic information in the Mediterranean.

A mapping tool of the economic activity is indeed useful to promote better mutual understanding between the Med countries. But it is mostly necessary to influence investment decisions of companies whose projects are still likely to move. Indeed the ability of the Mediterranean region to provide the investor with updated information in an ergonomic and user-responsive manner will be a major asset to influence the choice of investment destination.

In the framework of 3 training sessions organised in the first quarter of 2009 for its MedAcademy, the Invest in Med programme started to establish a network of actors holding the relevant information for investors targeting Med countries. The networks of the MedAlliance have indeed the ability to offer such a service by sharing the updating work.

Figure 1. Organisations able to provide investors with operational information (ANIMA)

Useful information for investors	Legitimate actor for the update
Support and services to the establishment, taxes, land, quality of life	Administrations, investment promotion agencies
Information on markets, sectors, industry leaders and facilitating organisations	Chambers of commerce and industry, business federations
Costs of factors	Investment promotion agencies, chambers of commerce and industry, business federations
Utilities, infrastructure and transport	Investment promotion agencies, administrations, public and private operators

The workshop on "Territorial Marketing" held in Amman (Jordan) on the 13th and the 14th of January 2010 has been a good opportunity to advance the implementation of this network.

2. Sector positioning in the Mediterranean

Panorama of the priority economic sectors

For a selection of 15 major sectors (some are groupings of relatively close industries), the following table will allow quick access to summary sheets for the countries where they are considered to be strategic.

Each of these sheets introduces:

- the challenges for this sector in the concerned country;
- the business and investment opportunities in this sector;
- the main targeted or present players in this sector;
- the polarisation sites of the sector development;
- the specific support mechanisms for investors;
- Internet addresses of referent organisations on the sector.

Figure 2. Index of sector summary sheets for the Mediterranean countries

Targeted sector	Concerned country
Agriculture, Fishing & Agri-business	Algeria p. 32; Palestinian Authority p. 141 and p. 142; Egypt p. 55; Israel p. 74; Jordan p. 85; Lebanon p. 103; Morocco p. 124; Syria p. 155 and p. 156; Tunisia p. 177
Energy, Water & Environment	Algeria p. 29; Egypt p. 56; Israel p.73; Jordan p. 91; Lebanon p. 107; Syria p. 162
Marble & Stones	Palestinian Authority p. 140
Minerals, Chemicals, Plastics & Fertilisers	Algeria p. 30; Palestinian Authority p. 138; Israel p. 70; Jordan p. 86; Syria p. 159; Tunisia p. 179
Life Sciences	Algeria p. 33; Palestinian Authority p. 145; Egypt p. 52; Israel p. 71; Jordan p. 87

Targeted sector	Concerned country
Textiles, Leather & Garments	Palestinian Authority p. 139; Egypt p. 54; Jordan p. 89; Morocco p. 125; Syria p. 158; Tunisia p. 176
Information and Communication Technologies (ICT), Business Process Outsourcing (BPO)	Algeria p. 35; Palestinian Authority p. 137; Egypt p. 51; Israel p. 69; Jordan p. 88; Lebanon p. 104; Morocco p. 119; Syria p. 163; Tunisia p. 178
Electrics& Electronics	Algeria p. 34; Morocco p. 123; Syria p. 157; Tunisia p. 175
Automotive & Mechanics	Algeria p. 37; Israel p. 72; Morocco p. 120; Tunisia p. 175; Syria p. 157
Aeronautics	Morocco p. 122; Tunisia p. 175
Metal & Steel Industries	Algeria p. 35; Syria p. 157
Public works, Transport & Logistics	Algeria p. 40; Palestinian Authority p. 144; Egypt p. 59; Jordan p. 92; Lebanon p. 106; Morocco p. 127; Syria p. 161; Tunisia p. 181
Banking, Insurance & Financial Services	Egypt p. 53; Lebanon p. 105; Syria p. 164
Retail	Egypt p. 58; Lebanon p. 108
Real Estate & Tourism	Algeria p. 37 and p. 39; Palestinian Authority p. 143; Egypt p. 54; Israel p. 75; Jordan p. 90; Lebanon p. 108; Morocco p. 126; Syria p. 160 and p. 165; Tunisia p. 180

Tracks for an international positioning of the Mediterranean

The index of sector summary sheets displayed above (Figure 2) clearly illustrates the challenges facing the region. On the one hand, the Mediterranean countries remain a low-cost production destination, and as such attract a big number of industrial activities with large needs in terms of human or energy resources (case of Algeria in particular). One the other hand, these countries continue to catch up with those of the Northern rim, notably on infrastructure: transportation, utilities, residential and commercial real estate. Finally, one clearly see some sectors growing in all countries of the region, and the latter building de facto a global positioning on a certain number of value chains such as agri-business, ICT, textiles, tourism or other growth sectors such as healthcare and logistics.

The needs are still important and many opportunities remain untapped

Continuous upgrading of the infrastructure

Med countries have been committed for several years in the implementation of infrastructure investment policies designed to facilitate their economic development: transport networks, upgrading of the ports, creation of business and technological parks, development of telecommunications, etc. These investment programmes, often carried by the Government, have also been the opportunity for privatisation or concession, thus introducing some major international and regional operators to local markets, with varying degrees of success.

This upgrading process is ongoing. In telecommunications for example, where many licences have already been granted between 2002 and 2006 (nearly 30 billion euros have been invested, including Turkey), 2 licenses were awarded in Jordan and Tunisia in 2009. A qualitative leap has to be done in logistics or retail. It would be worth for European investors to take a position in markets where: domestic transport infrastructure has well progressed thanks to public investment, local markets are often solvent, and demand continues to grow even in this period of global recession. Above all, most countries are in demand for projects in the field of water management, waste treatment and housing development, particularly for social housing.

Still competitive destinations

The Mediterranean is not intended to become the world's factory. Instead, the declining of birth rates, the increasing of the number of young graduates and the initiatives in favour of the education of people in countries that particularly suffer from illiteracy, such as Morocco, may augur the movement of economic convergence towards which the two rims of the Mediterranean are tending. Consequently, the region would better position itself in providing activities with high added value, rather than fight solely on reducing factor costs.

The fact remains that Med countries are still competitive, especially for European companies wishing to relocate productive activities in the vicinity of Europe, for activities with high energy needs or for some activities requiring a competitive and often specialised workforce. This is particularly the case in Algeria or Syria that, through their own production of hydrocarbons, attract the metallurgical and chemical industries, which are highly energy-intensive. Chemistry is also growing in countries with local raw materials, such as Jordan and Morocco, and mining activities in Jordan, Israel or the Palestinian territories.

Some value chains are anchoring in the Mediterranean

Southern Mediterranean countries have sometimes some difficulty to differentiate from each other, due to often comparable market sizes and equivalent comparative advantages. However, in a certain number of sectors, a de facto positioning of the Mediterranean region relatively to other regions of the world is becoming apparent. The development of these sectors, which are considered priorities by each country, logically stems from the identity and the location of the Mediterranean: agri-business, textiles, tourism and logistics, in addition to ICT.

Agri-business: big producers, industrialists and technologies

The Southern rim of the Mediterranean has important strengths to shine in the agri-business sector, to start with its excellent culinary reputation, Lebanon, Morocco and Syria in the lead. First of all, this region has significant producers such as Egypt (8th position in the world in terms of fruit and vegetable production, targeting the 3rd position), Morocco (where

60% of the population makes a living thanks to this sector), and Syria (where the agriculture represents 25% of GDP). Increasingly, countries in the region are going up in added value by developing the processing industries (Jordan, Tunisia, Morocco, Syria, Egypt) and packaging for export development (Egypt, Morocco, Lebanon). Moreover, countries like Israel are at the forefront of technology in the fields of processing and irrigation. Other countries in the region follow suit. Nonetheless, a better cooperation with Israel would be beneficial for the whole area. Besides, land rental is beginning to expand for major operators (e.g. Morocco).

Strengths to become the Euro-African logistics hub

Several factors make the Southern rim potentially essential in the supply chain of companies targeting the Euro-African plate and the Middle East. First, the existence of raw materials, particularly agricultural and fishing products, minerals and hydrocarbons. The Mediterranean is also experiencing the transit of 30% of the world container traffic between Port Said (Egypt) and Gibraltar in Southern Spain. In fact, it has a significant number of ports already equipped to receive the largest shippers (Port Said, Tangiers, Malta, futures Enfidha and Cap Djinet), with industrial zones adapted to processing industries (automotive, for example) nearby. Moreover, the Southern countries have domestic markets where demand is still growing, unlike the Norther rim.

The positioning of the ICT sector is on its way

Med countries are important markets for the upgrading of SMEs in all fields of ICT (Web, ERP, IP telephony, etc.). In general, these markets are well treated by local and foreign players and are supported by government incentive policies. In the ICT sector, the Med countries have already demonstrated their ability to skip steps. The low landline phone has for instance been wiped off by the recent flood of mobile phones. For the same reason, the region is now forced to experience a technological leap over the wireless internet (Wimax - 3G/4G). From East to West, the Southern rim of the Mediterranean is producing engineers and innovative start-ups. Pioneer markets are emerging, as well as a technological know-how tailored to the economic realities of the countries. Moreover, the professionalisation achieved in the main ports of the region, the opening of airspace and the expertise developed in relationship with foreign customers makes the

Southern rim a possible rear base for e-commerce operators of the Northern rim. Especially since governments are now embarking incentive policies for e-commerce. After customer relationship management centres yesterday, today software and voice over IP, tomorrow mobile Internet and E-commerce... And after tomorrow, the Mediterranean as the pioneer of the M-commerce (electronic commerce on mobile devices)?

Fast fashion and special textiles, a new Med positioning

Six countries out of the nine studied, East and West, are positioned in this traditional sector in the region. Except for local crafts, the region has rather positioned on the tint, the assembly of ready-made-garments for export and the spinning industry. All major Spanish brands specialised in short series (Zara, Mango, Benetton) have production capacities in the South of the Mediterranean but design activities generally remain in the North. Some brands, especially Moroccan jeans, have nevertheless achieved to penetrate the markets of the Northern rim (Turkey in particular). Two areas seem promising for the development of the sector in the years to come. First, the medium and upmarket for small series of the "fast fashion": the short distance between Southern Mediterranean countries and the European continent allows restocking in record time which Asian competitors can not beat. Second, the technical textiles bound for new sectors developing in the region: textiles and gauze for pharmacy, and textile packaging for logistics.

Towards a specialized tourism offer serving another model of economic development

The Mediterranean is one of the top tourism destinations in the world. Moreover, tourism is one of the main providers of foreign exchange for Southern countries. Today the industry moves towards greater specialisation of the products offered to travelers worldwide. The Mediterranean accompanies this movement by greatly diversifying its offer: medical tourism in Tunisia, business tourism in Jordan, golf in Morocco, diving and nature in Egypt, relying on more skilled staff. But the seaside tourism and the heritage or religious tourism still attract the bulk of tourists to the region. Large "resorts" have emerged or have been announced all around the Mediterranean coast, posing at the same time the issue of environmental compliance of these projects, which are not always commercial successes either. Domestic tourism is a new source of opportunities that could allow a development of the hinterland, which represents an important issue for Med countries. Concerning heritage tourism, some projects could also be created, possibly with regional or foreign funding, in order to develop networks based on the rehabilitation of historical heritage, especially in the medinas.

3. Algeria

Economic Outline

Modernising infrastructure for boosting national economic growth

In order to encourage growth and reduce the unemployment rate, Algeria is seeking to diversify its economy, which is now heavily dependent on hydrocarbons, by developing the traditional sectors such as agriculture, but also business services, ICT, tourism, etc. Thereby, the country hopes to create the needed jobs to absorb its increasingly numerous and qualified workforce. It also aims at developing domestic consumption with less reliance on imports, and increasing exports. Recognising the central role of the private sector in contributing to job creation, particularly SMEs (currently few and concentrated in some sectors), the Government has undertaken a vast programme of reforms to transform the production framework and the structure itself of the national economy. In this way, the Government hopes to improve the competitiveness of domestic entreprises for their introduction into international markets. In this perspective, several major programmes have been launched in the 4 main areas of the economy: land planning, industry, agriculture and fishing, and tourism.

Before establishing any sectoral policy to boost the national economy, the Government has chosen to give priority to the upgrading of the country's infrastructure. In 2005, it launched a Complementary Plan for Growth Support (PCSC) aiming at improving the services and facilities available to economic actors as well as the whole population. Supplemented by two special programmes for the Highlands and the South, it provided more than 180 billion dollars in investments by 2009. 70% have been spent on basic infrastructure, housing and public facilities. Most of these guidelines are translated into the 2005-2025 Land Master Plan and declined per sector in 19 dedicated master plans. A new five-year plan for funding of basic infrastructure and utilities will be introduced from 2010. It will have a budget of 150 billion dollars.

Announced in late 2006 and discussed in 2007 at the National Industry Conference with all stakeholders, the new industrial strategy has still not been adopted. By providing targeted measures to encourage investment, this strategy aimed at positioning Algeria in sectors with high growth potential: industries processing primary resources (petrochemicals, fertilisers, steel and nonferrous metals, construction materials such as hydraulic binders); upstream industries of existing activities (agri-business, pharmaceuticals, electrics); industries which are still underdeveloped in Algeria in contrast to neighboring countries (renewable energies, automotive and ICT). For now, only the proposed creation of 13 economic development companies has been implemented. National economic champions, these companies will forge partnerships with the private sector to develop the planned large infrastructure projects and revive the domestic industry.

In 2002, an agricultural revival effort began with the implementation of a National Plan for Agricultural and Rural Development. The Government followed up by adopting in 2008 a Law on agricultural orientation. By supporting the revival of the rural sector, this law aims at refocusing agriculture on some promising sectors, streamlining the production process and creating synergies between agricultural sub-sectors, on the one hand, and with the agri-business sector, on the other hand. In the field of fishing and aquaculture, the development policy adopted in 2001 aims at modernising sea fishing and halieutic resources, developing support industries and aquaculture and promoting training and research by promoting private investment and partnership.

Being aware of its significant tourism potential which has been hitherto untapped, Algeria has developed a master plan for tourism. It gives a short, medium and long term vision (2009, 2015 and 2025) of the development of the sector. It also specifies implementation instruments. In order to revive seaside and Saharan tourism, the master plan provides for the establishment of poles and premium tourist villages based on their specificities and attractiveness potential.

Focus 1. Three regimes and one fund to encourage investments

Three incentive systems have been introduced in order to encourage investments of particular interest for the Algerian economy.

The **general regime** concerns commonplace projects outside the development areas. During the set-up phase, it provides relief from VAT on goods and services, as well as an exemption from customs duties on imported equipment and transfer duty on the acquisition of a property. Companies are then exempted from profit tax (IBS) and tax on professional activity (TAP) during the first 3 years. Profit tax, which is 25% for joint stock companies, is reduced to 12.5% if profits are reinvested. TAP represents about 2% of turnover, excluding VAT. It is deductible from taxable income.

The **preferential development zone regime** concerns commonplace projects undertaken in areas to be developed, among which integrated industrial zones are included. During the set-up phase, in addition to benefits under the general scheme, it provides: a discount on registration fee for the acts of incorporation and capital increases; partial or full coverage of expenditures for infrastructure works needed for the implementation of the investment project (roads, piping and wiring systems, drinking and industrial water supply, drilling, energy supply, studies and expertise), a 10-year exemption from profit tax, TAP and property tax. In some cases, the State may provide additional benefits such as postponing deficits or payback periods.

The **investment agreement regime** concerns projects whose nature (the referent sector in particular) is of particular interest for the national economy. The potential benefits apply to the same items as in preferential development zone regime. The difference is all in fact that the decision falls within the authority of the National Investment Council (CNI). Any project carried out in the fields identified by the State as most crucial automatically benefits for a period of 10 years from the widest range of benefits ever provided. It may be given additional benefits such as partial or full coverage of expenditures for infrastructure works, land purchase and purchase of inputs and / or services needed for the production.

Launched in 2001, the **investment support fund** finances the cost of benefits granted by the State: the infrastructure expenditures needed for the implementation of the investment project and the additional benefits granted under the investment agreement regime.

[Further information from the National Agency for Investment Development (ANDI): www.andi.dz]

The FDI policy: an ambivalent position

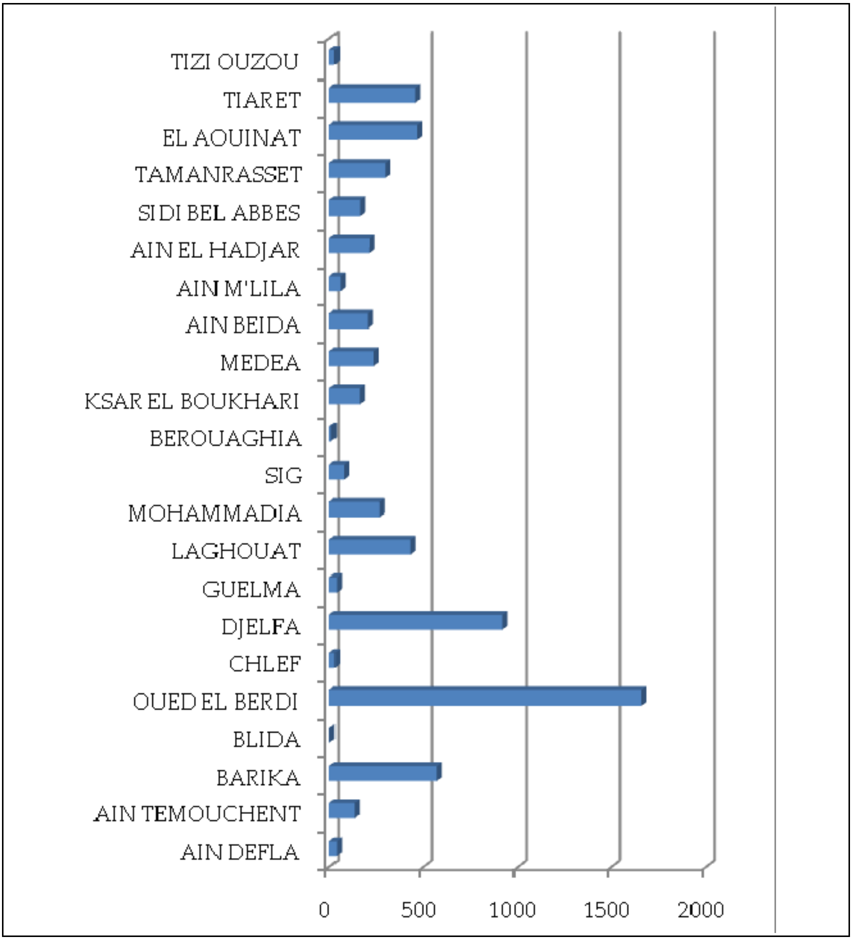
FDI represent a relatively small share of total investment in Algeria. Given their importance to the transfer of technology and the improvement of innovation capacities, a specific policy has been defined under the new industrial strategy.

The authorities do not wish to grant FDI a preferential treatment compared to domestic investments, deemed essential for the economic sustainability, even though they recognize their determining role for the competitiveness and growth of the country. Since technology dissemination requires the anchoring of FDI in the national fabric, the Government had chosen to focus its intervention on the development of: partnerships between domestic and foreign companies; outsourcing contracts between subsidiaries of transnational groups operating in Algeria and local SMEs; downstream connections mainly in highly energy-intensive industries; training programmes in new techniques or new businesses by foreign companies.

Presented in May 2009, the new plan of action toughened this position. Foreign companies are forced to sell to local partners: 51% of their participation in investment in Algeria and 30% of the capital in their import companies. This decision confirms the listings of tighter regulations on foreign investments made in 2008. These listings also included: the obligation to locally reinvest profits generated by tax exemptions; the State pre-emptive right on disposals of assets held by foreign investors; the specific taxation of capital gains from transfer of stocks and shares by non-residents; the substitution from the system of concession of public land which could be converted into transfer after 2 years to the permanent concession, etc. Besides, the Government has also amended the import scheme (obligation to have an Algerian partner, import limits of used vehicles). In order to protect local production and prevent an excessive growth of the pharmaceutical bill, the Government has also banned the import of nearly 400 drugs that can be produced locally. These decisions are not neutral for investors.

Nevertheless, the incentives provided for encouraging investment do not lack of significant interest to foreign investors, particularly those relating to: the improvement of the business environment; the functioning of the National Agency for Investment Development (ANDI); the simplification of customs procedures; taxation; the labor market; and most importantly, the creation of integrated industrial zones (ZDI).

Figure 3. Available land in industrial zones (thousands of m2)



Focus 2. An Agency for Intermediation and Property Regulation and modern industrial zones to attract investors throughout Algeria

Being the main constraint to investment, the problem of access to land has been extensively debated in recent years. Delays in the registration of deeds (successions) or cadastre make land transfers quite difficult. Several texts aiming at improving the availability and management of land were successively promulgated.

Created by decree in 2007, the **National Agency for Intermediation and Property Regulation** (ANIREF) is in charge of: the management of assets held for investment purposes; intermediation; land regulation; information to potential investors; land and property development. In terms of regulation, the ANIREF manages an observatory of the economic property ownership that: informs the authorities on the supply and demand of land and property; fuels the summaries of latest trends and the land blue book; contributes to the emergence of a land market for investment. Its portfolio includes 650 properties for which it is responsible to market.

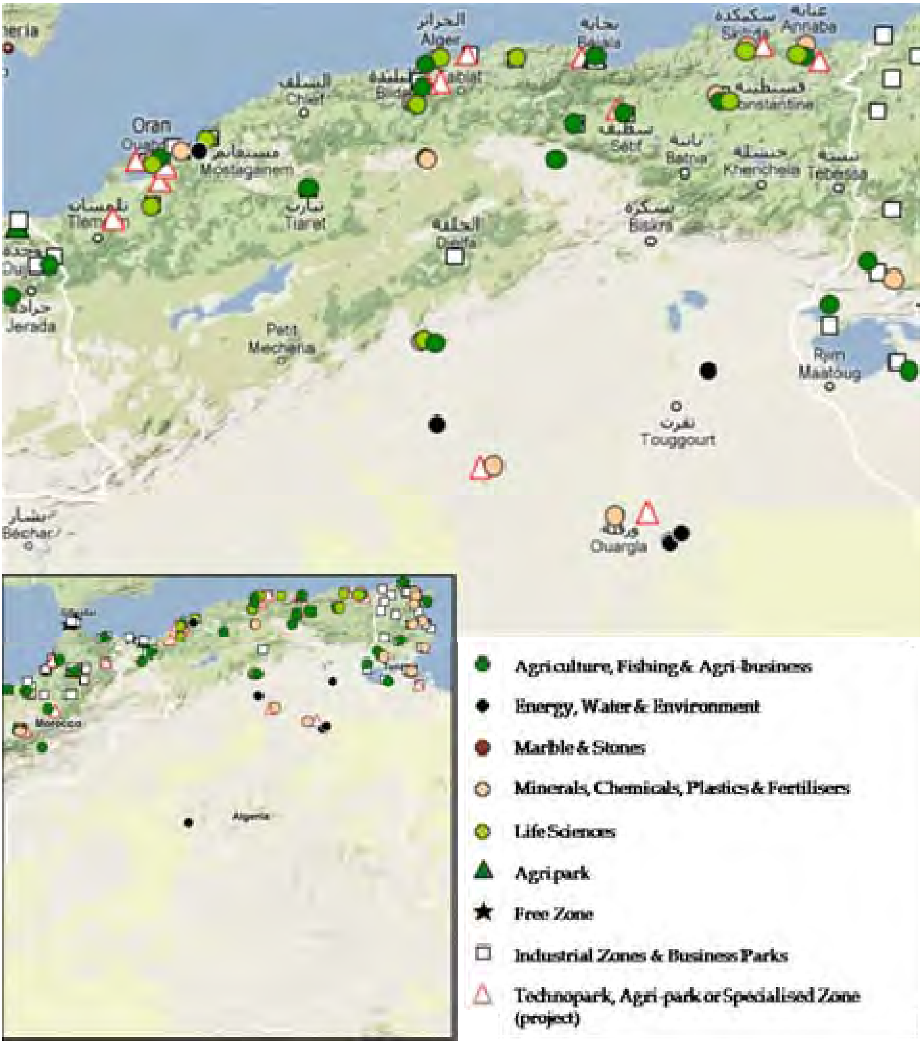
Aiming at putting an end to land speculation, in 2008, an ordinance established the **system of concession**. Granted following a public auction or by agreement with the Council of Ministers, the concession provides a secure access to land and / or property for a period of 33 years, renewable 2 times. The tenant pays an annual fee equivalent to 5% of the market value of the land (updated every 11 years) and is exempted from property tax. He owns the buildings erected on the ground, and may mortgage, hand down or sell his right to concession.

In order to attract investment in the different regions of the country, Algeria has undertaken a major **modernisation programme of its industrial and activity zones** (IZ). Being respectively 66 and 477, these zones cover a total area of respectively 12 800 and 7300 ha. From 1999 to 2009, 25 billions of Algerian dinars (273 million euros) have been spent to rehabilitate the country's industrial infrastructure. Benefiting from special programmes, the Southern and central highlands wilayas have received 5 extra billions (55 million euros).

Following the model of clusters, the Government has also decided to establish 14 **integrated industrial zones** (ZDI): 7 multipurpose activity zones (Algiers, Blida, Oran-Mostaganem, Annaba, Setif-BBA, Boumerdes-Tizi Ouzou, Ghardaia-Hassi R'mel); 3 technoparks (Algiers-Sidi Abdellah for ICT, Bejaia for agri-business, Sidi Bel Abbes for electronics); 4 specialized zones (Arzew, Hassi Messaoud, Skikda, Oran). These new spaces will offer to international companies all the necessary services for their implementation: one-stop shop of the ANDI, business centre, etc. The developed sites should eventually allow the emergence of 6 poles of competitiveness.

[Further information from the ANIREF: www.aniref.dz]

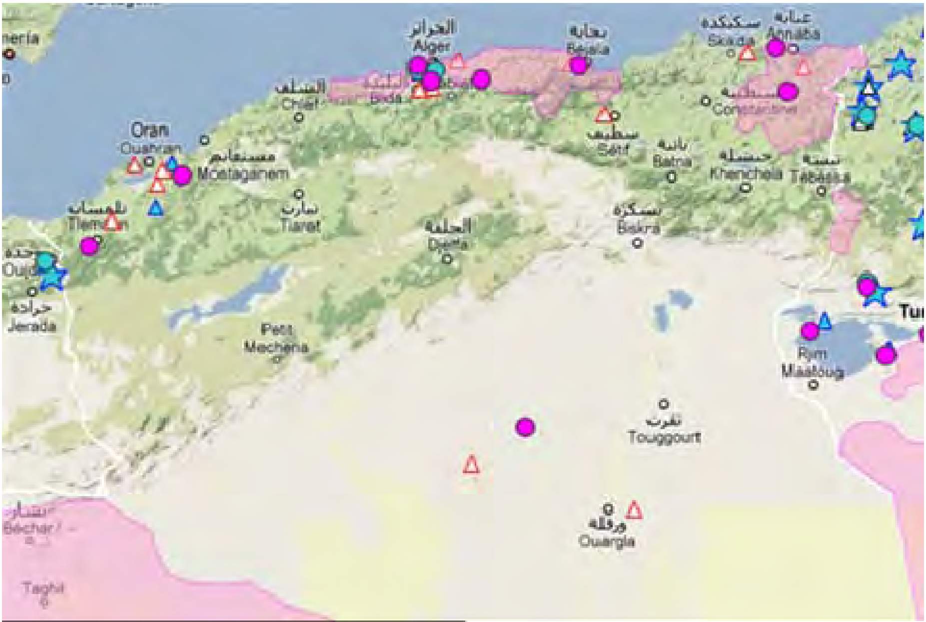
Strategic Map / 1. Resources

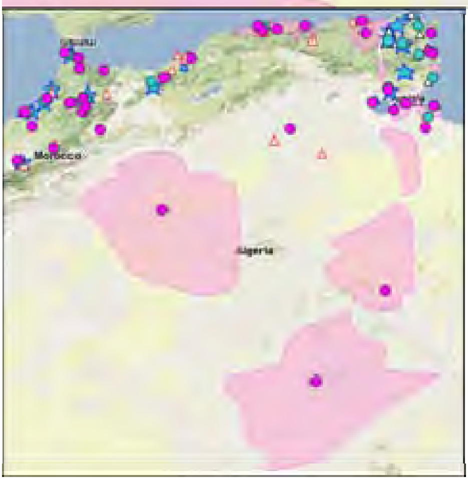


Strategic Map / 2. Industry

- Textiles, Leather & Garments
- Automotive & Mechanics
- Aeronautics
- Electrics& Electronics
- Public works, Transport & Logistics
- Metal & Steel Industries
- Industrial Zones & Business Parks
- Free Zone
- Technopark, Agri-park or Specialised Zone (project)
- Specialised Cluster
- Special Economic Zone
- Priority Industrial Development Area

Strategic Map / 3. Services





- ICT & Business Process Outsourcing (BPO)
- Banking, Insurance & Financial Services
- Retail
- Real Estate & Tourism
- Technopark
- Incubator
- Nearshoring Park
- Technopark, Agri-park or Specialised Zone (project)
- Priority Tourism Development Area
- Special Economic Zone

Strategic Sectors

Hydrocarbons, Energy and Mining

Challenges / Objectives	Endowed with substantial oil and gas resources, Algeria is an energy giant. The opening of the sector has been engaged in the 90s. In 2007, hydrocarbons accounted for 45% of GDP and 97% of foreign exchange earnings. Faced with a sharp rise in consumption, many power plants are planned (1200 MW by 2009) and the internal network of gas distribution must be multiplied by 3 (12 billion dollars of investment over the 2000-2010 period). An objective of 6% of renewable energies in overall electricity production by 2015 has been fixed. Works are also planned to close the Mediterranean electrical loop (to Spain via Morocco). Finally, Algeria wishes to develop mining. A massive investment in infrastructure is therefore essential.
Opportu-nities	Gas operations (new deposits and output enhancement); Construction of pipelines; Production and distribution of electricity (gas, renewable energies); Mining
Actors / Targets	National companies (Sonatrach, Sonelgaz Naftal, AEC Ferphos) are still dominating the sector but are developing contracts and partnerships with Russian (Rosneft-Stroytransgaz Ltd, Gazprom), Chinese (CPC), Italian (ENI), French (GDF, Total), Spanish (Cepsa, Repsol, Abener), British (BG Group, BP), German (RWE), American (Edison), Norwegian (Statoil), etc. operators.
Location	Southern and Eastern regions, especially Hassi Messaoud (oil) and Hassi R'mel (gas), Algiers (refineries and export terminal), Arzew (export terminal), Skikda, Adrar, etc.
Policies / Projects	New town of Hassi Messaoud; Projects of competitiveness poles: petrochemicals and renewable energy in the Ouargla-Hassi Messaoud-Ghardaia area, energy in the Oran-Mostagane-Sidi Bel-Abbes area, renewable energy in the Medea-Boughzoul-Laghouat area (Focus 2) Foreign investors are not subject to income tax in the hydrocarbons sector. "Downstream" activities are exempted from VAT and customs duties. Mining is exempted from TAP and VAT on purchased or imported goods, from customs duties on equipment and from any taxation except the mining profit tax (Focus 1)
Contacts	Ministry of Energy and Mines: www.mem-algeria.org

Petrochemicals and Fertilisers

Challenges / Objectives	Encouraged by the strong demand both domestically and internationally and the structuring nature of this industry (links with the sectors of plastics, construction materials, textile fibres, automotive, etc.), the Algerian government aims at exploiting the considerable gas resources of the country to develop the downstream segment of petrochemicals, including plastics, resins, rubber and other fibres that may contribute to the revival of the textile industry. Gas resources will also allow Algeria to specialize in the urea production and export. The increasing demand for fertilisers globally (search for greater agricultural productivity) encourages in turn the country to further exploit its vast reserves of phosphates located in the Jebel Onk. These reserves are largely under-exploited (1.5 million tons/year for reserves of 2 billion tons). A value chain from mineral extraction to fertiliser production, through the conversion into phosphoric acid, is being structured.
Opportu-nities	Production of plastics, resins, elastomers and other textile fibres; Production and export of urea (international PPP); Phosphate mining, conversion into phosphoric acid and production of fertilisers (national and/or international PPP)
Actors / Targets	Opening of production facilities by foreign groups in partnership with local companies (Sonatrach for ammonia, urea and fertilisers, Petroser for lubricants): Oman’s Suhail Bahwan Group Holding, Egypt's Orascom, Spain’sEl Bahia Fertilizers, Britain's BP
Location	Algiers, Arzew, Oran, Constantine, Annaba, Skikda, Medea, Boughzoul, Laghouat, Ouargla Hassi Messaoud, Ghardaia
Policies / Projects	Projects of competitiveness poles in the Ouargla-Hassi Messaoud-Ghardaia and Constantine-Annaba-Skikda areas for petrochemicals Activities "downstream» of hydrocarbons are exempted from VAT and customs duties (Focus 1)
Contacts	Ministry of Energy and Mines: www.mem-algeria.org

Metal, Steel and Building materials

Challenges / Objectives	Major construction projects launched in the country and abroad contribute, through the demand they generate, to the rapid growth of the Algerian sector of metal, steel and building materials. Metallurgical companies are involved as sub-contractors or co-contractors for making the framework equipment, boilers and heavy mechanics. Besides, the building materials industry contributes to 16.4% of the manufacturing employment and 11% of the produced added value. Given the quality of cement and its price-competitiveness, the Government intends to develop production and exports by optimizing processes, diversifying products and extending local value chains downstream. The steel industry benefits from the increasing use of iron sponge in the steel mill and the upward trend of steel, driven by large countries in the developing world (China, India, Brazil). Given the possibility of producing aluminium by electrolysis with energy intensive processes, the Government also encourages the development of this sector. It seeks foreign investment in the entire sector, particularly to provide the missing scientific engineering.
Opportu-nities	Production of framework equipment, boilers and heavy mechanics; Production and export of aluminium, zinc, plaster and cement (including new lines: white cement, marine cement, fast set cement)
Actors / Targets	Strong presence of India's giant Arcelor Mittal, but also Tunisian (Loukil, Tunisie Profilés Aluminium), Saudian (CPHC), Emirati (Alumco LLC), Egyptian (Al Ezz, Orascom), etc. groups
Location	Algiers, Oran, Jijel, Arzew, Constantine, Annaba, Skikda
Policies / Projects	Project of competitiveness pole in the Constantine-Annaba-Skikda area covering mechanical metallurgy Deepwater port project in Cap Djinet, connected to an IZ of 5 000 ha (aluminium complex, integrated steel complex, etc.)
Contacts	Ministry of Industry and Investment Promotion: www.mipi.dz National Agency for Investment Development: www.andi.dz

Agriculture, Agri-Business and Fishing

Challenges / Objectives	Because of a lack of investment, Algeria was lagging behind in the agricultural sector. With a budget of 350 billion Algerian dinars (3.8 billion euros), the National Plan for Agricultural and Rural Development aims at reducing the country's dependence towards imports. With the increase of agricultural land and the improvement of productivity, the plan has allowed a massive job creation and an average annual growth of 6%. Furthermore, the Government does not intend to stop there. It adopted in 2008 a law on agricultural orientation, which targets a growth of 8% by 2013. It provides measures to streamline and refocus agriculture by creating synergies with the agri-business sector. Fishing and aquaculture have a similar plan, with a budget of 4.9 billion dinars (53 million euros).
Oppor-tunities	Production of cereals, milk, potatoes, white and ovine meat (domestic market), wine, olive oil (export); Processing and packaging; Acquisition and repair of fishing equipment; Support to halieutic production (cold chain, processing, distribution); Aquaculture
Actors / Targets	Opening of trading subsidiaries by the American Cargill, the Danish Arla Foods, etc. and of production facilities by the Emirati EIIC, the French Lactalis, the Swiss Nestlé, the Dutch Heineken, the Saudi Savola, the French Danone, etc.
Location	Algiers, Sidi Abdellah, Bouinan, Oran, Constantine, Setif, Bejaia, Bordj Bou Arreridj, M'sila, Medea, Boughzoul, Laghouat, Blida, Tiaret, Reghaïa
Policies / Projects	10 billion euros of aid to agriculture planned between 2010 and 2014 Projects of 10 integrated agricultural centres as well as competitiveness poles around agriculture and food in the Medea-Boughzoul-Laghouat area and around food biotechnology in the Algiers-Sidi Abdellah-Bouinan and Setif-Bejaia-Bordj Bou Arreridj-M'sila areas Production intensification programmes in 10 agricultural sub-sectors (1 050 municipalities and 464 daïras concerned) Draft lease of agricultural land in the State’s private domain Tax benefits and easier access to credit (agriculture and fishing)
Contacts	Ministry of Agriculture and Rural Development: www.minagri-algeria.org / National Chamber of Agriculture / National Chamber of Fishing and Aquaculture: www.chambrespeche-dz.com

Drugs, Veterinary and Medical Care

Challenges / Objectives	Marked by low growth between 1999 and 2005 (2-3% per year), the Algerian pharmaceutical industry barely meets the domestic demand. On a classification of around 1400 drugs, only 310 are produced in the country. In 2004, imports amounted to 928 million dollars. They reached 1.3 billion in 2006. To put a stop to this growing dependence and capture a greater share of the value of the final product, Algeria is seeking to expand its range of products and to look upstream at the production of essential inputs (excipients, active principles). The aim is to cover 65% of national drug needs, with priority to the development of generics. The national company Saïdal is considered as the backbone of this industry. It is planned to open its capital to Algerian companies in order to develop the capacity of R&D and product development. For now, Saïdal is forging partnerships with international groups for the development and production of new drugs.
Opportu-nities	Manufacturing, packaging, wholesale import, wholesale and retail distribution of drugs; Veterinary treatments; Medical equipment
Actors / Targets	Numerous foreign companies have opened, often in partnership with Saïdal: a commercial subsidiary (the French Hartmann), a production facility (the American Pfizer, the Saudi Astra, the British GlaxoSmithKline Plc, the Danish Novo Nordisk, the French Pierre Fabre, the Italian Chiesi, the Spanish Iberal Spa, the Jordanian Al Dar Al Arabia) or a research and analysis laboratory (the Spanish Asac Pharma, the Tunisian Medis, the French Mérieux)
Location	Algiers, Sidi Abdellah, Bouinan, Oran, Mostaganem, Sidi Bel Abbes, Constantine, Annaba, Skikda, Medea, Boughzoul, Laghouat, Tizi Ouzou
Policies / Projects	Industrial Zone in Sidi Abdellah (Focus 2) Projects of competitiveness poles covering the pharmaceutical industry in the Medea-Boughzoul-Laghouat area and organic chemistry in the Oran-Mostaganem-Sidi Bel Abbes area
Contacts	Ministry of Health, Population and Hospital Reform: www.sante.gov.dz ANDI : www.andi.dz

Electrical and Electronic Industries

Challenges / Objectives	Given the scale of the domestic demand, the Algerian government is seeking to develop the electrical and electronic industries (currently limited to the activities of assembling imported collections) through innovation, product diversification and the upstream development of value chains. Accordingly, it intends to position the country in the relocation process of European companies. In the electrical industry, the use of partnership would encourage the sector upstream development. In professional electronics, Algeria could benefit from its Association Agreement with the EU to assert itself as a regional base for the production of certain products and components held for the European market in partnership with Asian companies. The state also encourages the development of speciality electronics.
Opportu-nities	Production and export of electric cables, electronic components, appliances; Specialty electronics (spare parts for the automotive, aerospace and military industries); Development of solar panels and power stations
Actors / Targets	International groups developing mainly commercial activities (the Korean LG Electronics, the Dutch Philips, the French Fact) but also sometimes production (the Egyptian El Sewedy Cables, the Emirati Electrocab Emarat, the Korean Samsung)
Location	Algiers, Sidi Abdellah, Bouinan, Cheraga, Ain Defla, Setif
Policies / Projects	State offering zones dedicated to local and foreign investments in the electronic industries Technopark project dedicated to electronics in Sidi Bel Abbes (Focus 2)
Contacts	Ministry of Industry and Investment Promotion : www.mipi.dz ANDI : www.andi.dz

Information and Communication Technologies (ICT)

Challenges / Objectives	Algeria is the largest ICT market in the Euro-Mediterranean area. The rapid development of the sector is supported by the 2005-2009 Complementary Plan for Growth Support, which provided an investment of 50 billion dinars (4.9 billion euros) to achieve the following targets: 12 million mobile lines, 3 million additional landlines, 3 million computers for the equipment of educational institutions, banks, communities, administrations and households. Liberalized in the early 2000s, the ICT sector has seen an influx of foreign operators. Having initially focused on the diffusion of ICT within the society, which is recognized as a determining factor for the competitiveness of Algeria internationally, the Government now wants to develop domestic production of ICT services.
Opportu-nities	Construction and operation of telecommunication networks (mobile, landline, Internet, WiMax, etc.); Development of ICT services
Actors / Targets	Major national players (Algeria Telecom, EEPAD) partnering with foreign groups to develop Internet networks and services (the Canadian Galaxia Telecom for WiMax, the French Neuf Telecom for IP telephony, Korea Telecom for broadband Internet); Licensing of foreign phone operators such as the Egyptian Orascom and Telecom Egypt, the Kuwaiti Watanya, etc.; Establishment of French (PhoneControl), American (Novell), and Tunisian (Information Discovery) IT consulting companies
Location	Algiers, Sidi Abdellah, Bouinan
Policies / Projects	Projects of ICT technopark (Focus 2) and Cyber Park in Sidi Abdellah (Focus 3) foreshadowing the future competitiveness pole for advanced technologies and ICT in the Algiers-Sidi Abdellah-Bouinan area Establishment of 40 ICT training academies in partnership with Cisco System
Contacts	Post and ICT Ministry: www.mptic.dz ANDI : www.andi.dz

Focus 3. e-Algeria 2013, an ambitious programme aiming at transforming Algeria into a knowledge society

Well aware that Algeria lags behind in ICT diffusion, the Government is implementing significant measures in order to widespread their use. Given the strategic nature of ICT for the international positioning of any sector, the Government aspires to move the country towards a knowledge society.

