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Economic Bulletin



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Egyptian Economy in Brief

Central Bank of Egypt Takes Positive Decisions Reflecting Confidence in Exchange Market

In light of the positive impact of Central Bank of Egypt's (CBE) monetary policy under Egypt's economic reform program, the Monetary Policy Committee (MPC) decided on 15 February 2018 to cut the overnight deposit and lending rates and the rate of the CBE's main operation by 1% to 17.75%, 18.75% and 18.25% respectively. The discount rate was also reduced by 1% to 18.25%.

Tarek Amer CBE Governor

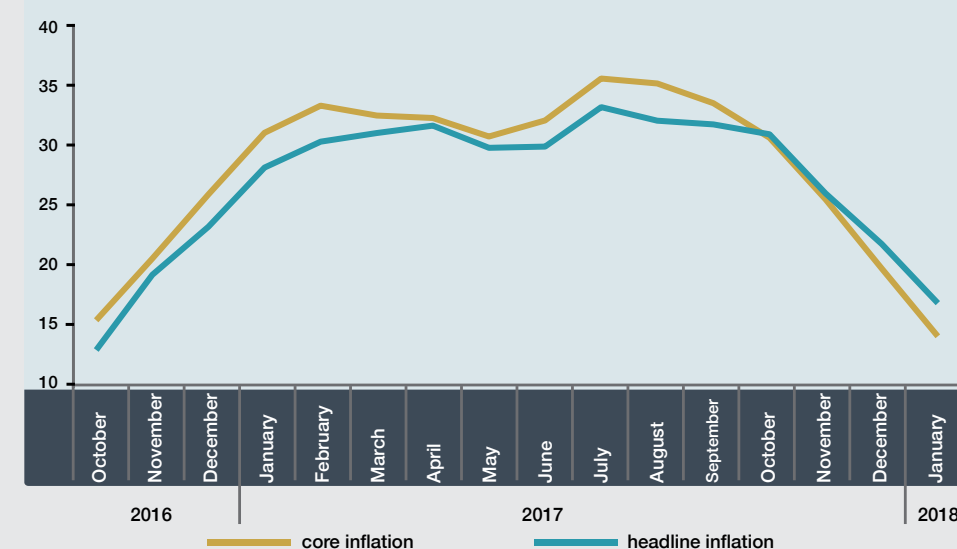


Inflation rates crossed the 30% threshold following the decision of EGP liberalization in November 2016. The CBE hence tightened its monetary policy by gradually raising interest rates by 700 basis points to contain inflationary pressures. Nonetheless, CBE announced, for the first time ever, a target inflation of 13%, ($\pm 3\%$), in the fourth quarter of 2018, with an eye to reaching a single-digit thereafter.

Inflation pressures have started to ease since August 2017 with annual headline and core inflation rates falling to 17.1% and 14.4% respectively in January 2018, from a peak of 33% and 35.5% respectively in July 2017.

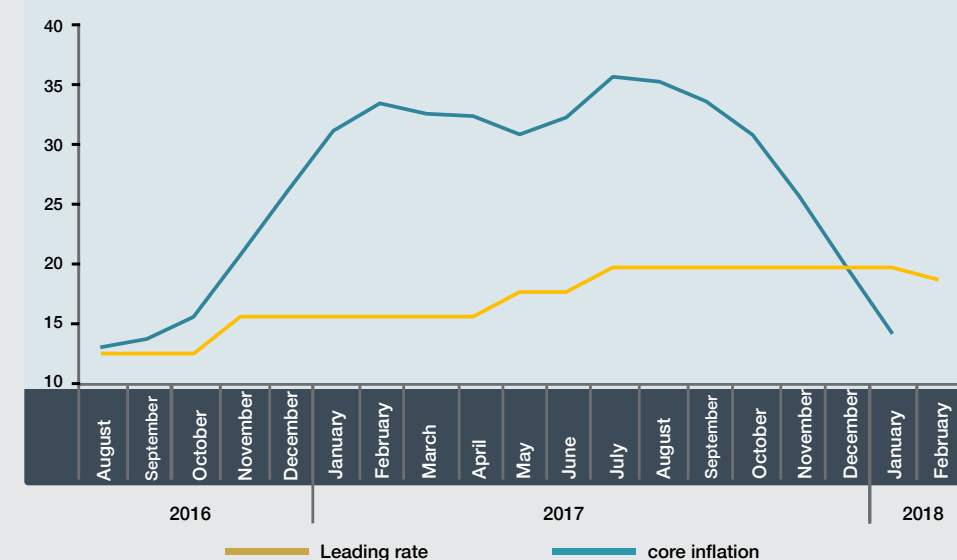
Inflation has eased since August 2017

%



CBE adopts an expansionary monetary policy for the first time since EGP liberalization in line with containing inflationary pressures.

%



The monetary policy contributed, through EGP liberalization, to boosting the competitiveness of local goods and services, thus stepping up the contribution of exports to GDP. As a result, the real GDP growth rate continued to rise for the fifth quarter in a row to record 5.3% in the fourth quarter of 2017, with an average of 5% in 2017, the highest growth rate since 2010. Meanwhile, unemployment dropped to 11.3%, the lowest since December 2010. The expansionary monetary policy which CBE started to adopt is expected to help in bolstering the economy and promoting economic growth over the coming period.



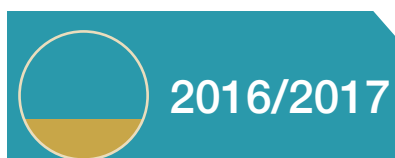
IMF Renews Confidence in the Egyptian Economy

Completing the Second Review of Egypt's Economic Reform Program

The International Monetary Fund (IMF) renewed its confidence in the Egyptian economy, thanks to the successful economic reform program. The IMF Executive Board conducted the second review of the economic reform program supported by an arrangement under the Extended Fund Facility (EFF) to allow Egypt to withdraw the equivalent of SDR 1,432.76 MM. (US\$ 2.03 bn.), bringing total disbursements to SDR 4,298.29 MM. (US\$ 6.08 bn.). On 11th November 2016, the IMF approved a three-year arrangement with Egypt to benefit from the EFF, with the equivalent of SDR 8.597 bn. (about US\$ 12 bn.) to support the economic reform program adopted by the Egyptian government.

It is scheduled that the above-mentioned IMF loan will be disbursed in 3 payments and 6 tranches as follows:

- ✓ The first payment of US\$ 4 bn. was disbursed on two tranches during the FY 2016 / 2017.
- ✓ The second payment of US\$ 4 bn. will be available during the current FY 2017 / 2018. The first tranche was disbursed in December 2017, and the second tranche is scheduled to be disbursed in June 2018, following the new review round in May 2018.
- ✓ The third payment of US\$ 4 bn. representing the final payment will be disbursed in FY 2018 / 2019.



2016/2017

Two tranches were disbursed, with a total amount of US\$ 4 bn.



2017/2018

The first tranche of US\$ 2 bn. was disbursed in December 2017, and the second tranche is expected to be disbursed in June 2018 following a new review



2018/2019

US\$ 4 bn. on two tranches

In its second review, IMF noted that Egypt's economic reform program shows positive signs of further financial stability due mainly to economic growth recovery, inflation rate decrease and effective fiscal control measures. IMF also commended the commitment of monetary authorities to **EGP floating as a buffer against external shocks, which contributed to improving Egypt's global transactions and bringing international reserves to their highest levels ever.**

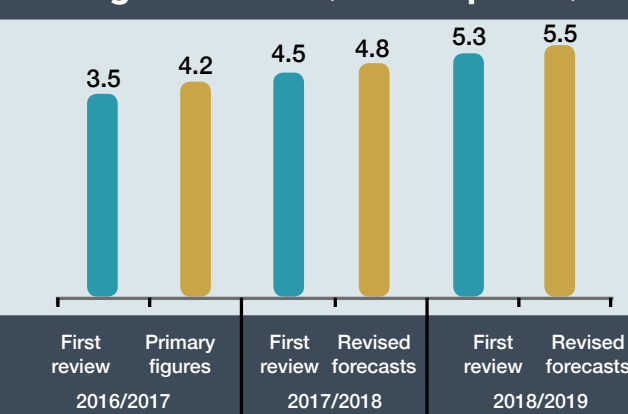
US\$ 37 bn.

The highest net international reserves ever

Economic growth:

IMF raised its forecasts for Egypt's economic growth to 5.5% in the coming FY 2018 / 2019, up from 5.3% expected in the first review of the said reform program.

Real growth rate (market prices) %

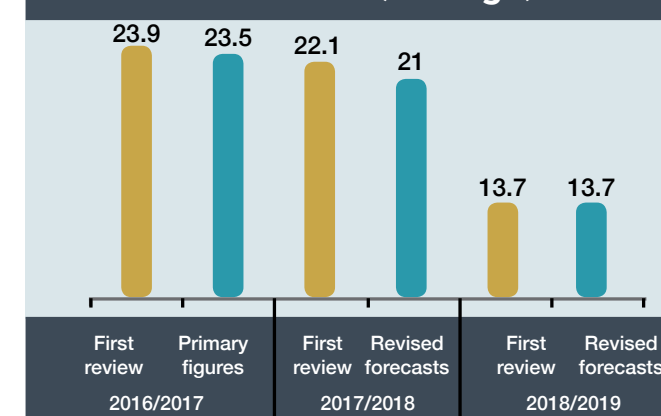


Inflation rate:

Thanks to the stringent monetary policy, the Central Bank of Egypt (CBE) managed to reverse the upward trend of inflation, which posed crucial risk to macroeconomic stability. Revising its forecasts for inflation in the second review, IMF expected the average inflation rate to stand at 21% in the FY 2017 / 2018 instead of 22.1% as per the first review.

This general trend is expected to facilitate gradual reduction of interest rates, taking into account CBE's readiness to tighten the monetary policy if demand pressures reappear.

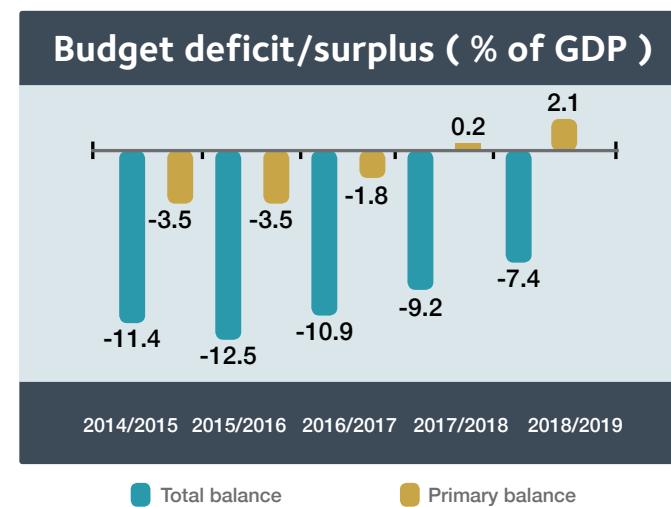
Inflation rate (average) %



IMF Renews Confidence in the Egyptian Economy

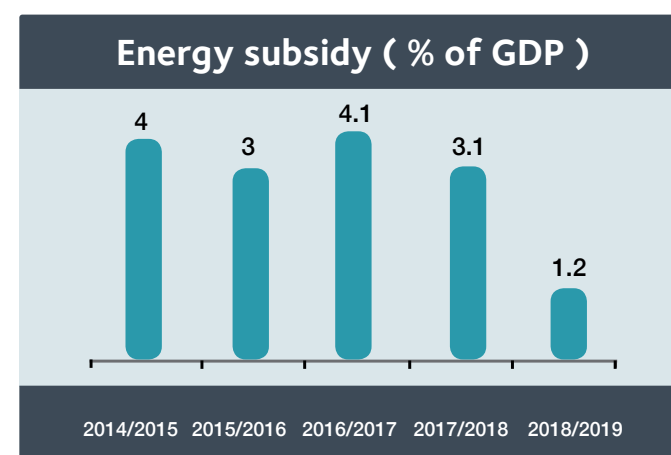
Fiscal control plans:

IMF points out that the Egyptian government aims at placing the government debt on a downward path, adding that the goal of turning the primary deficit in 2016 / 2017 budget into surplus in 2017 / 2018 and 2018 / 2019 budgets is achievable, even if still vulnerable to risks including increased oil prices .



Therefore, the continued reform of energy subsidy is essential to achieving the financial objectives of the program. Over the mid-term, the IMF highlighted the importance of adopting further tax policy reforms and modernizing customs administration in order to provide the resources required for spending on the necessary investments, especially in human capital and infrastructure .

IMF noted that the social safety network could be strengthened by achieving greater progress in shifting from product subsidy to cash subsidy, which is better targeted at the eligible .



Balance of payments (BOP):

Egypt's BOP performance indicators improved significantly during the FY 2016 / 2017, a trend that is expected to continue in the coming period. In this context, it is worth noting that Egypt's global transactions during Q1 of FY 2017 / 2018 yielded positive results, namely:

- ✓ Total BOP surplus increased to reach US\$ 5.1 bn. against US\$ 1.9 bn. yoy .
- ✓ Trade balance deficit declined by 5% to record US\$ 8.9 bn. vis-à-vis US\$ 9.4 bn .

US\$ 5.1 bn.
BOP surplus in Q1 of
FY 2017 / 2018

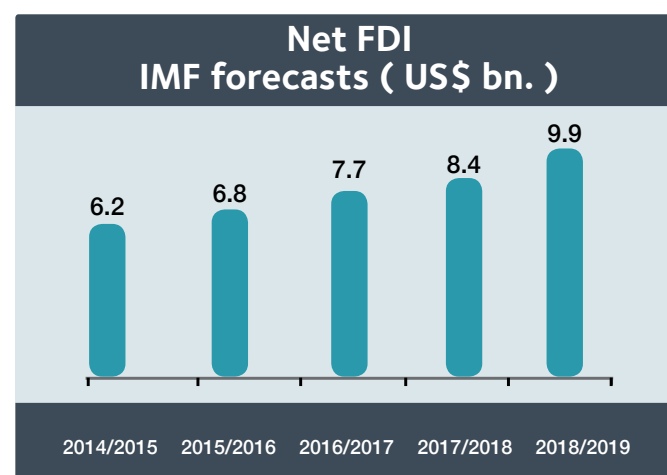
- ✓ Net unrequited current remittances rose by 37.3% to record US\$ 6 bn. (against US\$ 4.4 bn.), as a main result of the US\$ 1.6 bn. increase in Egyptian expatriates' remittances .

US\$ 5.97 bn.
Egyptian expatriates'
remittances in Q1 of
FY 2017 / 2018

IMF Renews Confidence in the Egyptian Economy

Foreign direct investment (FDI):

IMF expects Egypt to court more FDIs, increase its exports "as a result of EGP floating", lift restrictions on foreign-currency transactions and apply the investment and industrial licensure laws.



Egypt aims at increasing FDI inflows during the FY 2017/2018 to US\$ 10 bn. Egypt's total FDI inflow during Q1 of FY 2017/2018 reached US\$ 3 bn., while the total FDI outflow recorded US\$ 1.4 bn. Net FDI reached US\$ 1.6 bn., mainly due to the 84.2% increase in net investments in the oil sector.

US\$ 1.6 bn.

Net FDI in Q1 of
FY 2017 / 2018

IMF notes that macroeconomic stability is a solid foundation for expanding the scope of structural reforms, which attracts investments, increases growth rates and creates more job opportunities. Reform efforts should target improving resource allocation in the economy and fostering business climate to develop the private sector. In this respect, Egypt's priorities are to reform the regulatory framework, strengthen competition, improve access to finance and land, enhance governance and transparency in state-owned enterprises, combat corruption and increase the participation of women and youth in labour market.



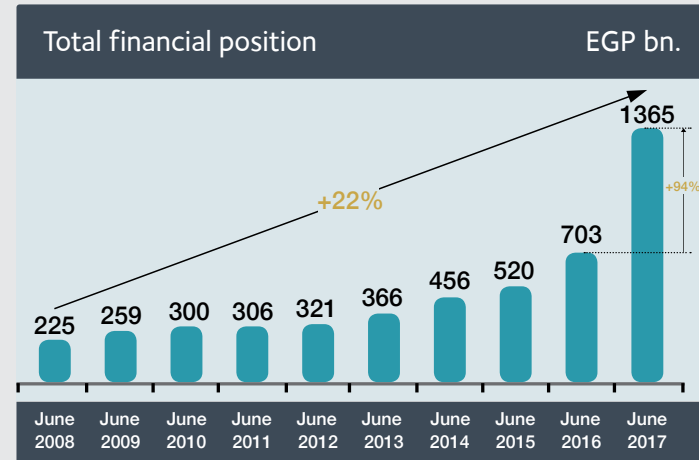
The several measures taken by the government during the past period have had a significant impact on improving the Egyptian economic indicators, which is reflected in the reports of IMF and many international institutions. IMF's commendation of the economic reform program adopted by Egypt since November 2016 indicates that the economy is taking an upward path, and is a new testimony that contributes to attracting more foreign capital to invest in Egypt.

NBE's Financial Statements Reveal

EGP 13.4 bn. Net Profit as at June 30th , 2017, Growing 8% YoY

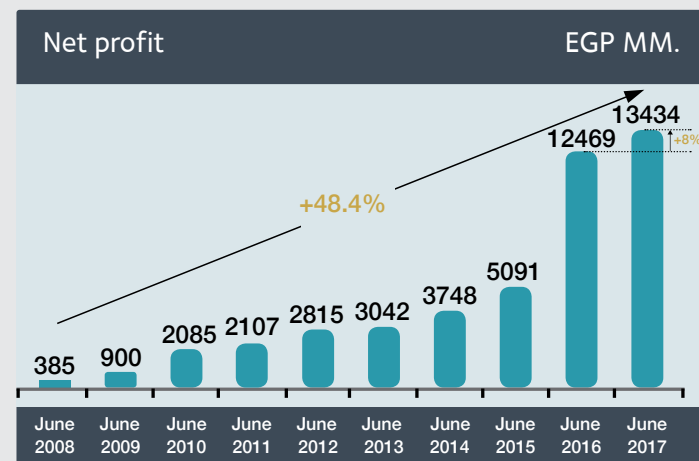
Total financial position

Total financial position grew by EGP 661.2 bn. to post EGP 1365 bn. in June 2017 and the return on assets (ROA) increased to 1% compared to 0.2% in June 2008.



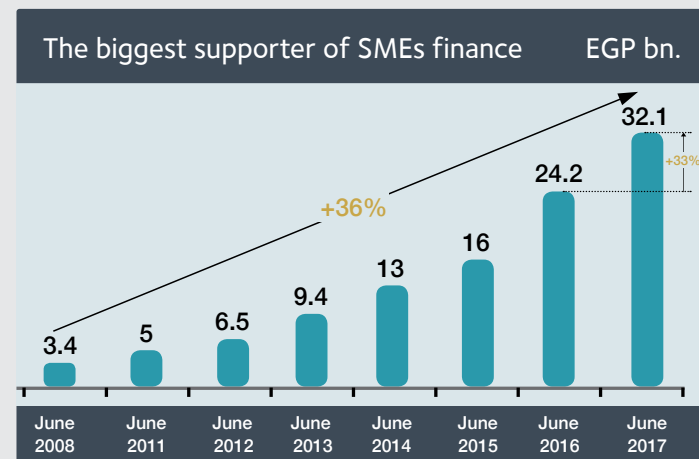
Net profit

Net profit witnessed the highest growth in the banking market, where net profit before tax rose by 15% to EGP 22.5 bn. and net profit after tax reached EGP 13.4 bn., at an 8% growth rate in June 2017.



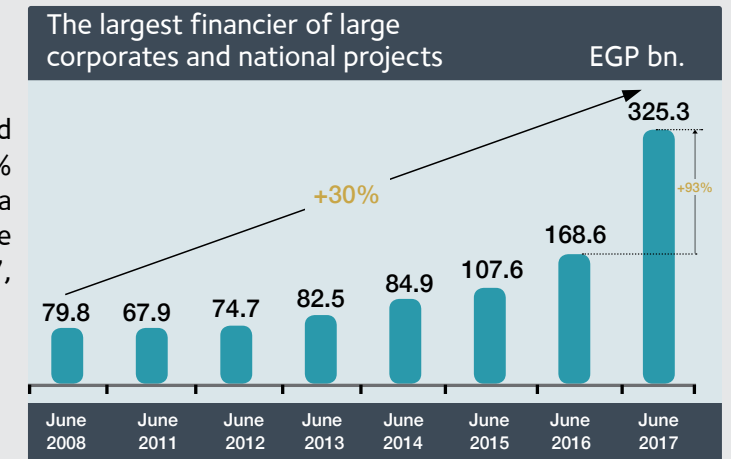
The biggest supporter of SMEs finance

Total SMEs performing loan portfolio (direct and indirect) amounted to EGP 36.4 bn. in June 2017, of which EGP 32.1 bn. were direct facilities. This included EGP 10 bn. extended under the CBE's initiative to finance small- and micro- sized enterprises to 11,000 customers.



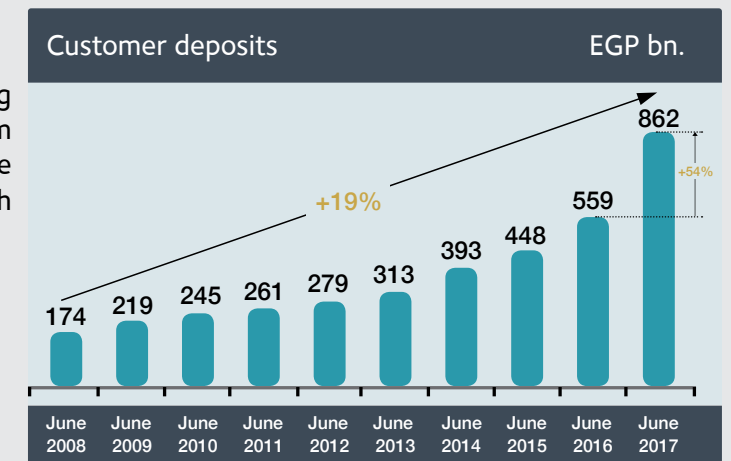
The largest financier of large corporates and national projects

Total large corporate loan portfolio amounted to EGP 325.3 bn. in June 2017, growing 93% YoY. NBE ranked first as the best bank in Africa for managing syndicated loans playing the role of finance agent and arranger during 2017, according to Bloomberg.



