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Economic Bulletin



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Egyptian Economy in Brief



✓ Economic development

- Achieving an economic growth rate of about 7% p.a.
- Reducing the budget deficit, while giving priority to cutting inflation and unemployment and creating jobs.
- Providing further support to micro and small enterprises (MSEs), particularly in Sinai and Upper Egypt.
- Integrating the informal economy into the formal sector.
- Increasing tourism rates and revenues and restoring tourism's role as a driving force for development.
- Scaling up investments and accelerating steps for the optimal exploitation of untapped national wealth in order to establish national specialized industries and create a real industrial base in such fields, which would boost foreign currency resources.
- Ramping up industrial and agricultural economic development by addressing problems related to shut-down and troubled factories as well as streamlining procedures to operate new factories.

✓ Protecting the national security

- Preserving the achievements of the previous phase in the area of national security and confronting the challenges that undermine the state's ability to complete its development plans.
- Supporting counter-terrorism and extremism plans and strategies.
- Spreading public awareness of the state's internal and external strategy to protect and bolster Egypt's water rights.

✓ Raising the efficiency of the government's performance

- Mandating the government to give priority to initiatives largely aimed at harmonizing the performance of ministries.
- Rationalizing consumption and government expenditure, and pushing ahead with the prompt justice programme.
- Heightening youth and women welfare efforts.

✓ Improving living standards and protecting the rights of the poorest groups

- Strengthening the role of the government in controlling markets and prices, and intensifying regulatory and police campaigns.
- Expanding insurance coverage to include the largest segment of marginalized and poorest groups.
- Developing deterrents and enhancing the roles of regulators against price manipulators and the traders of the essential needs of citizens.
- Widening social safety nets and improving the standards of living.
- Accelerating the stages of developing the electronic services system at the administration level.
- Elevating the efficiency of the health care system.
- Caring for the welfare of people with disabilities.
- Supporting academic and athletic achievers.

✓ Building the Egyptian citizen

- Implementing the educational system development strategy across all educational stages.
- Strengthening the knowledge and education framework to instill the culture of citizenship in future generations.
- Improving mass media in form and content to emanate culture, science and technology.

✓ Egypt's foreign policy

- Carrying on efforts to ensure that Egypt plays a balanced and strong role in the positive handling of the region's issues and successive changes.
- Building confidence and developing common interests with all circles of interest in Africa, especially Nile Basin countries, and cooperating on sustainable development projects.
- Maintaining balanced international relationships.

The New Government Launches its Programme “Egypt Takes off” for the Period from 2018/19 to 2021/22

Egypt's Cabinet announced its programme for the period from 2018/19 to 2021/22, entitled “Egypt Takes off” which builds on the achievements made in the past period and heads towards a brighter stage of “reaping the fruits”. The philosophy of the Government's programme focuses on five key pillars: “national security, building the Egyptian citizen, economic development and raising the efficiency of the government's performance, increasing the levels of employment and improving living standards.” Several elements and mechanisms of such pillars are reviewed below.



Dr. Mustafa Madbouly
Prime Minister

Pillar I National security

This pillar focuses on ensuring the security of Egyptian citizens through 4 main programmes “maintaining stable security conditions, water security, food security and energy security”, as follows:

✓ **Maintaining water security** by using external and internal tools to develop water resources. The programme employs a set of mechanisms with the aim of providing 10 bn. m³/year of water needs:

Providing 10 bn. m³/year of water needs

✓ **Improving food security** through achieving several sub-goals including:

- Increasing the total crop area to 18 million feddans and rolling out the contract farming system to support farmers by providing adequate revenues;
- Ramping up wheat storage capacity and avoiding waste through setting up 12 new silos with a storage capacity of 830K tons;
- Developing wheat collection centres through building field silos with a capacity of 300K tons;
- Raising the wheat flour extraction rate from 82% to 85% in order to narrow the import gap; and
- Ensuring a safe stock of essential food commodities sufficient for 9 months.

Safe stock of essential food commodities sufficient for 9 months

✓ **Enhancing energy security** which includes:

- Adding nearly 25K megawatts to the electricity grid and issuing the electricity feed-in tariff and unified electricity law;
- Setting up 4 nuclear power plants with a total capacity of 4,800 megawatts;

Adding 25K megawatts to the electricity grid

- Planning for Egypt's transformation into a pivotal hub for electricity interconnection among 3 continents after connecting its grid to Cyprus, Greece and Saudi Arabia;
- Continuing efforts aimed at saving energy, which include procuring 3.14 million energy saving electric bulbs in order to reduce loads by 600 megawatts annually;
- Increasing the petroleum and mineral wealth through scaling up the production of crude oil, condensates and butane gas in order to cover 88% of local consumption;
- Building five new refinery plants with a production capacity of 11.4 million tons; and
- Attaching great importance to developing the natural gas industry through a number of sub-goals which are:
 - Ramping up natural gas output;
 - Supplying natural gas to 3.4 million households;
 - Developing and improving the petrochemical industry via building a refinery and petrochemical complex in Alameen with a production capacity of 2.4 million tons/year;
 - Establishing the polyethylene plant with a production capacity of 40K tons/year; and
 - Promoting oil and gas discoveries in the South Valley through offering several international tenders and entering into new oil agreements.

Pillar II Building the Egyptian citizen

This pillar includes 4 main programmes, namely consolidating the cultural and civilization identity, asserting the scientific identity, supporting youth sports and providing comprehensive health care:

✓ **Consolidating the cultural and civilization identity** through activating the role of cultural organizations; raising awareness of Egypt's value system and civilization legacy via the media; and spreading the culture of science and innovation.

Implementing the first phase of the comprehensive social insurance system and building 31 hospitals

✓ **Asserting the scientific identity** through developing pre-university education; improving higher and university education; ensuring access to education for all without discrimination; boosting the competitiveness of education systems and output; developing vocational education and enhancing the quality of the research and technology system; reinforcing the role of scientific research in bettering the business environment; deepening the technological development; and ensuring that expatriate scientists play a more effective role in Egypt.

Completion of Zewail City of Science and Technology

✓ **Supporting youth sports** through establishing sports infrastructure; building a large sports base at schools and universities; and encouraging women and older people to engage in physical activities.

✓ **Providing comprehensive health care** through implementing the first phase of the comprehensive health insurance system; developing health facilities; providing medication, vaccines, baby formula milks and medical equipment; and reaching higher levels of medication and vaccine self-sufficiency.

8 new technology universities



Pillar III Economic development and raising the efficiency of the government’s performance

A targeted economic growth rate of %8 of GDP in 2021/2022

This pillar comprises 7 main programmes which aim at pushing ahead with economic reform through providing the required sources of finance, enhancing public fiscal management; developing the leading economic sectors which drive economic growth, improving the business environment, developing tourism and airports, boosting export capabilities and improving the governmental and organizational performance, as follows:

✓ Providing sources of finance, including:

- **Enhancing tax collection efficiency** with a view to raising the ratio of tax revenues to GDP from 14.2% to 18% through the following:
 - Improving tax collection efficiency and the automation of government services in order to increase real estate tax revenues to EGP 10 bn.;
 - Enhancing the efficiency of tax collection at the Egyptian Tax Authority to raise tax revenues to EGP 839.7 bn.; and
 - Improving duty collection efficiency at the Egyptian Customs Authority.
- **Co-financing by international organizations:** maximizing international soft financing opportunities and benefiting from grants and aid in financing developmental projects.
- **Expanding the financing base with the participation of regional and international sovereign funds (Egypt’s sovereign fund)**
 - Focusing on local investment by investing in existing assets and companies or new projects and areas;
 - Working with different government entities with an eye to revamping state-owned companies and assets via forming partnerships with the private sector to achieve real growth across all sectors; and
 - Promoting the participation of Egypt’s sovereign fund with prominent sovereign funds and financial institutions.
- **Putting unutilized state-owned assets to use** through taking an inventory of unutilized assets and mulling the optimal exploitation of property and buildings.

Raising the ratio of tax revenues to GDP from 14.2% to 18%

Focusing on local investment to reach an investment to GDP ratio of 25.6% by end of government’s programme

• Bolstering corporate social responsibility of the private sector

- Promoting development policies which support production activities, create decent jobs and encourage entrepreneurship, creativity and innovation;
- Encouraging SMEs to adopt corporate social responsibility programmes and principles;
- Spurring cooperation with the relevant international organizations and companies, civil society and universities regarding the private sector’s social responsibility programmes; and
- Facilitating the interaction between companies and universities to gain an insight into the academic point of view regarding the challenges encountered.

• Financing development projects via private-public partnership (PPP)

- Stepping up project financing through PPP; and
- Making some legislative and executive amendments to cut the period of bidding and executing agreements to spur investment projects.

✓ Enhancing public fiscal management

• Improving public spending

- Automation of budget preparation and implementation;
- Automation of government employees’ payroll;
- Disposing of idle assets and refraining from purchasing excess assets; and
- Circulating the programme’s budget and performance to all ministries by the end of the programme.

• Developing and restructuring public sector companies

- Restructuring management through changing the composition of boards of directors and restructuring and training labour;
- Optimizing the use of unutilized assets through holding in-kind equity participation in new companies;
- Undertaking a legislative reform of the Public Business Sector Law No. 203 of 1991; and
- Rescheduling accumulated debts through the IPO Programme.

✓ Developing the leading sectors which drive economic growth

• Boosting the competitiveness of the industrial sector

- Improving the accreditation and quality assurance system; and
- Providing training to 100 factories annually to qualify for quality certification.

Circulating the programme’s budget and performance to all ministries

Optimizing the use of unutilized assets through holding in-kind equity participation in new companies

Increasing the industrial growth rate to 10.7% by 2021/22

The New Government Launches its Programme “Egypt Takes off” for the Period from 2018/19 to 2021/22

• Stimulating private industrial investment

- Streamlining industrial licensure procedures by reducing the time for starting operation from one month to one week (2018/2019);
- Setting up five branches for the Industrial Development Authority (IDA);
- Building 13 industrial parks housing a total of 4,500 units to create 43K direct jobs and 170K indirect jobs;
- Developing the investment map via creating 100 investment opportunities annually;
- Creating an innovation development fund; and
- Offering 38 million m² industrial areas with full utilities.

Building 13 industrial parks to create 213K direct and indirect jobs

- **Bailing out faltering factories and enterprises**, by making financial provisions to overcome problems that they face, while giving priority to enterprises of urgent importance.

• Expanding agro-industries

- Executing integrated agro-industrial projects based on the relative advantage of each area; and
- Establishing new integrated agricultural/ industrial/ service communities over an area of 410K feddans.

Establishing new integrated agricultural/industrial/ service communities over 410K feddans

• Developing the information and communication technology (ICT) system and localizing the ICT industry

- Promoting Egypt's competitiveness through digitalization and developing the digital economy;
- Increasing the number of technology areas by 75%;
- Rolling out smart city technology applications;
- Setting up 20 technology parks across Egypt;
- Establishing a digital city in the administrative capital; and
- Upgrading 3,000 key post offices by the end of 2020.

Setting up 20 technology parks across Egypt

• Expanding the specialized technology industry

- Setting up seven special centres for global specialized companies;
- Incubating 300 startups;
- Fostering more than 60 research projects and patents across the nation; and
- Inaugurating three offices in targeted markets to promote investments and exporting.

• Promoting navigation in the Suez Canal

- Carrying out projects to develop wharfs for serving floating units;
- Developing a number of sea wharfs with different lengths and functions;
- Launching projects to renovate shipyards and workshops;
- Completing tunnels underneath the Suez Canal, with five tunnels for automobiles; and
- Maximizing the role of flexible marketing policies.

✓ Tourism development

• Stepping up efforts across different levels to achieve the targeted tourism development, including:

- Expanding international marketing campaigns;
- Moving forward with the programme aimed at spurring charter flights;
- Targeting new promising markets and carrying out joint marketing campaigns with key tour operators;
- Streamlining procedures to obtain entry visas;
- Raising the capacity of Egyptian airports to 79 million passengers annually;
- Improving infrastructure efficiency in tourist destinations, raising the quality of services provided by hotels and tourist facilities, and enhancing the skills of tourism employees;
- Inaugurating the Grand Egyptian Museum and National Museum of Egyptian Civilization and launching 14 projects to upgrade museums;
- Establishing 6 new commercial and service zones to create 165K jobs; and
- Encouraging hotels to use solar energy in tourist areas in the framework of the transformation to a green economy.

Inauguration of the Grand Egyptian Museum and National Museum of Egyptian Civilization

✓ Improving the business environment

• Organizational development to promote the business climate and attract investment

- Automating and streamlining incorporation procedures, and enabling the electronic completion of incorporation procedures and modification;
- Establishing logistics free zones in the hinterland of each governorate;
- Setting up 8 free zones; and
- Creating 12 new investment zones.

Establishing a logistics free zone in the hinterland of each governorate

• Raising investment awareness

- Incorporating 830 companies under “Fekretek Sherketek” (your idea is your company) initiative; and
- Organizing 25 awareness campaigns to raise investment awareness.

Incorporating 830 companies under “Fekretek Sherketek” initiative

- **Bolstering the role of the non-banking financial services sector in financing SMEs**, and increasing the number of beneficiaries to 6 million beneficiaries.



The New Government Launches its Programme “Egypt Takes off” for the Period from 2018/19 to 2021/22

✓ Boosting export capabilities

• Developing industrial exports

- Upgrading the export supporting system;
- Cutting the export procedures completion time from 15 days to 3 days only;
- Establishing 10 logistics centres to support the movement of exports; and
- Organizing 400 local exhibitions and 40 international exhibitions annually.

Establishing 10 logistics centres to support the movement of exports

• Developing export capacities of agricultural sector

- Developing crops with high export potential (olives, guava, beans, pepper); and
- Opening non-traditional markets to export grapes, citrus and garlic to China, Taiwan and Canada.

• Enhancing export capacities of the contracting sector

• Developing outsourcing exports

- Increasing IT outsourcing exports to EGP 61.2 bn. and electronics exports to EGP 87.5 bn. p.a.;
- Establishing six electronics manufacturing plants and attracting three global companies to invest in data centers; and
- Support 30 companies to export modern technology in the areas of internet of things, artificial intelligence, digital manufacturing and robots.

Establishing six electronics manufacturing plants and attracting three global companies to invest in data centers

• Developing the maritime and riverine transport sectors

- Developing and increasing the capacities of maritime ports;
- Achieving 85% increase in the quantities of goods transported by river; and
- Establishing modern riverine ports (Assiut – Sohag – Qena).

Establishing modern riverine Ports (Assiut – Sohag – Qena)

• Following up the implementation of regional and international trade agreements, and maximizing their benefits.

✓ Improving governmental and institutional performance and combating corruption, through the following steps:

- Enhancing the utilization of the services and data exchange platform among 100 government bodies;
- Providing 150 government services on mobile applications;
- Automating 15 traffic prosecution units;
- Establishing 60 new technology centers;

- Implementing five packages of various training programs to improve the performance of the administrative system staff;
- Developing and automating 90 commercial registration bureaus in the first two years of the programme; and
- Automating and developing the services provided to Egyptian expatriates (automating certification services - applying electronic visa).

Providing 150 government services on mobile applications

Pillar IV Boosting employment levels

The country targets affording 900,000 jobs, totalling 3.6 MM. opportunities over the four coming years, and reducing unemployment rate to %8.4 by the end of the period.

✓ Developing MSMEs:

• Promoting the culture of self-employment and entrepreneurship, and reinforcing the role of community development programs in employment, including:

- Allocating at least 10% of vacant land plots available for investment and provided with utilities to micro, small and medium enterprises (MSMEs);
- Establishing 200 business incubators annually;
- Designing special programs and curricula for schools and universities to provide entrepreneurship training;
- Increasing the employment opportunities of the unemployed through community-based, labor-intensive, environmentally-sensitive development programs, which are expected to benefit 435,000 households; and
- Improving the skills of 4,000 SMEs workers.

Allocating 10% of the land available for investment to MSMEs

Improving the skills of 4,000 SMEs workers

• Aligning the outputs of higher education with the needs of labor market. This includes increasing the number of entrepreneurship centers to 40 and the number of industry-linking programs to 65.

• Integrating small enterprises into large-scale projects to ensure the integration of local supply chains and increasing the number of service delivery projects offering effective services from 100 to 2,000 projects.

• Extending soft loans

- Increasing the finance directed to MSMEs to reach 20% of total available funding;
- Raising the capital of specialized funds that support small enterprises to reach EGP 1 bn., thereby benefiting 100,000 young people;

20% increase in finance directed to MSMEs



The New Government Launches its Programme “Egypt Takes off” for the Period from 2018/19 to 2021/22

- Extending loans worth EGP 10 bn. over four years through the National Social and Human Development Project (“Mashroak”) to provide 150,000 jobs;
- Expanding the base of beneficiaries of the services provided by the Micro, Small and Medium Enterprises Development Agency (MSMEDA) by means of increasing the finance MSMEDA offers to reach EGP 5.6 bn. by 2020; and
- Providing bank finance totaling EGP 20 bn. over four years to support 350,000 projects.

Bank finance of EGP 20 bn. to support 350,000 projects

• Establishing specialized labor-intensive industrial parks

- Expanding the construction of these industrial parks, which achieve significant economic savings, such as Rubiky Leather City, Damietta Furniture City and Mirgham Plastic Industries Complex.

• Supporting export orientation of small enterprises

- Invigorating the role of small enterprises in economy by increasing their contribution to export activities, and raising awareness of the importance of export opportunities.

✓ Developing human skills, through the following:

• Industrial training

- Increasing the total number of apprenticeship program graduates to 90,000;
- Rehabilitating and developing 67 training centers, and establishing four new training centers, bringing the total number of centers to 46;
- Developing 19 industrial training curricula;
- Supporting 265 projects of entrepreneurs, as well as providing entrepreneurship training programs to 5,000 trainees annually; and
- Establishing 40 new training stations, bringing the total number of stations to 50.

• Preparing and training women to join the labor market

- Fostering productive families’ initiatives and projects through productive families development centers;
- Reinforcing the role of community development societies in training and economic support of female breadwinners; and
- Supporting the activities of productive families by providing 80,000 jobs to achieve economic and social development of rural women, and strengthening capacities of 50,000 women in entrepreneurship and marketing.

• Providing job opportunities for special-needs persons

- Enforcing the Executive Regulations of the new Law for Persons with Disability (No. 10/2018), and carrying out 261 law-related awareness campaigns within private sector companies; and
- Organizing 97 awareness seminars to benefit 97,000 persons, with 970 private-sector participating companies.

✓ Integrating informal economic activities into the formal economy

- Prioritizing the allocation of industrial lands and ready industrial complexes to move from trade to manufacturing;
- Applying the licensure notification system, which encourages informal sector to join the formal economy;
- Linking supply chains which create business opportunities requiring formality;
- Streamlining labor laws to be sufficiently flexible to hire employees in the formal economy businesses, and promulgating a law on favorable tax treatment of small enterprises;
- Expanding the scope of social insurance and providing health and social care to more than one million workers in the informal economy; and
- Applying the new labor law to improve working environment in the private sector.

Pillar V

Improving standards of living

Developing 1,153 villages within the framework of the Egyptian Rural Development Project and allocating EGP 214 MM. to the Geographical Targeting for the Most Needy Villages Program

This pillar includes 7 main programs, i.e. controlling population growth and deepening urbanization, expanding social safety nets and social care, and addressing development gaps, in addition to improving housing services, developing public utilities, eliminating discrimination and achieving environmental improvement.

✓ Controlling population growth and deepening urbanization:

- Adopting incentive policies to curb population growth, which limits the opportunities of benefiting from the outcomes of development, in addition to raising community awareness of the danger of population growth in governorates, which targets 1.1 MM. households benefiting from Takaful & Karama Program; and
- Offering for sale 250,000 plots of land in existing new cities, with a total area of 30,000 feddans, in addition to constructing 14 new integrated cities (fourth generation cities) on the axes of development roads, with a total area of 100,000 feddans.

Constructing 14 new integrated cities

✓ Expanding social safety nets:

- Giving absolute priority to the expansion of social safety nets to cover 60% of population below poverty line (Takaful & Karama), i.e. 3.5 MM. households comprising about 18 MM. citizens at a cost of EGP 80 bn.;
- Completing databases targeting poor households, with a total of 30 MM. citizens, and linking them to the unified national registry to increase the effectiveness of cash payments;
- Targeting 150,000 households by the “Decent Housing” Program; in addition, the state is seeking to provide care for about 200,000 elderly people;

Expanding social safety nets, at a cost of EGP 80 bn.



The New Government Launches its Programme “Egypt Takes off” for the Period from 2018/19 to 2021/22

- Employing 100% of the disabled applying for jobs;
- Channeling EGP 5 bn. to meet the needs of special-needs persons;
- Providing a comprehensive insurance umbrella for Egyptian expatriates, benefiting about 2 MM. expatriates in 15 countries at an estimated cost of EGP 365 MM.;
- Developing the ration distribution system by establishing 40,000 (fixed and mobile) government outlets to provide essential commodities, and 5,000 outlets and chains for selling and distributing supply commodities, with an increase of 400%;
- Increasing the efficiency of in-kind support system and gradually shifting to cash payments;
- Reinforcing the social role of the Ministry of Endowments (Awqaf) by allocating cash and in-kind aid (benefiting 570,000 citizens annually) and offering interest-free loans (benefiting 7,500 persons annually); and
- Implementing consumer protection mechanisms by spreading Consumer Protection Agency (CPA) branches in all governorates and increasing the number of associations licensed to practise consumer protection business to 110.

✓ Addressing development gaps:

- Achieving local development in Upper Egypt, including the implementation of 25 projects in Sohag and 12 projects in Qena during 2018/2019;
- Accomplishing comprehensive development of Sinai Peninsula by channeling investments exceeding EGP 275 bn. to Sinai Peninsula development projects to complete East Port Said City (Salam), start establishing the new cities of Rafah and Bir al-Abd and implement roads, services, health and education projects as well as industrial, agricultural and tourist projects;
- Developing slums through improving 100% of unsafe areas, 1,100 random markets and three unplanned slums in the capital of each governorate, with a total of 81 areas;
- Developing and improving 208 Egyptian villages, at a cost of EGP 7.3 bn.;
- Installing 500,000 permanent household sewage connections for 302 villages to serve 3 MM. citizens;
- Developing most dangerous railway crossings by carrying out maintenance works for 20 dangerous crossings and establishing 20 bridges;
- Upgrading 114 slaughterhouses, mainly located in Assiut (30 slaughterhouses), and establishing 11 fully-automatic and semi-automatic slaughterhouses;
- Setting up 30 oil presses in 5 governorates (Ismailia, Assiut, Marsa Matrouh, Fayoum, El-Wadi El-Gadid), with a production capacity of 750 tons/year, and establishing 32 permanent outlets for young graduates; and
- Assisting 1,000 households a year to provide a suitable community environment, and implementing 300 projects related to the development of infrastructure for poor communities, including water and sewage connections.

Implementing 37 projects in Qena and Sohag to develop Upper Egypt during 2018/2019

Channeling investments exceeding EGP 275 bn. to Sinai Peninsula development projects

✓ Developing housing services

- Constructing 764,000 housing units under the Social Housing Project, bringing the total to 1.1 MM. housing units;
- Establishing 400,000 middle-income housing units;
- Enhancing mortgage finance services by increasing mortgage finance from EGP 7.9 bn. in 2016/2017 to EGP 19.7 bn. by the end of the programme in 2021/2022; and
- Strengthening the role of the Ministry of Endowments (Awqaf) in housing services through establishing 4,256 housing units and 228 stores.

1.1 MM. housing units under the Social Housing Project

✓ Upgrading public utilities

- Enhancing the service level of drinking water by implementing 265 projects with a capacity of 4.3 MM. m³/d;
- Implementing 594 sewage projects with a capacity of 5 MM. m³/d to increase sewage coverage to 100% in cities and 60% in villages by including 1,152 villages;
- Paving 1,600 km in roads network at a cost of EGP 25 bn., in addition to other internal and external roads at a cost of EGP 9.6 bn.;
- Developing and upgrading 3,800 public transport buses and supplying 400 new high-level buses;
- Improving railway services, including the supply of 1,300 modern railroad cars, 300 cargo railroad cars and 100 modern locomotives and adding 550 new cargo railroad cars, and electrifying signals at a length of 1,089 km; and
- Developing and expanding the underground network by adding new 97.2 km to the underground network.

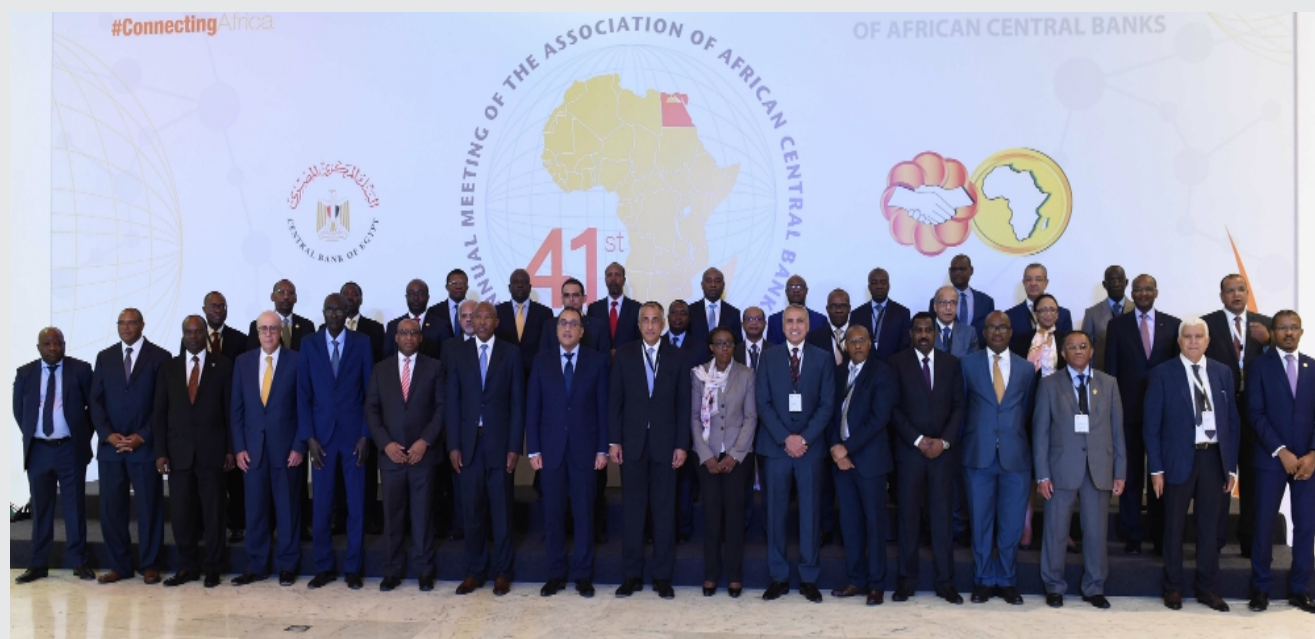
EGP 25 bn. to pave 1,600 km in roads network

✓ Environmental improvement

- Establishing 27 new air quality monitoring stations;
- Improving water quality by establishing 8 new stations to monitor the water quality of Nile River and its branches;
- Treating recycled wastes by increasing the rates of safe solid waste disposal;
- Raising the efficiency of municipal waste collection, increasing the volume of collected municipal solid waste to be recycled in an environmentally sound manner; and
- Upgrading the garbage system and improving the environment to maintain public health through supplying 2,500 different cleaning equipment and establishing 200 intermediate stations, 100 recycling plants and a safe sanitary landfill, at a cost of EGP 15 bn.