Launched in 2004, the **Ousratic initiative**, which aimed at achieving "a PC per home”, has generated considerable interest within the population but has not proved successful because of the credit price and the slowness of banks to grant them.

The multisectoral **e-Algeria 2013** programme aims at increasing the use of ICT across society: in public administrations, among firms, as well as by households and very small enterprises. It ultimately targets the intensive development of the Algerian ICT industry. In this perspective, it is planned to provide the entire country with a high and high top speed telecommunications infrastructure, to develop training and human resources, to strengthen R&D and innovation, etc.

Specific objectives and actions to be undertaken between 2009 and 2013 have been defined for each social, institutional or professional category. In public administration, measures include: the completion of IT infrastructures; the establishment of integrated information systems; the deployment of sectoral applications; the enhancement of human skills; the development of online services. In industry, the widespread use of ICT should allow the reconfiguration of processes and the development of a range of online services. At the household level, e-Algeria 2013 gives a new impulse: to the Ousratic initiative, by providing personal computers and broadband lines and also by providing training and specific content to each segment of the population; to computing access in public space (cybercafés, multimedia hotspots, technoparks, science houses, etc.); to the generalization of the Internet.

Some projects will be **delivered by 2010**: the Sidi Abdellah Cyberparc, the e-learning platforms, the e-government portal, the Internet domain agency, the technical support agency and the data protection and certification agency, etc. These projects represent only part of the ambitious Algerian policy for innovation.

[Further information from the Post and ICT Ministry: www.mptic.dz]

Automotive and Mechanics

Challenges / Objectives	Having been for a long time composed of large integrated groups, mechanical industries are moving towards subcontracting to increase flexibility and competitiveness. Despite the large domestic market (3 million vehicles in late 2004), Algeria is lagging behind in the automotive sector compared to its neighbours due to lack of qualifications and poor development of providers and car parts manufacturers. Nevertheless, the Government is seeking to position Algeria as an original equipment manufacturer for car makers. In this perspective, it seeks to reinforce local subcontracting networks (cables, wiring harnesses, etc.). It also encourages the establishment of suppliers and world scale manufacturers to develop assembly and sustain the market. Under restructuring, the National Industrial Vehicles Company will specialise in the production of heavy vehicles (buses, high capacity buses, trucks and tractors) and partner with leading private manufacturers to establish its assembly activity. A wagon factory is also planned, in partnership with Iran. Encouraged by the programme for fishing development, ship building and repair offer promising prospects.
Opportu-nities	Distribution of foreign brand vehicles; Production of cables, wiring harnesses, etc.; Automobile assembly; Ship building and repair
Actors / Targets	Foreign companies established through: commercial subsidiaries (the Chinese JAC, the Egyptian GB Auto); assembly plants (the Chinese Zonda, the Brazilian Randon, the French BTK, Iran Khodro) developed in partnership with Algerian companies (Fandi Motors Cévital, Famoval, SNVI); ship building and repair sites (Spanish Aresa, etc.)
Location	Algiers, Cap Djinet, Constantine, Annaba, Skikda, Mohammadia, Tiaret
Policies / Projects	Industrial zone project for mechanics in Constantine foreshadowing the future competitiveness pole for mechanical metallurgy in the Constantine-Annaba-Skikda area(Focus 2)
Contacts	Ministry of Industry and Investment Promotion : www.mipi.dz ANDI : www.andi.dz

Tourism

Challenges / Objectives	Endowed with a high potential, almost untapped, Algeria wishes to develop its tourism offer, especially seaside and Saharan. 7 poles and about twenty premium tourist villages have been identified in relation to their characteristics and attractiveness potential. Developers are encouraged to build hotels and tourist facilities. National and international investors as well as tour operators are also targeted. Over the 2008-2015 period, an investment of 2.5 billion dollars is intended to make 75 000 new beds available. The Government will seek to remove obstacles to the development of Saharan tourism in the South (including access to land). A new plan providing training in tourism jobs for 95 000 people by 2015 and 150 000 by 2025 will call on international expertise. In this way, Algeria hopes to host 2.5 million tourists by 2015, creating 1.5 to 2 billion dollars in revenue and 400 000 direct and indirect jobs.
Opportu-nities	Infrastructure and facilities for seaside, Saharan, business, health care, cultural and niche (golf, raid, etc.) tourism; Acquisition, development and management of hotels and tourism facilities; Training; Organised tours; Sales promotion
Actors / Targets	Emirati (EIIC), Saudi (Salmoc), etc. investors; French (Star Invest and Accor), etc. developers; Hotel management (the American Starwood) and catering (the French Quick, the Lebanese Food & Beverage International) specialists
Location	7 tourist centres: North East (Annaba, Tarf, Skikda, Guelma, Souk Ahras, Tebessa), North centre (Algiers, Tipasa, Boumerdes, Blida Chlef, Ain Defla, Medea, Bouira, Tizi Ouzou, Bejaia), North West (Mostaganem, Oran, Ain Temouchent, Tlemcen, Mascara, Sidi Bel Abbes and Relizane), South East (Ghardaia, Biskra, El Oued, Menea), South West (Adrar, Bechar and Timmimun), Far South – Tassili N'Ajjer (Illizi, Djanet), Far South - Ahaggar (Tamanrasset)
Policies / Projects	Sale of hotels previously owned by the state (www.mipi.dz) Financial support and incentives for investment (especially in the Highlands and the South, and for Saharan and health care projects) Quality Tourism Plan: 3 upgraded schools, 2 new ones, 7 vocational training institutions for tourism jobs
Contacts	Ministry of Industry and Investment Promotion: www.mipi.dz National Tourist Office: www.ont-dz.org

Land Planning and Housing

Challenges / Objectives	The 2005-2009 Complementary Plan for Growth Support, supplemented by 2 special programmes for the Highlands and the South, has had a budget of 180 billion dollars, 70% for basic infrastructure, housing and public facilities. A total of 150 billion dollars is expected for the 2010-2014 period. The water master plan comprises transfer works (3 between the Albian water and the Highlands), dams (13), desalination plants (33 between 2005 and 2019) and demineralisation and purification projects. Given the housing crisis, the Government has planned to create more than one million homes between 2007 and 2009 and should continue to heavily invest in this domain over the next decades. In the perspective of a territorial rebalancing, it has created new towns in the Highlands and around major cities. Many forecasted public facilities also remain to be implemented: in 2007, only 5% of the 2 018 planned projects were completed, 46% were in progress and 49% were still under study or had not yet been launched. National and international tenders and other announcements are regularly published by the Office of Property Development and Management or the wilayas.
Opportu-nities	Water production (desalination); Construction and management of public facilities and networks (water, electricity, gas, etc.); Sanitation (solid and liquid waste); Housing construction
Actors / Targets	National actors still very present (Algérienne des Eaux, National Agency for Housing Improvement and Development) but increased reliance on foreign expertise: Dessau-Soprin of Quebec (Great Mosque of Algiers), the Spanish OHL (Oran Convention Centre), the Singaporean Hyflux (Magtaa desalination plant), the French Suez Environnement, the Emirati developers Emaar and EIIC, etc.
Location	Coastline, Albian water, Tamanrasset, new towns of Sidi Abdellah, Bouinan, Boughezoul and Hassi Messaoud
Policies / Project	Incentives and security guarantees in the property development sector
Contacts	Ministries of Water Resources (www.mre.gov.dz), of Housing and Urban Planning (www.mhu.gov.dz), of Land Planning, Environment and Tourism (www. matet.dz)

Transport

Challenges / Objectives	Algeria has launched a vast programme to modernize its transport networks: 40 billion dollars have been invested over the 2005-2009 period, representing 25% of the total investment planned by the Complementary Plan for Growth Support. In the railway sector, 10 billion dollars were allocated to the modernisation and expansion of the network. The stated objective is to increase the rail traffic from 800 million seats-km offered (SKO) in 2004 to 2.6 billion by the end of 2010. Ito do so, it is planned, among other things, to create 6 000 km of lines, funded under the 2010-2014 Five-Year Plan. To meet city residents' needs, urban transport projects have also been launched (metro of Algiers, tramways in Algiers, Oran and Constantine, etc.). In areas with rugged terrain, the construction of cable cars is considered. By 2025, the road network will benefit from an investment of 40 billion dollars that will allow financing the construction of the East-West highway, and numerous other projects. The 2005-2025 Port Master Plan provides for renovation and development of existing infrastructure (ports, fishing shelters, marinas, lighthouses, etc.). Finally, in the air sector, investments are focused on the compliance of existing infrastructures with international standards. Nonetheless new airports should be built between 2009 and 2015.
Opportu-nities	Rehabilitation and extension of road, rail, sea and air infrastructures; Port and airport management
Actors / Targets	Algerian management companies (Sogeport, SNTF, Establishment of Management of Airport Services); French (Alstom, Egis, Aéroport de Paris Management), Spanish (FCA, OHL), Swiss (Staedler), Canadian (EMD), Japanese (Cojaal), Chinese (CITIC CRCC), Singaporian (Portek), Emirati (Dubai Ports World), etc. companies
Location	Whole country: networks and infrastructure consolidation along the coastline (North Railway Bypass, East-West Highway, ports) and extension to remote areas (Highlands and South)
Policies / Project	Gradual opening of ports and airports to private management
Contacts	Ministry of Transport: www.ministere-transports.gov.dz

4. Egypt

Economic Outline

An economy resolutely moving towards activities offering both a high added value and a strong potential for export development

After decades of socialism, Egypt has been implementing since 1991 an ambitious programme of economic and structural reforms. It took a radical turn towards the market economy and the integration into international markets after a deep Ministerial reshuffle in July 2004. Since then, the new team gathered by the Prime Minister Ahmed Nazif has remained committed to achieving its liberal agenda. The reforms achieved such international recognition that Egypt was sacred as the world's best reformer by the World Bank's Doing Business 2008 report which measures the business climate in 178 countries. The ongoing reforms of tax, investment and foreign trade regulations are a veritable silent revolution of which foreign stakeholders are just beginning to take stock.

Egypt, a middle-income country, attaches a great importance to the private sector, which employs 77% of the workforce and contributes with 62.9% of GDP. The privatisation programme is well advanced, as well as the development of public-private partnerships for the upgrading of the country’s infrastructure. Nevertheless, the Government is still controlling large parts of the economy, for instance through various public holdings (hydrocarbons, mining, heavy industry, banking, textiles, etc.). The substantial natural resources, including oil and gas, are indeed a significant source of foreign exchange earnings. Representing respectively 13.2% and 38.7% of GDP in 2008, agriculture and industry are relatively diversified. Despite the global crisis, Egypt has registered an annual growth of around 7% between 2005 and 2008. The encouraging outlook for the coming years could be enhanced by accelerating structural reforms.

The Sixth Five-Year Plan for Economic and Social Development, which runs over the 2008-2012 period, rests on 3 pillars: the presidential agenda (economic component), the Millennium Development Goals (health, education) and the New Social Contract (political reform). The presidential programme aims at "maximising economic growth and guaranteeing an acceptable level of employment to reduce the unemployment rate to 5.5% by the end of the Plan, and to secure a decent living standard to low–income groups." The plan targets an annual growth rate of 8%, a growth in real income per capita by 6%, an investment rate of 24%, annual exports progress by 12%, and a rate of integration into the world economy of 67% (vs. 60%).

In this perspective, the plan focuses on: giving priority to high-growth sectors (manufacturing industries, construction, tourism, ICT); fostering exports of goods and services, while satisfying local market needs to prevent inflationary pressure and ensuring the conservation of natural resources to guarantee a sustainable development; building on small and very small businesses as a primary vector for job creation; opening all economic activities to private sector participation, while reinforcing the monitoring and follow-up functions of the State, improving living standard conditions of low–income groups, by acting on primary income distribution (employment policies, access to agricultural land, housing policy and support to entrepreneurship) and redistribution, decrease the gap between rural (Upper Egypt and desert governorates) and urban areas, etc.

The National Strategy is then broken down into sectoral programmes: pre-university education, employment and training, industry, rural development, tourism, housing, etc. To support the industry and achieve a production growth of 9% per year, 1,000 large industrial complexes and 2000 average complexes are meant to be created over 2008-2012. To meet the needs of the growing population, 500 000 new housing units will also be built by 2012. In the tourism sector, the 15 000 hotel rooms to be created each year will require an annual investment of 1 billion dollars. To achieve these objectives, the Government is appealing to the private sector.

Focus 1. Many initiatives in favour of the Information Economy

In the 6th Five Year Plan, a great importance is given to the information economy, especially to ICT and BPO (Business process outsourcing) activities. Its development requires many public and private initiatives supporting training, clusters creation and access to financing.

Regarding **training**, it is planned to train 100 000 workers per year by 2012. In order to promote BPO and ICT development in Egypt, the Government can reimburse over the first 2 years 80% of the costs of vocational training incurred by the companies for their managers and technicians. Furthermore, 4 500 students will be trained in these new activities each year before the initiative will be extended to 40 000 individuals by 2011-2012.

To encourage investment in the **ICT** sector, the first cluster and technology park in Egypt was established in Cairo in 2003. The **Smart Village Cairo** covers a total area of 300 hectares. Thanks to its quality infrastructure and services, as well as its close links with research centres, it had already attracted in late 2008 120 local and international companies employing 20 000 people. By 2012 it could accommodate 500 companies and 100 000 employees. Given this success, the Smart Villages Company plans to develop another Technopark in Alexandria and an industrial and logistics park in Damietta (www.smart-villages.com).

In the **BPO** sector, a project dedicated to **contact centres** is being developed by the Ministry of ICT. Located in Maadi, South of Cairo, it will create 45 000 workstations in 40 buildings by 2012. Companies which will be located there will receive support during the set-up phase, as well as for the training of their employees (www.mcit.gov.eg).

Promoted by the Government, the **Technology Valley** project aims at developing high tech activities (electronics, ICT, biotechnology, pharmaceuticals), as well as training and research centres. The project will which cover 70 km ^{2} of land in East Qantara (14 km from the city of Ismailia, 35 km from East Qantara industrial zone) is open to private investors through PPPs, and might benefit from the investment zones scheme (www.gafinet.org).

Finally, a **Technology Development Fund** (TDF) was established by the Ministry of ICT. Managed by the investment bank EFG-Hermes, it provides the necessary funding for early development phases of Egyptian IT companies in the form of venture capital (from 1 to 6 million Egyptian pounds). Until now, 50 million Egyptian pounds have been allocated (www.techdevfund.com).

FDI to finance infrastructure development and boost exports

Egypt has positioned private investment (both domestic and foreign) at the heart of its development strategy. For the implementation of the 6th Five Year Plan, which involves a total investment of at least 1 295 billion Egyptian pounds (about 160 billion euros), the Government's contribution (directly or through its holding companies) will not exceed 15%, with the remainder being borne by the private sector. Foreign direct investment could bring 13% of the total needed amount. The plan provides that the inflow will reach 14 billion dollars in 2012. FDI should help the country earn foreign exchange, enhance its industrial and technological capabilities and develop its international trade. Between 2004 and 2007, private investment grew by 40% per year, while FDI rose from 407 million dollars in 2003-2004 to 13.2 billion in 2007-2008. The measures taken by the Ministry of Investment since its inception in 2004 have greatly contributed to this spectacular increase. Its contribution focuses on 3 fronts: an optimised management of public economic assets, a rapidly improving business environment (inland investment legislation) through the financial sector reform, and the creation of industrial zones with special status.

Depending on the sector, investments are governed by Investment Law No. 8 (1997) or by Corporate Law No. 159 of 1981 and its subsequent amendments. In both cases, The General Authority for Investment (GAFI) acts as the official regulator and facilitator for all incorporations and licenses. Whatever the sector, a 100% holding of the capital by foreigners in a company is permitted, as well as the repatriation of profits. Investment Law No. 8 provides for the automatic approval of the investment projects in priority sectors: transport and logistics, agriculture and livestock, tourism and construction, health, ICT, water and waste management, etc. Due to the success enjoyed by several pilot projects (telecom, transport infrastructure, etc.), PPPs are multiplying. Investment policy and industrial policies both consider as strategic the creation of sectoral clusters, even though some of the existing or planned clusters sometimes also have a "national" component (Chinese, Turkish business parks, etc.). To create incentives for the formation of such clusters, Egypt gradually develops special incentive schemes.

Focus 2. Special schemes to promote clusters and the development of Upper Egypt

To encourage investment in priority sectors and regions, special incentive schemes have been designed. They provide additional benefits compared to the inland regime defined in the Investment Law No. 8 and 159.

Created in 2007 (Law No. 19), the **investment zones regime** allows private sector investors to establish, develop, promote and manage investment zones dedicated to specific industries and services. The Industrial Development Authority (IDA) is responsible for the conduct of the infrastructure works. Each investment zone has a regulatory board (private developers and government officials) which is granted authority by law to incorporate and license projects within each zone. Businesses working within the zone benefit from a number of incentives: goods manufactured within investment zones abide by rules of origin necessary for bilateral and multilateral agreements; customs procedures for industrial inputs will be administered in the investment zone (not at the port or the airport); each zone has its own GAFI one-stop shop; equipments, customs and sales taxes are paid in 5-10 years instalments; exported goods are tax exempted.

Adopted in 2002, the Law No. 83 on **Special Economic Zones** (SEZ) also provides significant incentives for investors: 5% flat rate on personal income tax; integrated administrative, customs and tax procedures; dispute settlements, licensing as well as general investors services for projects incorporated within the zones; a 10% tax rate on all activities within the SEZ; and Egyptian certificates of origin for SEZ-based exporters, allowing them to make use of Egypt's international trade agreements. A Master Development Company (MDC) was established by the SEZ Authority in 2006 to create a master plan for the promotion and management SEZs. The final zoning and infrastructure strategy for the SEZs was to be put in place by the second half of 2008. The first SEZ was established South-East of the city of Suez (Focus 3) and will serve as a model for coming ones. Each of them will be autonomous with its own Board of Directors to handle incorporation, licensing procedures, etc.

Offering a strong potential for significant development (available workforce, natural resources, diversified economy), **Upper Egypt** is the subject of a special programme. This programme provides additional incentives to the inland regime: free land to investors in Upper Egyptian governorates (with the exception of Fayoum); technical assistance through Egypt's Industrial Modernization Center (www.imc-egypt.org), fast track establishment procedures and feasibility studies proposed by the Upper Egypt Development Company, which encourages private investment in Upper Egypt, especially in tourism, agriculture, manufacturing, packaging and transport.

[To find out more, contact the GAFI: www.gafinet.org]

Focus 3. Specific schemes for export-oriented businesses

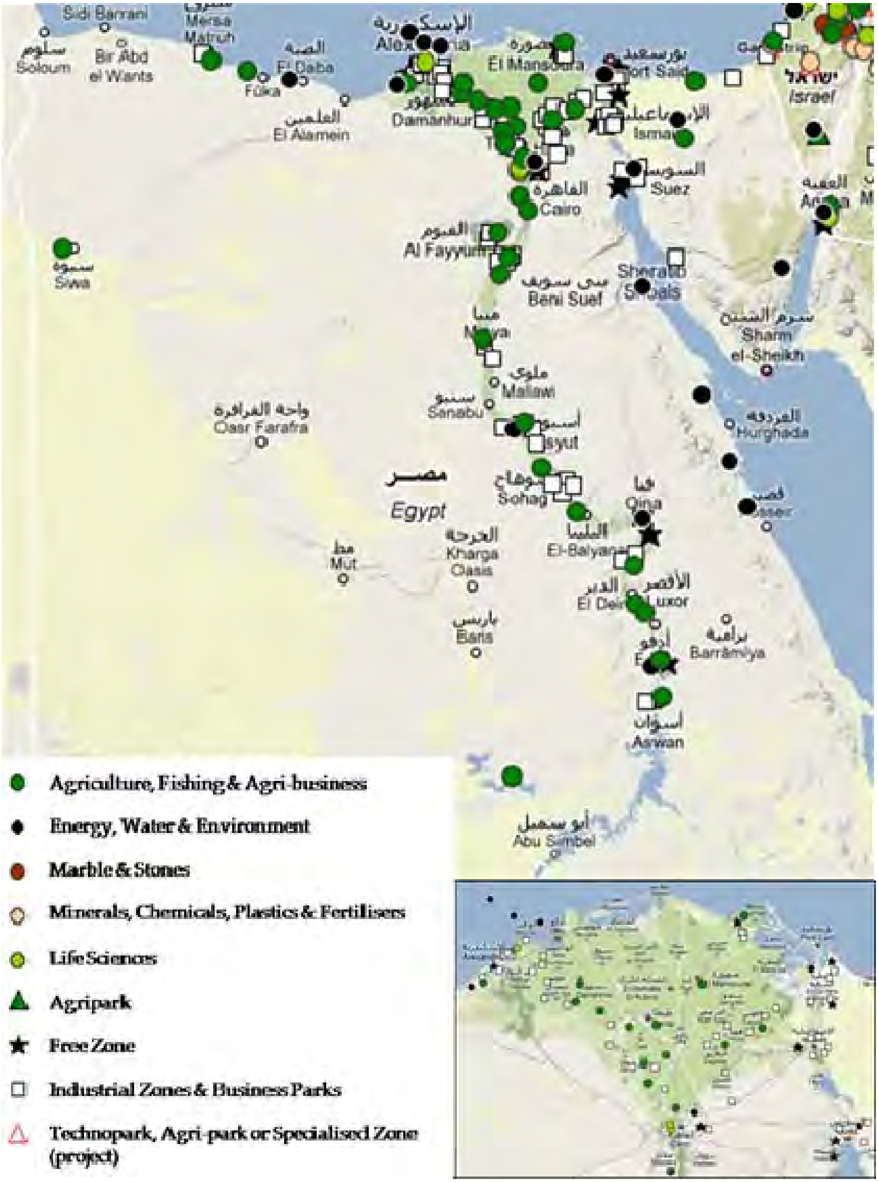
Launched 40 years ago, **Free Zones** are meant to increase exports, attract foreign investment, introduce advanced technology and create more job opportunities. There are currently 10 public free zones: Alexandria, Nasr City, Port Said, Suez, Ismailia, Damietta, Shebin El Kom, Keft, Media Production City and Port Said East Port. Among the Free Zone incentives and guarantees are a lifetime exemption from all taxes and customs; exemption from all import/export regulations; the option to sell a certain percentage of production domestically if custom duties are paid; and limited exemptions from inland labour provisions. All equipment, machinery and essential means of transport (excluding sedan cars) necessary for maintaining the licensed activities of a project are exempted from all customs, import duties and sales taxes. All licensing procedures are handled by GAFI. Investors operating inside the Free Zones must export more than 50% of their total production. The annual rent is 3.50 dollars per m² for industrial projects and 7 dollars for storage and services projects. A 50% discount is granted in the free zones of Ismailia, Damietta and Shebin El Kom. Certain individual port, logistics or industrial megaprojects developed by private investors may also be awarded the status of free zone, and be granted the same privileges and incentives granted to public free zones.

In 2004, a protocol establishing the **Qualifying Industrial Zones** (QIZ) was signed between the United States, Israel and Egypt. It grants certain products manufactured in Egypt free access to the United States (no quota, no time limit) as long as they satisfy the rules of origin related to local content (at least 35% of local added value, including 10.5% of Israeli content) While this privilege has initially benefited mainly the textile and clothing industry, 705 firms have currently become eligible. Among the 47 existing industrial zones in Egypt, some have obtained the status of QIZ. Today there are 19 QIZ concentrated around Cairo, Alexandria, in the Nile Delta and along the Suez Canal. Two more QIZ are planned at El Drissa and El-Rasswa.

As the first Special Economic Zone set up in Egypt, the **North West Suez Special Economic Zone** covers an area of 20 sq km adjacent to the Sokhna Port and over 45 km away from Suez. The privately managed Red Sea Port of Sokhna is being hailed by the cargo industry as a quiet revolution in Egyptian logistics. The port will serve more than 20,000 vessels sailing through the Suez Canal each year. The Sokhna Port is strategically positioned to serve as a trade and logistics hub between the EU, the Far East and West Africa. Companies established in the SEZ benefit from all incentives granted by law n°83 of 2002 (see above Focus 2). Over the coming years, other SEZs should be created in Egypt.

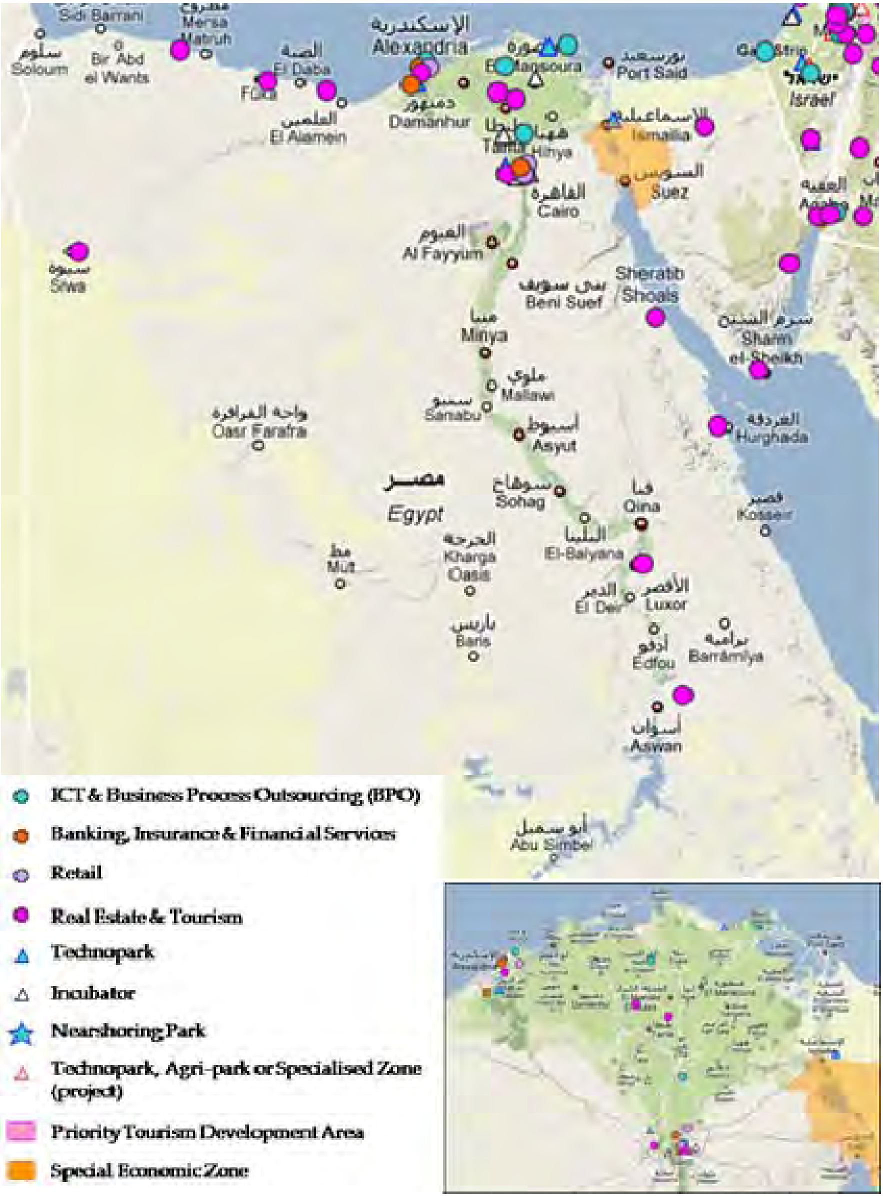
[To find out more, contact the GAFI: www.gafinet.org]

Strategic Map / 1. Resources



Strategic Map / 2. Industry

Strategic Map / 3. Services



Strategic sectors

Information and Communication Technologies (ICT)

Challenges / Objectives	Banking on Egypt's fast-developing telecom infrastructure and large multilingual skilled workforce (16 000 engineers and 14 000 science and technology graduates every year), the 2007-2010 plan of the Ministry of Communications and Information Technology (MCIT) aims at bringing the number of software developers and employees at technical support centres and contact centres/BPO platforms up from 14 000 jobs in 2008 to 50 000 by 2010, with ICT services exports reaching 1 billion dollars (up from an estimated 450 million dollars in 2007) for a global turnover of 3 billion dollars. Egypt ranks 6th worldwide in the 2009 AT Kearney Global Services Location Index. The report cited the competitive cost and the availability of qualified people on top of Egypt's biggest attractions.
Oppor-tunities	Telecom equipment and infrastructure (broadband, wireless); BPO and call centres (Arabic, French, English, German); Software development (software testing and quality management, technological development and customer support, Arabic-language solutions for major software packages, etc.)
Actors / Targets	Home-grown telecom majors (Orascom, Telecom Egypt) and foreign ones (Orange, Vodafone, Etisalat), BPO and ICT services providers (IBM, Oracle, Satyam, Wipro, Teleperformance, SQS, Raya, Xceed).
Location	Greater Cairo and Nile delta (Alexandria, Damietta, urban centres)
Policies / Projects	Dedicated parks (Smart Village, Technology Valley, Contact Center Park Maadi) and incentives packages, such as the Talent initiative (Focus 1) Promotion of IT literacy and equipment (IT Clubs, Affordable PC initiative) / Technology Development Fund (Focus 1)
Contacts	Information Technology Industry Development Agency: www.itida.gov.eg Ministry of Communications and Information Technology: www.mcit.gov.eg Federation of Egyptian Industries, ICT Chamber: www.cit-fei.org

Drugs and Healthcare

Challenges / Objectives	Egypt aims at addressing a growing local demand (demographic and economic growth) of drugs and health services and becoming a major destination for health tourism. Thanks to the rising middle class, the average healthcare spending per head is expected to jump to 257 dollars by 2012 vs. 103 dollars in 2007 (Economist Intelligence Unit). The country counts on a qualified workforce (8 000 annual graduates from medical schools), and competitive costs (average wage in the health sector at 15.4 dollars/week). The medical insurance penetration rate remains low, which is a business opportunity in itself. Many hospitals are to be built / renovated in the coming years.
Oppor-tunities	Production and distribution of drugs (especially generic drugs); Medical and diagnostic equipment; Private hospitals; Health insurance products; Health tourism
Actors / Targets	Many recent M&A (India's Shetty and Alexandria Medical Service, GlaxoSmithKline and local assets of Bristol-Myers Squibb, Jordan's Hikma in Alkan Pharma, Danish BankInvest in Minapharm, Dubai's Abraaj Capital in Al Borg Laboratory, Saudi National Commercial Bank (Alahli) in Sigma), greenfield projects from emerging countries (South Korea, India), and brownfield investments from locally established MNCs (AstraZeneca and Pfizer)
Location	Cairo, 10th of Ramadan City, Giza, Alexandria, etc.
Policies / Projects	Healthcare reform under way aiming at providing all citizens with basic health insurance coverage by 2011. Development of PPPs, both for new infrastructure (hospitals, etc.), services and professional training (total investment of 1.12 billion dollars planned for 2009/2010): construction of Al Mossawat Specialised University Hospital and Smouha Medical Complex in Alexandria, overhaul of Al Abassia Chest Hospital and Boulak General Hospital in Cairo, etc. Technology Valley project in East Qantara: aimed at attracting hi-tech activities, among which bio-technology, medical components and pharma technology Lower import duties on medical equipment: from 12 to 2%
Contacts	Egyptian Insurance Supervisory Authority: www.eisa.gov.eg/index.aspx Ministry of Health: www.mohp.gov.eg

Banking, Insurance and Other Financial Services

Challenges / Objectives	Following regulatory reforms (restructuring of state-owned banks, consolidation of the sector due to increased capital requirements), the financial sector is booming. Its growth is reinforced by a thriving economy, a construction boom, and the gradual *bankarisation* (consumer banking and insurance products) of Egypt's 80 million-strong population. The country's investment banking and private equity firms are among the region's leading players. Recent years have witnessed a wave of privatization, a growing fever on the local M&A market as well as the establishment of new players.
Oppor-tunities	Mortgage finance; Shariah-compliant services; Consumer and corporate banking; Insurance (private health insurance, mandatory automotive insurance for third-party accident); Private equity, brokerage, rating, research and advisory services
Actors / Targets	Banks: 37 licensed banks (end of 2007). Many state-owned banks are still meant to be privatised (Banque du Caire). Local private equity is thriving (Citadel Capital, EFG-Hermes, etc.). Insurance and re-insurance: 21 players (AIG, Allianz, etc.). Newcomers in Shariah-compliant products (Ithmaar bank, Tamweel, Amlak, etc.)
Location	Cairo, Alexandria for financial services, brokers, etc.
Policies / Projects	Egyptian Stock Exchange (EGX), ex Cairo and Alexandria Stock Exchange (CASE), is one of the oldest in the world and provides a very good depth and breadth in MENA. Launch of the Nilex in 2007: Middle East's 1st alternative small cap exchange. Smart Village Cairo: the ICT business park is also developing into a Financial District following the relocation of the EGX Privatisation programmes of state-owned banks and insurance companies temporarily delayed: Banque du Caire has been turned in June 2009 into a joint-stock company in preparation of its privatization (mid-term perspective)
Contacts	Central Bank of Egypt: www.cbe.org.eg Capital Market Authority: www.cma.gov.eg Egyptian Insurance Supervisory Authority: www.eisa.com.eg Mortgage Finance Authority: www.mf.gov.eg

Textile, Leather and Ready-Made Garment (RMG)

Challenges / Objectives	Egypt is home to the only fully integrated textile industry in the Middle East. RMG accounts for nearly 75% of the industry; local spinning and weaving capacities are insufficient. Egypt weighs 35% of the world production of high quality varieties (long / extra long staples). Most of the textile industry is state-owned, while 90% of the RMG industry is private. Over 2004-2008, total investment in RMG projects has risen by 9.5% annually. Foreign investment accounts for 37% of total investment in this industry over the last 40 years. The government plans to double textile export (particularly to Europe) to 3 billion dollars by 2011, and if current industry growth rates can be maintained (at +15%), reach 10 billion dollars by 2020, generating an extra 1 million jobs. Plans also encompass encouraging the vertical integration of the industry, with for instance the creation of strong local and international brands based on world famous Egyptian cotton, but also on local design and patternmaking capabilities.
Oppor-tunities	Raw cotton production (including bio); Yarn making, spinning, weaving, knitting and dyeing; Synthetic fibres (local petrochemicals); RMG; Branded outfits; feeder industries (zippers, packaging, etc.)
Actors / Targets	Local manufacturers and exporters (Al-Arafa); Turkish textile and RMG sector relocating in Egypt (huge wage differential); emerging players getting closer to Europe (Indian Grasim Industries and Taha Holding)
Location	Suez Canal region (import of inputs from Europe or Asia, production in Port Said and Ismailia,); Alexandria region (Borg Al-Arab, Amreya); Greater Cairo (6th of October City, El-Obour City, 10th of Ramadan City); Sohag (cluster project)
Policies / Projects	Establishment of 4 clusters: textiles in Sohag, Mit Ghamr (Dakahlia) and Diar Negm (Sharkia), weaving in Kafr Shokr (Qalyoubeya) + Chinese-Egyptian industrial zone mainly focused on textile and RMG Trade agreements with Europe, COMESA, GAFTA, Agadir countries. 10 free zones (incl. Port Said + 19 QIZ (2 more to come, see Focus 3) Tax rebate increase in 2008 for textile exports: from 8% to 12% End of import restrictions on textiles, yarn and tin (April 2009)
Contacts	GAFI www.gafinet.org / Ministry of Trade and Industry: www.mfti.gov.eg / Industrial Modernization Centre (IMC) www.imc-egypt.org / Federation of Egyptian Industries, www.fei.org.eg

Agriculture and Agri-Business

Challenges / Objectives	Egypt offers 2.86 million ha of cultivated land, the largest agribusiness workforce in the region (6 million, i.e. 30.2% of the national labour force), and a climate which allows to cultivate export-oriented crops from November to May. The country is the 5th Mediterranean vegetables and fruit juices exporter and the 8th olive producer worldwide (plans to be 3rd by 2010). The food processing sector is booming with annual growth rates over 34%. The Food Product Exporters' Council targets 1.5 billion dollars in overseas sales by 2020.The Egyptian Ministry of Agriculture expects the agribusiness sector to weigh 21 billion dollars in annual production by 2020, with 500 000 new jobs created. To achieve these objectives, it plans to convert 1.3 million ha of desert into farmland by 2020, in order to grow 254 million tons of fruits and vegetables annually. 37% of total private investment in the food processing industry, and a large share of investment in large agri-projects are foreign.
Oppor-tunities	Added-value products for export to Europe / the Gulf, staples for the local market (fruits, vegetables, cereals, juices, edible oil and dairy products, halal poultry and meat, branded sweets and snacks, soft drinks, sugar beet; aromatic plants), fish packaging; fertilizers; irrigation and farming equipment; packaging and freezing equipment
Actors / Targets	Gulf investors (Al Marai, Savola, Saudi Al Rajhi group, Kuwait Food Company/Americana), emerging brands (India's Rasna) and Western MNCs (Coca-Cola, Kraft, Unilever, Vivartia, Danone, Bell, Heinz)
Location	Traditional agricultural regions (Nile valley and delta) + land reclamation for mega-farms in Sinai and Toshka region
Policies / Projects	New Valley / Toshka project: 2 new urban centres of 150 000 inhabitants connected to large-scale desert reclamation projects Automatic approval by GAFI of investment projects in 'animal, fish and poultry husbandry', 'land reclamation and cultivation of barren and desert lands'. Free land offer to industrial projects by the Upper Egypt Investment Company (Focus 2) Creation in 2005 by the government of a 146 million dollars fund to help upgrade agri-food processing operations
Contacts	GAFI: www.gafinet.org Federation of Egyptian Industries, Chambers of Food Industries: www.fei.org.eg

Energy, Water and Environment

Challenges / Objectives	The government expects renewable energies to make up for 20% of total power generation by 2020, betting principally on wind and biomass. Existing natural gas reserves are planned to be exhausted in the next 57 years.12% of total power generation will come from wind energy, which translates into 7 000 mega watts (MW) of grid-connected wind farms. Indeed, Egypt enjoys one of the highest consistent wind speeds in the world at 10m/s. Operation hours can reach up to 3 900 per year, vs. 1 900 in Spain and Greece. The wind plan opens the door for the private sector to play an active role. Biomass should generate 1500 MW by 2020. With the re-launch of the Union for the Mediterranean Solar Plan, backed by Western financial institutions, solar power might attract more attention. Energy-efficiency, water technology, waste management and treatment are also becoming huge markets.
Oppor-tunities	Wind and solar power plant development, production of equipments; Biomass power generation (sugarcane); Solid waste treatment; Water treatment, irrigation and distribution technologies
Actors / Targets	Several major foreign players already involved: JVs of German, Danish, Spanish and Egyptian companies (Zafrana wind farm extended by German Vestas, Swiss ABB and Indian Kolay Engineering; Italgen (Italcementi) about to build the Gabal El-Zeit wind farm on the Red Sea coast; Renewable Energy Systems Méditerranée (Sir Robert McAlpine group) to set up a local subsidiary; German SIAG to create a wind towers factory with its local partner El Sewedy Holding, etc.
Location	Solid waste and water treatment: nationwide, but particularly in Cairo (2 PPP water plants projects); Biomass in Qena (proposed creation of a biomass power plant); Solar power in Upper Egypt (higher solar concentration); Wind farms on the Red Sea Coast, in the Gulf of Suez (project of 2 new wind farms: 100MW and 250MW), the Western and Eastern deserts, as well as the Gulf of Aqaba
Policies / Projects	Plan to offer attractive feed-in tariffs and a fast-track licensing procedure for new wind farms and solar plants New and Renewable Energy Authority created in 1986 to develop renewable energy technologies: www.nrea.gov.e
Contacts	GAFI: www.gafinet.org

Tourism

Challenges / Objectives	According to CI Capital Research, international tourism receipts reached 11 billion dollars in 2008, for 12.8 million international tourist arrivals (ITA). The sector contributes to 22.6% of the country's hard currency earnings. Europe accounts for about 75% of ITA, with Central and Eastern Europe recently overtaking Western Europe as the main source of foreign visitors, a new market which was built up from scratch over only a few years. Libya is the main single Middle Eastern source, followed by GCC countries. Domestic tourism offers many opportunities. By 2015, Egypt intends to reach 18 million (ITA), i.e. to capture 2.2% of the global tourism market, up from 1% today. New capacities in coastal resorts (Red Sea mostly) are being added every year at a tremendous pace: Dubai-based promoter Damac's Gamsha Bay project alone, unveiled in 2006 and which failed yet to materialise is to cover 320 million sq. ft. and is to involve 16 billion dollars in investments over 10 years. The total national hotel room stock should double to 300 000 by 2015, with more than 130 000 rooms already under construction. The 6th Five Year Plan foresees the construction of 15 000 new rooms every year: 665 new hotel and resorts are expected to create 1.2 million new job opportunities.
Opportunities	Diving trips and sun, sea & sand holidays; Health tourism; Eco-tourism; Adventure (desert expeditions); Religious tourism (Christian and Muslim sites); construction of 3-4 stars hotels; Domestic tourism (burgeoning middle-class); Golf holidays
Actors / Targets	Most Western hospitality majors are well represented, particularly in the 5-stars segment, while emerging challengers are gaining momentum (Qatari Diar, Nesco, M.A. Kharafi, Emaar, Dallah al Baraka, Damac, Rotana)
Location	Nile Valley, Red Sea, Sinai, Gulf of Aqaba
Policies / Projects	Massive public investment in infrastructure, particularly airports Various resort projects to be developed through PPPs on the Red Sea Coast (Hurghada, Shadwan, Wadi Gimak, St. John, Rocky Island), in the South Sinai and the Gulf of Aqaba
Contacts	General Authority For Investment and Free Zones: www.gafinet.org

Retail

Challenges / Objectives	The Global Retail Development Index ranks Egypt fourteenth worldwide in terms of growth potential. Retail expenditure should reach 67.4 billion dollars by 2011. Even if income is not fairly distributed, overall economic growth means a greater acquisitive power for Egypt's 80 million-strong population. As income rises, inspirational buying and demand for quality branded products increase. 7.5 million Egyptians can afford at least one purchase a year at high-end shopping malls, while an estimate 3.5 million of them enjoys a Western-like spending power. As 95% of them live on 5% of the land, along the Nile valley, Egypt's inhabitants are easily accessible. Millions of tourists also flow each year into Egypt, hungry for luxury, traditional and business shopping alike. Following local pioneers (Ragab Sons, Abu Zikri and El-Hawary), supermarkets really started to bloom in the late 90's, when local Mansour group opened its first Metro outlet. Now Metro is the market leader with 40 stores and a turnover above 110 million dollars. The 5 top retail players have a cumulated market share of only 1.8%, while 99.7% of retail shops are micro-enterprises (traditional grocery stores), some of them progressively transforming into franchisees of larger chains.
Oppor-tunities	Franchised outlets in shopping centres; Modern grocery distribution (only 7% of total retail sales at the current time); Discount supermarkets; ICT services and equipment for the retail industry; Supply chain and logistics services
Actors / Target	Global chains are moving in (French Carrefour through UAE's Majid Al-Futtaim. Spinneys, German Metro Cash & Carry). Consumer-good brands (Virgin Megastores in Cairo and Alexandria, restaurants, clothing labels). Some foreign players faced difficulties (Sainsbury, Shoprite) but the market seems more mature now
Location	Greater Cairo and Alexandria (only 700 supermarkets and 10 hypermarkets for 20 million inhabitants); untouched urban centres
Policies / Projects	Plans to develop an efficient retail environment in order to foster Public support to modernisation and consolidation, to foster the development of local quality supply chains (agri-business and consumer goods industry, up to international quality standards)
Contacts	General Authority For Investment and Free Zones: www.gafinet.org

Transport and Logistics

Challenges / Objectives	Egypt enjoys a unique geographic location, on one of the world economy's most vital arteries: the Asia-Europe route. 8% of the world's maritime shipping passes through the Suez canal each year. Trade liberalisation, sustained economic growth and increased competitiveness have boosted international trade: exports have tripled from 2003-04 to reach nearly D 28.8 billion dollars in 2008/2009, while imports jumped from 18.3 billion dollars to 51.7 billion in 2008-09 (Coface). Some 90% of Egypt's foreign trade is shipped through ports (5 on the Mediterranean and 3 on the Red Sea). Passenger and freight air transportation is on the rise with increasing tourism flows and dynamic textile and vegetables exports. Air cargo passing through 5 dedicated terminals in Cairo is expected to reach 900 000 tons by 2025, up from 230 000 in 2006. Rail weighs only 5% of total internal freight: 3.6 billion dollars are to be invested in railways over the next 5 years, in order to increase by 125% rail cargo to reach 15 million tons/year. Large road construction projects are planned.
Oppor-tunities	Integrated logistics and supply chain management services; Ship/container repair; Value-added port services; Infrastructure development: new Nile river ports in Nahda, Mit Ghamr, Tebbin, Assiut, Sohag, Qena, new roads, upgrade and commercialisation of railway stations in Cairo, Giza, Alexandria, Luxor, Aswan, Tanta
Actors / Target	No logistics operator with consistent nationwide cover. Foreigners coming in (UAE's Aramex and DP World, Kuwaiti Agility, China's BALtrans; NYKLauritzenCool, Hutchison Whampoa, CMA-CGM, COSCO, DP World, KGL Ports International, Maersk, etc.)
Location	Nile Delta and along the Mediterranean and Red Sea coasts
Policies / Projects	PPP in railways (95 km of new line for Cairo and Alexandria) and motorways (8 billion dollars required over the next 5-10 years for Port Said-Alexandria-Marsa Matrouh (Mediterranean freeway) and Cairo-Alexandria road projects. Creation of new investment zones with purpose-built logistical facilities
Contacts	General Authority For Investment and Free Zones: www.gafinet.org

5. Israel

Economic Outline

A regional economic power based on innovation

An emerging country only 20 years ago, Israel has become a regional economic power. Between 2005 and 2008, its GDP rose from 158 to 201 billion dollars, registering an annual growth of around 5%. The Global Competitiveness Report 2008-2009 issued by the World Economic Forum ranks the country 23rd out of 134 countries. In 2008, agriculture accounted for only 2.6% of GDP, against 32.4% for industry and 65% for services. While services contributed up to 77% of GDP in 2004, the sector now tends to lose momentum in favour of industry. Outward-oriented and very technology advanced, Israel has won an international reputation in areas such as telecommunications, computer sciences, chemistry, life sciences, water technologies, etc.

