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Economic Bulletin



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Egyptian Economy in Brief



The Central Bank of Egypt Continues to Ease the Monetary Policy

100 base points

The reduction rate determined on the 29th March 2018 meeting.

16.75%

The overnight deposit rate

17.75%

The overnight lending rate

14.40%

Headline inflation rate in February 2018.

The decision is supported by a great improvement in the economy's fundamentals, especially that the CBE stresses monitoring of possible risks affecting the future outlook of inflation on national and international levels.

Tarek Amer CBE Governor

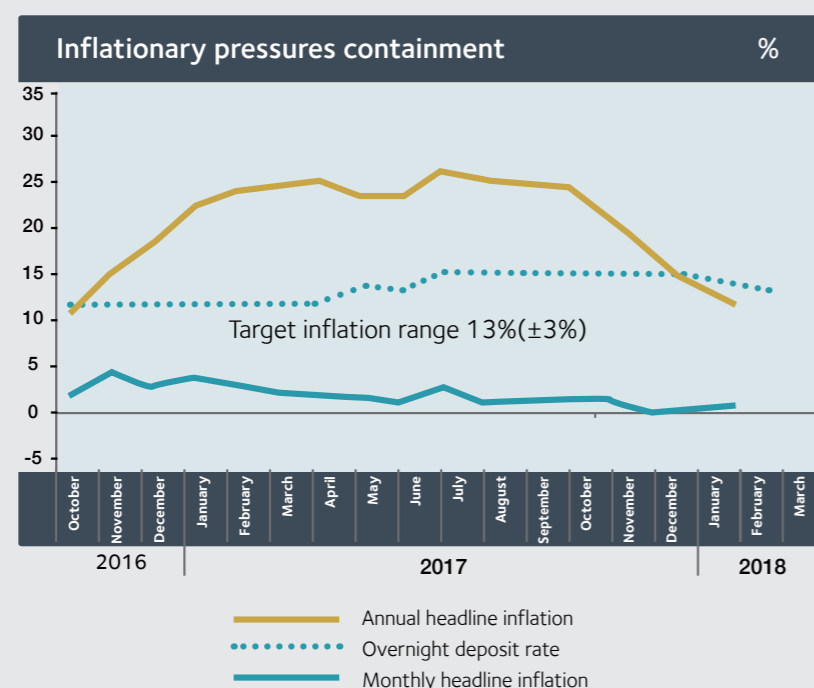


5.3%

Real GDP growth continued to improve for the fifth consecutive quarter "October-December 2017"

11.3%

Unemployment rate in December 2017 which is the lowest since December 2010.



High Demand for Egypt's International Bonds in a New Vote of Confidence in the Egyptian Economy

Egypt issued US dollar-denominated international bonds in February 2018, over three tranches (5, 10 and 30 years) with a total value of US\$ 4 bn. The issue attracted more than 550 global investors from all of the targeted markets "Europe, America, Asia and the Middle East". Bids amounted to US\$ 12 bn. The issue was covered three times, which reflects international community and investors' confidence in Egypt's economy and the economic reform program.

Issue tranches:

First tranche:	US\$ 1.25 bn. for 5 years with a yield of	5.58%
Second tranche:	US\$ 1.25 bn. for 10 years with a yield of	6.59%
Third tranche:	US\$ 1.50 bn. for 30 years with a yield of	7.90%

Egypt's international bonds issue after the liberalization of the Egyptian pound exchange rate

	Issue date	Value "US\$ bn."	Yield "%"
5-year tenor tranche	January 2017	1.75	6.125
	May 2017	0.75	5.45
	February 2018	1.25	5.58
10-year tenor tranche	January 2017	1	7.5
	May 2017	1	6.65
	February 2018	1.25	6.59
30-year tenor tranche	January 2017	1.25	8.5
	May 2017	1.25	7.95
	February 2018	1.5	7.9

Egypt also issued € 2 bn. in euro-denominated bonds in April 2018, with maturities of 8 and 12 years at 4.75% and 5.625% respectively. The issue was covered 3.8 times, attracting an overall € 7.5 bn. in orders. This again reflects international community and investors' confidence in Egypt's economy and the economic reform program.

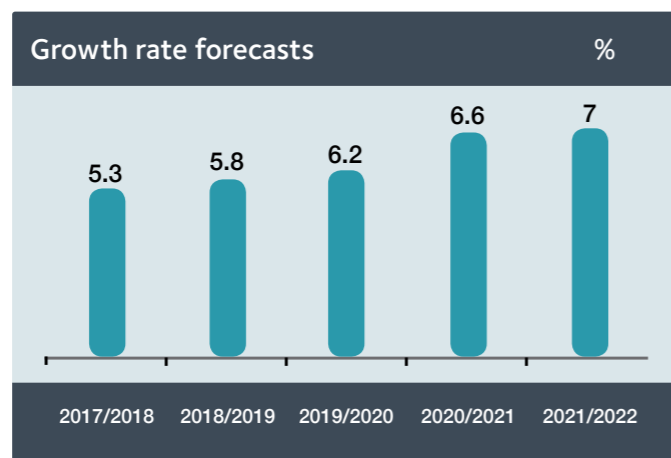
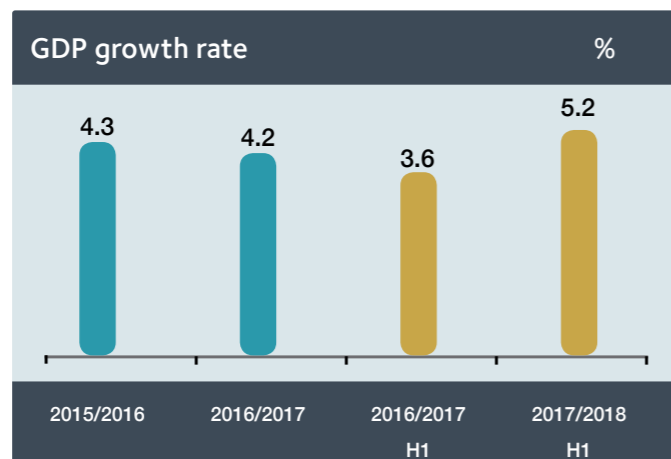
Remarkable Performance for the Egyptian Economy during the First Half of 2017/2018

An optimistic outlook

The government of Egypt (GoE) has adopted during the last period a variety of policies and procedures under the economic reform program which launched its main stage in November 2016 with EGP floating. GoE has also taken certain measures to fine-tune the public finance, boost the monetary policy and stimulate investments. This contributed to realizing positive outcomes as reflected in the recovery of many key economic indicators during the first half of FY 2017/2018. Consequently, many international institutions applauded this ambitious program, on the top of which come the International Monetary Fund (IMF), the World Bank (WB) and the African Development Bank (AFD). Besides, investor's interest in the Egyptian market increased and their confidence in the current and future state of Egypt's economy grew.

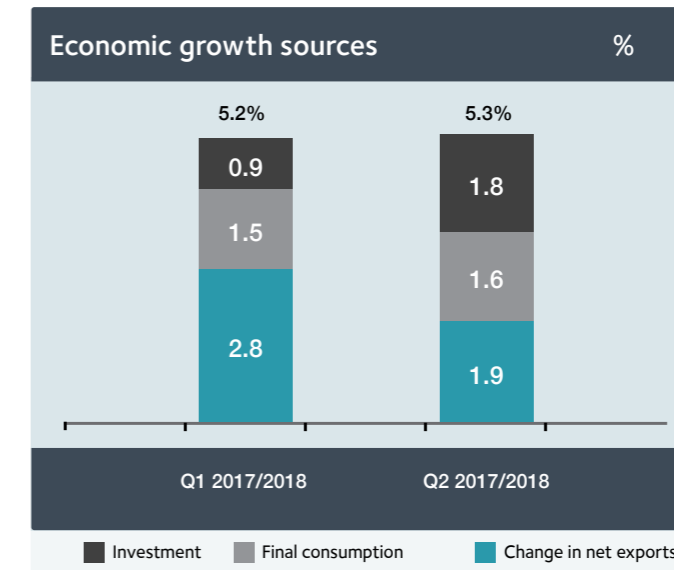
Higher growth rate

The Egyptian economy's growth rate hiked to 5.2% during the first half of FY 2017/2018 up from 3.6% YoY, targeting 7% by 2021/2022 given the ongoing implementation of structural reforms.