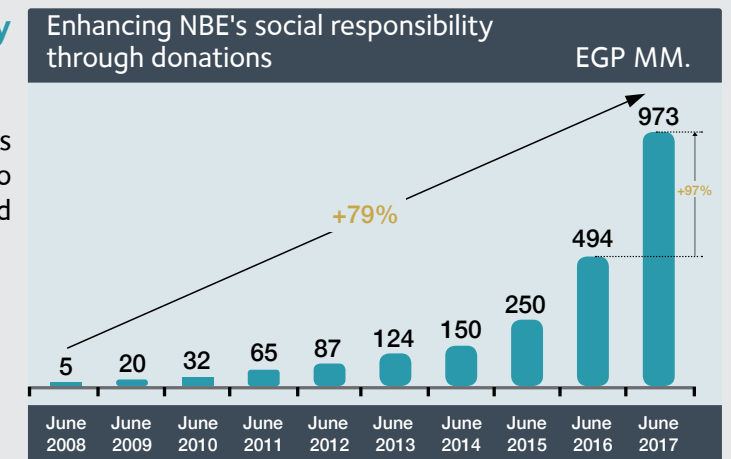
Customer deposits

Total deposits hiked to EGP 862 bn. (including foreign-currency deposits of US\$ 12.9 bn.) from EGP 559 bn. in June 2016, with a market share of 28.5%. NBE commanded 33% of the growth volume in the banking market.



Enhancing NBE's social responsibility through donations

Total NBE's donations during previous years amounted to EGP 2.2 bn., mainly directed to health care, education, combating poverty and slums development.



National Bank of Egypt

Re-inaugurates One of its Oldest Branches "the Main Branch" after Renovation

Within a well-designed schedule for developing branches, NBE finished upgrading one of its oldest and largest branches, in terms of business profile, that extends different banking activities and services to VIP retail and corporate customers as well as major governmental agencies and institutions. The Main Branch building dates back to 1906. Its unique historical and archeological nature as a landmark was taken into consideration during the development process.



- ✓ Over the past few years, ongoing developments took place in NBE's Main Branch as it is the head office of NBE's Data Center which was inaugurated after upgrading in 2012 with an eye to keeping up with the increasing technological requirements and development. Therefore, it has been designed to meet the standards of Tier III data center. It was the first bank data center in Egypt, Africa and Arab nation to be awarded the ISO certification, ensuring service level and securing customer data. This reflects NBE's desire to apply the highest technologies that align with international standards providing NBE's customers with better service quickly and securely .
- ✓ Branch upgrading comes in line with NBE's continuous quest to cater for the customers' needs and remove all obstacles, out of its belief in the necessity of having a robust infrastructure capable of accommodating banking innovations and expanding the scale of banking services to be tendered at an optimal level. In this respect, 229 branches were completely renovated and upgraded in December 2017 .

Completing the renovation and upgrade of 229 branches out of 412 branches and banking units

And its Shanghai Branch Obtains the RMB Licence

NBE's Shanghai Branch has obtained the RMB licence, marking a new step on the way to complementing the strategic partnership between Egypt and China.



- ✓ NBE was the first Arab and African bank to have presence in Shanghai, China's economic capital, in 1999 through a representative office. With the growing business of its representative office, NBE succeeded in obtaining a full branch licence in 2008 to conduct all types of banking transactions .
- ✓ After obtaining the RMB licence, NBE has become the first Arab and African bank to have such licence in order to play an important and pivotal role in facilitating cooperation in trade and investment, between Egypt and China and also between China and the Arab and African region .
- ✓ In September 2017, NBE's Shanghai Branch achieved remarkable performance indicators recording total asset growth rate of 1,407%. Meanwhile, return on equity (RoE) rose to 13.8% from 1.6% in 2008 .

NBE's Leading Role in Promoting Financial Inclusion

In recent years, many countries worldwide have increasingly focused on adopting the principle of financial inclusion to provide access to, and expand the base of, financial and banking services and products for all segments of the population including individuals and businesses through formal financial channels, thus promoting financial stability. Egypt puts financial inclusion at the top of its priorities for its positive role in achieving economic growth, integrating the informal economy into the formal one, increasing GDP, underpinning growth rates and transforming Egypt's cash dominant economy to a cashless one. This leads to reaping many advantages, mainly; reducing costs and alleviating financial burdens .

Financial inclusion has positive effects not only on economic development but also on community development through focusing on the poor and low-income brackets. It also pays due care to empowering women economically by overcoming all obstacles which deny justice and transparent access to financial services at affordable prices for equality purposes .

Egypt is looking forward to being a leading country in the arena of financial inclusion through supporting all categories especially women and youth. In this vein, the 9th Annual Financial Inclusion (AFI) Global Policy Forum (GPF) was hosted by Egypt, for the first time in the Arab region, in September 2017, under the auspices of the Central Bank of Egypt (CBE) and in collaboration with the Alliance for Financial Inclusion (AFI). The Forum targeted highlighting financial inclusion policies and strategies and exchanging experiences among peers in this field .

World Bank selects
Egypt as model
country to participate
in financial inclusion
global initiative

The World Bank Group (WBG) has chosen Egypt **as its operational country in the Financial Inclusion Global Initiative**, with a view to enhancing citizens' access to financial services, better harnessing the potential of digital finances, and promoting acceptance and use of e-payments by micro and small-scale merchants and their customers .

Central banks play a leading role worldwide in achieving the principle of financial inclusion since it has a close link to financial stability. In that vein, CBE is leading the process of boosting financial inclusion in Egypt by working on several pillars. They can be shortened in providing an appropriate legislation environment and convenient financial infrastructure to fulfill the financial inclusion requirements. CBE started to take several measures to support development and achievement of financial inclusion, adopting the following mechanisms:

- ✓ disseminate banking culture in the community and encourage citizens to trust in making safe transactions with the banking system;
- ✓ coordinate between all relevant parties in the state to achieve financial inclusion;
- ✓ provide consumers with financial protection and upgrade financial services and products that cater to the needs of all the segments of society;
- ✓ establish rules regulating the provision of various e-banking services (mobile phones and online) to court a large segment of customers; and
- ✓ launch many initiatives focusing on small and medium enterprises (SMEs), on top of which came CBE's initiative to finance small and micro enterprises with a reduced interest ranging from 5% to 7%.

The decree of President Abdel Fattah Al-Sisi to establish the National Council for Payments in February 2017 gave a great impetus to merge informal sectors in the formal economy. The Council aims to reduce the use of banknotes outside the banking system, support and stimulate the use of e-payment channels and media, develop national payment systems, lower cost of money transfer, and raise tax proceeds. Several decisions were taken in the first and second meetings headed by the President and held in June and October 2017 respectively, including the preparation of a bill to develop non-cash financial transactions and reducing the costs of mobile payment services by 50% up till June 2018.

On the level of the banking system in June 2017, Egypt had 38 operating banks with over 4,000 branches in total, while ATMs and POS accounted for 10.7 thousand and 69,000 respectively. In addition, there were 5.9 million credit cards .

NBE's leading role in supporting financial inclusion

Yehia Abu Elfotouh

NBE's Deputy Chairman

" Banking system has a golden opportunity to deepen financial inclusion "



National Bank of Egypt is a main financier in SME's initiatives for their positive and effective impact on the state's economic turnover, boosting economic growth and supporting financial inclusion. SMEs loan portfolio reached EGP 36.4 bn. in June 2017, of which EGP 10 bn. was paid to put the CBE's initiative into effect, raising number of customers to 55,000. Under CBE's Mortgage Finance Initiative, NBE also succeeded in attracting new customers especially "low-income youth". In this respect, mortgage loan portfolio amounted to EGP 1.8 bn. extended to 19.5 thousand customers of the low income only.

NBE's branch network has been developed and upgraded, issuing new diversified banking products of saving certificates and banking retail loans of EGP 40 bn. in June 2017, comprising 1.4 MM retail loan accounts. There are 412 branches and units spreading nationwide, and an expanding ATM and POS network that reached 3,823 and 15,898 respectively, within the framework of the financial inclusion strategic plan. In addition, NBE has issued 3.9 million payroll cards with monthly average of nearly EGP 8.5 billion. Besides, EGP 477 bn. high-return certificates were sold since the EGP exchange rate floating up till December 2017.



NBE's Leading Role in Promoting Financial Inclusion

NBE has participated in the financial inclusion initiative with a view to disseminating banking culture in order to attract 23,000 new accounts and cards during the events of the Financial Inclusion Week only which was organized within the scope of spreading financial culture locally to increase the banked base.

NBE's Deputy Chairman confirmed that banking services launched via the available technological channels reflect NBE's keenness to further expand the concept of financial inclusion and enhance e-payments through introducing new electronic services that fulfill the growing and diverse wishes of all segments of society. Such services work on attracting new segments of customers, in particular those who can and are willing to deal with modern technology. This is due to NBE's precedence in inculcating the culture of dealing with plastic money in the banking market using the credit cards initiated by NBE 24 years ago. This highlights NBE's leadership in increasing the usage of electronic payment methods in Egypt and its keenness to disseminate the financial inclusion culture in society .

EGP 40 bn.
NBE's retail loans
in June 2017

In line with the NBE's strategic trend to develop e-banking services within the scope of financial inclusion, online banking has been introduced to retail and corporate customers, as well as the expatriate money transfer service via mobile phone to be instantly cashed through ATM network .

E-commerce volume via NBE's payment gateway reached nearly EGP 4 bn. as at the end of December 2017. Meanwhile, phone cash wallets accounted for 1.07 million. Total issues of NBE's prepaid cards amounted to 1.1 million cards by the end of the fiscal year .

EGP 4 bn.
E-commerce volume
via NBE's payment gate

In line with NBE's leading role in developing and upgrading banking services delivered to customers, with the aim of attaining financial inclusion and reducing cash in circulation in the market, NBE extends services to pay due taxes and university tuition fees online using e-payment cards via NBE's website (www.nbe.com.eg) in coordination with e-finance, CBE, Payments and Collection Unit in the Ministry of Finance (MOF), Egyptian Tax Authority, Visa / MasterCard issuing international corporations and public universities with which NBE concluded contracts in this respect all over Egypt's different governorates such as Assiut, Al Minya, Alexandria and Tanta.

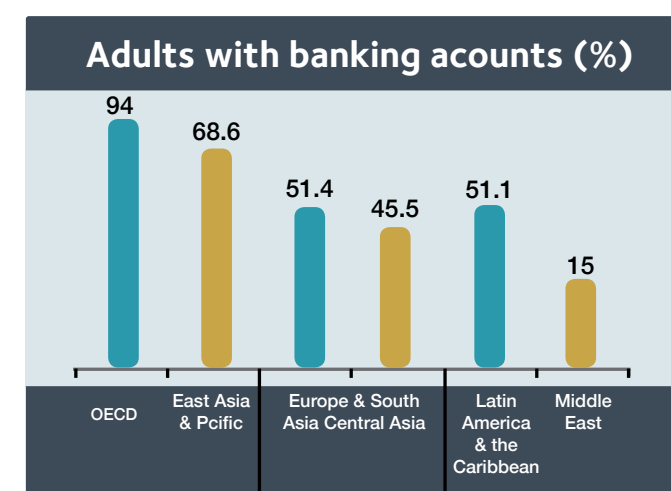
Ability to pay due
tax and university
tuition fees online
via NBE's website

Such service allows taxpaying corporates, individuals, physicians, pharmacists and small enterprises to promptly pay their due taxes via NBE's website using various types of payment cards, effecting payment instantly in their tax files. This is considered an important turnaround in tax duties payment. It also allows parents and students to pay their tuition fees of Egyptian public universities via NBE's website, aiming to avoid cash-bearing risks. The payment is effected instantly in their files kept in the college of the relevant university. Payment is performed using the prepaid cards only freely issued by NBE to students, where the tuition fees are paid via NBE's P.O.S machines disseminated over the colleges related to the contracting public universities. Such cards allow their users to make purchases directly from stores, e-shop, make online payment of bills and recharge mobile phones .

NBE is a pioneer in delivering the electronic collection service inside the Arab Republic of Egypt, either in cash by visiting branches or online. This goes in line with the objectives of the National Council for Payments, which attempts to achieve financial inclusion, reduce banknote in circulation in the market, enhance using electronic channels and media in payments, and activate online governmental payments, keeping the quick pace of collecting the state's sovereign revenues .

Methods of boosting financial inclusion

As a key indicator of financial inclusion, the number of people with accounts all over the globe is remarkably growing. However, the World Bank's latest release found that two billion individuals all over the world neither receive any banking services nor deal with banks for reasons including high cost, banking illiteracy or low access to service in specific geographical locations . Therefore, all relevant parties have to pursue the right track in order to eliminate obstacles that prevent deepening financial inclusion, developing banking traditions in society, customizing high-quality banking services and products to citizens to match different segments of society, expanding banks branch network nationwide, offering consultancy services for customers and facilitating electronic services .



Financial inclusion in the Middle East and North Africa (MENA) has one of the lowest rates worldwide. World Bank estimated that banked persons in MENA do not exceed 15%, while they exceed 45.5% in South Asia, 51% in South America and 94% in developed countries .

Egypt has many good opportunities to deploy the financial inclusion strategy. World Bank Group's data indicate that Egypt has the potential to include over 44 million adults in the formal financial sector. In general, increasing bank account penetration and using funds via a robust banking system will lead to injecting more money in economy's arteries and supporting the shift from cash transactions to the electronic payments .

In order to boost financial inclusion, particularly in the Arab region, it is necessary to adopt several policies and procedures, including:

- ✓ focusing on developing the infrastructure of the financial system, improving credit systems, facilitating guarantee systems and reforming work-out systems, having obvious framework to establish financial infrastructure and sophisticated networks in rural and remote areas;
- ✓ issuing legislation and creating a clear regulatory environment for micro, small and medium enterprises;
- ✓ diversifying and developing financial products and services with the purpose of delivering innovative services at low cost designed for poor categories; and
- ✓ creating an encouraging and favorable environment for women to obtain finance and financial services. This is a basic pillar to boost financial inclusion in the region, especially when taking into consideration high unemployment rates, low wages, and poor participation of women in the business market in several Arab countries .

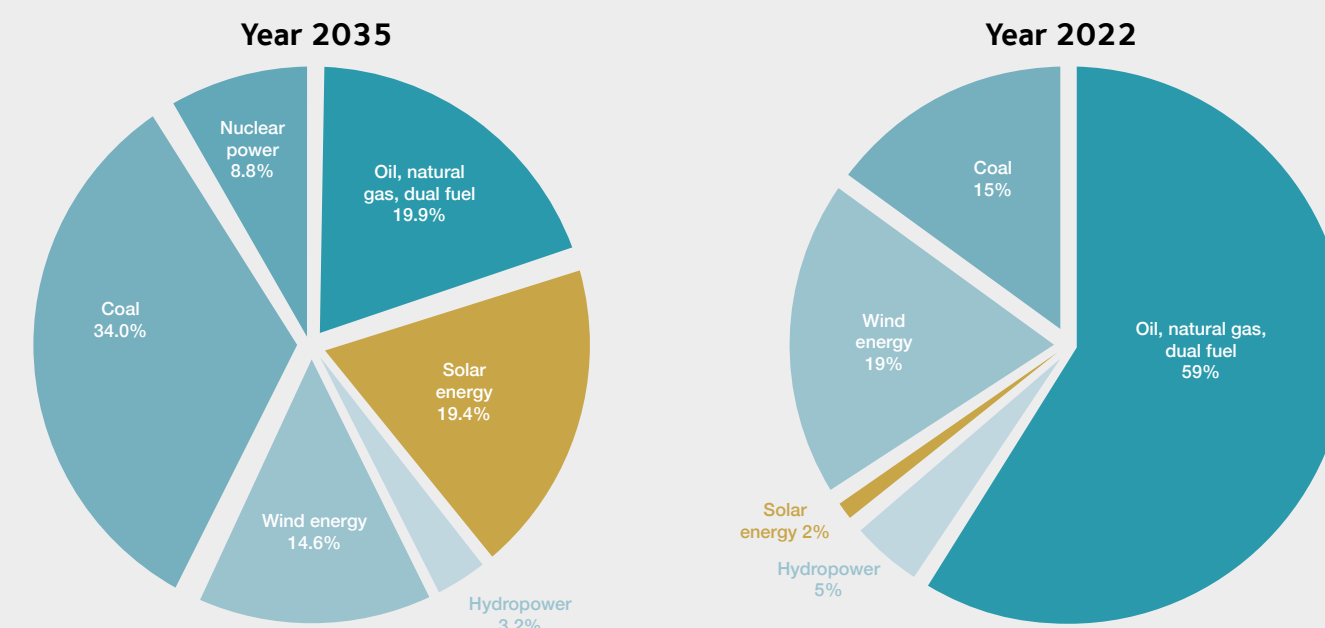
Arab Monetary Fund (AMF) outlined that a national financial inclusion strategy should be laid down and implemented, realizing many objectives, mainly:

- ✓ raise the financial awareness and education among the different categories of society through cooperation between all parties participating in the strategy. This can be accomplished by incorporating financial awareness material or subjects into the educational curricula or adopting various programs that improve the cultural levels, as the financial awareness programs must ensure the inclusion of future generation of children and youth in financial awareness and education campaigns;
- ✓ facilitate and ease the mechanisms ensuring that various financial services and products are accessible and used by the niche categories of society; and
- ✓ enhance procedures of consumer protection rights in financial services through formulating the policies and instructions that guarantee full transparency and disclosure about the products, services and terms and conditions, ensuring fair deal. It is necessary to advise the current and prospective people who deal with financial institutions of their rights and duties .

In this respect, the Arab Monetary Fund (AMF) announced in September 2017 during the Financial Inclusion Forum the launch of Financial Inclusion in the Arab Region Initiative (FIARI) in the presence of Mr. President Abdel Fattah Al-Sisi. This reflects the dedication of the Arab governments to upgrade financial services to overcome challenges, contribute to combating unemployment and consolidate the concept of social justice. The AMF hailed the CBE's great efforts in launching initiatives and events on the financial inclusion day and in implementing a national financial inclusion strategy .

Power is considered the backbone of the inclusive development of any community and the lifeline of all economic aspects. Through Egypt's efforts to raise economic growth rates, the importance of sources diversification to produce electricity as well as depending more on renewable energy sources is greatly highlighted, especially from the sources that Egypt has in abundance such as the solar and wind energy. This is in addition to the nuclear power, where Egypt has just taken its first executive steps, as well as natural gas in view of the increasing number of gas fields discovered in the country, mainly Zohr, North Alexandria and East Delta gas fields. This is manifestly reflected in the government of Egypt's energy strategy 2035.

Electricity production breakdown by source



Renewable energy sources

- ✓ Increasing the share of renewable energy in total generated electricity to 26% by 2022, including "2% from solar energy, 19% from wind energy, and 5% from hydropower", against a share of only 9% in 2016.
- ✓ Increasing the share of renewable energy in total generated electricity to 37.2% by 2035, including "19.4% from solar energy, 14.6% from wind energy, and 3.2% from hydropower".

Nuclear power

The total power production from El-Dabaa nuclear power plant is to reach 4.8 GW/hour upon the completion of its four reactors as contracted.

Natural gas

The total power production from natural gas is to reach 55.9 and 54.8 GW/hour by 2020 and 2035 respectively.

Egypt on its Way to Become a Regional Hub for Gas Trading and Handling

Egypt is currently undergoing material changes promising a better future across all fields. Energy acts as the driving force for the country's aspirations. Providing a safe energy supply is the main drive for the economic and social development plans. In this vein, Egypt has recently made huge gas discoveries which would cover all the domestic market needs and restore Egypt's position in the global market as a net gas exporter. In addition, these discoveries, together with other factors, serve as the main foundations for turning Egypt into a regional hub for natural gas trading and exporting over the coming period .

Egypt's natural gas production saw remarkable growth over the last decade, reaching a record high of 6.1 billion cubic meters (bcm) in 2009. However, since 2011, the energy sector faced multifarious difficulties which resulted in production falling to 5.9 bcm/day in that year, and further dropping to 4.4 bcm and 4.1 bcm in 2015 and 2016 respectively. Meanwhile, local consumption rose to 5.1 bcm in 2016. Accordingly, Egypt, once a global gas exporter in 2009, has become a net gas importer .

In spite of this setback, Egypt has taken positive steps since 2014 in terms of exploration agreements and investments in the oil and gas sector. Consequently, several discoveries were announced, thus changing the gas market equation in Egypt, with estimates suggesting that Egypt would reach self-sufficiency again by 2019, and even become a net exporter of gas over the following years. Key discoveries include:

- ✓ The discovery of **Atoll field** which was announced by British Petroleum (BP) in March 2015 in East Delta, as well as Libra and Taurus fields in North Alexandria;
- ✓ The discovery of **Nawras field** which was announced by the Italian oil and gas company Eni in July 2015 in the Delta region; and
- ✓ The discovery of **Zohr field** which was jointly announced by the Government of Egypt (GoE) and Eni in August 2015 as one of the largest gas fields in the Mediterranean with massive gas reserves estimated at 30 trillion cubic feet .

Zohr, Atoll, Nawras and North Alexandria fields

Egypt is expected to reach self-sufficiency and become a net gas exporter thanks to huge gas finds

The year 2017 saw a paradigm shift in Egypt's natural gas production in light of GoE's strategy to fast-track the development plans of discovered gas fields to start production and pump gas into the national grid to meet local market needs. Despite increasing local natural gas demand, the notable growth in Egypt's gas production in 2017 reflected positively on its imports which fell to 118 shipments in 2016 / 2017, compared to 154 shipments previously estimated to be imported. Overall in 2017:

- ✓ The first phase wells of the Mediterranean Zohr field located in Eni's Shorouk concession started gas production with a capacity ranging between 300 and 350 million cubic feet per day (mcf / day).
- ✓ Nearly 0.5 bcf of gas are added daily to gas production from North Alexandria fields. Nawras field also started production.
- ✓ Atoll field, located in the North Damietta concession offshore the East Nile Delta, came on stream, adding about 300 mcf/day to natural gas production.