Establishing 27 new air quality monitoring stations and 8 new stations to monitor the water quality of Nile River

Annual meetings of the Association of African Central Banks in Sharm El-Sheikh – August 2018



Speaking of the results of Egypt's economic reform program, Prime Minister Madbouly asserted that international reserves increased to US\$ 44 bn. by the end of June, while the economic growth rate mounted to 5.2 percent during the first half of 2017/2018, compared to 2.9 percent in 2013/2014. Madbouly expressed hope that the current AACB meetings would help buttress financial and structural reform efforts to develop the African economy in light of the unprecedented challenges facing not only Africa but the entire world, and strengthen African countries' role in international economic institutions. He added that:

- ✓ Increasing inter-African cooperation will certainly create an appropriate environment to address all challenges, either those resulting from regional and international policies or global economic changes.
- ✓ Egypt will remain a strong supporter of all African issues and an effective player in helping African countries achieve stability.
- ✓ As part of the efforts to boost integration with African states and increase economic cooperation, Egypt signed the African Continental Free Trade Area (AfCFTA) agreement in March 2018.

In his speech, CBE's governor Tarek Amer said that:

- ✓ Egypt's economic indicators have improved due to the country's economic reform program.
- ✓ The signing of a three-year US\$12 bn. Extended Fund Facility (EFF) in late 2016, as a part of an economic reform program being carried out by the government, helped Egypt to attract huge inflows and fostered foreign investors' confidence in the Egyptian economy.

CBE governor Tarek Amer first Egyptian to take over AACB presidency

Governor of the Central Bank of Egypt Tarek Amer will take over the presidency of the Association of African Central Banks (AACB) for the new session (2018/2019). He will be the first Egyptian to preside over the Senegal-headquartered AACB.



Established in 1968, the Association of African Central Banks (AACB) aims at promoting cooperation in the monetary, banking and financial spheres in the African region, and assisting in the formulation of guidelines for agreements among African countries in the monetary and financial fields.



- ✓ The Central Bank of Egypt (CBE) hosts in August 2018 the 41st annual meetings of the board of governors of AACB in Sharm El Sheikh for the first time in Egypt. The five-day meetings are held under the sponsorship of President Abdel Fattah El Sisi and marked by the 50th anniversary of the AACB.
- ✓ The meetings are considered one of the most important economic and banking events at the African level, as a number of governors of African central banks attend the meetings.
- ✓ The meetings are attended by a number of regional and international institutions, including the International Monetary Fund (IMF), the World Bank (WB), the African Union Commission (AUC), the European Central Bank (ECB), the Federal Reserve Bank of New York (FRBNY) and the Common Market for Eastern and Southern Africa (COMESA).
- ✓ This year's meetings are particularly important in light of the priority issues that are raised on the agenda of the meetings, including the relations between the African central banks and their impact on the development of the financial sector and the efforts of economic growth in the countries of the continent as well as the exchange of experience and cooperation.

CBE Launches an Initiative to Support Defaulting Customers

The Central Bank of Egypt (CBE) has launched an initiative to comprehensively settle the debts of non-performing customers, including natural persons and companies, whether there are (not) legal proceedings being taken by the banks participating in the initiative against them.

Tarek Amer
CBE Governor



Objective of the initiative:

To support economic development, contribute to solving the problems of non-performing loans (NPLs), ease the burden on small customers who are serious about repayment and seek to resume their economic activity.

Target customers:

- ✓ Natural persons defaulting as at 31st December 2017 (excluding credit card balances).
- ✓ Legal persons (companies and others) defaulting on amounts less than EGP 10 MM. as at 31st December 2017.

Beneficiaries:

The initiative is expected to benefit more than 3,500 companies and 337,000 individuals.

Scheduled exemption:

This includes exempting the defaulting customers from the full accrued and unpaid interests totaling EGP 16.8 bn., including:

- ✓ EGP 12 bn. for defaulting companies.
- ✓ EGP 4.8 bn. for individual customers.

Participating banks:



البنك العربي للأراضي المصرية
EGYPTIAN ARAB LAND BANK



بنك القاهرة
Banque du Caire
بنوك القاهرة - طريق النجاة



بنك مصر
BANQUE MISR



البنك الأهلي المصري
NATIONAL BANK OF EGYPT



بنك التنمية الصناعية
والعمال المصري



البنك الزراعي المصري
A B E
Agricultural Bank of Egypt



المصرف المتحد
The United Bank



البنك المصري لتنمية الصادرات
Export Development Bank of Egypt

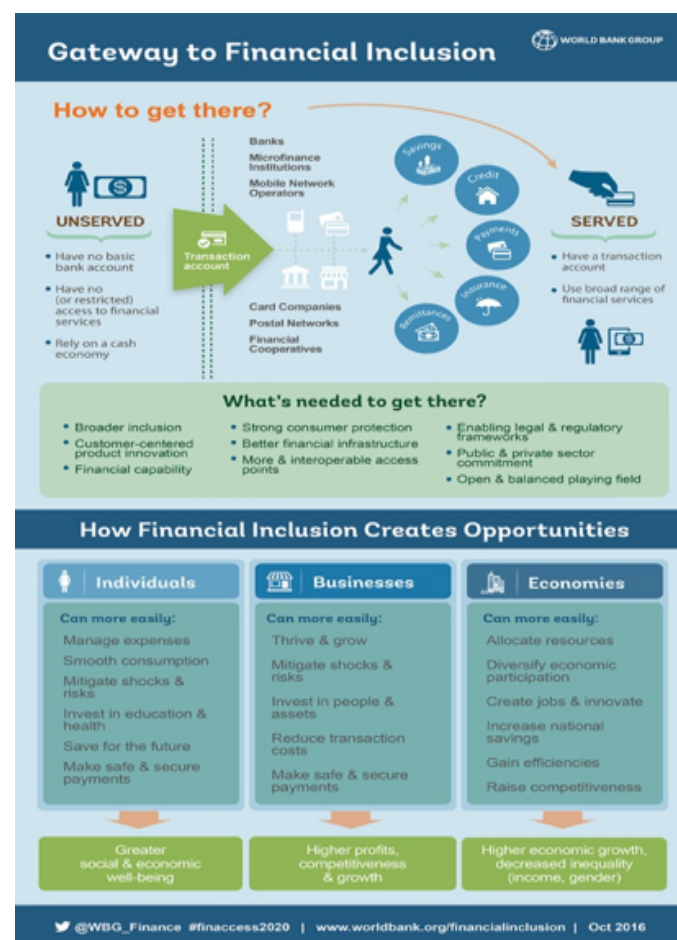
Terms of the initiative:

- ✓ Repaying 100% of the debt balance as at 31st December 2017 (excluding marginal and earmarked interests).
- ✓ Payment in cash no later than 31st December 2018.
- ✓ Dropping all current lawsuits filed by either party at courts and discharging the borrower.
- ✓ Releasing all collateral provided by customers in relation to such debts.
- ✓ Removing the borrower from the black list of CBE and the Egyptian Credit Bureau "I-Score", lifting the ban related to these debts, and recognizing the customer as a beneficiary of the initiative for 3 years from the date of repayment.

In recent years, financial inclusion has gained momentum in various countries of the world. The G20 embraced this issue as one of the main pillars of the economic and financial development agenda. Several countries have also adopted effective strategies and steps towards improving access to finance and financial services with a view to strengthening growth, achieving economic stability and social justice and combating poverty. Financial inclusion in developing countries is significantly important as it addresses the challenges of poverty and unemployment, seeks to achieve equitable distribution of income, curtails informal economy, establishes efficient financial markets, optimizes use of resources, empowers women and promotes equal opportunities, and provides finance to small and medium enterprises (SMEs). Domestically, Egypt continues its efforts to enhance financial inclusion to support monetary stability and sustainable development and to strengthen the efforts exerted to integrate the informal economic activities into the formal economy.

Achieving financial inclusion requires a society that has a financial culture to recognize the gains and risks associated with access to financial products and services, in addition to raising consumers' awareness of their rights and obligations in their financial transactions. There are three interrelated pillars of financial inclusion; namely:

- ✓ **Convenient offering of financial products and services** by providing a range of financial products and services suitable for all segments of the society, thus reaching a large number of customers, especially low-income brackets;
- ✓ **Financial culture**, i.e. raising the awareness, knowledge and ability of society members to choose the appropriate financial products and services; and
- ✓ **Consumer financial protection**, by ensuring that society members benefit from the financial products and services in a safe and fair manner with a high level of transparency.

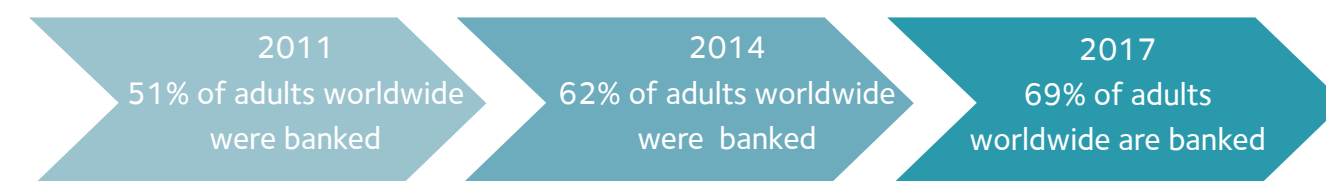


Global Findex Database

The Global Findex database launched by the World Bank (WB) in 2011 is the world's most comprehensive dataset on how adults save, borrow, make payments and manage financial risks in 144 countries. It is primarily used to analyze global trends and make country comparisons to highlight key financial inclusion indicators .

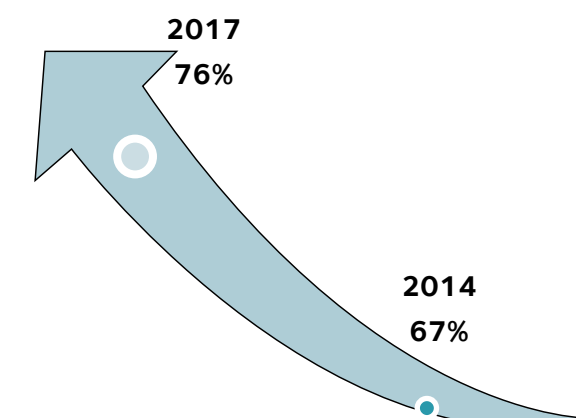
According to the 2017 Global Findex database:

- ✓ 69% of adults (3.8 bn. people) across the world have accounts with banks or providers of mobile financial services, up from 62% in 2014 and only 51% in 2011.



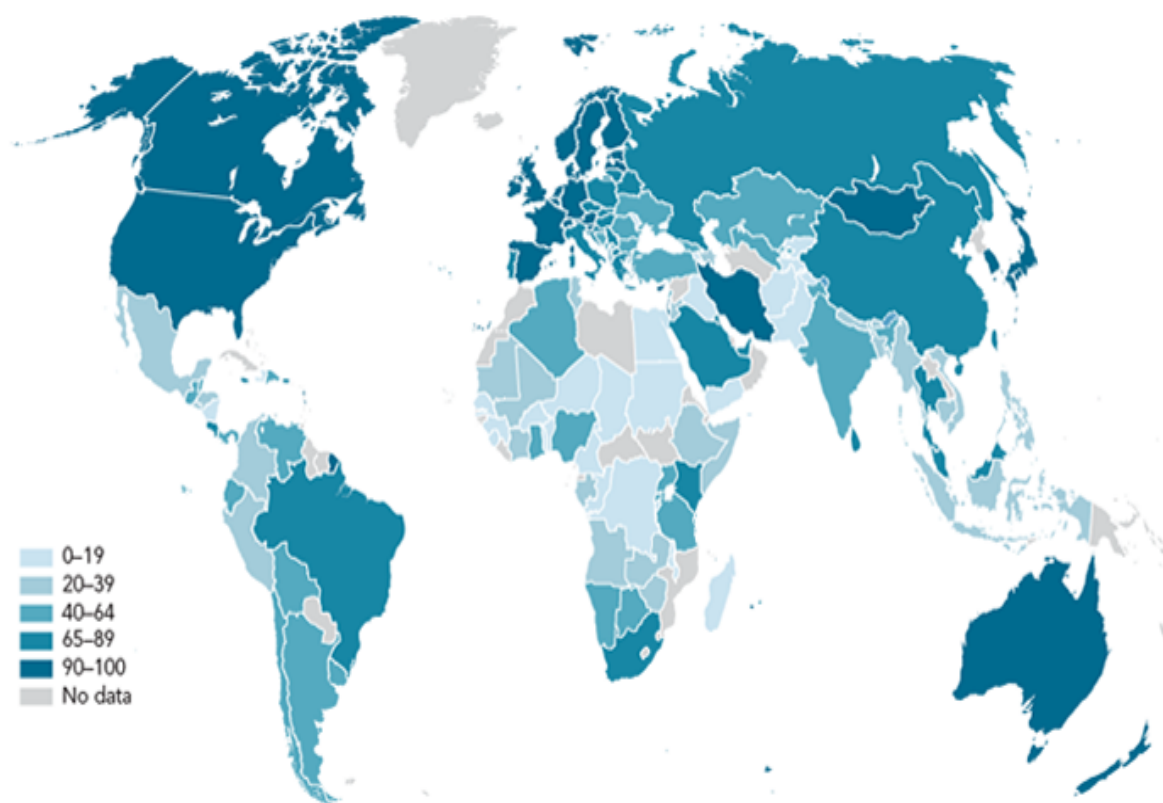
- ✓ 1.2 bn. adults have obtained accounts since 2011, including 515 MM. since 2014.
- ✓ Account ownership progressed differently among countries. However, in general, it is worth noting that disparity between men and women still remains. While 72% of men hold accounts, only 65% of women have accounts. At the same pace, the gap between the richest and the poorest groups has not narrowed. Among the richest 60% of households in different countries, 74% of adults have accounts, compared to 61% among those belonging to the poorest 40% of households.
- ✓ There is a significant increase in the use of mobile phones and the internet to conduct financial transactions. Between 2014 and 2017, the proportion of account holders making or receiving digital payments increased from 67% to 76% globally, and from 57% to 70% in developing countries.

Account holders making or receiving digital payments worldwide



Today, 69% of adults worldwide have bank accounts

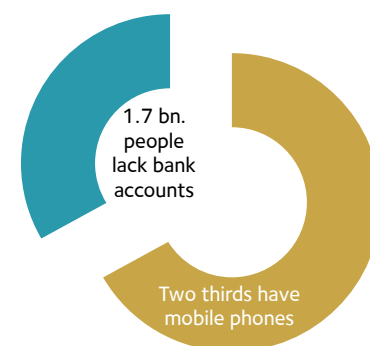
Adults with accounts (%), 2017



Source: Global Findex database.

✓ About 1.7 bn. adults still lack bank accounts, but two thirds of them have mobile phones that can help them access financial services. Digital technology can benefit from the current cash transactions to integrate individuals into the financial system. For example, receiving payments from the government whether public sector wages, pensions or social benefits such as subsidies directly into accounts can lead about 100 MM. more adults worldwide, including 95 MM. in developing countries, to access official financial services.

✓ The 2017 Global Findex survey conducted by WB shows main reasons for lacking bank accounts. The most common one is having too little money to use an account. Cost, distance and account ownership by a family member are also cited as other reasons.



✓ There are other opportunities for expanding account ownership among the unbanked, including:

- Digital payment of wages: the private sector employs about 230 MM. adults who do not have bank accounts and are paid in cash only, and in the same way about 235 MM. people receive agricultural payments;
- E-payment of utility bills: there are one billion adult account holders worldwide who pay utility bills in cash.

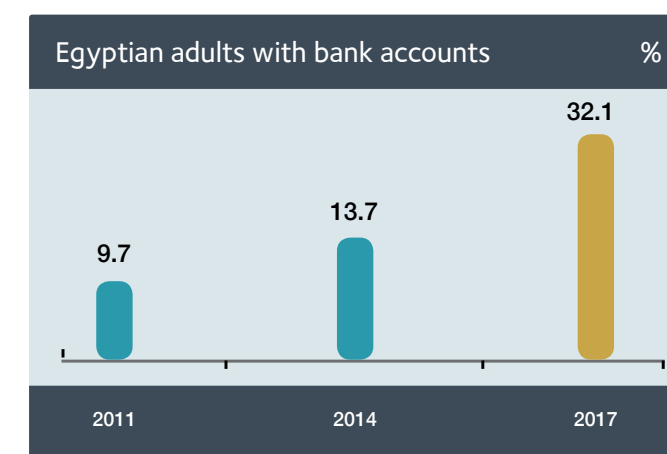
✓ Opportunities for increased financial inclusion are abundant in the Middle East and North Africa (MENA), especially among women. In 2017, about 52% of men had accounts compared to 35% only of women – the largest gender gap compared to other regions. The relatively high ownership of mobile phones provides room for expanding financial inclusion. Among those who are unbanked, 86% of men and 75% of women have mobile phones. About 20 MM. unbanked adults in MENA region send or receive local transfers in cash or through a teller, including 7 MM. in Egypt.

It is noteworthy that in 2017 the G20's Global Partnership for Financial Inclusion (GPFI) established a number of principles to promote digital financial inclusion, as digital technologies provide sound solutions to expand access to financial services worldwide at lower costs, including people living in rural and remote areas.

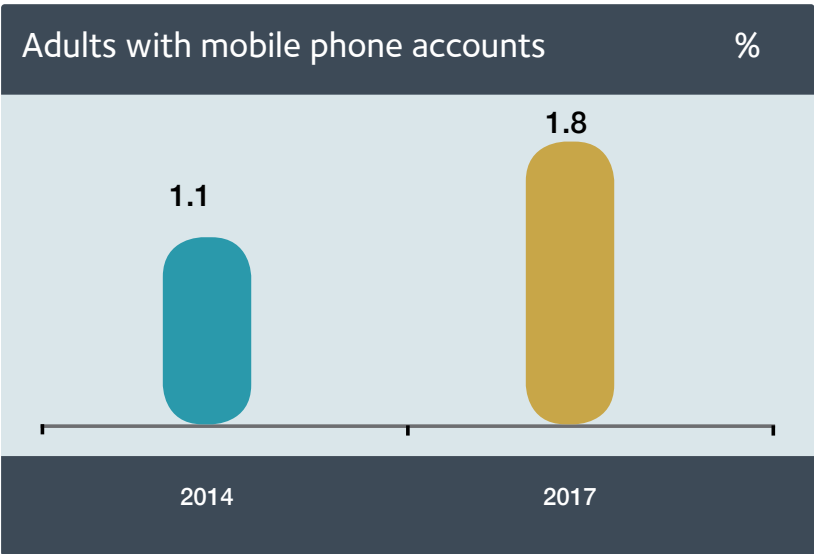
Significant improvement of Egypt's financial inclusion indicators

According to Global Findex, Egypt is classified among the lower middle income countries, and the number of adults (aged 15 years or more) is estimated at 63.7 MM. in 2017. In this context, we indicate the following:

✓ The number of adults (aged 15 years or more) who have bank accounts increased to 32.1% of the total number of adults in 2017 against 13.7% and 9.7% in 2014 and 2011, respectively.

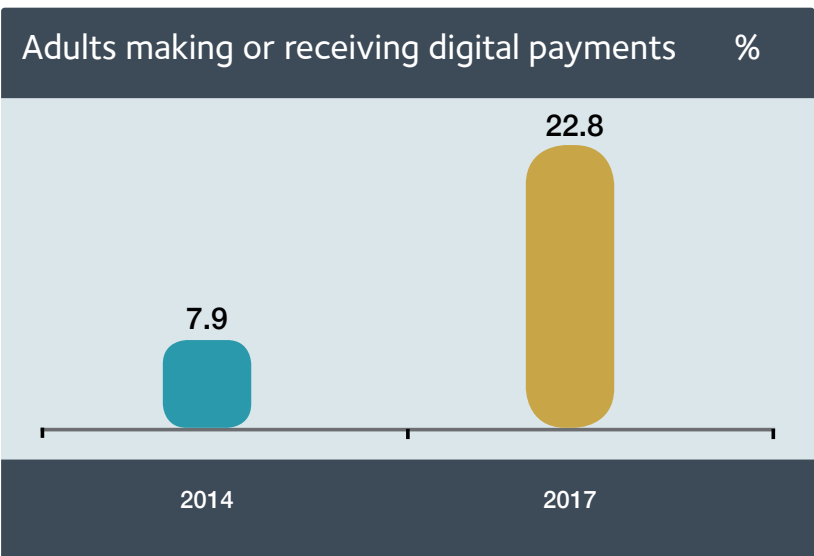


✓ The number of adults who have mobile phone accounts rose to 1.8% of the total number of adults in 2017, compared to 1.1% in 2014.



✓ The number of digital payment technology users increased as follows:

- adults making or receiving digital payments accounted for 22.8%, against 7.9% only in 2014;
- adults using private-sector payroll accounts reached 3%, and about 17.1% receive government payments;
- users of internet to pay bills or make purchases accounted for 3.5%; and
- users of credit and debit cards in purchase transactions reached 3.8%.



Egypt’s main financial inclusion indicators according to the 2017 Global Findex database

	Egypt	MENA	Lower middle income countries
Adults (aged 15 years or more) holding bank accounts %			
2017	32.8	43.5	57.8
2014	14.1	..	41.9
Adults (aged 15 years or more) holding accounts with financial institutions %			
2017	32.1	43.0	56.1
2014	13.7	..	40.6
Adults (aged 15 years or more) having mobile phone accounts %			
2017	1.8	5.8	5.3
2014	1.1	..	3.2
Adults (aged 15 years or more) having accounts based on individual characteristics %			
Women	27	35	53
Poorest 40% of households	20.3	35.3	50.7
Rural residents	29.3	36.9	57.6
E-payments of adults aged 15 years or more %			
Making or receiving e-payments (2017)	22.8	33.3	29.2
Making or receiving e-payments (2014)	7.9	..	19.7
Payment of utility bills	0.1	9.8	7.5
Receiving private-sector salaries and wages	3.0	5.9	5.5
Receiving government payments	17.1	19.5	8.3
Online purchase and bill payment	3.5	12.2	6.8
Purchase using debit and credit cards	3.8	16.2	10.0
Transfers of adults aged 15 years or more			
Account transfers	2.8	5.0	10.1
Cash transfers	13.3	11.1	8.8
Savings of adults aged 15 years or more			
Saving in financial institutions (2017)	6.2	10.8	15.9
Saving in financial institutions (2014)	4.1	..	14.4
Credit of adults aged 15 years or more			
Borrowing from a financial institution or using credit cards (2017)	8.8	9.6	9.8
Borrowing from a financial institution or using credit cards (2014)	7.7	..	10

Financial Inclusion: Egypt's Gateway to Enhancing Sustainable Development

In conclusion, Egypt places financial inclusion as a top priority due to its positive role in achieving economic growth, especially with respect to integrating the informal economic activities into the formal economy. This contributes to increasing GDP and thus enhancing growth rates, particularly that a large number of micro and small enterprises (MSEs) operate within the informal sector. Financial inclusion also supports the transition towards non-monetary economy which offers several advantages; mainly reducing costs and financial burdens.

Not only is financial inclusion of economic importance, but it also has a positive impact on community development through focusing on marginalized groups such as the poor and the low-income, and empowering women economically by removing all obstacles to enable them to access financial services fairly and transparently.

Central banks worldwide play a leading role in applying the principle of financial inclusion given its close relationship to financial stability. In this context, the Central Bank of Egypt (CBE) leads the process of enhancing financial inclusion in Egypt through several axes. These include creating a legislative environment and adequate financial infrastructure, achieving consumer financial protection, developing financial services and products that cater for the needs of all segments of society, as well as focusing on financial education and awareness.

CBE issued several instructions aimed at enhancing financial inclusion directly or indirectly. Foremost among these are the instructions on streamlining the requirements for opening small bank branches (issued in December 2014), which enables the expansion of SME and retail banking services. Opening new branches in various areas will enable banks to expand their activities to include a larger base of customers from the different segments of society. CBE's instructions include reducing the capital required for the establishment of new small branches.

Additionally, CBE issued instructions on the provision of mobile payment services, which include increasing the number of service providers to reach out as many citizens as possible, as well as providing new mobile financial services such as payroll payment, bill collection and government payments. CBE also issued the rules and controls regulating the provision of online banking services.

At a related level, several initiatives have been adopted to provide finance to the groups targeted to be included in the financial system; mainly the real estate financing initiative for the medium and low-income brackets at lower interest rates as well as the initiatives launched to enable MSMEs to obtain the necessary financing.

In November 2016, CBE promulgated a new version of the rules governing mobile payment services. It is an integrated package of rules and procedures that is deemed a positive step towards expanding the use of mobile payment services and achieving greater financial inclusion.

State's efforts culminated in issuing the Presidential Decree No. 89 of 2017 establishing the National Payments Council under the chairmanship of the President of the Republic and the membership of the Prime Minister, CBE's Governor and a number of the ministries and authorities concerned as an effective step towards accelerating efforts and deepening the concept of financial inclusion in Egypt.

National Bank of Egypt Joins R3 Global Blockchain Initiative

National Bank of Egypt (NBE) announced joining the blockchain initiative of R3, a firm concerned with developing the financial services sector globally, through blockchain Corda technology. Corda is an open source blockchain project that uses the distributed ledger technology (DLT) which allows the instantaneous processing of transactions across multiple distributed databases efficiently, securely, privately and quickly. Hence, it will eventually have a positive impact on the financial industry.

Hisham Okasha

Chairman of
the National Bank of Egypt



Joining the R3 initiative ,which encompasses over 200 global banks, financial institutions and trade associations with the aim of developping financial services, will allow NBE to:

- ✓ Keep abreast of and benefit from blockchain developments to provide faster financial services to customers;
- ✓ Use Corda software which will contribute to strengthening NBE's role in the regional and global financial sector, particularly in MENA region; and
- ✓ Train several IT staff members of NBE in the new software.

Joining R3 initiative stems from NBE leaders' belief in the importance of the continuous development of financial and banking services provided, especially when it comes to high quality, fast and efficient electronic services. NBE will thus be able to cope up with the global blockchain developments



National Bank of Egypt Continues its Leading Role in Supporting Financial Inclusion “Al Mostakbal Saving Account”

In line with NBE's growing keenness to support the financial inclusion initiative adopted by the Central Bank of Egypt (CBE), “Al Mostakbal Saving Account” comes as an effective mechanism attracting a new segment of non-banked individuals. The new product also encourages existing customers to widen their banking scope through a saving tool that is suitable for their needs and enables them to manage their savings effectively.