The boom in high technology was enabled by the structural reforms and significant investments in R&D conducted over the past 2 decades. Israel is the country that spends the most on R&D in the world (4.7% of GDP in 2009). With 135 scientists per 100 000 workers, it ranks2nd in the 2008 report on global competitiveness published by IMD for the availability of scientists and engineers. It was also ranked 3rd by the World Economic Forum (WEF) for the quality of its scientific research institutes the same year. After Silicon Valley, it is the country with the highest concentration of technology companies, which are estimated to be 4 000. A large number are start-ups, the development of which was facilitated by a large domestic market for venture capital (2nd in the world according to the IMD 2007-2008 report). The dynamics of innovation not only stimulates entrepreneurship but also promotes patenting. The government policy encouraging the transfer of knowledge from academia to industry greatly contributed to this good performance. According to the Economist Intelligence Unit, Israel was the 9th most innovative country (over 82) in 2008 and should reach the 8th position by 2013. Despite global crisis, Israeli innovation is still driven by a constant inflow of foreign investment, which reached 10 billion dollars in 2008. This great attractiveness stems from significant efforts by the government to create a business-friendly environment. In the Doing Business 2009 report, Israel ranks 30th for the ease of doing business and 7th for the protection of investors.

For the first time since its establishment, Israel has embarked on developing a long-term vision and a national strategy. Defined in consultation with the industry and research worlds, the plan presented to the Prime Minister by the U.S.-Israel Science and Technology Foundation (USISTF) provides guidance to position Israel among the 15 largest global economies by 2028. To achieve this goal, it stresses the importance of scientific and technological excellence, training, capacity for innovation and entrepreneurship. Relations between Israel and the United States are deemed strategic. In 2008, the Prime Minister proposed the plan to the government who welcomed it. Along with the process of adoption and implementation of the plan, USISTF plans to promote investment and collaboration opportunities that will strengthen the already close ties between Israel and the United States.

Besides, in 2009, the Government launched a 7-year plan to control the credit crisis and support the Israeli economy. Once final approval is obtained, 5 measures will be applied: continuous reduction of income and corporation tax until 2016; establishment of a negative income tax for low income earners; increase in the financial support provided to SMEs and lines of credit secured by the State especially for banking, exporting business and high-tech industries; structural reforms of land, electricity and ports and development of infrastructure in tourism sectors, transport, water and energy. To carry out these actions, the Knesset passed a biennial budget of 316 billion shekels (82 billion dollars) in 2009 and 321 billion shekels in 2010.

Focus 1. A massive investment in R&D to foster innovation

Considering the innovation as a national priority, Israel spent 4.7% of its GDP on R&D in 2009, the highest ratio in the world. In the 2008-2009 Competitiveness Report of World Economic Forum, the country ranks 3rd for the quality of its scientific research institutions. The great availability of venture capital (3rd in the world) facilitates the realisation of innovative ideas and the creation of start-ups, the number per capita of which is the highest in the world.

With an annual budget of 300 000 million dollars, the **Office of the Chief Scientist (OCS)** of the Ministry of Industry, Trade and Labour (www.moit.gov.il) is responsible for the implementation of the national industrial R&D policy. The various programmes that are thus developed allow to support about 1 000 projects run by 500 companies.

The main mechanism is the **R&D fund**, which supports up to 50% of R&D expenses approved for a company. In case of commercial success, the firm must repay the grant in the form of royalties. Given the priority they are given, the traditional industries benefit from a specific fund, which operates on the same model. A similar system will soon apply for biotechnologies, with an expected annual budget of 250 million dollars. The cooperation between industry and academic institutions is also encouraged. The MAGNET programme (www.magnet.org.il), subsidises 66% of R&D firms' expenditure and between 66 and 90% of academic institution' expenditure.

Acting on behalf of OCS, the MATIMOP agency (www.matimop.org.il) manages the various **international cooperation** programmes on industrial R&D developed by Israel: binational funds (United States, Canada, Singapore, Great Britain, Korea and Australia), bilateral agreements (Austria, Belgium, Ireland, Germany, Holland, France, Hong Kong, China, etc..) and multilateral agreements (Eureka Eurostars, EEN, Galileo, SESAR), participation in FP6 (European Union).

The OCS pays special attention to **multinational enterprises'** R&D activities of. So as they develop partnerships with domestic enterprises, they are encouraged to establish project centres in Israel. In return, the government supports the less elevated amount among the followings: 40% of the centre's operating charges, 50% of the total investment made by the centre with Israeli partners, and almost all investments made in priority areas (115% in Zone A and 85% in zone B) and in traditional industries (100%).

Finally, the OCS administers 24 incubators on the whole national territory (Focus 3).

A liberal country continuously committing to economic openness

Historically open, the Israeli economy ranked 4th in the 2008 IMD report for its attitude vis-à-vis globalisation. Strong supporter of the multilateral trading system, the country signed numerous free trade agreements (United States, European Union, Canada, Turkey, Mexico, Brazil, Argentina, Uruguay, Paraguay, Jordan). This strategy is driven by the country's strong dependence vis-à-vis foreign trade. In 2008, merchandise exports reached nearly 56.6 billion dollars, against 38.6 billion in 2005, whereas imports reached 64.3 billion, against 44.9 billion in 2005. The country mainly exports manufacturing goods, particularly in the area of high and medium technologies, while it imports raw materials and consumer goods. Representing 12.3% of imports and 32.5% of exports, the United States is the leading supplier and customer of Israel and it has been an historical political and financial supporter of the State of Israel. Despite the worrying economic situation facing the U.S. giant, this partnership is still considered as highly strategic.

In Israel's very liberal investment scheme most activities are open to private capital. Among the last ones, the postal sector will be fully liberalised by the end of 2009. Investment is not subject to licensing or registration, except in the case of foreign investors entitled to receive certain benefits. Israel encourages investment by providing a wide range of incentives that favour foreign investment enterprises. These enterprises are encouraged to set up in the various technoparks in the country. In the free zones, they enjoy significant tax cuts. To promote the development of life sciences, the Mayor of Jerusalem plans to make his city a special economic zone, in which many benefits are to be granted to high tech and biotech industries. To manage FDI projects, the country set up 2 counters: the Investment Authority, under the trusteeship of the Ministry of Finance, assists investors notably for the installation stage; and the Investment Promotion Centre (Invest in Israel), under the trusteeship of Ministry of Industry, Trade and Labour, which is the body that labels, approves and supports projects.

Focus 2. An incentive framework especially attractive for foreign investors

The willingness of Israel to create an attractive environment for domestic and foreign investments is illustrated by **major legislative incentives**. The law of 1959, recently revised, applies to all registered companies in Israel and operating in the tourism and real estate industries.

Once approved by the Israel Investment centre (IIC) which is under the trusteeship of the Ministry of Industry, Trade and Labour, a company can choose between a grant programme and one of the tax cut programmes. The provided benefits mainly depend on the **investment location**. For the sake of a territorial rebalancing, Israel has been divided into 3 zones: **Zone A**, including the Galilee, the Jordan Valley, the Negev and Jerusalem (for hi-tech activities), **Zone B**, consisting of Lower Galilee and Northern Negev; **Zone C**, which encompasses the rest of the country. The first 2 zones are prioritised.

In zones A and B, the **subsidy programme** covers a portion of land, buildings and equipment and machinery costs (provided the project is completed within 5 years from date of approval). During the first 7 years of operation, companies benefit from more or less important tax cuts depending on localisation (2-year exemption in Zone A) and the degree of foreign participation (the period of tax reduction is extended to 10 years if foreign capital share is at least 25%).

Otherwise, the investor can choose one of the **3 cut tax programmes** run by the Israel Tax Authority. The alternative taxation allows him to replace his right to a grant by an exemption from the payment of corporate tax for a 10-year period in Zone A, 6 years in Zone B (then a tax reduction for 1 year or 4 years for a foreign investor), 2 years in Zone C (then a tax reduction for 5 years or 8 years for a foreign investor). The priority area programme provides Zone A companies with several benefits for a 7-year period: a 11.5% income tax rate, a 15% tax rate on dividends and of a 24.5% total tax rate%. For foreign investors, taxation of dividends is reduced to 4%, the total tax rate to 15% and the application period is extended to over 10 years. Finally, the strategic programme provides multinational enterprises making an investment of over 600 million shekels in Zone A with an exemption from income tax and tax on dividends for a 10-year period. Further tax cuts should soon be introduced to encourage capital investment development.

[More with the Investment Promotion Centre: www.investinisrael.gov.il]

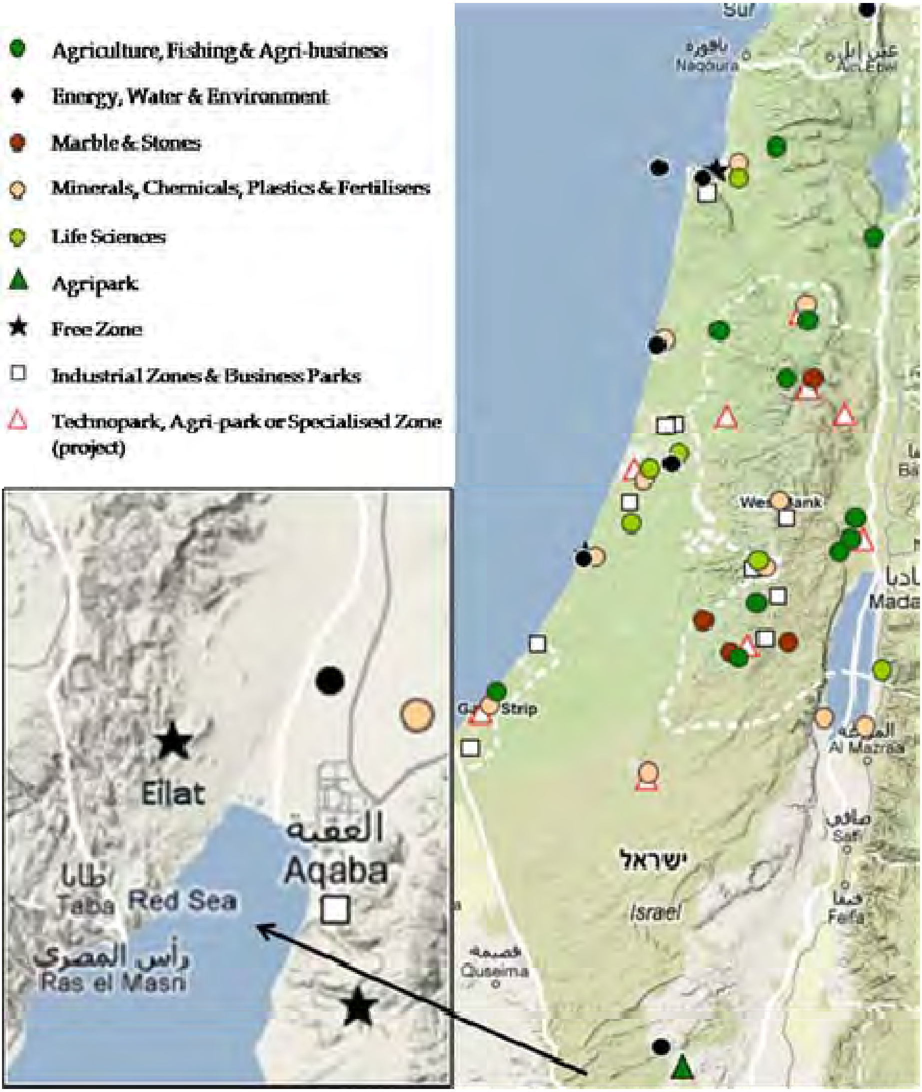
Focus 3. Free zones, technoparks and incubators to encourage the development of export-oriented technology industries

To encourage tourism, international trade and local production, the Israeli government established in 1985 the first **free zone** in Eilat, the only Israeli port on the Red Sea. Companies which set up there enjoy many benefits, including exemption from income tax for 7 years, and thereafter, a marginal tax rate of 30%. Ports of Haifa and Ashdod have subsequently been declared free zones (www.israports.co.il).

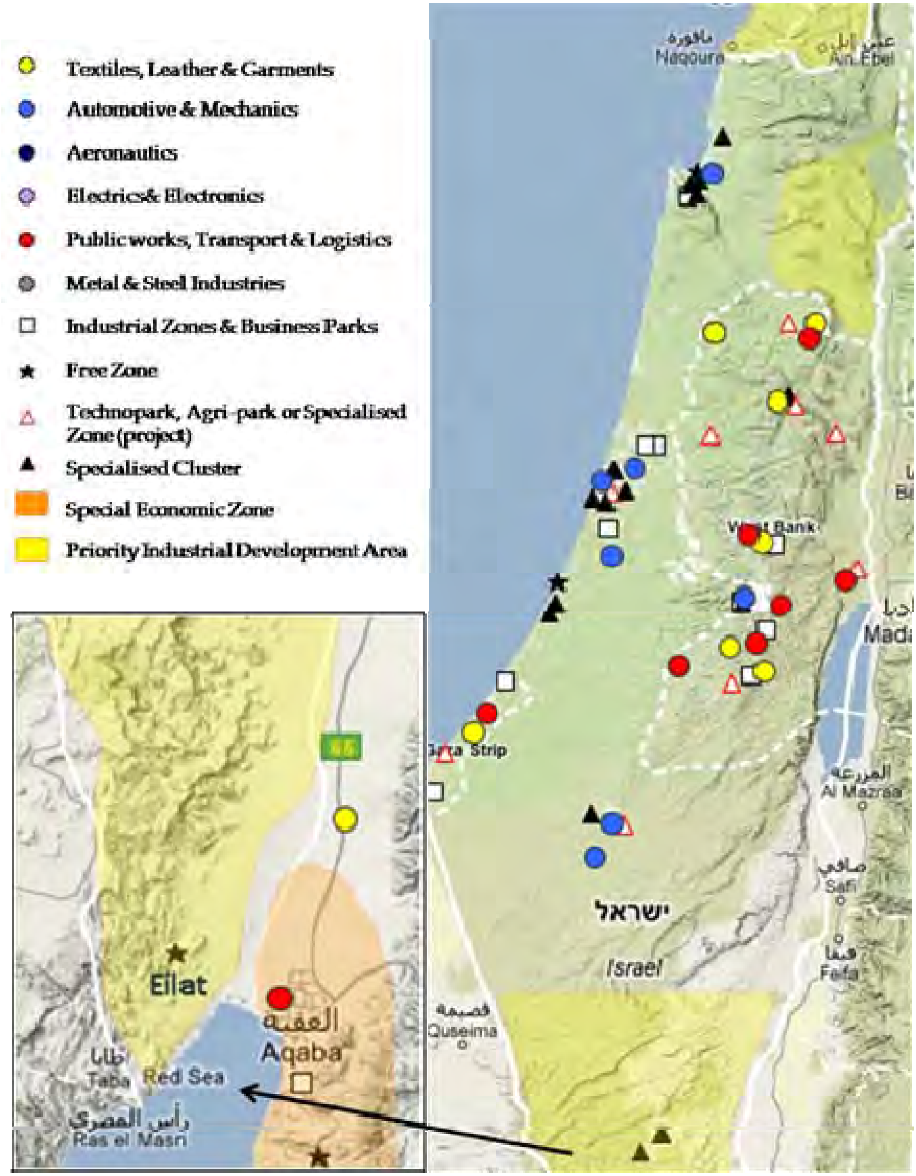
The country also set up over two dozen more or less technology-intensive **technoparks**. They are administered either by the local authority or a related association such as Jerusalem Development Agency, or a corporate real estate developer such as Gav Yam. Holding 50.1% stake in the Matam company (the remaining 49.9% are in the hands of the municipality of Haifa), Gav Yam controls the Matam high-tech park in Haifa, the country's largest one (www.gav-yam.co.il). Its prestigious tenants, including Philips, Microsoft, Google, etc., are distributed over 270 000 m² of offices and employ about 8 000 people. In Jerusalem, technology industries are grouped in the Har Hotzvim industrial park (www.hotzvim.org.il).It hosts about 10 000 employees who work for large groups such as Intel, Teva, Amdocs, NDS, Ophir Optronics, etc., or in the hundreds of SMEs also established there. Some of these companies have benefited from the park's technology incubator, BioJerusalem (www.biojerusalem.org.il).

In order to help the entrepreneurs implement their technological innovation projects, **24 technology incubators** are established throughout the national territory, 15 of which in peripheral areas. Selected on the basis of their commercial potential for export, projects are hosted for 2 years and receive assistance at various stages. On decision of the management authority, which may be public or private (privatisation process was launched in 2002), incubators can focus on one particular industry. Currently, there is only one business incubator specialised in biotechnology; located in Jerusalem. Others have a greater concentration of activities in a given sector (health, environment, computer, etc.). At any time, 200 R&D projects are implemented in the 24 incubators in the country. By the end of 2006, over 1000 projects had matured and left the incubators. Of these graduates, 57% have successfully attracted private investments, and 41% are still up and running. The total cumulative private investment in graduate incubator companies had surpassed 1.5 billion dollars: 19% in electronics and telecommunications, 15% in software, 23% in medical devices, 19%, in biotechnologies, 11% in agriculture and environment and 13% in other activities.

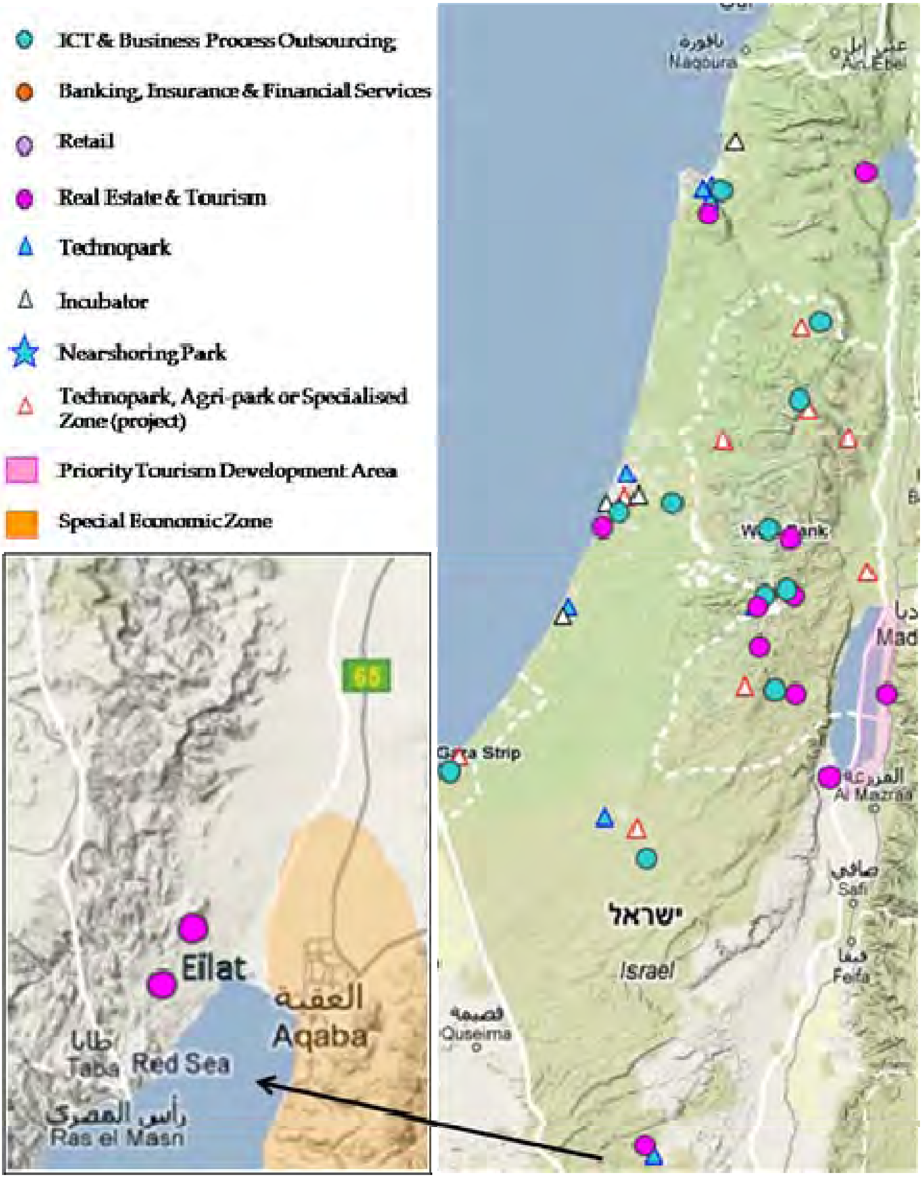
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Information and Communication Technologies (ICT)

Challenges / Objectives	ICT account for 17% of Israel's GDP, 8% of its exports and 6.5% of its workforce. The sector registered an annual average growth of 10% between 2004 and 2007, thanks to the dynamism of the more than 1 000 start up companies active in those businesses (turnover in 2006 was 14.8 billion dollars). Innovation and entrepreneurship are fuelled by risk-capital investors whose portfolio comprise on average 21% of ICT investments. As the world's second most important communication cluster after the Silicon Valley in the US, Israel has attracted many multinational technology companies (R&D centres). This attractiveness is further reinforced by a clever State regulation which since the reforms launched in 2005 allowed the progressive liberalisation of the ICT sector and therefore fostered the development of a great variety of services and technologies.
Oppor-tunities	IT equipment, software development; Cable; IPTV and content delivery; Mobile applications and contents; Electronic components; Internet telephony and messaging; Communication security
Actors / Targets	Leading technology companies such as Cisco, Microsoft, Google, IBM, HP, Motorola, Intel, AT&T (US), Samsung (South Korea), Alcatel-Lucent (France); Several world renowned Israeli communication powerhouses (Voltaire Ltd, Celltick Technologies, Runcom Technologies, Red Bend, etc.)
Location	Israel's Communications Cluster: Tel Aviv, Haifa, Jerusalem and additional activity in the corridor to Beer Sheba, including Kiryat Gat and the Western Galilee
Policies / Projects	Governmental incentives and benefits to investors available for hi-tech industrial projects (Focus 2) and R&D activities through the Office of the Chief Scientist -OCS (Focus 1) 24 existing incubators (see Focus 3): 19% of developed projects are in the Electronics/Communication field of activity, and 15% in Software 7 major universities and their research activities
Contacts	Investment Promotion Centre: www.investinisrael.gov.il Ministry of Communications: www.moc.gov.il

Minerals, Chemicals and Fertilisers

Challenges / Objectives	Israel's chemical industry relies on abundant natural resources such as potash, copper ore, natural gas, phosphate rock, magnesium bromide, clays, sand, etc, often found around the Dead Sea. Chemistry and Minerals has played a major role in the country's economy and has established Israel in some areas as one of the leading chemical-producing nations of the world. Israel's chemical industry in 2008 employed over 30 000 workers and its annual turnover reached 25 billion dollars, notably due to the tremendous rise in prices of petroleum, refined materials and fertilisers before the crisis. This included 4.5 billion dollars in pharmaceutical exports (see section 'Life science' below).
Oppor-tunities	Minerals and Fertilisers; Bromine, Refined Oils and Petrochemicals; Pharmaceuticals (see section 'life sciences'); Cosmetic Industry, Cleaning and painting products
Actors / Targets	Israeli leading companies: Israel Chemicals Industries - ICL, Makhteshim Agan Industries (world's leading producer of generic agrochemicals), Paz Oil Company Ltd, Oil Refineries Ltd. Foreign investors: Potash Corporation of Saskatchewan Inc (Canada), Fidelity funds, Procter & Gamble, Hewlett Packard (US), Reckitt Benckiser (Great Britain), Ravago (Belgium), etc.
Location	Dead Sea area (cheapest source of bromine available worldwide, potash), Tel Aviv, Jerusalem, Haifa (Oil Refineries, potash fertilizers), Ashdod, Netanya, Beersheba; Timna mines in the Negev (copper)
Policies / Projects	Investment incentives defined in the Law for the Encouragement of Capital Investment available for chemical high tech projects (Focus 2) Several incubators developing chemical projects (Focus 3) and support to R&D projects (Focus 2, cf. OCS and MATIMOP, the government agency that generates and implements international cooperative industrial R&D programmes between Israeli and foreign enterprises)
Contacts	Investment Promotion Centre: www.investinisrael.gov.il Ministry of Industry, Trade and Labor: www.moital.gov.il Ministry of Sciences and Technologies : www.most.gov.i

Life sciences

Challenges / Objectives	Israel is a world-recognized force in the Life Sciences industry, thanks to strong innovation capabilities. In 2008, over 900 Israeli companies were active in the life sciences business, with 50-60 new companies being formed each year: The Medical devices sector is dominant (half of life sciences companies), followed by biotech (20%) and pharmaceuticals (12%). Life Sciences get a large share of local risk capital (in 2004 for instance, life sciences received 287 million dollars from venture funds). In 2005, Life Sciences exports from Israel reached 3.4 billion dollars. The government has included Life Sciences in its list of priority sectors, especially biotechs. The Life Sciences sector is supported by a strong foundation of academic excellence, including some of the world's leading research institutes and renowned R&D facilities. Israel was 1st in availability of engineers and scientists worldwide according to IMD 2007.
Oppor-tunities	Medical devices (imaging, disposable and implantable devices, telemedicine, surgical equipment, diagnostic kits…); Biotechnologies; Pharmaceuticals; Biomedical engineering (Stem cell research); Health IT; Agrobiotechnologies
Actors / Targets	Local champions: Teva Pharmaceuticals (world largest generic pharmaceutical company), Given Imaging, Insightec, Medinol, Disc-o-tech, Brainstorm, Dexxon, Taro, Perrigo, etc. Multinationals including Johnson & Johnson, Perrigo, GE Healthcare (US), Phillips Medical (Netherlands)
Location	Haifa, Petah Tikva (north-east of Tel Aviv, second largest industrial sector in Israel after Haifa), Tel Aviv, Jerusalem, Rehovot, etc.
Policies / Projects	50% grants of approved R&D budget for biotechnologies, one of the 'preferred sectors' in the Law for the Encouragement of Industrial R&D; Grants programme and tax benefit of the Law for the Encouragement of Capital Investments (Focus 1 and 2) Technological incubators such as BioJerusalem and BioNegev, Meytag, Ofakim Hi-tech Ventures, Rad Biomed Incubator Ltd (Focus 3) Research institutes (Technion, Weizmann Institute), Technology Transfer Organisations associating 7 universities and 5 hospitals
Contacts	Investment Promotion Centre: www.investinisrael.gov.il Israel Life Science Industry: www.ilsi.org.il

Automotive

Challenges / Objectives	While Israel does not engage in large scale vehicle manufacturing, it has acquired a great know how in automotive technologies. Over 100 Israeli manufacturers supply systems, parts, modules and tooling to both original equipment manufacturers and to the secondary market. Their customers are Daimler, GM, International Truck & Engine, Ford (US), Jaguar (Great Britain), BMW, VW, MAN (Germany), PSA, Renault-Nissan (France), Volvo (Sweden) as well as to Tier 1 suppliers such as: Delphi, Johnson Controls (US), Bosch (India), Valeo, Faurecia (France), Autoliv (Sweden), Magna Styer (Austria). Israeli companies have successfully adapted relevant technologies that were utilized for the military to civilian uses and made themselves a prominent technology destination for the international automobile industry. Israel exports around 800 million dollars worth of automotive parts and systems annually. The government shows a strong support to innovative projects capable to accelerate the development of electric vehicles.
Oppor-tunities	Innovative Materials; Advanced Electronics and Automation Technologies (night vision systems, on-board driver assistance systems, telematics, navigation and control systems, sensors, voice processing solutions, testing and measurement solutions); Clean-Tech Initiatives (hydrogen fuel, electric vehicle: propulsion technology and mass transportation infrastructure)
Actors / Targets	100 Israeli manufacturers of components and systems, many R&D centres (including one set up by GM) and universities (Weizmann Institute of Science, Ben Gurion University, etc.)
Location	Tel Aviv, Jerusalem, Haifa, Rehovot, Beersheba, Halutza, Nes Ziona
Policies / Projects	Israeli Government “intends to make Israel a laboratory" in the development of the world's first fleet of electric cars: implementation of a car tax based on emissions levels: 10% for electric cars, 79% on gas-powered cars and 30% on hybrids; partnership with Better Place (Israel) and Renault-Nissan (France) to develop a national all-electric car infrastructure. Public incentives in favour of R&D projects (Focus 1 and 3)
Contacts	Israeli Association of Automotive Industries: www.industry.org.il

Water, Energy and Environment

Challenges / Objectives	Preservation of Israel's water resources is one of the major challenges facing the country today. In 2004, the public company Mekorot was split into 3: Mekorot Water Supply, Mekorot Water Solution (desalination, irrigation, wastewater treatment) and Mekorot Assets. A combined strategy of water transport, rainwater harvesting, and wastewater reuse and desalination, along with a variety of water conservation measures, have allowed Israel to develop a unique know-how in water technologies, whose exports reached 1.1 billion dollars in 2007. With a 75% water recycling rate, Israel is an inspiring model for the region and for the world. As for energy, Israeli policy aims at securing the supply of demands in spite of limited resources. The Israeli plan is to increase the share of natural gas in power generation from 20% (2007) to around 40% in 2012. Renewable energy (100 Israeli companies) should represent 10% of the country's electricity by 2020. Solid waste and recycling is also becoming an important market.
Oppor-tunities	Water technologies (integrated, irrigation, purification and desalination); Energy production (natural gas, solar and wind energy, biomass and biofuels); Solid Waste Treatment and recycling, etc.
Actors / Targets	Foreign technology giants Siemens (Germany), GE, Dow Chemicals (US), ABB (Switzerland/Sweden), Jain Irrigation Systems (India) and local champions: irrigation (Netafim, Plastro irrigation systems, Naan Dan, Phytec, Metzerplas, Galcon…), renewable energies (Ormat), etc.
Location	Ashkelon (world largest desalination plant), natural gas offshore Haifa, solar industry in the Negev Desert and the Golan.
Policies / Projects	Israel NEWTech – initiative promoting Israeli water technologies (www.israelnewtech.gov.il) Water tech incubators in Ashkelon, Sde Boker and Kinarot (Focus 3) / Timna Renewable Energies Technopark in Eilat State incentives to produce solar power since 2008: Project of offshore LNG Receiving Terminal US-Israel Energy Cooperation Act for the development of renewable energy technologies 2 million dollars allocated for 2009 with a significant increase expected
Contacts	Ministry of National Infrastructures: www.mni.gov.il

Agriculture, Irrigation and Agro-technologies

Challenges / Objectives	Israel's agricultural production has increased twelve fold over the past 40 years. Agriculture represents 2.5% of total GDP, 3.6% of exports (2.2 billion dollars in 2007) and 8.9% of labour force. 24% of agricultural output was exported in 2007. Water and land scarcity remains the principal and growing threat. Israel agriculture policy therefore focus on developing sophisticated input methodologies (irrigation technologies, water management practices, more resistant and productive seed varieties) and implementing innovative policies for sustainable agricultural production development and provision of extension services for farmers. Israel has emerged as a significant global innovator of cutting edge agricultural advancements. Approximately 90 million dollars has been invested annually in R&D. International cooperation is a major factor in the growth of Israeli agro-technology.
Oppor-tunities	Irrigation industry; Improvement of agricultural products (better quality and longer shelf life); Technology services; Animal husbandry; Development of "green" fruit; Greenhouse systems; Dairy products; Flower production, etc.
Actors / Targets	Cooperative sector (kibbutz and moshav) in Israeli rural areas; Major Israeli exporters (Carmel Agrexco), providers of irrigation solutions (Netafim, Plastro), climate control and agricultural management systems (Rotem), etc.
Location	Northern coastal plains, hill regions of the interior and upper parts of the Jordan Valley, Arava Valley
Policies / Projects	Several regional research centres funded by Ministry of Agriculture, especially in the North (www.mop-zafon.org.il), the South (www.mopdarom.org.il) and the Arava valley (mop.ardom.co.il) Faculty of Agriculture, etc of the Hebrew University in Rehovot 24 Israeli incubators: (Focus 3) Ohio-Israel Agriculture and Rural Development Initiative: Joint Agricultural R&D Fund, crossed exports and JVs (www.negev.org) Agricultural projects developed by the Mashav Centre for International Cooperation mashav.mfa.gov.il
Contacts	Ministry of Agriculture and Rural Development: www.moag.gov.il

Tourism

Challenges / Objectives	Israel offers an unmatched concentration of unique attractions in small geography, Jerusalem being the “anchor” attraction. Even though the development of the Israeli tourism industry is hindered by the local and regional geopolitical context, it set a record in 2008 with 3.03 million visitors (up 32% from 2007). In 2007 tourism represented a 2.4 billion dollars income and there were approximately 47,000 tourist rooms. In 2009, despite the effects of the global economic crisis and the Gaza operation, Israel has succeeded in slowing down the sharp declines in incoming tourism thanks to intensive marketing activities (22 million dollars to be invested in marketing activities around the world). The World Travel and Tourism Council (WTTC) forecasts that Israel’s tourism industry will continue growing: and contribute directly 6.2 billion dollars to Israeli GDP by 2018. Jerusalem and Tel Aviv were ranked respectively 1st and 3rd best urban destinations in the Middle East by Travel + Leisure Magazine’s World’s Best Award 2009. The Dead Sea, shared with Jordan and Palestine has been listed as one of the 28 nominees for the 7 Marvels of the World contest whose results will be announced in 2011.
Oppor-tunities	Cultural and religious tourism (Jewish, Muslim and Christian sites); Eco-tourism and rural tourism; Health tourism; 3-4 stars hotels; Domestic tourism; Sport tourism and Sun, sea & sand holidays
Actors / Targets	American investors (Isaac Katan and Eli Weinstein consortium, Ronald Lauder, Henry Moskowitz); tour operators (BCD Travel) and hotel and resort chains (Carlson-Radisson, Marriott, Mövenpick)
Location	Jerusalem, Tel Aviv; Tiberias area, Jordan Valley, Mount Carmel, Sea of Galilee, Dead Sea, Eilat, Neguev desert, etc.
Policies / Projects	Wide range of incentives and benefits to investors tourism (Focus 2) Increased efforts to encourage capital investment in the tourism industry and accelerate the building of additional hotel rooms to meet demand: approved grants of approximately 40 million dollars and upcoming approvals of another approximately 25 million dollars
Contacts	Ministry of Tourism: www.tourism.gov.il/Tourism_Euk

6. Jordan

Economic Outline

A small country that relies on export industries and the knowledge economy

Jordan, a small country, has faced the failure of its agricultural resources (arable land accounts only for 6% of the country) and aquifers (the lowest in the world). It is enjoying, however, important mineral reserves, including potash and phosphate, of which it is the 3rd largest exporter. While Iraq was its first client, it has greatly experienced the strong negative impact of war on tourism, foreign trade and foreign investment. Nevertheless, all these indicators have quickly turned back to green. Between 2004 and 2008, Jordan has seen its exports doubling and its GDP increasing of 6.3% per year on average.

This positive momentum has been encouraged by the many reforms initiated in recent years for a better control of the public debt, the fiscal deficit, the openness and privatisation of the economy and the foreign investment increase. During the 1999-2008 period, the country had managed to raise external debt of 120% to 31% of GDP. Many trade agreements were also signed. But, despite the launch of a programme of privatisation, the public sector remains the main employer in the country, controlling almost 30% of GDP and maintaining a major role in sectors such as basic services, mining, agriculture, education, transport, etc. Moreover, Jordan is far from fully exploiting its export potential. European countries and the Gulf yet appear as promising markets, including pharmaceuticals, minerals, tourism and banking. Employing a highly qualified workforce, they help to fight against the major problems of Jordan: the unemployment and poverty.