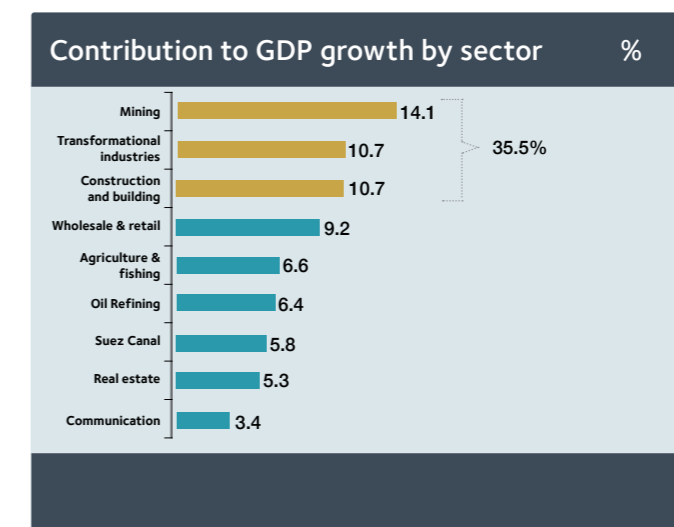
Source: Ministry of Planning and Administrative Reform

During Q2 of 2017/2018, net exports contributed with 36% while final consumption and investment contributed with 30% and 34% respectively.



Source: Ministry of Planning and Administrative Reform

Growth rate has leveled up during Q2 2017/2018 in many sectors, namely mining, transformational industries, and construction & building, together contributing with 35.5%.

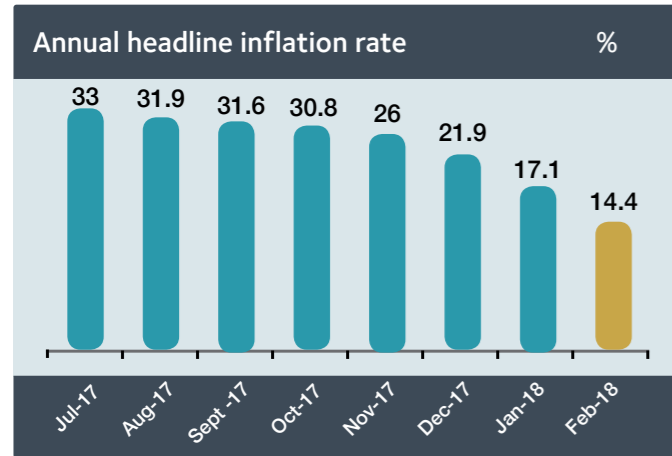


Source: Ministry of Planning and Administrative Reform

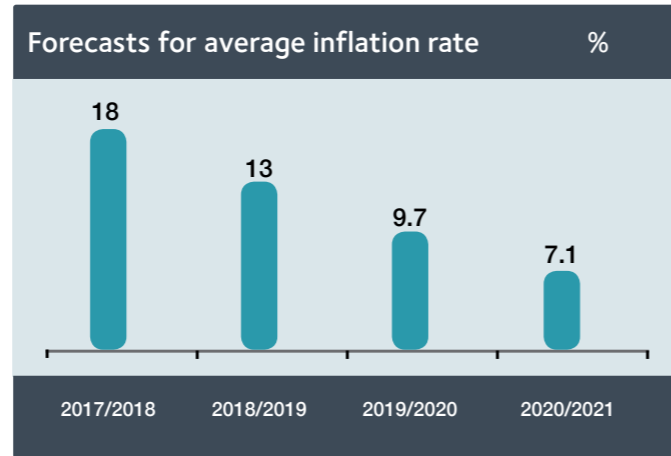
Remarkable Performance for the Egyptian Economy during the First Half of 2017/2018

Gradual decline of inflation rate

The Central Bank of Egypt (CBE) managed to temporarily tighten the monetary policy to contain the inflationary stress which had an accelerated pace since EGP floating in November 2016. This has proven remarkable success as the headline inflation rate gradually declined to 21.9% in December 2017 from 33% in July 2017, and continued to shrink to 17.1% and 14.4% in January and February 2018 respectively. It is worth noting that the Central Bank of Egypt (CBE) has cut, during February and March 2018, the overnight deposit and lending interest rates by 1% twice in a row to record 16.75% and 17.75% respectively, giving investors more confidence to increase their investments.



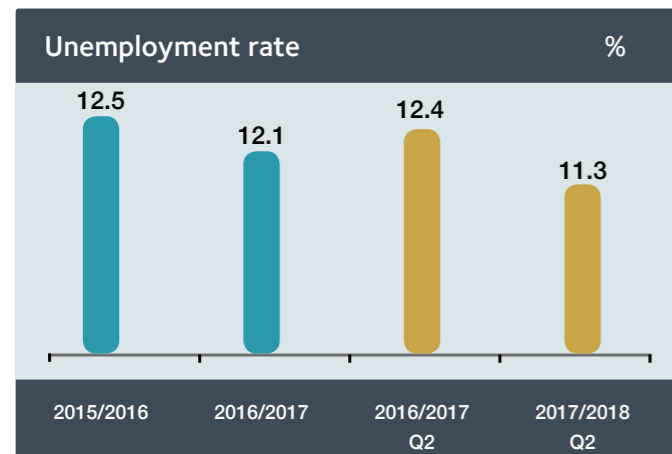
Source: CBE



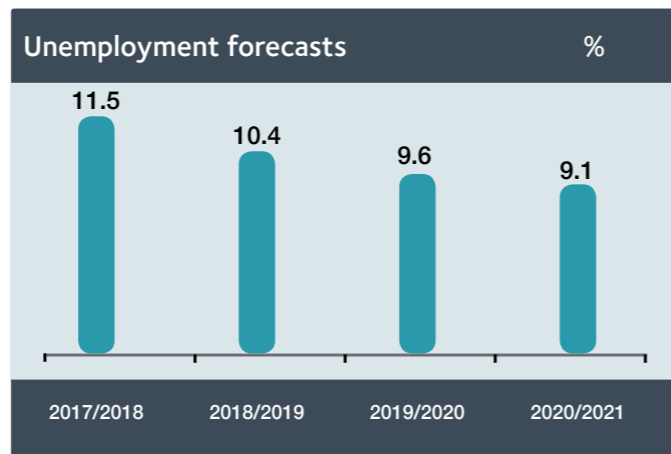
Source: Ministry of Finance

Better unemployment rate

Unemployment rate went to a record low since 2011/2012, recording 11.3% as at the end of Q2 2017/2018 compared to 12.4% YoY, reflecting better growth rate.



Sources:
- Ministry of Planning and Administrative Reform
- Ministry of Finance

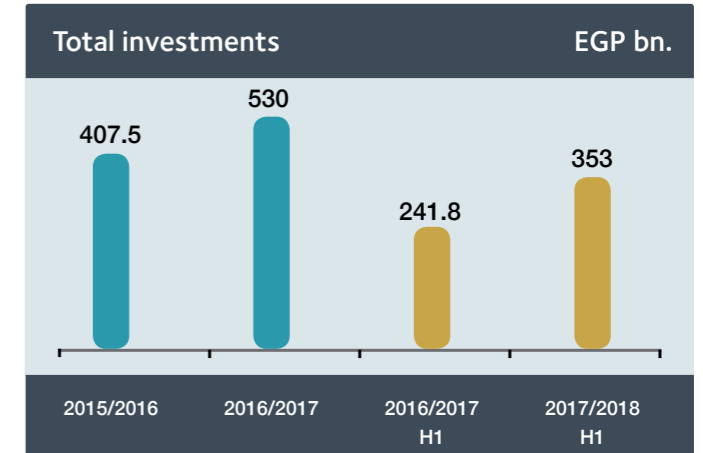


Source: Ministry of Finance

Boosting investments

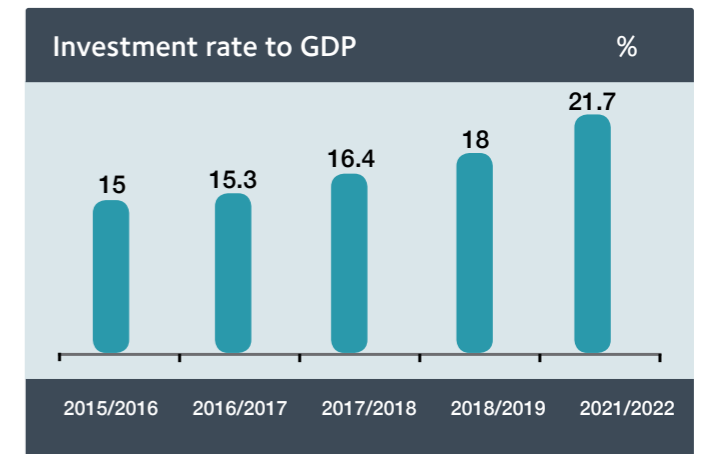
Total investments executed as per the state's plan during H1 2017/2018 increased to EGP 353 bn. by 46% YoY. Public investments rose to EGP 95 bn. during Q2 2017/2018 by 86% YoY.