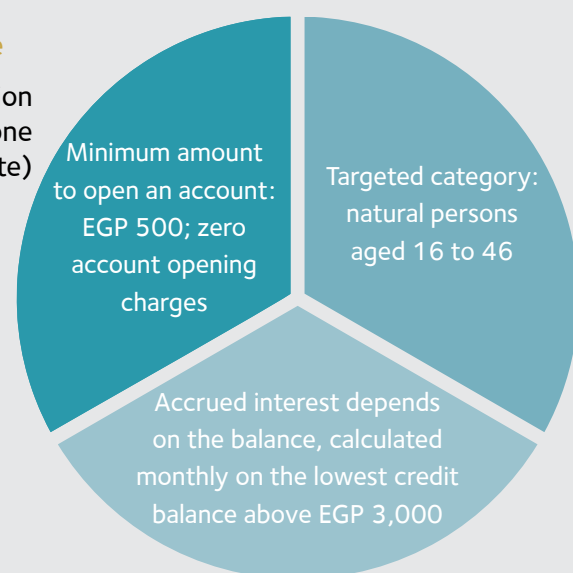
Mr. Yehia Abou El-Fotouh
NBE's Deputy Chairman

EGP Al Mostakbal Saving Account

Phone Cash Wallet service

Exempted from (subscription fees – annual fees, for one year from subscription date)

Free debit card



Interest payment frequency

Monthly – quarterly – semi-annually – annually

Free life insurance

As of the following month from account opening date; based on the lowest credit balance in the account during the month, with a minimum of EGP 5,000 and a maximum of EGP 100,000.

Syndicated Loans: a Key Tool to Finance Mega Projects; NBE's Leading Role

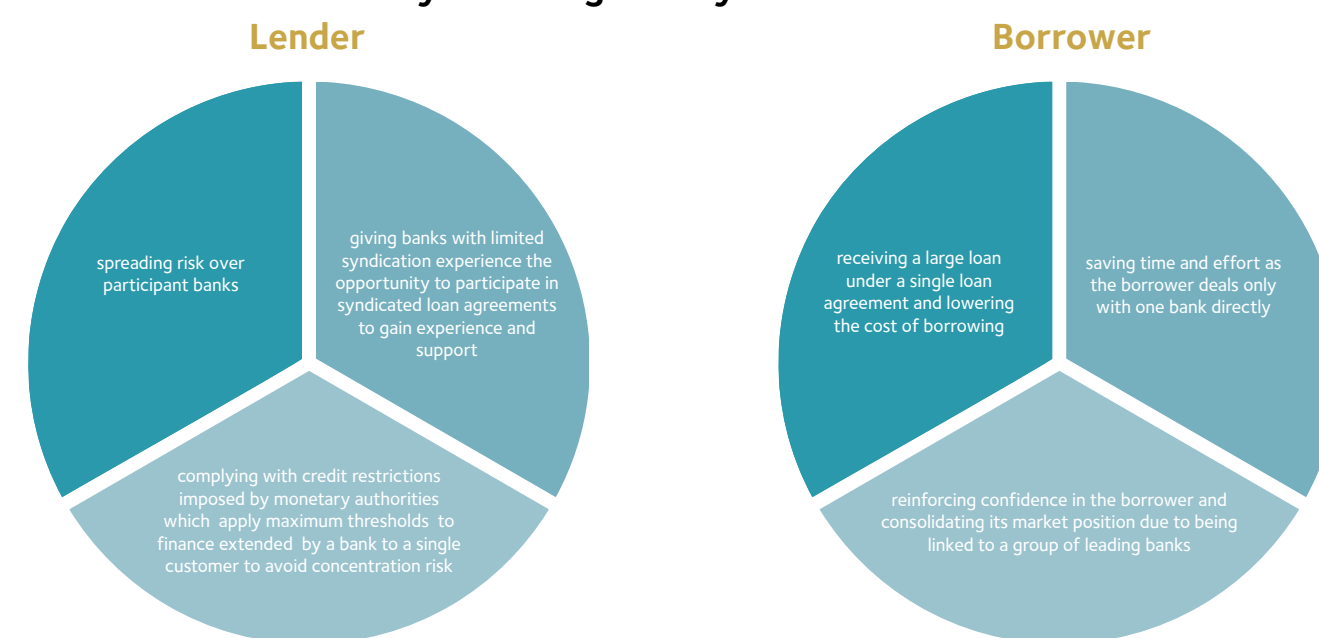
Syndicated loans are one of the key sources of finance for both private and public sector mega projects which are the driving force of development in any country. Syndicated loans have evolved over time into several forms with a widening scope of participants to include banking and non-banking financial institutions.

Syndicated loan: definition and key advantages

It is a huge loan offered by a syndicate of banks or financial institutions working together to provide the financing needs of borrowers whether locally or globally under common terms and conditions governed by a single loan agreement. Syndicating the loan allows lenders to spread risk, maximize profit and loosen the credit restrictions which limit a single bank's ability to extend huge finance. The number of participating banks is determined according to a number of factors, most importantly:

- ✓ The amount of loan requested;
- ✓ The reputation of the agent bank since it is the “sponsor of the interests of participant banks”;
- ✓ The availability of liquidity with the banking system;
- ✓ Market financial conditions; and
- ✓ The customer's creditworthiness and reputation in the financial community.

Key advantages of syndicated loans:



Forms of participation by banks in syndicated loans

Banks participate in syndicated loans under several roles; most importantly: the mandated lead arranger, facility agent, security agent and book runner. Each role has a number of duties. A single bank can undertake more than one role under the same agreement. Key roles are:

Syndicated Loans: a Key Tool to Finance Mega Projects; NBE's Leading Role

Mandated lead arranger

Its mandate starts by virtue of an authorization by the borrower to arrange the loan and ends with signing the syndicated loan agreement. Its main duties are to:

- ✓ Provide advice and consultation to the borrower on the different types of finance that suit the borrower and its project;
- ✓ Prepare the loan documentation with the borrower to be presented to banks which could participate in the finance;
- ✓ Approach banks to participate in the finance and explain the profitability of participation in the loan as well as the borrower's creditworthiness; and
- ✓ Discuss the loan agreement terms with the borrower and participant banks.

Administrative agent/ Facility agent

It acts as an agent for the participant banks under an agency agreement. Its role starts when all parties sign the loan agreement. The facility agent acts as a conduit between the borrower and participant banks. It manages and organizes the day-to-day loan operations throughout the term of the applicable loan, as follows:

- ✓ Verify that all conditions precedent to the loan agreement are fulfilled by the borrower (such as all legal documentation related to the loan) and monitor all the borrower's covenants and undertakings;
- ✓ Manage the loan agreement and correspondence among lenders;
- ✓ Provide participant banks with information and documentation received from the borrower and handle all matters related to the loan in consultation with the participant banks;
- ✓ Receive the share of each participant bank in the loan and provide it to the borrower; and
- ✓ Collect loan arrangement fees from the borrower and distribute them among participant banks.

Security agent

It perfects the security under the loan agreement before effecting the finance. It also issues the security perfection letter and follows up the perfection of the remaining securities throughout the finance term. It declares and notifies the facility agent of any security violation and accordingly initiate legal action against the relevant customer.

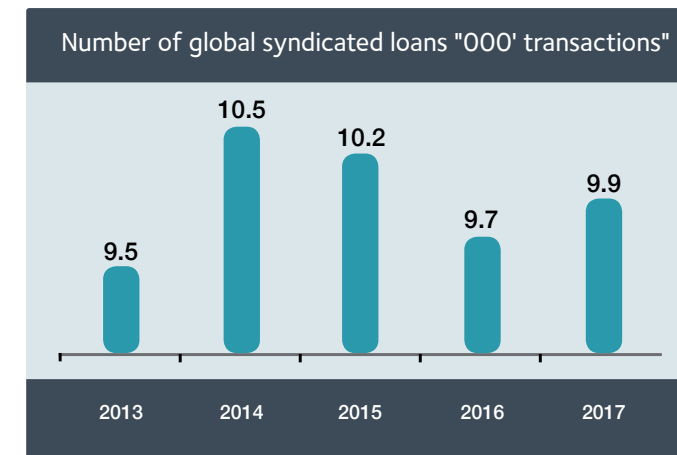
Book runner

It can be a single participant bank or more. It is entitled to invite other banks to participate in the loan while making the deal. After completing the deal, it is entitled to sell all or part of its share .

Global syndicated loan indicators

Global syndicated lending totalled US\$ 4.6 trillion from 9.9 thousand transactions in 2017 (with a growth rate of 2.1% compared to last year). Borrowing in the United States captured 58.7% of global lending, reaching US\$ 2.7 trillion (a 25% uptick compared to a year ago).

US\$ 4.6 trillion
total global syndicated
lending in 2017



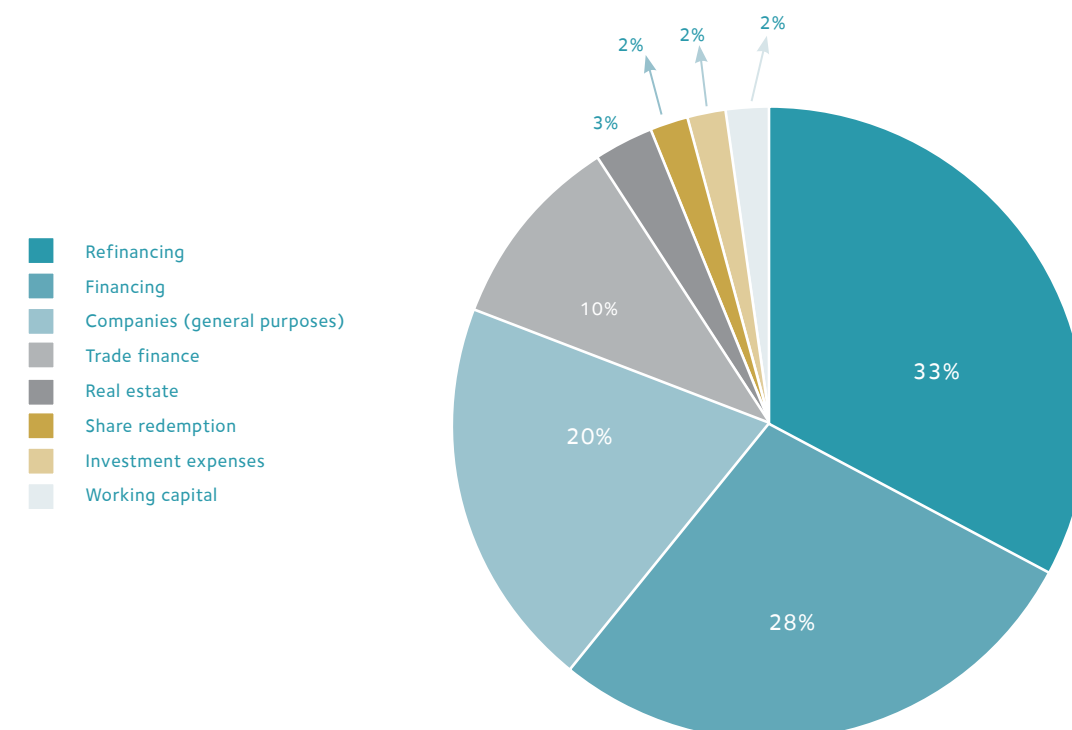
Source: Reuters , Global Syndicated Loans Review 2017

Local syndicated loan indicators

Syndicated loans in Egypt totalled US\$ 8.1 bn. in 2017, down by 35.6% compared to last year. The utility and infrastructure sector received the lion's share of total finance at 40.7% followed by the energy sector at 26.7% during the same year.

As for syndicated loan utilizations, the largest portion was allocated to refinancing and financing projects at 33% and 28% respectively.

Syndicated loans by type of utilization in 2017



Source: Bloomberg, Egypt Syndicated Loans Insights Q4 2017



Syndicated Loans: a Key Tool to Finance Mega Projects; NBE's Leading Role

National Bank of Egypt's leading role in loan syndication

National Bank of Egypt (NBE) plays a pivotal role in loan syndication as demonstrated by its rankings and awards granted by global organizations such as Bloomberg and EMEA Finance. This represents a vote of confidence in NBE's capabilities and accumulated experience in loan syndication and arrangement in coordination with other banks to meet the financing needs of vital mega projects, particularly infrastructure and manufacturing projects due to their positive economic impact reflected on the national growth rate to implement the state's comprehensive economic development vision.

In this framework, NBE had high rankings in loan syndication as a facility agent, book runner and mandated lead arranger according to Bloomberg's global rankings of banks' performance at the Egyptian and African banking market level.

At the Egyptian banking market level

NBE ranked the top facility agent, book runner and mandated lead arranger in the local market in 2017, with market shares of 42.1%, 23.3% and 19.5% respectively. This crowned NBE's success in participating in many syndicated loans directed to several strategic sectors such as electricity, petroleum, real estate development, transportation and building materials. NBE also topped the local market as the facility agent of the two largest transactions in the utility and infrastructure sector worth EGP 20 bn. and EGP 19.4 bn. respectively.

NBE topped the local rankings as the facility agent of the two largest transactions in the utility and infrastructure sector in 2017 worth EGP 20 bn. and EGP 19.4 bn. respectively

At the African market level

NBE ranked number-2 book runner, number-3 facility agent and number-4 mandated lead arranger in 2017, with market shares of 5.8%, 9.5% and 4.1% respectively. Further, NBE topped these rankings in the first quarter of 2018 as follows:

NBE is the top book runner, mandated lead arranger and facility agent in Q1 2018 in Africa

Book runner

NBE commanded a market share of 23.5% of total loan syndication in the African market in Q1 2018 with US\$ 623 MM., compared to 20% in the same quarter last year.

Bank	Rank	Market share (%)	No. of transactions	Value (US\$ MM.)
NBE	1	23.5	7	623
Banque Misr	2	17.7	5	468
CIB	3	16.9	4	449
Arab African International Bank	4	13.2	4	351
QNB	5	10	3	266

Source: Bloomberg, Africa Capital Markets Q1 2018

Lead arranger

NBE's market share as a lead arranger accounted for 17.8% at US\$ 553 MM. vis-à-vis 12.2% yoy.

Bank	Rank	Market share (%)	No. of transactions	Value (US\$ MM.)
NBE	1	17.8	7	553
Banque Misr	2	13.6	5	422
CIB	3	13	4	403
Arab African International Bank	4	11.3	4	351
QNB	5	8.6	3	266

Source: Bloomberg, Africa Capital Markets Q1 2018

Facility agent

As a facility agent, NBE's market share amounted to 48% with US\$ 2,024 MM. against 38.3% yoy.

Bank	Rank	Market share (%)	No. of transactions	Value (US\$ MM.)
NBE	1	48	6	2,024
Natixis Bank	2	30.9	1	1,305
Standard Chartered Bank	3	7.1	1	300
Bayern LB	3	7.1	1	300
Arab African International Bank	5	4	1	170

Source: Bloomberg, Africa Capital Markets Q1 2018

IMF: Egypt Reaps the Benefits of its Ambitious and Comprehensive Economic Reform Program

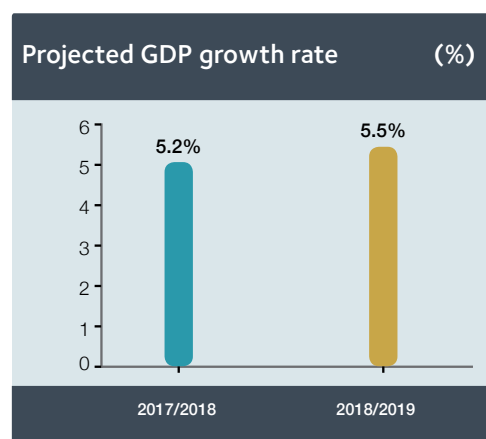
IMF third review

The IMF staff team and the Egyptian authorities have reached a staff-level agreement in May 2018 on the third review of Egypt's economic reform program, which is supported by the IMF's US\$ 12 bn. arrangement. Completion of this review would make available the loan's fourth tranche in the amount of US\$ 2 bn., bringing total disbursements under the program to about US\$ 8 bn.

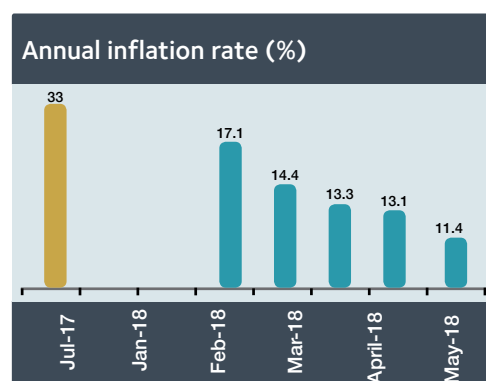
Major findings by the IMF staff:

Egypt has begun to reap the benefits of its economic reform program

- ✓ Egypt's growth has continued to accelerate during 2017/18, rising to 5.2% in the first half of the year from 4.2% in 2016/17. Similarly, the IMF raised its projections for Egypt's growth to 5.2% in 2017/2018, up from 4.8%. Meanwhile, it maintained its growth projections at 5.5% in 2018/2019.



This improvement has significantly contributed to the increase in gross international reserves to US\$ 44 bn. by end-April up from US\$ 38.2 bn. in January 2018.



- ✓ The current account deficit has substantially declined in the first half of 2017/2018 yoy, reflecting the recovery in tourism and strong growth in expatriates' remittances.

- ✓ Greater investor confidence in Egypt's economy has continued to support portfolio inflows.

- ✓ Annual core inflation has fallen from 33% in mid-2017 to around 11.4% in May 2018, anchored by the well-calibrated monetary policy of the Central Bank of Egypt (CBE). The CBE remains committed to reducing inflation to single digits over the medium term. In this regard, the IMF estimates reflect an inflation rate of 12.6% by the end of 2017/2018.

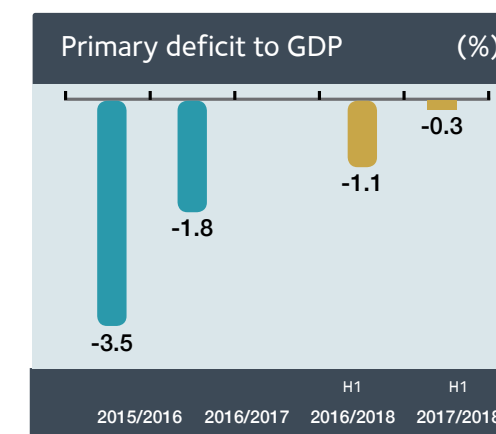
- ✓ CBE's monetary policy is underpinned by a flexible exchange rate regime that is critical for maintaining competitiveness and adjusting to external shocks.

Egypt on track to rectify financial conditions

- ✓ The Government of Egypt (GoE) continued its efforts to fix financial conditions to reduce budget deficit to GDP in 2017/2018 and the following years. The budget for 2018/19 targets a primary surplus (excluding interest payments) of 2% of GDP, compared to a primary deficit of 1.8% in 2016/2017.

- ✓ General government debt to GDP is expected to drop in 2017/2018, for the first time in a decade.

- ✓ Strengthening the social safety net remains a top priority for the Egyptian government and is strongly supported by the IMF which welcomed the plan to further expand the "Takafol" and "Karama" programs.



Egypt moves forward with structural reforms

The government continues to move forward with structural reforms to modernize the economy and tap the potential of Egypt. To this end, steps were taken to:

- ✓ support exports and facilitate international trade;
- ✓ streamline and enhance industrial land allocation process;
- ✓ strengthen public procurement; and
- ✓ improve transparency and accountability of state - owned enterprises.

These structural reforms will help attract private investment, which is essential to raise growth and make it more inclusive

Key advice from IMF staff to Egypt to press ahead with reform

- ✓ Take advantage of the macroeconomic stability to broaden and deepen the reform agenda, with a view to achieving sustainable and inclusive growth, raising the living standards of people;
- ✓ Create a business climate in which the rules of the game are simple and transparent, and in which small businesses can grow into medium-sized and even large companies;
- ✓ Strengthen private sector-led economic activity;
- ✓ Enhance openness to be able to invest more, export more and create more jobs; and
- ✓ Reduce non-tariff barriers and protections for domestic industries so that Egyptian companies can become part of the global supply chain, and can expand to capture a bigger share of the global marketplace.

Successful reform experiences from other countries

The IMF pointed out that many countries had escaped financial jeopardy and achieved a great deal of macro-stability by undertaking many reforms. **The following is a brief review of some of these successful experiences:**

✓ Mexico

In 2013 Mexico took a set of decisive actions aimed at lifting productivity growth. The energy sector, long dominated by the state, was opened up, and oligopoly control in telecommunications and finance was replaced by free competition. They also set out to draw people out of informality and into the mainstream economy, through labor reforms. The result was the creation of 3.5 million jobs in the last five years. Employment in the informal sector has fallen as the rate of formal employment growth has increased.

✓ India

"India and Egypt share one set of goals" ...

- to strengthen the social safety net: covering more segment population segments, and reducing bureaucratic inefficiency and corruption in benefit systems; and
- to deepen financial inclusion: India managed to bring nearly 300 million people into the formal economy

India's experience shows how countries can mobilize new technology to overcome obstacles to development. This underpins the role that technology can play in contributing to development in advanced and emerging economies alike.

✓ Indonesia

Indonesia emerged from a deep crisis in 1998 needing to break free of cronyism and the central government's control of its sprawling economy. Reforms ended government monopolies, empowered the private sector and promoted market-oriented economic policies. Thus, the economy has grown steadily.

The approval of the third review of the economic reform program is a vote of confidence in Egypt's economy in front of all countries and international institutions. This will strongly propel the Egyptian economy over the coming period and consolidate foreign and local investor confidence. In addition, growth will continue to improve across all economic activities

Standard & Poor's (S&P) upgraded Egypt's long-term foreign and local-currency sovereign debt rating to "B" from "B-" with a stable outlook in a new step towards strengthening confidence in the Egyptian economy and the economic reform program. It is worth mentioning that S&P has not raised the credit rating of the Egyptian economy since November 2013. The agency attributed its decision to the positive developments on several key axes, which contributed to boosting the economic activity. S&P's report commended the increasing growth rates, the declining unemployment rates as well as the improving economic growth structure. The Egyptian economy has become more balanced through making positive contribution to all sources of growth, mainly investments and net exports after consumption has been the main driver and catalyst of growth in recent years. The report also indicated the great diversity of growth sources in all sectors. The decision to raise the credit rating is expected to boost confidence in the Egyptian economy's capacities and potentials, court more foreign investments and reduce the cost of financing available to the state, its institutions and the private sector.

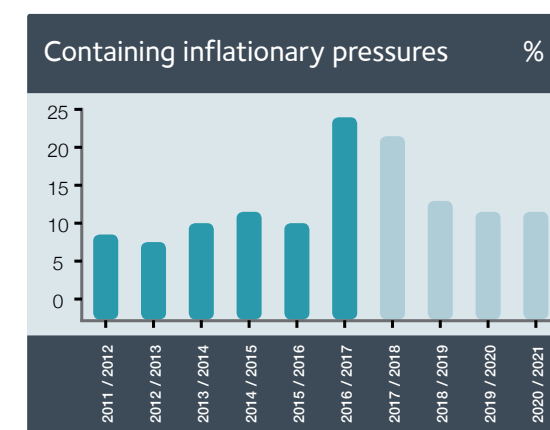
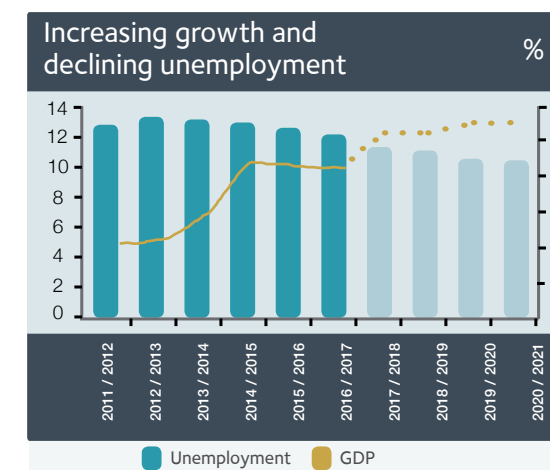
Strong economic growth and declining unemployment rates

S&P raised its estimates of the economic growth rate to 5.2% in 2017/2018 compared to 4.2% YOY, reaching 5.5% in 2019/2020 in light of the improved performance of economic activity sectors; mainly natural gas, tourism, manufacturing industries and building and construction, "especially with increased investments being injected to develop infrastructure, expand roads network and launch major projects such as the new administrative capital". S&P expected that the legislative reforms recently adopted by Egypt would contribute to improving business environment.

It is projected that higher economic growth would contribute to the decline of unemployment rates, especially in view of the major development projects currently being implemented or planned by Egypt in the coming period. S&P forecasts that unemployment rates would continue decreasing in the coming years to stand at 10.3% by 2020/2021. It is worth mentioning that unemployment rates continued to decline in Egypt during Q1 (January-March) of 2018 to stand at 10.6% of total labor force.

Declining inflation rates

The Central Bank of Egypt (CBE) adopted a restrictive monetary policy – proactively and temporarily – to contain the inflationary pressures faced by the Egyptian economy following EGP floating. In May 2017, CBE announced for the first time in its history the targeted inflation rate and its timing, i.e. 13% ($\pm$ 3%) in the last quarter of 2018.



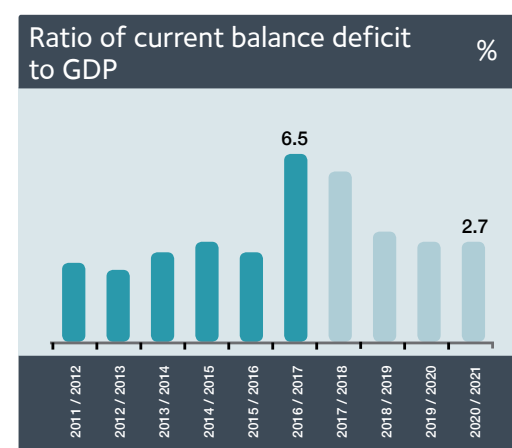
Standard & Poor's Raises Egypt's Sovereign Credit Rating as a New Vote of Confidence in the Egyptian Economy

Recent data indicate the success of the monetary policy in containing inflationary pressures faced by the Egyptian economy. The annual core inflation rate fell to 11.6% in April 2018, while the annual headline inflation rate declined to 13.1% during the same month. The monetary policy contributed through EGP floating to sharpening the competitiveness of domestic goods and services and thus increasing external demand for the domestic product, with net exports becoming a major factor in increasing economic growth. According to S&P, the average inflation rate is expected to decline gradually to stand at 11% by the end of 2019/2020.

Decline of current balance deficit

It is estimated that the ratio of current account deficit to GDP would witness a significant decline in the coming years, driven by a number of other factors, including "the higher domestic production of natural gas, especially from Zohr field, and the improved indicators of tourism in light of the increased number of tourists coming to Egypt as well as remittances of Egyptian expatriates".

In this context, the current balance deficit stood at US\$ 3.4 bn. in H1 of the FY 2017/2018 against US\$ 9.4 bn. YOY. S&P forecasts indicate that the said deficit is estimated to stand at 4% of GDP in 2017/2018 compared to 6.5% YOY, and that the decline would continue to stand finally at 2.7% of GDP in 2020/2021.