Covering the 2006-2015 period, the national strategy adopted by the government has as main objective the improvement of the living quality of Jordanians by creating 600 000 jobs, pushing the unemployment rate to 6.8%, against 12.5% in 2004 and the poverty rate to 10%, against 14.2% in 2002. During the decade, annual growth of 7.2% is expected. The strategy includes 3 main phases: from 2007 to 2012, the government will focus its efforts on creating employment opportunities through structural reforms, upgrading infrastructure, education and promotion of industries oriented to export and labour intensives; from 2013 to 2017, it will work to strengthen the country's industrial capacity and to lay the groundwork for future Jordanian economy of knowledge. For the first phase, 8 priority areas of intervention have been identified: political development and inclusion, law and justice, investment development; financial and tax reform, support to employment and vocational training, welfare, education, higher education, scientific research and innovation, upgrading of infrastructure.

Regarding investment promotion, the strategy provides a reform for institutions and key priority sectors. On the one hand, it aims at improving the skills and capacity of the different institutions in charge of investment and enterprise development: the Jordan Investment Board (JIB), the Enterprise Development Corporation (JEDCO), the Industrial Estates Corporation (JIEC) and the Free Zones Corporation (FZC). On the other hand, the strategy includes cross-sectoral measures (development of human capital, finance, technology, processes, infrastructure and trade agreements, improving procedures, taxation and business support) to encourage the development of sectors in which Jordan enjoys comparative advantages (ready-to-wear, medicine, agriculture, agri-business, minerals, stone, steel, household equipment, tourism, health, ICT). From 2007 to 2009, 833 projects from the national strategy have been implemented for a total cost estimated at 3.6 billion dollars.

Focus 1. Education, higher education, vocational training and research & development in the heart of the Jordanian National Strategy

From the perspective of developing its human capital, Jordan is granting for several decades, a major importance to the quality of its education system. Each year, over 13% of the country's public expenditure is spent on primary and secondary education. The school is free and compulsory up to 15 years, allowing 91.3% of Jordanians to learn to read. For its part, the Jordanian system of higher education began to be recognised abroad. In recent years it has attracted a growing number of foreign students and its graduates have generated a growing interest on the labour market of Gulf countries.

Aiming at eliminating illiteracy by 2015 and ensuring the adequacy of education, training and research needs of the market, the **national strategy** provides a number of reforms. In the areas of education, higher education and vocational training, the main measures include restructuring the institutional framework through the creation of a Higher Council for Human Resources Development and 3 Councils of accreditation and quality assurance (one for each sector), and the development of quantitative and qualitative benefits, including the growing involvement of the private sector (consulting, finance, management). To encourage scientific research, and increase in spending on R&D is expected: from 0.34% in 2003, it should rise to 1% in 2012 to reach 1.5% in 2017.

A pilot programme has also been launched in some schools of the Kingdom: **The Jordanian Education Initiative** (JEI). It puts ICT at the heart of the education system and encourages, through the development of public-private partnerships, the involvement of international companies like Intel, Microsoft and Cisco. These companies will ultimately benefit from improved skills of the Jordanian workforce, including ICT. In 2005, a 3.7 million dollars contribution by international partners of this initiative had already led several schools to equip with a computer room and provide a laptop for teachers to use it in class.

Actually, teachers play a central role in the quality of the system. On all 3 levels of education, 90% of them have advanced recognised degrees and the remaining 10% were trained in preparation for their position. Under the **Education Reform for the Knowledge Economy**, a programme of teacher training has recently been launched with the University of Wisconsin, which adds 160 hours of specific courses to the160 hours of the national curriculum. Here again, the government uses the private expertise.

[Further information from the Ministry of Education: www.moe.gov.jo]

Continuous reforms to encourage foreign investment

As a historically outward country due to the lack of natural resources, Jordan plays an important role in the geopolitics of the Middle East. This strategic position gave it the status of privileged interlocutor of the United States. In 2000, Jordan was the first Arab country to conclude a free trade deal with the United States which is its first customer. It will apply to almost all goods and services by 2010. The country joined the Great Arab Free Trade area in 1998, signed at the Agadir Agreement in 2004 (which creates a free trade area between the European Union, Egypt, Tunisia, Morocco and Jordan), a bilateral free trade agreement with Singapore and 38 bilateral treaties. In late 2007, negotiations were undertaken with Canada to establish a free trade agreement.

In recent years, Jordan has benefited from large inflows of FDI, especially from Gulf countries that have heavily invested in the banking sector. Real estate, tourism and light industry have also shown a strong attractiveness. After reaching 3.2 billion dollars in 2006, FDI inflows fell to 1.8 billion in 2007. Stimulated by the dynamic real estate sector and PPP projects, FDI has started to grow in 2008, amounting to 2.4 billion dollars and the trend should continue in the years to come.

This great attractiveness stems from the ongoing government efforts to improve the business environment and attract more FDI. Regularly revised, the tax should be substantially simplified by adopting a unified tax code. As another major initiative, the defining of a new investment strategy has led to the development of a map representing 150 investment opportunities in 15 key sectors of the Jordanian economy and a new law to promote investment, which will shortly be approved by Parliament. Adopted in 2008, the Development Zones Law has established a regulatory framework to encourage investment in areas identified as priorities, including through tax incentives. Finally, the introduction of a new strategy of public-private partnership should extend the privatisation programme which has already been well underway.

Focus 2. A regulatory framework that facilitates investment

Based on the Law No. 16 of 1995, No. 68 of 2003 and their subsequent amendments, the Jordan regulatory framework offers the same treatment to foreign and domestic investors. Foreign investors may therefore have the whole or part of a project, manage it as they wish, transfer the entire capital and income abroad, etc.

In addition to these investment guarantees, exemptions from customs duties and tax are **granted in many sectors**: industry, agriculture, hotels, hospitals, maritime and rail transport, leisure, convention and exhibition centres, transport and distribution of water, hydrocarbons, call and contact centres, research and development.

The **exemptions from customs duties** include: fixed assets by the project (machinery, equipment, furniture); spare parts (provided their value does not exceed 15% of assets to which they are needed), the future capital to increase the production capacity of over 25%, the replacement of furniture for hotels and hospitals every 7 years.

In Jordan, **corporate tax** is: 15% for the mining industry, hotel and hospital, 35% for financial and insurance institutions, 0% for agricultural projects, and 25% for all other companies. To promote the upgrading of backward regions, the country has been divided into 3 types of zones: A, B and C. Companies are encouraged to locate in these zones by the prime rate of discount that is granted for a period of 10 years (from the beginning of activity): 25% in Zone A (Amman and Aqaba), 50 % in zone B and 75% in zone C.

In 2001, the **Aqaba** area has been empowered with the **Special Economic Zone** status. Thanks to the free zone status and an advantageous taxation, it offers an ideal environment for investment in sectors as diverse as tourism, leisure, logistics, business services, light industries, industries with high added value etc. The Aqaba SEZ is governed, regulated and managed by an authority that is financially and administratively independent. This authority is called ASEZA (www.aqabazone.com). Besides, in 2004, the Aqaba Development Company (ADC) has been created to implement the master plan for Aqaba. To encourage investment, ASEZA offers many privileges: exemptions from customs duties, corporate tax lowered to 5% (except for banking, insurance and road transport); exemption from social security, land transfer tax reduced to 10% of which 6% are paid by the purchaser and 4% by the seller, exemption from taxes on land and buildings, etc. In 2009, with more than 13 billion Euros of investment announced since its inception, the Aqaba SEZ has exceeded the projected goals over 300%.

[Further information from the JIB: www.jordaninvestment.com]

Focus 3. A wide variety of zones to meet the needs of each company

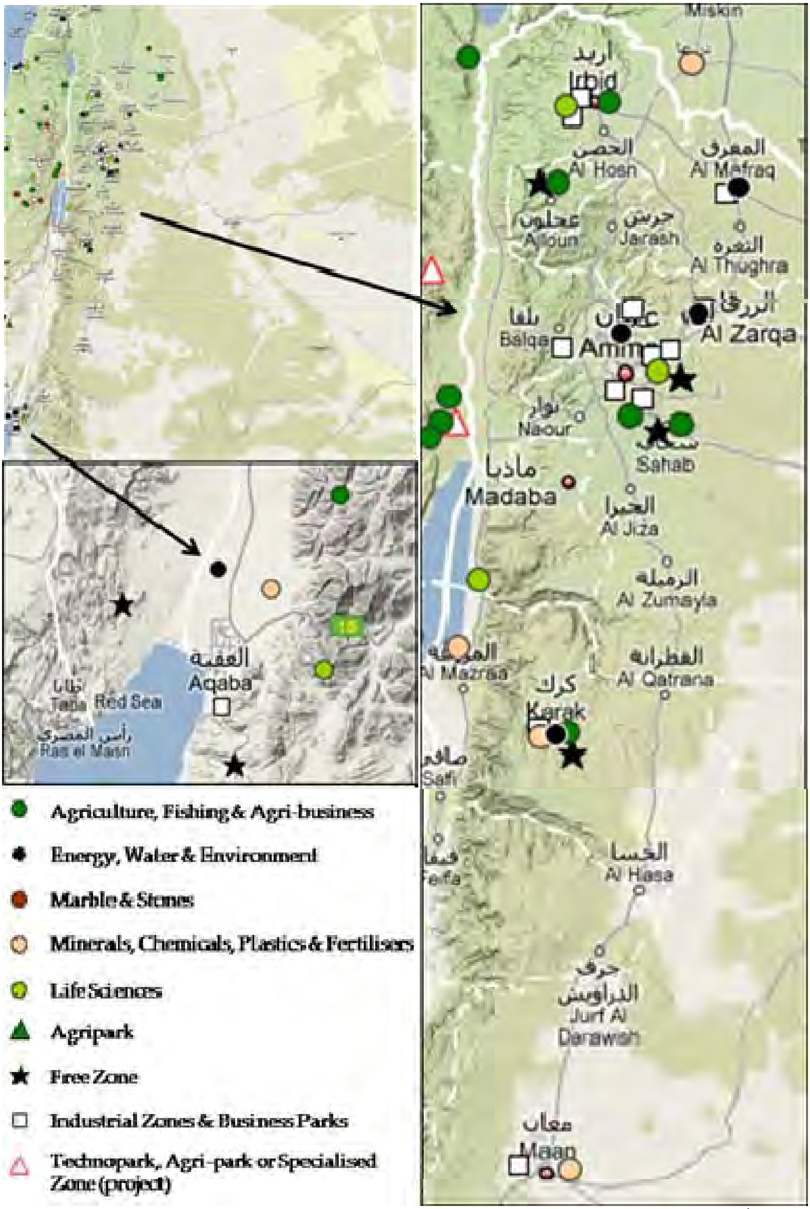
For small and medium industries, Jordan has **5 Public Industrial Estates**: King Abdullah II in Sahab (Amman), Al-Hassan in Irbid, Al-Hussein Ibn Abdullah II in Karak, Ma'an, Aqaba International. They are managed by the Jordanian Industrial Estates Corporation (www.jiec.com). In addition to high quality infrastructure and services, companies that set up there enjoy exemptions: from tax benefits and payroll taxes for 2 years; from taxes on land and buildings; from most local taxes; from duties and taxes on fixed assets; etc. Foreign companies account for 34.6% of created jobs in these zones. 4 new ones are currently planned in Mowaqar, Zarqa, Madaba and Tafilah. There are also several private industrial parks, including Al-Tajamouat (Amman), Ad-Dulayl, Cyber City Park (Irbid), Jordan Gateway (Irbid), etc.

To promote export-oriented industries and foreign investments, **5 Public Free Zones** were created: that of the Queen Alia Airport (Amman), King Abdullah II Industrial Estate (Sahab), Al-Hussein Ibn Abdullah II Industrial Estate (Karak), Zarqa Free Zone and Al-Karama Free Zone (Mafraq). The goods that are stored or produced as well as the services that are made there are exempt from exercise taxes and duties. Moreover, the industrial products that use less than 40% of local inputs can be issued a certificate of origin. These areas are managed by the Free Zones Corporation (www.free-zones.gov.jo). This corporation encourages private investors to develop, alone or in partnership, free zones that bring of local resources in production. 33 have already been operational, including the Cyber city park in Irbid, and 11 are still under construction.

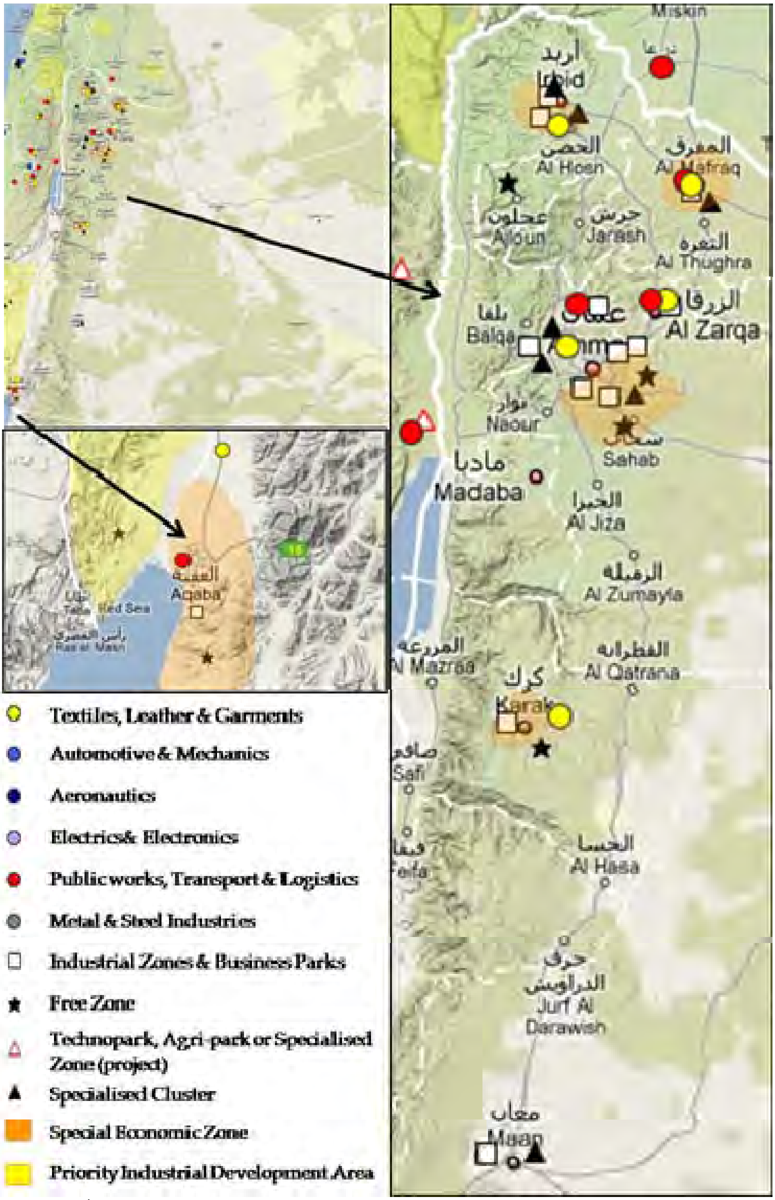
Concerning the export activities to the United States, it is interesting to live in a **Qualifying Industrial Zone (QIZ)**. Goods incorporating at least 8% of Israeli added value can be produced there and exported to the United States without paying exercise duties and taxes and without restrictions, which will be resulting in a savings of between 15 and 35% on production costs. Al-Hassan Industrial Estate (Irbid) received this status in 1998, followed by Al-Hussein Bin Abdullah II Industrial Estate (Karak) and Aqaba International Industrial Estate. Several private industrial parks have also obtained it: Al-Tajamouat (Amman), Ad-Dulayl, City cyberpark (Irbid), etc.

Finally, Jordan has recently embarked on the process of clustering. In 2006, the Mafraq Development Corporation (www.kinghusseinzone.com) has launched the King Hussein Bin Talal **Development Area**, designed as a regional hub for industry and logistics. It is also behind the King Hussein business park (Amman), dedicated to services as well as the Irbid Development Area that targets the ICT and health. Managed by the Southern Company for Construction and Development (www.sccd.jo), the Ma'an Development Area is dedicated to ICT. The Dead Sea and Jabal-Ajloun regions were labeled tourism development areas.

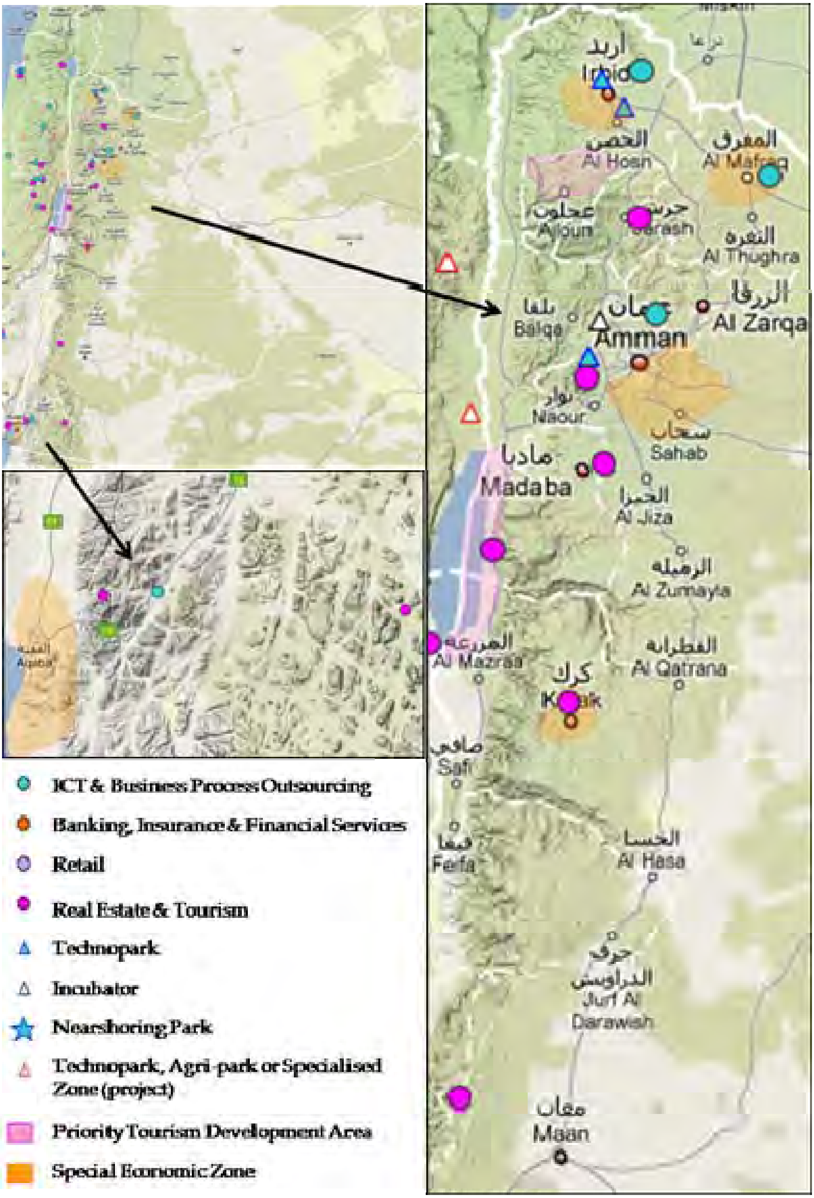
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Agriculture and Agri-Business

Challenges / Objectives	The food industry is Jordan's largest manufacturing sector, adding value to Jordan's agricultural commodities for the domestic, regional and international markets. It comprises 3,372 operating companies that employ a labor force of 31 000 workers. Production breakdown by branch in 2004: 24% tobacco products, 12% bakery products, 10% grain mills, 10% meat products, etc. In 2006, 91% of exports targeted the Middle East, followed by Asia and Western Europe. The signature of trade agreements opened new markets, including the United States, the United Kingdom and African countries. Export breakdown by branch in 2003: 36% tobacco products, 27% vegetable and animal oil, etc. Jordan primary foodstuff imports are: live animals, meat and fish, wheat and wheat flour, rice. Jordan main trade partners: Iraq, Kuwait, Saudi Arabia, United Arab Emirates, Bahrain, Qatar, Lebanon, Syria. Distribution of companies with foreign capital: 21 from Iraq, 15 from Palestine, 15 from Syria, 8 from the United States, 8 from Saudi Arabia and 33 from other countries (100 in total).
Oppor-tunities	Harvest and transformation of fruits and vegetables; Livestock and derivatives; Pastries; Herbs for food and medicine; Flowers; Packaging and conditioning; R&D; Marketing; Irrigation and water management
Actors / Targets	Over 100 foreign companies (from Iraq, Palestine, Syria, United States, Saudi Arabia, etc.) have chosen Jordan as a production site: Coca Cola, Pepsi, Nestlé, Del Monte, British American Tobacco, Carrefour, Sultan Centers, Americana, Starbucks
Location	Amman, Sahab, Karak, Irbid, Aqaba, Jordan Valley
Policies / Projects	Many trade agreements and advantages provided by the Investment Law (Focus 2) Jordan Valley Project: http://212.35.69.233/ 5 industrial estates, among which Abdullah II Ibn Al-Hussein (Sahab) and Al-Hussein Bin Abdullah II (Karak), private zones among which free zones or QIZ (Focus 3)
Contacts	Ministry of Agriculture: www.moa.gov.jo Jordan Investment Board: www.jordaninvestment.com

Minerals, Chemicals and Fertilisers

Challenges / Objectives	Jordan might be relatively poor in hydrocarbons and water, but can still counts on abundant reserves of potash and phosphates, 2 valuable inputs for the fertiliser industry. The Kingdom's phosphate rock reserves total 1.47 billion (12% of world reserves), with a production amounting to 7m tones in 2007. The potash extracted from the Dead Sea represented 1.7 tons in 2007 (3.2% of world production). Those outputs might not seem impressive, but they earned the country, altogether with their byproducts (fertilizers), a hefty sum: 1 billion dollars in exports in 2008, according to a report by ABC Investment. Global demand for fertilizers remains strong in spite of the economic downturn, fuelled by biofuels, demographic growth and change in alimentation patterns in emerging economies. Jordan aims at climbing up in the fertiliser value chain by processing more phosphate by products locally. Other minerals used in the construction industry are attracting attention.
Oppor-tunities	Production of potash and phosphate industries; Fertilizers production; Construction chemicals (mortars, etc.); Exports.
Actors / Targets	Potash: exclusive concession to Arab Potash Company until 2057 (strategic stake sold to Canada's PotashCorp). Phosphate: only 1 licensed producer (Jordan Phosphate Mines Company), which teamed up with foreign partners to secure access to overseas markets and increase its industrial capacity (Bahrain-based Venture Capital Bank, and with Indian IFFCO). Construction chemicals: foreign investor to produce construction material (Lebanon-based SODAMCO Holding).
Location	Dead Sea (potash), Amman region, Karak and Ma'an (phosphate), Ma'an and Aqaba (fertilizers)
Policies / Projects	Advantages provided by the Investment Law (Focus 2) Phosphate production project in Aqaba (call launched in 2009) Public industrial estates (Al-Hassan in Irbid and Aqaba) and private (Ad-Dulayl) among which several free zones or QIZ. (Focus 3) Partial privatization of APC and JMPC to finance production capacity development
Contacts	Ministry of Energy and Mineral Resources: http://webserver.memr.gov.jo Natural Resources Authority: www.nra.gov.jo Arab Potash Company: www.arabpotash.com Jordan Phosphate Mines Company: www.jordanphosphate.com

Health and Medicines

Challenges / Objectives	With 18 enterprises, Jordan pharmaceutical industry generates over 8 000 direct and indirect jobs. In 2007, its production reached over 500 million dollars, 20% of the country GDP. The production is mainly generics produced under license (93% in 2004) and targeting the export market. The exports reached 425 million dollars in 2007, against 186 million dollars in 2003, and the government intends to reach 1 billion dollars in 2010. The first clients of Jordan are Arab countries, including Algeria, Saudi Arabia and Iraq. Although small, the local market is dynamic either, thanks to an efficient healthcare service giving access to drugs and health services to all Jordanians. Due to its involvement in the management of clinics and hospitals, the private sector serves 40% of the population. Modern clinics welcome foreign patients attracted by the low cost of the services and the virtues of the Dead Sea, both for body health and for the manufacturing of health care products for export with its minerals.
Oppor-tunities	Production and export of drugs (generics under license, hormones, vaccines); Biotechnologies; Medical and diagnostic equipment; Private hospitals; Health insurance products; Medical tourism; Health care products.
Actors / Targets	Pharmaceutical industry dominated by HIKMA, APM and DAR Al Dawa (77% of the total pharmaceutical production and foreign presence) with also a presence of foreign groups (Lilly, Novartis, Pfizer, Takeda Pharma, Roche, Rhodia).
Location	Amman, Sahab, Irbid, Dead Sea, Aqaba
Policies / Projects	Free trade agreements and investment incentives (Focus 2) Adapted settlement zones: free zones and QIZ, future cluster of medical technologies in Irbid (Focus 3) 11 paramedical trainings, 6 clinic research centres, 101 hospitals (international labelisation supported by USAID) Intellectual Property Rights laws and regulations: final products patentable for 20 years, data protection (3-5 years)
Contacts	Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances: www.japm.com Dead Sea Products Manufacturers Association: www.deadseajordan.com Private Hospitals Association: www.pha-jo.com

Information and Communication Technologies (ICT)

Challenges / Objectives	In 2008 the ICT sector generated a turnover of 1.5 billion dollars. It represented already 9.7% of the country GDP in 2006, and25% of the revenues were coming from exports. The trend is likely to continue in the coming years. Jordan main clients are United Arab Emirates, Saudi Arabia, Bahrain, the United States and Germany. The total liberalisation of the telecoms and the modernisation of the legal framework attracted many foreign investors in the sector. The national strategy 2007-2011 sets up 3 major objectives to reach: grow internet penetration up to 50% of the Kingdom (11% in 2007); grow ICT jobs from 16 000 to 35 000 and increase the sector revenues to 3 billion dollars. To match the ambition the government tries to eliminate regulatory barriers, promote the qualification of the local workforce (19 000 registered workforce and 6 000 new graduates every year).
Oppor-tunities	Telecom equipment and infrastructure (mobile and internet broadband, wireless); Fixed and mobile telephony; Internet; Business Process Outsourcing operations and call centres (in Arabic, but also in French, English, etc); Software development (e-learning, e-gov, e-banking, animation)
Actors / Targets	Numerous foreign groups (France Telecom, Kuwaiti MTC-Zaïn, US Microsoft, Oracle, Cisco, Barhaini Batelco, Greek Intracom, Chinese Huawei, etc.) and local developers.
Location	Amman, Irbid, Aqaba, Mafraq
Policies / Projects	Advantages provided by the Investment Law (Focus 2) Industrial and development zones for ICT (Aqaba, King Hussein park in Amman, Irbid, Mafraq), as well as El Hassan science city in which the iPark incubator is located, Princess Sumaya University and Queen Rania Center for Entrepreneurship ICT development: support programme for households and students, e-learning (Focus 1) Excellence centres, laboratories, certification and academic programmes developed by ICT majors (Sun, Hewlett-Packard, Oracle, Cisco, Microsoft, MTC-Zain, Orange).
Contacts	Information Technology Association www.intaj.net Minister of ICT: www.moict.gov.jo Telecoms Regulation Commission: www.trc.gov.jo Jordan Investment Board: www.jordaninvestment.com

Textiles and Clothing

Challenges / Objectives	The strategic location of Jordan in the Middle East and its regional and international trade agreements have enabled Jordan to orient its textiles and clothing industries (TCI) towards exports. In 2004 TCI comprised around 776 industrial enterprises, 114 of them employed over 25 people and 110 produced exclusively for export markets. The sector production was valued at 957.7 million dollars, with value added of 22% and an increase in exports of 18%. Over the last five years the exports rose 20% per year in average, up to 1.3 million dollars in 2008. They were at 200 million dollars in 2001. US companies are considered principal clients to the Jordanian textile sector; sales to the US shops totaled 1 million dollars in 2008. Jordan also supplies other textile products such as carpets to the Gulf countries. The availability of a qualified and cost effective work force (less 50% of wages paid in Gulf countries) of 24 000 people remains a key asset to ensure the success of this industry. In 2004, it attracted 44%ofthetotal industrial investment in the country (over 1 billion dollars).
Oppor-tunities	Production of large series, provision of new designs in the following areas: Accessories; Fabric production; Kids-wear; Ladies underwear; Shoes; Factory modernisation; ERP; Training in design.
Actors / Targets	Numerous production sites of international brands: GAP, J.C. Penny, Levis, Liz Claiborne, Calvin Klein, Tommy Hilfiger, Wall mart, K-mart, Limited, Sears, Colombia, New York Laundry, Target, and Victoria's Secret.
Location	Amman, Irbid, Karak, Zarqa, Aqaba
Policies / Projects	Free trade agreements and investment incentives (Focus 2) Public industrial estates (Al-Hassan in Irbid and Aqaba) and private (Ad-Dulayl) among which several free zones or QIZ. 24 vocational centres (programmes designed for the textile & clothing sector) Maintenance services for equipments and tests for final production.
Contacts	Association of Exporters of Garment, Accessories and Textile: www.jgate.org.jo Jordan Investment Board: www.jordaninvestment.com

Tourism and Real-estate

Challenges / Objectives	The tourism sector remains an important element of the Jordanian economy, directly employing some 30 000 Jordanians and contributing 10% to the Kingdom's GDP. Despite a 7% decline in Arab visitors (notably from Iraq and Saudi Arabia), 2007 marked a year of steady growth for the tourism sector. Revenues jumped 13% to nearly 2.11 billion dollars during the first 11 months. The majority of Arab tourist visits (73% of arrivals in 2007), in fact often 1-day trips to the country from neighbouring States, has little impact on the tourism business. On the other hand, figures for package tours are showing impressive growth, especially on the European, Asian and US markets. The 5-star market comprises the largest segment of Jordan's hospitality sector, and though composed mostly of business customers, it is nonetheless a good early indicator of the overall health of the wider sector. Meetings, incentives, conventions and exhibitions (MICE) already accounts from about 1/3 of tourism in Jordan. The historic and cultural heritage is another key factor for the country's attractiveness. The 2004-2010 National Tourism Strategy aims to double tourism revenues during the period to 1.85 billion dollars and to increase related jobs to 91 719. The government calls upon the private sector to improve the accommodation capacity.
Oppor-tunities	Cultural heritage; Religious tourism; Eco-tourism; Health and wellness; Adventure; MICE; Cruises
Actors / Targets	Gulf-based developers: Al Maabar conglomerate, Omnix Group, Emaar Properties, Saraya Holding (UAE), Gulf Investment House (Kuwait). Foreign hotel managers: Hilton Hotels, Starwood (USA), Kempinski (UAE). Western food franchisers: Caribou Coffee, Papa John's, Domino's Pizza (USA).
Location	Petra, Jerash, Madaba, Dead Sea, Amman, Aqaba, Wadi Rum, Karak
Policies / Projects	Advantages provided by the Investment Law (Focus 2) 22 000 sq meters of conference space in Amman and 25 conference halls of the King Hussein Conference Centre Restoration and beautification projects: 70 million dollars public investment in 5 historic sites (Kerak, Madaba, Salt, Jerash, Ajlun) Huge marketing budget (16.3 million dollars compared to 8.52 in 2007): overseas offices, e-marketing project with USAIS support
Contacts	Jordan Tourism Board: www.visitjordan.com

Energy, Water and Environment

Challenges / Objectives	Spurred by the surge in the price of oil, the Jordanian government has responded with an ambitious plan for the sector. As fuel subsidies have been dropped and only reduced on electricity, an increased demand for generation capacity is anticipated. A 14 billion dollars investment programme aims to reduce reliance on imported products from the 2008 level of 96% to 61% by 2020, with renewable energies meeting 10% of demand. Several pilot project such as the bio-energy generator at Rusaifa, are already making modest contributions to Jordan's energy mix and there are ambitious plans to develop a series of wind farms throughout the country. Jordan is also playing a leading role in the Desertec project; which would provide something near limitless carbon-neutral energy thanks to a network of concentrated solar power generators in the MENA deserts combined with wind power and other renewable. The technology would be used to produce not only electricity but also fresh water through desalinisation. The government is also keen to exploit domestic reserves of uranium to establish a domestic civil nuclear power capacity. More generally, it is opening up the energy sector to competition and intends to offer all of the planned projects to international tender. The only segment that remains a public monopoly is electricity transmission.
Oppor-tunities	Oil refinery, storage and distribution (end of JPRC's monopoly in 2008), Gas production (2 unsold blocks out of 8); Electricity production and distribution.
Actors / Targets	Historical JPRC and NPC, international players in oil prospecting, electricity production and distribution (AES Oasis, Mitsiu, JD Energy, Kuwait Privatisation Projects Holding Company), takeover of 51% of CEGC by an international consortium led by JD Capital
Location	Zarqa (sole oil refinery), Mafraq (gas field), Amman (power production), Aqaba and Karak (nuclear energy))
Policies / Projects	Advantages provided by the Investment Law (Focus 2) Major plan of the government to upgrade JPRC (1.25 billion dollars) 4 nuclear central (2 in Aqaba and 2 in Karak) and several desalinisation plants in project, revival of the Red-Dead canal project. National Energy Research Centre: www.nerc.gov.jo
Contacts	Ministry of Energy and Mineral Resources: http://webserver.memr.gov.jo / Natural Resources Authority: www.nra.gov.jo

Transport and Logistics

Challenges / Objectives	The transport sector contributes on average some 10% to Jordan's GDP and grow of 6% per year. In 2008 the government formulated a new national transport strategy with the aim to improve, modernise and further privatise the sector. In 2007, Royal Jordanian Airlines (RJ) was privatised. Jordan's aviation industry is also benefiting from an upgrade of Queen Alia International Airport (QAIA). The Aqaba main port will be relocated and the vacant seafront land developed into the new heart of the city. The government also plans to build a light rail connection between Zarqa and Amman and to revive the famous Hijas railway. The Amman municipality has started to build a nearly 120 km long ring road around the capital. With no imminent solution to the ongoing security crisis in Iraq in sight, prospects for the Jordanian transport sector as a whole look bright. The country will arguably remain one of the major transit points for both goods and people destined for Iraq, while the number of tourists visiting Jordan is set to continue to increase. The rise in fuel prices offers a great deal of incentives to boost investments in alternative modes of transport such as public buses and improved trains.
Oppor-tunities	Investment in former public companies (RJ, etc.); Infrastructure contracts (ports, airports, roads, railway, etc.); Public transportation; Shipping; Military technologies.
Actors / Targets	Foreign investors and operators under contract or concession (Lebanon-based M1 Group, French ADP, Abu Dhabi Investment Company, Kuwaiti- Noor Financial Investment)
Location	Aqaba (port), Amman (airport, public transport); Zarqa (railway), Mafraq (transport and logistics hub)
Policies / Projects	Advantages provided by the Investment Law (Focus 2) Mafraq Special Development Area dedicated to logistic and light industries (Focus 3) KADDB industrial park near Amman: free land to investors willing to develop defense technologies such as vehicles, planes, etc. (www.kaddb.com)
Contacts	Ministry of Transports: www.mot.gov.jo Public Transports Regulation Authority: www.ptrc.gov.jo Rail Commission of Aqaba: www.arc.gov.jo Jordan Maritime Authority: www.jma.gov.jo

7. Lebanon

Economic Outline

A country that is increasingly moving towards a service economy to regain its title of “Switzerland of the Middle East”

While Lebanon was hardly rising from 15 years of devastating war (1975-1990), the bloody events of 2005, followed by the war of June 2006, marked a new setback to growth. Reconstruction costs, although they stimulate growth, have increased the already considerable debt of the country. With the destruction of production capacity, its trade dependence vis-à-vis the outside world has further been increased (in 2005 the country has already been importing 90% of consumed goods).

Despite this unfavourable context, some sectors have seen a promising development: ICT, banking and finance, industry and tourism. Poor in natural resources but with a highly qualified workforce, Lebanon has actually been directed towards a service economy. In 2008, this sector accounted for 76.1% of GDP. The agriculture contributed only up to 5.1% and the industry to 18.8%. Although its growth is hampered by lack of infrastructure, it is experiencing an encouraging development in various sectors (agri-business, household equipment, jewelry, clothing, cosmetics), whose production meets strong international market demand.

Responding to the call to the private sector by the Lebanese government for reconstruction, Arab countries have invested 4.7 billion dollars during the 1995-2004 period, thus putting Lebanon in the 1st row of receivers of inter-Arabs investments. Services received 83.2% of the capital, which explains the rapid development of the sector.

This strong attractiveness is the result of the wide process of economic reforms, the improvement of investment climate and the international openness to which Lebanon is committed after the 15 year-war to regain its place in the region. Major advances have been made on the eve of the bloody events of 2005 with the launch of the Five-Year Plan 2002-2004, together with structural reforms: improving the legal, administrative and regulatory framework, removing barriers to trade and investment, reducing costs for doing business, etc. Minimally interfering (mainly infrastructure) in the economy, the State uses all means at its disposal to improve the business environment.

However, following a long period of political instability, the Lebanese economy lacks a national strategy for a structured development. In 2007, at the 3rd Conference of Paris for the reconstruction of Lebanon, 3 priorities were identified: promoting investment, improving quality of life, increasing exports. Nevertheless, these principles have not been applied until the end of 2008. Moreover, they provide no guidance on sectoral and territorial approach to adopt.

In recent years, investments have focused on Beirut, leaving other regions which had yet to be developed before the 1975 war. In 2001 the country was divided into 3 zones receiving differentiated investment incentives –in order to encourage the upgrading of the mountain territories and especially Northern and Southern points of the country as well as the Bekaa. A particular attention was also given to 2 sectors of which the high growth potential is well established: ICT and tourism. Whatever their localisation, the projects implemented in these sectors enjoy similar benefits to those awarded in the priority development zones.

In a view of giving new impetus to growth, an economic development plan is currently under study. It concerns 5 priority areas: medical tourism; the media (including movies); the technology industry (R&D, innovation and electronics); agri-business and tourism (entertainment, congresses). To target specific investment domains and promote synergies, 5 special economic zones will be created and dedicated to each of these sectors. Put on hold by the parliamentary elections of June 2009, major decisions for the country's future should be approved and implemented soon, now that a stable government has been formed.

Focus 1. Incentives for investment resulting from the settlement area or negotiations with Government

The Investment Development Law 360 divides Lebanon into 3 investment zones (A, B, C). The exemption of income tax of 2 years granted to **companies listed on the Beirut Stock Exchange** (beginning from the date of quotation and only if the real actions are at least 40% of capital) is applied to all the national territory.

Investments in **Zone A** (shoreline) are given all necessary work permits (provided that the proportion of 2 Lebanese for one foreigner is respected and that all employees are enrolled in CNSS). In **Zone B** (mountain), they benefit in addition from a reduction of 50% of the income tax and dividend distribution tax over a period of 5 years (from the date of the project operating start or, for listed companies, of the expiration of the exemption period). In **Zone C** (South, North, Bekaa), this last provision is replaced by an exemption from income tax and dividend distribution tax for 10 years (starting from the coming into operation of the project or, for listed companies, expiration of the exemption period).

The **development of ICT and tourism** is also encouraged. Whatever their localisation, ICT projects are given all the incentives provided by law. The tourism and maritime projects benefit from the advantages of Zone B. In both sectors, as well as in agriculture and industry, IDAL may also directly participate in the companies' capital.

Under the **Package Deal Contract**, the benefits granted are the result of a negotiation with IDAL, whose findings were approved by the Council of Ministers. According to the sector, localisation and number of jobs created, the contract provides a more or less important number of incentives: work permit; reduction of up to 50% of the cost of work and stay permits; exemption from income tax and dividend distribution tax for 10 years; coverage of up to 50% of the cost of building permits; exemption from land registration, subdivision, consolidation and mortgage fees, etc.

[More information from the Investment Development Agency in Lebanon: www.idal.com.lb]

Lebanon's call for investment by Arab countries and the Diaspora

Being historically outward, Lebanon has forged close ties with the Arab world, the United States and Europe. The numerous trade treaties signed in recent years, including the Association Agreement with the European Union and accession to the Great Arab Free Trade Area (GAFTA), should accelerate the integration of Lebanon to regional and global economies. Nonetheless, the country still suffers from a structural deficit in its current account, up to 15% of GDP. This deficit is mainly financed by the massive transfer of private capital. Encouraged by the liberal Lebanese banking policy, based on high interest rates and a currency peg to the dollar, portfolio investments and bank deposits are dominating.

In comparison, foreign direct investments are relatively low. Like domestic investment, they are governed by common law and Investment Development Law 360. Passed in 2001, this law could not enter into force until 2003, given the turbulent political situation. It provides for the establishment of a one-stop shop in the IDAL, the investment promotion agency. It also defines the 3 main investment zones, in which the granted incentives are more or less important. Finally, IDAL can offer investors a Package Deal Contract, whose terms depend on the localisation, the concerned sector and the number of jobs created.

To stimulate foreign investment, a new strategy is being prepared. It targets Gulf investors, international businesses and the Diaspora. A particular communication effort will be made with the Lebanese who are at the head of foreign companies. Indeed, their expertise in various fields and their recommendations on desirable reforms is of great value for their country of origin.