EGP 756 & 983 bn.
Total targeted investments of 2017/2018 and 2018/2019 respectively



Source: Ministry of Planning and Administrative Reform

It is noteworthy that investment rate increased to 15.3% in 2016/2017 from 15% YoY, and continued going up during H1 2017/2018 to 17.3%. It is expected to post 16.4% as a whole in 2017/2018, to reflect the government's investment expansion during the last period by tapping into many national projects to oil the wheels of production and create more job opportunities. In that vein, investment rate is targeted to increase to 21.7% in 2021/2022.



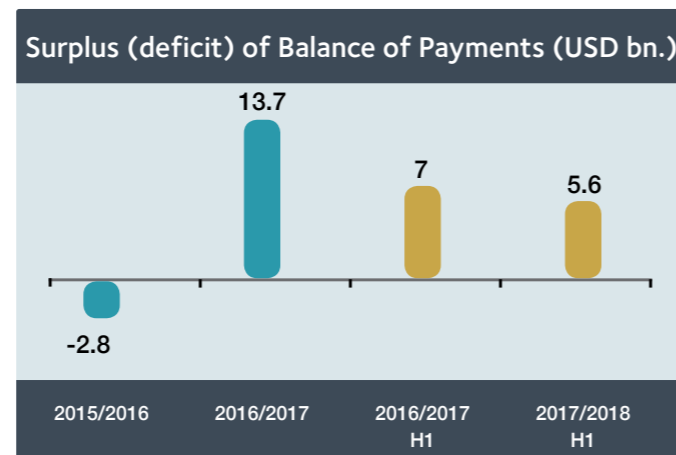
Source: Ministry of Planning and Administrative Reform

Remarkable Performance for the Egyptian Economy during the First Half of 2017/2018

Outstanding performance of external transactions

External transactions of Egyptian economy have recently witnessed a significant improvement as the balance of payment ran an overall surplus of USD 5.6 bn., in H1 2017/2018. **This is ascribable to the following:**

- ✓ Current balance deficit narrowed by 64% to only USD 3.4 bn. against USD 9.4 bn. in H1 2016/2017 by virtue of the improved competitiveness of the Egyptian exports which hiked by 15.4% to account for USD 12.1 bn. Concurrently, imports slightly increased by 4.5%, while tourism revenues and Egyptian expatriates' remittances increased 214.3% and 29.3% respectively.
- ✓ The capital and financial account revealed net inflow of USD 10.4 bn., noting that foreign direct investment (FDI) and portfolio investments unfolded net inflows of USD 3.8 bn. and USD 8 bn. respectively.



Source: CBE

Hike in international reserves

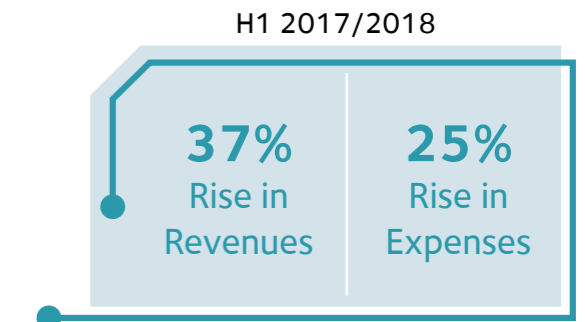
- ✓ Net international reserves (NIR) soared to USD 37 bn. in December 2017 against USD 31.3 bn. in June 2017 and continued increasing up to USD 42.5 bn. as at the end of February 2018.

USD 42.5 bn.
International reserves hit an all-time high in February 2018

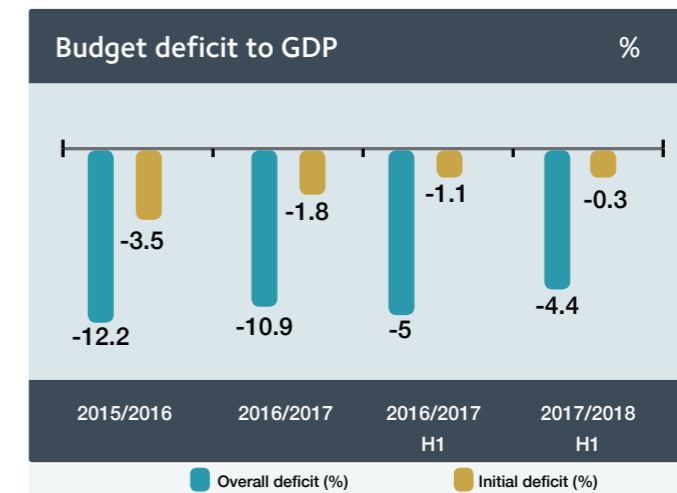
Successful financial discipline plans

Public finance performance improved during H1 2017/2018 due to the government's procedures to reform the state's public budget. Such reforms aim to maximize taxation and non-taxation resources, on one hand, and improve public spending structure through boosting its efficiency, on the other hand. They also pay more attention to developing the competencies of human resources, increasing infrastructure investments to draw more investors and fostering the importance of social safety nets.

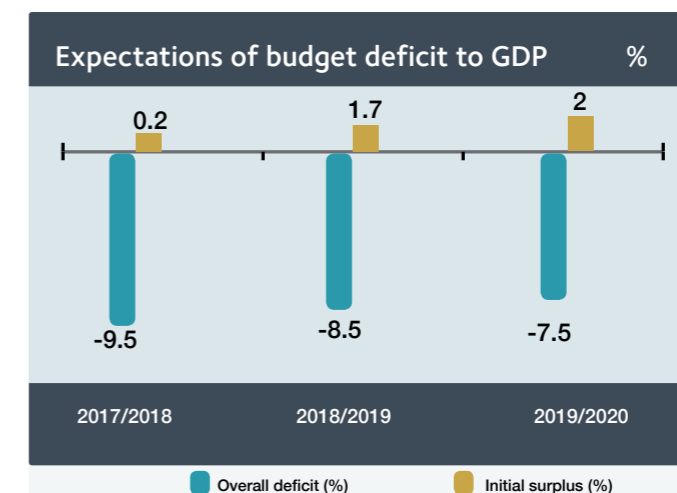
The state's public budget overall deficit to GDP subdued in the H1 2017/2018 to 4.4% versus 5% YoY.



Initial deficit (the overall deficit exclusive of public debt service burden) fell to its lowest level, since over 10 years, to stand at 0.3% of GDP in H1 2017/2018 compared to 1.1% YoY. It is noteworthy that such rate remains consistent with the government's targets aiming at achieving initial surplus of 0.2% in 2017/2018.