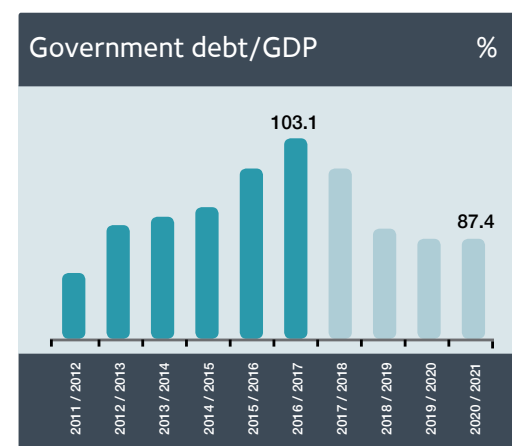
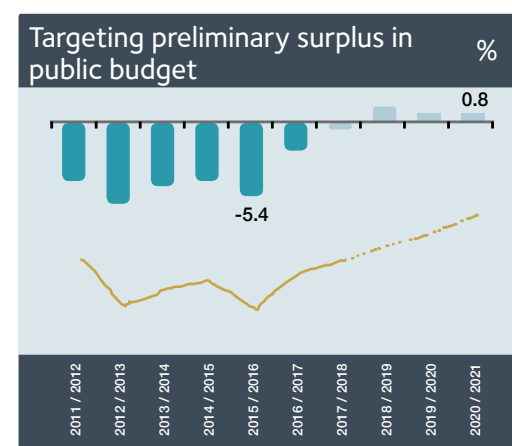
Growing confidence in the economic climate courts more indirect investment flows

Total foreign investments in Egyptian treasury bills accounted for US\$ 23 bn. by end-March 2018, representing about 20% of the outstanding balance in the local market. However, it is estimated that foreigners' investments to Egyptian treasury bills would be relatively affected in view of the global monetary tightening environment. At a related level, the state plans to offer bills of US\$ 4–6 bn. in the short term.

Budget deficit reduction in light of the fiscal control measures

Financial indicators recorded remarkable improvement as a reflection of the state's fiscal control measures, e.g. rationalizing energy subsidies and applying value added tax (VAT) law. In this context, S&P expected overall deficit to stand at 10.1% in 2017/2018 compared to 11% YOY, and decline to record 9% and 8.1% in 2018/2019 and 2019/2020, respectively.

In the same context, S&P's estimates indicate that it is expected to achieve preliminary surplus of 1.1% in 2018/2019 for the first time during the current decade. It is worth noting that the draft public budget for 2018/2019 targets achieving preliminary surplus of 0.2% of GDP, for the first time since 2011/2012.



S&P expects public debt to take a downward trend in the coming years, benefiting from the improved fundamentals of economy as well as the ongoing fiscal control measures within the framework of the economic reform program. The ratio of government debt to GDP is expected to be limited to 94.7% during 2017/2018 compared to 103.1% YOY, and to continue declining to stand at 90.7% and 87.4% by the end of 2019/2020 and 2020/2021, respectively.

In conclusion, S&P indicated its intention to make more positive decisions with respect to Egypt's credit rating if the economic reform program pursues its success. This success should be accompanied by improved economic indicators, especially public debt reduction, economic growth rates exceeding expectations, and remarkably and expeditiously improved current balance to reduce foreign financing needs as well as external debt rates.

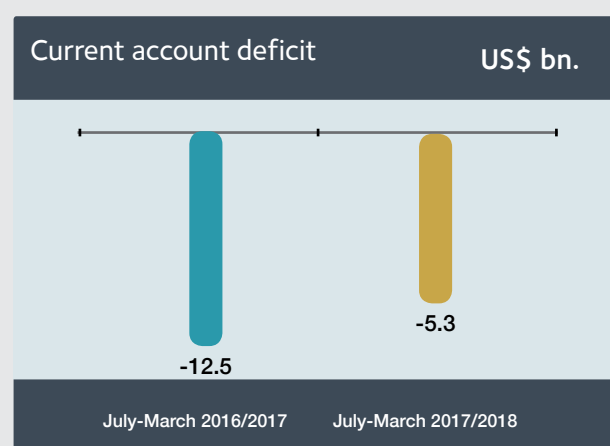
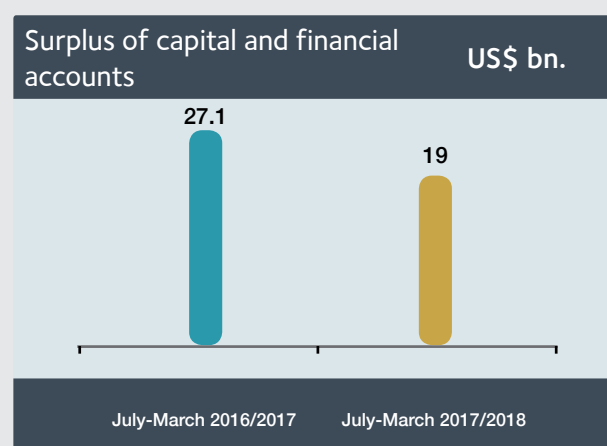
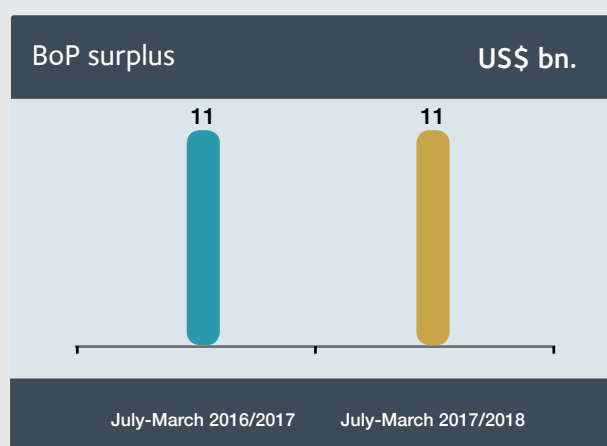
Development of main economic indicators and relative S&P forecasts

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Main indicators (%)									
Real GDP growth rate	2.2	2.9	4.4	4.3	4.2	5.2	5.2	5.5	5.5
Investment/ GDP	14.3	13.8	14.3	15	15.3	15.2	15.3	15.5	15.7
Saving/ GDP	12.1	12.9	10.6	9.1	8.8	11.2	11.9	12.6	13
Exports/ GDP	17.2	14.4	13.2	10.3	16.3	19.5	19.1	18.7	18.1
Unemployment rate	13.2	13	12.8	12.5	12	11.3	11	10.5	10.3
Average inflation rate	6.9	10	11.1	10.2	23.5	21	13	11	11
External transactions (%)									
Current account/ GDP	-2.2	-0.9	-3.6	-6	-6.5	-4	-3.4	-3	-2.7
Trade balance/ GDP	-10.7	-11.3	-11.7	-11.6	-15.5	-13.7	-12.4	-11.5	-10.8
Financial indicators (%)									
Budget deficit/ GDP	-13.4	-12.1	-11.6	-13.7	-11	-10.1	-9	-8.1	-6.8
Debt/ GDP	84.8	86.3	88.5	97	103.1	94.7	92.4	90.7	87.4
Preliminary deficit (surplus)/ GDP	-6	-4.5	-4.3	-5.4	-1.9	-0.4	1.1	0.7	0.8
Revenues/ GDP	21.9	24.7	22	20.3	21.2	21.2	21.7	20.1	20
Expenditures/ GDP	35.3	36.8	33.7	33.9	32.2	31.3	30.7	28.2	26.8

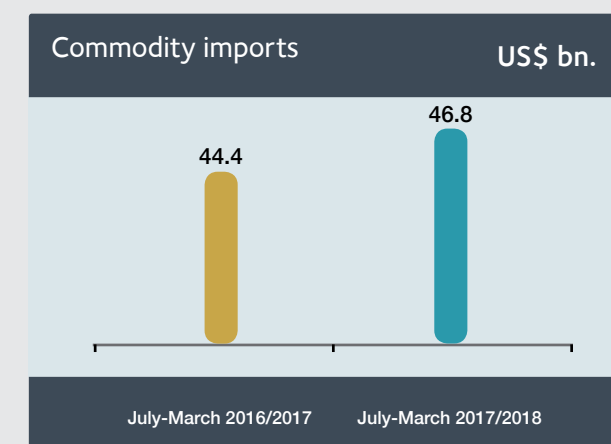
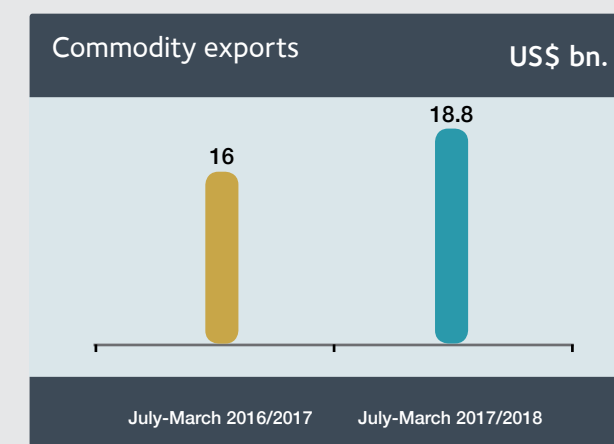


Remarkable Performance for BoP during July-March 2017/2018

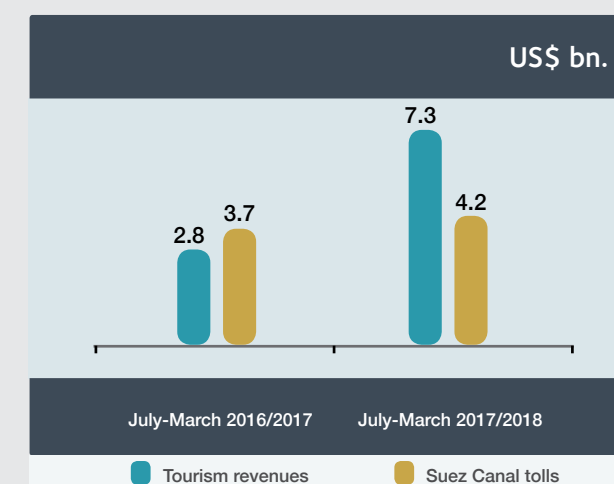
Egypt's transactions with the external world improved significantly during July-March 2017/2018. Current account deficit retreated 57.5% to stand at US\$ 5.3 bn. against US\$ 12.5 bn. yoy. This came as a result of the 138.2% increase in balance of services (BoS) surplus and the 23.2% rise in net current transfers, in addition to the 1.3% decrease of trade balance deficit. On a related level, the capital and financial accounts achieved net inflows of US\$ 19 bn. These developments led to a US\$ 11 bn. surplus in the balance of payments (BoP) during the said period.



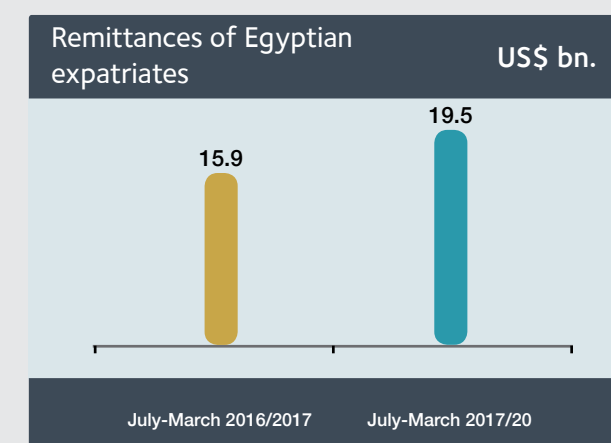
Current account Trade balance



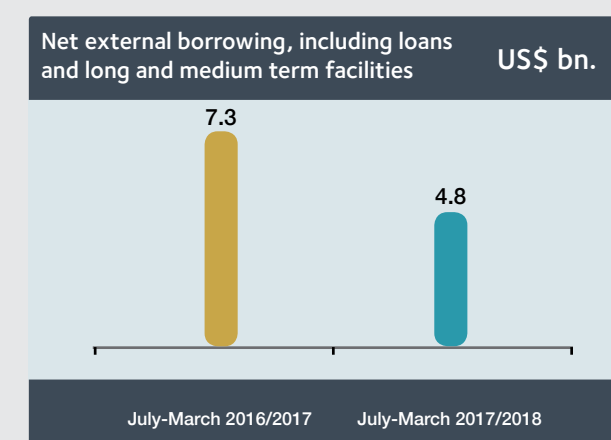
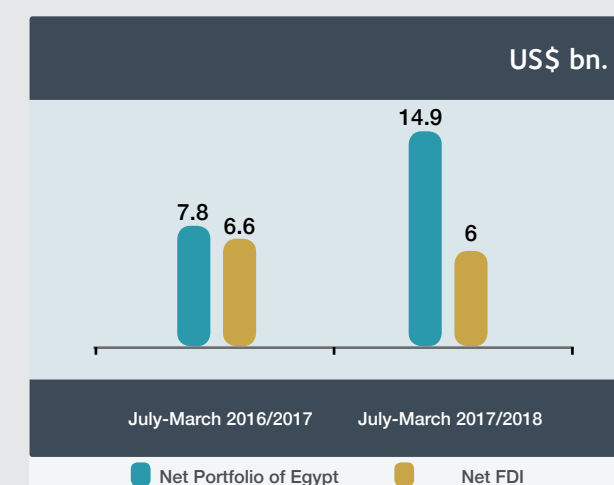
Balance of services



Remittances



Capital and financial accounts



The 2018/2019 State Budget : Fostering the Concept of Financial Reform and Supporting Social Justice

The 2018/2019 state budget is witnessing an important stage oriented towards realizing the desired comprehensive development on the economic and social levels. The government continues to implement an integrated package of financial and economic reforms backed up by social protection procedures. This gives the way for an increase in growth rates, a raise in employment levels, an improvement in efficiency of services provided to citizens along with the extension of social protection schemes to the low-income and the neediest .

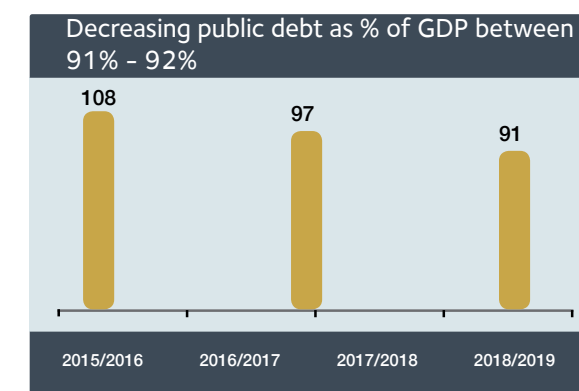
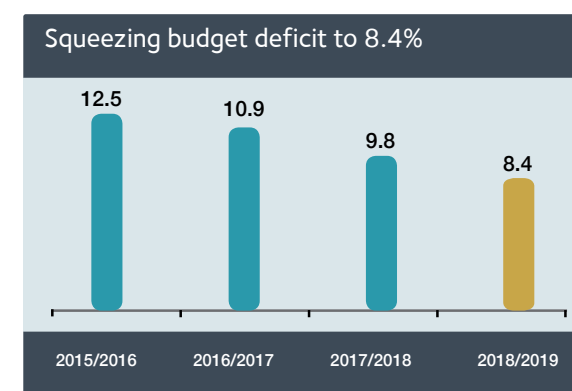
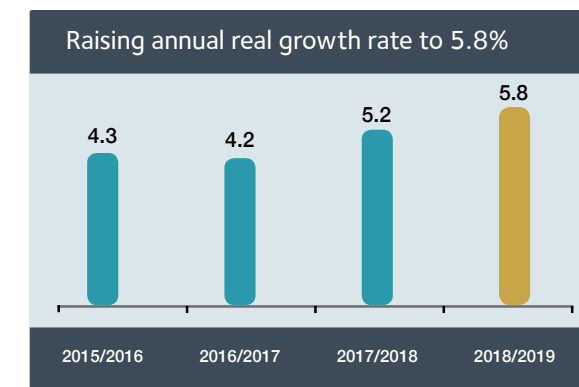
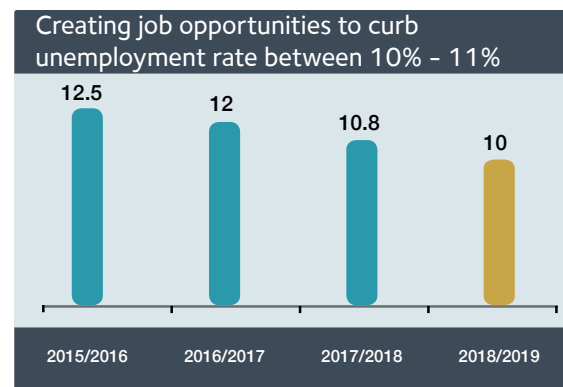
The 2018/2019 draft budget:

The 2018/2019 budget reflects a positive environment encompassing several economic indicators that show noticeable improvement under the current economic reform program, mainly:

- ✓ **Increasing the gross domestic product (GDP)** to stand at 5.3% during the first nine months of 2017/2018 against 3.8% YOY. In this respect, four sectors account for more than half the GDP: the mining sector with 25%, followed by hotels and restaurants sector with 11%, then the manufacturing industries with 10% and the wholesale and retail sector with 9.5%.
- ✓ **Curbing unemployment rates** to be confined to 10.6% at end of March 2018, which is the lowest level ever since 2011/2012.
- ✓ **Decreasing the primary budget deficit** to only 0.3% of GDP during the first eight months of FY 2018/2019 against 1.2% YOY. A primary surplus of 0.2% of GDP in the budget is expected to be achieved for the first time in many years for 2017/2018 due to the increase in total revenues compared to expenditure.
- ✓ **Increasing international reserves** to record US\$ 44.1 bn. at the end of May 2018.
- ✓ **Recording a great improvement in balance of payment (BoP) indicators during** the first nine months of FY 2017/2018 YOY. In this respect, the following is worthy of note:
 - Commodity exports proceeds increased by 17.6% to stand at US\$ 18.8 bn.;
 - Tourism revenues doubled to reach US\$ 7.3 bn. against US\$ 2.8 bn.;
 - Remittances of Egyptians working abroad hiked by 23% to reach US\$ 19.5 bn.;
 - The current account balance deficit retreated by 57.5% during the periods of comparison to only US\$ 5.3 bn.; and
 - Capital and financial accounts recorded a net inflow of US\$ 19 bn.

Main objectives of financial and economic policy

The main objectives according to which the 2018/2019 state budget was drafted include boosting growth and employment rates, achieving financial and economic stability through squeezing budget deficits, public debt and inflation rates and realizing comprehensive development and socio-economic equity.



Main reforms and assumptions reflected by estimates of 2018/2019 draft budget:

- ✓ Increasing tax proceeds with a view to improving tax management and expanding automation and development programs;
- ✓ Activating electronic payment and collection to ensure the prompt fulfillment and repayment of financial obligations and ensure that all entities abide by the financial provisions allocated to budget institutions;
- ✓ Raising the provisions and procedures for boosting economic activity to substantially exceed the growth rate of the remaining expenditure items. Such provisions include exports development, public investments and maintenance;
- ✓ Increasing total government investments funded by the public treasury to reach EGP 100 bn. at a 43% growth rate compared to the investment provisions in the previous FY budget;
- ✓ Achieving constitutional targets (increase spending on health, education and scientific research to reach 10% of GDP), increasing the efficiency of such spending and ensuring it is used to develop and improve services provided to citizens;
- ✓ Increasing health provisions to reflect public treasury commitments in light of implementing the comprehensive Health Insurance Law;
- ✓ Raising the provisions directed to municipalities to enhance local services provided to citizens in light of applying the constitution articles, taking into account the proposals of the new local administration law;
- ✓ Increasing the provisions for budget institutions with respect to water, lighting and fuel usage to face the increase in prices of such commodities and to ensure such institutions repay their accruals regularly to government authorities providing such commodities; and
- ✓ Expanding central purchasing to satisfy the needs of budget institutions and achieve the greatest financial saving for the budget.



The 2018/2019 State Budget Fostering the Concept of Financial Reform and Supporting Social Justice

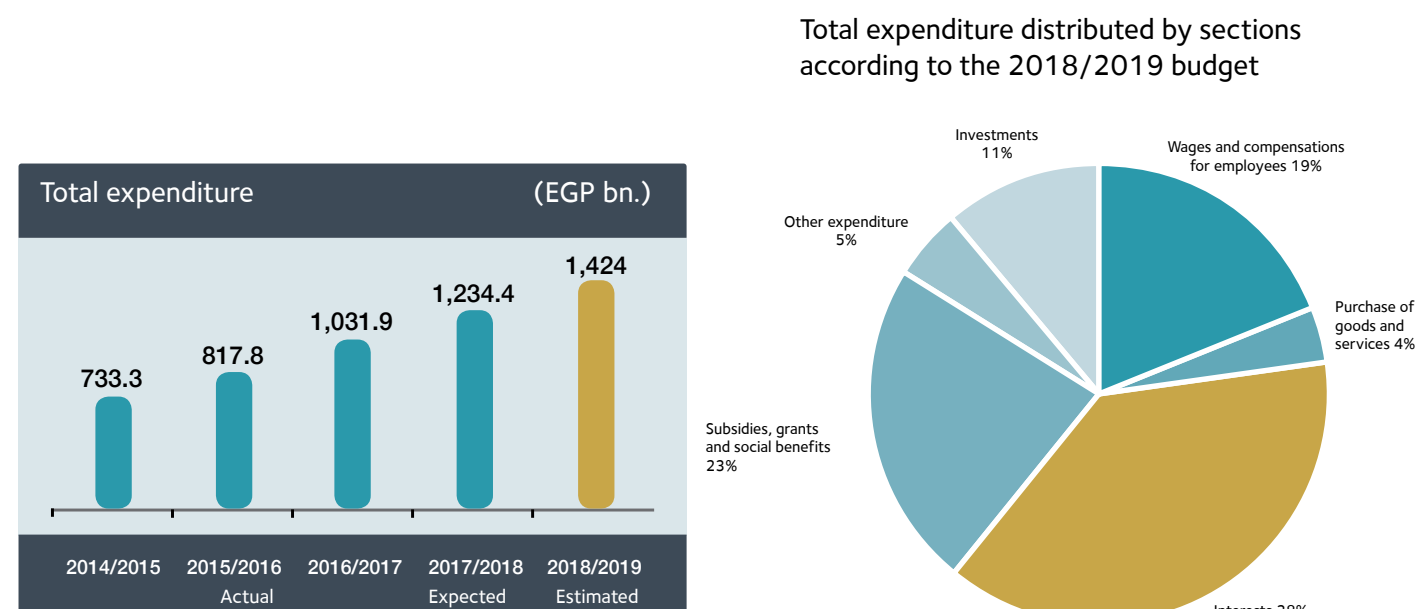
Main estimates of the 2018/2019 budget

It is targeted to curb the overall deficit to reach EGP 438.6 bn. accounting for 8.4% of GDP against 10.9% in FY 2016/2017 and projected deficit accounting for 9.8% in 2017/2018.

Item	Projected	Draft budget
	2017/2018	2018/2019
Expenditure to GDP	28.1%	27.1%
Revenues to GDP	18.5%	18.8%
Primary surplus to GDP	0.2%	2%
Overall deficit to GDP	9.8%	8.4%
Public debt to total GDP	97%	91%

Public expenditure

Total public expenditure is estimated to reach EGP 1,424 bn. accounting for 27.1% of GDP according to the 2018/2019 budget (compared to EGP 1,234.4 bn. projected revenues according to the 2017/2018 budget with an increase of 15.4%). This accounts for 82.6% of the state's total targeted public uses amounting to EGP 1,725 bn. (32.8% of GDP).



Salient public expenditure items

Wages and compensations for employees

It is targeted to increase provisions for wages, enhance administrative reform procedures and redistribute employees from entities suffering from excess labor to others in need of additional employees. Wages and compensations are estimated at EGP 270.1 bn. according to 2018/2019 budget (5.1% of GDP) against an expected EGP 239.9 bn. according to 2017/2018 budget (5.5% of GDP).

Purchases of goods and services

The budget aims at increasing the purchases of goods and services provisions by 25.1% according to the 2018/2019 draft budget to reach EGP 60.1 bn. (1.1% of GDP) against an expected EGP 48.1 bn. according to the 2017/2018 budget (1.1% of GDP).

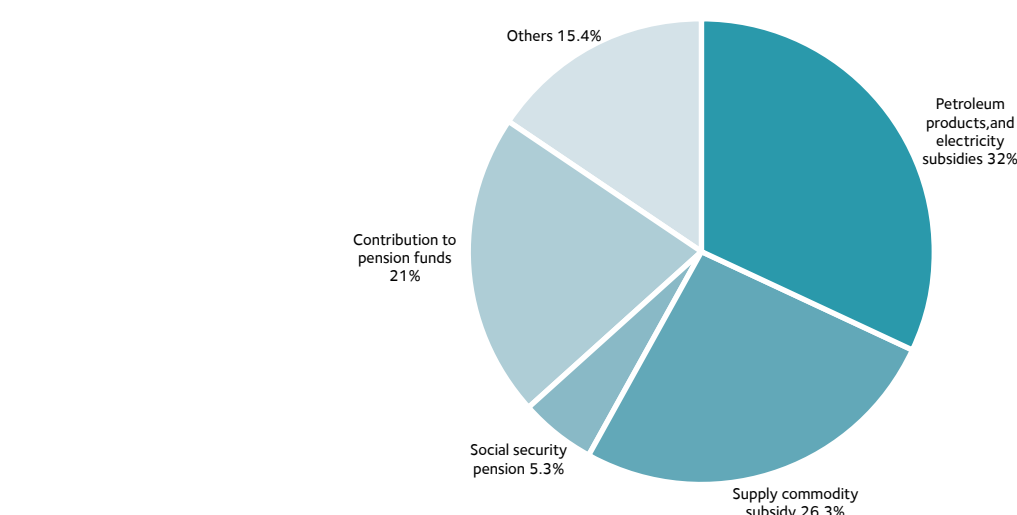
Interests

Accrued interests on local and foreign loans according to the 2018/2019 budget are estimated to reach EGP 541.3 bn. (10.3% of GDP) versus EGP 437.9 bn. in the previous year budget projections (10% of GDP).

Subsidies, grants and social benefits

The government plans to rationalize the subsidies bill through the gradual reduction of un-targeted subsidies and moving from a commodity-based subsidy system to cash and semi-cash transfers to the neediest and less developed regions. It is targeted that subsidy provisions according to the 2018/2019 budget amount to EGP 328.1 bn.

Subsidies, grants and social benefits according to the 2018/2019 budget



Petroleum subsidies

The government implements a comprehensive program to develop the energy sector and improve its financial conditions. It focuses upon rationalizing energy subsidy bill and reforming the petroleum products subsidy system on the medium term to remove price distortions within the economy. Petroleum products subsidy estimates according to the 2018/2019 budget reached EGP 89.1 bn. against EGP 120.9 bn. according to the previous year budget (with a decrease of 26.3%).

✓ Commodity subsidies

The government aims at enhancing its efforts to rationalize the number of beneficiaries of commodity subsidies to ensure that subsidies are received by the eligible and to achieve the highest expenditure efficiency according to the budget. This is achieved through filtering the database to be able to increase the cash subsidy without the need for new funding sources. Estimates of commodity subsidies reached EGP 86.2 bn. according to the 2018/2019 budget.