Focus 2. Public and private financial measures to support SMEs and encourage innovation

The Lebanese private sector is composed of a majority of small and medium enterprises that are facing many difficulties in accessing funds from commercial banks. To support their work, the Government created in 1999 the financial company with a public concern Kafalat. It guarantees loans granted by commercial banks for projects deemed viable. The borrower is eligible for an enhanced rate of 7% per year. It targets SMEs and innovative start-ups operating in a wide range of sectors: industry, agriculture, tourism, handcraft and high technology. For SMEs, the guarantee covers between 75 and 85% of the amount of the loan (with a ceiling of between 200 000 and 400 000 dollars). A specific mechanism has been established for innovative start-ups. Its coverage is 90% of the amount of the loan.

[Kafalat: www.kafalat.com.lb]

In 2007, the young entrepreneurs programme Bader, meanwhile, launched an investment fund of 17.5 million dollars. The **Building Block Equity Fund** offers equity contributions, expertise and technical assistance for young innovative SMEs. It targets ICT and services projects with high added value as well as companies operating in more traditional sectors but with great potential for innovation.

To facilitate the connection of young Lebanese entrepreneurs with investors, Bader has also launched in 2008, the first business angel network in the country. **Lebanese Business Angels** offer the opportunity for emerging companies located in Lebanon to present their project to individual investors and institutions. Successful projects may concern all sectors of the economy but must offer an innovative product or service, with high added value and a development potential on regional and international markets.

[Bader Foundation : www.baderlebanon.com]

Focus 3. New establishment areas to accommodate business and attract foreign capital

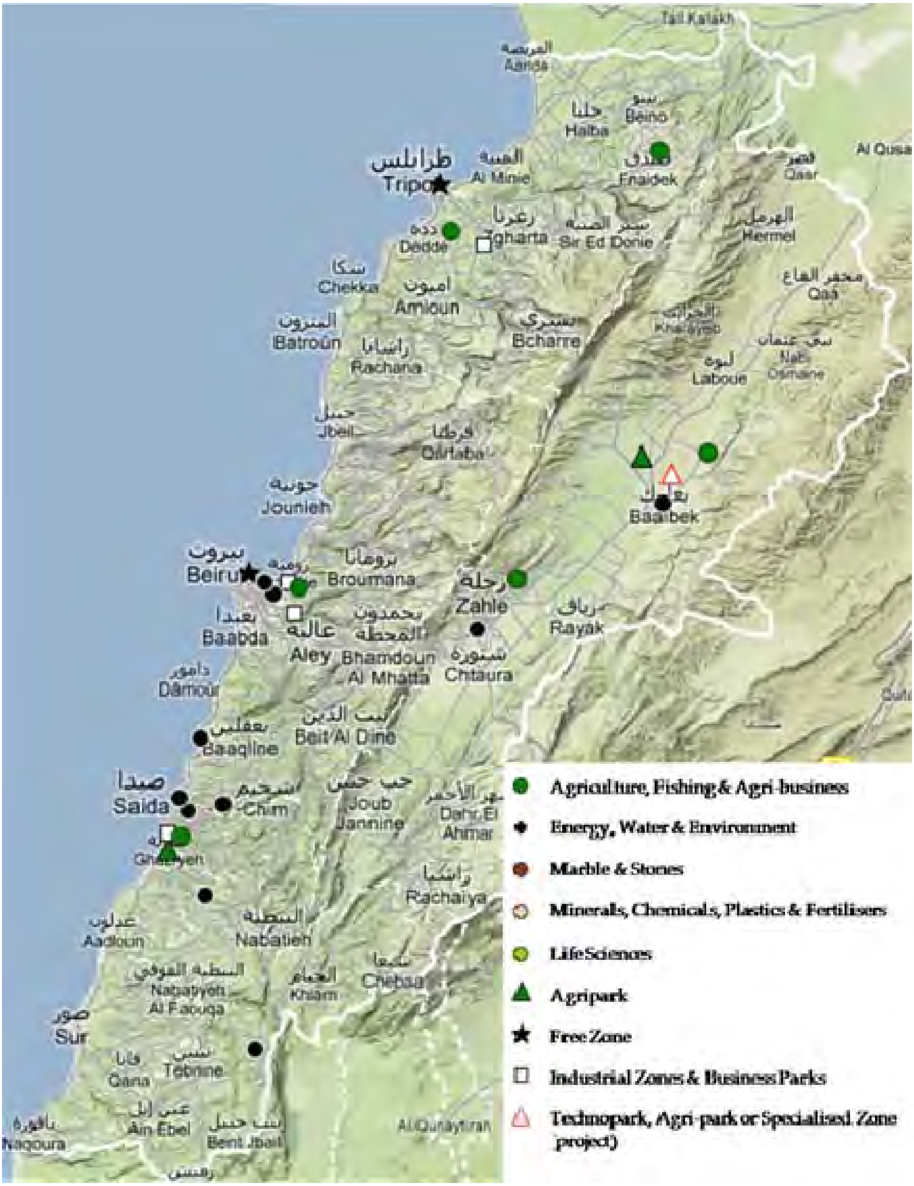
Concentrated on the coastline, the economic development of Lebanon is currently facing a shortage of available land and the inadequacy of the **old industrial zones**. Being 72 in number in 2000, these zones hosted only 18% of industrial companies, others preferring to settle outside. In view of the rising of foreign investment and the development of backward regions, Lebanon is developing more attractive new sites.

Lebanon has in particular created **2 free zones** to attract foreign investment and accommodate industrial export-oriented activities as well as logistics groups. Companies that set up there are exempt from VAT charges, customs duties and income tax, provided that at least 50% of their staff are Lebanese and their capital exceeds 300 000 dollars. The reconstruction of the 120 000 m² of Beirut Port Free Zone (www.portdebeyrouth.com), supplemented by 6 000 m² of storage space, is complete. The Tripoli Port Free Zone should be completed within 1 to 2 years. 2 new zones are planned in the North of the country, in Selaata and Qlaiaat, and will be managed under a concession system (BOT).

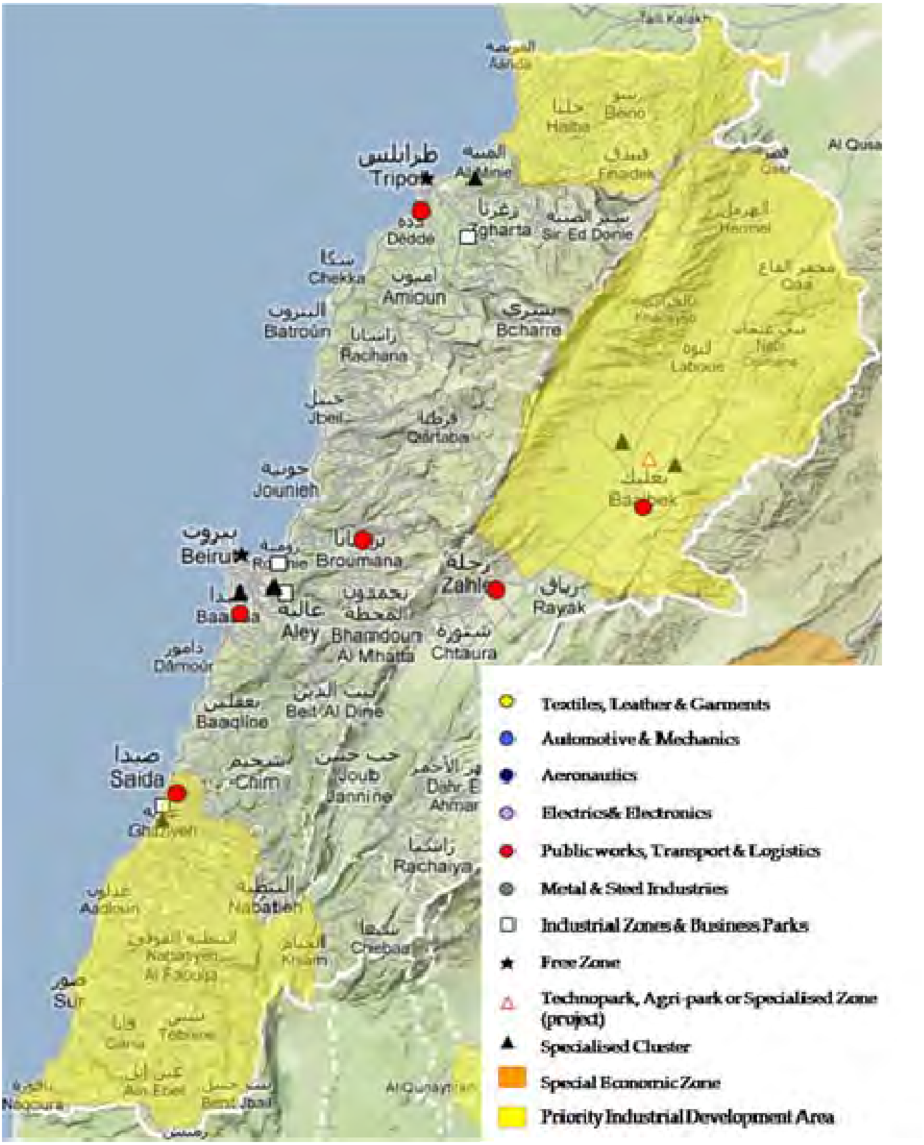
Between 2002 and 2007, **4 Business Development Centres** have been launched to assist SMEs in their development. Initiated and promoted by the Saint Joseph University (USJ), Berytech (www.berytech.org) is a technopark based in Beirut and dedicated to ICT and Health. SouthBIC (www.southbic.org) is an agri-park located in Saida and administered by the Chamber of Commerce and Industry. The BIAT Tripoli (www.biatcenter.org) is an association of incubators managed by the Chambers of Commerce and Industry and the René Moawad Foundation. Finally, the Agripole (www.agripole.org), located in the Bekaa, is operated by the Association Al-Wafic, the USJ and the American University of Beirut (AUB). Once forgotten by investors, the regions of the Bekaa and Northern Lebanon, which offer significant available land, are now hosting industrial parks.

The approval of the new development plan proposed by IDAL will result in the **creation of 5 special economic zones**. Based on the cluster concept, each one will be dedicated to one of 5 priority sectors (medical tourism, media, technology, agri-business, tourism) to concentrate investments and promote synergies. Their location will be determined considering the specific resources and skills of each region. Hosting sophisticated academic education programmes, many software development companies and some call centres, Tripoli is foreseen as the future zone dedicated to the technology industry and business services.

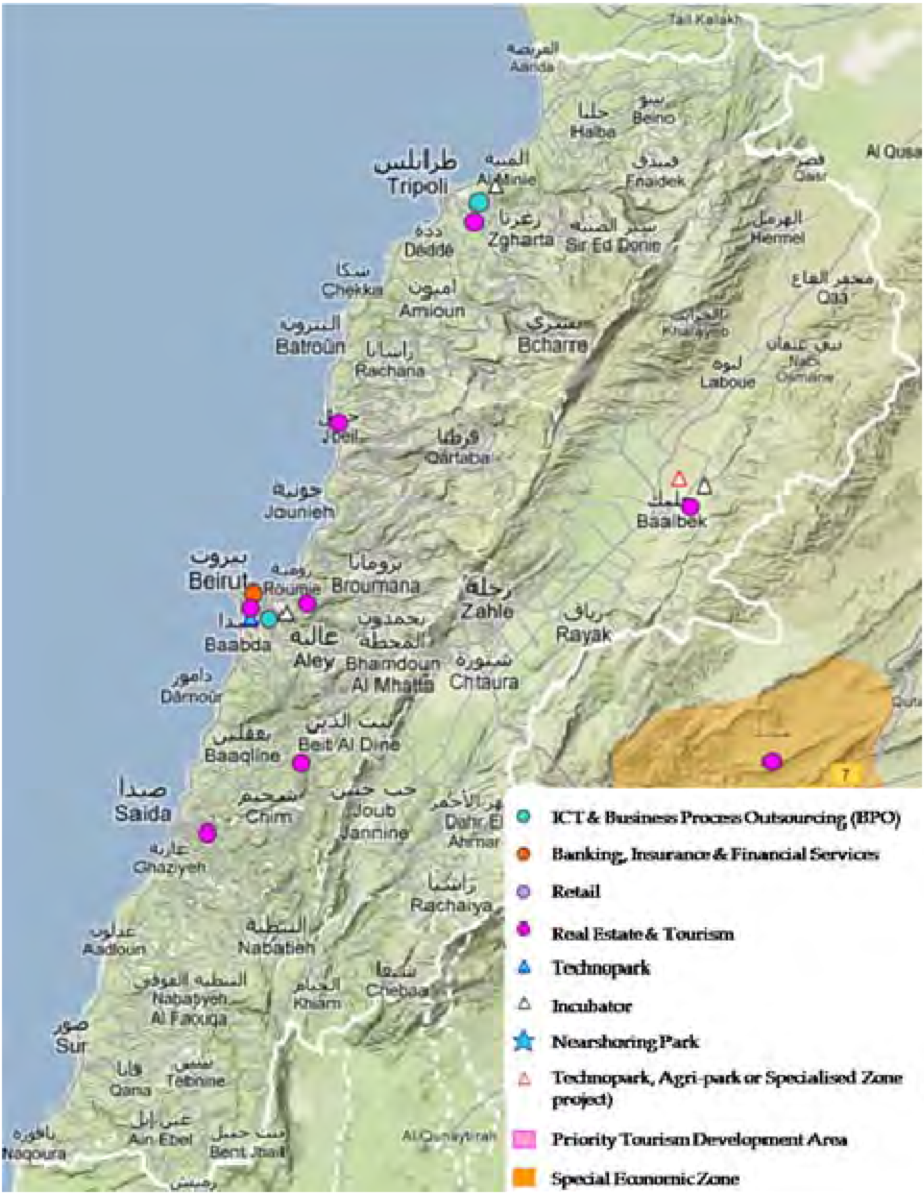
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Irrigation, Agriculture and Agri-business

Challenges / Objectives	Currently, agriculture is contributing only with 5% of GDP (2008). Lebanon is therefore obliged to import most of its consumption. Indeed, the destruction of infrastructure has sharply reduced its production that was before highly demanded for fruits and vegetables. Between 1961 and 1999, the country's arable land decreased by 3% from 255 000 to 248 000 ha. In 1999, only 42% of land was irrigated. On the basis of the FAO recommendations, an agricultural development strategy was adopted in 2004. The facilities are being rehabilitated. Important drainage works are also underway in the agricultural regions of the Bekaa and North Lebanon. Currently, the rainfall received by Lebanon are relatively abundant (2.2 billion cubic meters in normal years), particularly on the coast. The dominant crops are fruits (23% of farmed land), olives and cereals (20% each) and gardening (17%). Traditionally oriented towards the domestic market, the Lebanese agriculture is increasingly moving towards lucrative production, with high export potential.
Oppor-tunities	Fruits and vegetables; Organic products; Dairy products; Tobacco; Oil; Wine; Jam and honey; Medicinal and aromatic plants
Actors / Targets	Partnerships with foreign firms to develop export sectors (wine, oil, milk, etc.)
Location	Bekaa (62% of industrial crops, 57% of vegetables and cereals, 37% of fruit crops), Northern Lebanon (40% of olives), coast (citrus), Mount Lebanon (fruit, vines, pine forests), Saida
Policies / Projects	2 agri-parks: SouthBIC in Saida and Agripole in the Bekaa (Focus 3) Land and irrigation system development Project to support production of olives and olive oil financed by the Italian government (2.5 million euros) Programmes of production (Agro Plus) and export (Export Plus) development managed by IDAL: financial support and assistance to farmers
Contacts	Ministry of Agriculture: www.agriculture.gov.lb Investment Development Agency in Lebanon: www.idal.com.lb

Information and Communication Technologies (ICT)

Challenges / Objectives	The phone industry is divided into a landline network, managed by the public operator OGERO, and 2 mobile networks. Until 2002, Cellis (France Telecom) and LibanCell had been sharing a market of 800 000 customers. In late 2002, the Government has decided to end the 2 concession contracts (BOT) and to launch a new tender. It was won by FAL-DETECON (Alpha Network) and MTC Touc. The sale of 40% of the State share in Lebanon Telecom is scheduled for 2009. In the Internet, 5 providers share the market with a penetration rate estimated at 7% (around 312 500 subscribers). The broadband access is available in precise areas, like in the Berytech. The market for information technology, estimated at 245 million dollars in 2001 by the Professional Computer Association, grew up 23% in average during the previous 5 years. 58% of the market comes from equipment and infrastructure sale, 28% from services and 14% from software development. Benefiting from significant comparative advantages (highly qualified multilingual workforce, very dynamic advertising and media industry in the Arab world), Lebanon continues to receive numerous private investments in this sector.
Oppor-tunities	Development of software and websites; Shared Services; Back-office operations; Call centres; etc.
Actors / Targets	Kuwaiti (MTC) and Egyptian (Orascom) telecom operators, French (Unilog, Ever Group) and Emirati (Emircom) IT companies, Italian (Telecom Italia) and French (Teleperformance) call centres.
Location	Beirut, Tripoli
Policies / Projects	Projects of interurban and urban (Beirut) networks for high performance data transmission (respective values of 13 and 7.5 million dollars, bidding in preparation) Berytech Technopark: incubation, support and hosting of ICT and multimedia projects (www.berytech.org) Establishment of international call centres
Contacts	Ministry of Communications: www.mpt.gov.lb Investment Development Agency in Lebanon : www.idal.com.lb

Banking and Finance

Challenges / Objectives	As a very liberal country, Lebanon has a long banking and finance tradition, which gave it the name of "Switzerland of the Middle East." Imposing no restrictions on currency and capital movements and ensuring absolute banking secrecy (established in 1956), it attracts many financial players. They also appreciate the lack of control over foreign exchange and full convertibility of the currency. Despite the consolidation trend that began in the 90s, the network of banking and financial institutions is still very dense. In 2009, it had 53 commercial banks, 12 investment banks, 45 financial institutions, 12 financial intermediaries and 2 leasing companies. The branch network is well developed: there is an agency for about 6 000 inhabitants. Since 1998, the Central Bank has required banks to apply strict prudential rules that have protected the Lebanese banking sector against the crisis of 2008. In 2008, assets held by banks rose by 13% and their net profits increased by 27%, continuing the trend of growth of 2 digits on the past 6 years. The recent approval of Islamic banks (Law and circulars of 2004), to which certain privileges are granted, is largely dictated by the already substantial flow of the Arab capital in Lebanon and opens new opportunities for expansion in the region.
Oppor-tunities	Banking operations; Insurance; Financial intermediation, Islamic banking and insurance; etc.
Actors / Targets	9 foreign commercial banks established in Lebanon to serve the region (Bank Audi, Commerzbank, Credit Suisse, Dresdner Bank, HSBC, Intesa SpA, Bank Of New York, JP Morgan Chase, Arab Banking Corporation), French banks through Lebanese subsidiaries (BNP Paribas, Calyon, Société Générale)
Location	Beirut
Policies / Projects	Prudential rules complying with Basel II requirements: minimum solvency ratio of 12%, required reserves representing 10% of annual profits, systematic use of provisioning for bad debts, etc.
Contacts	Central Bank of Lebanon: www.bdl.gov.lb

Construction, Transport and Logistics

Challenges / Objectives	Major regional logistics hub before the war, Lebanon enjoyed a developed country infrastructure. The ports (Beirut, Tripoli, Saida and Jounieh) and Beirut International Airport, labeled as free trade zone, actively contributed to the dynamism for the economy. The development of roads has, however, failed to follow its rapid growth. Years of conflict have only exacerbated the situation. Since 1992, significant progress has been achieved by the networks of electricity, water and telecommunications. Since the end of the war, all highways have also benefited from substantial rehabilitation (1 013 million dollars until 2006) and are continuing to be improved (476 million dollars planned after 2006), including the project of Beirut-Damascus highway. Besides, many contracts have been awarded by the CDR and the port authorities involved in the reconstruction and development of the ports of Beirut and Tripoli, representing approximately 180 million dollars in 2007. The Government is now focusing on expanding the port of Tripoli, strategic for the transit of goods to Iraq. Urged to initially accommodate 6 million passengers a year then 16 million by 2035, the Rafik Hariri International Airport is undergoing expansion. In 2007, the CDR had already allocated contracts for 775 million dollars. This development will require an increase in catering, training, etc. capacities.
Oppor-tunities	Studies and works on networks and infrastructure: water, electricity, roads, ports, airports, public facilities, etc.
Actors / Targets	International donors and lenders (Saudi funds, IFC, EIB, etc.), logistics groups (CMA-CGM), airlines (Royal Air Maroc), etc.
Location	Beirut, Mount Lebanon, Saida, Tripoli, Bekaa
Policies / Projects	Rehabilitation of main and secondary roads: Arab and coastal highways, roads of the North, South, Mount Lebanon and Bekaa Studies for the development of the port of Saida Projects to improve public services in Beirut and Tripoli Urban transport development project around Beirut
Contacts	Council for Development and Reconstruction : www.cdr.gov.lb

Energy and Electricity

Challenges / Objectives	Lacking fossil resources, Lebanon is forced to import most of its electricity, gas and fuel consumption. The energy sector is dominated by the public establishment EdL, which produces electricity, transmits and distributes it to approximately 1.2 million customers. The production capacity of the country consists of 2 power plants (900 MW), some gas turbines (35 MW each one) and hydro-electric power stations (282 MW). Public refineries in Tripoli and Zahrani are currently inactive and used as import and storage capacity terminals. The distribution network covers most of the country. EdL is majority shareholder of the former private company Kadisha, serving approximately 124 800 customers in North Lebanon. Faced with the considerable losses of EdL and the rising cost of imported oil and natural gas, the Government initiated in 2002 a plan to reform the energy sector: establishment of an independent regulatory authority, privatisation of production and distribution (concessions and / or new entities that will eventually be open to private investment to the tune of 40%), awarding of contracts for the transmission network operation. Among other projects, Lebanon is currently negotiating the supply of natural gas from Egypt through the Arab Gas Pipeline.
Oppor-tunities	Development of independent electricity production and distribution capacities; Transmission network operation
Actors / Targets	International donors and lenders (Saudi funds, OPEC, etc.), energy groups (Qatar Petrochemical, KEPCO)
Location	Beirut, Saida, Zahrani, Ksara and Baddawi for electricity; Kadicha, Markaba, Awali, Joun, Rchmaiya for hydraulics; Baalbeck, Zahrani, Jieh, Zouk and Haraichet for thermics
Policies / Projects	Power station project in the North (450 MW) Extending the natural gas line between Beddawi and Zahrani, through plants of Jieh and Zouk (150 million dollars) Construction of 3 stations transmitting high voltage electricity in Baalbeck, Saida, Beirut and Tripoli (93 million dollars) Definition of a Master Plan for the electricity sector, in partnership with EDF and with AFD's support
Contacts	Electricity of Lebanon : www.edl.gov.lb

Real estate, Tourism and Leisure

Challenges / Objectives	With a pleasant climate, a unique geographic and natural situation (variety of landscapes concentrated in a thin strip of land), an important historical and cultural heritage, and skilled human resources, Lebanon has long been claimed as a major tourist destination in the Middle East. In 2009, it was estimated that 9.3% of GDP and 9.6% of total employment were generated by tourism, with additional 28% of indirectly created jobs. In recent years, many projects of hotels, residences and luxury shops were launched in Beirut. The Four Seasons Hotel, the Hilton and the Beirut Souks were planned for late 2009, the Solidere Rotana for 2010, the Grand Hyatt for 2011 and the Kempinski for 2012.The entertainment industry is also experiencing a real boom. One of the largest theme parks in the Middle East was inaugurated in 2005 in the East of Beirut. Habtorland is the first phase of the Metropolitan City Centre Project, developed by the Emirati Al Habtor group for a total cost estimated at 150 million dollars. Besides, Noor Investment Holding will build in Damour the first artificial island in the country. Some spas are opening throughout the country. Despite the crisis, Lebanon still attracts more and more tourists. Beirut ranked at the top of the list among the "44 cities to visit in 2009" published by the NY Times. During the first 4 months of the year, it recorded a 57% increase in arrivals over the previous year.
Oppor-tunities	Seaside tourism; Medical (clinics) and care (spa) tourism; Urban tourism (hotels, restaurants, shopping malls, entertainment parks, casinos, museums); Sports tourism (skiing); etc.
Actors / Targets	Investments in hotels, catering, entertainment, health and body care activities, resorts and ski: Kuwait (Kipco, KRE.KSE, Al Massaleh, Landmark), Oman (Al-Tahir), UAE (Al Habtor, Reef), France (Accor, Vichy Spa), Switzerland (Kempinski Hotels)
Location	Beirut and the surrounding area (Byblos, the Chouf, etc.), Mount Lebanon, the Bekaa Valley (Baalbek), Saida, Tripoli
Policies / Projects	Sport tourism development project, supported by UNDP Programme to promote Lebanon as a tourist destination abroad
Contacts	Ministry of Tourism: www.destinationlebanon.gov.lb Investment Development Agency in Lebanon: www.idal.com.lb

8. Morocco

Economic Outline

Towards a diversified economy to reduce dependence on weather conditions

Until then heavily focused on tourism, agriculture and garments, Morocco seeks to diversify its economy to reduce its dependence on weather conditions. By positioning itself as a destination of excellence, attractive to capital, skills and new activities, it targets a rise in added value, thus creating jobs and wealth for its growing population. In this context, the economic development strategy is based on 3 terms: comprehensive reforms aimed at improving the business climate; monitoring and improvement of macroeconomic indicators (inflation, budget deficit, growth rate, etc.); and the establishment of sectoral strategies, with objectives and specific measures in the medium and long term. Initiated in 2000 to complete the first two terms and provide greater clarity for investors, the introduction of these strategies has been gradual. At the number of five, the engines of growth in Morocco represent the five branches of the Kingdom’s star: industry, tourism, trade, agriculture and infrastructure.

Adopted in 2006, the Emergence Plan sets the strategic objectives of the country's industrial policy by targeting key sectors for which Morocco has competitive advantages and which should represent 70% of the industrial growth by 2015. It would generate 91 billion dirhams (8.2 billion euros) in additional GDP, create 440 000 jobs and reduce by more than 50% the deficit in the trade balance by 2013. In 2009, the State and the private sector have consolidated the commitments made under the Emergence Plan by sealing a 2009-2015 National Pact for Industrial Emergence. With a total budget of 12.4 billion dirhams (1.1 billion euros), including 34% dedicated to training and human resources and 24% to encourage investment, the programme should generate 50 billion dirhams (4.5 billion euros) in private investment, 50 billion dirhams in additional GDP, 220 000 new jobs and 95 billion dirhams (8.5 billion) in additional exports by 2015. Overall, the industrial strategy focuses on Morocco’s world class activities (MMM): FDI oriented activities (aeronautics, automotive, electronics, nearshoring ("soft" version of offshoring), traditional activities (agri-business, textiles & leather).

To enhance the overall attractiveness of the country, Vision 2010 includes several components: the Azur Plan for seaside tourism, the Mada'in Plan for the repositioning of major tourist attractions, rural tourism, niche tourism and domestic tourism. The objective is to welcome 10 million tourists by 2010 and 15 million by 2020. From 2009, a Vision for 2020 should actually be defined.

Taking into account economic and social changes in the consumption sector, Rawaj Vision 2020 includes transversal actions for enhancing the attractiveness of the commercial offer, on the one hand, and improving the environment of commercial operators, on the other hand. It also provides sector-specific actions for local shops, large and medium retail outlets and wholesale markets, slaughterhouses and fish markets. By 2020, the trade sector should contribute with 15% to GDP, against 11% in 2006, and allow the creation of 450 000 jobs.

Recognising the great potential for agricultural development, the Minister of Agriculture Akhannouch Aziz launched the Green Morocco Plan (Maroc Vert), which is based on 2 pillars: the upgrade of the social and solidarity agriculture and the development of a modern agriculture. Given the heavy reliance of Morocco on its agricultural production, from which 60% of the population directly or indirectly lives, the success of this plan could generate 2 times more impact than the Emergence Plan.

Finally, Morocco has embarked on an extensive programme of investment in basic infrastructure, social facilities, business parks, housing, etc. Between 2005 and 2009, spending on these facilities have steadily increased, rising from 20.5 to 38.2 billion dirhams (1.9 to 3.4 billion euros) and from 3.9% to 5.2% of GDP. An important leverage effect on private investment is expected. By upgrading its transport infrastructure (roads, ports, railways, airports), Morocco is aiming at becoming a global platform for processing and transit. The use of public-private partnership is enhancing the driving effect of public investment.

Focus 1. Funds to support strategic projects

To support strategic projects for the development of the Moroccan economy, the National Pact for Industrial Emergence provides major incentives for targeted investments. The total amount allocated to these incentives represents 24% of the mobilised 1.1 billion euros.

The **Investment Promotion Fund** supports projects that are deemed important in relation to the invested amount (higher than 200 million dirhams, equivalent to 18 million euros), the number of jobs created (over 250), the establishment area, the transferred technology or their contribution to environmental protection. Investors who have concluded an investment agreement with the State may receive a partial exemption from land acquisition (maximum of 20%), external infrastructure (maximum of 5%) or training (maximum of 20%) expenditures. These benefits can be accrued up to 5% of the total amount of the planned investment and 10% if the project is implemented in a rural or suburban area or targets the spinning, weaving or finishing activities in textile sector.

Meanwhile, the **Hassan II Fund**, created in 2000, provides a financial assistance to activities with high growth and added value in which Morocco enjoys competitive advantages (aeronautical, automotive and electronic subcontracting, nanotechnology, microelectronics and biotechnology). Projects costing more than 5 million dirhams exclusive of tax (about 450 000 euros), and whose capital goods total more than 2.5 million dirhams exclusive of tax (nearly 225 000), benefit from a maximum 10% coverage (maximum of 20 million dirhams, equivalent to 1.8 million euros) of total costs related to land acquisition, construction or acquisition of professional buildings and new capital goods acquisition. It also funds, through public-private partnerships, the establishment of technology development centres dedicated to nanotechnology, microelectronics and biotechnology.

[Further information from the Moroccan Investment Development Agency (MIDA) or the referent Regional Investment Center (RIC): www.invest.gov.ma]

A country historically open to foreign operators

Having hosted the Marrakesh ministerial meeting in April 1994, which led to the establishment of the WTO, Morocco has long opted for the market economy and economic openness. With a positive right which does not discriminate between nationals and foreigners, the country is open to foreign capital, which became an important part of total investment. The steadily adopted reforms improve the general business climate for the benefit of all operators, who are asked to meet the same specifications: to establish a win-win relationship between the company and the country.

With a skilled workforce close to Europe (14 km from Spain), Morocco intends to position itself as a production and export platform for the European know-how. Its advanced status with the European Union under the European Neighbourhood Policy, a free trade agreement with the United States and its adherence to the Arab League already encouraged the establishment of numerous foreign companies: historically French and Spanish, recently Chinese and Japanese. This foreign investment is operated in the context of liberalisation and privatisation undertaken in the sectors of ICT, energy, water and electricity distribution, infrastructure, etc.

The gradual opening, which affects almost all sectors, is accompanied by the establishment of an investment-friendly environment, particularly with foreign investors. With the adoption of the Investment Charter, the State has undertaken an extensive remodeling of the tax system and works to provide all necessary guarantees to investors. Through the Investment Promotion Fund and the Hassan II Fund, it supports the projects deemed strategic for the Moroccan economy. It also ensures that each operator find a business location suited to its needs: free zones, nearshoring parks, integrated industrial platforms, etc. Finally, major plans have been launched in the fields of education, training and information and communication technologies in order to upgrade the country.

Focus 2. A Charter to facilitate and secure investment

In 2005, the Government has adopted an **Investment Charter** whose main objectives are to: reduce the tax burden related to the acquisition of production facilities, lower tax rates on income and profits, grant a preferential tax treatment for investment in the rural regions, strengthen guarantees for investors, promote free zones and offshore financial centres, and better distribute the tax burden.

Revised in 2007, the **tax system** has been simplified and is now organised around 4 main taxes: income tax, which was reduced to 40%; corporate tax, which decreased from 34% to 30% on January the 1st 2008; added value tax (VAT), whose tax base was enlarged; registration fees.

With the exception of a few highly strategic subsectors (phosphate, ethyl alcohol distribution, nuclear waste management, wholesale distribution of fruits and vegetables, fish halls and slaughterhouses, water and electricity production, postal services, tobacco distribution), all sectors are free and open to foreign investment. Profits and losses are fully transferable abroad. During the first 5 years, exporting firms receive total exemption from corporate tax. It goes then to 17.5%, against 30% with the normal rate.

Regarding **intellectual property**, the necessary features for the respect of rights have been taken. According to the Federal Department of Commerce of the United States, "the chapter on intellectual property [is now] the most advanced of all free-trade agreements negotiated so far". This secure framework should encourage patent registration in the country, which is exempt from taxes during the first 5 years.

[Office of the Moroccan Copyright: www.bmda.org.ma]

The **institutional framework modernisation** has been marked by the creation of the Interministerial Investment Commission (IIC) in 1999, and of Regional Investment Centres (RIC) in 2002. Chaired by the Prime Minister, the IIC approves investment agreements linking the State to major investors and acts on problems hindering the realisation of their projects. In order to better serve investors by adopting a local approach, every region has also been given an RIC to inform investors and accompany them in their efforts. Case management is divided between central and regional level with regard to the size (threshold of 2 million euros) and specificity of the investment. Finally, a Moroccan Investment Development Agency (MIDA) was created in early 2009.

[Further information from the MIDA: www.invest.gov.ma]

Focus 3. Multiplication and diversification of establishment areas

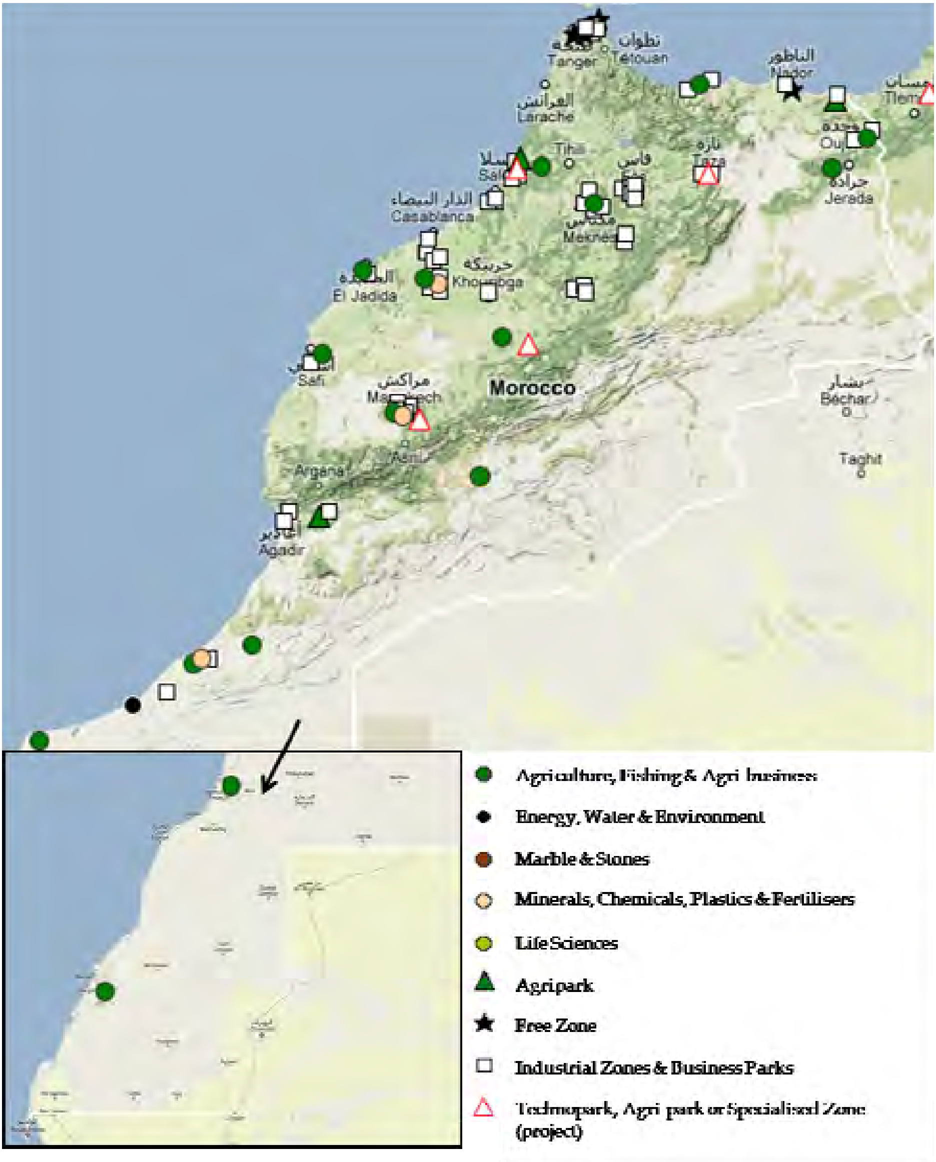
To support the diversification of the Moroccan economy, communities are mobilising to affect land to the development of business parks meeting the needs of national and international companies. Private operators are also positioned in this niche, favouring the proliferation of industrial sites and the diversification of zones types.

As part of Emergence, the State is developing **Export Free Zones** (EFZ) reserved for export-oriented industrial activities. Given the limited capacity of the Tangiers port, it was rapidly supplemented with the Tangiers Free Zone, developed next to it. 3 more EFZ will soon be launched, respectively dedicated to port logistics (130 hectares) industrial (600 ha Melloussa), and commercial (200 ha Fnideq) activities. To promote regional balance, an EFZ is being underway in Nador, in the Oriental region. Companies operating in EFZ enjoy: exemption from customs duties, VAT and registration fees on capital increases; a full exemption from corporate tax for 5 years, then a rate of 8.75% for 15 years; an exemption from professional tax for 15 years, no deduction on dividends and interest paid abroad; execution of transactions in foreign currencies without control of the foreign exchange bureau. [Tangiers Mediterranean Special Agency: www.tmsa.ma]

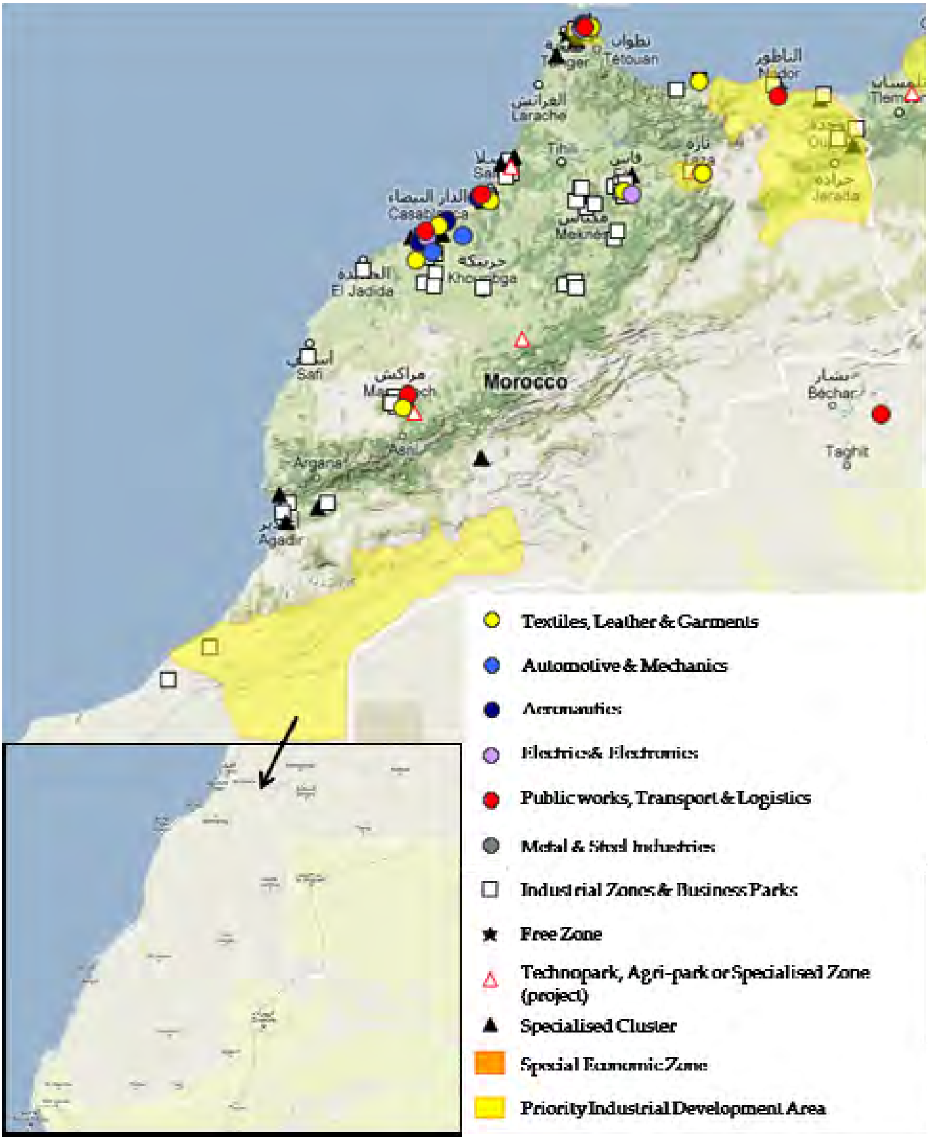
The State is proposing **nearshoring parks** for business services. These business parks equipped with ready-to-use offices are dedicated to business process outsourcing (BPO) and telecom and information technology outsourcing (ITO) activities. 2 are already in use (Casa Nearshore Park and Rabat Technopolis), 4 are in progress (Fes Shore, Tetouan Shore, Marrackech Shore and Oujda Shore) and others are in the pipeline (Ifrane, etc.). The companies that are established there benefit from a 20% ceiling on income tax deducted at source and from the corporate tax exemption scheme of the common law for service exporters (see "Offshoring/Nearshoring"). Casa Nearshore Park has encountered a real success. To meet the demand, the marketing has been accelerated and a land has already been assigned to the extension of the park. [MEDZ (CDG group): www.medz.ma]

By 2015, **22 integrated industrial platforms** (P2I) will be included in the National Pact for Industrial Emergence: Automotive Cities in Tangiers and Kenitra, Nouaceur Aerospace City, Mohammedia Economic Cluster, 6 Agri-parks (Meknes, Gharb, Oriental, Agadir, Haouz, Tadla). Provided with one-stop shops, they will host activities related to Morocco's world class activities on a lot of land with a surface from 200 to 400 hectares spread across all regions of the Kingdom. These platforms will allow operators to access the land at competitive prices while receiving quality services (administration, telecommunications, logistics, accommodation, catering). They are a first step towards the creation of competitiveness poles.