Source: Ministry of Finance



Source: Ministry of Finance

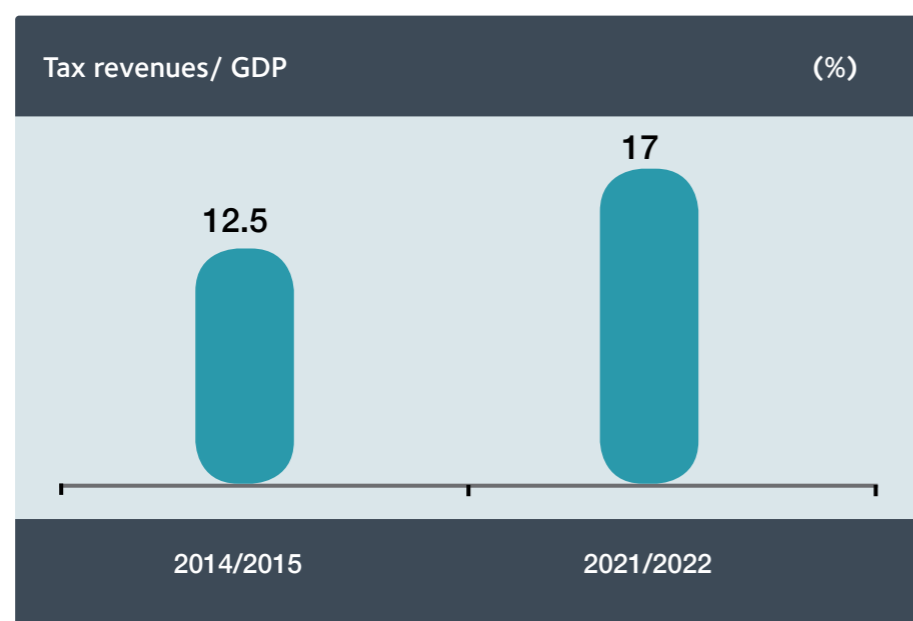
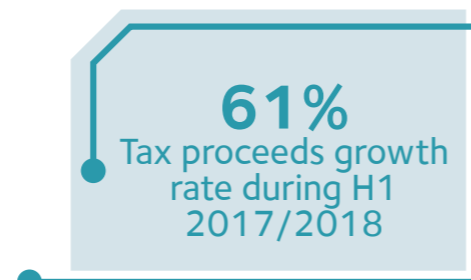
Remarkable Performance for the Egyptian Economy during the First Half of 2017/2018

Key public budget indicators have significantly improved as follows:

Tax proceeds performance

Tax revenues peaked to 61% in H1 of FY 2017/2018 (compared to 12% YoY) to account for EGP 302 bn., owing to the rise in taxes earned from trading and industrial activities by 71%, income taxes on salaries by 24% and value-added tax on commodities and services by 80%.

The government is targeting a persistent increase of tax proceeds (by expanding tax base rather than tax burden) to be linked to economic activity. Tax revenues to GDP would accordingly amount to 17% in 2021/2022 versus 12.5% in 2014/2015.



Source: Ministry of Finance

Social safety nets

GoE has been keen to upgrade social safety nets and develop subsidy mechanisms ensuring it is accessible by the most needy groups. The following is a performance review of these programs during H1 2017/2018:

Key social safety nets	H1 2017/2018	H1 2016/2017	Growth rate
-Financial support pension of solidarity and dignity (Takaful & Karama) (EGP bn.)	9.9	4.1	141.3%
-Subsidy of supply commodities (EGP bn.)	23.3	14.1	64.9%
-Healthcare insurance & medicines (EGP MM)	736	505.1	45.7%

Source: Ministry of Finance

The GoE has also approved an integrated package of financial and social procedures in additional amount of EGP 85 bn. to support the social safety net during 2017/2018. This aims to increase the individual's monthly subsidy on ration card as well as cash support to the beneficiaries of Takaful & Karama program and pensioners. Finally, the package adds more social safety services.

The National Bank of Egypt Issues More Products and Wins More Awards

Pound Sterling Belady Certificate

The National Bank of Egypt issues Belady Certificate in pound sterling for Egyptian expatriates. This comes following the success attained by Belady Certificate in US dollar, Euro and Australian dollar since issuance in 2016. The Certificate aims at encouraging the Egyptian expatriates to invest their savings in a distinguished certificate of deposit inside Egypt at a competitive interest rate compared to interest rates abroad.

Current interest rates



Interest frequency:

The interest will be payable every 6 months as of the business day following the date of purchase.

«Aman Al Masreen» Certificate

To complement its role in developing society, supporting low-income citizens & seasonal and temporary workers, reinforcing financial inclusion principles and courting new segments to deal with banks through rendering especially-tailored banking and insurance services, NBE has issued «Aman Al Masreen» Certificate.

Certificate denomination:

EGP 500 and multiples up till EGP 2,500.

Eligible persons:

Natural persons with ages ranging from 18 to 59 years old.

Insurance coverage:

Life insurance coverage for certificate holder insured subject to insurance policy rules.

Current interest rate:

16% p.a.

Prizes:

A quarterly draw is carried out for every certificate denomination for over 200 prizes.

NBE ranked top Egyptian bank in syndicated loans for 2017

According to Bloomberg Terminal report on the assessment of banks' performance, the National Bank of Egypt (NBE) was ranked as the best bank in terms of syndicated loans. The Bank syndicated loans and acted as a lead arranger and a finance agent during 2017 in the Egyptian banking market. This crowned NBE's success in co-funding several syndicated loans worth EGP 85.7 bn. in 2017. The Bank's participation in these loans amounted to EGP 30.6 bn. geared towards many strategic sectors including electricity, petroleum, real estate development, transportation and building materials. NBE also topped the same market as a finance agent of the biggest two deals in 2017, each amounted to EGP 20 bn. and EGP 19.4 bn. respectively.

Hisham Okasha

Chairman of
the National Bank of Egypt



NBE's share in the Egyptian banking market according to the above-mentioned assessment standards came as follows:

Finance agent:	42.1%
Loan syndication:	23.3%
Lead arranger:	19.5%

NBE receives the PCI DSS certification for the 5th year in a row

For the fifth successive year, the National Bank of Egypt (NBE) obtained the PCI DSS Certification from ControlCase, a qualified security global assessor of compliance with the international Payment Card Industry (PCI) Data Security Standard (DSS). NBE is also the first bank in Egypt to obtain the PCI DSS version 3.2 Certification.

Positive Outlook for the Egyptian Economy by the International Rating Agencies and World Institutions

Over the past period, many international institutions commended the positive outcomes of the Egyptian three-year economic reform program which has been in place since November 2016, backed by an agreement with the International Monetary Fund (IMF). Reforms started to pay off in light of the significant improvement of economic indicators; primarily, the higher economic growth rate. This reflects more clearly the growing confidence of the international agencies and institutions that the Egyptian economy is on the right track.

International Monetary Fund (IMF)

In its second review, the IMF renewed its confidence in the Egyptian economy, noting that the Egyptian economic reform program shows positive signs of further stability in light of the economic growth recovery, inflation rate decline and effective financial control measures. IMF also commended the commitment of monetary authorities to the floating exchange rate regime as a buffer against external shocks which contributed to improving Egypt's global transactions and bringing the international reserves to their highest levels ever.

In this vein, IMF raised its forecasts for Egypt's economic growth to 4.2% in FY 2016/2017, exceeding its previous forecasts at levels of 3.5%, and to 4.8% and 5.5% in the FYs 2017/2018 and 2018/2019, respectively.

World Bank Group (WBG)

The World Bank Group (WBG) applauded the success of the economic reforms adopted by Egypt. Such reforms triggered a stronger relationship between Egypt and WBG and a commitment by the later to be a real development partner of Egypt. The recent period has witnessed a giant leap in the collaboration between Egypt and WB in different fields. In addition to the agreement concluded by WB to extend a loan of US\$ 3 bn. to Egypt over three years to support the public budget and the economic reform program, WBG has recently provided a variety of investments and financing programs. In this context, there stands out the contribution of the International Finance Corporation (IFC)–"the pro-private sector arm of the World Bank Group"–to the establishment of Benban Solar Park, as one of the largest solar parks in the world.



IMF completed the second review of the economic reform program supported by an arrangement under the Extended Fund Facility (EFF) to allow Egypt to withdraw the equivalent of SDR 1,432.76 MM. (US\$ 2.03 bn.).



WB forecasts for the Egyptian economy:

- ✓ **Economic growth rate** is expected to increase to 4.5% during the FY 2017/2018, reaching 5.3% and 5.8% in FYs 2018/2019 and 2019/2020, respectively.
- ✓ **Budget deficit** is projected to decline to 8.8% of GDP in FY 2017/2018, mainly due to the government's **commitment to fiscal control**, i.e. "reforming the power subsidy system and restructuring the tax matrix".
- ✓ **Current account deficit** would fall to 4.6% of GDP in FY 2017/2018, benefiting from the ongoing reforms adopted by the Egyptian government which aim at strengthening economy, addressing imbalances, eliminating exchange market distortions, increasing investment flows, enhancing exports' contribution to the economic growth and reducing payments on imports.
- ✓ Business climate is anticipated to improve, thanks to the ongoing reforms and the issuance of the new investment law and the industrial licensure law lately.