✓ Electricity subsidies

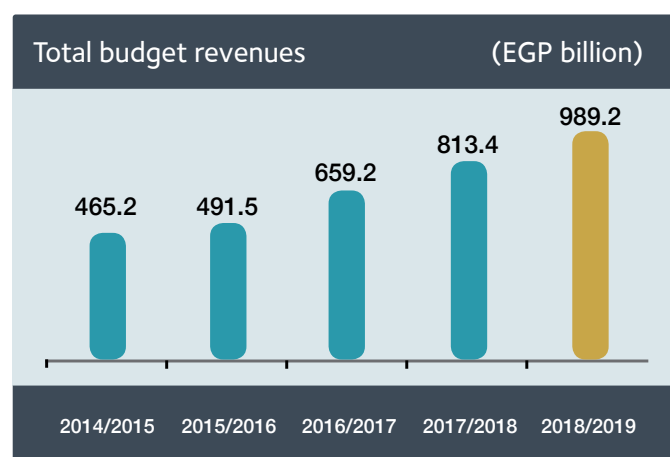
The government intends to decrease electricity subsidies gradually while providing protection for targeted categories so that electricity subsidy reaches EGP 16 bn. according to the 2018/2019 budget versus EGP 30 bn. according to the 2017/2018 budget projections (with a decrease of 46.7%).

✓ Investments

Purchases of non-financial assets (investments) estimates according to the 2018/2019 budget amounted to EGP 148.5 bn. (accounting for 2.8% of GDP) versus EGP 111.3 bn. according to the 2017/2018 budget projections (2.5% of GDP). In this respect, investments financed by the public treasury are estimated to reach EGP 100 bn. with an increase of 43% YOY.

General revenues

The 2018/2019 budget aims at raising general revenues to reach EGP 989.2 bn. (18.8% of GDP) against EGP 813.4 bn. according to revenues projections for the year 2017/2018 (18.5% of GDP) at a growth rate of 21.6%.



Salient general revenues items

• Tax revenues

According to the 2018/2019 budget, tax revenues are estimated to stand at EGP 770.2 bn. accounting for 77.9% of total general revenues against EGP 624.1 bn. according to the 2017/2018 budget projections with an increase of 23.4%. Revenues are distributed as follows:

Item	Budget (expected)	Budget
	2017/2018	2018/2019
General taxes (EGP billion)	304.5	367.7
% of GDP	6.9	7
Value added tax (EGP billion)	255	320.1
% of GDP	5.8	6.1
Customs duties (EGP billion)	38.2	45.3
% of GDP	0.9	0.9
Other remaining tax revenues (EGP billion)	26.5	37.1
% of GDP	0.6	0.7
Total (EGP billion)	624.2	770.3
% of GDP	14.2	14.7

• Grants

Grants are estimated according to the 2018/2019 budget to reach EGP 1.1 bn.

• Other (non-tax) revenues

Other non-tax revenues are projected at EGP 217.8 bn. (4.1% of GDP) compared to EGP 188.1 bn. edging higher by EGP 29.7 bn. YOY. Surplus estimates are projected to account for EGP 25.1 bn. from the Egyptian General Petroleum Corporation "EGPC", EGP 33 bn. from Suez Canal Authority and EGP 7.4 bn. from other economic organizations.

Finally, the state budget estimates reflect the government's commitment towards pursuing the comprehensive socio-economic reform program aiming at giving full impetus to the Egyptian economy growth, creating adequate, real and productive job opportunities, and continuing financial control efforts reflected in a reduced public debt and overall deficit rates of the budget institutions to reach low and sustainable rates.

Egypt Launches its First Sovereign Wealth Fund

In April 2018, the Egyptian government approved a draft law to establish an Egyptian sovereign wealth fund (SWF) entitled "Egypt's Fund", which will be managed by the Ministry of Planning, Monitoring and Administrative Reform (MPMAR) and a number of respective ministries. The Fund's headquarters will be located in Cairo and it may establish branches in Egypt and abroad.



Fund objectives

The Fund aims at making more efficient use of public assets and resources to achieve sustainable development and maximize added value in different economic sectors. It also aims at generating direct economic returns; mainly: increasing investment and operation rates, maximizing the value of existing public projects, improving infrastructure and boosting finance required for development within the framework of Egypt's vision 2030.



Financing resources

- State's public budget; and
- Surpluses of new oil field discoveries.



Capital

Authorized: EGP 200 bn.
Issued: EGP 5 bn.



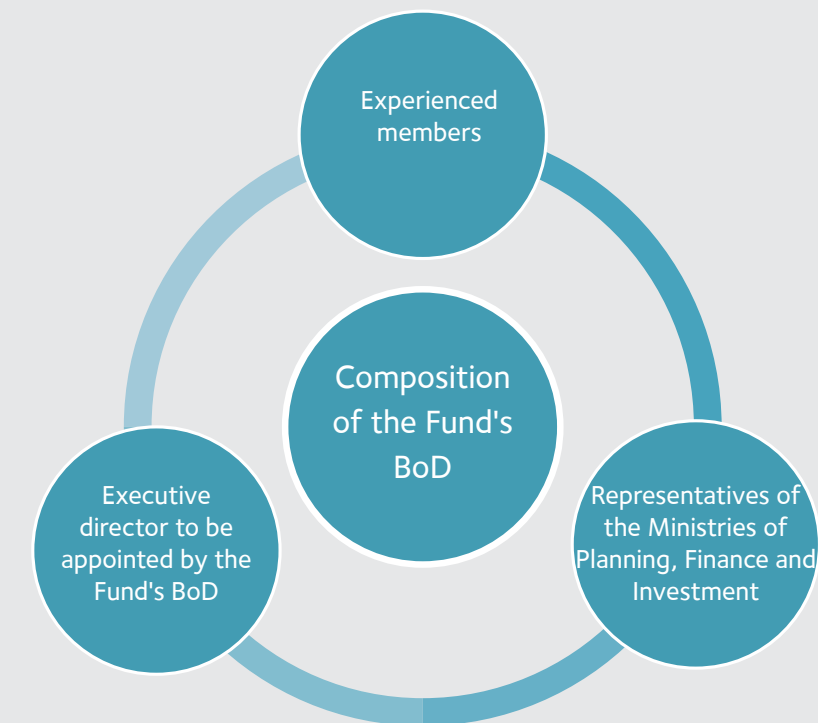
Fund functions

- ✓ Contribute to the restructuring of public business sector and the proper management of the state's assets within the framework of a broader national vision that allows the transfer of non-utilized assets from a government body to another that intends to expand and make better use of them;
- ✓ Implement infrastructure projects in partnership with the private sector;
- ✓ Create new job opportunities and achieve profits that contribute to curtailing public budget deficit;
- ✓ Contribute to securing the needs of current and future generations in case of depletion of non-renewable resources such as oil, gas, ... etc.;
- ✓ Rejuvenate capital market by purchasing shares in companies listed in the stock exchange;
- ✓ Invest in sectors that are not appealing to investors but are still of high significance for citizens, in order to achieve economic and social development; and
- ✓ Invest portion of the Fund's financial portfolio abroad in a later stage.



There are a number of mechanisms for the Fund to carry out its functions. The Fund is entitled to:

- Establish companies or increase their capital;
- Dispose of its own assets based on market value and subject to the approval of three auditors certified by the Financial Regulatory Authority (FRA) and the Central Bank of Egypt (CBE);
- Assign asset management to professional institutions;
- Establish sub-funds on its own or in participation with Arab and foreign funds; and
- Create a number of management committees; namely, "Investment Committee", "Governance Committee", "Internal Audit Committee" and "Risk & Compensation Committee".



Socio-Economic Development Plan for FY 2018/19: Egypt Heads on the Right Track of Sustainable Development

Immense importance has been paid to the social and economic development plan for the FY 2018/19, in particular under the IMF's currently-adopted economic and social reform program where Egypt has made significant strides. The plan has contributed to improving the economic growth pace, raising investment rates, having the FX reserves peaked at an all-time high and narrowing unemployment and trade deficit. In the meanwhile, a number of national mega projects, characterized by their high economic and social yield has been implemented, including Suez Canal Development Corridor project, the new administrative capital, energy projects, primarily reflected in Egypt's super-giant Zohr gas field, as well as fish farming projects.

In spite of the foregoing success stories to ameliorate Egypt's economy, several internal and external challenges still face the country. Internal issues comprise Egypt's commitment to pursue its agenda of economic reforms while scaling up social protection schemes and dealing with a continuously increasing population. On the other flipside, external challenges are derived from global and regional changes, including the increase in global oil prices and its negative impact on the state's budget. Accordingly, the first year 2018/19 Plan under the **medium-term sustainable development plan (SDP) (2018/19 -2021/22)** seeks a leap in economic growth to pave the way for better employment rates, higher income levels and enhanced living conditions for citizens.

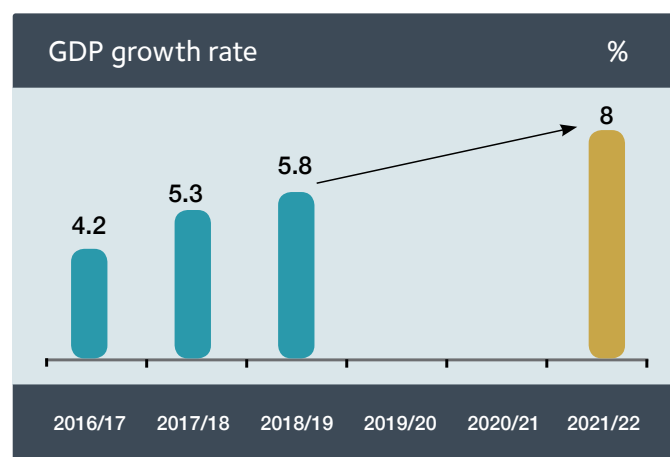
SDP main pillars (2018/19-2021/22)

- ✓ Support the trend towards decentralization and enable municipalities at all levels to take part in achieving the Sustainable Development Goals (SDG);
- ✓ Encourage a participatory approach as the plan is based on integration and coordination between the state's sectors; and
- ✓ Work on complementing economic, social and environmental dimensions, to cater for the needs of all sectors.

Medium-term Sustainable Development Plan Goals (2018/19-2021/22)

Economic growth

- Achieve a high economic growth to reach 5.8% of GDP in the first year of the Plan to gradually increase to 8% by the last year. In other words, it is planned to double the growth rate compared to 4.2% in 2016/17.

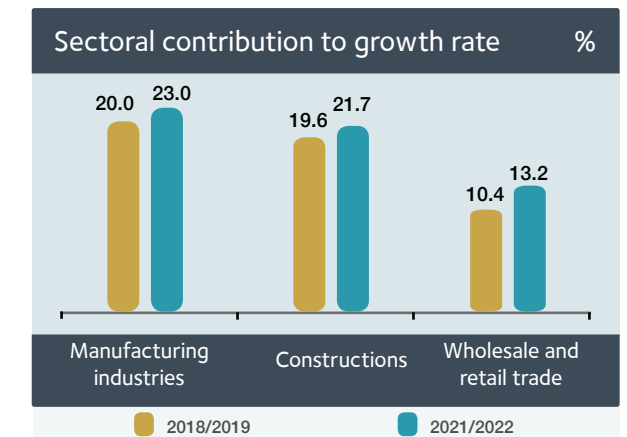


Source: Ministry of Planning, Monitoring and Administrative Reform

- Boost the contribution of the leading high productive sectors to growth during the Plan's years (2018/19-2021/22) as follows:

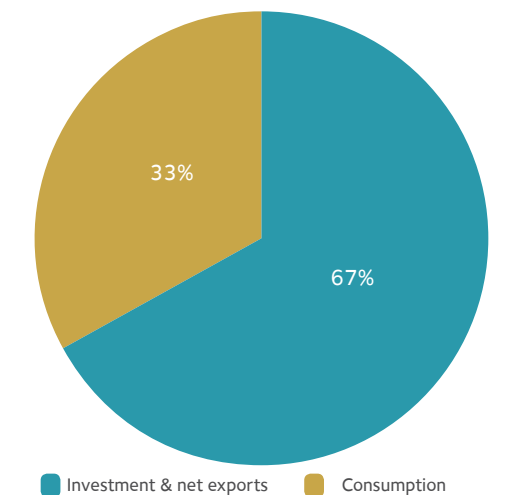
- ✓ Manufacturing industries to 23% from 20%;
- ✓ Constructions to 21.7% from 19.6%; and
- ✓ Wholesale and retail trade to 13.2% from 10.4%.

Mining industries have a great importance especially after Zohr field discovery, as their contribution to economic growth reached 16% in 2018/19.



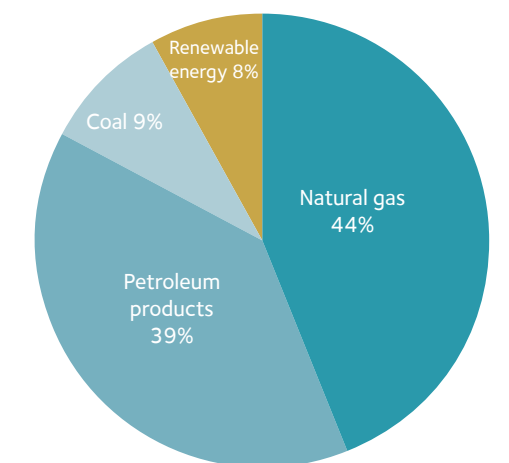
Source: Ministry of Planning, Monitoring and Administrative Reform

Average relative weights of economic growth structure during 2018/19-2021/22



Source: Ministry of Planning, Monitoring and Administrative Reform

Targeted energy mix for FY 2020/21



Source: Ministry of Planning, Monitoring and Administrative Reform

Economic growth sources

It is targeted to make a structural change in economic growth sources where investment and net exports account for over 67% of the target growth as an annual average during the period of medium-term sustainable development plan years.

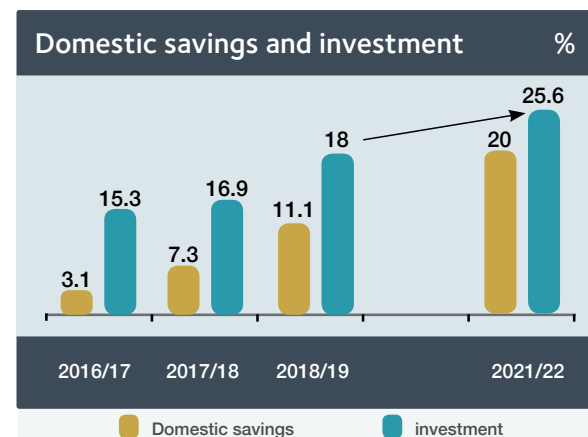
Diversified energy sources

Diversify energy mix, in particular by increasing the relative weight of new and renewable energy sources and reducing reliance on petroleum products where gas will account for 44%, petroleum products 39%, coal 9% and renewable energy 8% by 2020/21.

Socio-Economic Development Plan for FY 2018/19: Egypt Heads on the Right Track of Sustainable Development

Savings and investment

- Domestic savings are designed to rise to 11.1 in 2018/19 from 7.3% in 2017/18, reaching above 20% in 2021/22.
- On the same pace, investment rates are targeted to increase to 18% in 2018/19 then 25.6% in 2021/22 from 16.9% in 2017/18,

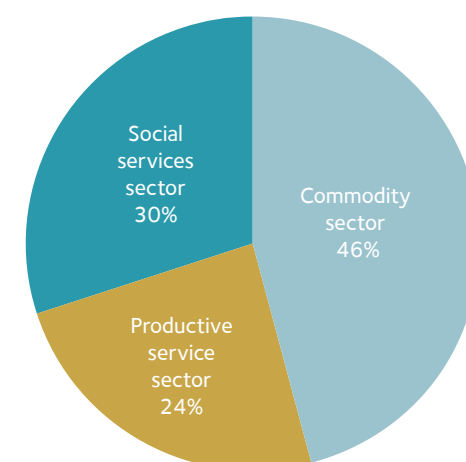


Source: Ministry of Planning, Monitoring and Administrative Reform

Overall investments

- Overall investments of the sustainable development plan for the FY 2018/19 are estimated to record EGP 942.2 bn., of which 46% is primarily directed to commodities sectors
- EGP 148.5 bn. financial allocations are made in 2018/19 to support the government's role in investment, of which EGP 95 bn. is financed by the public treasury against EGP 65 bn. YOY, with 46% increase. These financial resources will be procured by restructuring public spending, raising tax revenues and improving tax collection.

Allocation of overall investments 2018/19



Source: Ministry of Planning, Monitoring and Administrative Reform

Unemployment reduction

The 2017/18 plan aims to create 750k job opportunities, narrowing unemployment rates to 11% or less.

Certain sectoral programs are targeted in the first year 2018/19 plan, as follows:

Construction and building sector

- Growth rates are targeted to exceed 11% in light of completing the state's national mega projects, including **North Sinai Development Projects**. In that vein, it is scheduled to direct EGP 275 MM. for the works of water transfer from the western to eastern sides of the Canal in order to farm 50,000 feddans.

Communication and information technology sector

- It is targeted to achieve a 10% growth rate. In this respect, it is estimated to establish four technological complexes in the cities of Sadat, Borg El Arab, Beni Suef and Assuit, providing 15,000 job opportunities.

Industrial development

- Industrial sector is set to realize growth rate of 6.5%; and
- Non-petroleum exports are to achieve an annual growth rate of 12%.

Education

Pre-university education service development includes:

- establishing new 9,250 classrooms; and
- accrediting nearly 1,170 new schools to comply with quality standards.

Higher education and scientific research service development includes:

- building three universities in the governorates of New Valley, Marsa Matrouh and Red Sea;
- inaugurating new university hospitals, on top of which is Minia University Liver Hospital and Children's Hospital, Tanta University Chest Hospital and Ain Shams University Geriatric Hospital;
- increasing foreign missions to 1,150 beneficiaries;
- implementing 20 research projects to enhance industry;
- implementing five research projects under development bridges "Jessor" program to build on the expertise of Egyptians abroad; and
- establishing three technological incubators in Heliopolis University, Alexandria University and the Arab Academy for Science Technology & Maritime Transport (AASTMT), to reach 20 incubators by the end of 2018/19, providing help to 90 start-ups.

Health

- The 2018/19 plan is designed to direct 20% of governmental investments (i.e. nearly EGP 29 bn.) to the health sector. In this respect, it is estimated to provide EGP 8 bn. to the programs of treatment, primary health care, preventive health, population and family planning.

Local development

- It is planned to provide a strong impetus to the investments directed to local development amounting to EGP 9 bn., with an increase of 80% from a year earlier, with a view to implementing a number of projects that intend to improve services rendered to citizens nationwide.

Administrative and institutional reform program

- Apply performance-based budgeting to 16 ministries (including all their affiliates), as a main step on the way to maintain the (current and investment) public spending allocations in line with the expected results of development and improve services rendered to citizens nationwide;
- Maintain the staff capacity-building programs at the level of the state's administrative bodies based on the modern management systems;
- Process 100 automated governmental services related to municipalities in order to reduce 60% of the time spent in the service delivery;
- Computerize the litigation procedures in 40 courts;
- Integrate 30 new e-services into the e-government portal website; and
- Automate work process in new 10 real-estate registry offices to reduce 90% of the time taken in providing services.

The state's 2018/19 sustainable development plan reflects the government's increasing interest in achieving a comprehensive and sustainable development such that economic growth occurs in tandem with the drive towards social justice. Such development will be attained by pumping more investments, paying attention to the most-needy areas, especially Upper Egypt, increasing commodity and service exports, completing national mega projects and developing Sinai.



The tourism industry in Egypt is one of the top income generating and job creating industries - either directly or indirectly- due to being connected to and having an impact on many economic activities. In addition, tourism represents a main source of income in terms of the service balance particularly, and the current account balance of payments generally. Notwithstanding the tourism sector's negative performance indicators, the same indicators managed to recover remarkably in 2017, with expectations of further recovery in the current year of 2018. Positive indicators of tourist arrivals from various tourist markets trigger forecasts of a strong recovery for this vital sector.

Key strengths of the tourism industry in Egypt

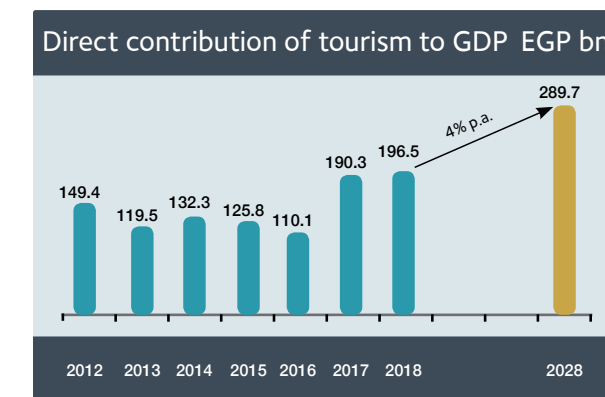
The tourism industry in Egypt offers a diversified set of products, arising from a broad legacy of history, civilization and culture, not to mention Egypt's diverse natural and environmental elements as well as its artistic and cultural richness, **most importantly:**

- ✓ Archeological tourism: Egypt is home to the world's most significant monuments, rendering it the largest open museum in the world; this type of tourism includes:
 - Historical tourism comprising Pharaonic, Roman and Greek monuments;
 - Religious tourism including Islamic, Christian and Jewish monuments; and
 - Geological tourism encompassing unique models of geological succession of a historical record extending over millions of years.
- ✓ Beach and water sports tourism: Egypt has vast spaces of extended beaches besides a favourable all-year-round climate, creating a convenient environment for all types of water sports.
- ✓ Nile-cruise tourism: It ranges from quick excursions in small boats up to floating hotels, or the so-called Nile-cruises.
- ✓ Therapeutic tourism: Egypt has many areas rich in the elements of this type of tourism like therapeutic sands and sulphuric water such as El Gerby region (Damietta governorate), Pharaoh's Bath (South Sinai) and the springs of Bulaq (New Valley).
- ✓ Festival and conference tourism: Egypt hosts several art, sports and shopping festivals.
- ✓ Conference tourism: Egypt attracted many world professional conferences, including those of tourist associations of active outbound tourism markets, as well as other types of professional conferences.
- ✓ Safari (desert tourism): It is one of the fastest rising tourism trends worldwide.

Tourism contribution to GDP

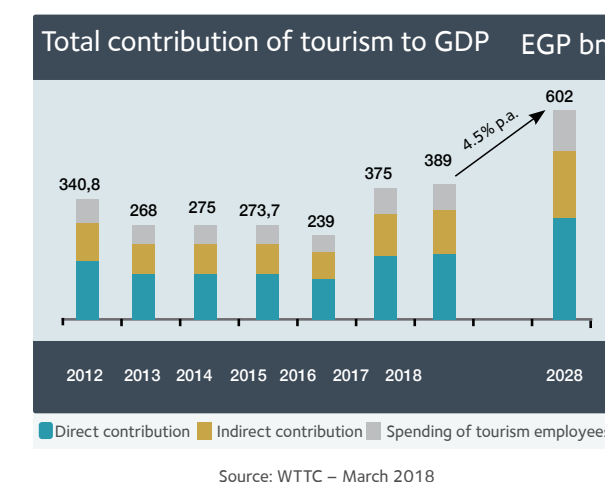
Direct contribution of tourism to GDP

Direct contribution of tourism to Gross Domestic Product (GDP) reflects the economic activities generated by industries such as hotels, travel agents, airlines and other passenger transportation services. It also includes the activities of the restaurant and leisure industries directly supported by tourists. Tourism contribution to GDP was EGP 190.3 bn. in 2017, which accounts for 5.6% of total GDP. By 2018, tourism is forecasted to grow by 3.2% to EGP 196.5 bn.; with a compound annual growth rate (CAGR) of 4% over the next ten-year period to reach EGP 289.7 bn. by 2028.



Total contribution of tourism to GDP

Total contribution of tourism to GDP includes direct contribution in addition to revenues of public and private investment in tourism sector. It also comprises government expenditure and domestic purchases by sectors dealing directly with tourists. Total contribution was EGP 374.6 bn. in 2017, accounting for 11% of total GDP. This forecast is to rise by 3.8% to EGP 388.9 bn. in 2018, with a CAGR of 4.5% over the ten-year period to reach EGP 602 bn. by 2028.



Tourism spending

Spending on tourism activities in Egypt reached EGP 272.5 bn. in 2017. It is expected to increase by 3.3% to EGP 281.6 bn. in 2018, and to continue to rise to EGP 415.4 bn. Tourism spending can be divided according to a number of criteria as follows:

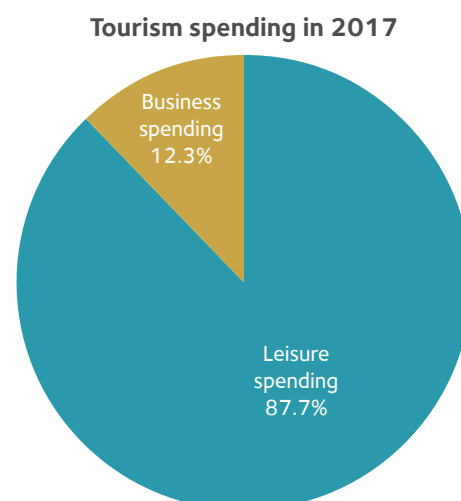
Tourism Recovery.... A Helping Hand to Egypt's Economic Growth

Spending by type of tourism activity

Leisure spending: includes inbound and domestic spending. This sector represented 87.7% of total spending, with an amount of EGP 239 bn. in 2017. It is forecasted to:

- Edge higher by 3.3%, to EGP 246.9 bn. in 2018; with a CAGR of 3.9% over the coming ten-year period to reach EGP 361.2 bn. by 2028.

Business and conference travel spending: accounts for 12.3% of total spending, with an amount of EGP 33.5 bn. in 2017. It is forecasted to grow by 3.7% to EGP 34.7 bn. in 2018; with a CAGR of 4.5% to reach EGP 54.1 bn. by 2028.

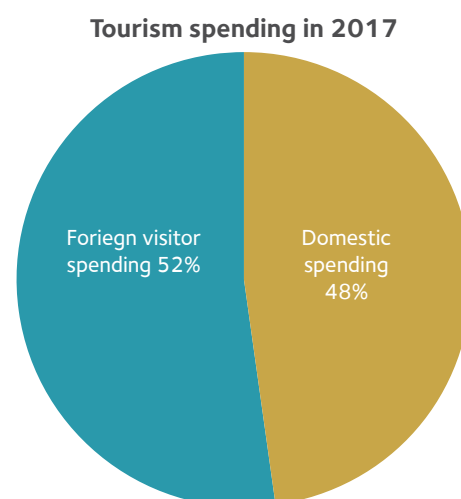


Source: WTTC – March 2018

Spending by tourist nationality

Domestic spending: represented 48% of total spending on tourism activities in Egypt in 2017, with an amount of EGP 130.8 bn. It is forecasted to grow by 2.5% to EGP 134.1 bn. in 2018, and rise with a CAGR of 4.1% to reach EGP 201.2 bn. by 2028.