There are also plans to develop and ramp up the production of several fields over the coming period, mainly:

- ✓ The mega-giant **Zohr field** in the Mediterranean deep water which would add, through its first and second phases, nearly 2.7 bcf/day to natural gas production before the end of 2019 .
- ✓ The second phase of **North Alexandria fields** "Giza – Fayoum" adding 700 mcf/day by the fourth quarter of 2018 .
- ✓ **Raven field** representing the third phase of the North Alexandria project – deep West Mediterranean, which is expected to begin production before the end of 2019 with an initial production capacity of 350 mcf/day.

83 agreements in 4 years

Signed by the Ministry of Petroleum with world companies from November 2013 up to December 2017 .

US\$ 12 bn.

Total investments in Zohr field over the project's life .



Egypt on its Way to Become a Regional Hub for Gas Trading and Handling

This wide range of huge gas discoveries will act as a driving force for Egypt to become a regional energy hub during the few coming years and kick-start the development of its infrastructure including ports, pipelines, refineries and chemical industries, not to mention Egypt's human resources .

Transforming Egypt into a regional hub for oil and gas handling and trading is a strategic project that has become the main program in the petroleum sector development and modernization project. **Egypt has many strengths which qualify it to play this role,** most importantly:

The geographical location

Egypt enjoys a unique strategic location at the crossroads of the world's continents, among countries rich in energy resources as well as key consumers. It is also a meeting point for major trade routes and the Suez Canal, one of the most important global waterways.

In 2017,
An integrated strategy to transform Egypt into a regional hub for oil and gas handling and trading came into action.

Infrastructure for crude oil and petroleum products

- ✓ The SUMED pipelines which contribute to transporting Gulf oil to Europe, passing through Egypt. SUMED company introduced the activities of handling, storing and transporting petroleum products, natural gas, liquefied natural gas (LNG) and petrochemical products as well as bunkering .
- ✓ 9,500 kilometres of pipelines which transport crude oil and petroleum products .
- ✓ 8 refineries with a design capacity of 38 million tons per year .
- ✓ 15 million ton storing capacity for crude oil and products .
- ✓ 19 ports equipped for handling petroleum on the Mediterranean and Suez Canal .

Gas infrastructure

- ✓ A main grid for transporting gas with a total length of 7,000 kilometres and distribution grids with a total length of 31,000 kilometres.
- ✓ 29 gas processing plants and 2 natural gas liquefaction complexes
 - Damietta complex: with an LNG output capacity of 4.8 million tons per year; and
 - Idku complex: with an LNG output capacity of 7.2 million tons per year.
- ✓ Two LNG plants with a total capacity of 1,300 mcf/day.
- ✓ Huge gas discoveries in the Mediterranean.

Egypt is working at several levels to become a regional energy hub as follows:

First: decrees and legislation

- ✓ The Prime Minister issued a decree in 2016 to study all aspects of the project of transforming Egypt into a regional energy hub, and to develop a plan to be implemented in cooperation with all the relevant entities and ministries (Ministries of Electricity, Petroleum and Defence, and the Suez Canal Authority) to ensure the collaborative efforts of all the country's entities to achieve this goal .
- ✓ The "Gas Market Law" was enacted to enable gas flow from and to the Egyptian market with an eye to promoting investment opportunities in logistics, encouraging private sector participation in the gas market, injecting direct and indirect investments and creating new jobs. The executive regulations of the Gas Market Law are expected to be issued within the first quarter of 2018 .
- ✓ An economic public authority known as the "Gas Market Regulatory Authority" is set up to regulate the gas market, including supervising its activities, establishing rules for tariff calculation for the different gas market activities, granting licences and examining and handling grievances .

Gas Market Regulatory Authority

Regulates and supervises all the activities of the gas market and establishes rules for tariff calculation for the different gas market activities.

Second: foreign coordination

Egypt plans, in cooperation with the European Union (EU) and other Middle East countries, to set up a mechanism to link gas fields in the region and update the memorandum of understanding signed in 2008 on the strategic partnership in the field of energy. Additionally, negotiations are underway with Cyprus to sign an inter-governmental agreement to build a submarine pipeline to deliver natural gas to Egypt from the Cypriot Aphrodite field. Memorandums of understanding are to be signed to transport gas and crude oil from Iraq to Egypt through Jordan. Negotiations are also held with companies involved in gas fields in the Middle East to link Eastern Mediterranean gas fields and transport produced gas to the liquefaction facilities in Egypt.

Egypt, Italy, Greece and Cyprus seek to create a new energy corridor to Europe through Egypt. Using Egypt's liquefaction facilities is one of the key options proposed to implement this vision. Meanwhile, the Italian Eni is currently drilling two exploratory wells offshore Cyprus, which may result in discovering large reservoirs that could be exported to Europe. Discovered gas would require means of transportation which are currently not available. Nonetheless, this issue will be solved if these gas fields are linked to the Egyptian facilities. Egypt has its own external transportation pipelines that participate in transporting crude oil and gas from neighbouring producing countries to Egypt which could be used locally or exported to consuming countries. These pipelines include the Arab Gas Pipeline which currently joins Egypt to Jordan and SUMED pipeline which transports crude oil from Saudi Arabia, Iraq and Kuwait, passing through Ain Sokhna on the Red Sea, to Sidi Kerir in Alexandria where it is refined by MIDOR in order to be exported. This could take place on a wider scale when the regional energy corridor becomes a reality.



Egypt on its Way to Become a Regional Hub for Gas Trading and Handling

Third: at the technical and commercial levels

The project of “handling and storing petroleum products and building a new wharf in Ain Sokhna” involves building a 2.5 kilometre wharf with three berths .

The project consists of three phases: the first phase is a berth with a floating storage and regasification unit (FSRU) which was finished in April 2017, in addition to berths for petroleum products tankers; the second phase focuses on streamlining the process of receiving and transporting butane gas; and the third phase comprises building tankers and facilities for transporting and handling mazut which should be finished in December 2018 .

The new Ain Sokhna wharf project

The three phases of the project are to be completed by the end of 2018.

2018 plan to close in on the regional energy hub goal

Egypt’s strategy to become a regional natural gas hub is expected to continue through 2018 by taking many steps such as completing mega projects of natural gas fields development, offering international auctions and entering into petroleum agreements .

✓ Several mega projects, which the Ministry of Petroleum has already started, should be completed.

These projects aim at optimizing Egypt’s oil and natural gas production and reserves. Natural gas self-sufficiency is also expected to be reached in 2018 after finishing a number of projects to develop discovered gas fields. In addition, the second phase of North Alexandria gas field development projects (Giza and Fayoum) and the phases of the Atoll natural gas field development project in North Damietta should be finished as well. Meanwhile, work is expected to continue on the development of Nawras gas field in Nile Delta. Furthermore, the project of the development of natural gas explorations in the North Damietta Offshore concession in the East Nile Delta, Egypt, “the Qattameya Shallow-1”, should be completed .

In 2018,

Work is to continue at all levels to transform Egypt into a regional hub

✓ International auctions and petroleum agreements are planned.

For the first time, in 2018, international auctions will be offered for offshore and onshore gas exploration in Egypt, including the Red Sea and Upper Egypt, once the geophysical data of these areas are collected. The Petroleum Ministry’s South Valley Egyptian Petroleum Holding Company (Ganope) signed two agreements in July 2017 with the US Schlumberger and the British TGS to collect the geophysical data of Egypt’s economic waters in the Red Sea and Upper Egypt, with investments worth over US\$ 750 MM. Both companies announced starting the seismic survey in the Egyptian economic waters in the Red Sea in mid-December 2017. Results are expected to be announced by the end of the first quarter of 2018 .

For the first time...

International auctions for gas exploration in the Red Sea and Upper Egypt are planned in 2018.

✓ Actual operation of SUMED’s LNG wharf and related facilities at the Red Sea Ain Sokhna Port is due to start as a first phase, in addition to building storage tanks for mazut and diesel.

Financial Times: Zohr Gas Field is a Big Opportunity for Egypt’s Energy Ambitions

Financial Times said, in a report published in January 2018, that the new giant Zohr gas field made Egypt a hotspot for energy investment. The operation of Zohr field is a big opportunity for Egypt’s energy ambitions to **reach self-sufficiency**, become once again **a net gas exporter** and transform into **a regional hub for gas trading** by building on its existing role as one of the most important trading hubs in the region, ideally placed to link western and eastern markets.



The report highlighted many positive aspects, most importantly:

✓ The development of Zohr field in two years represents a great success. In December 2017, production of natural gas began with an initial capacity of 350 million cubic feet per day (mcf/day) which is set to rise to 2.7 billion cubic feet per day (bcf/day) by end-2019. Reserves are estimated at 30 trillion cubic feet (tcf) .

2.7 bcf

Expected production from Zohr field by end-2019

✓ Egypt has great potential to become a regional gas hub. It enjoys a strategic location and is home to the most important global trade route, the Suez Canal. To add to this base, SUMED is building a new large-scale LNG wharf on the Gulf of Suez which should be finished by the end of 2018 and will supplement the capacity of the existing LNG facilities at Idku and Damietta on the Mediterranean coast.

30 tcf

Total estimated reserves of Zohr field



Offshore Support Vessel “Ahmed Fadel”

The Largest and Most Up-to-date Vessel for Oil Services and Logistic Support in the Middle East

The multi-purpose offshore support vessel “Ahmed Fadel” has been inaugurated as the largest and most up-to-date vessel in the Middle East that provides services for oil companies and platforms, supplies and logistic support, with gross tonnage of 4,744 tons.



It has engines with a capacity of 9,800 kW, includes a super jumbo heliport and is equipped with a 75-ton main crane .

It helps in gas and oil field explorations, and operates in DP2 configuration, which ensures that the unit is installed at a specific point in the sea without the need for sea anchor .

It is equipped to carry submarines to detect and control pipelines at a depth of 2,000 m. undersea. It also includes the latest advanced remotely-operated vehicles (ROV) to operate and maintain undersea oil and gas wells at a depth up to 3,000 m .

With the integration of the ROV into “Ahmed Fadel” vessel, Egypt has entered the technological era of in-house operation and maintenance of deep-water wells through Egyptian engineers who have been trained according to the latest international standards in this field.

Al Dabaa Nuclear Project

Egypt Embarks upon the First Nuclear Power Plant

Egypt's nuclear dream is coming true with the signing of the final contract document for the establishment and operation of the first nuclear power plant in Al Dabaa between the Egyptian Minister of Electricity and the Russian company ROSATOM during the visit of the Russian President to Egypt in December 2017. Accordingly, Egypt officially enters the era of peaceful uses of nuclear energy, and will be ranked among the countries that have clean nuclear energy. This affords Egypt a greater degree of diversity as to energy sources and reduces its dependence on oil and gas which are most vulnerable to price fluctuations. This project supports the development process, especially after the nuclear energy has become a component of most scientific, medical, agricultural and industrial fields .

Al Dabaa is located in the governorate of Marsa Matruh on the coast of the Mediterranean Sea, about 2 km from the International Coastal Road at km-135, on an area of 45 km². It was chosen to establish the first nuclear power plant for peaceful uses in Egypt due to its distinctive features. Al Dabaa is a stable land away from the earthquake belt, which ensures that there will not be nuclear leak, proximate to the water sources used to cool nuclear plants, and away from population clusters for more safety .

Choosing Al Dabaa near the Mediterranean Sea to be the location of the first nuclear power plant in Egypt

A number of steps have already been taken towards site preparation in order to implement the project. Buildings for project staff were constructed and a meteorological tower was established to measure "temperature, humidity and wind directions". In addition, devices for the measurement of groundwater level, earthquakes and marine currents were provided . Pipelines of gas, water, electricity and communications were extended and fences of administrative buildings were installed .

Project agreement :

The agreement includes four contracts. The first contract covers the engineering, procurement and construction (EPC) works of the main plant. The second contract addresses the obligation to procure nuclear fuel for operation, and the third one deals with the disposal of the nuclear fuel consumed in the reactors. The fourth contract is related to the provision of services and operation. The Russian offer was chosen to implement the plant, based on a number of factors, mainly:

- ✓ Russia is the only country that manufactures 100% of nuclear plant components.
- ✓ The agreement provides for transferring the Russian expertise and providing training courses on the use of nuclear technology for the Egyptian project staff in conjunction with establishing the Technical Secondary School for Nuclear Energy in Egypt.
- ✓ Egypt reserves the right to cooperate with other countries in implementing the next phases of the plant.
- ✓ The offer includes the most competitive financing rates at the economic level, i.e. Egypt can start paying the financing obligations after the completion and operation of the plant.
- ✓ Russia will establish a nuclear energy information center to instill the culture of how to deal with it and its benefits.
- ✓ Russia previously supported the establishment of the Anshas reactor in Egypt.

Operation of the first reactor to start in 2024



Al Dabaa Nuclear Project

According to the said agreement, the first phase of the plant consists of four Generation-III VVER nuclear reactors to generate 1,200 MW of electricity each, with a total capacity of 4,800 MW. The first reactor is to be operated in 2024 and followed by the remaining reactors, with an expected lifetime of 60 years.

The Russian loan :

the Russian government provides Egypt under the agreement with a loan to cover 85% of the project cost, amounting to about US\$ 25 bn., on 13 annual payments at an interest rate of 3% p.a. The Egyptian party shall procure the remaining part of the project's cost (15%), accounting for US\$ 4.5 bn. Repayment of the loan is scheduled to start after a 13-year grace period, over 22 years following the said period (on 43 installments).

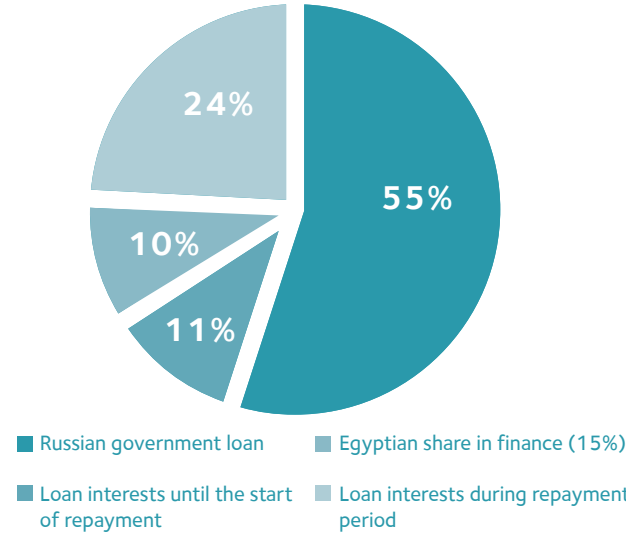
Russian government loan payments p.a.			
First	247.8	Eighth	4,193.5
Second	421.1	Ninth	3,463.8
Third	744.7	Tenth	2,616.3
Fourth	1,854.8	Eleventh	1,307.8
Fifth	2,148.5	Twelfth	217.3
Sixth	2,562.1	Thirteenth	Remainder
Seventh	3,728.4		

Total estimated cost :

The total estimated cost for the establishment and operation of the project, according to the Egyptian-Russian Foundation for Culture and Science, is US\$ 45.5 bn., including the principal and interests of the Russian loan from the repayment date of the first installment, in addition to the Egyptian share in the finance.

Loan (85% of project's cost)		US\$ 25 bn.
Loan interests until the start of repayment		US\$ 5 bn.
Loan interests during the repayment period		US\$ 11 bn.
Additional finance of 15% (Egyptian party)		US\$ 4.5 bn.
Total estimated cost		US\$ 45.5 bn.
Selling energy generated by the reactors	(over 60 years)	US\$ 260 bn.
	(over 80 years)	US\$ 340 bn.

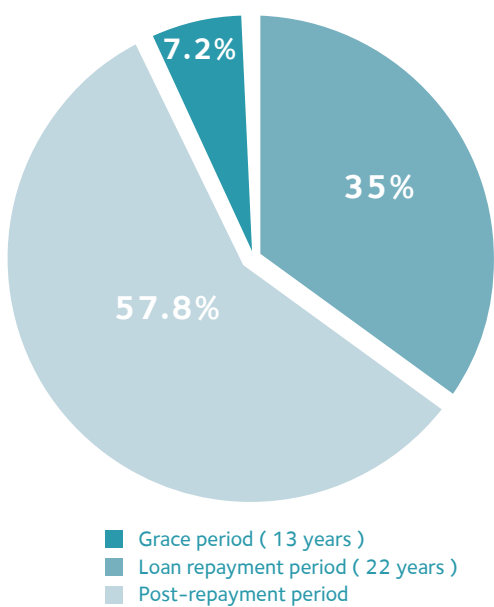
Total cost of establishing and operating the project, including loan interests



Energies generated from the project

- ✓ The electrical power generated during the grace period and until the date of the first installment represents 7.2% of the total electricity generated from the reactors during the period of operation .
- ✓ The electrical power generated during the repayment period of the principal and interests accounts for 35% of the total electricity generated from the reactors during the period of operation .
- ✓ The electrical power generated after the repayment period of the principal and interests represents 57.8% of the total electricity generated from the reactors during its 60-year lifetime .

Distribution of electricity generated during the operation of reactors



Expected revenues :

The Egyptian Public Treasury is set to earn a total net profit ranging between US\$ 220 bn.– US\$ 300 bn. from the operation of nuclear reactors, based on the expected lifetime of 60–80 years. Revenues are distributed as follows :

Phase I

Extends from the start of operation until the repayment date of the first installment, in which the state treasury is expected to achieve a net income of US\$ 19 bn .

Phase II

Extends throughout the period in which installments and interests are to be repaid. The state treasury is set to achieve a net income of US\$ 51 bn. p.a. after deducting the repaid installments and interests accounting for US\$ 41 bn .

Phase III

Extends after the repayment of loan installments and interests. The state treasury is expected to realize a net income of US\$ 150 bn. until the lifetime of these reactors ends (estimated at 60 years). If the expected lifetime of these reactors reaches 80 years, an economic return of more than US\$ 230 bn. will be achieved .

Benban Solar Park in Aswan

One of the Largest Solar Parks in the World

Egypt seeks to diversify the sources of energy by increasing its dependence on the renewable energy as an alternative source to meet the growing demand on energy. Egypt's trend comes in the light of the jump-starting recovery of the Egyptian economy, the rise in growth rate recording 4.3% in 2016/2017, the development of the power-intensive industrial sector and the continuous population growth. In this vein, the current structure of energy uses in Egypt shows the dominance of oil and gas as main sources of energy, placing more burdens on the state's public budget, especially with the rise in global oil prices. Therefore, the value of power subsidy leapt to reach EGP 136.3 bn. in 2016 / 2017.

Solar energy

Solar energy is one of the key sources of renewable energy that Egypt plans to develop considerably in the coming few years to replace the traditional sources of power generated by oil and gas. Egypt is expected to be a favorable destination for local and foreign investors since it is one of the countries located in the sunbelt zone. Egypt enjoys direct solar radiation of 3,200-2,000 kwh/m²/year nationwide. The daily average of sunshine ranges between 11-9 hours. Consequently, Egypt is considered one of the most suitable places in the world for using solar energy to generate electricity and provide thermal heating. This would create investment opportunities in the field of various solar energy applications .

9-11 hours
the daily average of
sunshine – Egypt
is a sunbelt-zone
countrybanking units

Systems of solar energy generation in Egypt

Solar energy is generated in Egypt through:

- ✓ **Systems of solar thermal heating of water**, with total installed areas of 750,000 m² and 22 companies making use of these systems.
- ✓ **Systems of solar thermal power plants**
- ✓ **Systems of photovoltaic cell technology**, which have witnessed a noticeable decrease in cost in the recent years thanks to the accelerating technological progress and the increasing production, and became affordable at reasonable prices in both developed and developing countries .

Current production capacity

The current production capacities of solar energy amount to 179 MW accounting for only 0.5% of total production capacity of electric power in Egypt. Solar energy projects started to be of interest in the late 2010 .

Current production capacities of 140 MW from solar thermal power and 39 MW using photovoltaic cell technology.

Key existing projects

Financed by the Egyptian government:

Project	Capacity	Governorate	Current status
Kuraymat plant	140 MW	Cairo	The first solar thermal power plant was built in Kuraymat in 2011 with total capacities of 140 MW, covering an area of 644,000 m ² . The solar component capacity amounted to 20 MW. The plant saves approximately 10,000 tons of fuel, and avoids 20,000 tons of CO2 emissions annually.
New & Renewable Energy Authority (NREA) HQ's project	82 KW	Aswan	4 solar plants were established using the photovoltaic cell system with total capacities of 82 KW to supply NREA's HQ with electricity

Financed by a donation from the United Arab Emirates

The electric supply project for areas, villages and communities not connected to the unified grid with a total capacity of 67 MW using the photovoltaic cell system through a donation from the United Arab Emirates. The project is divided into the following plants:

Project	Capacity (MW)	Governorates	Current status
Independent photovoltaic cell systems (houses – public buildings – mosques)	300 W for each unit (house, public building or mosque)	Sohag, Matrouh, Qena, New Valley, Luxor, Aswan	Systems are fully installed for 211 villages and communities lacking electricity, comprising a total number of 6,943 houses, public buildings and mosques.
Siwa Central Plant	10	Matrouh	Operation started in March 2015.
Al-Farafra Central Plant	5	New Valley	Operation started in December 2015.
Abu Minqar Central Plant	0.5		
Darb Al-Arbacen Central Plant	0.5		
Halayeb Central Plant	1	Red Sea	Operation started in April 2016
Abu Ramad Central Plant	2		
Shalateen Central Plant	5		
Marsa Alam Central Plant	6		



Benban Solar Park in Aswan

Future plans

Egypt embraces an ambitious development strategy that direly needs enormous energy resources . Consequently, the government has sought to find out alternative power sources, including renewable energy resources in general and solar energy in particular. This comes in line with the objectives of Egypt's 2035 Sustainable Energy Strategy .