African Development Bank (AfDB)

The African Development Bank (AfDB) pointed out that investment and net export's contribution to Egyptian economic growth during the FY 2016/2017 improved—a trend expected to continue in the coming years. This reflects the government's successful efforts to further economic reforms, control fiscal conditions, enhance growth rates and improve business environment. According to AfDB, the real GDP growth rate is expected to increase to 4.8% in the FY 2017/2018 and 5.5% in the FY 2018/2019, and the average inflation rate to fall to 21.2% in the FY 2017/2018 and 13.7% in the FY 2018/2019.

4.5%
Expected growth rate for the FY 2017/2018

8.8%
Expected budget deficit for the FY 2017/2018



Positive Outlook for the Egyptian Economy by the International Rating Agencies and World Institutions

Egypt has demonstrated a continuing commitment to implementing the targeted reforms, including supporting business, investment and industrial growth; improving energy sustainability; and facilitating access to SMEs finance, which props up Egypt's economic performance levels with a clear focus on helping the poorest through better targeting of social spending on health, education and job opportunities.

AfDB confirmed that EGP floating led to enhancing the competitiveness of the Egyptian economy and increasing confidence in the business sector. Investment also boosted growth rates in the FY 2016/2017 through a variety of mega projects.

It is noteworthy that AfDB Board approved a loan of US\$ 500 MM. in January 2018 to finance the third phase of Egypt's Economic Governance and Energy Support Program (EGEDP), which is the latest in a series of three annual loans totaling US\$ 1.5 bn. and covering the FYs 2015/2016 to 2017/2018.

The said program supports the Egyptian comprehensive structural reform agenda, which aims at strengthening the fiscal control measures, enhancing governance and efficiency in the energy sector and promoting business environment, especially for SMEs.

Moody's

In its report issued in early 2018, Moody's confirmed its stable outlook for Egypt, denoting its forecasts for the economic situation in Egypt, as follows:



- ✓ **Growth rate** accelerated to 4.2% in 2017 to reach 5% by 2019 and 5.5% by 2021. Egypt will be recording the highest economic growth rate in the Middle East, driven by the structural reforms under the economic reform program and the increased contribution of net exports and investment to growth.
- ✓ Economic competitiveness has improved since EGP floating at the end of 2016 which contributed to stimulating foreign investments and strengthening the economic competitiveness. Exports surged 16% in 2017 compared to 2016. As a result, Egypt jumped 5 ranks in the World Economic Forum's (WEF) Global Competitiveness Index (GCI) for 2017/2018, recording the greatest improvement among the countries of the region according to the same report.
- ✓ **Budget deficit** would decline to 10% and 8.5% of GDP in 2018 and 2019, respectively.
- ✓ The **ratio of public debt to GDP** is expected to retreat to 83% by 2021 owing to fiscal control and sound growth rates.

Moody's pointed out that the initial production flow from Zohr gas field in December 2017 would contribute to achieving self-sufficiency of natural gas as well as reducing current balance deficit to stand at 3% of GDP by 2021 against 6.8% in 2017.

Standard & Poor's

In its report issued in November 2017, Standard & Poor's (S&P) revised its outlook for the Egyptian economy from "stable" to "positive" while maintaining its rating of the Egyptian short- and long-term sovereign debts in foreign and local currencies at B-/B. S&P attributed this to the economic recovery and the improved investment climate in light of the government's implementation of a series of ambitious reforms backed by the IMF's Extended Fund Facility (EFF) of US\$ 12 bn. over three years, which in turn helped eliminate the foreign-currency crisis, boost the competitiveness of manufacturing industries, promote tourism and increase international reserves.

This reflects S&P's forecasts for more likely raising the credit rating of the Egyptian economy during the current FY, especially as the government continues to implement the structural, fiscal and monetary reforms program. Main forecasts are summarized as follows:

- ✓ **The average GDP growth rate** is expected to reach 4.4% during the FYs 2017/2018 to 2019/2020 compared to previous forecasts of 3.8% during the same period. This is attributed to the improved economic performance factors, e.g. attracting more foreign direct investment (FDI) flows and remittances of Egyptian expatriates concomitantly starting production of natural gas in Zohr field. To this may be added the continued growth in the building and construction sector through carrying out infrastructure and new national projects; mainly, the Suez Canal Area Development Project, the new administrative capital and the expansion of the road network.
- ✓ **The ratio of investment to GDP** is anticipated to increase to 16.7% and 17.2% in FYs 2018/2019 and 2019/2020, respectively, based on a bunch of legislation and effective measures taken recently to create an investment-friendly environment, including the industrial licensure law and the new investment law which provides tax and non-tax incentives for investment projects, especially in targeted sectors such as renewable energy projects. Further, promulgating the gas market regulation law will enhance the competitiveness of the energy sector, which contributes to courting more foreign investments, especially in the field of gas exploration and production.
- ✓ **The ratio of government debt to GDP** is projected to fall to stand at 93% by the end of the FY 2019/2020.
- ✓ **Inflation rate** would decrease gradually to record 11% by the end of 2019/2020.



The issuance of the law regulating the activities of natural gas market will support the competitiveness of the sector

Positive Outlook for the Egyptian Economy by the International Rating Agencies and World Institutions

Fitch ratings

Fitch Ratings upgraded its outlook for Egypt from "stable" to "positive", while maintaining Egypt's credit rating at "B" in reference to the progress of the economic reform program, the continued improvement of the investment climate and the ameliorated conditions of foreign transactions. Fitch referred also to the continued fiscal and structural reforms aimed at boosting growth, creating jobs, improving public finances in order to put public debt and budget deficit on a downward track and maintaining growth of foreign reserves as factors that will lead to raising Egypt's credit rating in the coming stage.

Fitch forecasts:

- ✓ Strong growth rates are expected during the FY 2017/2018, driven by the improved investment climate, the stable exchange market and the increased production of natural gas.
- ✓ Inflation rates would retreat to 13% during 2018, commensurate with the inflation rates targeted by the Central Bank of Egypt.
- ✓ Preliminary public budget surplus is projected during the FY 2017/2018 for the first time in more than 15 years.
- ✓ The ratio of government public debt to GDP would be reduced to 88% in 2019.
- ✓ The current balance deficit is projected to continue decreasing, where deficit has begun to shrink since EGP floating in November 2016 to reach US\$ 1.6 bn. in Q3 of 2017 against US\$ 4.8 bn. yoy.
- ✓ Interest rates would fall by (200-300 points) during 2018. It is worth mentioning that the first reduction of interest rates in Egypt since the EGP floating was declared in February 2018 thanks to the improvement and stability of the macro-economy.



For the first time
in more
than 15 years
Egypt is expected to
achieve preliminary
public budget surplus

The New Administrative Capital "a Quality Leap into a Brighter Future"

The new administrative capital is a national project with various economic returns, such as expanding the urban and housing space, creating job opportunities and setting up an investment-attractive infrastructure. The project takes into consideration the environmental dimension «the green axis», while keeping in pace with the latest technical and scientific developments, which are manifested in a number of projects such as universities, technology cities and the Knowledge City. The new administrative capital is situated east of New Cairo on a total area of 170,000 feddans. The targeted population accounts for 0.5 MM. in the first phase, and is expected to reach 6.5 MM. upon its completion.

Unique location

The administrative capital is situated east of Cairo, with a unique location near the Suez Canal Development Project and east Cairo cities (Badr, Al-Shorouk and New Cairo). It is connected to four main roads: Suez Road, Ain Sukhna Road, Middle Ring Road and the Regional Ring Road, in addition to the main roads axes.

Government district

The government district is planned to include 34 buildings, comprising 29 for ministries, one building for each of the parliament, the presidency, the cabinet, a conference center, an exhibition city, an airport, a smart city, a medical city and a central park. With the launch of the premier phase, the infrastructure works have been started in the government district area.

Residential districts

The city includes 20 integrated residential districts, encompassing 8 residential districts in the first phase. In 2017, construction works were commenced in the third residential district on an area of 1,000 feddans, with 8 residential neighborhoods that comprise residential buildings, villas, town houses as well as administrative and commercial areas. At the turn of 2018, the construction works were started in the seventh residential district on an area of 1,500 feddans.

Business district

Based on the project's outline, the new administrative capital will include a district fully dedicated to businessmen and headquarters for the Central Bank of Egypt (CBE), the Stock Exchange and the local and international banks, in addition to administrative towers. In this context, it is targeted to construct the highest tower in Africa.

