

Unified Investment Law Freedom: Will the Government Get it Right This Time?

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Social to the Middle East Times

THREE weeks ago I was shocked to read in both dailies *Al-Ahram* and *Al-Akhar* that the government is currently drafting a new piece of legislation which it is calling the new unified investment law.

According to press reports this new unified investment law would have as its purpose the unification of existing business legislation and would be used as a mechanism for aiding in the process of public sector restructuring. The various press reports on the subject indicated that the new unified investment law would bring together elements of Law 43—the joint venture law, Law 159—the law of corporations, the recently enacted Law 230 (also called the unified investment law), and Law 97—the public sector law, with the purpose of having one legislative umbrella through which all businesses in Egypt would operate.

Such a law for example, according to the press, would give the public sector certain privileges in managing their enterprises as if they were commercial enterprises, and on the other hand would force state firms to pay identical prices for inputs at the same rates required by other private sector competitors to end all forms of discrimination!

Unbelievable. Really, this is simply just too bizarre. Did we, or did we not, claim to have done all of the above in the recently enacted unified investment legislation, Law 230, that the People's Assembly just approved? Aren't the objectives listed above in press reports for the new law that the government now claims that it is drafting exactly identical to what Law 230 was supposed to have achieved?

There must be something seriously wrong here. The government spends over four years working on a unified investment law that is supposed to merge parts of laws 43, 159 and 97 together. After all of that time a so-called unified investment law is enacted, Law 230, but fails to unify the various investment laws in Egypt, does not end public sector discrimination pricing privileges, and provides no legislative methodology through which public sector firms may restructure their operations.

Now the government wants to try again and unify the newly enacted Law 230, that did not really unify much, with laws 43, 159, and 97 to create a really unified investment law that would achieve what Law 230 was supposed to achieve. Does this make sense to anyone? What were the masters of Law 230 thinking in the process of drafting their so-called unified investment law? Why did they on intention not attempt to seek the views and advice of both private entrepreneurs, public sector reform specialists and international donors in

the drafting process? Why was Law 230 issued contrary to the desires of the various business chambers of commerce as well as many government officials in Egypt?

In fact a few days before Law 230 was enacted the Egyptian Businessmen's Association handed the prime minister a list of grievances about this so-called unified law, none of which were taken into consideration. Law 230 carried with it some bizarre twists. For example, it requires all investment projects approved under its umbrella to allocate 10 percent of their profit to employees in the form of bonuses with no upper limit! What happens in cases where capital intensity is high and labor intensity is small?

For example, would a capital intensive chemical producer who makes a net profit of \$50 million and has 100 employees be required to give each one of his employees \$50,000 in bonuses? Does this sound like investment promotion, or investment demotion? Nor were those individuals heavily involved in public sector restructuring efforts brought in to discuss Law 230 in its draft stage.

Many of these individuals, among them myself, have over the last three years at least been suggesting the need of thinking Law 97—the public sector law with the law of corporations and the joint venture law, Laws 159 and 43 respectively. Yet, we too were not consulted and the unified investment, Law 230, was issued with no clear tie in to public sector reform plans.

More importantly, why were international donors like the World Bank and other similar institutions not consulted for advice during the drafting of Law 230?

Over the past two and a half years the best economists in the world have been sent to help various Eastern European nations in the process of drafting their new investment laws which are quite different from the kind of legislation we have just enacted. I have just recently reviewed the new Yugoslavian investment law which I can assure you bears no resemblance to Law 230. Our unified investment law 230 is in my opinion a serious step backward in terms of private sector investment even in comparison to Law 43. Simply, Law 230:

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In the final analysis I believe that the government is now aware that Law 230 does not include within it the incentives necessary to make Egypt a center for attraction for international investment in comparison to the advanced countries provided in many of the new investment laws recently introduced in Eastern Europe. What though is truly sad is that an investment law with the disadvantages listed above can be approved by the People's Assembly contrary to the desires of the majority.

Now the government is confronted with the need to come up with a new—unified investment law that takes out its built in disadvantages, links it to the public sector reform effort, and brings in parts of Law 159 to allow firms to move to joint stock status easily.

I wish the government luck with its newest attempt at getting the investment law to be truly attractive and I hope that this time the final result will not end up being simply second rate.