7.2 GW of solar energy combined production capacities by 2022

According to this strategy, the government aims to add 7.2 GW of solar energy combined production capacities by 2022 (of which 7 GW through using the photovoltaic cell technology and 0.2 GW through solar concentrators). The government also targets raising such capacities to 39.1 GW by 2035 (including 31 GW through photovoltaic cell technology and 8.1 GW through solar concentrators). The government provided incentive mechanisms for investors in this field as per Law No. 203/2014, either by means of Feed-in-Tariff (FiT), B.O.O. or Independent Power Producer (IPP) systems .

Raising productive capacities to 39.1 GW by 2035

Benban is one of the main projects in terms of renewable energy in general and solar energy in particular.

The solar park in Benban village in Aswan is considered one of the largest solar parks in the world. The Egyptian government marks the park as a pioneer national project in the field of renewable energy and an example for future initiatives. Operation will be according to FiT using the photovoltaic cell systems .

The park is located in Egypt's south territories covering an area of 37 km² near Benban village in Aswan within a high brightness insolation area. The New & Renewable Energy Authority (NREA) which owns the site, divides the said area into plots ranging between 0.3 km² and 1 km² to be offered to investors who will establish solar energy units to generate electricity. Also, NREA provides road services and the necessary infrastructure to connect the site to the adjacent main roads, in addition to a network of roads inside Benban site itself .

Benban solar power plant is a pioneer national project in the field of renewable energy and represents an example for future initiatives.

The park's total expected capacities are 1.650 GW divided into 32 power plants. Upon its completion, the capacity of the project will account for 59% of the High Dam's total productive capacity. The park is expected to provide energy for 350,000 people and create 1 0,000 jobs during construction in addition to 4,000 jobs upon starting operation. Moreover, it is an environment-friendly project which reduces CO2 emissions by 2 MM tons annually .

1.650 GW
Benban park total capacity accounts for 59% of the High Dam's total productive capacity

The Egyptian Electricity Transmission Company managed to connect the first solar power plant in Banban solar park in Aswan with a capacity of 50 MW to the unified grid in December 2017. Commissioning tests are currently running and the full project is expected to start operation in mid-2019 .

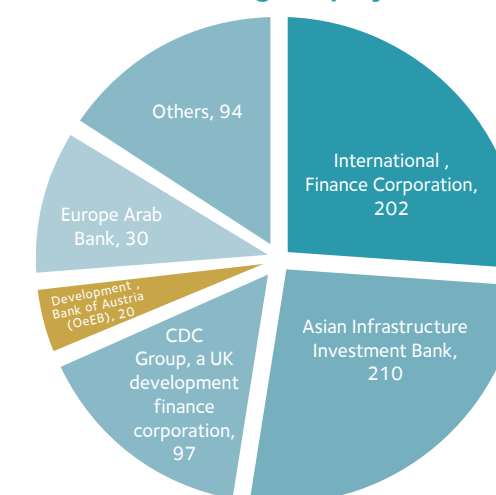
Connecting the first solar power plant in Banban solar park in Aswan with a capacity of 50 MW to the unified grid

Investment costs

The total cost of the 32 power plants in Benban ranges between US\$ 3.5 bn. and US\$ 4 bn., including US\$ 653 MM to finance 13 plants, extended by 10 international institutions led by the International Finance Corporation – the World Bank's investment arm. Therefore, Benban solar park received the largest financing package for private sector in the field of solar power plants using photovoltaic cells in the Middle East and North Africa .

The international institutions' and foreign investors' increasing interest in the solar park reflects the Egyptian government's efforts to prioritize renewal energy, including a favorable climate for investors by adopting legislation and mechanisms encouraging renewable energy sector in addition to tax exemptions.

"Institutions financing the project - "US\$ MM



Benban Solar Park in Aswan

Other future projects

Government projects

Project	Capacity (MW)	Governorates	Current status
Hurghada Plant	20	Red Sea	Photovoltaic power plant with a capacity of 20 MW in Hurghada, in cooperation with Japan International Cooperation Agency (JICA). The plant's cost is estimated at a 13.6 bn. and is expected to start operation in 2018 .
Kom Ombo Plant	20	Aswan	Photovoltaic power plant with a capacity of 20 MW in Kom Ombo, in cooperation with the French Development Agency (Agence Française de Développement (AFD)). The project is expected to start operation in 2018 .

B.O.O. projects

Project	Capacity (MW)	Governorates	Current status
West Nile Plant	600	Al Minya	The Egyptian government agreed in March 2015 with Skypower Company – a Canadian company – to construct a photovoltaic power plant with a capacity of 600 MW, and with total investments of EGP 5 bn. The plant is expected to start operation in 2019 and create 75,000 jobs .
Kom Ombo Plant	200	Aswan	The plant is expected to start operation in 2018 .
West Nile Plant	200	-	32 companies were selected to implement the project with a capacity of 200 MW. The plant is expected to start operation in 2019 .
Solar thermal plant in the west Nile.	50 - 100	-	The plant is expected to start operation in 2020.

Wind Power Plants

A Glimpse of Hope for Developing Energy Resources in Egypt

Recent years recorded a growing global trend towards using clean energy and focusing on the environmental dimension, given the limited conventional energy sources. In that vein, Egypt sought to diversify electrical energy production resources, maximize benefiting from domestic resources and expand renewable energy projects, such as wind energy picking up on the back of its sustainability and relative price stability. In this respect, Egypt's energy strategy 2035 aims at upgrading the wind energy production capacities to reach around 20.6 Gigawatts in 2034/2035.

Existing wind power plants

Egypt started using wind energy to generate electricity since 1993 by establishing a pilot plant in Hurghada with limited capacity. The Wind Atlas for Egypt in 2003 introduced the most promising areas for wind energy endowed with high wind speeds, on top of which come the western coast of the Gulf of Suez, on both sides of the River Nile and some areas in Sinai which are suitable for implementing large projects to generate electricity from wind energy. Consequently, a series of large-scale wind power plants have been built in Egypt, with extensive productive capacities, such as Zafarana and Gebel El Zeit (1) wind farms in 2015, resulting in an increase in wind capacities from 550 Megawatts in 2013 to 750 Megawatts by the end of 2016 .

Existing power plants	Productive capacity (Megawatts)	Information
Hurghada	5	• Local manufacturing reached 40% for some contents.
Zafarana	545	• Governmental cooperation protocols with the governments of Germany, Denmark, Spain and Japan.
Gebel El Zeit (1)	200	• In cooperation with Germany's Development Bank (KFW), the European Investment Bank (EIB), and the European Commission with a total cost of 218 million Euro.

Wind Power Plants :

Wind power plants in the pipeline

The current period witnesses a remarkable trend towards using wind energy. This includes expanding Gebel El Zeit (1) power plant and establishing a number of new power plants in cooperation with international companies from Germany, Japan, the European union and others .

The expansion of Gebel El Zeit (1) power plant is underway and a number of new power plants with productive capacity totaling over 3 Gigawatts are installed.

Pipeline power plants	Productive capacity (Megawatts)	Information
Gebel El Zeit (1) expansion	40	Expected to be completed by January 2018 .
Gebel El Zeit (2)	120	- In cooperation with the government of Spain. - Full operation of the project by March 2018 .
Gebel El Zeit (3)	220	- In cooperation with the Japan International Cooperation Agency (JICA). - Full operation of the project by March 2018 .
Beni Suef	2000	- The contract was signed with Siemens on 24/8/2015. - It is a four - phase project . - The first stage is expected to be completed with 180 Megawatts capacity in 2018/2019 . - Full completion of the project in 2023 .
Gulf of Suez (1)	200	- In cooperation with the Masdar Company (UAE) . - Expected to be completed and operated in 2018/2019.
Gulf of Suez (2)	200 - 250	- In cooperation with Germany's Development Bank (KFW), the French Development Agency (AFD) and the European Investment Bank (EIB) . - The project is expected to be completed and operated in 2018/2019 .
West of Nile (1)	200	- In cooperation with the Japan International Cooperation Agency (JICA) . - The project is expected to be completed and operated in 2019/2020 .
Gulf of Suez (3)	200	- In cooperation with the French development Agency (AFD) . - The project is expected to be completed and operated in 2019/2020 .

Planned power plants

A number of wind power plants are planned to be established with a productive capacity totaling 1,420 Megawatts in the Red Sea Region (Gebel El Zeit and Ras Gharib) and West of Nile. This is in addition to 6 wind farms in different areas with a capacity of 100 Megawatts, each. Completion of all power plants is anticipated by 2019 / 2020 .

Planned power plants by 2020/2019	evitcudorP yticapac (sttawageM)	Information
Gebel El Zeit	320	In cooperation with the Italian "Italgel" Company .
Ras Gharib in Gulf of Suez	250	Engie, Toyota Tsusho Corporation ("Toyota Tsusho"), Orascom Construction and Eurus Energy Holdings Corporation ("Eurus Energy") .
West of Nile	250	In cooperation with Japan International Cooperation Agency (JICA) .
6 wind power plants	600	International bids .

Investments in the field of wind energy

✓ Current investments

Total renewable energy investments in late 2016 accounted for US\$ 1.5 billion, of which an amount of US\$ 1.1 billion was for wind energy projects .

✓ Planned Investments until 2022

It is planned for total renewable energy investments to reach US\$ 13.1 billion by 2022, of which US\$ 8.7 billion would be dedicated to wind energy projects. The private sector investors and New and Renewable Energy Authority (NREA)'s share accounts for 53.1% as follows :

Wind energy projects	NREA	Private sector	Total
Value (US\$ million)	4.082	4.630	8.712
Productive capacity (Megawatt)	3.140	3.670	6.810

Total wind-energy investments in the Gulf of Suez area alone account for US\$ 400 million.

Wind Power Plants :

Government efforts to support renewable energy investments

- ✓ The Executive Regulations of the new Investment Law were issued providing for special privileges and incentives for investments in the field of renewable energy, ensuring a 30% discount off the investment costs of the project (deducted from taxable net profits) .
- ✓ The Central Bank of Egypt (CBE) guarantees all financial obligations of the Egyptian Electricity Transmission Company (EETC) .
- ✓ Customs tariff imposed on machinery, equipment and spare parts related to renewable energy has been reduced from 5% to 2% .
- ✓ An area of 5,697 square kilometers in Gulf of Suez and both sides of the Nile was allocated to the New and Renewable Energy Authority (NREA) to implement more electricity generation projects using wind energy as follows :

Distribution plan of wind generated energy according to state- allocated areas:

Region	Area (square km)	Capacity (Megawatts)
Gulf of Suez	1.220	3.550
East of Nile	841	5.800
West of Nile	3.636	23.350

Positive impact of using wind energy, mainly :

Promoting local manufacturing and providing foreign currency to support economic development. According to the World Trade Organization report, it is expected that 3 factories will be established to manufacture turbines used in wind energy and 30 local manufacturers for tools and industries used in building windmills; and

Creating job opportunities triggered by expansions in establishing wind power plants whether directly via factories, suppliers...etc. or indirectly via service authorities and institutions. The WTO report stated that wind energy projects would contribute to creating 75,000 job opportunities by 2020.

The World Trade Organization Wind energy projects in Egypt to contribute to creating 75,000 job opportunities by 2020.

New National Projects for Sinai Development

Suez Canal's floating bridges and tunnels are the lifeblood for Sinai development

Under its economic reform program, Egypt seeks to make significant headway to national projects which in turn represent a key pillar of economic growth. In that vein, Egypt proceeded with the development projects in the Suez Canal Economic Zone (SCZone), gave considerable attention to infrastructure projects connecting Sinai to the Nile valley and established a set of integrated development projects including digging giant tunnels underneath the Canal and constructing a number of floating bridges directly connecting the Canal's banks. The projects will be executed under the supervision of the Armed Forces Engineering Authority (the AFEA) using the Egyptian expertise of four national companies.

The tunneling system under the Suez Canal: "the largest-ever in Egypt's history"

To add value to the project, Egypt has contracted global firms and houses for engineering and technical consultancy. The Armed Forces purchased 4 giant tunnel-boring machines (TBMs) from Herrkchant, a Germany-based leading company in this field, to rationalize the cost of implementation. It succeeded in reducing cost by 25%. Besides, Herrkchant provides training to 40 Egyptian engineers and helps in the excavation works. The assembly process of TBMs was executed by Egyptian workers in March 2016 and actual excavation work started at the beginning of June 2016. The execution works were complemented by establishing ancillary factories and plants including:

- ✓ Two factories for manufacturing concrete rings;
- ✓ Two power plants;
- ✓ Two plants for mixing injection material; and
- ✓ 4 cisterns (underground water tanks) with 6,000 cubic meters each.

The AFEA also fostered cooperation with grand international companies in search of technical consultancies seeking to achieve added value. The tunnels lie underneath the Suez Canal in North Ismailia. They connect the ring road to Ismailia, Port Said Road, Ras Sedr Road and Al Qantra Shark. The two tunnels will be connected to a number of repeated crossing passages every 500m along the tunnel, ensuring full safety measures for evacuation of individuals in emergencies.

10 Minutes

the time of crossing the Suez Canal instead of waiting for about 5 days on ferryboats



New National Projects for Sinai Development

The tunneling system will shorten the time for crossing the Canal immensely with a view to linking Sinai to all parts of Egypt westwards, fulfilling the requirements of development, making a big shift with respect to Sinai's development, facilitating trade activities and eliminating many obstacles of crossing to and from Sinai. It is estimated that nearly 5,000 vehicles per day would cross the tunnels connecting the Suez Canal to Ismailia in a short time compared to ferryboats or other roads, taking only 10 minutes along the tunnel.

The Suez Canal tunnels constitute an Egyptian engineering epic, where the national Petrojet and Concord constructed a number of tunnels in North Ismailia including two tunnels for vehicles to cross under the Suez Canal with a length of 5,820m each. The execution works included the establishment of:

- ✓ A factory for manufacturing concrete rings over an area of 14.5 thousand square meters, with a production capacity of 15 rings per day; and
- ✓ A product storage area over 25.9 thousand square meters with a storage capacity of 928 concrete rings.

Arab Contractors and Orascom constructed two tunnels for cars in South Port Said with a total length of 3,920m each. The execution works included the establishment of:

- ✓ A concrete ring factory over an area of 10,000m²; and
- ✓ A product storage area over 25.9 thousand square meters with a storage capacity of 928 concrete rings.

Set of floating bridges

The Suez Canal Authority (SCA) has taken quick and decisive steps on the way to implementing the state's plan aiming to connect "Sinai" to the Nile Valley through establishing a number of floating bridges along the Canal's navigation channel as a main pillar of the national project of Sinai's development. Such bridges will smooth the movement of citizens, reduce traffic congestion and achieve a package of strategic goals simultaneously, including:

- ✓ Providing materials to the existing industrial facilities;
- ✓ Propelling development and establishing new industrial clusters;
- ✓ Reinvigorating trade activities and transporting different types of goods; and
- ✓ Serving the new urban cities overlooking the Canal under the national plan of urban development.

Such floating bridges would help in developing Sinai and linking the peninsula to the Nile Valley as they complement the tunnels under the Canal in Ismailia and Port Said. They utilize the highest technology of global communication "FHV", which enables liaising with the Canal's navigation traffic control system.

Inauguration of three floating bridges in two phases

Al-Nasr floating bridge was inaugurated in the first phase in December 2016 in Al-Raswa area, with 421m in length. The crossing capacity is estimated at 20,000 vehicles per day in addition to 1,200 vehicles with a capacity of 70 tonnes each. It aims to facilitate citizens movement between Port Said and Port Fouad in order to alleviate the suffering of residents and non-residents moving between the eastern and western sides of the Canal. Above all, it will save millions of pounds spent annually on ferryboats operation and maintenance. It also accommodates container transportation for logistics projects related to the Suez Canal economic zone development project with an eye to enhancing the potentials of the Egyptian economy.

Accommodating container transportation for logistics projects related to the Suez Canal economic zone development project and refreshing trade activities and goods transportation

The bridge was erected at a total cost of EGP 100 MM, procured from the SCA's ferryboats budget as part of SCA's role in corporate social responsibility. It was established using the highest global quality specification by Egyptian workers under the supervision of a French company.

In the second phase, two bridges named "the Martyr Ahmed Saber Mansy" and "the Martyr Abanoub Gerges" were inaugurated in Ismailia and Al Qantara respectively in December 2017. Their locations were accurately chosen to serve residential and vital commercial areas. They were designed at the highest global standards, contributing to reinvigorating trade activities and goods transport where the trip lasts for 3 minutes instead of 3 hours.

The fish farming project in East Suez Canal sedimentation basin area

The fish farm project is established in East Suez Canal over an area of 7,500 feddans of saltwater. The project contributes to accomplishing the state's public policy goals by being self-sufficient in the supply of high quality fish in an attempt to reduce the deficit in animal protein and narrow the gap between production and consumption. The project also contributes to:

- ✓ Developing Suez Canal zone and Sinai and creating new urban communities;
- ✓ Establishing integrated productive communities depending on fish production; and
- ✓ Creating 10,000 direct and indirect job opportunities in all professions and specializations in this business.

7,500
feddans

the project's area in East Suez Canal

10,000

Direct and indirect job opportunities

East Suez Canal is an appropriate location for marine farming since it has many characteristics:

- ✓ Proper ground resources for marine farming: "sedimentation basins, saltwater";
- ✓ Ideal location nearby feeders of the Mediterranean, the Red Sea and the Suez Canal;
- ✓ Source of marine juvenile fish; and
- ✓ Technical qualifications for marine farming.

The Canal's fish farming is an environment-friendly project as it relies on lifting water from the Canal to raise some fish species. The disposed water is reused through biological treatment for raising other species of fish that feed on algae which make an initial water filtration, to be followed by mechanical filtration before disposal again to the Canal's navigation channel. The project is set to be implemented over three phases, the first one was inaugurated in December 2016 comprising total 1,034 basins. The second phase was launched in December 2017 with a total capacity of 4,441 basins. It is planned to complete the project's final phase during the period from mid-2018 till end of 2018.

Such projects reflect Egypt's commitment to achieve real development in Sinai. They are an integral part of a package of development, service and infrastructure projects in the context of an all-inclusive strategy. This aims to promote potentials of manpower, utilize available resources and place Sinai among the investment-attractive destinations.



Investment Zones...

Promising investment opportunities across different economic activities

Investment zones are an investment scheme designed to attract local and foreign capital to Egypt, thanks to the benefits and tax exemptions they offer. Their key objective is to establish integrated and homogenous clusters in all economic fields. They also target developing investment in SMEs. They are based on having a principal investor (the developer) who establishes the infrastructure, thus enhancing private sector participation. Accordingly, investment zones support economic growth and help create new jobs.

Key advantages of investment zones are:

- Tax exemptions**
 - Projects are exempt from stamp tax and registration and notary fees for a preiod of five years starting from the date of their entry into the commercial register. Registraion contracts of lands upon which companies and facilities are established are also exempt from the said taxes.
- Investment incentives**
 - Recovery of 50% of investment costs (rebated from net taxable profit) for investment projects in Sector (A) which includes the Suez Canal Economic Zone, the Golden Triangle and geographical areas which are in most need of development as per the investment map.
 - Recovery of 30% of investment costs for Sector (B) which houses intensive labour projects such as SMEs, projects which rely on or produce renewable energy, tourism, electricy production and distribution, wood industries, furniture, printing, packaging, chemical and food indsustries, agricultural crops, agricultural waste recycling, engineering and mineral industries, textile and leather.
- Guarantees and freedom in decision taking**
 - No administrative entity may cancel or suspend a company's real estate licence, uncles the licence terms are violated.
 - No administrative entity may intervene in pricing the products or determining the profit of any company or facility.
 - No company or facility may be nationalized or confiscated.

In the framework of the Government of Egypt's (GoE) keenness on providing a robust legislative environment and creating an investment friendly climate, Law No. 19 of 2007 provides regulations for the establishment of investment zones. In addition, the executive regulations of the new Investment Law comprise an investment scheme designed to remove any obstacles facing investments, particularly with respect to establishing investment zones.

The regulations also provide for establishing investment zones pursuant to a Prime Minister decree after the approval of the New Investment Zones Establishment Committee, as well as of the relevant entities and the General Authority for Investment and Free Zones (GAFI) board of directors. Documentation required from any entity wishing to establish investment zones are shown below

Documentation required with applications from entities wishing to establish investment zones

- ✓ Description of the site upon which the investment zone is to be established, including its surface area, location, coordinates, a recent cadastral map and the legal nature of land possession.
- ✓ A statement of existing and needed utilities and infrastructure. Also, an estimate of the quantity of water and power needed at the different stages of the zone development.
- ✓ A development and marketing strategy for the investment zone including a general description of the projects that the zone intends to attract and promote, an estimate of their number, capital required and size of labour at the different stages of the targeted projects as well as the services that could be provided to investors.
- ✓ Information of the company which would undertake the establishment, development, management and marketing of the zone, including its prequalification, shareholders and capital shares, and the basic information of other entities applying for licensure.
- ✓ Proposed time schedule for the establishment and exploitation of investment zone.
- ✓ The agreement form to be concluded with potential investors in the zone, which must stipulate their obligation to comply with the health, safety and environmental (HSE) requirements, civil defence requirements and the decisions, rules and regulations of the GAFI board of directors in respect of investment zone regulation and management, and their obligation to return the allocated plots of land if not used within a certain period of time.

Existing and under construction or preparation investment zones

Egypt currently has 17 investment zones as follows :

9 existing industrial and service zones:

- ✓ **5 zones which house industrial activities, distributed as follows:** 3 zones in 6th of October City, namely "CBC Egypt for Industrial Development, the Industrial Development Group and Polaris International Industrial Park", and 2 zones in 10th of Ramadan City, namely "Pyramids Industrial Parks and Tajamouat Industrial Parks". The 5 zones, on a total area of 7.5 MM. m², accommodate 254 projects with total investments of EGP 17.7 bn. and EGP 8.9 bn. for projects and developers respectively. These created 64K jobs. Notably, foreign capital has the lion's share in some of these zones. Occupancy rates also rose to range between 82% and 98%.
- ✓ **4 zones for service activities.** These include 2 zones in Maadi, which are the "Ministry of Communication and Information Technology's Maadi Technology Park and Majid Al Futtaim"; the "Cairo Airport Investment Zone" in Cairo International Airport; and "Orchid Kuwait Egyptian Company" in 10th of Ramadan City. The total area of these zones combined is 10.6 MM. m² with total investments of EGP 55.5 bn. for developers. These investment zones created 57.5K jobs.

