



Finding success in the Egyptian market

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Interview: Hassan Allam, CEO of Hassan Allam and Sons

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Since its establishment in 1975, Hassan Allam and Sons has become one of the largest construction firms in Egypt, with a history that has endured many economic and political changes.

Sitting in the firm's Cairo office, CEO Hassan Allam tells MEED he expects a projects boom, due to the government's economic strategy around foreign investment and private sector activity.

"We are the oldest private sector company in Egypt with a lot of history," says Allam. "We are one of the largest in terms of figures and capabilities. [We are] market leaders in several sectors, so we offer engineering and construction services to energy, transportation, building and heavy industry."

He expects next year to be busy. "We have an all-time-high backlog and pipeline of projects," he says. "The contracts we have signed are the highest we have ever committed to in terms of monetary value. We have \$2bn of new work due to start on in 2016."

Key facts

- \$2bn-worth of backlogged projects to start in 2016
- 11,000 workers in Egypt, Algeria and Saudi Arabia
- Algeria is Hassan Allam and Sons' second-biggest market, followed by Saudi Arabia

Hassan Allam and Sons is working on several major construction, infrastructure and utility schemes, such as the development of the New Capital International Airport, which should be complete by the end of this year.

"We are delivering the raw water transmission line in 6th October City, and this is a lifeline of water supply for [the city] and Giza," says Allam. "We have also broken ground and started to do civil works on the Gabal al-Asfar wastewater treatment plant, which is the largest in Africa".

In addition, Allam says the company is working on about 200 kilometres of new roads, with many in advance stages of construction and due for completion in the first and second quarters of 2016.

As Egypt looks to private and foreign investors to press ahead with infrastructure and utility programmes, the country's [PPP \(public-private partnership\) Central Unit has been hailed as a success](#) with its comprehensive laws and ability to implement major schemes.

PPP success

"I think they are doing a good job, despite being hit with numerous challenges that have made it very difficult to encourage investors to come to Egypt let alone be involved in a PPP programme," says Allam.

Private sector involvement in projects is vital for Egypt's quest for development, says Allam, although he admits the government and the army must do more to encourage that participation.

"The PPP model and other similar concession schemes are very good for the country," he says. "We are negotiating the Dairut IPP [independent power project]. We are negotiating technical and commercial aspects. We expect an award by the first quarter of 2016, with work starting in the second or third quarter."

Hassan Allam and Sons is working in partnership with Saudi Arabia's Acwa Power for the combined-cycle Dairut IPP. It is regarded as key for Egypt's development, being the largest IPP tendered to date and also the first since the late 1990s.

Power shortfall

During peak periods in the summer of 2014, Egypt's energy shortfall reached 5,400MW, leading to blackouts and the disruption of major services, such as the Cairo Metro. The country's power sector requires a total investment of about \$70bn. At the Egypt Economic Development Conference in March, the Electricity & Energy Ministry revealed it was planning to secure \$25bn of that total from the private sector in the years up to 2022.

Despite government efforts to involve the private sector, Egypt continues to be in desperate need of increasing its foreign direct investment (FDI). Security and currency concerns, coupled with continued bureaucratic barriers, has meant the promise of an improved investment environment has yet to be delivered.

"An increase of FDI is vital for the country and important for companies like us as it means more work," says Allam.

Currency fluctuations, an overvalued pound and limits on dollar deposits in local banks have all meant foreign investors continue to hold back on activity in Egypt. Meanwhile, the central bank attempted to alleviate investor concerns through a 2.5 per cent [devaluation of the pound](#) in early October.

Currency devaluation

"The devaluation was the only way to go," says Allam. "The consequences of it are not good in the short term, but it's the only way forward. We can no longer sustain an exchange rate that is not reasonable and hence what is happening today."

For bigger firms that also work abroad, foreign revenues allow for such risks to be mitigated. "But smaller, local firms will suffer as imports and operational costs increase," he says.

Allam uses this point to emphasise his firm's commitment to Egypt's economic roadmap. "We are an Egyptian company and if that means we have to squeeze ourselves for a while, we will," he says. "It is good for the country so we will do it. Egypt has a long way to go and we fully realise that."

International companies have been closely following Egypt's progress and, despite many setbacks, the government has moved ahead with some of its plans. "International firms must realise Egypt is a market where opportunities are not consistent", says Allam.

Despite this, the man at the helm of one of Egypt's largest construction firms says that while opportunities may be cyclical, "they are there and many companies have found Egypt to be incredibly successful, with some firms seeing margins higher than those in their home countries".

Local philosophy

Meanwhile, Allam affirms his view that real success in the Egyptian market can only be achieved through the application of a local philosophy. "Companies must apply a local flavour when they set up operations in Egypt," he says.

"As with many markets, if you don't have a local flavour to your business you will struggle. That doesn't mean they need a local partner, but their set-up needs to be local and they need to invest before they start seeking returns.

"Companies with operations dictated by offices abroad in the US, Europe or the GCC are most likely not going to find the success they are looking for here."

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