Universities

It is designed to establish branches for several international universities in addition to the Egyptian City for Science, Research and Innovation in partnership with international entities. In this regard, it is expected that the Canadian University would commence study in a number of specializations (science – engineering – administration) in September 2018.

Al Masah Resort

It is considered the first resort in the new administrative capital, on a total area of 10 feddans. "Al Masah Capital" is characterized by its distinguished designs, being the firstling of the major works executed in the new administrative capital.

First offering

The first offering of the new administrative capital's lands in 2017 attracted a large number of investors and developers. The areas of the lands allocated to investors in the first offering ranged between 40 and 500 feddans.

Egypt: Positive Investment Climate Promotes Inclusive Development

Private investments play a key role in stimulating development and easing the burden off the state's budget. They also smooth the way for allocating more public investments to social care and public services. Therefore, creating a favourable investment climate to attract more private investments is a government priority. To this end, the government is working at several levels such as bolstering the legislative and regulatory framework; developing a state-of-the-art interconnected infrastructure; and promoting the entrepreneurial ecosystem to encourage startups, streamline their incorporation and support their growth.

Many actions were taken in 2017 towards this end:

At the level of improving the legislative environment: a series of legislative reforms were approved, most importantly introducing new laws on investment, industrial licensure, and debt restructuring and bankruptcy; and amending the Companies Law and laws on non-banking financial services related to the capital market and the Egyptian Exchange with the aim of streamlining incorporation and operation procedures and providing guarantees to local and foreign investors.

At the level of ameliorating government services and cutting red tape: the Investor Service Centre (ISC) was launched to buttress legislative and regulatory reforms and put them into effect. The ISC provides a multitude of services to investors, in addition to a wide range of advisory services and information on investment opportunities in Egypt. For example:

- ✓ **Incorporation services,** approving minutes of boards of directors and general assemblies, issuing approvals and permits, and allocating plots of land to set up projects.
- ✓ **Dealing with the government:** the ISC acts as an intermediary between entrepreneurs and government entities, and provides resources, advice and assistance with procedures to start-ups.
- ✓ **Legal services:** the ISC offers legal advisory and notary public services to investors.
- ✓ **Entrepreneurial services:** the ISC provides specialized services to entrepreneurs, including training courses, workshops, coaching for start-up businesses, as well as partnerships with global entities which offer training technical support and resources to entrepreneurs.

Investor Service Centre (ISC)

It streamlines procedures for investors to obtain the approvals, permits and licences required for their investment projects. Representatives of administrative bodies at the ISC have full authority and powers to execute procedures for investors pursuant to Investment Law No. 72 of 2017.

Access to information and knowledge is a catalyst to investment and business growth. Hence, an investment map for Egypt was laid out to provide a comprehensive overview of the investment opportunities across all governorates. An investor can explore and search for opportunities by geographical region or economic sector. Information on all key national projects is available to local and potential investors in all sectors. The investment map also shows all zones and incentives including industrial, investment, technological and economic zones.

At the level of promoting entrepreneurship: in view of the growing role of entrepreneurship in advancing economic and social development, creating jobs and empowering marginalized groups, the Ministry of Investment and International Cooperation (MIIC) created the Egypt Entrepreneurship Program (EEP) with the aim of establishing a platform for launching ideas; providing opportunities to new businesses; and stimulating economic growth through promising start-ups in order to boost competition in local and global markets. The four building blocks of the EEP are:

- ✓ **Finance:** Egypt Ventures was incorporated in March 2017 with a capital of EGP 451 MM. It focuses on catalyzing the entrepreneurial ecosystem by investing in venture capital firms and co-investing in high-growth businesses. The Company mainly provides capital for start-ups at the early and growth stages.
- ✓ **Business accelerators:** To succeed quickly, start-ups need more than just capital finance. The business accelerator programme offers up to EGP 500K finance to entrepreneurs to establish their business for 4% to 8% equity. It also provides a large set of services including business, legal and technical aspects.
- ✓ **Entrepreneurship service centres:** They offer a full package of consultancy services and information to entrepreneurs.
- ✓ **The regulatory framework:** The new Investment Law provides for supporting entrepreneurs and start-ups and granting incentives for establishing the infrastructure and technological facilities that promote the investment environment.

Explore investment opportunities in Egypt – MIIC website
<http://www.investinegypt.gov.eg/english/pages/explore.aspx?map=true>

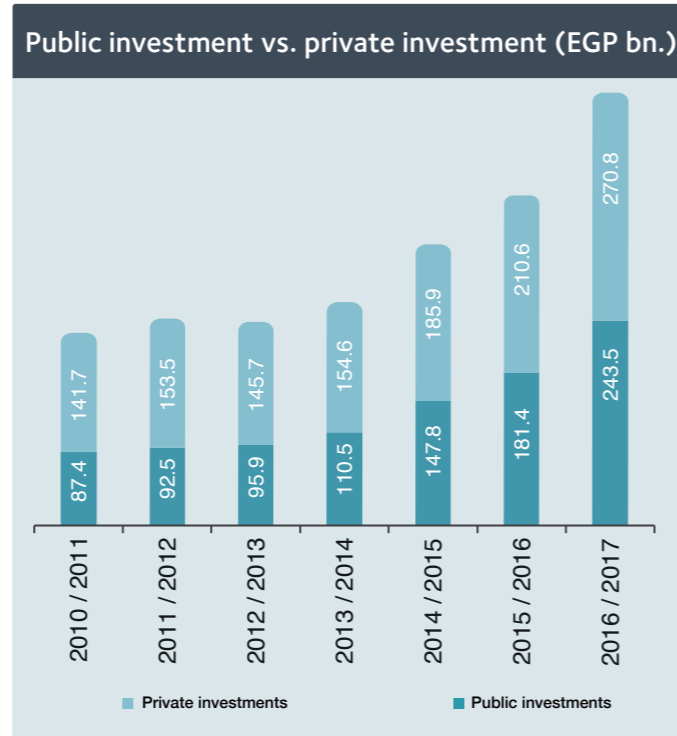


Egypt: Positive Investment Climate Promotes Inclusive Development

Key investment indicators in Egypt:

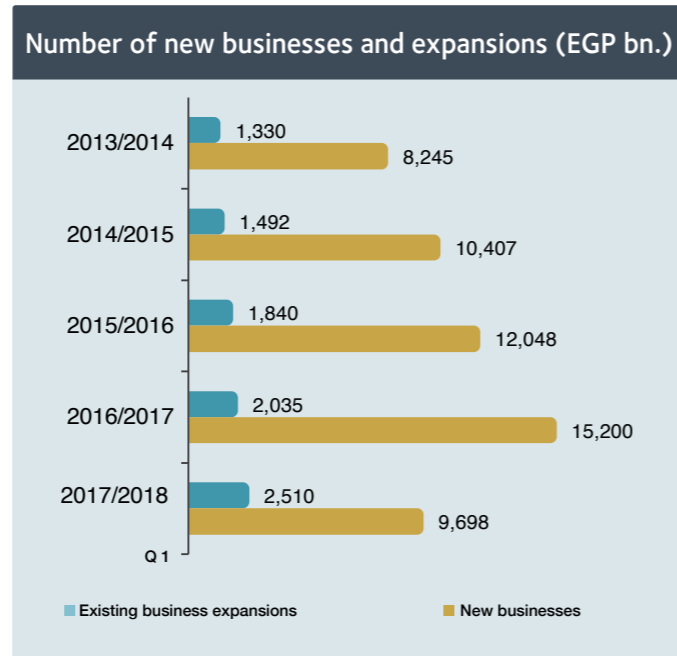
Private investments accounted for 53% of total investment in FY 2016/2017, recording EGP 271 bn. compared to EGP 211 bn. in FY 2015/2016.

Net foreign direct investments (FDI) reached US\$ 7.9 bn., growing 14.5% during the same period of comparison. Meanwhile, Egypt ranked as the top investment destination in Africa according to Rand Merchant Bank's report "Where to Invest in Africa 2018".