Key indicators for existing zones



Investment Zones...

- ✓ **4 educational and research zones under construction** in "Cairo, Ain Shams and Fayoum Universities and the City of Scientific Research and Technology Applications in Borg Al Arab", with a total area of 1.2K feddans.
- ✓ **A commercial entertainment zone "City Center Almaza in Cairo" which was granted the cabinet's approval in January 2018 over an area of 123K m²; and 3 SMEs industrial zones** distributed as follows: the first zone in Meet Ghamr, Dakahlia Governorate for aluminium industries with total estimated investments of EGP 100 MM., providing nearly 1K jobs; the second zone in Banha, Qalyubia for food industries with estimated investments of EGP 500 MM., providing 3K jobs; and the third zone in El Saf, Giza, for refractories with total estimated investments of EGP 400 MM., which would create 3K jobs. The total area of the three zones combined is 104.1 feddans.

Targeted investment zones

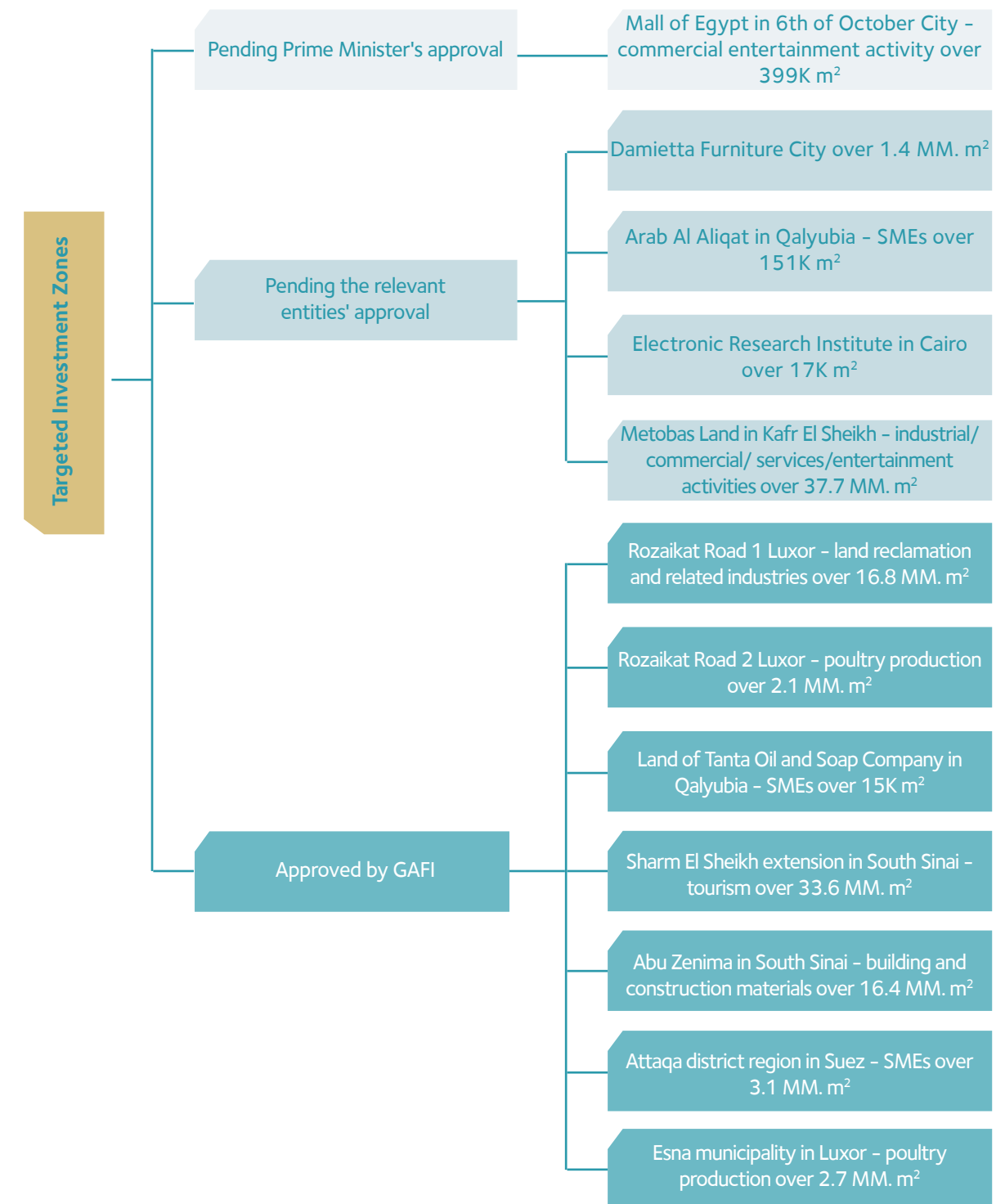
GoE has recently managed, especially with the enactment of the Investment Law and its Executive Regulations and the Companies Law, to enhance its partnership with the private sector to establish, develop, manage and market investment zones in order to lure investments to the Egyptian market and contribute to sustainable development, particularly in the most needy parts with the aim of creating jobs.

In this framework, there are plans to establish 12 investment zones with varying areas in the coming period, all of which were granted the GAFI board's approval, pending the approvals of the relevant entities and the Prime Minister. The new zones are distributed over 8 governorates, including 5 new ones (i.e. governorates with no history of investment zones) which are Luxor, South Sinai, Kafr El Sheikh, Suez and Damietta. Targeted economic activities in the planned zones encompass new fields such as land reclamation, poultry production, furniture manufacturing and tourism. These zones are distributed as follows:

- ✓ The GAFI board approved establishing 7 investment zones, as follows: **"3 zones in Luxor, 2 in South Sinai, one in Suez and another in Qalyubia"**.
- ✓ The GAFI board issued decisions approving the establishment of 4 investment zones which are: "Damietta Furniture City, Arab Al Aliqat Region, the Electronic Research Institute and Metobas Land". The relevant entities' approvals for these zones are in progress.
- ✓ The GAFI board approved the request of Majid Al Futtaim Properties – Egypt to develop an investment zone in Mall of Egypt in order to establish investment projects including franchises for popular world and local brands and a family entertainment center. The Prime Minister's decrees for the approval of this zone are underway.

12 targeted zones

8 governorates to establish the targeted investment zones with new economic activities



In addition to the above, the New Investment Zones Establishment Committee approved the establishment of 15 investment zones, paving the way for obtaining the final approval of the GAFI board in line with GAFI's strategy to create several new investment zones over the coming period.

The New Textile City

Minya Governorate to See its First Public Free Zone

In early December 2017, the Cabinet of Egypt approved the establishment of the first public free zone in Minya, totally allocated for textile industries. This decision crowned the efforts exerted by the state towards enhancing the investment climate in Upper Egypt. It contributes to achieving integrated development and offering new job opportunities to elevate the standards of living in southern governorates. It is also a link in the chain of endeavors geared towards reviving national textile industries and regaining the sector's leadership in the Egyptian economy through the free zones mechanism. It is worth mentioning that Egypt is working to increase the number of free zones nationwide, in view of their role as a major investment tool in attracting foreign investments and transferring experiences and modern technology. Hence, this shall contribute to developing the production capacities of local textile industries, and boost the production quality, eventually creating an opportunity to access different foreign markets with competitive prices.

Establishing the textile free zone in Minya comes in line with the Ministry of Trade and Industry's strategy 2017-2020 which focuses on the sustainable development of Egyptian exports, as one of the main pillars, especially the promising sectors such as textile industry, to increase the country's resources of foreign currency and reduce trade balance deficit.

Minya textile free zone

- ✓ In 2012, an area of **306.7 feddans** was allocated for the establishment of a public free zone for export-oriented industries in the expansion area to the south of the industrial zone in Al Minya.
- ✓ In May 2016, a framework agreement was signed by the Ministry of Trade and Industry "Egyptian National Council of Textile" and the "Chinese National Council of Textile and Clothing". China is a leading country in the field of textile industries. The agreement aims to set out the executive procedures for establishing an **integrated city of all textile industry stages** in Minya. The stages include spinning, weaving, dyeing, processing and ready-made garments.
- ✓ The allocated lands were delivered to the General Authority for Investment (GAFI) to continue the necessary procedures in view of the nature of the **public free zone**.
- ✓ **Promotional and marketing programs aiming at attracting foreign investments to the textile city** were organized. For instance, the Egyptian Textile Export Council paid a visit to the city in November 2017, accompanied by foreign investor delegations from various countries foremost among which was the United States of America.

Establishing the textile free zone is among the major efforts exerted by the state towards creating a favorable investment climate in Upper Egypt and reviving local textile industries.

Basic information of the textile free zone in Minya

Total area	feddans 306.7
Projects area	Textile industries
Projects area	feddans 204.5
Investment costs	US\$ 74 million
Rental value (preliminary)	US\$ 3.5 per square meter annually for vacant areas for industrial activities; US\$ 7 for service and warehousing activities; and a minimum of US\$ 25 for prefabricated facilities
Zone establishment estimated period	One and half years

Minya's textile public free zone's projected economic returns

The aim of the textile free zone is to transform Minya in particular and Egypt in general into a regional hub for textile industries in the Middle East and Africa, as well as meet the needs of the region from textile materials and products. In this respect, the following economic returns are expected from the free zone:

- ✓ Attracting new investments with the sum of US\$ 271 million to establish 85 factories with new production lines and advanced technology equipment.
- ✓ Achieving an added value to the GDP amounting to US\$ 160 million annually, with further gradual increase.
- ✓ Boosting the value of Egypt's textile exports by US\$ 100 million annually, with targeted total exports from this sector of US\$ 10 bn. by 2025 against US\$ 2.6 bn. in 2016 and US\$ 1.8 bn. during the period January-August 2017.
- ✓ Providing foreign currency surplus through import substitution with a value of US\$ 3.5 bn. annually (which represents the average total value of Egypt's imports of textile products during the period 2013-2016), contributing to enhancing trade balance status.

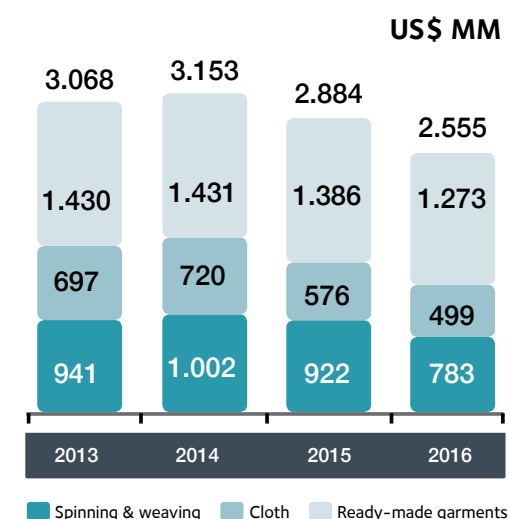
US\$ 271 million
new investments

85 factories with
new production lines

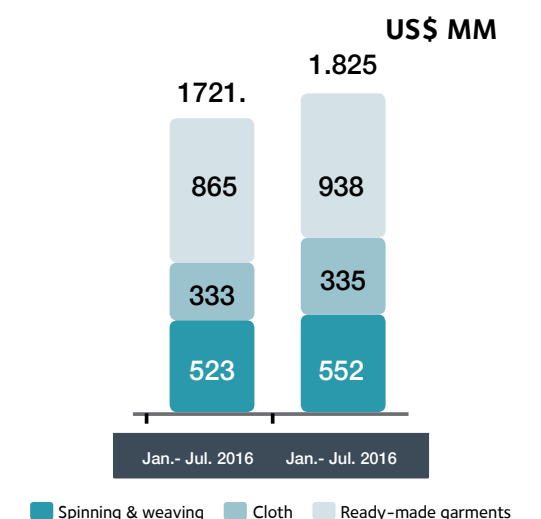
US\$ 100 million
increase in annual
textile exports

17000 direct job
opportunities

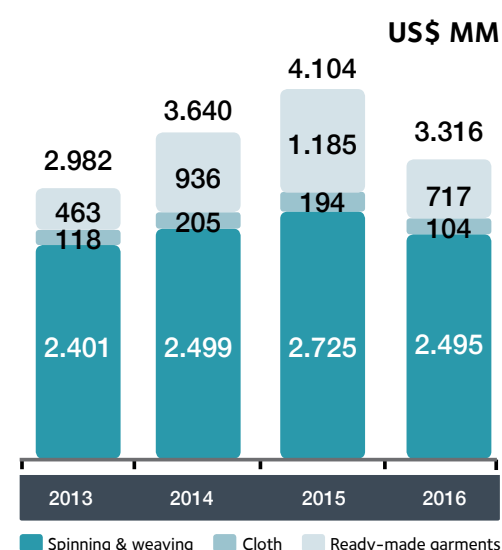
Egypt's textile exports during "2013-2016"



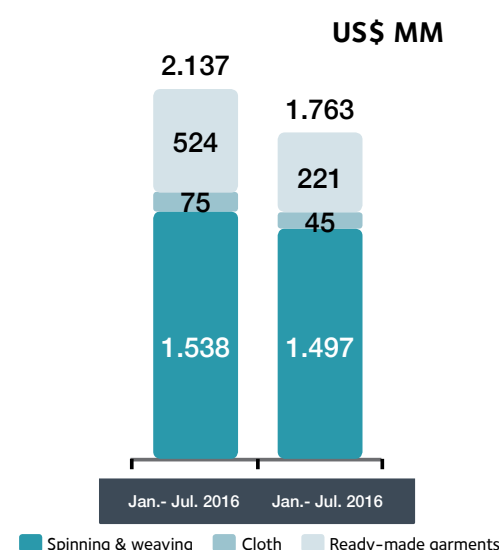
Egypt's textile exports during the period "January-August 2017"



Egypt's textile imports during "2013-2016"



Egypt's textile imports during the period "January-July 2017"



- ✓ Providing nearly 17,000 direct job opportunities as well as indirect seasonal job opportunities, resulting in curbing unemployment rates.
- ✓ Opening investment opportunities before related industries such as oil industry, linen industry, cattle feed and seeds husk, in addition to increasing the cultivated area of cotton as the main source for all the projects in the zone.

Benefits of investing in Minya textile public free zone

The established projects in the textile city enjoy many benefits which promote their success and boost the investment decisions, as follows:

Many incentives, guarantees and exemptions are granted pursuant to the investment systems in free zones, mainly the following:

- ✓ Freedom of choosing the enterprise legal form.
- ✓ Freedom of profit and capital transfer.
- ✓ Freedom of importing from the local or global market.
- ✓ Freedom of pricing of goods and services.
- ✓ Freedom of working for the account of third parties or being hired by third parties in the local market.
- ✓ Freedom of undertaking import or export transactions without the need to be listed in the importers and exporters registry.
- ✓ Treatment of goods and services exported to the textile city (the free zone) the same as goods and services exported abroad.
- ✓ No restrictions on the nationality of the capital (capital of Egyptian, Arab or foreign origin, of whatever sum, can be solely or jointly invested in the textile city).
- ✓ No limits on the volume of capital.
- ✓ Foreigners are given residence-related facilities and residence permits based on a request by the enterprise.
- ✓ The national tax laws and domestic duties do not apply to the enterprise and dividends made.
- ✓ The national import and customs regulations do not apply to the imports and exports of the enterprise.
- ✓ The enterprise may not be nationalized or confiscated.
- ✓ No public lawsuits may be filed against the enterprise, unless GAFI so approves.
- ✓ The licence may not be suspended without referring to GAFI.
- ✓ The enterprise deals with all government entities by virtue of a business licence without the need to issue a commercial register or an operation licence.
- ✓ Capital assets and production inputs are exempted from taxes and customs duties (except for passenger cars).
- ✓ Enterprise's imports and exports are exempted from taxes and customs duties.
- ✓ All local components of the enterprise's products are exempted from customs duties if sold in the local market.
- ✓ Goods representing transit trade of specific destination are exempted from free zone charges once delivered.

The free zone's distinctive geographical location, as:

- ✓ it is located in the middle between the industrial zone and the agricultural areas, which represents an opportunity for integration with several other projects operating in the free zone;
- ✓ it is near Minya city and new Minya, which is fundamental to attracting investment projects to the free zone; and
- ✓ it is near Ain Sokhna Port (300 km from Ain Sokhna port through the Upper Egypt highway to the east of the Nile). The port is regarded as one of the best ports for foreign exports, transit trade and container handling.

Integrated services for the textile free zone investors through GAFI branch of the Investors Services Centre under construction in the governorate.

Investors in the free zone receive integrated services through:

the new branch of "Investors Services Centre" being constructed by GAFI on a 10,000 km² area in Minya governorate to enhance investment climate. This Center, where investors can find all the government bodies they deal with, is intended to facilitate the procedures of approvals, permits and licences necessary for establishing, incorporating and operating companies.

New Damietta Furniture City

An Industrial City Targeting Global Markets

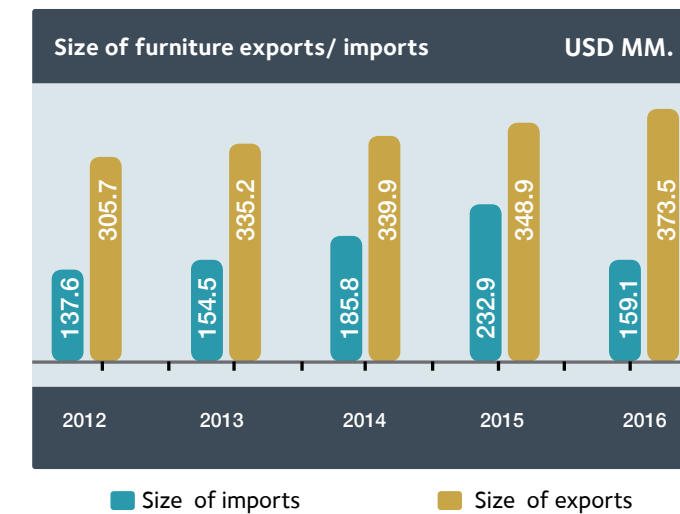
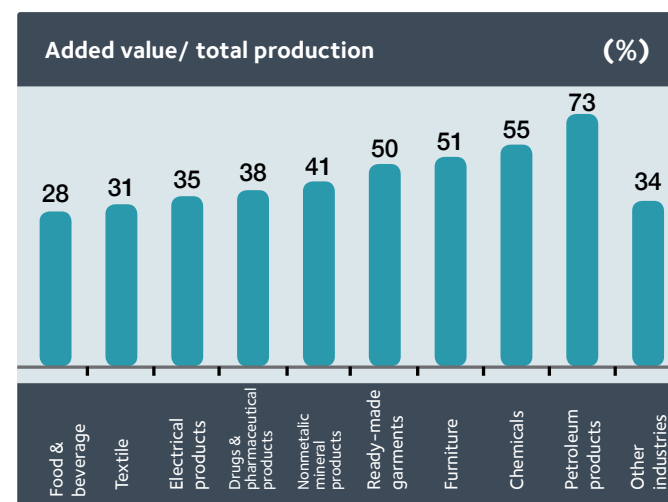
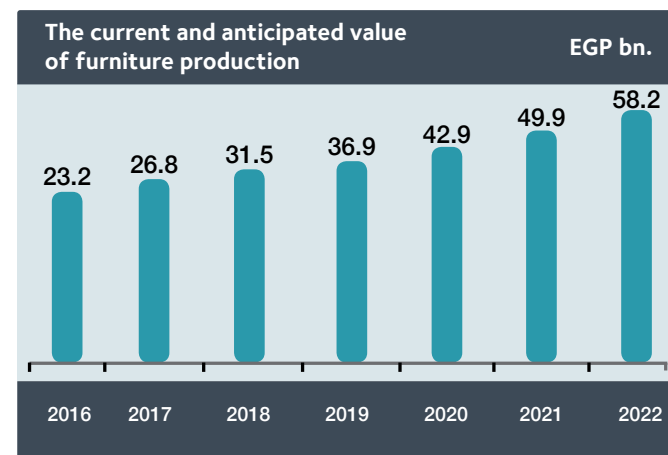
The furniture industry is one of the most booming industries in Egypt. It is the second-largest industry in terms of number of establishments and labour force. More than one million workers are directly or indirectly engaged in the furniture industry. They represent 11% of the size of industrial employment in Egypt including 430,000 direct employment in addition to the indirect employment in the feeding or complementary industries. At the same time, a considerable number of furniture industry establishments are still not operating under the formal economy. Accordingly, their incorporation into the formal economy could attach greater importance to such industry in the Egyptian economy. Such industry is characterized by its multiple products of all kinds and sizes with the ability to meet the needs of local and international markets, starting from mega projects to retailers and owners of small furniture exhibitions .

The industry mainly depends on micro, small and medium enterprises (MSMEs) that represent about 85-90% of the furniture manufacturing companies in Egypt .

Furniture production in Egypt in 2016 was estimated at some EGP 23 bn. It is expected that it would record about EGP 58 bn. by 2022. In this context, it is worth mentioning that the furniture industry was positively affected by the growth of a number of sectors; namely the real estate, health and education sectors. The furniture industry also has a high value added (VA) ratio, so it became the third-largest industry in Egypt in terms of the value added ratio following the sectors of petroleum products and chemicals .

Moreover, the furniture industry has managed to make considerable progress in respect of increasing exports in recent years. The volume of such exports amounted to some USD 373.5 MM. in 2016, against about USD 305.7 MM. in 2012, with an increase of 22.5%. It is targeted that the volume of furniture exports would reach some USD 670 MM. by 2020, which reflects the increasing foreign demand particularly in the Arab Gulf region and some African countries .

The Egyptian Furniture Export Council's (EFEC) strategy focuses on opening new Egyptian furniture markets, particularly in the African countries, in addition to enhancing Egypt's presence in the existing markets including Gulf countries, Russia, Europe and North America .