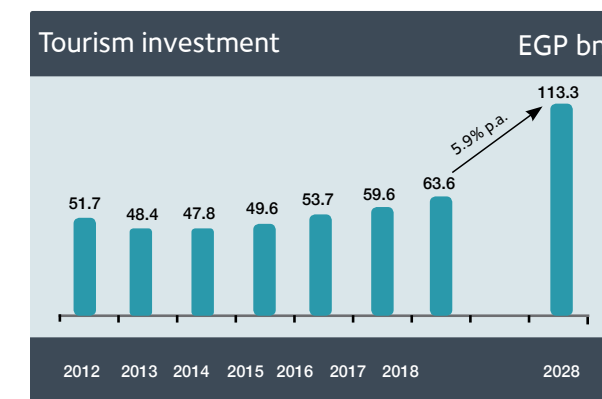
Foreign visitor spending: accounted for 52% of total spending on tourism activities in Egypt in 2017, with an amount of EGP 141.7 bn. It is expected to rise by 4.1% to EGP 147.5 bn. in 2018, with a CAGR of 3.8% to reach EGP 214.1 bn. by 2028.



Source: WTTC – March 2018

Tourism investment

Tourism investment refers not only to restaurant and hotel activities but also includes all areas of tourism activities such as establishing and developing resorts. In this respect, tourism investments amounted to EGP 59.6 bn. in 2017. It is forecasted to reach EGP 63.6 bn. in 2018, which stands for 11.4% of total investments in the Egyptian economy as a whole. It will further increase by 5.9% CAGR over the coming ten-year period to reach EGP 113.3 bn. by the end of the period.



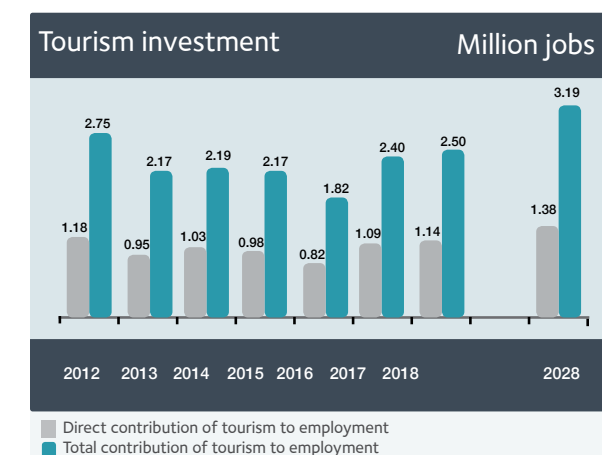
Source: WTTC – March 2018

Tourism contribution to employment

Tourism direct contribution to employment

Tourism direct contribution to employment includes employment by hotels, travel agents, airlines and other services. It also includes the activities of the restaurant and leisure industries directly provided to tourists. Direct contribution of tourism to employment was 1.1 million jobs as at end-2017. It is expected to increase to 1.14 million by the end of 2018, which accounts for 3.9% of total jobs in the Egyptian economy. By 2028, tourism is forecast to account for 1.38 million jobs directly, with a CAGR of 1.9% over the ten-year period from 2018 to 2028.

Meanwhile, total tourism contribution to employment, both directly and indirectly, is expected to account for 8.7% of jobs in the Egyptian economy in 2018 with 2.54 million jobs compared to 2.43 million jobs in 2017. By 2028, tourism is forecast to support 3.2 million jobs or 8.9% of total employment.



Source: WTTC – March 2018

Hotel performance in Egypt in Q1 2018

Q1 2018 results indicate that hotel room supply grew, and that hotel occupancy and average daily rate (ADR) improved in the Egyptian market. To demonstrate:

Number of rooms

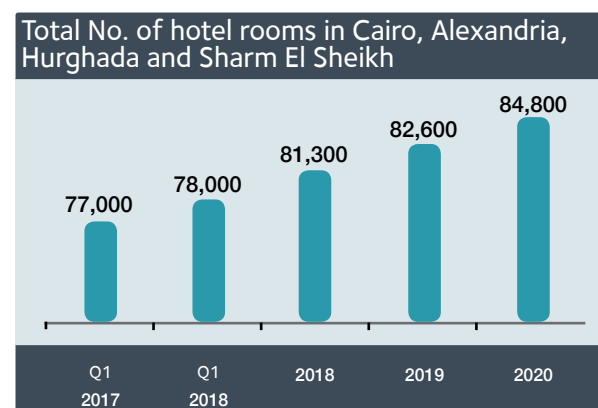
- ✓ The number of rooms rose by 900 keys in Q1 2018 compared to Q1 2017 due to growth in the number of rooms in Cairo, especially with the opening of a number of hotels, contributing to the 5% growth in supply for Cairo.

Occupancy

- ✓ Occupancy saw a positive performance across many cities in Egypt. Occupancy surged by 44% in Sharm El Sheikh in Q1 2018 yoy. Occupancy also picked up in Hurghada, Alexandria and Cairo by 28%, 9% and 3% respectively.

Rates

- ✓ The ADR remarkably increased to overcome the 2016 slackness. ADR grew in Sharm El Sheikh and Hurghada by 37% and 26% respectively in Q1 2018 compared to Q1 2017 .



Source: Colliers International, March 2018

Hotel performance forecasts

- ✓ Sharm El Sheikh is on track to see an expected 23% growth in occupancy levels by end-2018 to become the fastest growing tourist destination in Egypt in the said year.
- ✓ The coming period is expected to witness further improvement in the Egyptian tourism performance indicators, especially since direct flights between Cairo and Moscow have resumed and regular and irregular flights are expected to return to various tourist destinations in Egypt over the coming period.

Key performance indicators (year-on- year change %)

		Q1 2016	Q1 2017	Q1 2018	2018
Occupancy (%) change	Cairo	14	21	3	3
	Alexandria	1	1	9	0
	Sharm El Sheikh	-50	11	44	23
	Hurghada	-47	45	28	15
ADR change (%)	Cairo	-48	87	7	5
	Alexandria	-46	116	2	5
	Sharm El Sheikh	-30	2	37	11
	Hurghada	-45	70	26	6

Source: Colliers International, MENA Quarterly Review, March 2018

Finally, tourism is envisaged to play a growing role in Egypt's economy over the coming period, especially in light of heightened efforts by the Government to support and promote tourism. In addition, tourism public and private sectors are intensifying their efforts to develop and improve the provided services. Tourism campaigns are launched abroad to diversify inbound tourism markets and bolster existing ones. Agreements are also made with several countries and global companies to boost flight movement.

North Sinai Development Project ... A Step on the Road to Sustainable Development in Sinai

Recent years have seen an upsurge of interest in achieving comprehensive development across Egypt, at the heart of which lies Sinai peninsula in general, and North Sinai in particular. North Sinai's development is based on bringing a diversified and integrated package of economic activities into the Governorate to consolidate its status as an area which attracts population, and to bolster its connections to East Delta since it is a natural extension to the Valley and Delta.

North Sinai Development Plan 2022:

In late February 2018, the Government of Egypt (GoE) revealed its vision for the development of North Sinai Governorate. Key features are:

- ✓ Establishing a free zone governed by different attractive laws to encourage investment;
- ✓ Commercial port on the Mediterranean;
- ✓ Local community qualification projects across all fields of advanced industries;
- ✓ A scheme on the model of global economic centres to transform North Sinai into a Mediterranean centre for global trade;
- ✓ Cutting-edge agricultural methods and smart industries based on the output of advanced research;
- ✓ A pivotal international airport in the Middle East and Mediterranean region;
- ✓ Productive and innovative human settlements which export their products (the area of each amounts to 50 feddans, housing nearly 750 households) and comprise residential complexes, factories and farms; at the middle of such settlements lies a small town which has all the services (on an area of 200 feddans housing about 2,500 households); and
- ✓ Building the "Salam Economic City" on an area of 25K feddans which can accommodate a population of 1.5 million people to become the Governorate's economic capital for the optimal exploitation of the region's diversified resources.

Ministry of Water Resources and Irrigation and the North Sinai Development Project

In the same vein, the Ministry of Water Resources and Irrigation adopts the "North Sinai Development" Project which aims at expanding the agricultural area and increasing agricultural production. Key elements of the first and second phases of the Project are shown below:

The first phase:

- ✓ Digging the 89.75 kilometre long Al Salam Canal to the west of Suez Canal with the aim of reclaiming 220K feddans to the west of Suez Canal which are distributed as follows :
 - An area of 13K feddans in El Attawy and North and South Matareya regions in Dakahlia Governorate;
 - An area of 30K feddans north of Sahl Al-Husseiniya in Sharqiya Governorate;
 - An area of 64K feddans south of Sahl Al-Husseiniya in Sharqiya Governorate;
 - An area of 47K feddans east of Bahr El-Baqar in Ismailia and Port Said Governorates;
 - An area of 21K feddans in Berket Om El-Reesh in Port Said Governorate; and
 - An area of 45K feddans in Sahl Ganoub Port Said in Port Said Governorate;

- ✓ Building the Damietta Dam at Kilo 222 on the Damietta Branch of the Nile to raise the water level before the Dam and feed Al Salam Canal with the required supply.
- ✓ Setting up 3 water pumping stations on Al Salam Canal to pump and mix the Nile fresh water with agricultural waste water. A number of 15 water pumps have already been installed.
- ✓ The construction of 12 syphons due to the intersection of Al Salam Canal with other waterways in the region.
- ✓ Building 17 bridges as a result of the intersection of Al Salam Canal with some roads and in order to easily connect villages and provide access to Lake Manzala.

The second phase:

- ✓ The construction of a syphon underneath the Suez Canal to carry water discharge at a flow rate of 160 m³/s from Al Salam Canal to the 175 km- long Sheikh Jaber El Sabah Canal to the east of Suez Canal. Sheikh Jaber El Sabah Canal serves as the main waterway for the reclamation of 400K feddans to the east of Suez Canal that are distributed as follows:
 - An area of 50K feddans in Sahl El Tina in Port Said Governorate;
 - An area of 75K feddans in South El Qantara Sharq in Ismailia Governorate;
 - An area of 70K feddans in Rabaa in North Sinai Governorate;
 - An area of 86.5K feddans in Beer El-Abd in North Sinai Governorate;
 - An area of 85K feddans in Al-Ser and Al-Qwareer areas in North Sinai Governorate; and
 - An area of 33.5K feddans in Al-Mazar and Al-Midan in North Sinai Governorate.
- ✓ The construction of 3 water pumping stations on Sheikh Jaber El Sabah Canal to make sure that water flows along the Canal to reach the targeted areas and Al-Salam (7) water pumping station to lift water to Al-Ser and Al-Qwareer areas. In addition to the main and secondary wastewater treatment plants, two main plants were established on a canal to the south of El Qantara Sharq and 3 secondary plants were set up to irrigate 17.4K feddans in south Qantara.
- ✓ The establishment of the general irrigation and wastewater network and internal infrastructure. The majority of internal and infrastructure works for the irrigation and discharge of 100K feddans in Sahl El Tina and south of El Qantara Sharq have been completed while work is still in progress in Rabaa and Beer El-Abd areas.
- ✓ Building central and subsidiary settlement villages. A number of villages equipped with all the services and utilities have been completed to provide services to the Project's beneficiaries and investors, including electricity grids, drinking water, sewage and internal road networks.

Sinai is marching with steady steps towards real economic and social development which is founded on its own diversified resources and strengths across the fields of agriculture, manufacturing, tourism and trade. It is currently home to several mega infrastructure projects including road, electricity and water networks as well as agricultural, industrial and tourism projects.



Licensing Banks and Other Institutions to Operate Mutual Funds

The Financial Regulatory Authority (FRA) issued licensing rules and regulations for banks and other non-banking financial institutions, such as insurers and reinsurers, to operate mutual funds independently or with other partners with no need to establish an SPV. This move aims to encourage setting up mutual funds and streamline licensing procedures. Accordingly, any type of mutual fund can be operated, except for real estate funds. Pursuant to the said rules and regulations, any entity or institution which desires to directly operate mutual funds has to set aside an amount not less than EGP 5 MM.; the minimum amount according to the executive regulations of the Capital Market Law. Such amount should be utilized in subscribing for mutual fund certificates. In case of operating mutual funds with other partners, the institution's share in the amount set aside may not be less than 51%.

Licensing requirements for institutions which desire to operate a mutual fund independently.

- ✓ The institution shall be licensed to engage in a non-banking financial activity which may be licensed by the FRA, provided that it has carried out such activity for three years at least.
- ✓ The institution's net equity shall be EGP 50 MM. at least or its equivalent in foreign currencies according to the most recent audited financial statements.
- ✓ The institution's extraordinary general meeting shall approve the operation of mutual funds independently or with other partners.

Requirements for Arab, regional and foreign financial companies and institutions which operate mutual funds with other partners.

- ✓ They shall have a legal representative in Egypt.
- ✓ They shall be subject to the supervision of a government regulatory authority similar to the FRA or the central bank in the country of its head office.
- ✓ They shall provide the FRA with information on their nationality, purpose, capital and head office.

The "2018-2022" National Strategy for Non-Banking Financial Services : A Cornerstone to Achieve More Comprehensive Growth

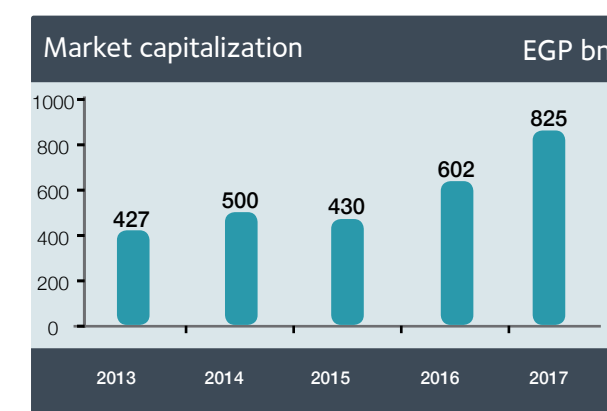
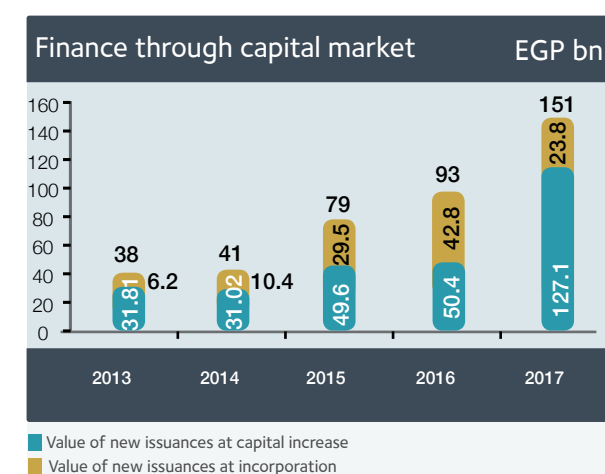
Being a driving force for the economy, the non-banking financial sector contributes to stimulating and promoting economic growth. It acts as a catalyst to drawing and efficiently employing savings and capitals; as well as reducing capital risks and costs, which raises finance rates to more economic activities. This sector plays a primary role in financing the incorporation of innovative start-ups with high added value. It also offers financial support to lower-income entrepreneurs and initiative creators who suffer from lack of finance and absence of credit history which is necessary to turn their aspiring business ideas into reality. All this would strengthen the state's efforts in realizing financial inclusion and bringing the informal economy into the formal fold more rapidly.

The scope of non-banking financial sector extends to include a diversified package of activities such as the capital market, insurance, mortgage finance, financial leasing, microfinance, private insurance funds, government insurance funds and factoring. Under the growing interest in this sector, an ambitious strategy has been developed covering the 2018-2022 period. The sector's key indicators and the most prominent highlights of the said strategy are as follows:

Capital Market

Capital market has significantly grown where primary market's trading value increased to EGP 112 bn. in Q1 2018 versus EGP 105.3 bn. YoY, and the EGX market capitalization surpassed one trillion Egyptian pounds in April 2018 for the first time in its history. In this respect, the amount of finance through the capital market recorded EGP 151 bn. as at end-2017.

During the same period, the government announced the first stage launch of state-run initial public offerings (IPOs) on the stock exchange as well as the amendments to Capital Market Law, with a view to boosting the efficiency of the capital market in Egypt. This move comes under the comprehensive economic reform program adopted and currently executed by the Egyptian government.



State-run IPOs program

The Egyptian government announced the launch of an initial public offerings (IPOs) program in the Egyptian Exchange (EGX) including in its first phase more than 20 companies which are either to be listed for the first time or have additional shares to be listed. This trend will expand the ownership base; provide companies with access to additional finance; and raise daily trading value and volume and EGX market capitalization. Accordingly, more investment flows will be attracted and the state's assets will maximize.

It is expected for the total value of shares offered under the said IPOs program to reach EGP 80 bn. and market value of offered companies to be EGP 430 bn. In that vein, it is intended to offer about 15-30 percent of such companies on EGX, except where the state's share is less than this percent. The IPOs program is planned to be implemented over 24 - 30 months.

Egypt's Ministry of Finance intends to start implementing the program through:

- ✓ Offering shares in about 4 to 6 EGX-listed companies in 2018 at a value ranging from EGP 12 bn. to EGP 15 bn. operating in various sectors, including industry, petrochemicals and banks;
- ✓ Offering from 8 to 10 EGX-listed companies in 2019 with an amount of EGP 30 bn. to EGP 40 bn.; and
- ✓ Considering offering part of the companies' shares in the form of global depositary receipts (GDR) abroad.

Capital Market Law

Capital Market Law No. 17 of 2018 amending the Law No. 95 of 1992 has been ratified. The Law aims to make the capital market compliant with the international norms and standards, introduce new financial instruments, facilitate project financing, and protect the rights of minority shareholders in case of acquisitions. It also seeks to streamline business procedures in the Egyptian market via providing an impetus for investment, develop the non-banking financial services, and achieve financial inclusion.

Salient amendments to the Law:

- ✓ Introduce a mechanism for sukuk and short-term bonds to provide for the missing financial instruments. The amendment includes a number of articles that organize the issuance of sukuk of various types such as Al-Mudaraba, Al-Murabaha, and Al-Musharaka;
- ✓ Establish stock exchanges for futures trading and commodities of different types to diversify traded financial instruments in Egypt, raise ability of dealers to hedge against price risks, predict market prices, and facilitate and activate trading assets subject of contracts;
- ✓ Organize trading methods, establish brokerage and trading firms, executing companies, clearance and settlement center; and oblige brokerage firms to establish a fund to provide insurance for traders against risks;
- ✓ Reduce securities listing fees incurred by companies to 2%. This would help alleviating the burden on companies wishing to be listed and encouraging small- and medium-scale enterprises (SMEs).
- ✓ Abolish bearer shares and prohibit their issuance. Companies which have previously issued such type of securities and the relevant stockholders must transfer them to nominal securities before the new Law takes effect; and
- ✓ Tighten the penalties for violations and manipulations to match the crime and the financial gains realized by such offences.

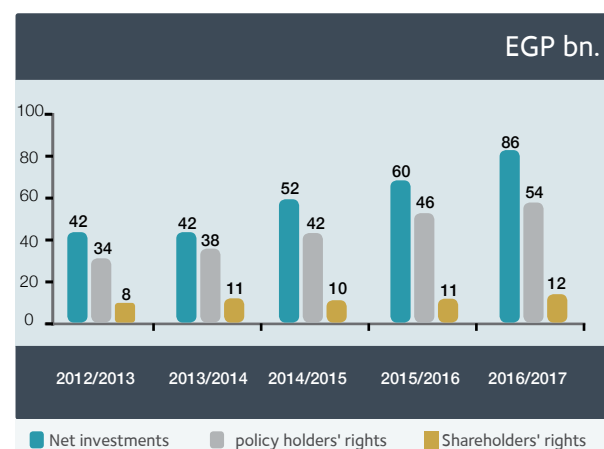
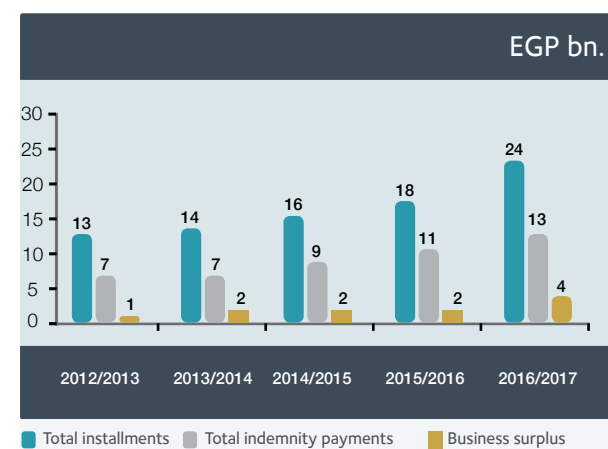
Insurance Market

Insurance sector is one of the most important non-banking financial activities, gripping the lion's share of such activities. Insurance industry plays a vital role in providing financial protection for individuals and projects against different risks, stimulating investment and supporting the economy. It is also a major channel for collecting national savings and using such savings in financing national investment projects. Albeit vital, the insurance sector contributes to Egypt's GDP with only 1.3% falling short of expectations. This reflects the dire need to strive efforts for insurance to enhance and increase its contribution share to GDP through developing and diversifying insurance products and raising awareness about insurance. In this context, the efforts intending to develop and increase the efficiency of this sector include the following:

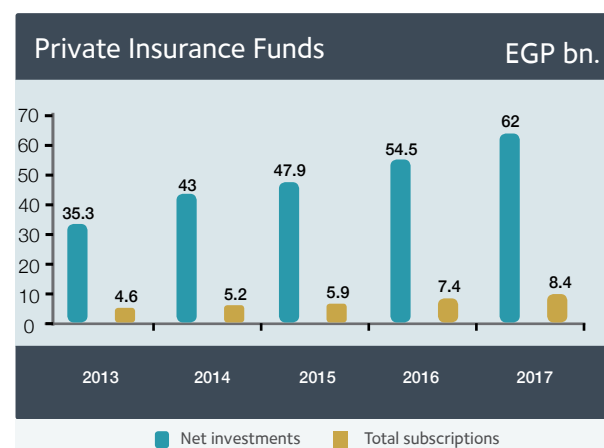
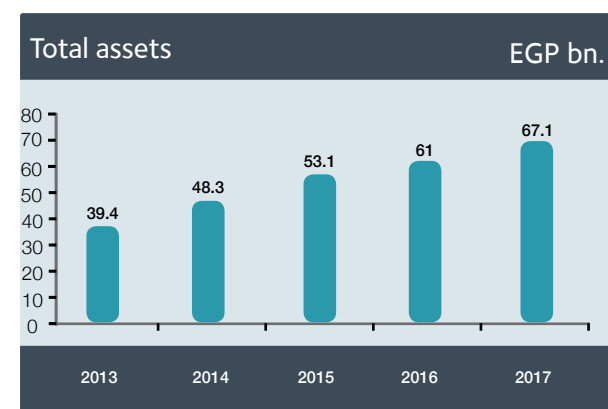
- ✓ Financial Regulatory Authority (FRA) launched an e-platform to share data and information of insurers in cooperation with the Insurance Federation of Egypt, which came as the primary step on the way to establish the first integrated database for different insurance activities as part of the FRA strategy to control and oversee the non-banking financial markets using information technology;
- ✓ A draft amendment to the Law No. 10 of 1981 governing insurance supervision and regulation in Egypt has been proposed. The amended Insurance Law No. 10 of 1981 includes the controls and standards of insurer operating licence online and the updated criteria and controls of bankruptcy and liquidation; and
- ✓ FRA introduced new amendments to the Insurance Law providing for the incorporation of micro insurance companies offering protection against certain hazards, combining life insurance and property insurance together, in contrast to the normal course of operation of mono-line insurer as stipulated by law. It is targeted to provide those insurers with different incentives, including, determining small capital, lowering relevant supervision and regulation fees and seeking tax relief or reduction.

The "2018-2022" National Strategy for Non-Banking Financial Services : A Cornerstone to Achieve More Comprehensive Growth

Performance of insurers during (2012/2013 -2016/2017)

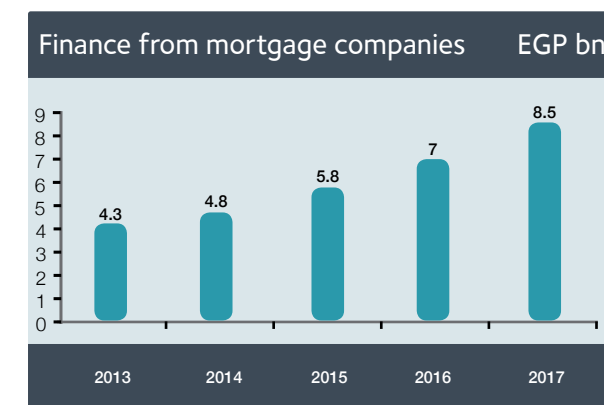


Private Insurance Funds



Mortgage Finance

Mortgage finance value has recently doubled to EGP 8.5 bn. in 2017 from EGP 4.3 bn. in 2013. This industry has contributed to raising household demand as 78% of total granted finance was geared towards the household sector as at the end of 2017 compared to 22% for office, commercial and service housing.



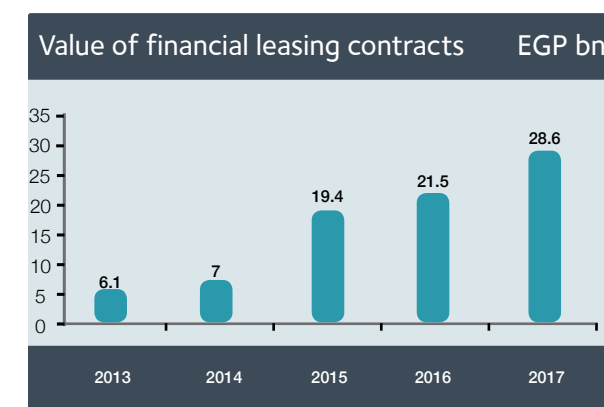
Financial Leasing & Factoring

Financial leasing

Financial leasing plays a substantial role in stimulating and financing investments, especially those related to small and medium-sized industries, planning to purchase capital assets. Financing such needs is spread over several years to cut down startup costs.

Financial leasing contracts have recently witnessed significant growth, as annual growth rate averaged at 59% during 2013-2017, to record EGP 28.6 bn. total finances provided by financial leasing operators at end-2017, 73.5% of which was geared towards financing the purchase of land and properties necessary for productive projects in comparison to 26.5% for machinery and production equipment.

To enhance financial leasing activities, the Central Bank of Egypt (CBE) allowed, in February 2018, financial leasing operators to capitalize on the CBE's SMEs finance initiative if they fulfilled the relevant requirements. The finance is accordingly provided by signing a tripartite agreement between the bank, the customer and the company acting as security agent.