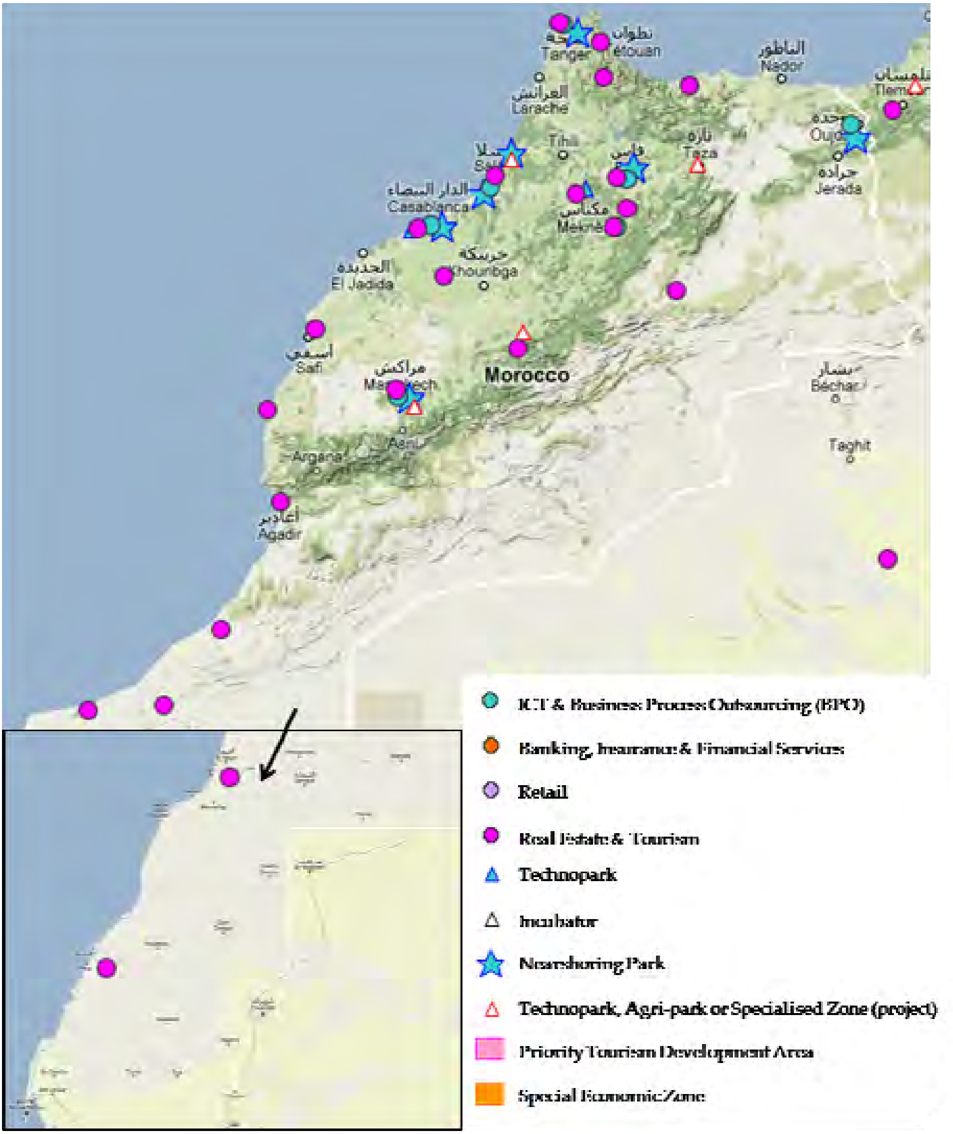
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Offshoring / Nearshoring

Challenges / Objectives	With its French and Spanish language skills, and the competitive cost of its averagely qualified workforce, Morocco seeks to promote business process outsourcing (BPO) and information technology outsourcing (ITO) by European companies in the country. First pillar of the Emergence Plan, offshoring presents a strong potential for the Moroccan economy: it could generate 1.3 billion euros of additional GDP and 100 000 new jobs by 2015. In order to encourage its development, the Government is committed to meet the operators' expectations. To do so, a tailored framework has been put in place: high quality infrastructures, "world class" services, training, incentives, etc.
Opportu-nities	Administration; Customer relationship management (especially in French); Banking and insurance; IT infrastructure management; Software development; Application maintenance
Actors / Targets	Specialists in services outsourcing, systems integration, etc.: French (Webhelp, Atos Origin, Capgemini, Outsourcia), Spanish (Atento), British (Logica CMG), American (Sitel, EDS), Indian (Genpact, Tata), etc.
Location	Casablanca (French-speaking nearshore), Rabat, Fes, Tangiers, Marrakech, Ifrane, Oujda
Policies / Projects	Dedicated zones: 2 already in use (Casa Nearshore Park and Rabat Technopolis), 4 in progress (Fes Shore, Tetouan Shore, Oujda Shore Marrakech Shore) and others under study (Ifrane, etc.) (Focus 3) Corporate tax exemption for services exporters (0% for 5 years up to the export turnover limit, then 17.5%), income tax capped at 20%, full tax exemption of the first job created with a monthly salary below 550 euros, customs duties below 2.5% (Focus 2) Training of 22 000 individuals interested in offshoring careers by 2009 and of 10 000 engineers per year by 2010, and coverage of all post-employment costs for a period of 3 years and a maximum amount of 5 800 euros / employee (Focus 4) State aid to establishment and training proportional to the wage bill rather than the invested amount (Focus 1)
Contacts	Strategic Intelligence Centre: www.veille.gov.ma Association of ICT Professionals: www.apebi.org.ma AMDI: www.invest.gov.ma

Focus 4. Massive investments for education, training and ICT to create a leverage effect on the economy

After the first wave of economic reforms launched over the past decade, Morocco wants to accelerate the pace of change by encouraging private investment through the implementation of major cross-cutting plans.

Launched in 2005 as part of the National Initiative for Human Development, the implementation of the **National Education and Training Charter** continues to mobilise a significant share of the State budget. Backed by several international organisations, the Najah emergency programme targets education for inclusion. With a budget of 43.7 billion dirhams (3.9 billion euros) for the 2009-2012 period, it will fund 23 projects, with the following priority objectives: decentralisation and human resources management; result-oriented management; initial and continuing teacher training; pre-primary and primary education with reinforced priority to gender equity and girls' education, particularly in rural areas.

In the field of **vocational training**, the 210 existing public institutions, among which 2/3 are public, provide regular or on-demand training to meet the needs of emerging industries such as building and public works, tourism, services, ICT, industrial design, etc. Through the Office of Vocational Training, the State covers up to 70% of training costs and 80% of study and preparation costs of the company's training plan for actions taking place in Morocco or abroad. In the National Pact for Industrial Emergence, training activities represent 34% of the 1.1 billion euros raised, equivalent to the largest share of total budget. Career Institutes will be created for the automotive and aeronautic sectors. Aids to recruitment and continuing training are planned in the automotive, aeronautical, electronic and offshoring sectors. By 2015, 220 000 people should be trained to meet the needs of companies operating in Morocco's world class activities.

Adopted in 2005, the e-Morocco strategy 2010 indicates the willingness of authorities to reduce the digital divide and to internationally position the Moroccan **ICT** sector. 6 improvement axes have been identified: contents and online services development ; telecommunications infrastructure and computer equipment improvement; widespread Internet access; training and human resources development; development of a competitive ICT industry; telecommunications services development, particularly for export. In 2006, the State and the industry professionals have signed the Progress Contract 2006-2012 and set an action plan called Positive Mobilization Pact. In 2012, ICT should contribute up to 10% of GDP (against 5% in 2006) and create 33 000 new jobs. The number of equipped companies would be increased to 50 000 and the number of Internet subscribers to 1.8 million.

Automotive

Challenges / Objectives	Characterised by a preponderance of bodywork and trailers manufacturing as well as the assembly of vehicles, the automotive industry in Morocco is still mainly oriented towards the domestic market. Benefiting from competitive production costs and its proximity from Europe, Morocco aims at developing exports. Since a participation in the public SOMACA (38% stake) has been assigned to the French manufacturer Renault with whom an agreement on launching the new "family car" has been concluded, the sector is being repositioned. Taking the 28 major assembly sites established in France, Spain and Portugal as focal point, the objective is to integrate the national capacity in global manufacturers' strategy by attracting the production of 250 to 300 facilities. Thanks to the foreign know-how and expertise, the local industry will gain in performance and reach international standards, especially in terms quality. The goal is to move to a more comprehensive control of the value chain (moving from assembly to more noble manufacturing activities such as boxes and engines). The development of the sector should generate 630 million euros of additional GDP and 40 000 new jobs by 2015.
Opportu-nities	Production of components (wiring harnesses, filters, connectors, exhaust pipes, seats and hoods, tires, electronics, etc.); Assembly; Specialty assembly; Carriage works
Actors / targets	French (Renault, PSA Peugeot Citroën), American (Delphi), Spanish (EMDEP), Italian (Matra), Portuguese (Joamar), German (Leoni), Japanese (Sumitomo, Yazaki) OEMs and manufacturers
Location	Tangiers, Grand Casablanca, Chaouia-Ouardigha, Gharb-Chrarda-Beni Hssen
Policies / Projects	Creation by Renault-Nissan of an industrial complex with a capacity of 400 000 vehicles in Tangiers (600 million euros) Automotive Cities in Tangiers and Kenitra, Export Free Zones, zones dedicated to OEMs in Melloussa and Tetouan (Focus 3) Financial assistance from the Hassan II Fund (Focus 1)
Contacts	Strategic Intelligence Centre: www.veille.gov.ma Moroccan Association for Automobile Industry and Trade: www.amica.org.ma AMDI : www.invest.gov.ma

Aeronauticals

Challenges / Objectives	Benefiting from its proximity to the French poles of competitiveness, Morocco wants to develop aeronautical subcontracting targeting 5 000 potential customers worldwide (mainly French, British, Italian and Spanish). By 2015, the industry will generate 360 million euros of additional GDP and 12 000 new jobs. To achieve these targets, the State will dedicate major investment efforts to optimise the infrastructure, connectivity and necessary services.
Opportu-nities	Production of components (connectors, wiring harnesses, pods, composite, ventilation ducts); Surface treatment; Services (repair and maintenance, survey and design, structure computation, resistance analysis, electrical design)
Actors / targets	Major French (EADS, Safran, Souriau, Zodiac, Protec, JPR-CAP, Nexans, Dion) and American (Boeing) contractors implanted through various subsidiaries
Location	Casablanca, Tangiers, Temara, Bouznika, Mohammedia
Policies / Projects	Nouaceur Aerospace City (Casablanca): area of 200 acres near the Mohammed V airport dedicated to higher outsourcing activities (power, composite technology, aeronautical tooling, engineering, etc.) (Focus 3) Dedicated Export Free Zone in Tangiers Med (Focus 3) Training Plan for targeted jobs: AeroCampus created by Steinbais and the National Airports Authority and CasaAero training centre created by Alteon / Boeing and Royal Air Maroc State partially covering the costs of land acquisition, external infrastructure and vocational training under the Investment Promotion Fund and the Hassan II Fund (Focus 1) Project of aeronautical hub cooperating with other international clusters, such as the Aerospace Valley (Toulouse) and PEGASE (PACA), held by the Moroccan Space and Aeronautical Industries Group (www.gimas.org)
Contacts	Federation of Metallurgical, Mechanical, Electrical and Electronic Industries (FIMME) : www.fimme.ma AMDI : www.invest.gov.ma

Electronics

Challenges / Objectives	With a relatively cheap skilled labour and being close to Europe (which produces 44% of global electronic equipment), Morocco wants to develop electronic subcontracting. Faced with global competition, it positions itself in niche markets for specialty / integrated electronics. It targets 5 000 international players producing small and medium series in the fields of defense, medical equipment, embedded electronics, etc. This strategy should generate 450 million euros of additional turnover and 11 000 new jobs by 2015. In the field of secure electronic transactions (TES), the Moroccan technology is already recognised worldwide (5th in market share), particularly in banking, telecom, retail, etc.
Opportunities	Assembly of microelectronic and micro-mechanical components, electronic wiring and optic fibers; Production of integrated circuits and mass production cables; Design; Research; Application and industrial development in the field of TES
Actors / Targets	French (Thalès, STMicroelectronics, Adetel, Stequal, Alcen, Eolane), Spanish (Premo), German (Leoni), American (Minco, Antelope) manufacturers of components and electronic equipment
Location	Greater Casablanca and Tangiers for subcontracting; Fes and Rabat for science and design activities
Policies / Projects	Mohammedia Electronic Cluster: electronic, mechatronic and mechanical group of Mohammedia (GE3M) created by A2S Industries, Zenith Foundry, Adetel and Stequal, joined by other foreign and Moroccan groups (Focus 3) Industrial district dedicated to mechatronics in the Zenata-Nouaceur corridor, areas dedicated to the embedded electronics in the Automotive Cities of Tangiers and Kenitra as well as in Nouaceur Aerospace City Export Free Zone in Tangiers, Technovalley in Fes and another site in Rabat dedicated to science and design (Focus 3) State partially covering the costs of land acquisition, external infrastructure and vocational training under the Investment Promotion Fund and the Hassan II Fund (Focus 1)
Contacts	FIMME : www.fimme.ma AMDI : www.invest.gov.ma

Agriculture, Fishing and Agri-Business

Challenges / Objectives	Today, 60% of the Moroccan population directly or indirectly lives from agriculture. However, since Independence, the sector combines the problems of parcel subdivision, low yields, weather hazards, etc. and adversely affects the growth and development of the rural world. By modernising agriculture and integrating the agri-business sector, Morocco intends to diversify its production, rise in added value and supply international markets. Adopted in 2008, the Green Morocco Plan provides an overall investment of 10.6 billion euros aiming at generating additional turnover of 180 to 270 million euros and more than 6 000 new jobs. Other programmes include an upgrade of the fishing sector. The transformation of seafood should in turn create more than 540 million euros of additional GDP from exports and 64 000 direct jobs by 2018.
Opportu-nities	Market gardening, spices, small fruits (strawberries); "Organic" foodstuff and precooked dishes; Olives, olive and argan oil, orange juice; Fishing modernisation; Seafood processing
Actors / targets	Moroccan companies and French (wine), Spanish and Emirati (olive) groups already operating in the country
Location	Guelmim-Es-Smara, Oued Ed-Dahab-Lagouira, Souss-Massa-Draa, Tadla-Azilal, Gharb-Chrarda-Beni Hssen, Laayoune-Boujdour-Sakia Hamra, Marrakech-Tensift-Al Haouz, Doukala-Abda, Meknes-Tafilalet, Oriental
Policies / Projects	Exemption from corporate tax and income tax for the agricultural sector until 2013 Support to integrated projects in basic foodstuffs (milk, meat) with high added value (citrus, olive oil) and mass consumption (confectionery, biscuit) 6 operational or under development agri-parks: Meknes, Gharb, Berkane/Madagh, Agadir (fishing fleet), Haouz, Tadla (Focus 3) Renting of 700 000 hectares of farmland in the private domain of the State for a maximum of 99 years. Disposal under study. [Agricultural Development Company: www.agripartenariat.ma]
Contacts	Strategic Intelligence Centre: www.veille.gov.ma General Union of Farmers in Morocco National Agri-business Federation AMDI : www.invest.gov.ma

Textiles, Leather and Clothing

Challenges / Objectives	Textiles and clothing is the first industrial sector in the country. In 2006, it generated a turnover of 2.7 billion euros, i.e. 14% of the industrial turnover. It plays a major role in the economic and social balancing of regions. Out of the changing consuming behaviour and market globalisation, this industry still offers opportunities for development through increased exports. In order to effectively respond to these new challenges, the Government launched in 2005 a recovery plan for the reorganisation of manual operations, the transition from subcontracting to co-contracting and to finished products, the improvement of technical performances upstream of the sector and the reduction of the costs of production factors.
Opportu-nities	Jeans and sportswear; Female underwear; Production of wool, hair, cotton, synthetic, textile and artificial fibers for weaving
Actors / targets	French (Atlantic, Rousseau, Sedetex), Italian (Legler, Martelli, Occico), Spanish (Artopiel, Solano Atlantic), German (Temasa), Brazilian (Tavex), American (Fruit of the Loom), Belgian (Eurofactory), Swiss (Triumph), etc. manufacturers of textiles-leather-clothing
Location	Taza-Al Hoceima-Taounate, Rabat-Sale-Zemmour-Zaer, Boulemane Fes, Tangiers-Tetouan, Greater Casablanca
Policies / Projects	Export Free Zone in Tangiers Med (Focus 3) Fortex Financial Restructuring Fund: 50% reduction in employers' contributions to the NSSF for gross wages less than or equal to 225 euros per month in proportion of sales reported to tax authorities excluding VAT, rebate on the cost of the electricity for companies operating upstream of the sector State partially covering the costs of land acquisition, external infrastructure and vocational training under the Investment Promotion Fund and the Hassan II Fund (Focus 1) Tariff reforms and marketing support
Contacts	Moroccan Association of Textile and Clothing Industrials: www.textile.ma AMDI: www.invest.gov.ma Euro-Mediterranean Circle of Textile and Clothing Managers: www.cedith.com

Tourism

Challenges / Objectives	In 2002, Morocco hosted 6 million tourists. In 2010, it expects 10 million. The adopted strategy, Vision 2010, segments tourism into 5 categories: domestic, seaside (Plan Azur), urban (Mada'in), rural and niche markets, and provides an investment of 815 million euros. By 2010, the industry should be generating 450 million euros, equivalent to 20% of national GDP, and helping to create 600 000 direct and indirect jobs. The seaside segment will account for nearly 70% of the tourist offer, requiring an additional capacity of approximately 65 000 rooms, which will include the creation of 6 stations: Saidia, Lixus, Mazagan, Mogador, Taghazout and White Beach. The State has proceeded to the liberalisation of air transport, which resulted in the proliferation of flights. Measures to support the financing of hotels, improve the fiscal framework, enhance the promotion of tourism, promote rural tourism, etc. were also taken. In late 2008, a new strategy called Cap 2009 was enacted to prevent the effects of the economic crisis and maintain the cap of 10 million tourists in 2010.
Opportu-nities	Planning, development and management of tourist and hotel facilities
Actors / targets	Belgian (Thomas&Piron), Spanish (Fadesa, Barcelo), British (InterContinental Hotels), French (Pierres et Vacances, Club Med, Accor), American (Best Western), Dutch (La Perla, Colbert Orco), Emirati (Emaar Properties, Kezner), Kuwaiti (Pearl of Kuwait), Libyan (Lafico), etc. planners and developers often associated with local operators (CDG, Somed, Mamda, MCMA)
Location	Saida, Lixus Port, Mazagan, Mogador-Essaouira, Taghazout-Agadir and White Beach for seaside tourism; Fes, Casablanca, Rabat, Tangiers, Tetouan, Meknes, Agadir and Ouarzazate for urban tourism; Ifrane, Middle Atlas, Chechaouen, Immouzer and Ida Outamane for rural tourism; Dakhla and Safi for water sports; Upper and Middle Atlas for mountain activities
Policies / Projects	Tax relief, land acquisition and off-site works coverage, Renovotel fund Training of 67 000 laureates in hotel careers between 2008 and 2012 International Tourism Conference organised annually
Contacts	Ministry of Tourism : www.tourisme.gov.ma AMDI : www.invest.gov.ma

Infrastructure, Building and Public Works

Challenges / Objectives	To position itself as a platform for investment and export, Morocco has launched a series of major reforms and projects. In the field of water, it pledged to implement an integrated and sustainable management of resources. Distribution, and soon production has been opened to private operators. To meet the growing energy demand while reducing its vulnerability to global risks, Morocco has undertaken to diversify its energy sources (coal, natural gas, renewables, petroleum). The success of the plan started in 2008 depends largely on the private sector which accounts for 60% of the production, and soon of the high voltage distribution. Currently, the transport sector is changing. Commissioned in late 2007, the Tanger-Med port complex will soon benefit from an extension, bringing its total capacity to 8 million containers. A high-speed train linking Tangiers, Rabat and Casablanca is under construction. Besides, the motorway network, which was 856 km long in 2008, should be increased to 1 420 km by 2010 and 1 803 km by 2015. A total investment of around 3.2 billion euros is expected over the 2008-15 period. Meanwhile, the end of the monopoly of the national offices for transport (ONT), railways (ONCF) and ports (ONEDP) opened the door for players such as CMA-CGM. Finally, faced with the challenges of urbanisation, the Government has undertaken a number of projects such as new towns, urban regeneration, public transport (trams in Rabat and Casablanca), equipment, housing, etc. Born from the merger of public housing operators, the Al Omran Holding Company attributes them to private operators.
Opport-unities	Production and distribution of water and energy (renewable); Transport infrastructure; Implementation and management of ICT networks; Urban planning; Property development and management
Actors/ targets	French (CMA-CGM, Veolia, Suez, SNCF, Libaud), Spanish (Joca, Merke, Renta, CMS), UEmirati (Emaar Properties, Sama Dubai, Al Maabar), Italian (Cosfara), Danish (APM Terminals) operators
Location	North and East (infrastructure), Marrakech, Rabat, Casablanca (new towns in Tamansourt, Tamasna and Zenata, renovation, public transport), Tangiers
Policies / Projects	Regular publication of tenders on the website of the Ministry of Equipment and Transport: www.mtpnet.gov.ma
Contacts	Al Omran Holding Company: www.alomrane.ma

9. Palestinian Authority

Economic Outline

A strong economic potential, still under-tapped

Over the last 30 years, the Palestinian economy has deeply suffered from the political situation, which prevented it from seizing numerous development opportunities. Nevertheless, everything seems to suggest that, once peace and stability has been restored, the recovery will be rapid, and this, in all sectors of the economy. Indeed, during periods of relative lull that occurred in the 90s, the Palestinian economy recorded annual growth rates exceeding 10%.

When it was established in 1994, the Palestinian Authority has even faced significant challenges. Along with the institutional and political reconstruction, it was urgent to revive the economy in order to finance investment, create many jobs for the population, and expand exports for better trade balance. Despite the difficult political situation, steps towards improving the business environment have been adopted: institutional reform, development of financial intermediation through the opening of a national stock exchange, legislation to encourage investment, foreign trade agreements, infrastructure and social services reconstruction, etc.

With policies promoting market economy, the Government continues its efforts to remove obstacles to domestic production and private sector development. Although it has considerably developed since 2000, the public sector has historically had a low weight in the Palestinian economy. Consequently, the country should not experience the heavy privatisation and restructuring period that developing countries generally have to pass through. The most immaterial activities (e.g., ICT, often in collaboration with Israeli companies, pharmaceuticals, teleworking etc.) obviously suffer the least from constraints related to mobility and also allow mobilising the large Palestinian diaspora (two third of the total population).

The services sector plays a major role in the Palestinian economy. In 2007, it contributed to 65% of the GDP and 60% of total employment. Since 1994, the sector has experienced a strong growth drawn, on the one hand, by the public sector efforts to rehabilitate social services and, on the other hand, by the needs of industry and construction (transport, engineering, design, communications, financial services). With the development of ICT and the increasing integration of the Palestinian economy with global markets, this sector is expected to grow further.

The revitalisation of the manufacturing industry is a major challenge for the country's reconstruction. It has required the adoption of measures for investors servicing and the creation of links with other sectors, particularly agriculture, construction and public works. Thanks to these efforts, the contribution of industry to GDP rose from 8% in the mid 80s to 17% in the mid 90s. In 2007, the sector accounted for 16% of national production and 11% of total employment. Some sectors such as agri-business and chemicals could emerge. With its highly skilled population, the country has a real potential for development in the plastic, electrical, electronic and engineering industries.

As for the Gaza Strip, the recovery would certainly be quicker in some areas than others in case of reopening of the borders with Israel. In the construction and public works sector, many stopped projects could restart almost immediately. The same goes for most industries, especially plastics, chemicals, metals and agri-business. In contrast, the textile and furniture industries, which export most of their output to Israel, will need assistance programmes to move to other markets, particularly in the South. The agreements signed in 2005 with Egypt in the framework of the Arab League, which provide access to Gaza Strip companies to the airport of El-Arish and to Port Said Port via Rafah, lay the groundwork for such a development.

Focus 1. The Palestinian Reform and Development Plan 2008-2010

Previously driven by investments and private sector productivity, the Palestinian economy has become heavily dependent on government spending and assistance from international donors since the early 2000s. The latter is indeed essential to offset the decline in investment in the national production system.

Launched in 2007 at the Paris Conference, the **Palestinian Reform and Development Plan, PRDP 2008-2010**, fits into this logic. Implemented on all the Palestinian territories (West Bank and Gaza Strip), it targets a reduction in government spending to reallocate funds set aside for infrastructure and development projects in view of stimulating the private sector and investment.

The PRDP 2008-2010 engages the Palestinian Authority in an extensive process of **institutional and fiscal reform** including: a major cost-cutting effort in public sector wages, the reduction of domestic borrowing cost, the increase of public revenues, the payment of arrears owed to the private sector and government employees, etc. The 5 programmes planned in the field of governance must contribute.

To **encourage development** in the Palestinian territories, several major programmes are also implemented in the social (10), infrastructure (7) and economic (7) domains. The economic component includes the following 7 programmes: reforming institutions in charge of enterprise development, encouraging trade, promoting investment, increasing industrial capacity and developing 3 strategic sectors (agri-business, tourism, and housing).

While 5.6 billion dollars of **development aid** were initially expected, international donors' pledges **7.7 billion dollars**. The main donors are the European Commission (650 million), the United States (555 million), Saudi Arabia (500 million), the United Kingdom (490 million), France (300 million) and the United Arab Emirates (300 million). A common trust fund was established by the World Bank to facilitate payment of grants and implementation of the plan. Once disbursement criteria had been defined, funds have started flowing from March 2008.

A protective and incentive regulatory framework to stimulate foreign investment

In order to attract investment in the Palestinian territories, the Government has put in place a regulatory framework favourable to investors. Under the non-discrimination principle, all benefits provided by the law are available to both local and foreign investors, whether acting alone or in partnership. In 2005, several amendments were made to the 1998 investment encouragement law to provide foreign investors with additional benefits. They must still be approved by the Palestinian Legislative Council. The law already contains protection against expropriation, guarantees of repatriation, tax exemptions and incentives, etc. A new enterprise law is also awaiting approval. Strongly inspired by the Jordanian model, the law aims at providing all companies established in the Palestinian territories with a modern and unified environment.

In order to facilitate foreign trade, Palestine has signed agreements with numerous countries: the European Union, EFTA, the United States, Canada, Jordan, Egypt, Russia, Saudi Arabia, Israel, Turkey and GAFTA. To import goods within the West Bank and Gaza, a license is required. On the other hand, no license is required for exporting companies, except for certain categories of goods.

Several major international companies have established themselves in Palestine and have begun to operate in different areas of activity. They often rely on funds from expatriates who wish to make their country of origin benefit from their experience and international relations. This category of investors has been identified as a key player for Palestine’s future. In the past, business and trade development had been mainly oriented towards Europe and the Gulf. More recently, local businesses have begun to call for American groups to build partnerships, joint ventures or to transfer technical expertise.

Focus 2. An investment encouragement law

The Palestinian Authority has adopted a set of provisions designed to protect investors and promote the profitability of their investments. They cover all economy sectors and apply to both local and foreign companies.

These provisions include the ability for foreign companies to repatriate their entire capital, including profits and dividends. The Multilateral Investment Guarantee Agency (MIGA), a subsidiary of the World Bank, is guaranteeing their investments for 15 years for a maximum of 5 million dollars.

The **1998 investment encouragement law** provides many advantages to investors. The national investment promotion agency, PIPA, is responsible for its implementation.

The law provides for **exemptions from customs duties** for goods imported into free and industrial zones or intended to be used by the company's staff (equipments, machinery, spare parts, supplies, electrical and electronic equipment for hotels and hospitals). Additional exemptions may be granted in cases of price increases on the local market or if the company exports over 30% of its production.

Exemptions from corporate tax are granted to investments of more than 100 000 dollars: for 7 years if they are made in a free or industrial zone, otherwise for 5 years. Subsequently, a 10% tax rate is applied to net profit during a period that varies depending on the invested amount: 8 years if it is less than 1 million dollars, 12 years if it is comprised between 1 and 5 million dollars, 16 years if it is higher.

Export activities receive additional incentives. Goods sold abroad are exempt from taxes if they are produced in free or industrial zones. Companies established in these zones can sell up to 20% of their annual production on the local market. The used raw materials are then subject to payment of duties and fees in effect. In case the product is unavailable on the local market, the owed amount is reduced to 80%.

Special benefits are given to investment in hospitals and hotels. Other facilities may be granted under bilateral treaties or trade agreements.

[More with the Palestinian Investment Promotion Agency : www.pipa.gov.ps]

Focus 3. Activity zones complying with international quality standards to attract foreign companies

The industrial zone concept introduced in Palestine has been defined in close cooperation with the World Bank. The idea has been to create employment within the territories administered by the Palestinian Authority by promoting industrial development, export-oriented growth, as well as domestic and foreign investments.

Opened in 1999, the **Erez industrial zone** was built in North-East end of the Gaza Strip with an investment of 85 million dollars. It is managed by the PIEDCO Company. Unfortunately, recent events in Gaza have caused the destruction of most buildings, requiring a cessation of activity.

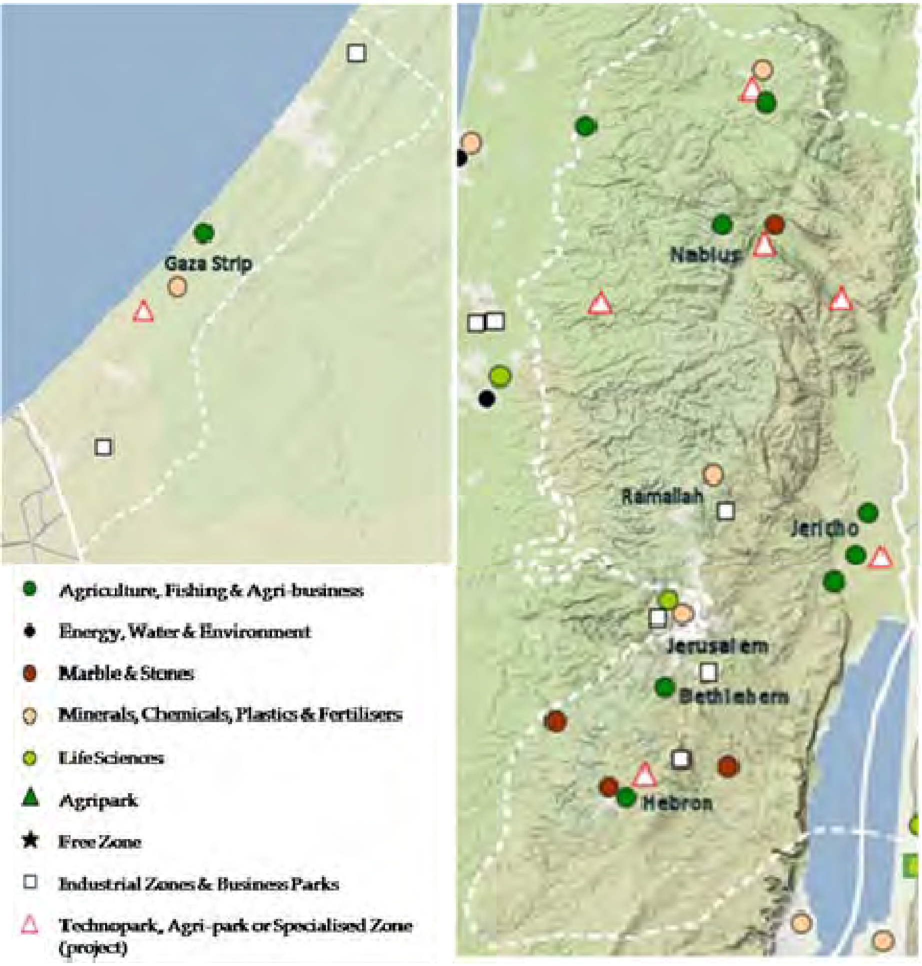
The **Palestinian Industrial Estates and Free Zones Authority**, PIEFZA, is implementing, in partnership with foreign investors, a considerable estates development programme. Most of these zones are located on the border with neighbouring countries (Israel, Egypt, Jordan). They are equipped with infrastructure and services that meet international quality standards in order to attract foreign investors and export- oriented companies. In these zones, PIEFZA acts as a one-stop shop, facilitating administrative procedures for investors.

Mainly financed by private funds, half French and half Palestinian, the **first Palestinian Free Zone** was inaugurated in April 2009 in **Bethlehem**. It will host a training centre, funded by France. It targets to accommodate 200 local and foreign companies, including French companies, operating in sectors as diverse as automotive, pharmaceutical and cosmetic industries, tourism, handicrafts, etc.

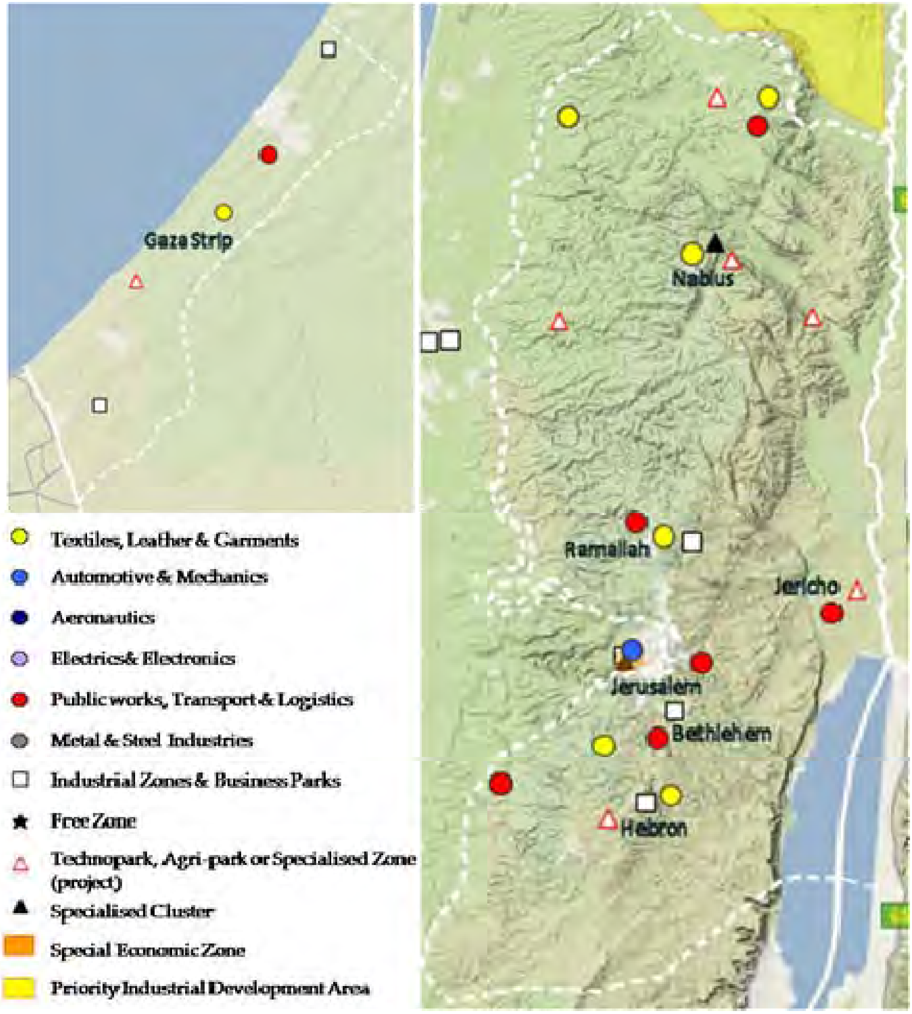
Developed in partnership with Germany, the **Jenin Industrial Estate** will cover a total area of 114 ha, of which 69 are dedicated to accommodating industrial and commercial activities. 20 000 direct and 20 000 indirect jobs are expected. Covering an area of 123 ha, the **Nablus Industrial Estate** will offer firms a strategic location on the road between Tel Aviv and the Jordan Valley. 8 000 direct and 10 000 indirect jobs are expected. Developed in partnership with Turkey and South Korea, the **Tarqumia Technopark** will accommodate light clean industrial activities over a plot of 100 acres in the west of Hebron, near the secure passage linking the West Bank with the Gaza Strip in the South. Other zones are planned in Deir El Balah (Gaza Strip), Qalqilya, Latrun and Jericho.