Source: Ministry of Finance

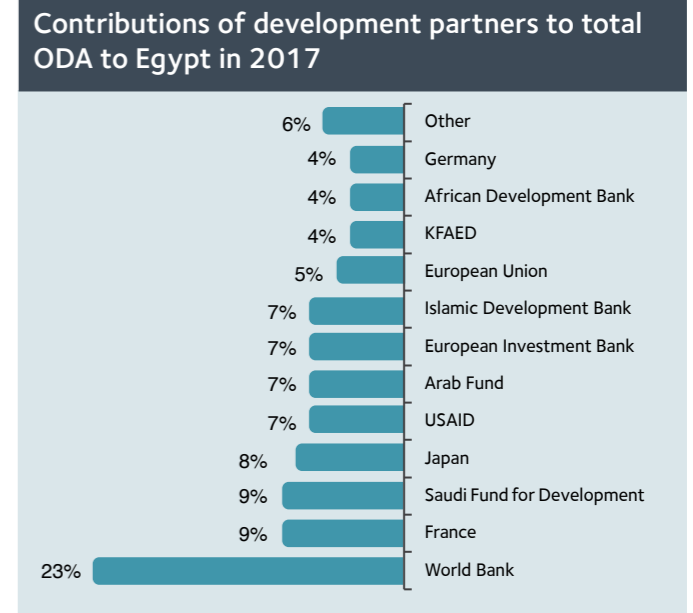
New investments (new businesses and existing business expansions) grew 24% in FY 2016/2017 to account for 17,235 companies versus 13,888 companies yoy. New businesses established in FY 2016/2017 rose 26% to 15,200, whereas existing business expansions increased 10.5% to 2,035, reflecting greater investor confidence in Egypt's investment climate.



On a similar note, maximizing the benefit of Official Development Assistance (ODA) is a key government priority in order to build on the state's efforts across the different areas of development, with a special focus on developing and upgrading the infrastructure and increasing its efficiency as a cornerstone of a favourable investment environment and a healthy private sector.

Development finance directed to upgrading infrastructure comprises expanding and diversifying sources of energy; increasing the efficiency of land, water and air means of transportation and networks; and improving water, waste water and irrigation networks. In this context, nearly 68% of ODA was allocated to supporting infrastructure and economic projects.

Notably, the World Bank contributed the lion's share to ODA directed to Egypt with 23% of total ODA in 2017. Delivery channels of ODA in 2017 show that key efforts by MIIC in the same year include:



Increasing energy efficiency

Oil and gas

An amount of US\$ 200 MM. was allocated to improving the energy efficiency and infrastructure of the Egyptian Natural Gas Holding Company (EGAS). Accordingly, the MIIC relevant portfolio jumped to US\$ 951.6 MM. to finance 6 projects in the oil and gas sector.

Electricity and renewable energy

Three finance agreements worth US\$ 878 MM. were signed with the International Finance Corporation (IFC), French Development Agency (AFD) and European Investment Bank (EIB), to support three projects to generate electricity from solar and wind energy. The MIIC relevant portfolio soared to 63 projects worth US\$ 7.9 bn.

Transportation sector rehabilitation

Two agreements in the amount of US\$ 476 MM. were executed to upgrade railways. Hence, the MIIC transportation portfolio grew to encompass 24 projects worth US\$ 3.9 bn. to improve transportation including railways, metro lines, roads, airports and sea transportation.

Egypt: Positive Investment Climate Promotes Inclusive Development

Water and irrigation

Two agreements in the amount of US\$ 106 MM. were signed with the Kuwait Fund for Arab Economic Development (KFAED) to reinforce water networks and build water treatment plants. Therefore, the number of water and irrigation projects jumped to 23 with a budget of US\$ 958 MM.

Agricultural production and agro-industries

Two agreements worth US\$ 166 MM. were executed with the IFC and KFAED to shore up agricultural development by injecting new investments through public-private partnerships into the development of food industries and supporting the reclamation of 400K feddans in North Sinai. The MIIC agriculture portfolio grew to US\$ 878 MM. through 22 projects aiming to introducing new types of crops and modern farming methods; providing technical support to farmers; incorporating small landowners into the agricultural value chains; increasing access to global markets; disseminating sustainable land management practices; building cold storage and packaging facilities; and introducing modern post-harvest techniques.

In Q1 2018, several development finance agreements were inked; most importantly:

- ✓ Five agreements worth EGP 5 bn. were signed with KFAED in the framework of Sinai Development Program.
- ✓ An amendment to the agreement on the control and signaling system project on the Banha – Zagazig – Ismailia and Port Said railway line was executed to use the surplus of the KFAED which amounts to KWD 7 MM., in order to support the transportation sector and upgrade the train fleet.
- ✓ An agreement worth KWD 100K was signed as a grant to support the feasibility study of the palm cultivation and date processing project in Egypt.

EGP 5 bn.
Finance agreements with
KFAED in Q1 2018 for Sinai
Development Program

Finally, the government approved a comprehensive and ambitious strategy to accelerate growth and development, in which investment is a key pillar. This requires the joining efforts of all stakeholders including private investors and development cooperation programs. Accordingly, the government is making great strides towards creating an adequate and favourable investment climate through developing the legislative and regulatory framework; showcasing and diversifying investment opportunities; providing investment incentives; building on its close ties with international financial institutions and global development partners; and allocating financial resources in the right direction according to the priorities of each stage of development.

Improving the Legislative Environment: a Proactive Instrument for Courting More Investments

Reforming and developing the legislative environment is deemed one of the significant mechanisms to create an appropriate environment for investment and a fundamental pillar for greasing the wheels of economic development. In this context, the recent period has witnessed the issuance of a bunch of laws which are expected to effectively contribute to promoting Egypt's investment attractiveness and improving its ranking in the international reports on investment; ahead of which come the World Bank's Doing Business Report and the World Economic Forum's Global Competitiveness Report.

- ✓ **Law No. 4/2018 amending some provisions of Law No. 159/1981 on Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations.**

The law comprised several new articles and amendments, on top of which is enabling small investors to incorporate the single-member company. This would effectively support the state's efforts aimed at integrating the informal economy into the formal fold and contribute to curtailing unemployment rates, and providing more jobs for the youth.
- ✓ **Law No. 17/2018 amending Capital Market Law No. 95/1992**, introducing amendments to some 45 articles thereof in addition to a number of new articles, with the aim of fostering the development of Egypt's capital market in general, facilitating SMEs financing, protecting the rights of minority shareholders in acquisitions and creating new financial instruments through the issuance of sukuk and establishment of futures and commodity exchanges.
- ✓ **Law No. 11/2018 on regulating Corporate Restructure, Protective Composition and Bankruptcy** which regulates the safe market entry and exit for companies/ merchants in a manner that would secure the rights of both creditors and debtors. The Law provides insolvent companies and near-bankruptcy firms with the opportunity to restructure and re-enter the business market instead of winding up. In addition, it introduces a mediation process for settling commercial disputes and simplifying post-bankruptcy procedures.

Companies Law Amendments Open the Door for More Investments

Law No. 4/2018 was promulgated, amending certain provisions of Law No. 159/1981 on Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, including the largest amendments ever since 35 years. The Law targets strengthening the efforts exerted to bring the informal economy into the formal fold, enhancing transparency and disclosure in business community, and emphasizing the protection of minor shareholder's rights.

Salient amendments are as follows:

Introducing the single-member company

The amendments include the introduction of the single-member limited liability company (SMLLC) which is financially independent of its founder. This new legal form encourages several individual projects to establish a legal entity under which they can run their business. This would contribute effectively to supporting the official efforts exerted to bring the informal economy into the formal fold, curtailing unemployment rates and providing more jobs for the youth, especially through micro and small enterprises, in addition to limiting the incorporation of shell companies.

SMLLC's capital shall not be less than
EGP 50,000

Establishing a standardized electronic system

Under the amendments, the General Authority for Investment and Free Zones (GAFI) is committed to establishing an online standardized electronic system to provide all incorporation and post-incorporation e-services to companies and enterprises, thus promoting automation and keeping pace with the required institutional development.

All agreements concluded between two parties are netting agreements, where each party shall indemnify the other party. Consequently, a netting agreement is an obligation between two parties.

Abrogating netting agreements

The amendments allow abrogating netting agreements proved to be in conflict with the company's interests. They also entitle minor shareholders to prosecute and hold the company's directors accountable with respect to any damages they or the company sustains out of the said agreements. Further, the amendments give minor shareholders access to company's information, since a new article added to the above-mentioned Law authorizes shareholders owning 10% to request information or copies of documents related to the

netting agreements or deals concluded by the company with its affiliated parties. In case the company refuses to provide such information or documents, a request shall be submitted to the competent administrative authority, whose resolution shall be enforceable.