Egyptian furniture production is highly concentrated in the governorate of Damietta in lower Egypt. Historically, it produces around two-thirds of the country's wooden furniture, that it became one of the most important furniture manufacturing hubs in Egypt. Damietta comprises around 37,000 workshops and production units catering for about 70% of the Egyptian local market needs. Small-scale workshops account for about 80% of furniture exports. Meanwhile, large and medium-sized factories contribute to exports by around 20%.

New Damietta Furniture City

The Egyptian government seeks to oil the wheels of such industry's development, and level up its growth rate to reach some 8% by 2020, and its share to GDP to 21% during the same period against 18% in 2016. Accordingly, a number of national projects are being established with a view to promoting the existing industries nationwide and devoting more attention to small and medium enterprises.

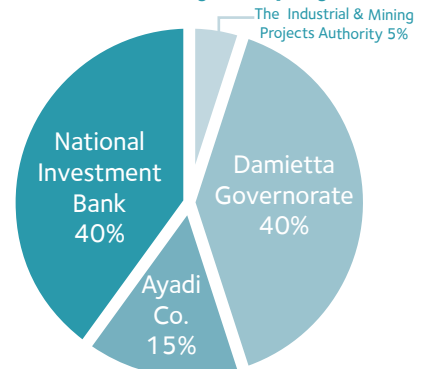
In this context, the General Authority for Investment and Free Zones (GAFI) agreed on 16 April 2017 to consider Damietta Furniture City (DFC) (for which the prime minister had previously issued a decision in 2015 on the allocation of 331 feddans for its establishment) as an investment zone. It is envisaged that the city would be one of the most important national projects in Egypt. It will include about 1,500 small and medium workshops and around 600,000 meter industrial areas with full utilities, in addition to granting operation licences and contracts.

The new Damietta Furniture City is a natural extension to the old Damietta City, which is well-known as being a hub for Egyptian furniture industry, and a wide pool of highly qualified labour enough to propel the demanded industrial leap. Besides, it is situated in close proximity to a number of ports (i.e. Damietta Port & Port Said Port); as well as the International Coastal Road and Suez Canal Axis. Damietta Furniture City Company was founded in July 2016, with an authorized capital of EGP 5 bn. and issued capital of EGP 521 MM. with equity shareholding by the National Investment Bank (NIB), Damietta Governorate, General Authority for Industrial and Mining Projects, and Ayady Masr for Industrial Development (AMID), a subsidiary of the Ministry of Planning (MOP) .

8%
growth rate by 2020

331 feddans
The area of New
Damietta Furniture City

Shareholding of Damietta
Furniture City Company



The new city targets a paradigm leap in furniture industry from local to global markets, through:

- ✓ Building an integrated city specialized in the furniture industry and all related feeding crafts;
- ✓ Providing a unique infrastructure network necessary for the development of the furniture industry;
- ✓ Reducing production cost through the use of shared services, the availability of a center for the suppliers of new materials and machinery, in addition to setting up factories for the complementary industries including adhesives and coatings necessary for the industry to replace the imported items;
- ✓ Supporting the owners of workshops via a 10-year banking finance enabling them to own the units after the repayment period. This protocol is one of the outcomes of the Central Bank of Egypt's (CBE) initiative to finance small- and medium-sized enterprises (SMEs);
- ✓ Upgrading the industry's technological techniques and developing designs to achieve the highest quality standards, in a way that addresses the growing needs of the local market in addition to the robust competition in the global market to ramp up exports and lower the balance of trade deficit; and
- ✓ Developing the marketing and promotion processes, providing marketing services for the products of the small-scale furniture workshops and holding permanent exhibitions locally and internationally in order to showcase Egyptian furniture products, particularly those of workshop owners.

It is estimated that the local demand for furniture would grow by some 10% p.a by 2020, based on the increased demand to meet the needs of the new residential communities.

The new city also includes the Furniture Technology Centre (FTC) aiming to develop marketing studies for furniture manufacturers, conduct the furniture pre-export verification, establish an educational & academic institution for design and innovation, and contribute to improving the quality of the Egyptian furniture products. Additionally, the new city will encompass furniture exhibition showrooms aiming to promote the city's products locally and internationally. The city also has the benefits and advantages of an investment zone, including:

- ✓ The one-stop-shops policy that helps facilitate obtaining all required licences and water and electricity services;
- ✓ A 5-year exemption from stamp duties and registration fees as of the date of registering the enterprises in the commercial register;
- ✓ No administrative entity may interfere in the pricing of the enterprises' products, nor cancel/suspend any licences, except where licensing conditions are violated;
- ✓ Streamlined procedures and nominal fees for enterprises inside the city; and
- ✓ Coherence of investment activities giving the investor competitive costs for operation and marketing economies as a result of the industrial integration.

Projects Layout

Industrial Zone	Investment zone	Service zone
✓ Includes 1,509 small and medium workshops with areas ranging from 50 square meters to 150 square meters in addition to medium-sized workshops for machines and coatings with areas ranging from 200 square meters to 400 square meters ✓ An area for the complementary industries ✓ Plots of lands for large factories ✓ Areas for stores and warehouses	✓ Financial and banking institutions ✓ Restaurants and cafeterias complex ✓ Exhibitions, hotels and conference centers ✓ Petrol stations ✓ Various commercial areas ✓ Administrative buildings ✓ Hospitals	✓ Clinics ✓ Civil security and protection ✓ Public utilities ✓ Houses of worship ✓ Public transport stop
DFC sets up workshops and factories to be sold at competitive prices to the owners of small and medium-sized workshops through a soft 10-year concessional banking finance with one-year grace period. Besides, lands are provided with all utilities and sold to investors as vacant lands.	DFC provides the infrastructure, then sells or shares the plots of land with foreign investors to be developed in the light of the project's general concept.	DFC prepares and builds the majority of the service area's components, which will be for the benefit of the public.

The establishment of Robbiki Leather City is a crucial step towards the development of Egypt's leather industry in order to reach international standards. It is a specialized industrial city that will adopt cutting edge technology with an eye to improving product quality and design. The spacious City's facilities come in different sizes (small, medium and large tanneries and warehouses for leather and leather tanning chemicals). The City will help in opening more markets at the local and global levels. Eventually, it contributes to promoting development and creating more jobs.

Location and area :

It is located at Kilo 45 on Cairo-Suez Road, 5 kilometres north of Badr City, in the middle of an industrial zone. The total area of Robbiki Leather City is nearly 1,629 feddans.

Project elements :

- ✓ An area for production units and auxiliary services over 511 feddans, including a model tannery to represent a good example for development and modernization. Relevant training for human resources will also take place in this area .
- ✓ An area for state-of-the art wastewater and effluent treatment plants and sanitary landfills in accordance with the environmental compatibility requirements over 282 feddans .
- ✓ Wood plantations irrigated by treated wastewater on an area of 280 feddans .
- ✓ The Leather Technology and Model Tannery Center on an area of 6K m² .
- ✓ Integrated industries .
- ✓ A modern infrastructure to overcome the environmental hazards of the old tanneries in Magra Al-Ayoon historical area .
- ✓ Public services such as banks, exhibitions, licencing offices, a hospital, a fire brigade and a police station.

Location and area :

The Leather City project takes place over three phases:

The first phase:

is on an area of 160 feddans, with a total cost of EGP 1 bn. to accommodate all the existing tanneries and workshops in Magra Al-Ayoon area and related industries .

The second phase:

is on an area of 116 feddans. An amount of EGP 200 MM. is allocated to start infrastructure works and all the required procedures are in progress .

The third phase:

includes building premises for global companies and attracting foreign investments in the field of leather manufacturing, and feeding and value-added industries such as shoes and finished leather products .

Key objectives of Robbiki Leather City :

- ✓ Increasing the value added by completing unfinished products, as 85% of the current leather exports are unfinished products; and scaling up the growth rate of the leather industry to reach a production capacity of 350 million square feet of fully finished products .
- ✓ Boosting industrial exports (from US\$ 170 MM. to US\$ 800 MM.) annually .
- ✓ Creating 25K new direct jobs by the time of finishing the project's phases .
- ✓ Raising the productivity rate from 60 square feet/worker/day to the international rate of 250 square feet/worker/day .

The 100,000 Greenhouse Project

A New Addition to Egypt's Agricultural Industry

Under the national project for the reclamation of 1.5 million feddans, the national food project was launched aiming at setting up 100,000 greenhouses over a 100,000 feddan area in 7 different regions. The project aims at optimizing the use of land and water resources, providing new job opportunities within the targeted reclamation areas and increasing agri-exports in support of the national economy. Egypt exports a variety of agricultural crops, particularly vegetables and fruits to many global markets and aims to increase its agricultural exports to some EGP 5 bn., especially after defining specifications and developing the agricultural quarantine system .

Implementation mechanisms

- ✓ The Agricultural Research Center (ARC) prepared a comprehensive study on the 100,000 greenhouse national project for the integrated production of high-quality and pollution-free agricultural crops including vegetables and fruits. The geographic site parameters in terms of water resources and water quality were also determined to set up farming communities. In addition, the design of the greenhouses was already completed along with the cropping patterns, economic feasibility studies and the necessary marketing plans.
- ✓ A mutual cooperation protocol was signed between the Ministry of Agriculture and Land Reclamation (MALR) and the Arab Organization for Industrialization (AOI) on how to set up and run modern water-saving greenhouses. According to such protocol, the AOI will be responsible for funding and procuring equipment necessary for setting up, running and managing the new greenhouses in addition to providing training courses. Meanwhile, the MALR will be in charge of management and operation processes according to the agreed-upon scientific and technical requirements and specifications
- ✓ The government has established the Egyptian Countryside Development Company with a capital of EGP 8 bn. to manage the 1.5 MM. feddan national reclamation project, where private sector companies will be in charge of the Company's management.

Geographic planning

The project aims at building integrated developmental farming communities at the new reclamation areas under the 1.5 MM. feddan project, which includes 7 regions; namely West Minya, west-west Minya, Al-Magharra, Sinai, Al-Marashda One, Al-Marashda Two, Halayeb & Shalateen. It is envisaged that implementation would be in accordance with the following:

- ✓ **West Minya:** building 20,000 greenhouses for the cultivation of tomatoes, peppers, cucumbers, cantaloupes, aubergines, green onions, courgettes and red cabbages.

Protected cultivation uses 60-70% of the water consumed in the traditional open-field cultivation

- ✓ **West-west Minya & Al-Magharra:** setting up 20,000 greenhouses for growing of tomatoes, cucumbers, aubergines, cantaloupes, peppers, watermelons, courgettes and cut flowers.
- ✓ **Sinai:** building 20,000 greenhouses to cultivate tomatoes, aubergines, cantaloupes, peppers, lettuce and cut flowers
- ✓ **Al-Marashda One & Al-Marashda Two:** constructing 30,000 greenhouses to grow tomatoes, peppers, lima beans, cantaloupes and cucumbers.
- ✓ **Halayeb & Shalateen:** establishing 10,000 greenhouses to cultivate tomatoes, cucumbers, aubergines, cantaloupes, peppers, courgettes and cut flowers.

Objectives :

- ✓ Providing job opportunities for youth and reducing unemployment rates;
- ✓ Increasing exports of agricultural crops;
- ✓ Growing economic crops that are financially profitable and which could contribute to closing the food gap;
- ✓ Saving water used in cultivation and optimizing the use of Egypt's groundwater resources;
- ✓ Procuring cut flowers in local markets with quantities that allow increasing their trade volumes
- ✓ Expanding the urban space and absorbing natural population growth through establishing modern integrated urban communities which contribute to increasing the populated area in Egypt from 6% to 10%; and
- ✓ Establishing export-oriented industries associated with agriculture, livestock and food.

Developing legislation and laws to be consistent with the agricultural national plan

The Parliament approved the Arab Fund for Economic & Social Development's (AFESD) letter to the Egyptian government represented by the Ministry of Investment & International Cooperation (MIIC) on offering a grant of KWD 200,000 to co-fund the preparation of the economic feasibility study and technical studies for the project of cultivating and developing 100,000 feddans using greenhouses. A number of relevant laws, such as the contract farming law, were approved. Furthermore, a number of draft laws were submitted for approval including but not limited to the law on the establishment of a food safety authority and some articles of the agricultural cooperatives and encroachments on agricultural lands act were discussed.

The Parliament approved a KWD 200,000 grant from the AFESD to finance technical studies

Estimated cost

The cost of the first phase of the food national project "100,000 greenhouses" would reach some EGP 40 bn. to build 40,000 huge greenhouses over the project's 1.5 MM. feddan area. Each greenhouse is worth some EGP 1 million.



The 100,000 Greenhouse Project

Positive outcomes

Unemployment rates

- ✓ Creating 300,000 job opportunities for youth who graduated from different colleges, in addition to providing job opportunities for workers and farmers; and
- ✓ Establishing training centers for the preparation of calibers in addition to sharing experience with the successful role models worldwide.

The project's infrastructure

- ✓ Developing main roads for the project's area as well as side roads for production units;
- ✓ Determining power sources and needs in addition to building the necessary facilities to provide the production units with the required power supply;
- ✓ Drilling water wells, installing irrigation pumps and designing main irrigation networks for the complexes and areas of the production units
- ✓ Setting up water tanks and water harvesting tanks;
- ✓ Erecting the project's main buildings; and
- ✓ Purchasing the necessary farming machinery and equipment.

Impact on industry

- ✓ Building factories and production lines for processing vegetable products;
- ✓ Using modern technology to enhance the quality of vegetable products (for local consumption or exportation);
- ✓ Making use of clean energy resources, particularly solar energy, to produce dried products; and
- ✓ Improving food quality level, specifications and safety.

Foreign trade

The project requires the establishment of a special export unit for studying the external market, verifying its needs, making sure that the project's agri-products are in conformity with the international standards, completing the contracting procedures and auditing accounts.

Scientific research (establishment of an innovation and research unit (IRU):

The IRU is one of the most significant activities of the project as it conducts researches to solve the problems related to developing and updating production processes, working on:

- ✓ Doing post-harvest researches and undertaking researches and studies on the environmental control systems (heating, cooling, ventilation and shading)
- ✓ Conducting joint research programs with international scientific institutions .
- ✓ Providing all technical information necessary for the agricultural crops production cycles.

Finally, it is expected that the 100,000 greenhouse national project would boost the reliance on local production to cater for food and agricultural commodities, level up the Egyptian exports abroad and create job opportunities for youth. It is a national project involving a number of official entities within a strategic vision aiming to enhance the agriculture industry's contribution to the Egyptian economy

New Alamein City “An Example of Sustainable Development Cities”



48,000
feddans

The total area on which the new city is being constructed on the Northern Coast of Egypt. The new city is planned to be an integrated city accommodating residential, tourist and cultural districts, industrial and research zones, and also presidential and cabinet headquarters.

400,000
inhabitants

Targeted population in the first phase.

US\$ 4-5 bn.

Investments in the first phase of the new city.

8,000
feddans

The area allocated for the industrial zone that would include “petrochemicals, mining, salt production and construction-complementary industries”.

15.5
thousand rooms

Intended capacity for hotels in the city.

400
feddans

Allocated primarily for “shopping malls, fairs, amusement parks, a cinema complex, theatres and sports clubs”.

44
feddans

The allocated area for the establishment of an international hospitalization and physiotherapy medical centre.

200
feddans

The total space of the cultural district that would comprise a library, an opera house, a cultural centre, a conference hall and a cultural museum.

150,000 m³/ day

The production capacity of the water desalination plant under construction in the city on 90,000 m² in the first phase.



Seawater Desalination Plants in Egypt

A Driving Force to Support Development Efforts

With the huge population growth and the high standard of living on the one hand, and the limited freshwater resources on the other, there has been a growing interest in searching for new sources of water (such as seawater desalination) to compensate for the shortage of traditional sources (rain, rivers, groundwater). Desalination plants appeared modestly in the middle of the last century, taking an upward trend since then both in production capacity and in terms of geographical expansion due to the increasing number of countries using water desalination technologies.

In this context, water desalination technologies are currently used by more than 150 countries. The total global desalinated water production capacity reached 88.6 MM. m³ in June 2017, rising to about 99.8 MM. m³ upon adding under-construction and contracted capacities. The number of desalination plants worldwide reached about 19,400 in June 2017 .

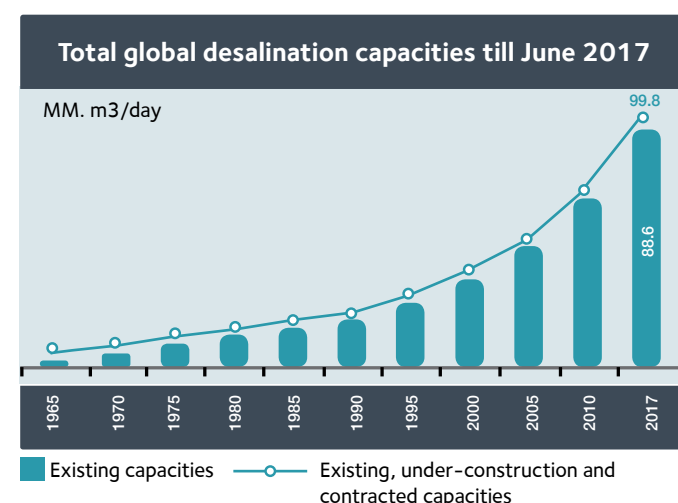
More than 150 countries
use water desalination
technologies

99.8 MM. m³

Total global desalination capacity for
existing, under-construction and
contracted plants till June 2017

19.4 thousand

Total number of existing plants



At the level of countries, the Arab countries occupy five ranks in the list of the top ten countries in terms of the total available capacity for desalination, holding eight of the top ten desalination plants worldwide in terms of production capacity. In this context, it is worth noting that Saudi Arabia is at the forefront globally in terms of both available capacities and size of desalination plants.

World's top desalination plants in terms of production capacity

(thousand m³/day)

Plant	Country	Capacity
Ras Az Zawr	Saudi Arabia	1,025
Shoaiba III	Saudi Arabia	900
Jubail	Saudi Arabia	800
Jebel Ali	UAE	650
Fujairah	UAE	590
Magtaa	Algeria	500
Melbourne	Australia	444
Shwayhat I	UAE	425
Shoaiba II	Saudi Arabia	425

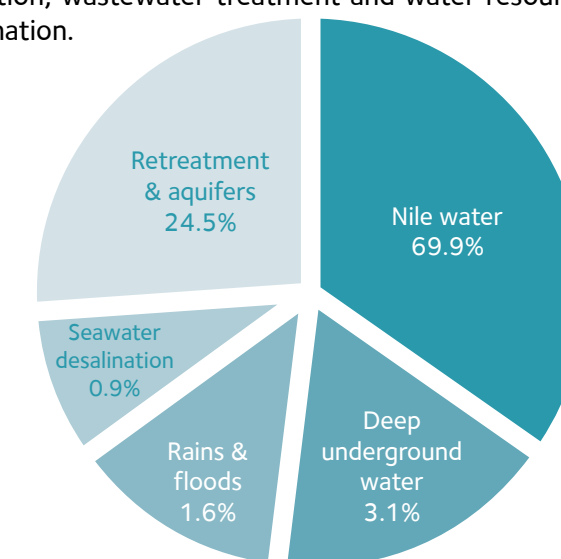


Studies show that it is difficult to provide accurate estimates of desalinated water unit cost, since it depends largely on several factors, such as the desalination method used, plant capacity, type of water source, quality of water required, availability and cost of energy sources, labor efficiency and mode of financing. The cost of desalination per cubic meter ranges between € 0.4 at least and € 8 at most, remaining on a downward curve with the technological advances.

Structure of water resources and uses in Egypt

Total traditional freshwater resources account for 60 bn. m³ per annum. Egypt's share of Nile water is about 55.5 bn. m³, of non-renewable deep groundwater 2.5 bn. m³ and of rains and floods 1.3 bn. m³. This is in addition to seawater desalination, accounting for 0.7 bn. m³. Reuse resources of treated agricultural, health and industrial sewage water and aquifer water in Nile valley and Delta amount to about 19.5 bn. m³, bringing the total available water to 79.5 bn. m³ per annum.

In light of the steadily growing water needs, the country has adopted a national plan based on several pillars; mainly, water use rationalization, wastewater treatment and water resources development, including the expansion in seawater desalination.



Seawater desalination in Egypt

Egypt's geographical location affords abundant saltwater resources, with the Red Sea bordering the east and the Mediterranean Sea along its northern border (in addition to the high-salt well water). This makes the expansion in seawater desalination a promising solution to diversify water resources in Egypt and meet its growing water needs, especially with the advancement of desalination technologies and the significant decline in its costs over the past two decades. It is noted that Egypt's total production capacity is limited to 235,000 m³ produced by 39 desalination plants already in service.

Therefore, Egypt has embarked upon an ambitious strategy until 2037, aiming to increase the dependence on desalinated water in border governorates, especially the Red Sea, Marsa Matrouh and North and South Sinai, in order to make full use of seawater on the one hand, and save the expenses of extending the pipelines used to transfer Nile water for vast distances on the other hand . This is in addition to avoiding the loss of water during transfer across these distances, and strengthening the dependence of industrial zones and new investment projects, whether commercial, tourist or residential, on establishing desalination plants. In this context, the target capacity of seawater desalination by 2037 is about 2.8 MM. m³/day (1 bn. m³ per annum), supported by establishing a network of mega desalination plants.

The expansion in seawater desalination is a promising solution to diversify water resources in Egypt and meet its growing water needs

1 bn. m³
Total targeted desalinated water annually by 2037

450,000 m³/day
Total target capacity for the following desalination plants:

- ✓ El Galala Mountain
- ✓ East Port Said
- ✓ New El Alamein

Egypt's major seawater desalination plants under construction (or recently opened) are as follows:

Al-Yusr Desalination Plant in Hurghada

It was opened in late 2017, with a production capacity of 80,000 m³/day, at a cost of about EGP 750 MM to cover the needs of citizens and tourist establishments in Hurghada.