[Further information from the Palestinian Industrial Estates & Free Zones Authority: www.piefza.org]

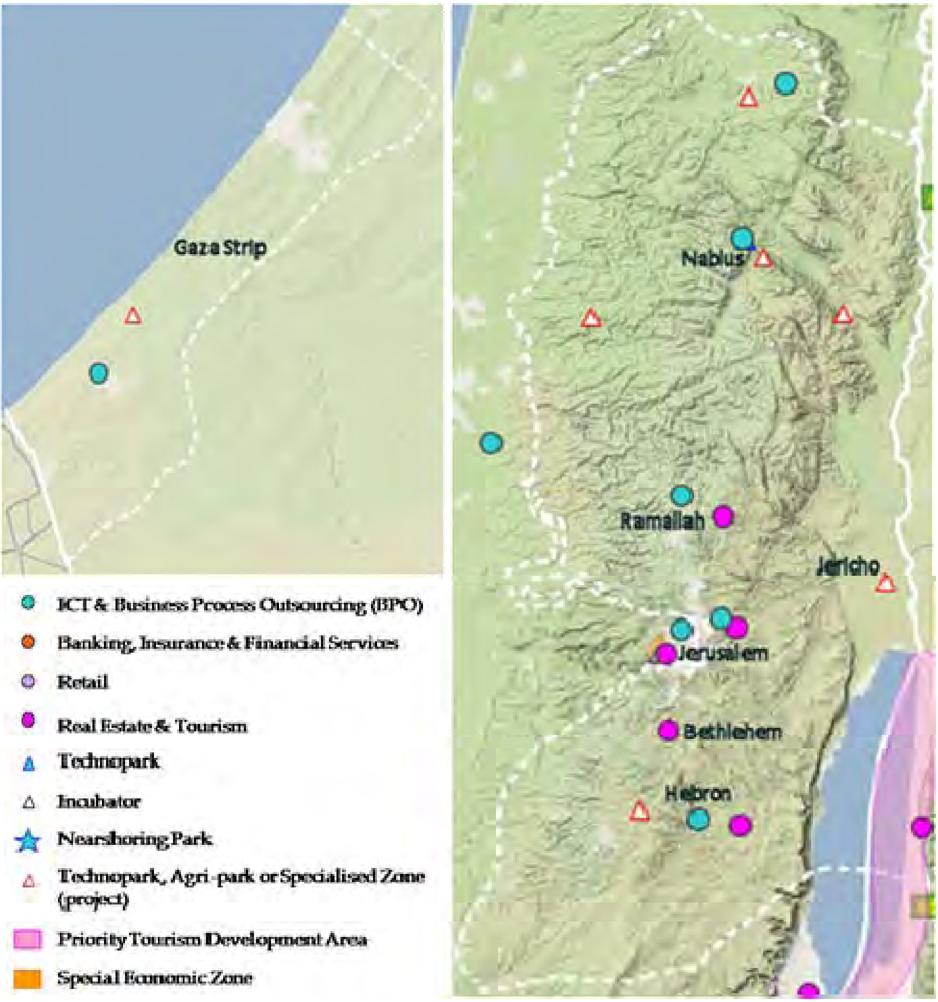
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Information and Communication Technologies (ICT)

Challenges / Objectives	ICT is the first engine of growth of the Palestinian economy. Benefiting from its proximity to Israel's Technological Centres and its highly qualified workforce, the country attracts many professionals in the sector. Since the establishment of Paltel (national telecommunications company) in 1995 and its subsidiary Pal-Cell/Jawwal (mobile operator), the ICT sector has experienced a strong growth. This growth is illustrated by a 25-30% GDP increase per year since 2000 and is mainly generated by telecommunication services and the software industry which, beside their sales and export potential, have a pivotal role for the Palestinian economy and society. In 2004, the telecom and IT sub-sectors counted respectively 115 and 229 companies.
Oppor-tunities	Internet networks and services s; Software and content development; Translation services; IT and telecom equipment; IT Consulting; Training; R&D centres; Mobile telephony (formally liberalised in 2006 but currently dominated by Israeli operators)
Actors / Targets	Foreign companies in IT (the American Oracle and Intel, the Lebanese Anara) and telecommunications (the Kuwaiti Wataniya)
Location	Gaza, Ramallah/Al-Bireh, Hebron, Jerusalem, Nablus, Bethlehem, Jenin
Policies / Projects	100% digital telecommunications infrastructure Adoption of CMM and ISO standards, international agreements, investment encouragement law (Focus 2) Training: partnerships between universities and industry professionals, Sun Microsystems laboratories in 3 universities, centres of excellence in Al Quds and Birzeit universities, etc. Financial support from the United States and Europe to the sector: loan guarantees for small projects, training aids, etc. Cooperation programme between Israeli and Palestinian companies developed by PalTrade (joint R&D centre, partnerships promotion, etc.): www.paltrade.org Incubator dedicated to ICT projects: www.picti.ps
Contacts	Palestinian Information Technology Association: www.pita.ps / Palestinian Investment Promotion Agency : www.pipa.gov.ps

Chemicals, Plastics and Pharmaceuticals

Challenges / Objectives	Chemical, pharmaceutical and plastic industries have all three a bright future. The main chemicals manufactured in the 119 factories across the country are painting, soap and detergents. They respectively achieve a local market share of around 25-30%, 100% and 50%. Some soap is also exported. The plastic industry has in turn developed around a few large companies producing polystyrene, electrical and telecom cables, industrial plastics, etc. for the local market. Some of them also export to Israel. With a diversified range of quality products, the pharmaceutical industry already meets more than half of local demand and is moving towards Arab world and Eastern Europe markets. Over the past 25 years, the 6 major operators in the sector have expanded their production capacity at a rate of 7 to 10% per year, making a total investment of 45 million dollars. This investment has enabled the introduction of automated production lines and the improvement of processes.
Opportunities	Production and export development of chemicals (including soap), plastics and medicines
Actors / Targets	Chemical and pharmaceutical groups (especially German)
Location	Gaza, Nablus (soap), Jenin, Bethlehem, Ramallah and Hebron for chemicals and plastics, the West Bank for pharmaceuticals (70% of the firms)
Policies / Projects	Cooperation programme between Israeli and Palestinian companies developed by PalTrade (joint R&D centre, partnerships promotion, etc.): www.paltrade.org Technopark under project in Tarqumia (Focus 3) Investment encouragement law (Focus 2) Implementation by the 6 pharmaceutical groups of an ongoing training and technical assistance programme
Contacts	Union of Palestinian Pharmaceutical Manufacturers: www.uppm.org Palestinian Investment Promotion Agency: www.pipa.gov.ps

Textile and Clothing

Challenges / Objectives	The textile and clothing sector as the second industrial employer contributes with about 15% to industrial production. Mainly composed of small and very small enterprises, it sells 70% of its output in the domestic market and 15% in Israel. The rest is exported to other countries. Israel resells a large part of imported products in the United States and Europe under Israeli brand names. Therefore, the Palestinian industry has a strong development potential in international markets. Italian operators have already recognised it and opened more than two dozen factories producing shoes in Hebron.
Oppor-tunities	Exports development in other markets than Israel: United States, Europe and Israel, which represent 85% of world imports
Actors / Targets	Manufacturers and exporters: United States, Europe (particularly Italy)
Location	Gaza (760 mills), West Bank (578 factories in Ramallah, Al Bireh, Nablus, Bethlehem, Tulkarm, Hebron and Jenin)
Policies / Projects	Trade agreements with the United States, Europe, etc. and between Israeli and Palestinian companies developed by PalTrade (joint R&D centre, partnerships promotion, etc.): www.paltrade.org Investment encouragement law (Focus 2) Erez Industrial Zone in the Gaza Strip (Focus 3)
Contacts	Palestinian Textile Union: paltex@p-ol.com Palestinian Investment Promotion Agency: www.pipa.gov.ps

Marble and stones

Challenges / Objectives	With its 300 marble production sites and its 300 marble cutting factories, the sector generates 5% of GDP. Equipped with a 85% semi-automatic technology, it buys nearly 90% of its input from local mining sites. 65% of annual turnover, which amounts to approximately 450 million dollars, comes from exports. Steadily increasing, the sector's contribution to industrial exports jumped from 10% in the early 80s to 40% in 2008. With different shapes, sizes and colors, Palestinians stones are experiencing a growing demand in foreign markets. Nevertheless, 65% are sold in Israel and only 6% in other countries. Given the geographic proximity and existing distribution systems, the Middle East countries are emerging as promising markets. Some local companies have also managed to penetrate the United States and European markets. Significant development opportunities exist in this sector.
Oppor-tunities	Exports development in other markets than Israel: United States, Europe, Middle East, China, etc.
Actors / Targets	Extracting companies, exporting firms
Location	Hebron, Halhul, Tarqumia, Nablus
Policies / Projects	Extraction infrastructure development Trade agreements with the United States, Europe, etc. Investment encouragement law (Focus 2)
Contacts	Palestinian Investment Promotion Agency: www.pipa.gov.ps

Agriculture

Challenges / Objectives	Characterised by a great climatic diversity, Palestine has developed an important agricultural activity, which generates 8% of GDP and 16% of total employment. Orchards cover 60% of agricultural land, followed by field crops and vegetable plots. Farming and fishing are a major part of production. Highly mechanised, agriculture shows high productivity. Being responsible for 10% of total exports, it nevertheless records a trade deficit. A change in the political situation would allow a rapid increase in exports, especially fruits, olives, olive oil, vegetables and cut flowers. Moreover, the expected increase in income and population calls for increased production. However, alone, it can not satisfy local demand. Indeed, for products such as wheat, sugar, etc., production capacities are insufficient. Investments in these sectors would increase local market share.
Oppor-tunities	High added value agricultural production (flowers, strawberries, cherry tomatoes, olive oil); Exports development to Israel and European countries
Actors / Targets	Farmers and exporters able to ensure a skill transfer (Jordan, Japan, Kuwait)
Location	Gaza Strip (fishing), North-West of the West Bank (Jenin, Tulkarm, Qalqylia), medium altitude area from the North of Jenin to the South of Hebron, steppe area in between the East of Jenin and the Dead Sea; Ghor region (Jordan Valley)
Policies / Projects	Major project in the Jordan Valley: irrigation systems, airport in Jordan, etc. Trade agreements with the United States, Europe, etc. Agricultural zones planned in Jericho and Tulkarm
Contacts	Palestinian Food Industries Association: pfia@palnet.com Palestinian Investment Promotion Agency: www.pipa.gov.ps

Agri-Business

Challenges / Objectives	The agri-business industry is a direct outlet for the agricultural sector. It allows the latter to sell off its surplus production. This industry has experienced strong growth. Thanks to its strategic position in the region, its skilled workforce and business-friendly regulations, it has attracted many investments in recent years. Its modern productive infrastructure, mainly composed of semi-or fully automated plants, under ISO standards, is another attractive factor. The affirmative policy in favour of local investment and production conducted by the government has resulted in a significant increase in the local market share, which rose from 25% in 1996 to 50% in 2001. The expected increase in income and population should provide new opportunities for growth. Exports, from which 89% are currently directed towards Israel, have also a potential for development.
Oppor-tunities	Production of food and beverages; Exports to Europe and the Middle East
Actors / Targets	Local and international agri-businesses (close relations with Jordan, Japan and Kuwait)
Location	Nearby agricultural areas
Policies / Projects	Investment encouragement law (Focus 2) Trade agreements with the United States, Europe, etc. and between Israeli and Palestinian companies developed by PalTrade (joint R&D centre, partnerships promotion, etc.): www.paltrade.org Agricultural zones planned in Jericho and Tulkarm
Contacts	Palestinian Food Industries Association: pfia@palnet.com Palestinian Investment Promotion Agency: www.pipa.gov.ps

Tourism

Challenges / Objectives	Endowed with a rich cultural (more than 1 600 archaeological sites) and religious (pilgrimage site for the 3 monotheistic religions) heritage, Palestine has a real potential for tourism development. Unfortunately, Palestinian tourism is being fatally harmed by the current security situation. During the short improvements made in recent years, the authorities' and the private sector's efforts to rehabilitate tourism infrastructure have been rewarded by a rapid increase in visits. These encouraging signs show that tourism may be an important engine of growth if peace and stability were established in the country. The reopening of borders with Arab countries would bring two major families of tourists: Muslims who would complete their pilgrimage to Mecca by visiting the holy sites in Jerusalem and Hebron, Arabs and Palestinians working in Jordan or the Gulf countries aiming at spending the summer in the country.
Oppor-tunities	Hotel infrastructure and management; Catering; Tour organisation; Tourists transport; Handcrafts; etc.
Actors / Targets	Hotel and catering operators (Intercontinental hotel recently opened), tour operators, transport companies, etc.
Location	Bethlehem, Hebron, Jerusalem, Jericho, Ramallah
Policies / Projects	Special advantages provided by the Investment encouragement law (Focus 2) On the eve of the 3rd Millennium, massive investment by the Palestinian Authority, the private sector and international donors to upgrade tourism infrastructure and services in the Bethlehem area Tourism 4 Peace Forum: tourism promotion across the Middle East, lobbying in favour of facilitating tourist movement between the various countries, training
Contacts	Arab Hotel Association: www.palestinehotels.ps Ministry of Tourism and Antiquities: www.visit-palestine.com Palestinian Investment Promotion Agency: www.pipa.gov.ps

Building and Public works

Challenges / Objectives	The sector of building and public works is booming. In the third quarter of 2007, it contributed to 2.5% of GDP and 11.6% of total employment. Fueled by the needs in infrastructure, large facilities, homes, etc., it maintains, upstream, the production of building materials. If the political situation were to improve, the massive return of expatriates would involve large needs for housing, schools, hospitals, cultural and recreational facilities, etc., creating a considerable market for the construction industry. Naturally, any rebuilding programme will start with the infrastructure and public facilities destroyed in recent years. The resumption of activity should be particularly important in the Gaza Strip, given the scale of destruction and the number of projects put on hold.
Oppor-tunities	Rehabilitation of the airport and construction of a seaport in Gaza; Development of hotel and tourist infrastructure; Development of industrial zones; Construction or reconstruction of homes
Actors / Targets	Developers, including Jordanian (PADICO), Turkish (TOBB) and Gulf (Qatar Investment Authority, Arab Palestinian Investment Company, Al Rajhi), producers of building materials, etc.
Location	Gaza Strip, Jerusalem and Ramallah for residential building, Jordan Valley, Jenin, Bethlehem, Tarqumia, etc. for industrial building
Policies / Projects	Infrastructure and industrial zones projects in the Jordan Valley
Contacts	Palestinian Investment Promotion Agency : www.pipa.gov.ps

Education and Health

Challenges / Objectives	Palestine has put education at the heart of its development strategy quite a long time ago. These efforts have enabled the country to distinguish itself from its neighbours. The Reform and Development Plan presented in 2007 gives them a new impetus by planning several projects to improve the quality of the system. But the teaching conditions are often precarious: numerous schools operate in rented and inadequate premises, class sizes are very high, especially in the Gaza Strip, etc. Not having the financial capacity to invest in new equipment, the Government appeals to the private sector. The same applies in the health sector. Among the 78 existing hospitals in 2006, 54 were managed by international organisations or the private sector. Given their uneven distribution across regions and frequent movement restrictions, the construction of health facilities remains a priority to prevent a growing leakage of health expenditure outward.
Oppor-tunities	Construction and management of schools, hospitals, primary health care centres, etc.
Actors / Targets	Public and private investors, mainly foreigners, such as the Jordanian Engineers Association (JEA)
Location	Gaza Strip and West Bank, especially outside major cities
Policies / Projects	Special advantages provided by the Investment encouragement law (Focus 2)
Contacts	Ministry of Health: www.moh.gov.ps Palestinian Investment Promotion Agency: www.pipa.gov.ps

10. Syria

Economic Outline

A socialist economy on the path of openness and liberalisation

After 30 years of strong State intervention, the Syrian economy has embarked on an opening movement in 1991 and especially since the early 2000s. A growing duality between public and private sectors is observable. On the one hand, the public sector, dominated by a few large companies created during the 60s, the 70s and the 80s, to lead strategic sectors such as metallurgical and materials, chemicals, textiles and agri-business, etc., is not performing well and would need a deep restructuring. On the other, the private sector is rapidly growing thanks to massive investment in services, trade and light industries. Between 2000 and 2007, its contribution to national production rose from 52.3% to 60.5%. To encourage this process, the government is increasingly considering companies' concerns in the definition of its economic policy.

Significant progress has been made, especially with the liberalisation of banking and insurance, the concessioning and opening to the private sector of many non-strategic activities. This vision still faces a State culture which is rather bureaucratic and centralised as well as the absence of an environment suited to the needs of a modern business (access to high speed Internet, etc.). Nevertheless, the opening of the economy is largely an obligation for the country that is facing a high population growth (and hence to rising social needs) and an expected decline in oil (even though incomes have recently increased with the barrel price). Consequently it is facing the need to find new export resources to replace petroleum in the future (the trade balance has turned negative since 2007). Another priority is to modernise the largely obsolete industrial infrastructure because the State is no longer able to rescue the loss-making State-owned enterprises.

After a decade of sluggish growth, the Syrian economy has experienced a significant rebound since 2004, bolstered by the development of the private sector, increasing exports to other Arab countries and rising petroleum prices. The growth rate has reached 6% in 2007. Despite its decline, petroleum continues to generate most of the foreign exchange earnings of the country, supplemented by exports of other sectors, tourism receipts and transfers of Syrians living abroad. Agriculture, which covers approximately one third of the country and contributes with 25% of the production, retains a major role in the Syrian economy. The 1.5 million Iraqis who have sought refuge in Syria since 2003 have contributed to the rapid growth of domestic demand.

Recognising that economic diversification, broadening the tax base and restructuring the public industrial sector seem to be essential to ensure long-term growth (with a target of 5% per annum by 2010 and 7% over the 2011-2015 period) and create jobs for its youthful population that is rapidly increasing. The government adopted a 10th Five-Year Development Plan in 2006. Assuming that investment and private sector development are the key success factors for the economy, it sets a timetable of reforms and projects to be implemented by 2010. Gradually, the country is moving from a State-Planned economy to a market economy that remains relatively controlled and regulated.

First, the plan introduces a major programme of tax (introduction of VAT), budgetary, monetary, trade and labour market reforms. Then, it provides an extensive investment programme in infrastructure, to meet the needs of international companies in terms of establishment sites, networks and ICT services, etc. Other projects include the restructuring of public enterprises, the upgrading of private enterprises, especially SMEs, the enhancement of human resources and the development of promising sectors such as tourism, agriculture, agri-business, industry, construction and transport. The incentives granted to investment projects in these areas confirm the importance given to the private sector. In the long term, Syria wishes to orient its economy towards intellectually intensive activities.

A call for foreign investment to modernise the industry and attract export activities

In line with the opening of its economy, Syria is gradually putting in place measures to encourage investments, particularly foreign ones. In 2007, a new investment law has replaced the former one, dating from 1991, formalising the evolution of the country's position towards foreign investment. Among other things, it allows to create a business without a Syrian partner and to repatriate dividends and invested capital in case of disposal.

A National Investment Agency (Syrian Investment Agency, SIA) has been created and placed under the authority of the Prime Minister. It replaces the pre-existing Investment Board, under the leadership of the Ministry of Industry, and provides many advantages to foreign investors. The development of free zones and industrial cities should facilitate their establishment in Syria.

This move towards openness also manifest itself through the signing of trade agreements: establishment of the Greater Arab Free Trade Area (GAFTA) in 1998, entering into force of a bilateral free trade agreement with Turkey in 2005, beginning of negotiations with the European Union in 2004 in view of the signing of an association agreement, etc.

The efforts of the government have been rewarded by a sharp increase in FDI. During the 1991-2007 period, 226 projects were registered for a total amount of 442 billion Syrian pounds, equivalent to 29.6% of total investment. Emanating from 35 different countries, these FDI are dominated (in terms of number of registered projects) by Turkish, Iraqi, Lebanese, Saudi, Kuwaiti and Jordanian investment etc. In 2007, the 787 million dollars registered FDI accounted for 2.1% of GDP. From 2007 to 2008, total investment in the first half of the year rose from 2 to 3.5 billion dollars, denoting an increase of 70%. FDI have significantly contributed to reach these rates.

The banking sector reform, which took place in several stages, came with the policy of openness to FDI. Law No. 28 of April 2001 had allowed the opening of private banks. Law No. 23 of March 2002 had redefined the role and status of the Central Bank, a supervisory body of all private and public banks. Other recent measures such as the permission to open foreign currency bank accounts, the ability to transfer currency and the lowering of the money market interest rates, show the Syrian authorities' willingness to change the monetary and financial policy of the country. The private sector has expanded since 2004, with new banks and branches of banks from neighbouring countries (especially Lebanon and Gulf) that have been working with the Syrian private sector for a long time. A Stock Exchange Commission was formed early 2006 to introduce a stock market legislation allowing the launch of the Damascus Stock Exchange.

The insurance industry, which was monopolised by the Syrian Insurance Company, was also opened to private investment with the enactment of Law No. 43 of June 2005 and 9 companies were allowed to exercise.

Focus 1. Many measures to support and encourage investments

In Syria, many public organisations are responsible for **accompanying investors**. To promote the numerous opportunities offered by the country, the Syrian Investment Agency has developed a dedicated website: www.syriainvestmentmap.org. It has also empowered itself with a one-stop-stop function to facilitate administrative procedures for business registration. This service was previously only available in industrial zones approved by the State. The free zones are managed by the General Establishment for Free Zones (GEFZ). The establishment of decentralised offices of the National Investment Agency in the governorates of Homs, Raqqa and Da'ra is also planned. Private organisations such as the Syrian European Business Centre (SEBC) and the Chambers of Commerce and Industry offer complementary services.

The **investment encouragement law**, dated January the 26th in 2007, allows foreign investors to become owners of their land. It protects them against the risks of confiscation and nationalisation, especially through the possibility of repatriating all the invested capital. Tax exemptions are also provided. Foreign investors are particularly exempted from payment of customs duties on goods imported for the implementation of their project.

They can also benefit from a **rate reduction in corporate income tax**: **according to the the sector and location of investment**, it may vary between 28% and 14%. Any project falling under the investment encouragement law is taxable at a rate of only 22%. Further cumulative reductions are given to industrial companies: 1 to 3% according to the number of employees; 2% if they are located in some governorates (Raqqa, Deir-Ezzour, Hassakeh, Idleb, Swaydi, Da'ra and Qunaytera); 1 or 2% if they are located in an Industrial City; 2% if they produce energy, particularly from renewable sources, or fertilisers.

To promote **sustainable or exporting projects**, the government (referent ministry) may decide to grant an additional reduction of 3% for industrial projects sourcing local raw materials, achieving energy savings, using friendly environmental machines and tools or exporting 50% of their production.

[Further information from the Syrian Investment Agency: www.investinsyria.org]

Focus 2. Free Zones and Industrial Cities to attract investment

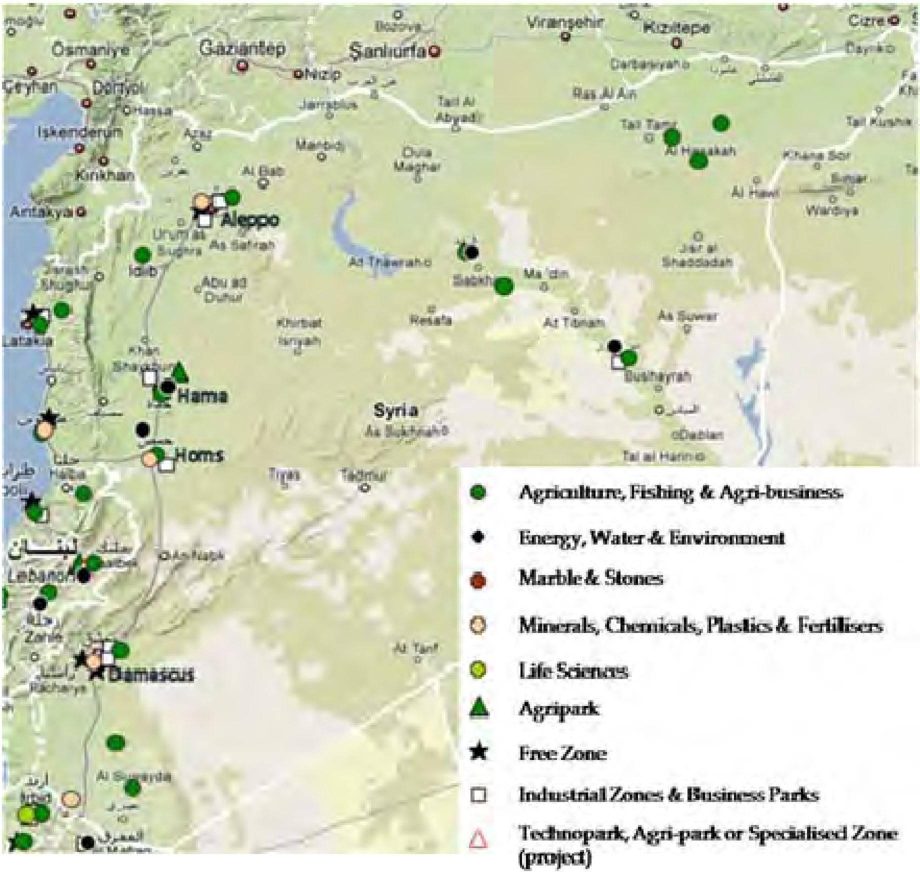
In the perspective of a skill and technology transfer, **6 zones** were opened in the 70s: 3 in the Damascus area, 1 in Aleppo, Lattakia and Tartous. They are administered by the General Establishment for Free Zones (www.freezones.com.sy), which offers special benefits to companies which locate here: tax exemption of 5 to 10 years; exemption from customs duties; lifting of import quotas; exemption from property or exercise tax. Originally reserved for industrial and commercial activities, they were open to all sectors in 2003. The total investment jumped from 514 million Syrian pounds in 2002 to 706 in 2007. Only the region of Damascus has received investment in the banking and services sectors, which supplemented commercial and light industrial activities that were already established there. The Free Zone of Aleppo primarily attracts commercial activities, but also several companies operating in textiles and clothing, plastics or printing. The Port Free Zones of Latakia and Tartous have specialised in storage and trade, while allowing industrial activities such as rolling, rope and garment.

To encourage domestic, Arab and foreign investments while avoiding the expansion of industrial zones on agricultural land, **3 Industrial Cities** were built on the outskirts of major cities: Adra near Damascus (www.a-ic.org), Sheikh Najjar near Aleppo (www.aic.org.sy) and Hassya near Homs (www.ic-homs.sy). Designed like real satellite cities, they cover an area between 2 500 and 7 000 ha, including an industrial zone from 1 210 to 3 500 ha, as well as residential districts with a capacity of 200 000 inhabitants each. Investments that are made there receive benefits granted by the investment encouragement law. In 2007, 2 343 plants were under construction and 313 had already entered production. Among the established companies, 168 were Arab or foreign. Adra (Damascus) particularly attracts heavy industries, mechanics, etc. Sheikh Najjar (Aleppo) attracts textile industries and Hassya (Homs) chemical, food and mechanical ones. A new Industrial City is underway in Deir-Ezzour. The 10th Development Plan is planning 8 new ones in the governorates of Raqqa, Deir-Ezzour, Hassakeh, Lattakia, Tartous, Hama, etc, with an investment of 200 million dollars each.

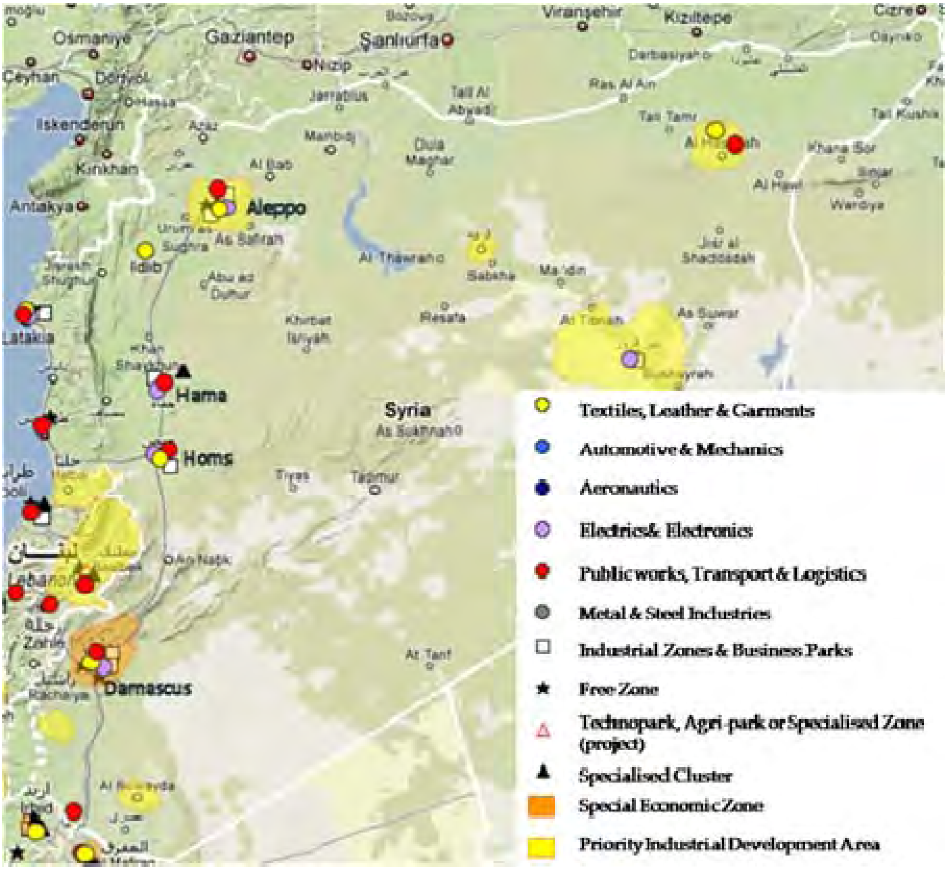
It also provides for the creation of an **Agri-park** in the Ghab plain, a major granary of the country. With high quality infrastructure and services, it targets international investments in agriculture and agri-business. Finally, an **Industrial Zone dedicated to Chinese investors** is planned in Hama.

[Further information: www.syriainvestmentmap.org]

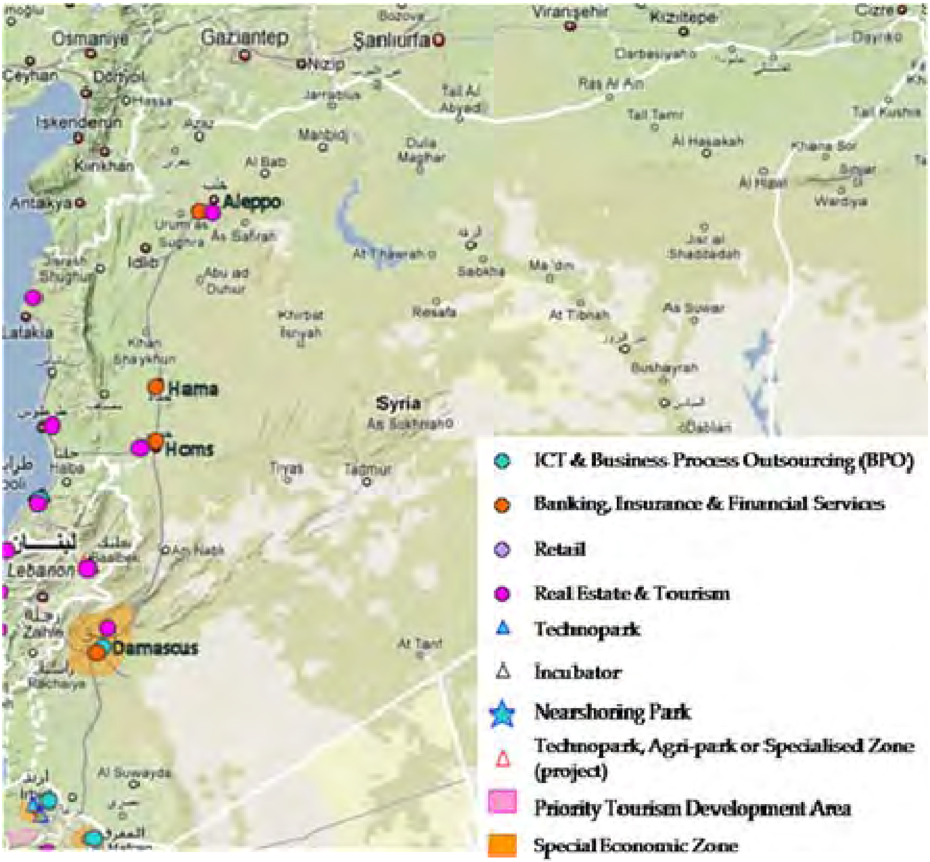
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Agriculture and Irrigation

Challenges / Objectives	With 1/3 of cultivated land, agriculture is a major economic pillar in the Syrian economy. It represents 25% to 27% of GDP, 16% to 22% of total exports and employs 30% of the national workforce, while another 20% indirectly depends on it. The government aims at increasing the production, especially livestocks, in order to guarantee national food security, provide both agri-business and textile industries with necessary inputs and develop exports to foreign countries. It maintains hold on the cultivation of cotton and cereals but other cultures, such as fruits and vegetables, are left to market forces. Major exported products are cotton, olives, fruits, wheat and meat (sheep and poultry). The massive public investment in rural infrastructure has avoided a dramatic widening of the gap between rural and urban regions. Recent policies and programmes regarding land use, agricultural lending or production storing aim at facilitating agricultural activities. However, in the light of both quantitative and qualitative recessions in the harvest, application of new irrigation methods is strongly needed.
Oppor-tunities	Livestock breeding; Fruits and vegetables production; Production of modern irrigation tools
Actors / Targets	Private investors (both domestic and foreign), local farmers and communities
Location	Western and Northern governorates for cultivation, the entire country for cattle breeding
Policies / Projects	Agro-Industrial Special Economic Zone (Agropolis) under project in the Algab plain, supported by the UNDP (Focus 2) Full tax exemption Numerous incentives (Investment Promotion Law): foreign ownership right, possibility of digging wells, encouragement of modern irrigation projects
Contacts	Syrian Investment Agency: www.investinsyria.org Ministry of Agriculture and Agrarian Reform: www.syrian-agriculture.org

Agri-Business

Challenges / Objectives	As a direct outlet for the agricultural sector, agri-business is considered highly strategic by the Syrian government. Indeed, the processing of agricultural resources into manufactured products avoids farmers from accumulating stocks, helps to satisfy domestic demand and contributes to exports' growth. The measures taken in favour of agricultural development benefit indirectly to the agri-business industry. In order to comply with international quality standards, the government also supported the implementation of modern production and packaging methods. From 2000 to 2007, 1 973 agro-industrial projects, representing a total investment of 1 291 million Syrian pounds, were implemented under the Investment Encouragement Law. In addition, 2 foreign companies received a licence to manufacture international branded cigarettes locally. With 60% of smokers among men, Syria is a very attractive market for Western tobacco companies.
Oppor-tunities	Oil, ghee, butter, mayonnaise, dairy, etc. (local resources: cotton, soya, sunflower, milk); Drinks, soups, concentrates, squeezes, etc.; International branded cigarettes; Packaging
Actors/ Targets	Agri-business groups based in Turkey (Anadolu), Saudi Arabia (SBG), France (Bel, Altadis), Switzerland (Nestle), Germany (Kingship), Brasil (Cristalsev), the United Arab Emirates (Akhras Group), the United States (Cargill, British American Tobacco), etc.
Location	Homs, Hama, Rural Damascus, Lattakia, Aleppo, Tartous, Swayda, Idleb, Hassakeh, Raqqa
Policies / Projects	Agro-Industrial Special Economic Zone (Agropolis) under project in the Algab plain, supported by the UNDP (Focus 2) Business location opportunities in the 3 new Industrial Cities, and especially in Hassya: www.ic-homs.sy (Focus 2) Industrial projects benefiting from advantages provided by the Investment Encouragement Law (Focus 1)
Contacts	Syrian Investment Agency: www.investinsyria.org

Electrics, Mechanics and Metals

Challenges / Objectives	This sector benefits particularly from the government orientation towards diversification and liberalisation of the Syrian economy. With the progressive opening of industries that were formerly limited to the public sector, a large number of investors have entered production of cars, electrical cables, TV, reinforced bars, metal plates, concrete, etc., thus contributing to industrial modernisation, as well as technology, skill and knowledge transfer. From 2000 to 2007, 5 583 industrial projects, representing a total investment of 2281.4 million Syrian pounds, were implemented under the Investment Encouragement Law.
Oppor-tunities	Production of car components, electrical cables, antenna, air conditioners, metal and steel bars, profiles and blocks; Car and TV assembling
Actors / Targets	Manufacturers and suppliers based in Iran (Siamco, SAPA, Sigico), Kuwait (Al Jaz Group, AL-Sultan & Khalaf Trading Co.), Saudi Arabia (Saudi BinLadin Group), Egypt (El Sewedy Cables), South Korea (KIA Motors), China (Haier), etc.
Location	Damascus, Rural Damascus, Lattakia, Aleppo, Homs, Deir-Ezzour, Hama
Policies / Projects	Business location opportunities in the 3 new Industrial Cities, and especially in Adra: www.a-ic.org (Focus 2) Industrial projects benefiting from advantages provided by the Investment Encouragement Law (Focus 1)
Contacts	Syrian Investment Agency: www.investinsyria.org Ministry of Industry: www.syrianindustry.org

Textiles and Garments

Challenges / Objectives	Endowed with important cotton, wool and silk resources, Syria has a long tradition of textile and garment activities. Its population has developed good professional skills, especially for hand work. The entrance into the Greater Arab Free Trade Area (GAFTA) and the numerous agreements signed with other countries such as the European Union, Turkey, etc. have opened new opportunities and markets for the Syrian textile and garment indutry. For example, the lingerie manufactured in Syria faces a great demand in Arab countries such as Saudi Arabia or Kuweit. More generally, textiles and garments rank among the most exported products. On the other hand, international brands have taken advantage of the Syrian taste for the Western clothing style to enter the market. From 2000 to 2007, 1 125 projects were implemented in this sector for a total investment of 545.4 million Syrian pounds.
Oppor-tunities	Production and processing of threads (cotton, acrylic, polyester, nylon) and textiles (synthetic, cotton, viscose, polyester); Lingerie; Ready-to-wear; etc.
Actors / Targets	Textile and ready-made garment manufacturers based in Italy (Benetton, Stefanel), France (Naf Naf), Germany (Adidas), Turkey (Mustafa Mutaf Oghlu)
Location	Aleppo, Damascus, Rural Damascus, Homs, Hama, Lattakia, Idleb, Hassakeh, Tartous (Drekish Silk)
Policies / Projects	Business location opportunities in the 3 new Industrial Cities, and especially in Sheikh Najjar: www.aic.org.sy (Focus 2) Industrial projects benefiting from advantages provided by the Investment Encouragement Law (Focus 1)
Contacts	Syrian Investment Agency: www.investinsyria.org Ministry of Industry: www.syrianindustry.org

Chemicals and Plastics

Challenges / Objectives	Chemical and plastic industries are experiencing a rapid growth in Syria. From 2000 to 2007, 923 industrial projects were implemented in this sector, representing a total investment of 1 065.9 million Syrian pounds. With estimated 2 billion tons total reserves, Syria's phosphate resources rank among the highest in the world. However, its low production capacity has long held back the sector's growth. In 2005, the country inaugurated its first phosphate treatment plant. This project was expected to raise production to 3.8 million tons per year. Most of the output is exported, which contributes to increase foreign currency earnings. In addition, Syria's nitrate resources are exploited to make fertilisers. Medicines are another nascent industry. With a limited production, relying mostly on European derived patented pharmaceuticals, Syria suffers from high prices, particularly because of the unfavourable exchange rate with the Euro. Therefore, the government seeks to develop the local industry. Plastics are another development sector.
Oppor-tunities	Phosphate, nitrate, titanium dioxide, citric acid, sodium and other chemicals; Raw materials for the pharmaceutical and detergent industries; Chemical and natural medicines; Plastic bags and industrial plastics (PVC, PET, PPE)
Actors / Targets	Chemical, pharmaceutical and plastic groups based in the region: India (Dharamsi Morarji Chemicals Ltd), Kuwait (Kuwaiti United Investment Company), United Arab Emirates (Julfar), etc.
Location	Homs (plastics, fertilisers, phosphate), Rural Damascus (detergents), Aleppo (chemicals, plastics), Hassakeh (fertilisers), Tartous (phosphate), Dara (plastics)
Policies / Projects	Business location opportunities in the 3 new Industrial Cities, and especially in Hassya: www.ic-homs.sy (Focus 2)
Contacts	Syrian Investment Agency: www.investinsyria.org Ministry of Industry: www.syrianindustry.org

Real Estate, Building and Public Works

Challenges / Objectives	Real estate and construction are booming in Syria. With a population growth of 3% per year and the large-scale influx of Iraqi refugees, housing supply hardly meets the demand. Therefore, the government is progressively opening up to private investment. Although demand mainly concerns the affordable housing segment, Gulf developers focus on luxury projects (second and vacation homes outside Damascus, in Palmyra, Yafour or Sabboura). Retail and office real estate is developing as well. With the entrance of foreign brands and the growing consumption, shopping malls are also under way, such as Shahba Mall in Aleppo and Souk Al Hijaz in Damascus. With the shortage of office space, Damascus has become the eighth-most expensive city to rent in worldwide. New projects are expected to bring down costs. Despite numerous project announcements in the recent years, among which the Eighth Gate Project, Syria's potential for real estate development remains mostly untapped. Since the sector is connected with about 80 to 100 other activities (building materials industry, etc.), its growth has spillover effects. Therefore, the government has made significant efforts to improve the investment climate for real estate development, including reforms to ease the planning and zoning process.
Oppor-tunities	Development and construction of residential complexes, business tours, shopping malls; Public facilities; Hotels; Production of cement, plaster, building materials, etc.
Actors / Targets	Real estate companies, coming principally from Lebanon (Unexim/Akkar Development), the United Arab Emirates (Emaar Properties, Balhasa Int'al Company, Bonyan International Investment Group), Kuwait (Kuwait Financial Centre, Aref Group), Bahrain (Global House), Saudi Arabia (SBG), etc. while cement and building materials producers are based in France (Lafarge), Italy (Italcementi), Germany (Knawf), Saudi Arabia (SBG, Al Mouhib), Egypt (ASEC Cement), etc.
Location	Damascus, Rural Damascus, Aleppo, Homs, Tartous, Lattakia (gypsum)
Policies / Projects	Investment and Real Estate Development Law (2008): suitable legislative environment for real estate and residences development
Contacts	Syrian Investment Agency: www.investinsyria.org

Transport

Challenges / Objectives	In order to maintain and boost its industrial growth, Syria needs to update its transport infrastructure. With 1 461 road, sea and air projects implemented from 1991 to 2007 for a total investment of 52 345 billion Syrian pounds, the transport sector was the most attractive for private investors and created about 35 000 direct jobs. The 2000-2020 Transport Strategy aims at intensifying this trend. With demand growing for both passenger and freight rail transport, Syria plans to rehabilitate its 1 450 km existing network, to build 8 new lines (1350 km), to purchase a new rolling stock and to install new signalling and telecommunication systems. Major developments are also occurring in air transport. Over the 1991-2007 period, 44 new airlines were licensed. In order to meet the growing demand, the Damascus airport will be upgraded and new airports built (Hassakeh, Raqqah, Homs, Palmyra). To absorb the steady increase in volumes of transit commodities, which rose by 20% in 2004, and to benefit from its strategic position in the Eastern Mediterranean, Syria is implementing a plan to develop and reform its ports (Lattakia and Tartous). It includes the building of modern container platforms and stations, the automation of ports, etc. With advice of the World Bank, the government is also investigating options for private sector participation in the construction and operation of 2 major highways (North to South and East to West). Finally, activities which were previously a State monopoly, such as taxi companies, have been opened to the private sector.
Oppor-tunities	Construction and renovation of railways, highways, airports and seaports; Road, rail and air transportation of goods; Catering; Taxi services
Actors / Targets	Maritime transport operators based in France such as CMA CGM (concession of a container terminal in the port of Lattakia); Airline companies based in the Gulf region (Al Aqeelah / Aqeeq), etc.
Location	Damascus, Rural Damascus, Aleppo, Lattakia (port), Tartous (port), Hassakeh, Raqqa, Homs, Idleb, Hama, Dar'a
Policies / Projects	New maritime commercial law and management Damascus International Airport (to be upgraded) Project of training centre for the cabin crew to be hosted at Damascus International Airport
Contacts	Syrian Investment Agency: www.investinsyria.org