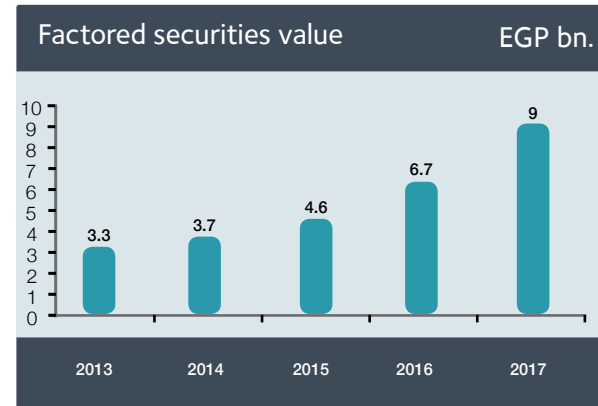


The "2018-2022" National Strategy for Non-Banking Financial Services : A Cornerstone to Achieve More Comprehensive Growth

Factoring

Factoring ensures that companies are provided with necessary cash flow and finance by providing the current value of securities held, regardless of their maturity dates, at a liquidity ratio of up to 80% of the value of financial rights, as well as managing business in a way that reduces bad debt risks.

Factoring has recently witnessed a big boom in the Egyptian market, as the value of factored securities multiplied to EGP 9 bn. as at the end of 2017. Factoring also contributes to promoting the Egyptian industry and exportation via providing Egyptian exporters with a means to access working capital financing needs. However, this type of factoring is still meager and requires more development as it does not exceed 2% of the total value of factored securities in 2017.



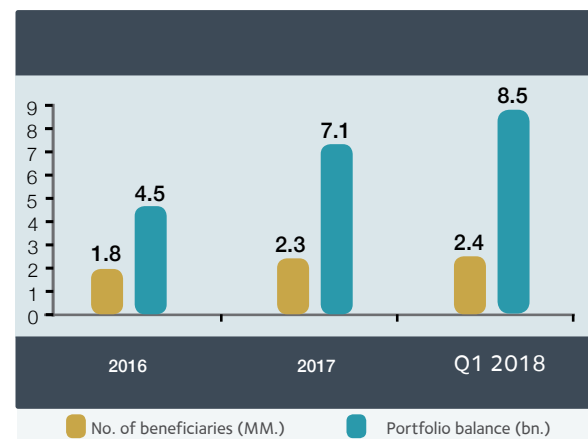
In general, the Law includes both factoring and financial leasing activities in one law. On one hand, factoring is concerned with funding working capital. On the other, financial leasing purchases investment assets. Therefore, they have been combined together under one Law, which primarily:

- ✓ is the first legal framework that handles factoring;
- ✓ introduces micro-financial leasing services;
- ✓ enables individuals to practise financial leasing activity for non-productive purposes at definite conditions;
- ✓ enables financial leasing operators to practise operational leasing on condition that they shall prepare separate accounts for this activity; and
- ✓ provides a mechanism for financial leasing and factoring complaints to protect the rights of the parties involved.

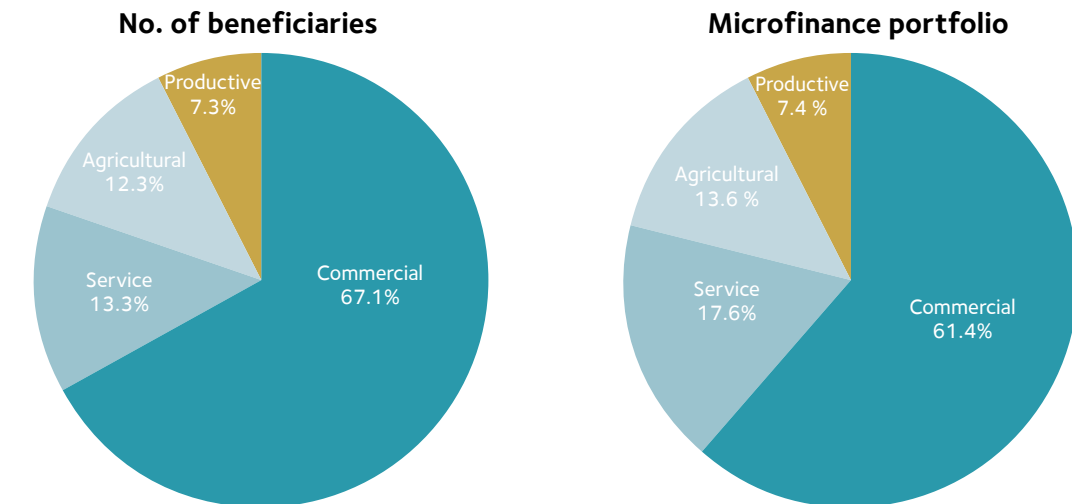
Microfinance

Microfinance is one of the promising activities under the state's strategy for financial inclusion. In this respect:

- ✓ There are 845 civil associations and NGOs operating in microfinance and licensed by the FRA, having a total of 1,660 branches nationwide up till end-2017.
- ✓ The customer base reached 2.4 million beneficiaries of the EGP 8.5 bn. microfinance portfolio as at the end of Q1 2018.



The commercial segment captured the largest share of microfinance transactions, accounting for EGP 4.4 bn. (i.e. about 61.4% of total microfinance portfolio) and the number of beneficiaries amounted to 1.5 million persons (i.e. about 67.1% of all types of beneficiaries) as at the end of 2017.



National strategy for non-banking financial services over 2018-2022

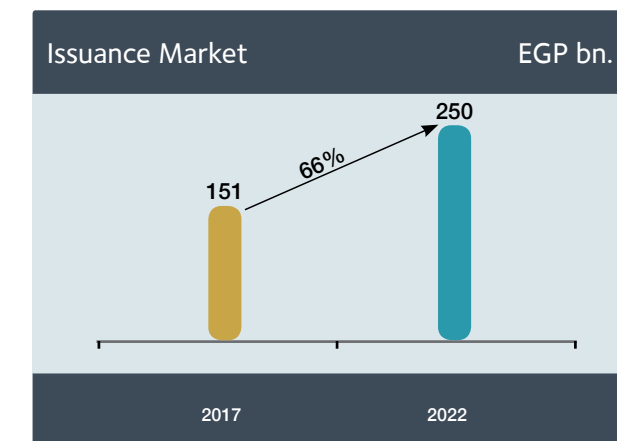
Believing in the role of non-banking financial sector in promoting financial inclusion through developing and complementing the non-banking financial instruments, the "2018-2022 National Strategy for the Non-Banking Financial Services" has been released in order to boost this sector and undertake the necessary structural and legislative reforms, targeting low-income groups to improve their conditions, supporting SMEs and bringing informal economy into formal fold in a manner that achieves sustainable development, social justice and a more comprehensive growth.

The strategy focuses on several pillars and policies to realize its objectives:

Pillar I: Market and service development

✓ Capital market development comprises:

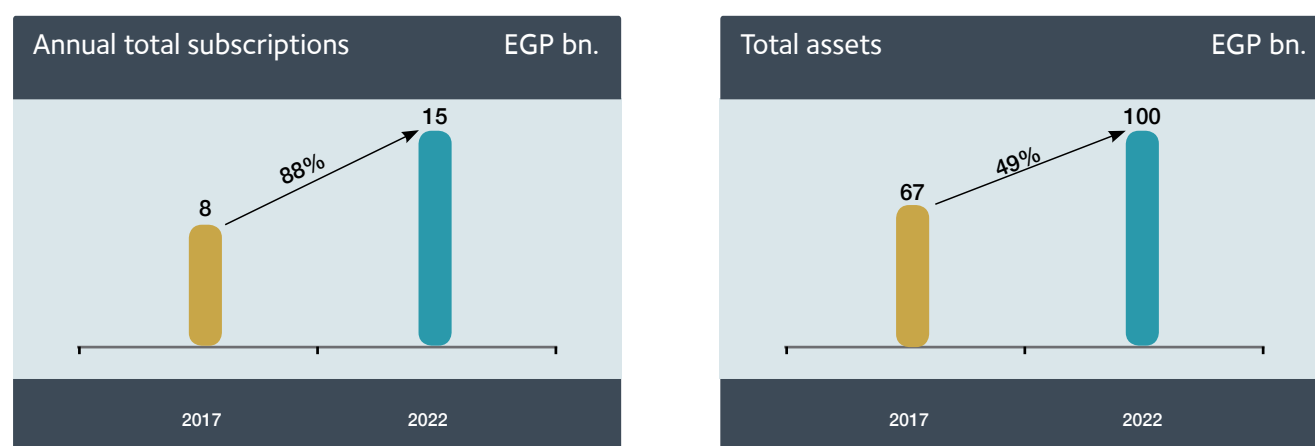
- setting up futures exchanges;
- introducing short-term debt instruments; and
- stimulating the hedge funds role in risk management and investment.



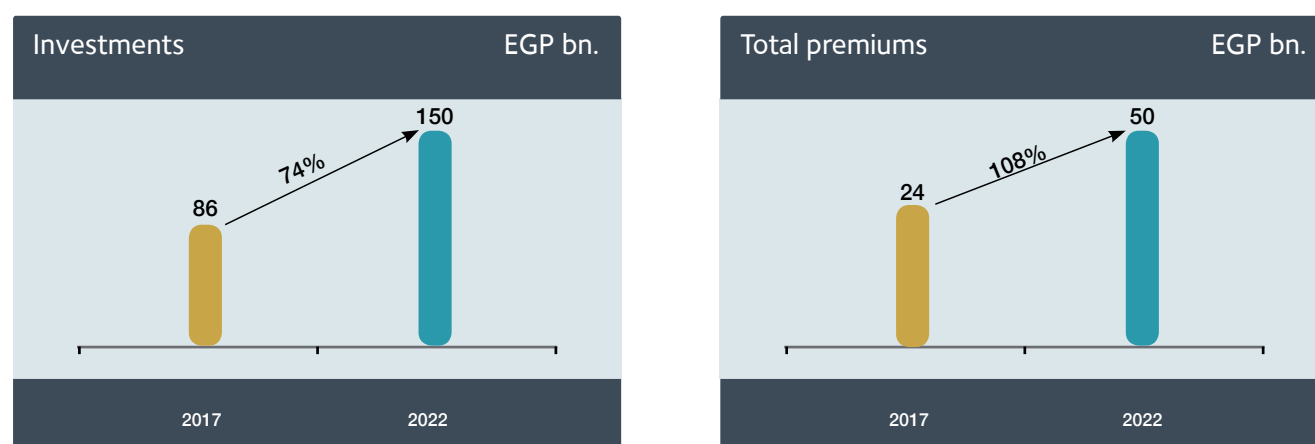
✓ Insurance and private insurance funds development

- Set all society categories to be under the umbrella of "insurance coverage";
- Expand protection and social safety network through increasing mandatory insurance coverages;
- Raise the public and business sectors' awareness of insurance;
- Draw up the first life table according to the Egyptian market experience; and
- Develop the legislation governing insurance sector.

Private insurance funds

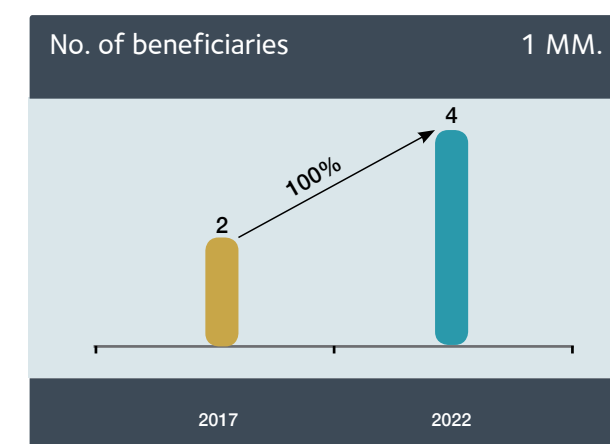
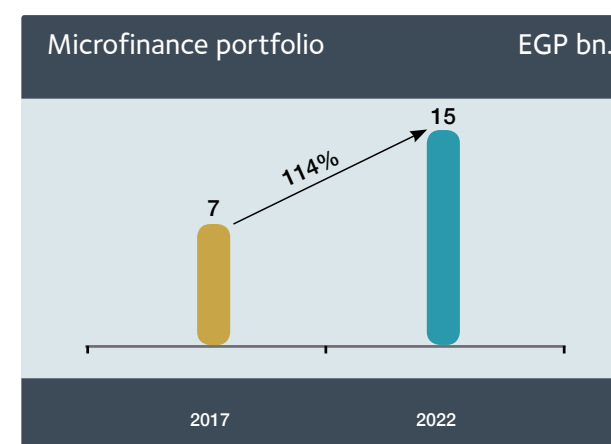


Insurance companies



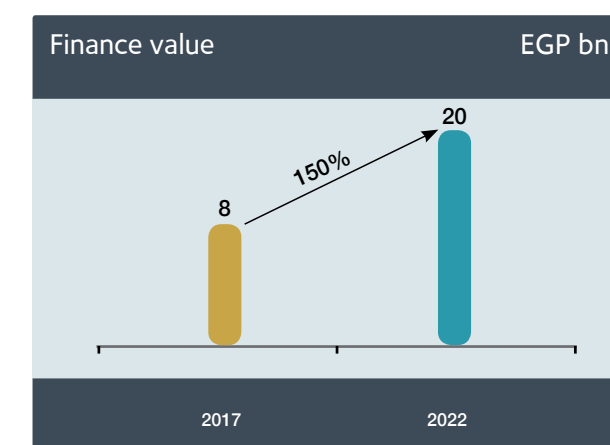
✓ Microfinance

- Set up mutual funds dedicated to lending microfinanciers;
- Launch initiative to activate value chains finance in the micro-agricultural sector; and
- Involve the state's finance and development initiatives.



✓ Mortgage finance

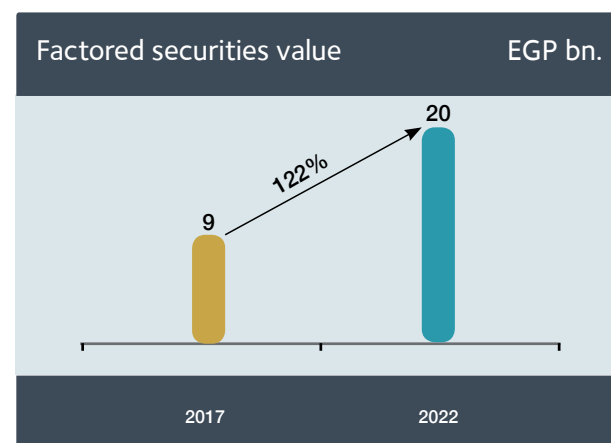
- Slash much of the red tape associated with guarantee registration;
- Introduce rules to regulate the termination of mortgage finance contracts;
- Regulate finance of installment and off-plan sales;
- Develop a regulatory framework to finance property beneficial ownership;
- Lay down new mechanism that allows for property registration for mortgage finance purposes; and
- Pay installments of mortgage finance in the form of income tax cuts.



The "2018-2022" National Strategy for Non-Banking Financial Services : A Cornerstone to Achieve More Comprehensive Growth

✓ Financial leasing and factoring

- Establish and operate electronic log for transferred guarantees.



Pillar II: Promoting inclusive growth

- ✓ Raise capital increase and issuance rates;
- ✓ Provide instruments to finance national and infrastructure projects;
- ✓ Support small and medium-sized enterprises (SMEs); and
- ✓ Provide marginalized groups with microfinance programs.

Pillar III: Deepening sustainability levels

- ✓ Promote financial inclusion;
- ✓ Provide green finance instruments;
- ✓ Achieve gender equality and empower women & youth;
- ✓ Encourage involved parties to participate in social work; and
- ✓ Stimulate companies to increase sustainability and participation in the international initiatives for environment and society.

Pillar IV: Improving the investment environment

- ✓ Target an improvement of Egypt's ranking in Doing Business Report and Global Competitiveness Report;
- ✓ Provide companies and dealers with guidelines on dealing procedures;
- ✓ Streamline the procedures of dealing with the FRA and seek to set timelines for completion; and
- ✓ Automate FRA's interaction procedures.

Pillar V: Developing the legislative structure

- ✓ Introduce legislative amendments to the laws and executive regulations governing different activities;
- ✓ Develop coordination methods with relevant authorities and governmental bodies;
- ✓ Enact laws to use technology in non-banking financial services; and
- ✓ Upgrade the non-banking financial legislation gateway.

Pillar VI: Developing the institutional framework

- ✓ Form a national committee to monitor the strategy's implementation;
- ✓ Set up sectoral consultancy committees from the market; and
- ✓ Develop a strategy follow-up report.

Pillar VII: Promoting governance levels, enhancing regulatory capabilities and protecting parties' rights

- ✓ Issue governance guides to companies operating in different sectors;
- ✓ Operate center of arbitration and settlement of non-banking financial disputes;
- ✓ Launch a regulatory compliance index for entities subject to the FRA's regulation;
- ✓ Adopt a code of conduct for employees in this sector's companies; and
- ✓ Maintain protection for customers of non-banking financial services and establish protection funds.

Pillar VIII: boosting the open-door policy to the outside world

- ✓ Comply with international and regional legislation;
- ✓ Reinforce efforts to link local markets to their foreign counterparts;
- ✓ Seek more cooperation with international and regional federations of non-banking financial markets; and
- ✓ Activate Egypt's accession to the liberalization of trade in services agreements.

Pillar IX: Improving risk management and setting red flags

- ✓ Follow up new financial service trends globally;
- ✓ Oversee non-banking financial activities in terms of risks; and
- ✓ Set up an early warning system (red flags) against financial crises.

Pillar X: Enhancing financial awareness and culture

- ✓ Activate the role of the non-banking financial services institute; and
- ✓ Establish an information centre for this sector.

Finally, the national strategy of the non-banking financial sector mainly aims to diversify financial instruments, raise market efficiency, and contribute to achieving financial inclusion. It is also a fundamental and key step on the way to establish a state-of-the-art financial sector based on the open-door policy, which efficiently contributes to sustainable development plans targeting the achievement of Egypt's 2030 vision.





Dr. Sahar Nasr
Minister of Investment and
International Cooperation

The Ministry of Investment and International Cooperation launched the electronic signature service (E-signature) in May 2018 at the Investor Service Center (ISC) to facilitate investors' business and provide a mechanism for start-ups registration in light of the new Investment Law and its executive regulations.

Pursuant to such new service, documents such as contracts, letters, images (such as cadastral maps and photocopies), official documents, etc. are electronically signed. E-signature is considered a secure way of signing electronic documents as it is difficult to be forged. It also facilitates and speeds up transactions executed between government entities and the private sector.

The ISC provides investors with access to such service via using their national ID or (or passport for non-Egyptians). Additionally, there is an option to include the job title and the name of the company in the digital signature via submitting the following documents:

- ✓ A copy of the company's commercial register;
- ✓ A copy of the company's tax ID card;
- ✓ A copy of the company's commercial licence (business practising licence);
- ✓ A copy of the company's articles of association and legal form; and
- ✓ A letter from the human resources.

Head of the Suez Canal Economic Zone (SCZone) signed a contract with the Chief Executive Officer (CEO) of Carbon Holdings, to establish the largest petrochemical complex in the Middle East at the Suez Canal Economic Zone (SCZone) in Ain Sokhna called Tahrir Petrochemical Complex (TPC). The project is expected to start operation before the end of the current year and is set to comprise 11 factories.

Importance

The project targets a quality leap in the field of industrial development in Egypt, hence, increasing the volume of Egyptian exports. Besides, it will play a huge part in the development of the SCZone, based on what the petrochemical industry achieves as a great industrial boom. TPC would also be the basis for the launching of several complementary projects, which offer a great opportunity for Egyptian, Arab and foreign investors to work in the project.



Area

It is established on a 5 million square meters of land

Investments

Total investments amount to US\$ 10.9 billion

Job Opportunities

It creates tens of thousands of direct and indirect jobs throughout establishment and operation phases.

Finance

The project is funded by a number of international institutions, mainly, "the US Export-Import Bank (EXIM Bank)", "UK Export Finance (UKEF)", and "Export Development Canada (EDC)".

Investment Flows in Egypt: More Boom with the Start of 2018

Investment, whether domestic or foreign, is the main engine for economic growth to gather momentum, as it contributes to raising the economy's productive capacities, creates more job opportunities and promotes exports. Consequently, it helps in curbing the balance of payments (BoP) deficit and increasing the state's foreign currency proceeds. The government has recently developed an integrated and ambitious strategy aiming at boosting investments and accelerating development. The fundamental pillars of the said strategy are: legislative and organizational reforms, setting up new investment zones, establishing investors service centers and developing an ambitious program to encourage entrepreneurship and private sector investments.

Following is the development of a number of investment indicators in Egypt as well as the government's strenuous efforts to enhance domestic and foreign investments. In addition, the investment trends in Egypt in terms of the number of start-ups established and their capital flows during the period "January/March 2018" are shown here below.

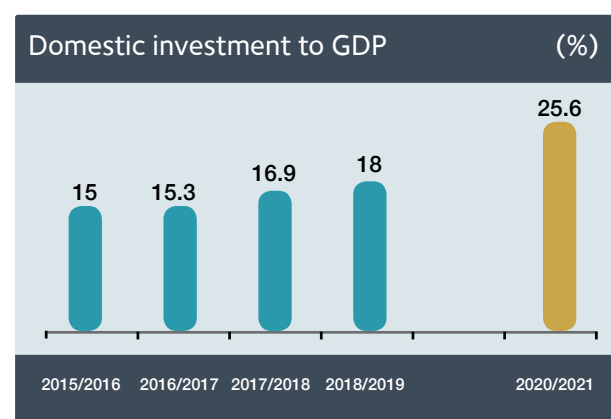
Investment indicators in Egypt

Investment rate to GDP is targeted to reach 18% in 2018/2019 against an expected rate of 16.9% in 2017/2018 and to reach 25.6% in 2020/2021 in the light of the government's expansion in investments through numerous national projects to grease production wheels and provide more job opportunities.

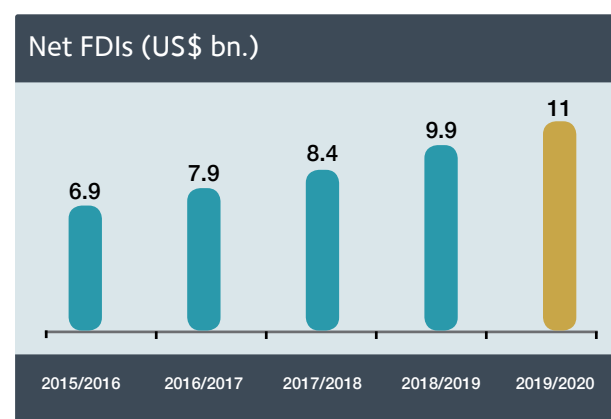
In this vein, total investments are projected to reach EGP 942.2 bn. in 2018/2019 according to the state's plan against EGP 646 bn. in 2017/2018.

Further, net foreign direct investment (FDI) is expected to increase to US\$ 9.9 bn. by the end of 2018/2019 against US\$ 8.4 bn. in 2017/2018, to reach US\$ 11 bn. in 2019/2020 in the light of the government's endeavors to court more FDIs during the coming period.

In this respect, Egypt ranked first in Africa in terms of FDI flows in 2017 according to the United Nations Conference on Trade and Development's (UNCTAD) 'World Investment Report 2018'.



Source: Ministry of Planning, Monitoring and Administrative Reforms



Source: - Central Bank of Egypt
- International Monetary Fund (IMF)

Ministry of Investment's recent efforts to set the scene for courting investments

The Ministry of Investment seeks to create an investment-friendly climate to attract domestic and foreign investors and sharpen the competitive edge of Egyptian products in the global market. Following are the main reformatory steps taken recently by the Ministry of Investment:

- **Carrying out a number of legislative reforms** to create an attractive investment climate and improve business environment. In this respect, a number of relevant laws were issued; mainly the New Investment Law, Companies Law and Industrial Licensing Law; besides the amendments introduced to some provisions of the Capital Market Law.
- **Inaugurating the main Investors Service Center (ISC)** at the Ministry of Investment in February 2018 to facilitate procedures for investors, in addition to opening a number of sub-centers in several governorates and linking them electronically to the headquarters. Such centers will render all investment services pertaining to companies incorporation procedures, documentation, licensing, commercial registers,...etc.
- **Launching Egypt's investment map** which gives an overview of all investment opportunities available in various sectors, identifying the available land plots for investment in free zones and the existing investment areas and providing the information on the areas planned to be established. The map will identify the nearest services to the investment area such as airports, ports, schools, hospitals and tourist destinations.
- **Activating the "Incorporate Your Company by Yourself" service** on the Ministry of Investment's website in July 2017. The service allows an investor to set up a company online. A call center for investors is also launched to respond to investors and answer their enquiries.
- **Operationalizing the "One-Stop Shop Mechanism for Egyptian Expatriates"** in cooperation with the Ministry of Emigration to provide Egyptian expatriates with various investment services; topped by the online incorporation of companies either sole proprietorships or joint stock companies.
- **Commencing the operation of the "Electronic Registry for Movable Securities"** in March 2018, which enables micro, small, and medium enterprises (MSMEs) to obtain finance. This grants equal opportunities for all investors to obtain the necessary finance and provide more job opportunities.
- **Launching "Invest in Egypt" campaign** both domestically and internationally to promote the available investment opportunities.
- **Forming and organizing the two grievance committees at the General Authority for Investment and Free Zones (GAFI)** to overview, examine and settle disputes, and review investors' grievances.
- **Expanding the development of infrastructure works** and licensing the establishment of more investment regions.
- **Setting up more industrial chambers and export councils** and fostering their efficiency to provide updated databases that encompass all investors and exporters; besides taking part in solving problems of each industry.
- **Signing a cooperation protocol between the Ministry of Investment and International Cooperation (MIIC) and the Central Agency for Public Mobilization and Statistics** to streamline procedures for investors. In that vein, a survey including 18,700 start-ups established in the ISCs during 2017 was conducted to study the conditions of such companies and the challenges that might stand in their way.

Investment Flows in Egypt: More Boom with the Start of 2018

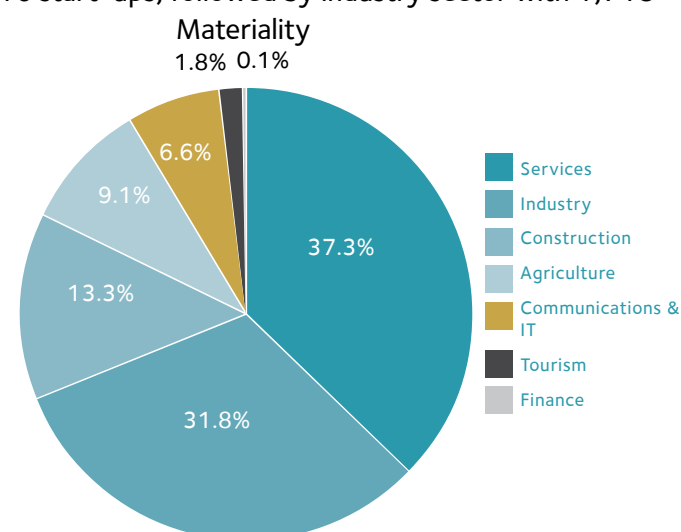
Investment Trends in Egypt in Q1, 2018

Sectorial distribution of total start-ups

Total number of start-ups established as per the Law of "Internal Investment Companies and Free Zones and Law No. 159" rose 4.2% during the period "January/March 2018" to reach 5,407 companies against 5,191 companies YoY. Services sector took the lead with 2016 start-ups, followed by industry sector with 1,718 companies during the same period.