Ain Sokhna Desalination Plant

It is designed to be the largest seawater desalination plant in Egypt to feed the economic zone in the North-West Gulf of Suez, with a production capacity of 164,000 m³/day— distributed between 100,000 m³ for drinking purposes and 64,000 m³ for industrial purposes. In this context, an agreement has been reached with the European Bank for Reconstruction and Development (EBRD) to procure funding of US\$ 300 MM. for the purposes of feasibility study, eco-systems and project implementation.

El Galala Mountain Desalination Plant

The plant's capacity is estimated at 150,000 m³/day, to serve the development project of El Galala Plateau as one of the largest national mega projects under construction in the Gulf of Suez.

East Port Said Desalination Plant

The plant's production capacity is estimated at 150,000 m³/day, to supply East Port Said city and Shark El Tafreaa Industrial Zone, at a cost of US\$ 130 MM. Further, the plant's production capacity is intended to reach 250,000 m³/day at a later stage.

New El Alamein Desalination Plant

It is one of the important components of New El Alamein city and one of the success pillars of this giant project. The production capacity is estimated at 150,000 m³/day, which will satisfy the city's water needs in a self-sufficient manner. The new plant is intended to depend upon solar power.

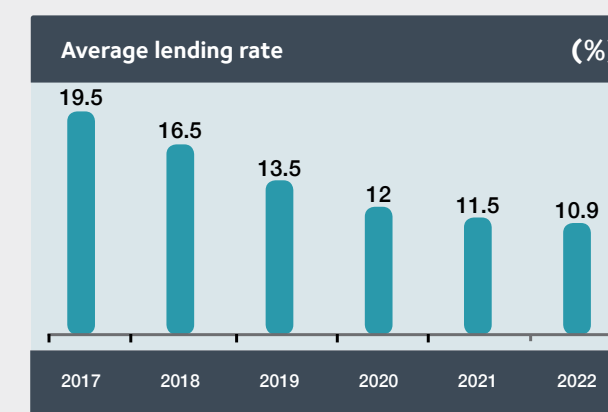
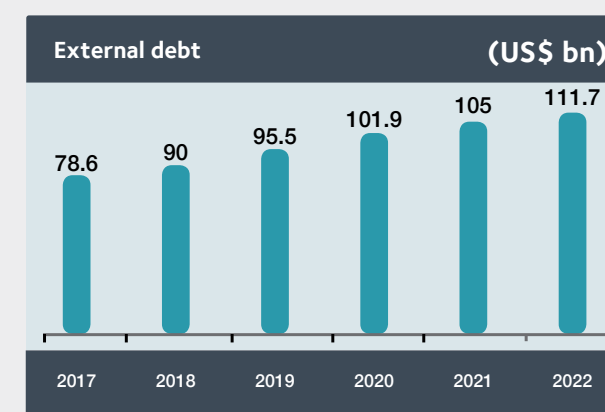
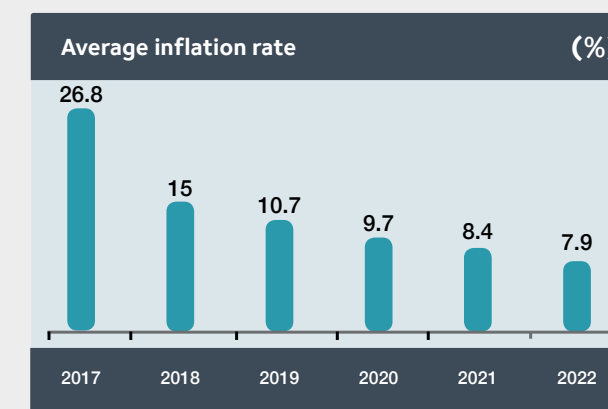
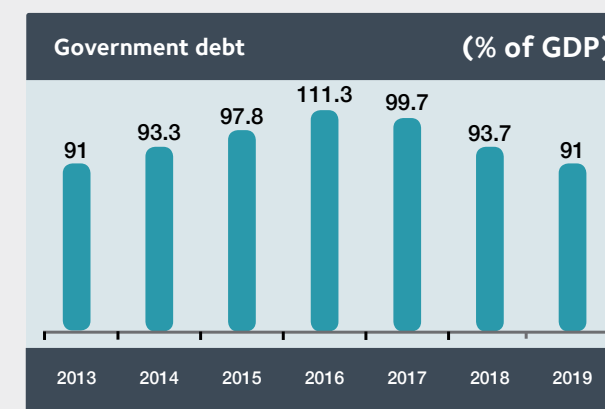
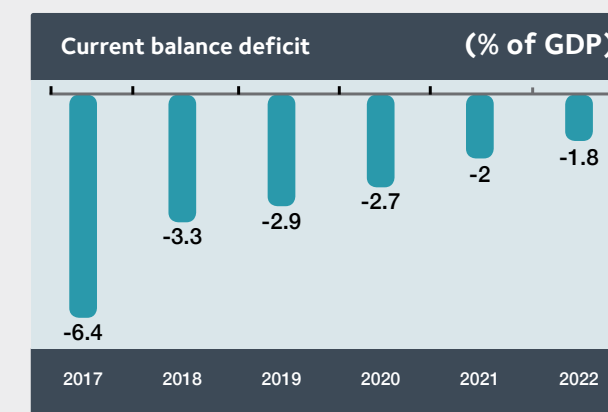
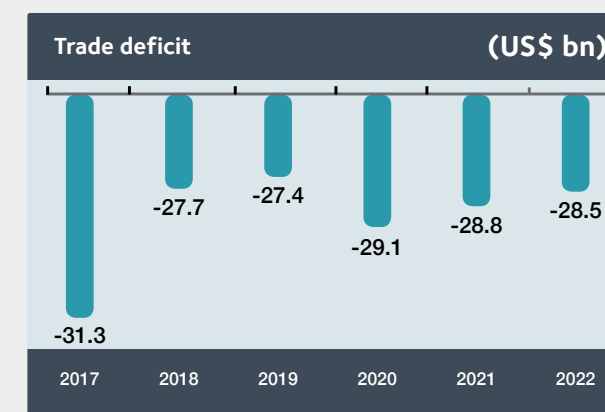
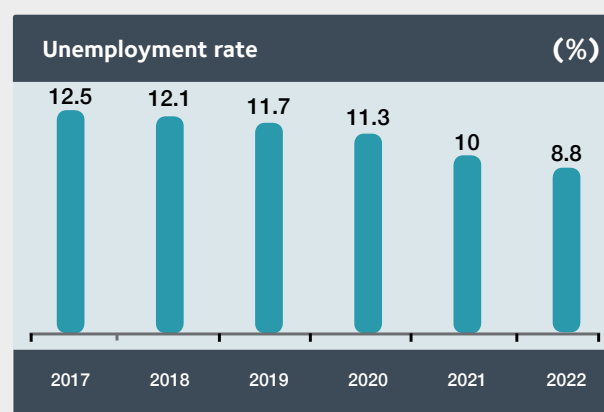
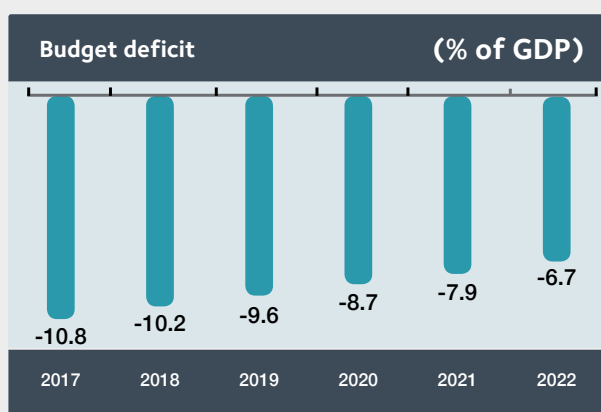
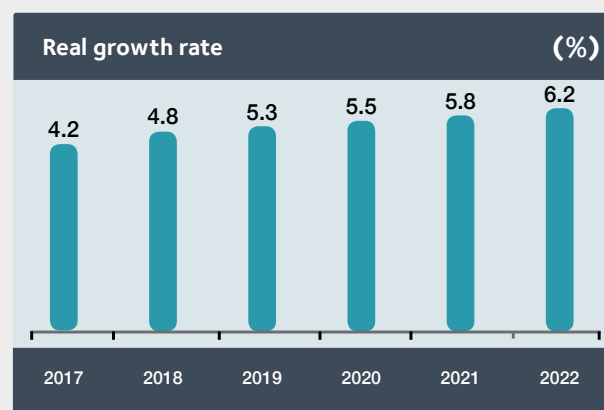
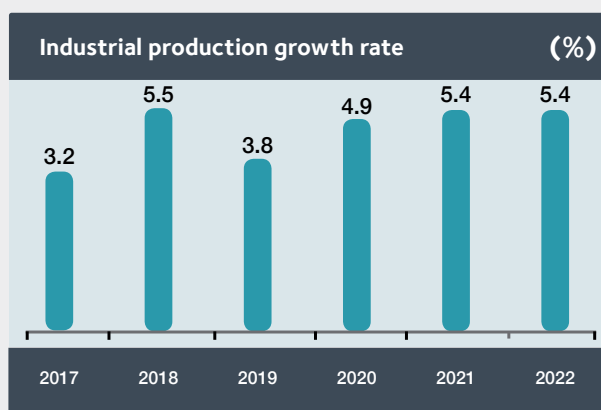
Al Dabaa Desalination Plant

The plant's production capacity is estimated at 20,000 m³/day, increasable to 40,000 m³/day, at a cost of EGP 510 MM. It is designed to supply Al Dabaa city with drinking water, and meet all needs of residential communities near Al Dabaa nuclear plant.

The state's strong trend towards seawater desalination is a way of maximizing its resources, a driving force to support the development efforts and a hope to court more investments.

The Economist: Positive Outlook for the Egyptian Economy

The Economist Intelligence Unit (EIU) released its annual report on the Egyptian economy and forecasts for its development in the coming period. It confirmed its positive outlook for the Egyptian economy in 2018, backed by the higher production rates of natural gas, continuous decrease of inflation rates and the improved financial conditions in light of implementing the economic reform program. Budget deficit is expected to decrease gradually to stand at 6.7% of GDP in 2021/2022, while tax revenues are projected to increase and subsidy expenditure to decrease. Inflation pressures are expected to decrease in 2018 so that average inflation rate would stand at 15%. The report also noted that the new investments were expected to concentrate in "building and construction", "infrastructure" and "energy" sectors. With regard to the energy sector in specific and for encouraging investment, Egypt has repaid a large amount of overdue payments to the international oil companies operating in Egypt, to fall from US\$ 6.4 bn. in 2012 to about US\$ 2.3 bn. The government aims at repaying all overdue amounts by 2019. This strategy has already contributed to increasing major investments and achieving many new discoveries, the most important of which is Zohr field which is expected to turn Egypt into a net exporter once again.



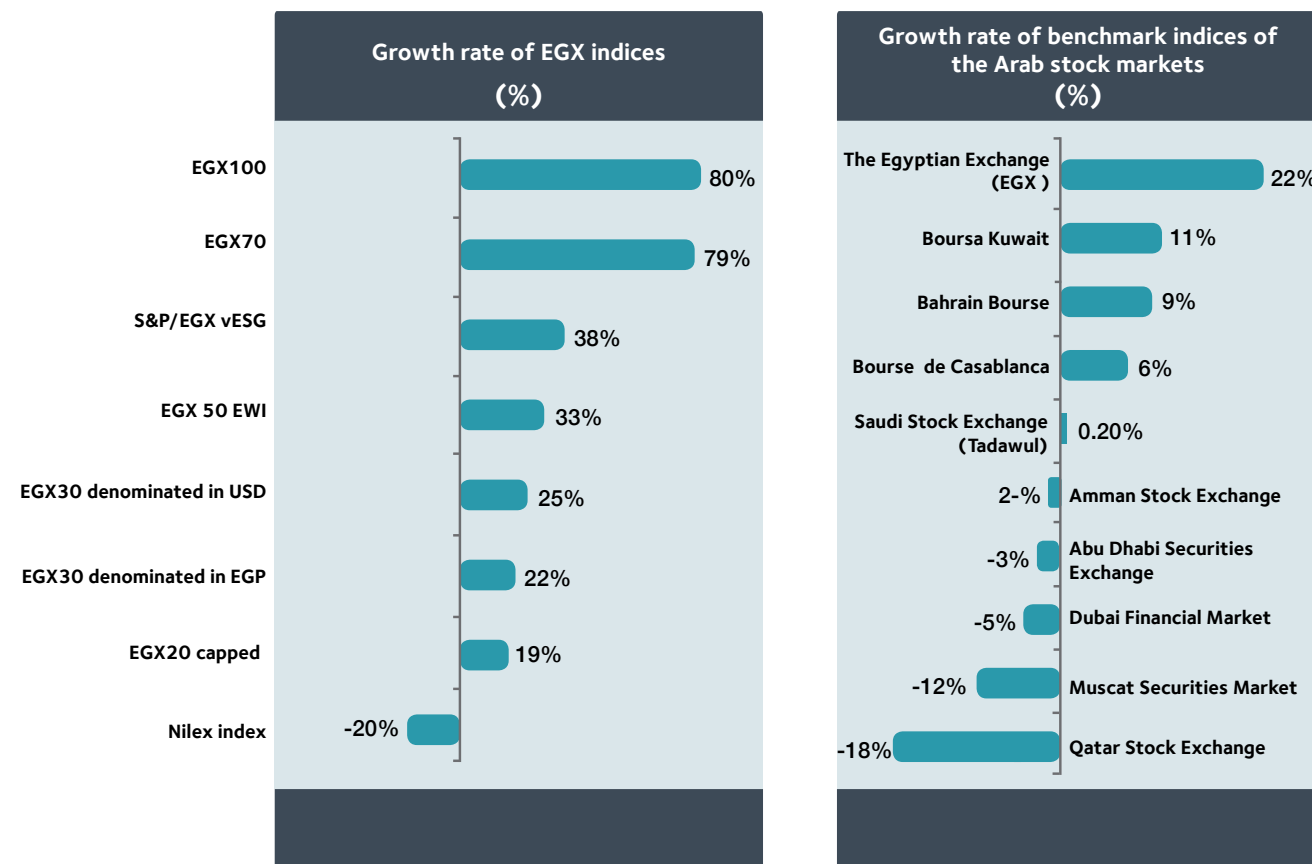
The Egyptian Exchange (EGX)

Successive Leaps in 2017

The year 2017 witnessed a series of positive transformations of the Egyptian Exchange (EGX), as its indices achieved new records at unprecedented historical levels, to mark the end of the year with increases exceeding 20% for its benchmark index (EGX30), which surpasses 15,000 points. Therefore, EGX was the fastest growing Arab stock exchange, with the highest trading volume ever since 2009. Generally speaking, this reflects the increasing confidence of both foreign and Egyptian investors in the Egyptian market due to a number of factors; at the forefront are the economic reform program and the introduction of new financial mechanisms which improve trading environment. This is in addition to the promotional campaigns carried out by EGX's management to court more investments to the domestic market.

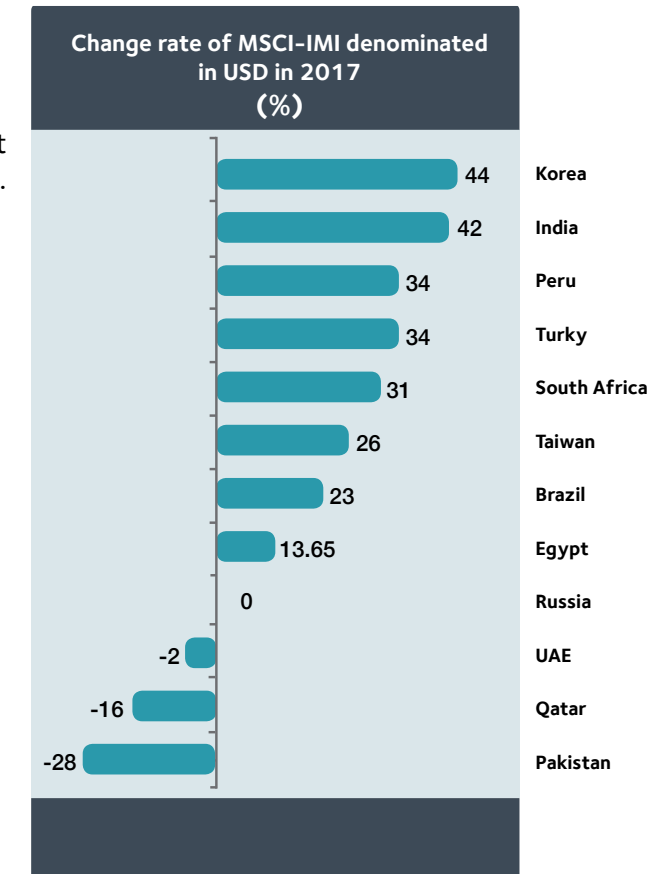
Performance of EGX indices vis-à-vis Arab stock markets

EGX indices witnessed significant improvement in 2017, as its benchmark index "EGX30" grew 22% yoy. EGX30 topped the indices of Arab stock markets and maintained its best performance globally since June 2013. Moreover, EGX70 and EGX100 rose by 79% and 80% respectively.



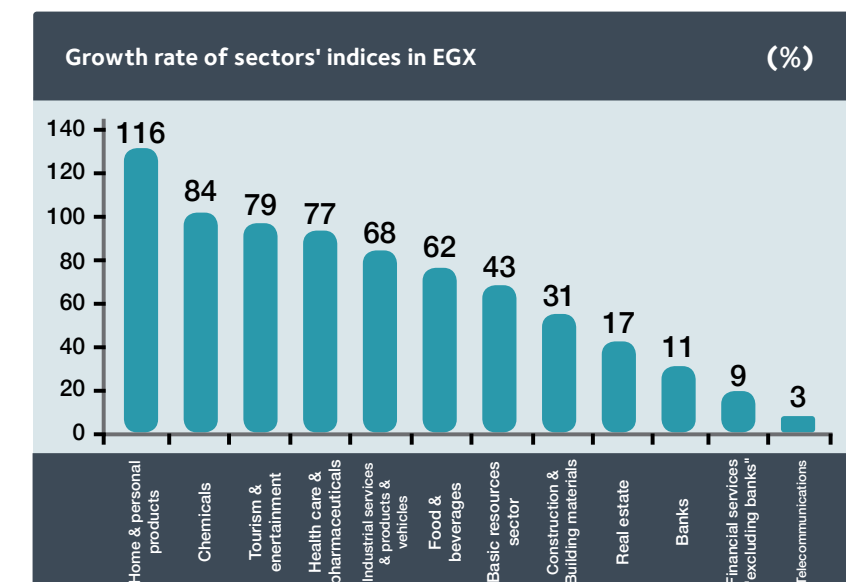
EGX and stock markets in the emerging markets

The growth rate of MSCI-IMI for Egypt recorded about 13.65% in 2017, against a decline of 19.03% in 2016.



Performance of sector indices in EGX

The indices of all sectors have remarkably grown in 2017 transactions. Home and personal products came first with a growth rate of 116%, followed by the chemicals with 84%, and tourism and entertainment with 79%. The least increase was recorded by telecommunications with only 3% growth rate.

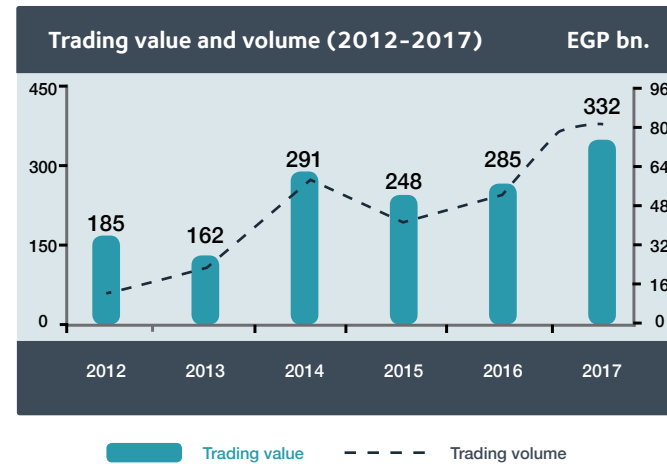


The Egyptian Exchange (EGX)

Liquidity levels

EGX recorded high liquidity levels in 2017, reflected in the following :

- ✓ Total trading value in the entire market rose to amount to EGP 332 bn. against EGP 285 bn. in 2016, which marks the best performance since 2010 .
- ✓ Trading volume increased to about 78 bn. securities against 69 bn. in 2016 (the best performance ever for EGX), while the transactions accounted for over 7 MM. versus 6 MM. yoy .



In this regard, it is noted as follows:

- ✓ Total annual trading value in the primary market rose to amount to EGP 296 bn. with 76 bn. securities including EGP 256 bn. in shares only, recording the highest level since 2009 and with a growth rate of 40% compared to 2016.
- ✓ Total trading value of the over-the-counter (OTC) market exceeded EGP 36 bn. against EGP 19 bn. in 2016.
- ✓ Total trading value of Nile Stock Exchange (NILEX) for small and medium-sized enterprises (SMEs) amounted to EGP 677 MM. versus EGP 894 MM. in 2016, while total trading volume recorded over 597 MM. securities against 565 MM. in 2016.
- ✓ Daily trading average in the market in general exceeded EGP 1 bn. vis-à-vis EGP 820 MM. in 2016.
- ✓ Net foreign purchases amounted to EGP 7.5 bn. in 2017 and exceeded EGP 13 bn. from November 2016 till the end of 2017.

The highest trading value recorded in the primary market since 2009

EGP 677 MM.
Trading value of the Nile Stock Exchange (NILEX) for small and medium-sized enterprises (SMEs)

EGP 7.5 bn.
Net foreign purchases in 2017.