Oil and Energy

Challenges / Objectives	Since the beginning of the 1990s, Syria has become a medium-sized oil producer. However, its production and exports have been steadily declining over recent years. With increasing domestic demand and decreasing production, Syria became a net importer as of 2007. In order to boost oil production, the government is investing and encouraging investment in exploration, drilling and refinement. These projects are implemented under production-sharing contracts or joint-ventures with the Syrian Petroleum Company. At the same time, the share of alternative resources in energy production is increasing. Several gas treatment plants have been built and entered production. Syria has also initiated a wind and solar energy development plan with a total investment of 1.48 billion dollars by 2011. Renewable resources are expected to fill about 4% of Syria's demand for energy by 2011 and create 7 225 new jobs.
Oppor-tunities	Oil drilling; Construction and renovation of oil refineries and gas treatment plants; Solar and wind power production
Actors / Targets	Energy groups based in China (China National Petroleum), Canada (Petro-Canada), Croatia (INA), France (Total), Iran (Mapna), Japan (Shimizu), the United States (IPR), the United Kingdom (Dove), the Netherlands (Shell), etc.
Location	Deir Ezzour, Homs, Raqqa, Rural Damascus, Hassakeh for oil and gas; Hama for solar power (production units to be installed in Al-Baida)
Policies / Projects	Business location opportunities in the 3 new Industrial Cities, and especially in Adra: www.a-ic.org (Focus 2) Investment Encouragement Law granting advantages to energy production projects, especially to renewables (Focus 1)
Contacts	Syrian Investment Agency: www.investinsyria.org Ministry of Petroleum and Mineral Resources

Information and Communication Technologies (ICT)

Challenges / Objectives	Activity in Syria's telecommunications sector is heating up, with major developments on the horizon for both the fixed line and mobile branches of the industry. Since build-operate-transfer contracts (BOT) were issued at the beginning of the 2000s, 2 mobile networks have been launched (Syriatel and MTN) and the government is considering offering a 3rd license to bring down prices. As for the fixed-line telephony, the State monopoly STE has embarked on a major modernisation programme of its services and extends their geographic coverage. The upgrade of lines should allow to improve Internet access. Since the completion of the Public Data Network in 2005, which has set in place Syria’s internet backbone, the IT sector has experienced rapid growth. The same year, Best Italia Holding obtained a licence and started providing satellite Internet services, followed by 2 other private companies. In order to improve the household equipment index, the Syrian Computer Society is intensifying its efforts to bring computing to the public.
Oppor-tunities	Telecommunication systems development and management; Production of IT and telephony equipment
Actors / Targets	Telecommunication systems developers (Greek Intracom Telcom), Telecom and Internet companies
Location	Damascus
Policies / Projects	Establishment opportunities in the 3 new industrial cities – see “Free zones and industrial cities” Agreement between the Syrian government and Greece’s Intracom Holdings to build a wireless network providing public institutions with emergency and disaster communications
Contacts	Syrian Investment Agency: www.investinsyria.org Ministry of communications and technology : www.moct.gov.sy

Banking, Insurance and Other Financial Services

Challenges / Objectives	Since the end of the State monopoly in 2001, the financial sector has shown significant development. The adoption of regulation covering conventional and Islamic banking, insurance and micro-credit institutions and the relaxing of restrictions on the interest rate determination contributed to attract new investors to the market. In 2007, 7 conventional private banks, 2 Islamic banks and 6 State-owned banks were operating in Syria. In line with the economic evolution, the private banking sector shows a rapid growth in terms of deposits, by an average 1.5 billion dollars per year. However, public banks still hold about 86% of lending and 75% of deposits. Moreover, the geographic expansion of private banks remains low: there is approximately one branch for every 500 000 people. The insurance sector is expanding as well. In addition to the Syrian General Organisation, Syria counts 13 private insurance companies, of which 4 adopted an Islamic approach. Following the disengagement of the Syrian pound from the dollar, currency exchange has been opened to the private sector and some companies were licensed. Finally, at the official re-opening of the Damascus Securities Exchange in March 2009, 6 large companies were listed. In the first 3 months, 4 more companies received approval. Open to foreign companies, the DSE will help raise capital to develop the Syrian economy.
Oppor-tunities	Banking operations; Insurance of goods and individuals; Foreign exchange services; Brokerage; etc.
Actors / Targets	Banks and brokerage companies, based for the most part in the region: UAE (Daman Securities, Aman), Kuwait (GIH), Qatar (QIIB), Bahrain (Al Salam Bank), Jordan (United Financial Investments, Delta Financial Investments), Lebanon (Bemo, Bank of Beirut), Saudi Arabia (Saudi Fransi), Egypt (Orouba Stock Brokers)
Location	Damascus, Aleppo, Hama, Homs
Policies / Projects	Commercial Centre of the Eighth Gate (under construction) to be the new financial hub of Syria, featuring the Damascus Stock Exchange building Opening of the first Banking Training and Rehabilitation Centre Regulatory and institutional framework protecting clients and investors: Commission on Financial Markets and Securities, Insurance Control Authority, etc.
Contacts	Central Bank of Syria: www.banquecentrale.gov.sy

Tourism

Challenges / Objectives	Syria is blessed with a remarkable history and a cultural heritage (Damascus was named the Arab Capital of Culture in 2008 by UNESCO). Over the year 2008, the country attracted 4% more tourists than the previous year, reaching a total of 814 695 visitors. A 5.1% more came from Arab countries and a 12% more from the European Union. The number of arrivals, including tourists and visitors for business or other reasons, totalled 1.1 million (+2% from the first quarter of 2008). Tourists spent a total of around 747.9 million dollars in the country in the period January-March 2009, a 7% increase. Recognising that the sector's potential for development is largely untapped, the Government wants to make tourism a priority. In 2018, tourism should employ about 2 million Syrians (against 1.1 million in 2008), and generate 9.6 billion dollars of revenue. To achieve these goals, the government has passed regulation to liberalise the sector, invests in human resource training and breaks taxes for foreign investors. Major projects have been launched in the region of Palmyra and Tartous, including a resort in Antaradus. Revealing the positive impact of the government action, the beginning of the 2000s has witnessed a flow of Arab and foreign investments in the tourism sector. They are expected to be implemented during the 2007-2010 period, generating an investment flow of 19 266 million Syrian pounds.
Oppor-tunities	Development and management of hotels and resorts; Opening and management of luxurious shops and restaurants
Actors / Targets	Hotel and resort developers and managers based in the United Arab Emirates (Hedley International Group, Majid al-Futaim, Concorde Hotel & Residence Dubai), the United Kingdom (Carwood Investment, InterContinental Hotels Group), the United States (Starwood), Switzerland (AKDN, Mövenpick Hotels & Resorts), Russia (Intourist, Olympic Tour), Turkey (Dedeman), Kuwait (M.A. Kharafi Group, Al Foutouh), Qatar (QIA/Diar), Saudi Arabia (Nesco, Kingdom Hotel Investments), Pakistan (Danial Industries), Jordan (Syrian Jordanian Investment Co.), etc.
Location	Damascus, Rural Damascus, Homs, Tartous, Lattakia
Policies / Projects	Tax exemption for foreign investors
Contacts	Ministry of Tourism: www.syriatourism.org

11. Tunisia

Economic Outline

Upgrading the economy to withstand international competition

Since the 70s, Tunisia has opted for export-oriented economic model. In 1995, it launched a national industrial upgrading programme in order to increase the competitiveness of its enterprises and prepare them for international markets. In 2008, over 4 000 companies participated in this programme. By 2011, they should be 4 800. The funded projects have helped to increase the share of fully exporting industrial companies up to 45% in 2007. A special scheme of tax-free profits is provided for companies producing at least 85% for export. Industrial exports (excluding food) reported a 4-fold increase compared to 1996, reaching 12 billion Tunisian dinars (7 billion euros) in revenue (84% of national exports).

Taking advantage of its geographical and cultural proximity, Tunisia has progressively strengthened its relations with the European Union, which has become its first industrial partner and customer (80% of industrial exports). Since 1996, exports to member countries grew an average of 10% per year. This rapid rise was enabled by the country's substantial efforts devoted to education and vocational training, transport and logistics infrastructure, creation of production platforms that meet international standards and the facilitation of trade.

Tunisia's entry in a free trade area with the European Union in 2008 opened new opportunities but also new challenges. Heavily relying on exports and foreign direct investment, the Tunisian economy is very dependent to the global context. Faced with the emergence of countries offering unbeatable production costs, a change in its position has proven crucial.

The government adopted a new industrial strategy by 2016 to set a medium-term direction. It aims to differentiate Tunisia from its competitors, such as Asian ones, by adding "hubs" and "innovation" features to its positioning of "back office" / "industrial nearshore". On the one hand, the "Tunisia Location" shall be integrated in a regional and even global value chain by improving logistic efficiency. On the other hand, the promotion of innovation through education and training shall help to increase the value-added production. The main goal is to double exports up to 17.5 billion dollars by 2016.

In this perspective, 3 areas of development have been identified:

- "Upgrading historical industrial sectors": textiles, clothing, leather and footwear, agri-food, phosphates; building materials;
- "Diversifying the Tunisian industry and promoting the emergence of new sectors": electronics, automobile and aeronautics (also known as mechanical and electrical industries, MEI), engineering plastics, pharmaceuticals and biotechnology, ICT, service centres and other services related to industry;
- "Preparing for the next wave of industries and businesses that will regenerate the Tunisian economic fabric by promoting the development of niche markets at the crossroads of several Tunisian industrial sectors", such as mechatronics.

The success of this strategy requires the implantation of large Companies to lead the way. To attract them, competitiveness poles will be created in 4 key sectors: textiles and clothing; MEI, agri-food and ICT. By 2016, they should host 1 000 companies and 40 000 jobs. Another successful example is the recent creation of an aeronautical activity involving a group of sub-contractors or partners of the Airbus programme.

In addition to services related to industry, Tunisia is interested in developing trade, leisure and tourism. By diversifying its economy, the country hopes to reduce its vulnerability to the vagaries of the global context.

Focus 1. A knowledge economy based on innovation, R&D and training

Under the new industrial strategy, a **national programme to promote innovation and ICT** has been launched. It aims to disseminate new technologies in all economic areas notably by encouraging incubators and cyberpark projects. Since 2007 and until 2011, these projects will benefit from land at a nominal premium and will be granted an investment bonus up to 20% of the project cost. A one-stop shop for ICT was created to spur investment in this area.

Recognising the importance of research in the development of innovation, the government allocates a growing budget to **promote the Tunisian research capacity**. In 2008, 20 institutes, 6 technology parks (4 new ones are planned), 150 laboratories and 500 research units totalling 27 000 researchers received 1.2% of GDP. The implemented projects aim to tackle the challenges resulting from globalisation and the increasing environmental pressure in a number of sectors (textiles, agriculture, etc.). Tunisia is the main southern Mediterranean country participating in R&D European programmes (PCRD) in number of projects,.

To enhance the knowledge of researchers and specialists in promising economic sectors, significant investments were made in favour of academia. The number of students in **higher education** increased from 44 000 in 1987 to 415 000 in 2007. 11% of these students have specialised in ICT. The State fully (for 2 years) then partially (5 years) supports employer's contributions relating to the hiring of new graduates (two-year postgraduate or more).

The Tunisian Agency for **Vocational Training** manages 135 training centres, 47 of which are sectoral. Since 1992, agreements and loans of France's Manforme programme led to the creation of 15 training centres (El Khadra telecommunications, textile at Monastir, platforms dedicated to electricity and electronics in 13 centres, etc.). 11 other centres are undergoing restructuring. By 2011, the 11th Development Plan provides for the establishment of a vocational baccalaureate, certification of 50 vocational training centres, etc. The 4 priority areas are: construction, electrical and electronic products for construction, welding and metal construction and tourism.

To encourage investment in the sector of higher education and vocational training, several advantages are provided: tax deductions on reinvested profits; reduced rate on income and earnings; suspension of VAT on goods of imported equipment that cannot be found locally, etc.

[More informations on: www.edunet.tn]

Targeting technology-intensive FDI to increase value-added exports

In the continuity of the past 40 years, the Tunisian strategy is focused on economic development for export. However, 80% of exports are made by foreign companies or firms with foreign capital operating in Tunisia. In late 2008, there were 2 966 foreign or mixed capital companies. FDI inflows, which grew from 347 million Tunisian dinars (208 million euros) in 2006 to 485 million (283 million euros) in 2007, helped to boost the industry. One half of the amount was invested in the engineering industries and in textiles and clothing.

This strong attractiveness is due to the adoption of a legal framework ensuring the freedom to invest in most sectors as soon as 1994. It applies to both domestic and foreign investors who can implement their project without necessarily associating with a local partner. Moreover, many measures improving the business environment and removing barriers to investment were taken in recent years: administrative simplification, tax preferences, dismantling of customs barriers, investment incentives, access to financing, etc. They are particularly favourable for exporters.

To achieve the objectives of the new industrial strategy, Tunisia should total 1.8 billion dollar industrial investment by 2016, equivalent to three times the amount of t2007. An important contribution of FDI is expected.

Historically oriented toward low value-added activities which are highly manpower-consuming, the country is now targeting a wider spectrum of projects, especially technology-intensive ones requiring a large R&D capacity and qualified labour. This new target implies a shift in policy vis-à-vis FDI which should be more focused on measures related to education, training, R&D and innovation.

Focus 2. Incentives favourable to exports and regional development

Adopted in 1994, the Code of incentives for investment provides **common incentives**: the relief of reinvested earnings (within 35% of the amount subject to tax), exemption from duties and VAT on goods of imported equipment if not locally found.

Furthermore, **exporting firms** benefit from total exemption from tax on profits from exports for 10 years, the total exemption of reinvested profits and revenue, a complete exemption from taxes and duties on equipment goods (transport equipment goods, raw materials, semi-products and services required for the included activity) and the possibility of selling up to 30% of their industrial or agricultural production to the local market.

To encourage **regional development**, some areas benefit from additional benefits, the duration and the amount of which depends on the project nature (industry, tourism, handicrafts, services) and the area category (groups 1, 2 and priority areas): exemption from tax on reinvested profits and earnings, net income from investment of the tax base on income and corporation tax, support by the State of the employer's contribution to statutory social security for wages paid to Tunisian officials, exemption from the contribution fund to promote housing for employees; possible State's contribution for the infrastructure expenses necessary to industrial projects (25% in areas of group 1, 50% for group 2 and 75% in priority areas); investment bonus for manufacturing projects, crafts, services (8% of the investment for group 1, 15% for group 2, 25% for priority areas), or tourism (8% for housing, entertainment and spa tourism, 25% in areas of mine conversion).

The **agricultural sector** also benefits from specific advantages: total exemption from tax on reinvested profits and earnings, total exemption from tax for 10 years, suspending the VAT on capital goods imported if not locally found ; possible State's involvement in infrastructure spending for the development of areas for aquaculture and crops using geothermal energy; bonus of 7% for primary processing projects; additional bonus for projects in areas with difficult climate and fisheries projects in the North coastal ports. The Code encourages environmental conservation projects.

On the advice of the Higher Commission for Investment, other incentives are granted by decree to projects of particular interest for the Tunisian economy.

[More informations at FIPA-Tunisia: www.investintunisia.tn]

Focus 3. Multiplication and diversification of establishment areas

In 2008, Tunisia had **122 industrial zones** covering a total area of 2 500 ha concentrated on the coastal axis. By 2011, 35 new areas will be created under the 11th Development Plan, bringing the total area up to 4 500 ha. The new industrial strategy also foresees the development of 3 000 ha by 2016, 1 000 of which to be managed by private companies.

To balance the high concentration of activities on the coast (84% of industrial zones in 2006 and 80% of jobs), the implementation of the 2008-2016 master plan for the development of industrial areas will allow the realisation of 1 150 ha in Central Tunisia, which will host 40% of the industrial areas by 2016, against 16% in 2006.

2 business parks (Bizerte and Zarzis-Jerba) also host business on a well served site offering quality services.

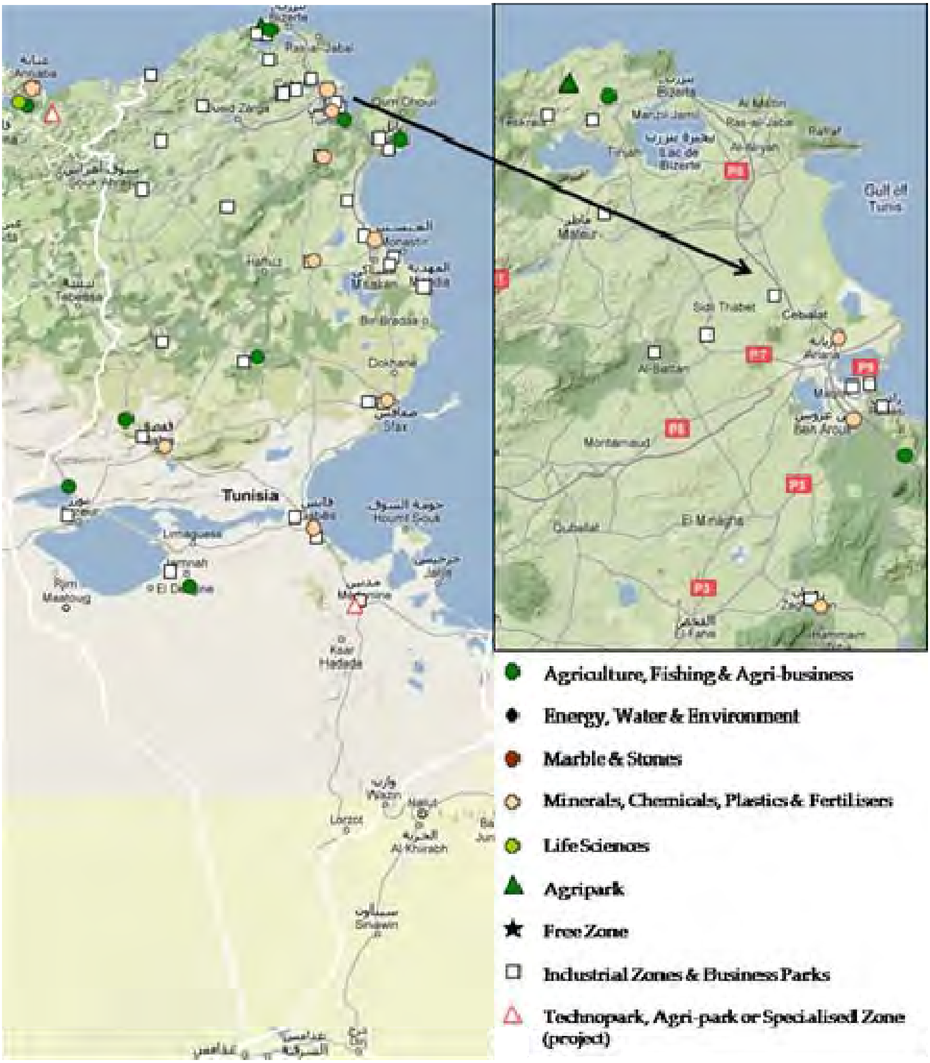
To encourage ICT development by linking companies, universities and research centres, Tunisia has set up a first technopark. Equipped with modern infrastructure and quality services, the **El-Ghazala Communication Technologies Cluster** provides incentives for innovation in ICT. To meet the growing demand from technology companies and foreign groups, it has been extended several times until new areas have been created in the governorate of Ariana and Manouba. 100 000 m² of additional space has also been allocated between Sousse and Sfax technoparks. All three are part of the first Tunisian competitiveness poles.

[Elgazala Pole of Communication Technologies: www.elgazalacom.nat.tn]

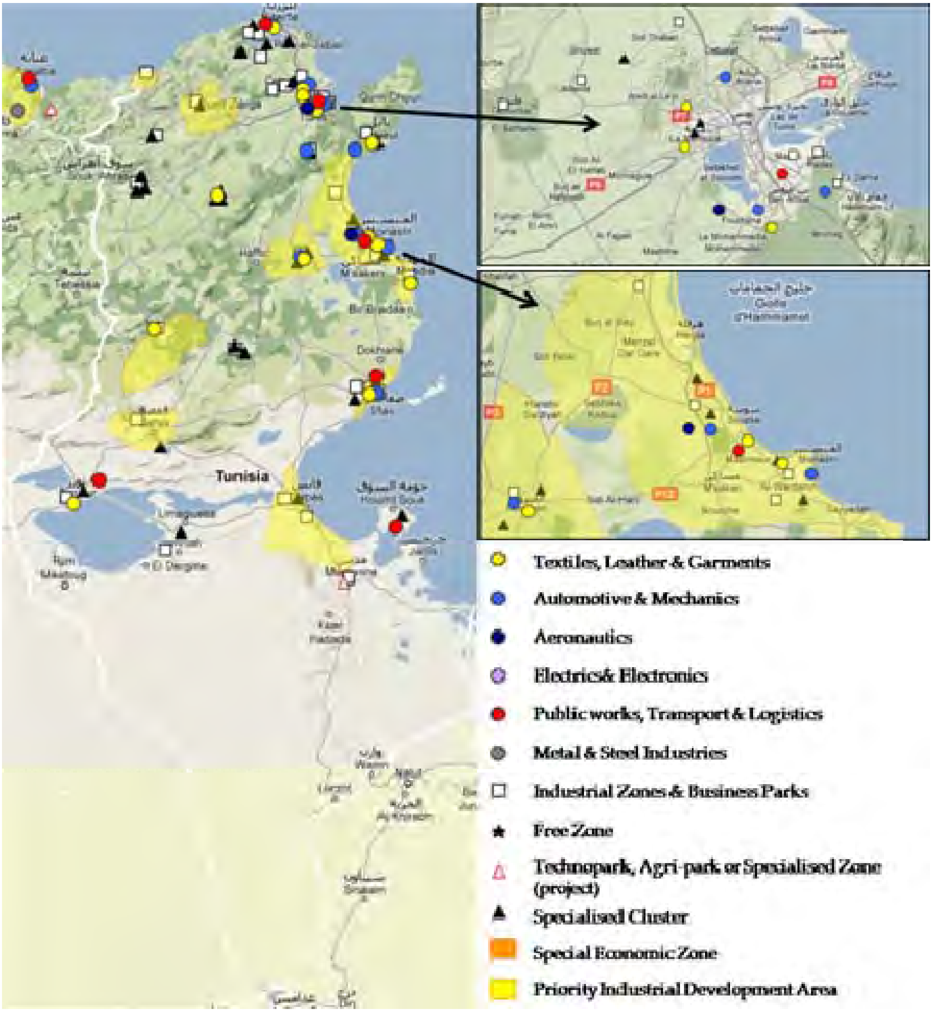
Following the success of El-Ghazala, **6 new technoparks** are under construction. Based on the economic fabric of companies, research centres and specialised institutes, these poles aim to create synergies and promote the development of innovative industries: renewable energy, water, environment and plant biotechnology in Borj Cédria; biotechnology in Sidi Thabet, mechanics, electronics and computers in Sousse, computing, multimedia and new technologies in Sfax, textiles and clothing in Monastir-El Fejja (competitiveness pole consisting of a technical centre in Monastir, 2 industrial parks in Monastir and El Fejja Manouba), the agri-food industry in Bizerte. Other technoparks are being built in Medenine (resource valorisation of the desert), Jendouba Ennahli (ICT) and Manouba (ICT). Ultimately, the country should have 20 technoparks, which will be aggregated into competitiveness poles.

[Further information from FIPA-Tunisia: www.investintunisia.tn]

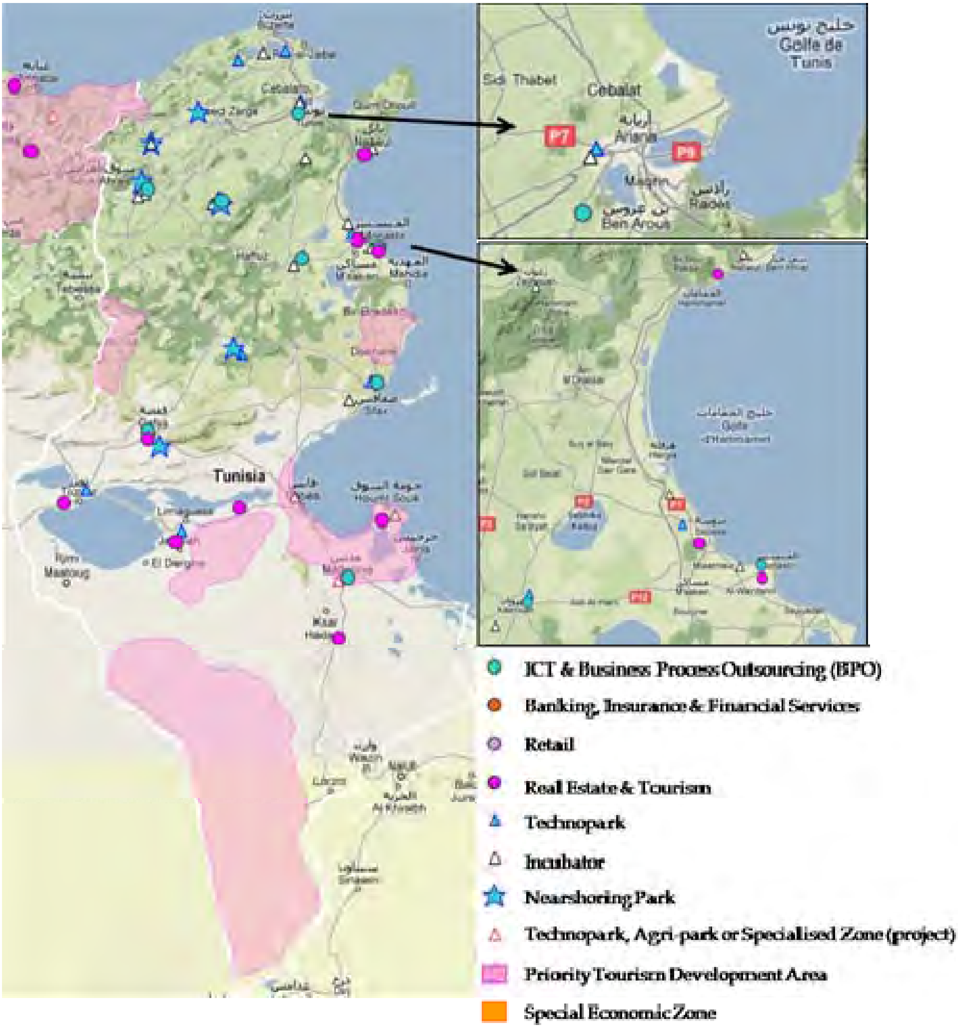
Strategic Map / 1. Resources



Strategic Map / 2. Industry



Strategic Map / 3. Services



Strategic Sectors

Mechanical and Electrical Industries (MEI)

Challenges / Objectives	With strong potential for increasing exports, MEIs production have doubled since 2003, reaching over 4.6 billion euros in 2008, 54% of which for the sole electrical industry. During this period, the sector has benefited from an average increase of investment of 15% per year, and even 31% for the electrical and electronic industries. Exports more than doubled to reach 3.5 billion euros in 2008. European countries remain the first customers of Tunisia. The sector of aeronautical and automotive components has dramatically grown over the last ten years: its exports have increased 5 fold to reach over 1 billion euros in 2008. By 2016, MEI will account for 46% of exports, against 25% in 2006 (+13.2% per year). To achieve these targets, Tunisia focuses on innovation, synergies through cross-sector approach and a 11.3% annual rise in investment between 2006 and 2016.
Opportu-nities	Electrical, electronic, automotive and aeronautical components; Mechatronics; Metal construction; Foundry
Actors / Targets	Foreign or mixed majority capital groups: French (Safran, Latelec procurement services, Zodiac, DELFINGEN, Valeo, ACTIA), Italian (Avionav, Indesit), German (Bosch, Fritz Driescher, Kaschke), Asian, etc.
Location	Tunis (aeronautics), Sousse, Ariana, Ben Arous, Bizerte, Hammamet, Kairouan, Manouba, Monastir, Sfax, Zaghouan
Policies / Projects	Sousse Competitiveness Pole dedicated to MEI: 190 ha planned to host 150 companies and 8 000 jobs Industrial Zone dedicated to MEI in Enfidha: www.enfidha.net Aerolia Park(EADS) in the suburbs of Tunis Benefits to totally exporting companies (Focus 2) Education: engineering schools, higher institutes of technological studies (ISET), sectoral and multi-sector training centres
Contacts	Tunisian Aerospace Industries Association: www.gitas.org National Federation of Electricity and Electronics, Fedelec-UTICA-www.fedelec uaf.com FIPA-Tunisia: www.investintunisia.tn

Textiles, Leather, Clothing and Footwear

Challenges / Objectives	First industrial employer, this traditional Tunisian economic sector developed through outsourcing for European companies. Thanks to its adaptability to changes (decommissioning in 2005, Multi-Fiber Agreement), Tunisia has come out as the 5th largest supplier to Europe. Between 2002 and 2007, textiles and clothing exports grew by 4% per year on average and leather and shoes exports by 8%. Nearly 96% of exports are directed to the European market. Attracting over one-fifth of total FDI, the textiles-clothing sector has benefited from an average 27% annual increase in investment during the 2005-2008 period. Faced with competition from Asia, Tunisia undertook a qualitative upgrading of its production (small and medium series, technical textiles, finishing, creation / design) and a shift towards co-production. It hopes thus to increase its exports by 5.1% per year between 2006 and 2016.
Opportu-nities	Spinning; Weaving and finishing; Creation / Design; Manufacture of small and medium series (jeans, knitwear and work clothes, hosiery); Technical textiles; Leather and leather goods; Logistics
Actors / Targets	50% of companies with foreign participation: French (DMC, Aubade, Lafuma), Italian (Cofra, Benetton, Dainese), German (Gardeur, Rieker, Van Laak), Dutch, Spanish (Inditex)
Location	Ariana, Ben Arous, Bizerte, Kairouan, Kasserine, Mahdia, Monastir, Manouba Medenine, Monastir, Nabeul/Hammamet, Sfax, Sidi Bouzid, Siliana, Sousse, Tozeur, Tunis
Policies / Projects	Monastir El Fejja Competitiveness Pole (210 companies and 12 000 jobs by 2016): Monastir Technopole, 2 industrial parks (Monastir and El Fejja-Manouba) and In'Tex network involving Tunisian and foreign professionals: www.mfcpole.com.tn Benefits to fully export-oriented companies (Focus 2) Training and research: Ksar Hilal ISET, engineering school and institute of higher fashion professionals at Monastir, National centre of leather and footwear, 30 vocational training centres, Textile Technical centre (www.cettex.com.tn)
Contacts	National Textile Federation of Textile: www.utica.org.tn Syndical Chamber of Leather and Footwear FIPA-Tunisia: www.investintunisia.tn

Agriculture and Agri-Business

Challenges / Objectives	Favoured by a propitious climate and abundant land resources, agriculture is the main activity in several Tunisian regions and it actively contributes to the country's production (12% of GDP), job creation and the balance of payments. Over the 2004-2008 period, farming, arboriculture, horticulture and cereals have been the major productions. In 2008, fish production was estimated at 105 000 tons; most of the country's 1 300 km coastline potential being untapped. Agricultural products are either sold in the local markets, exported or introduced into the food production chain. Along with the development of free competition and private sector, Tunisia's agriculture registered a 25% increase in investment between 2004 and 2008 and a 40% increase in production by. Drawn by leading products and a growing demand in neighbouring markets, exports have increased by 30%. The olive oil, contributes up to 43%, Tunisia being the 2nd largest exporter. By 2016, Tunisia hopes to increase its food exports at a 9% annual rate, to promote value-added production and to upgrade its distribution channels.
Opportu-nities	Conditioning of oils; Fruits; Vegetables and seafood; Breeding fish and shellfish; Production of meals and Frozen, biological and health-nutrition products
Actors / Targets	Italian (Francesco Fiordelisi), French (Candia, Nestle, Danone, Alsa), Libyan, Belgian and Spanish companies
Location	Agricultural activities throughout the country, agri-food in Bizerte notably
Policies / Projects	Bizerte Competitiveness Pole: 150 ha planned to accommodate 170 businesses (9 000 jobs), centres of R&D, training, etc. Tax exemption on profits for the first 10 years (and then a 10% rate) for agricultural projects Training and research: technical centre of the agri-food (www.ctaa.com.tn), technical centre of packaging (www.packtec-tunisia.com), National Institute of Nutrition & Food Technology, engineering schools, training centres
Contacts	Agricultural Investment Promotion Agency: www.tunisie.com/APIA National Agri-Business Federation: www.utica.org.tn

Information and Communication Technologies (ICT) and Business Process Outsourcing (BPO)

Challenges / Objectives	With a strong development potential in the local and global markets, this sector has become the spearhead of Tunisia's economy. In 2008, its contribution to GDP was about 8%, against 2.5% only in 2002. It should reach 13.5% by 2011 and 20% by 2016. Exports are expected to increase from 53 million dinars (31 million euros) in 2007 to 500 million dinars (292 million euros) in 2016. To achieve these targets, a 3.9 billion dinars (2.3 billion euros) public investment is planned for the 2007-2011 period, against 430 million dinars between 1992 and 1996. The liberalisation of telecommunications facilitated the entry of new players (1 548 SSII, 300 systems integrators, 400 distributors, 12 internet providers, 8 development centres), which actively contribute to developing the sector and creating jobs (3 000 to 4 000 per year). To accelerate the spread of digital economy, Tunisia initially focuses on the local market and relies on the expertise of worldwide operators. The parallel development of BPO activities foreshadows a massive rise in export of ICT services.
Opportu-nities	Networks of landline and mobile phone (Build Operate Transfer or concession); Related Services; BPO; IT / Nearshoring
Actors / Targets	Many foreign groups: telecom operators (Orascom, Alcatel, Sagem, DIG, Siemens), computer companies (ST Micro, Microsoft, Cisco Systems, Sopra), BPO specialists (Teleperformance)
Location	Tunis, Sfax, Kef, Siliana, Monastir, Sousse, Kairouan, Medenine, Gafsa
Policies / Projects	2 ICT competitiveness poles: El Ghazala Communication Technologies City in Tunis + technopark devoted to IT and multimedia in Sfax (300 ha, 440 companies, 8 750 new jobs) Tunis Telecom City Project in Kalaat Landlous: University of telecom, technopark, venture capital, International Marketplace, process outsourcing, offshore zone, etc. 2 technoparks dedicated to ICT under development: Ennahli and Manouba 7 cyberparks have already been settled and 30 are planned by 2016 Programme to promote innovation and ICT (Focus 1) One-stop shop for ICT: import / export of equipment and systems, research, national agencies (frequency, certification)
Contacts	National IT and Office Automation Association, Fedelec-UTICA-www.fedelec uaf.com FIPA-Tunisia : www.investintunisia.tn

Chemical and Plastic Industry

Challenges / Objectives	This hitherto undeveloped sector has attracted the attention of governments and the private sector in recent years. From 2003 to 2007, the chemical industry has grown at a rather low pace of 6% per year on average. But massive and increasing investments have been recorded during this period. From 100 million dinars in 2003, investments rose to 140 million dinars (82 million euros) in 2007. This 40% increase allowed the emergence and structuring of the industry. In 2008, the sector included 241 firms with 10 or more employees, including 39 fully export-oriented companies and 156 companies with foreign participations. Between 2003 and 2007, exports increased at a 16% annual rate, with phosphate derivatives still counting for 76%, suggesting a promising outlook. During the same period, the plastics industry has experienced a real boom with an annual growth rate averaging 21%.Exports increased by 23% per year on average. In 2008, the plastics industry had 250 firms with 10 or more people, including 62 fully export-oriented companies and 81 companies with foreign participation. Given their export potential and their close links with other strategic sectors, the chemicals and plastics sectors could be the engine of growth in Tunisia over the next decade.
Opportu-nities	Engineering Plastics (luxury packaging, construction, agriculture); Plates and tubes; Medicines (generics and vaccines); Soaps and cleaning products, etc.
Actors / Targets	French (Plastivaloire, Pronal, Zodiac), UK (BG Group), Italian, German, American (Cosfibel), Indian (GFCL-GFCF, Coromandel Fertilizers) Iranian (IPCC), Turkish (Adopen Plastik), Jordanian groups, etc.
Location	Ariana, Ben Arous, Gabes, Gafsa, Kairouan, Sfax, Zaghouan, Sousse
Policies / Projects	Technoparks dedicated to biotechnology under construction Technical centre for packaging and processing industries in Tunis (www.packtec-tunisia.com): laboratories, training, etc.
Contacts	FIPA-Tunisia : www.investintunisia.tn

Tourism

Challenges / Objectives	The pleasant climate, the long sandy coastline and the various historic and cultural sites have made Tunisia a popular tourism destination for Europeans. In 2008, the country hosted 7 million foreign tourists, a 5% rise in comparison with 2007. Tourism is the main source of foreign exchange; it generates 6.5% of GDP, employs 12% of the workforce and has a strong ripple effect on other sectors such as air transport, handicrafts, trade and construction. This sustainable attractiveness has been supported by the joint efforts of the government and private sector since the 1960s. Until the 1990s, the strategy targeted quantitative tourism and mostly seaside tourism. In 2007, Tunisia offered 232 000 hotel beds. Given the reduction in the average length of stay of tourists and lower occupancy rates, the strategy is gradually moving towards a diversification of supply, through the development of Saharan tourism and a rebalance between coastal and inland tourism through encouraging investment in priority areas.
Opportu-nities	Acquisition of companies in difficulty; Planning and Development of resorts (Saharan tourism, green tourism including sea water therapy and medical tourism); Renovation
Actors / Targets	Libyan (Laico, Lafico), European (TUI, Fram, Club Med), Gulf (MBI International, CTKD) companies, etc.
Location	Djerba, Sousse, Nabeul-Hammamet, Monastir, Sfax, Yasmine Hammamet for seaside tourism, Gafsa, Jerid, Nefzaoua, Matmata, Tataouine for Saharan tourism
Policies / Projects	Investment bonus of 8% for tourism projects in priority areas, of 25% for mine conversion projects in the governorate of Gafsa (Focus 2) Privatisation: Ed Skanes-Ed--Dkhila tourism area- in Monastir Concessions: medical tourism complex of Khabayat in Gabes, Lella Hadhria tourism area in Djerba, El Kessour Hergla marina, Grand Korbous spa and resort city, rehabilitation and development of the Sebkha of Ariana to create a tourism city, etc.
Contacts	National Tunisian Tourism Office (one stop shop for tourism projects) : www.bonjour-tunisie.com

Building and Public Works (BTP)

Challenges / Objectives	Cornerstone of the development of infrastructure and housing, this sector has experienced a remarkable development. The mega-projects announced are expected to result in a quantitative and qualitative shift in this sector the coming years. In transport, road infrastructure will double by 2016: extensions of the Sfax-Bizerte and the Tunis-Oued Zarga highways, construction of 9 interchanges in the Greater Tunis. A regional rail network will enhance public transport in Greater Tunis. A logistics and economic zone in Enfidha deepwater port (1.4 billion euros) will be connected to the whole country by rail and road, and equipped with an international airport (inaugurated in late 2009). In the field of water and energy, initiatives abound: pollution mitigation in Sfax, desalination at Djerba, sewage at Tunis South, power stations in Bizerte, Sousse and El Haouaria / Cap Bon, private refinery at Skhira, etc. Since the late '80s, the government is committed to expand the supply of housing and urban infrastructures to meet the population needs, with major projects such as Tunis Financial Harbor, Tunis Sports City and the "Mediterranean Gate". Tunisian companies are in competition with international groups to promote the *professionalisation* of the sector.
Opportu-nities	Construction and operation of networks and equipment (Build Operate Transfer or concession); Subdivision and land development;, Construction of homes and industrial buildings
Actors / Targets	GCC companies (Bukhatir, Sama Dubai), European (DIET SA), Turkish (TAV), Asian, etc.
Location	The whole country (approach based on city competitiveness and rebalancing between coastal and inland areas)
Policies / Projects	Poperty Development Law of 1990: promotion of housing development projects, especially social housing projects Incentives for industrial facilities construction in regional development areas (Focus 2) Payment period shortened to 45 or 60 days
Contacts	National Federation of building and public works contractors

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The Invest in Med programme aims at developing sustainable trade relationships, investments and enterprise partnerships between the two rims of the Mediterranean. Funded at 75% by the European Union over the 2008-2011 period, it is implemented by the MedAlliance consortium, which associates economic development organisations (ANIMA, leader of the programme), CCIs (ASCAME, EUROCHAMBRES), and business federations (BUSINESSMED). The members of these networks, as well as their special partners (UNIDO, GTZ, EPA Euroméditerranée, World Bank, etc.), gather a thousand of economic actors - mobilised through pilot initiatives centered on key Mediterranean promising niches. Each year, a hundred operations associate the 27 countries of the European Union and 9 Mediterranean partner countries: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia.

Mediterranean Investment Map

Sectoral guidebook on public investment policies in the Mediterranean

Study N°7 / January 2010

This guidebook is the first step of a surveying and mapping work of the economic activity in the Mediterranean, undertaken by the Invest in Med programme to help countries to better understand and compare themselves.

However, the main purpose is to provide investors, especially foreigners, who target 9 of the Southern Mediterranean countries benefiting from the Invest in Med programme, with an operational tool that would help them in answering the following questions:

- *What are the countries that wish to promote the development of enterprises in my sector?*
- *What are the regions in which my business can grow? What are the infrastructures, industrial or economic zones in which I am likely to find partners, sub-contractors, competitors?*
- *What are the facilitating policies that affect me? Whom to contact to activate them?*

Users of this guide have the choice between 3 gateways to access to information: a captioned map per country that offers a view of the key sectors in the country and the main infrastructures and zones in which the economic development is polarised; for each country, a set of summary sheets on the industrial strategy, the country position vis-à-vis foreign investors, the sectors of specialisation by region; for 15 major sectors whose development is considered a priority by the Med countries, the list of countries where each of them is present and, for each country, a fact sheet on the challenges, opportunities, players and contacts for this sector.

www.invest-in-med.eu