Sector	Jan./Mar. 2017	Jan./Mar. 2018	Growth (%)
Services	1,441	2,016	39.9
Industry	2,415	1,718	-28.9
Construction	654	721	10.2
Agriculture	248	493	98.8
Communications & IT	323	355	9.9
Tourism	103	99	-3.9
Finance	7	5	-28.6
Total start-ups	5,191	5,407	4.2

Source: Ministry of Trade & Industry, Report on Investment Trends in Egypt, April 2018.

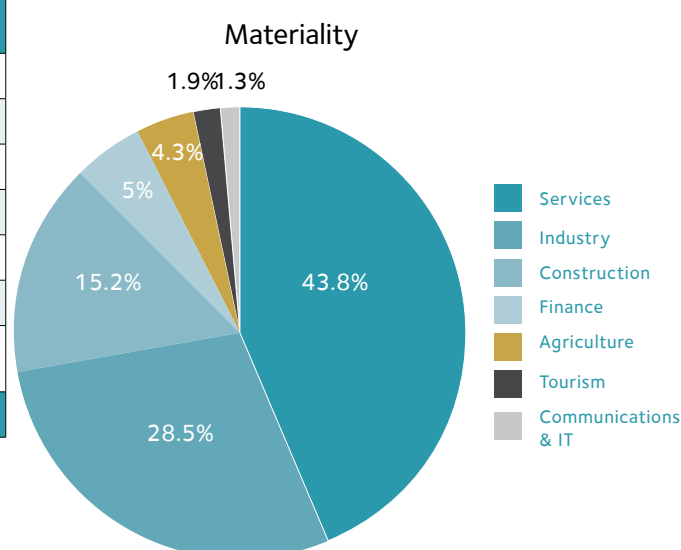


Sectorial distribution of total capital flows

Total value of capital flows as per the Law of "Internal Investment Companies and Free Zones and Law No. 159" rose 66.9 % during the period "January/March 2018" to reach US\$ 1.63 bn. versus US\$ 979.3 MM YoY. Services and industry sectors came first and second with US\$ 717.1 MM and US\$ 467.2 MM respectively.

Sector	Jan./Mar. 2017 US\$ MM	Jan./Mar. 2018 US\$ MM	Growth (%)
Services	298.1	717.1	140.5
Industry	293.8	467.2	59.0
Construction	162.4	248.0	52.7
Finance	87.8	81.1	-7.7
Agriculture	25.6	69.9	172.9
Tourism	89.4	30.2	-66.2
Communications & IT	22.1	20.8	-5.8
Total flows	979.3	1,634.2	66.9

Source: Ministry of Trade & Industry, Report on Investment Trends in Egypt, April 2018.



Geographical distribution of total start-ups incorporated by Arab and foreign countries

The number of start-ups established in Egypt by Arab and foreign investors during the period "January/March 2018" amounted to 1,088 companies against 603 companies YoY, with a growth rate of 80.4%.

Syria followed by Saudi Arabia topped the list of countries which established start-ups in Egypt during such period with 293 and 198 start-ups respectively.

Country	Jan./Mar. 2017	Jan./Mar. 2018	Materiality
Syria	137	293	26.9
Saudi Arabia	111	198	18.2
Jordan	44	69	6.3
Yemen	20	55	5.1
China	15	42	3.9
Lebanon	37	40	3.7
Palestine	5	30	2.8
United Arab Emirates	15	25	2.3
Iraq	9	24	2.2
Kuwait	24	24	2.2
United States	16	23	2.1
Sudan	9	22	2.0
Canada	5	21	1.9
Britain	20	19	1.8
Libya	14	19	1.8
Others	122	184	16.8
Total	603	1,088	100

Source: Ministry of Trade & Industry, Report on Investment Trends in Egypt, April 2018.

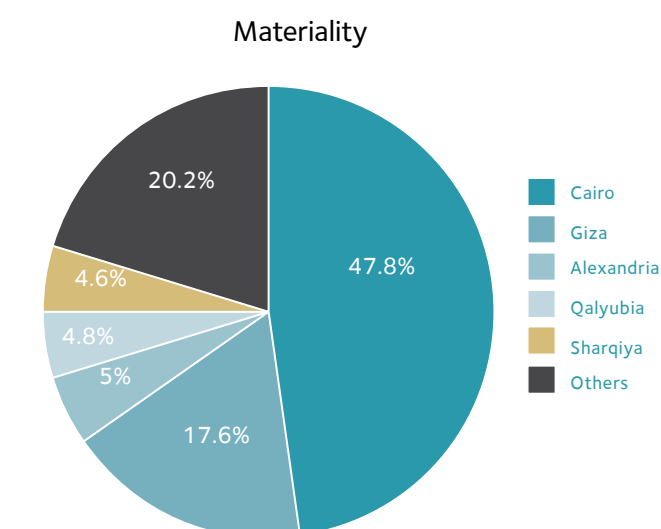
Governorate-specific geographic distribution of total start-ups

Cairo governorate came first among the Republic's governorates in terms of number of start-ups established during Q1/2018 with 2,589 companies, accounting for 47.9% of total start-ups; followed by Giza governorate by 17.6%.

Top ten governorates in terms of number of start-ups during January/March 2018

Governorate	Jan./Mar. 2017	Jan./Mar. 2018
Cairo	2,047	2,589
Giza	739	950
Alexandria	227	268
Qalyubia	115	260
Sharqiya	1,267	246
Sohag	51	165
Monufia	76	112
Beheira	54	111
Qena	13	88
Assiut	101	86

Source: Ministry of Trade & Industry, Report on Investment Trends in Egypt, April 2018.



Investment Flows in Egypt: More Boom with the Start of 2018

Governorate-specific Geographic distribution of capital flows

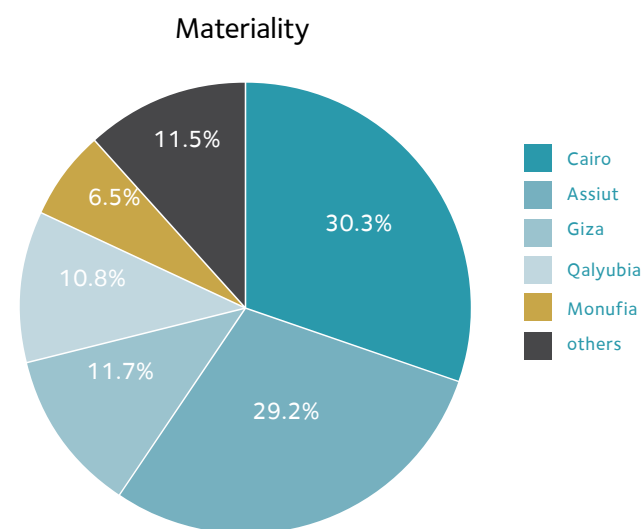
Cairo and Assiut governorates came first and second among the Republic's governorates in terms of capital flows during Q1 2018, grabbing 30.3% and 29.2% respectively.

Top ten governorates in terms of capital flows during January/March 2018

US\$ MM.

Governorate	Jan./Mar. 2017	Jan./Mar. 2018
Cairo	595.2	494.8
Assiut	3.2	477.8
Giza	96.7	190.6
Qalyubia	14.3	176.7
Monufia	33	106.4
Sharqiya	37.6	44.1
Sohag	1	30.3
Alexandria	26.2	29.8
Dakahlia	23.7	15.9
Damietta	1.9	12.1

Source: Ministry of Trade & Industry, Report on Investment Trends in Egypt, April 2018.



Technology and Innovation City: A Step towards Upgrading the Egyptian Industry

Scientific research and modern technology are the main drivers of development in both developed and developing contemporary societies. The significance of research is dependent on its relevance to reality and the needs of developing different production and service sectors. In this context, the Ministry of Higher Education and Scientific Research (MOHESR), in cooperation with the Ministry of Trade and Industry (MTI), announced in May 2018 the "Integration" initiative to establish a scientific city in Egypt known as the "Technology and Innovation Oasis".

City objectives

- ✓ Keep up with the tremendous technological developments in all fields;
- ✓ Link scientific research outputs to the needs of industrial sectors to develop and improve the Egyptian products;
- ✓ Sharpen the competitiveness of Egyptian products, increase exports and streamline their penetration into new markets;
- ✓ Graduate large numbers of promising youth to contribute to the development of national industry;
- ✓ Keep alignment with MTI's strategy to promote industrial development and foreign trade 2020; and
- ✓ Help youth establish innovation startups.



Area and cost

- ✓ The city will be established on an area of 20 feddans in El Obour city.
- ✓ Costs are estimated at EGP 12 bn. to implement the project in three phases, including about EGP 1.5 bn. for the first phase.

Components

- ✓ A huge set of sophisticated laboratories and training centers;
- ✓ A fund to encourage innovation, co-financed by the government and the private sector;
- ✓ An interactive electronic platform motivating the industrial community to make innovations and research; and
- ✓ A twinning program with international technology centers.

A number of cooperation protocols were signed to contribute to the implementation of the initiative between the Faculty of Engineering at Ain Shams University and a number of partners, including Tahya Misr Fund, the Federation of Egyptian Industries (FEI), the Egyptian Junior Business Association (EJB), the Association of Investors for SME (AISME) and Al Ahly for Real Estate Development.

Electricity Grids Interconnection Projects Support Egypt's Regional and International Role in Energy Sector

Egypt strives to establish an integrated electricity interconnection system with a number of Arab, African and European countries and blocs in line with its strategy aimed at being a hub for exchanging electrical power. It is noteworthy that Egypt's geographic, technical and logistical features enable it to perform this role.

Electricity grids interconnection

Electricity grids interconnection is a form of cooperation and integration between countries to enhance energy security in the medium and long term. It refers to the cross-border transfer of power “by importing and exporting” between two countries or more to benefit from the relative advantages of each region to cover the increasing demand for electrical power associated with economic development plans. In this context, it is worth mentioning that electricity interconnection usually begins in a limited scope between neighboring countries, but it soon grows and takes more developed forms in light of actual experience and after verifying the technical aspects and ensuring the benefits and outcomes of interconnection.

Main advantages of electricity grids interconnection

Countries pay great attention to electricity interconnection projects, given their economic and technical advantages, namely:

- ✓ reducing capital costs as a result of minimizing the need for establishing new power plants to meet a certain level of energy demand, where it is possible to benefit from the cross-border power plants;
- ✓ cutting operational costs of electricity generation, i.e. “fuel, labor and maintenance costs of generating plants”;
- ✓ taking advantage of the different “seasonal and daily” peak times, allowing for increased interoperability among the associated grids and lower generation costs during these times, given that there is no need to operate the less-efficient generating plants being usually used to meet peak loads;
- ✓ increasing the efficiency of electrical systems by securing emergency support;
- ✓ utilizing electricity grids in establishing information networks among interconnected countries; and
- ✓ mitigating the environmentally pollutant emissions and gases due to reducing the number of generating plants in operation.

Egypt's main assets as a regional energy hub

- ✓ A distinguished geographical location in the middle of ancient world continents “Africa – Asia – Europe”
- ✓ Growing production capacities, where current electricity production capacities exceed actual consumption, in addition to adopting a policy aimed at diversifying energy resources to include nuclear power, increasing quotas of new and renewable energy, as well as coal; and
- ✓ A number of successes in developing and strengthening electricity grids, including transformers, cables, ... etc.

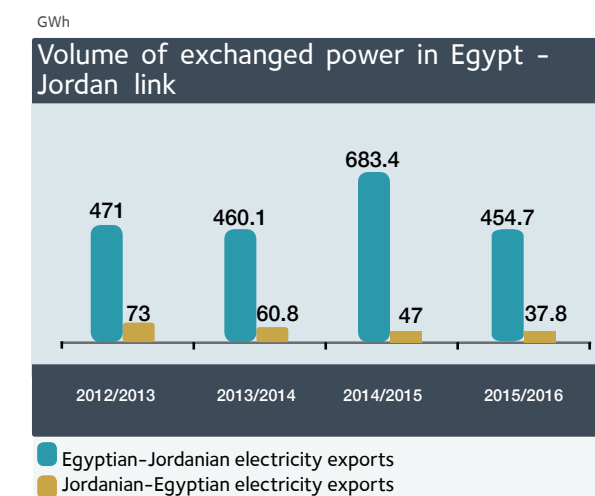
It is noteworthy that Egypt signed a memorandum of understanding (MoU) with the Global Energy Interconnection Development and Cooperation (GEIDCO) in 2017, which comprised cooperation in several areas, including promoting the concept of global electricity interconnection.

Egypt's key existing and targeted electricity interconnection projects

At the Arab level

• Egypt – Jordan link

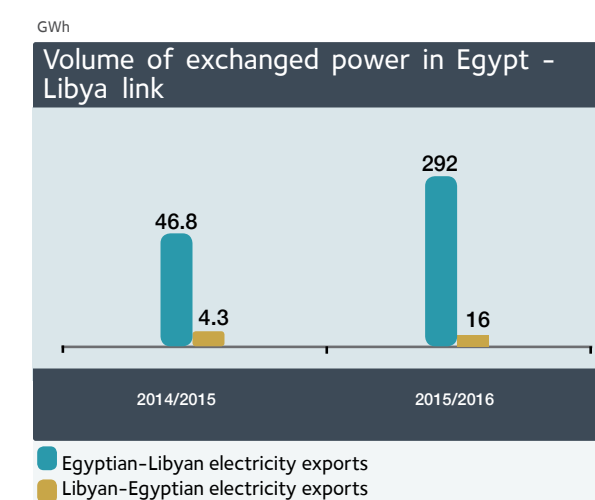
The electricity interconnection line between Egypt and Jordan was operated in October 1998 – within the framework of the Eight Country Interconnection Project aimed at interconnecting electrical power grids in Egypt, Jordan, Lebanon, Libya, Syria, Iraq, Palestine and Turkey through a 13 km long submarine cable with an exchange capacity of 550 MW. The line cost was US\$ 229 MM., to which the Arab Fund for Economic and Social Development (AFESD) contributed about US\$ 152 MM. On a related level, the total power exchanged between the two countries increased steadily in the years following the construction of this line, reaching about 972 GWh in 2003, which was totally Egyptian electricity exports to Jordan. Although the power exchanged decreased in recent years so that the volume of outgoing and incoming power from and to Egypt reached 454.7 GWh and 37.8 GWh, respectively, in 2015/2016, it is expected to witness significant momentum in the coming period. In this context, we note that a feasibility study is being carried out to increase the exchange capacity of the electricity grids interconnection line to 2,000–3,000 MW.



Source: Ministry of Electricity & Renewable Energy (MOEE), Egyptian Electricity Holding Company (EEHC), Annual Report, miscellaneous issues.

• Egypt – Libya link

The electricity interconnection line between Egypt and Libya became operational in May 1998 through a dual antenna line interconnecting the transmission plants “Al Ameer in Egypt” and “Tobruk in Libya”, passing through Marsa Matrouh and Al Salloum transmission plants in Egypt, with an exchange capacity of 170 MW in normal conditions and 500 MW in exceptional circumstances. The interconnection line cost was US\$ 49 MM., to which the AFESD contributed US\$ 40 MM. Due to the limited power exchange through this line accounting for only 292 GWh exported from Egypt against 16 GWh imported to Egypt in 2015/2016, it is targeted to raise the line's capacity in order to enhance electricity interconnection between the two countries, in addition to providing a strong interconnection system that enables Egypt to export power to Europe.



Source: Ministry of Electricity & Renewable Energy (MOEE), Egyptian Electricity Holding Company (EEHC), Annual Reports.

Electricity Grids Interconnection Projects Support Egypt's Regional and International Role in Energy Sector

• Egypt – Saudi Arabia link

The Egypt – Saudi Arabia electricity grids interconnection project is aimed to be the hard core of electrical interconnection with Gulf states—an important step towards a comprehensive Arab electricity interconnection. In this context, Egypt and Saudi Arabia signed electricity interconnection agreements at the end of 2013 to exchange electrical power, with capacities up to 3,000 MW during peak times through a 1,395 km long interconnection line, of which 1,370 km are antenna lines and 25 km are submarine cables across the Gulf of Aqaba. The target project will cost US\$ 1.6 bn., of which the Egyptian side will pay US\$ 650 MM. Forecasts show that this cost would be recovered within a period of 8 years and that the return on investment would reach 20%.

Project contracts are planned to be signed during the current year. The electricity interconnection lines between the two countries will be operated by 2021. The project's transmission plants will be established in accordance with the latest direct current systems and the highest possible efficiency. The interconnection will be from Badr transmission plant in Egypt to East Al Madinah Al Munawarah transmission plant, passing through Tabuk transmission plant in Saudi Arabia.

• Egypt – Sudan link

The project aims at interconnecting the Sudanese and Egyptian power grids to benefit from the hydroelectric power available in Sudan through a 160 km long interconnection line, including 95 km within the Egyptian territory and 65 km within Sudanese borders, with a reciprocal capacity ranging between 70–200 MW. Recently, several steps have been taken to activate the project and sign the contracts. A joint technical committee was formed, led by the holding and electric transmission companies in the two countries, to start reviewing the studies related to the electricity interconnection project. The Egyptian Electricity Holding Company (EEHC) invited many national and international companies to submit their financial proposals to execute interconnection works.

Technical specifications of Arab electricity interconnection projects

Interconnection project	Voltage (kV)	Length (km)	Exchange capacity (MW)
Egypt – Jordan electric power link	400	13	550
Egypt – Libya electric power link	220	163	170-500
Egypt – Sudan electric power link	220	160	70-200
Egypt – Saudi Arabia electric power link	500	1,395	3,000

At the European level

- Egypt plans to be a hub for electric power interconnection between Europe and Arab as well as African countries. In this context, the Euro Africa interconnection project was launched to implement the energy bridge between Egypt, Cyprus and Greece. EEHC and the Euro Africa Interconnector in Cyprus signed an MoU in February 2017, which included carrying out a feasibility study of the electricity interconnection among the three countries through the island of Crete, with exchange capacity ranging between 2,000–3,000 MW through a 1,707 km long submarine cable and with initial investments of US\$ 4 bn. This will achieve economic benefits for the concerned countries. It was agreed that MoU will be implemented within a period of 18 months subject to extension, including the economic evaluation, the assessment of the various options and alternatives of project specifications, as well as the assessment of all costs, i.e. costs of construction, operation, maintenance, insurance, ... etc.

In June 2018, a higher committee from the Egyptian Ministry of Electricity and Renewable Energy (MOEE) was set up to evaluate the feasibility study of the project, prepared by Euro Africa Interconnector, in all technical, financial and legal aspects. The Cypriot company determined cables track, and the Egyptian company will locate cables drop point in Egypt.

At the African level

- Egypt considers expanding electricity interconnection projects towards the south of Africa in order to benefit from the immense potentials of water power there, and to export these energies to Europe via submarine cables. The electricity interconnection between the north and the south of the Mediterranean will absorb the huge energies that will be generated from clean energy in the African continent.

Agreement for Russian Industrial Zone in Egypt Signed, Marking a Paradigm Shift in Interrelations

Egypt and Russia signed an agreement in May 2018 to build a Russian industrial zone in the Suez Canal Economic Zone. The two countries had already signed a memorandum of understanding in February 2016. The Agreement represents a paradigm shift in interrelations between both countries. It will help boost bilateral cooperation across various industrial sectors and promote mutual investment opportunities.

Russian Industrial Zone in Egypt ,background and key benefits:

Parties and date of signing The Egyptian and Russian governments represented by their Ministers of Trade and Industry – May 2018

Agreement term 50 years automatically renewable for 5 consecutive years subject to mutual consent

Location East of Port Said within the industrial zone of the Suez Canal Economic Zone

Area 5.25 million m² subject to usufructuary rights

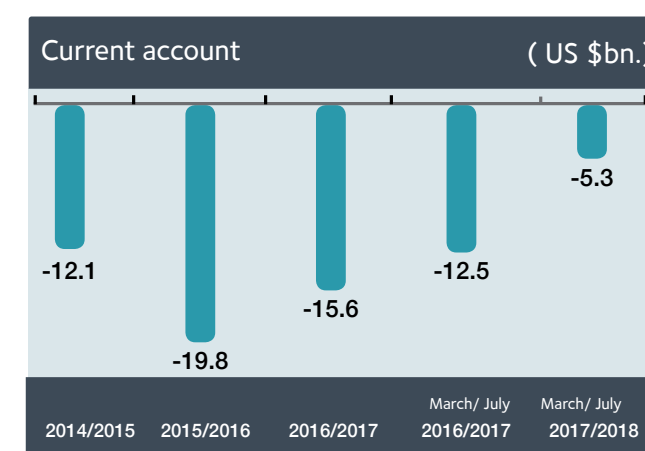
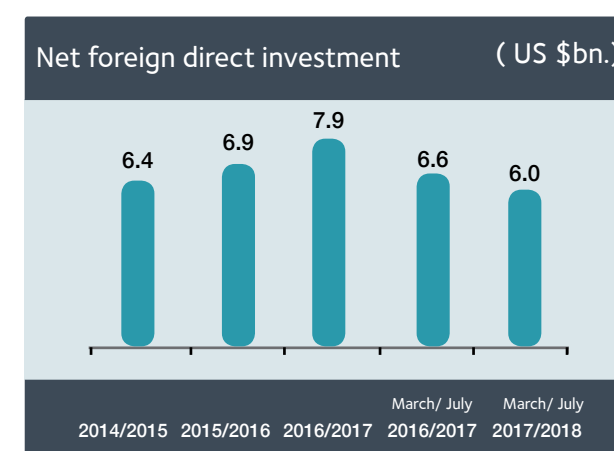
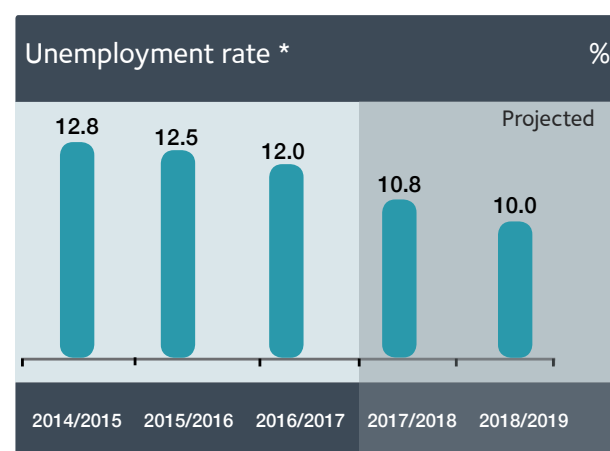
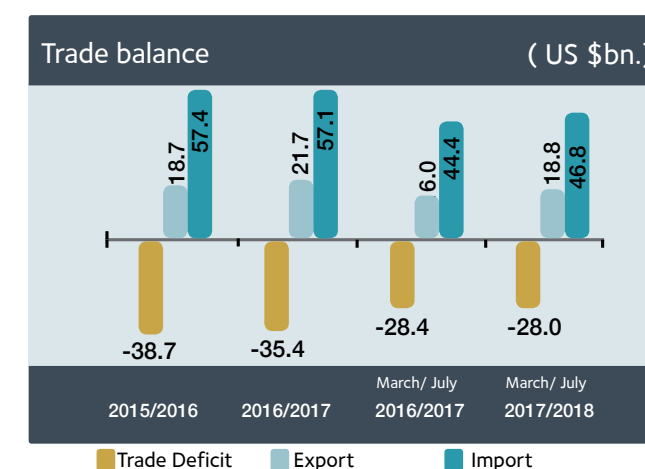
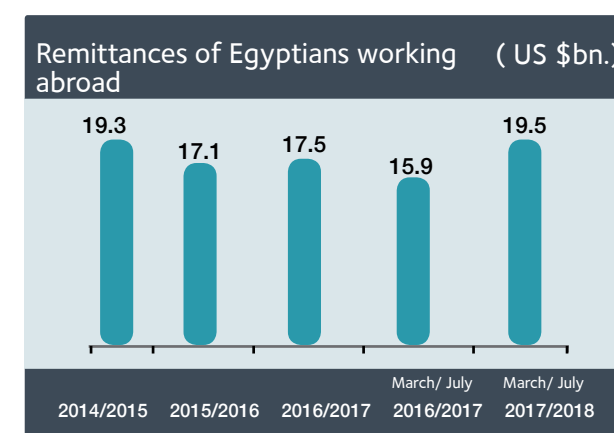
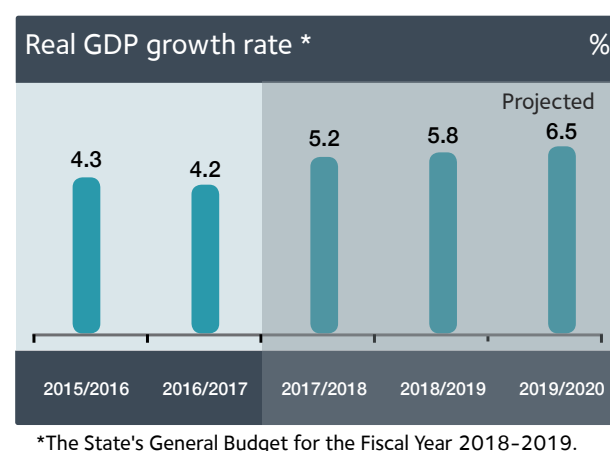
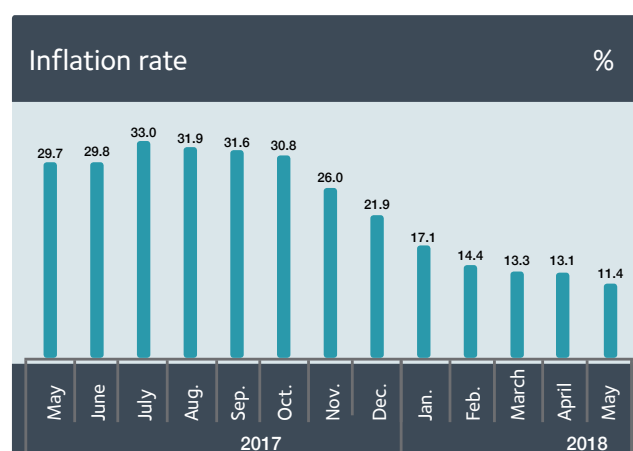
The Industrial Zone will be built over 3 phases:

- Phases**
- ✓ First phase: over an area of 1 million m², expected to be completed by 2020 and to cost US\$ 190 MM.;
 - ✓ Second phase: over an area of 1.6 million m², expected to be completed by 2022; and
 - ✓ Third phase: over an area of 2.65 million m², expected to be completed by 2031.

Investments It is expected to attract US\$ 7 bn. in investments.

Main targeted industries Engines – air conditioners – building materials – glass – wood – paper – medical equipment and supplies – ceramics – plastic

- Key benefits**
- ✓ Boost mutual investments and intra-trade between both countries;
 - ✓ Create thousands of jobs during construction and operation phases. The percentage of Egyptian labour in the Russian Industrial Zone projects may not be less than 90% in accordance with the requirements of setting up projects in the Suez Canal Economic Zone;
 - ✓ Attract and use Russian technology;
 - ✓ Contribute to industrial sector growth and boost production with an eye to reducing imports; and
 - ✓ Help develop and increase the competitiveness of Egyptian industries in foreign markets.



Best Regards

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