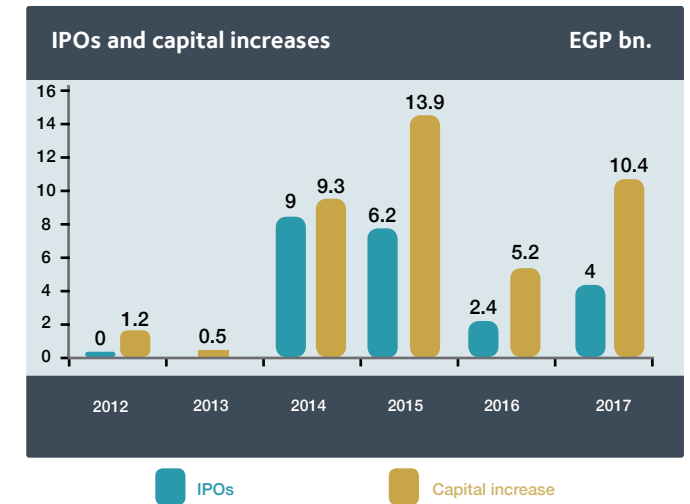
Market capitalization

Market capitalization rose in 2017 to exceed EGP 800 bn., with an increase of EGP 200 bn. against 2016, recording the highest level of market capitalization in 9 years .

IPOs and acquisitions

Six IPOs amounting to EGP 4 bn. were executed with an increase of 65% compared to 2016. In this regard, it is worth mentioning that:

- ✓ The number of foreign investors subscribing to IPOs notably increased with a share of more than 65% in average.
- ✓ Coverage ratios of certain IPOs increased to 31 times.



Five acquisitions amounting to EGP 1.7 bn. were executed, with an increase of 229% against 2016. In addition, the value of large-scale deals rose to EGP 4.4 bn. against EGP 1.95 bn. in 2016, with a growth rate of 124%. Meanwhile, 48 deals to increase capital were executed at a value of EGP 10.4 bn., of which EGP 5.4 bn. was in the last four months of 2017, with an increase of 100% against 2016 .

New investors

The market attracted more than 22,000 new investors in 2017 against 17,000 in 2016, with an increase of 29% in the number of newly coded investors. In addition, 1,164 foreign funds and institutions accessed the market, up from 900 foreign institutions and funds in 2016 .

Bonds

Total bond trading value amounted to EGP 18 bn. against EGP 78 bn. in 2016, while trading volume accounted for 18 MM bonds against 76 MM yoy, fully concentrated in T-bonds (pursuant to the primary dealer system). No corporate bonds were traded during 2017 .

6 new IPOs
at a value of EGP 4 bn.

48 deals to increase capital
at a value of EGP 10.4 bn.

Over 22,000 new investors and about 1,164 new foreign institutions accessed the market

The Egyptian Exchange (EGX)

Key factors for improved trading environment and booming Egyptian Exchange in 2017

Reducing the trading temporary halt time

The Egyptian Exchange management decided to reduce trading temporary halt time in case of exceeding price limits from 30 to 15 minutes. This decision was a key factor that contributed to increasing trading rates in the aftermath of its application as average trading rose from EGP 700 MM per day to EGP 1.2 bn.

Amending the bases of calculating the temporary trading halt time and price limits in case of cash dividends

The Egyptian Exchange management amended the bases of calculating the temporary trading halt time and price limits during the session in which cash dividends are announced to enable demand and supply mechanisms to fully absorb the impact of cash dividend on the market price and trading continuity.

Amending the parameters of calculating closing price in the light of noticeable developments in trading volumes

The Egyptian Exchange management issued a decision amending the parameters of closing price in order to raise the minimum value of trading that determines closing price to EGP 30,000 instead of EGP 10,000. The decision aims to limit the impact on prices of shares with weak trading levels.

The second version of the trading procedures and rules manual

This manual helps various market players to better understand the regulatory and legislative rules of trading in the Egyptian Exchange.

Allowing trading fund certificates with higher margin

The margin allowed to trade fund certificates rose to 80% to help providing more liquidity for such certificates.

Restructuring over-the-counter market

The Egyptian Exchange management adopted a number of changes in the over-the-counter market (orders and deals market) through creating more effective and flexible market. In this context, EGX management decided as follows:

- ✓ Extending the period during which brokerage companies can inform EGX of transactions required to be executed to transfer the securities with a maximum of one month.
- ✓ Accepting the purchaser's proof of depositing the value of the transaction at the seller's account held with a bank within a month.
- ✓ Linking the electronic archive of the over-the-counter documents in the two stock exchange premises in Cairo.
- ✓ Overcoming the delay in revising files relating to over-the-counter transactions.
- ✓ Completing the program of calculating the stamp tax on transactions automatically upon execution.

Outlook of EGX performance in 2018

EGX management targets adopting and developing new mechanisms and tools in 2018 to facilitate trading, attract more investments and raise liquidity levels. These mainly include:

- ✓ Apply the borrowing mechanism of securities available for sale, to be approved by the Financial Regulatory Authority (FRA);

- ✓ Develop the system of market maker applicable to the listed securities, which is expected to increase liquidity of inactive stocks and reduce fluctuations in the market, hence improving market efficacy.
- ✓ Put into effect the future and option contracts, to establish a commodity exchange within the coming 2-4 years.

In addition, it is intended to accelerate the IPOs program adopted by the government in cooperation with EGX management on one hand, and the Ministry of Finance, Ministry of Investment and International Cooperation and all the other relevant ministries on the other hand. This program includes offering gradually the shares of 6 state-owned or "public sector" companies in 2018, ahead of which comes Banque du Caire and Enppi Co.

In line with the government's efforts to ameliorate the investment environment in 2018, it is expected to make a number of amendments of the Capital Market Law, as follows:

- ✓ Approve licensing private stock exchanges in the form of a joint stock company.
- ✓ Establish the Egyptian federation for securities with the membership of all the companies operating in the stock market, provided that the minimum capital of intermediaries working in the stock market amounts to EGP 10 MM.
- ✓ Organize forward contract exchanges, including commodity exchanges.

Similarly, foreign and domestic institutions share a positive outlook regarding forecasts of EGX performance in 2018, as follows:

Bloomberg News

Bloomberg forecasts that EGX will pursue its robust performance in 2018, backed by the structural economic reforms carried out by the Egyptian government. It believes that sectors of health care, infrastructure and consumer companies will serve to burnish the appeal of the Egyptian shares.

EFG Hermes

EFG expects EGX to show its best performance in 2018 compared to the emerging markets that grow rapidly, supported by the accelerated economic growth rates and the continuous efforts of the government to implement the economic reform program. In addition, it believes that EGX has more appealing opportunities for international portfolios via IPOs due to be announced by the government in 2018.

Beltone

It expects a positive year with more escalation in EGX in the medium and long terms.

Pharos Holding

It anticipates the positive performance of EGX to continue in 2018 and its benchmark index to raise to 17,000 points, while the shares of the industrial sector will increase due to the improved economic positions.

Pioneers Securities

It expects that EGX will take a corrective direction in February 2018, as its benchmark index will stand at 13.8 thousand points before rising throughout the year to reach 18.2 thousand points.



Over 7-9 December 2017, Egypt hosted the “Business for Africa Forum 2017” in Sharm El Sheikh, under the auspices, and in the presence, of President Abdel Fattah Al-Sisi. The Forum was organized by Ministry of Investment and International Cooperation and “COMESA” Regional Investment Agency. Attendants included heads of state and ministers, high-level government officials in Africa and worldwide, and more than 1,500 other participants, as well as international entrepreneurs of current and potential investments in Africa, international funding institutions’ representatives and African economy experts and academics.

The first edition of the Forum as an economic, investment and trade gathering took place by holding “Business for Africa Forum 2016” in Egypt. That Forum saw participation of more than 1,200 members of public and private high-level delegations from 45 states. It was concluded by a number of recommendations which generally targeted strengthening economic ties amongst African states. The Forum discussed materializing the project of the African free economic zone among the states of Africa that was announced back in July 2015 during an African summit in Johannesburg. The Forum also discussed the obstacles facing cross-border trade in Africa, primarily tariff barriers.

The Forum of 2017 was characterized by allocating a day for leading start-ups and entrepreneurs to tackle related business activities and presentations with a view to attracting finance and building partnerships for some of the most innovative projects. Also, the Forum included a session entitled “China, a Strategic Partner of Africa”, as China is Africa’s 1st trade partner, infrastructure financier and fastest growing foreign direct investment provider. Currently, over 10,000 Chinese companies operate on African soil, providing jobs and actively participating in the economies where they work.

“Business for Africa Forum” is a pillar of the Egyptian strategy towards Africa. Egypt plays a key role in driving regional development and integration among the African countries through supporting cross-border investments and developing free trade areas. The African 2063 agenda aspires to developing the African infrastructure to global standards, promoting intercontinental trade up to 50% by 2045 against a current percentage of 14%, and raising the total African share in world trade from 2.5% to 12%.

A day for leading start-ups and entrepreneurs in the Business for Africa Forum 2017

“Business for Africa Forum”.. a pillar of the Egyptian strategy towards Africa

On the sidelines of the Forum, the following agreements were unveiled :

- ✓ The World Bank approved **the third tranche of the loan to Egypt which amounts to US\$ 1.15 bn.** It is the final tranche of a 3-year development package worth a total of US\$ 3.15 bn. The World Bank finances programs and projects that target aiding Egypt to reduce poverty and support social safety, power, transport, water and sanitation networks.
- ✓ The African Export-Import Bank (Afreximbank) agreed with Export Development Bank of Egypt (EDBE) on providing **a finance worth US\$ 500 million to support Egyptian companies’ exports and investments with other African countries.** It is to be noted that Afreximbank aims at increasing intra-African trade to US\$ 250 bn. by 2021 against US\$ 170 bn. in 2014. Afreximbank’s credit facilities granted to Egypt and Egyptian financial institutions totaled US\$ 17.6 bn. over the past 24 years.
- ✓ Banque Misr (BM) signed an agreement with the European Investment Bank (EIB) **with a value of €250 million to support SMEs.**
- ✓ Banque Misr (BM) signed a financing agreement with Arab African Bank to obtain **a loan of US\$ 50 million to support Egypt’s exports to Africa.**
- ✓ Banque Misr (BM) agreed on a grant **worth €400,000 from European Investment Bank (EIB) to support the feasibility studies of West Alexandria water desalination plant.** Further, BM announced its plans to open a representative office in Kenya during the first quarter of 2018.

The Forum targeted the following:

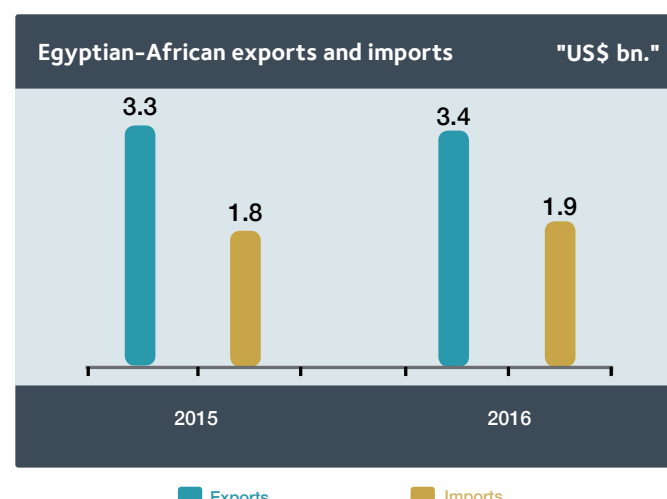
- ✓ Proceeding with the creation of the African Free Trade Zone that was first initiated in Sharm El-Sheikh in 2015 through the announcement of the Free Trade Agreement among the three blocs: the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), and the East African Community (EAC).
- ✓ Putting in action the agreement among the three blocs with 26 countries, 625 million people and a GDP of US\$ 1.2 trillion.
- ✓ Moving on with the launch of the African Economic Union by 2063. This Union will sharpen Africa’s competitive edge to attract investments, liberalize cross-border trade among the African countries and integrate with other economic alliances.

Putting in action the agreement among the three blocs “COMESA, SADC, EAC” and seeking the creation of the African Economic Union by 2063

The African regional integration’s key economic and strategic benefits can be summed up in forging viable and sustainable economic unions, rectifying production factors deficiency in African countries through expanded markets, and providing support, finance and the appropriate framework for labor movement and competitiveness among regional products. This would enhance production efficiency of projects, achieving the optimal use of resources and promoting the countries’ negotiation abilities regarding economic exchange conditions.

Egyptian-African trade

- ✓ During the first half of 2017, the Egyptian-African trade amounted to US\$ 2.4 bn. including Egyptian exports of US\$ 1.7 bn.; the remaining amount represents imports to Egypt.
- ✓ In 2016, total Egyptian exports to African countries rose by 1.6% versus 2015, amounting to US\$ 3.4 bn.
- ✓ In 2016, Egyptian exports to Africa recorded 15.6% of the total Egyptian exports against 15.2% in 2015.
- ✓ In 2016, Egypt's total imports from Africa grew by 6.5% vis-à-vis 2015, accounting for US\$ 1.9 bn.
- ✓ In 2016, Egyptian imports from Africa recorded 2.8% of the total Egyptian imports against 2.4% in 2015.



Egyptian projects in Africa

In 2016, Egyptian investments in African countries amounted to US\$ 1 bn., and US\$ 9 bn. cumulatively up till the end of 2016. **On the periphery of Business for Africa Forum 2017, a number of Egyptian investors intended to inject new investments in African countries as follows:**

- ✓ Intensive negotiations by a number of Egyptian businessmen specialized in medical and health care projects on establishing a number of advanced hospitals in Tanzania. Ministry of Trade and Industry stated that in 2016, mutual trade between Egypt and Tanzania, Rwanda, Chad and Gabon amounted to US\$ 73 million, of which Egyptian exports and imports accounted for US\$ 69 million and US\$ 4 million respectively.
- ✓ Orascom Housing Communities unveiled its plans to implement a residential community in Senegal with a total cost ranging between US\$ 400 and 500 million. This project provides housing units for low income people.
- ✓ Agriculture Export Council held discussions with African companies to expand creating logistics hubs aiming at promoting the Egyptian-African trade. It is to be noted that the Egyptian agricultural exports to Africa are very limited and do not exceed US\$ 150 million annually. The coming period is expected to witness the opening of the first logistics hub in Kenya.

Egyptian projects in Africa in the area of medical and health care, housing and logistics hubs.

Studies on the linkage projects of African countries

Trading with Africa requires enhancing infrastructure projects to boost trade, as well as carrying out large-scale promotional campaigns to expand investment and development. **The following is to be noted in this regard:**

A navigational line between Lake Victoria and the Mediterranean Sea

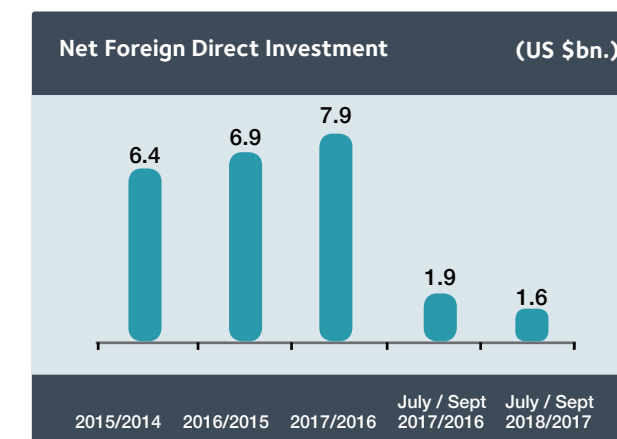
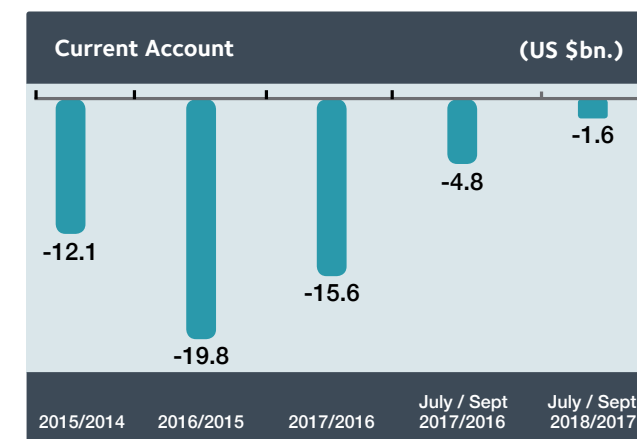
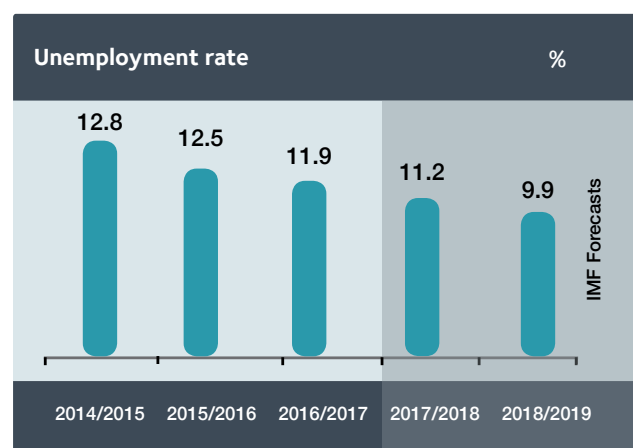
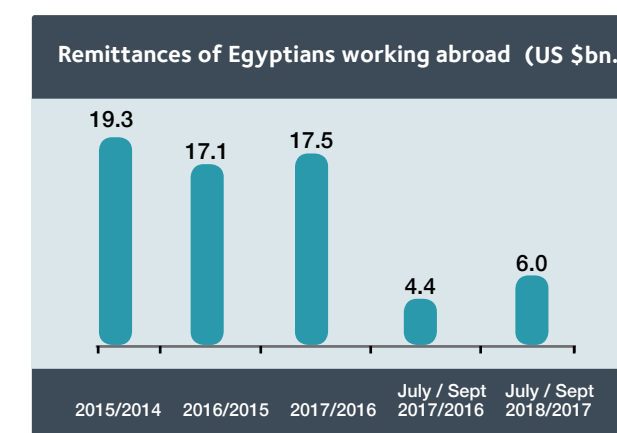
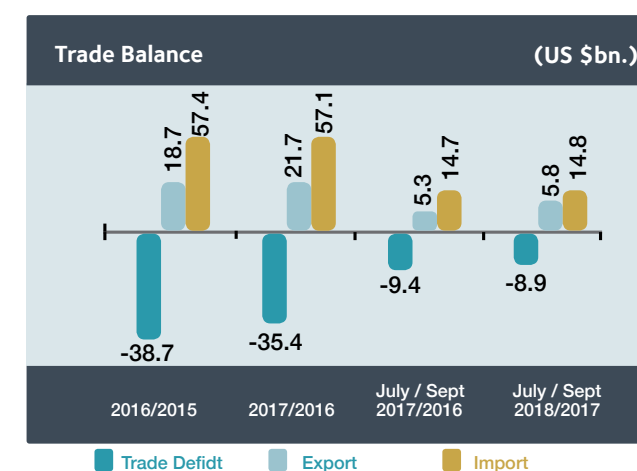
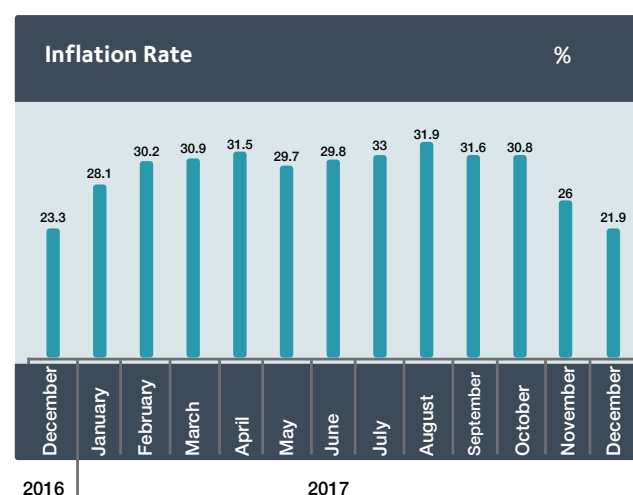
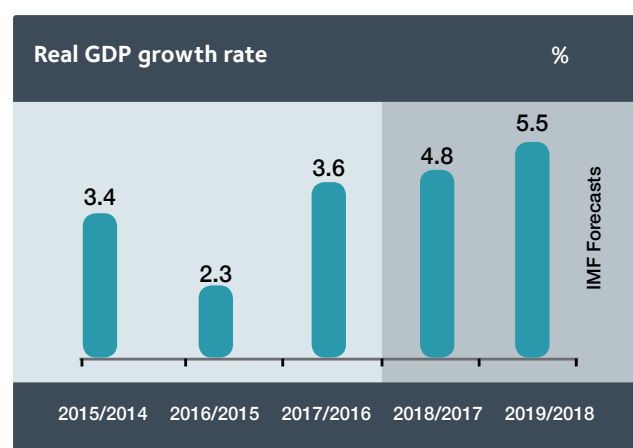
- The project is considered one of the key infrastructure projects in Africa, being a vital water route in the continent. This linkage project creates the shortest path between the Nile Basin countries and Europe.
- The linkage project passes by 4 countries “Egypt, Sudan, South Sudan and Uganda”. It aims at opening exporting markets to Europe and other Arab countries through Egypt.
- The first phase of the project's feasibility studies proved its economic, social and environmental importance.
- The African Development Bank (ADB) approved financing the second phase of the project's feasibility studies. During February 2017, the Egyptian River Transport Authority completed the initial training program financed by ADB for the technical personnel from the Nile Basin countries as a part of the first phase of the project's feasibility studies.

The Alexandria-Cape Town road project

- This project is a main pillar of trading with Africa. The project's main purpose is transporting goods from Alexandria on the Mediterranean Sea to Cape Town in South Africa, passing through 15 African countries
- The "Alexandria-Cape Town" road project is about 10,000 kilometers long.

A road between Egypt and Chad

- A meeting was held between the Head of the Federation of Egyptian Chambers of Commerce, the Head of African Chambers of Commerce and the Chadian Minister of Economy to discuss the project of establishing a land road linking Egypt and Chad which travels through 4 African countries.
- The new road will reduce commodities prices among the participating African countries.
- The European Union is expected to fund the feasibility studies of the project via a grant. Egypt's share in costs is to be determined. It will be decided whether the road should pass by Libya or Sudan. The studies are expected to be completed by mid 2018.



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Best Regards

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