Preference shares

The company's articles of association may grant certain privileges to certain share classes, with respect to voting, profits or liquidation proceeds, provided that the shares of the same class shall have the same rights, privileges and limitations. In all cases, the preference shares may not be issued and the capital may not be increased by preferred shares unless the EGM's approval is obtained, with a majority of three quarters of the company's shares before increment.

Cumulative voting

The company's articles of association may stipulate a cumulative voting to elect BoD members, by granting each shareholder a number of votes equal to the number of the shares held. The shareholder may grant all the votes to one or more candidates, which increases minor shareholder's opportunity to have representatives in the BoD via cumulative votes.

Buyback

The company may not, in any way, purchase more than 10% of the issued shares. In case the company purchases part of its shares within the mentioned limits, it shall dispose of them for the benefit of a third party within a maximum of one year. Otherwise, it shall reduce its capital with the nominal value of the said shares. Disposal of shares for the benefit of the company's subsidiaries or affiliates may not be deemed a disposal for a third party.

Splitting

The company may be split into two or more companies, where each company shall have an independent legal personality with separate assets and business. The surviving company, which still has the same legal personality, is known as the "splitting company" while each separated company is known as the "split company". The shares of the succeeding company may be traded upon issuance, unless trading is wholly or partly restricted.

Protection of minority rights

To protect minority rights, the amendments stipulate that GAFI may, based on a request by shareholders owning 5% at least of the company's shares and provided that GAFI is convinced that the request is based on serious reasons, issue a decision suspending the company's OGM resolutions that are detrimental to those shareholders or taken to the benefit of a certain class of shareholders, BoD members or others.

Regulating the relationship with administrative authorities

The added articles stipulate that companies are committed to providing the competent administrative authority with the annual financial statements and an annual data form concerning its business and investments to ensure strict control and enhance transparency and disclosure in business community. Pursuant to law provisions, a grievance committee shall be formed to consider the administrative resolutions issued by the competent administrative authorities, while adopting an integrated system for the committee's work and organizing settlement of disputes arising out of applying law provisions similar to the other relevant economic legislation.

The Law also stipulates that competent administrative authorities may not reject the companies' capital increase unless such increase is: proved to be tainted by fraud and jeopardizing third party's or shareholder's rights; not in compliance with the Egyptian Accounting Standards; or caused by a material breach of the law provisions and rules and procedures of capital increase.



Introducing New Financial Instruments to the Egyptian Stock Exchange after Capital Market Law Amendments

Law No. 17/2018 amending the Capital Market Law No. 95/1992 was promulgated, where several articles were amended and a number of new articles were added. This Law aims to upgrade Egypt's capital market in general, enhance investments, facilitate project financing and protect the rights of minority shareholders in case of acquisitions.

Main Law amendments are as follows:

Sukuk and short-term bonds

The Law introduces 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-Murabaha, Al-Mudaraba, and Al-Musharaka; determine the entities to be in charge of the issuance process and set up the eligibility conditions of the company to benefit from sukuk issuance. Under the amendments, Sukuk are to be issued via a sukuk-issuer company which receives subscription proceeds and acts as an agent on behalf of the holders. In that vein, sukuk issuers monitor their investments, ensure their application within the scope of issuance purposes and follow up distribution of sukuk returns and redemption value in all contracts concluded with the entities benefiting from the finance and other participants in the issuance process.

Issued and paid up capital of futures stock exchanges to be at least **EGP 20 MM.**

Futures contracts and commodities stock exchanges

The Law authorizes the establishment of 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 risk, predict market prices, facilitate and activate trading assets subject of contracts. This has been achieved via setting rules and controls for such kind of stock exchanges and defining contracts traded on futures exchanges, including futures, options and swaps. **Within this scope, the amendments seek to:**

Issued and "cash" paid up capital of brokerages looking to trade on futures exchanges may not be less than **EGP 10 MM.**

- ✓ Establish the legislative framework for such stock exchanges for the first time since the cotton futures stock exchange which was closed in the sixties of the previous century. This does not mean that the stock exchanges will be established automatically. Companies and financial institutions should conduct necessary feasibility studies to establish such markets. Under the Law, the Egyptian Stock Exchange may establish a joint stock company for futures trading and may deal in derivatives of the underlying listed securities without a need to establish a company;
- ✓ Organize trading methods, establish brokerage and trading firms, executing companies, clearance and settlement center, certified warehouses, supervisory and control unit of warehouses and commodities and experts of commodity classification; and oblige brokerage firms to establish a fund to insure traders against risks. The Law also provides for the establishment of a special purpose unit in the Ministry of Internal Trading entitled supervision and control unit of certified warehouses for commodities; and

- ✓ Impose disciplinary procedures and penalties against violators at futures trading and commodities stock exchanges and provide for terminating their licences in case of repetitive violations to maintain market and traders stability.

Reducing listing fees

The Law stipulates a reduction of securities listing fees incurred by companies on the stock exchange to 0.002%. This would help alleviating the burden on companies wishing to be listed and encouraging small- and medium-scale enterprises (SMEs).

Cancelling bearer shares

In response to the global anti-money laundering efforts, the amendments provide for abolishing bearer shares and prohibiting their issuance. Companies which have issued such type of securities and the relevant stockholders must transfer them to nominal securities before the new Law takes effect.

Tightening penalties against manipulation

The Law is keen on tightening the penalties for violations and manipulations to match the crime and the financial gains realized by such offence. This is in addition to setting up the regulating rules for the criminal liability of the manager in charge of the securities company, for being aware of such crimes and because the failure to undertake job duties has led to the occurrence of such crime.

Investor Protection Fund

The Law focuses on enhancing investors' protection in several aspects, especially by enabling the Investor Protection Fund to interfere to protect investors from the violations of listed companies; specifying articles for IPOs and private offerings, simplifying the Prospectus Publication Rules by providing the relevant prospectus electronically; and amending the penalties related to some law encroachments, in light of higher trading values in the capital market, in order to be deterrent and suitable for the breach value.

Federation for securities companies

The newly-ratified Law pays attention to supporting the entities operating in the market via setting up a federation for securities companies, **by seeking to:**

- ✓ Determine the mechanisms for forming the federation for securities companies via consulting with different associations operating in the market;
- ✓ Provide complete flexibility with respect to the federation's tasks concerning recommendations submitted for the legislative and regulatory market development; and
- ✓ Oblige all securities companies to join the federation, with the acknowledgment of the federation's right to take administrative procedures only against violating members.

The amendments to the Capital Market Law are considered a new impetus contributing to pumping more local and foreign investments as well as stabilizing and fortifying market conditions. Such amendments are considered the largest and most comprehensive since the law was issued 26 years ago.

Government IPOs Program (EGX)

Aim: Expanding the ownership base, activating the stock market & increasing the market capital



15%: 30%
Stakes to be offered

24 - 30 months for Program implementation

Companies to be listed in the first phase of the Program

Oil & refining services

Enppi - Engineering Co. for the Petroleum & Process Industries.....	New offering
Egyptian Drilling Co.	New offering
Middle East Oil Refinery Co. (MIDOR)	New offering
Assiut Oil Refining Co.	New offering
Alexandria Mineral Oils Co. (AMOC)	Listed

Petrochemicals

The Egyptian Ethylene and Derivatives Company (ETHYDCO)	New offering
Al-Wadi for Phosphate Industries & Fertilizers Co.	New offering
The Egyptian Methanex Methanol Co. (EMethanex)	New offering
Egyptian Linear Alkyl Benzene Co. (ELAB)	New offering
Abu Qir Fertilizers Co.	Listed
Sidi Kerir Petrochemicals Co.	Listed

Financial services

Bank of Alexandria	New offering
Banque Du Caire	New offering
E-Finance	New offering
Misr Insurance Company	New offering
Housing & Development Bank	Listed

Real Estate

Heliopolis Co. for Housing & Development	Listed
Madinet Nasr for Housing & Development	Listed

Logistics Services

Port Said Container & Cargo Handling Co.	New offering
Damietta Container and Cargo Handling Co.	New offering
Alexandria Container & Cargo Handling Co.	Listed

Manufacturing

Eastern Company	Listed
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Consumer services

Egypt Aluminum Co. (Egyptalum)	Listed
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In February 2018, the Parliament approved the Law on Regulating Corporate Restructure, Preventive Composition and Bankruptcy, aiming to easily provide investors with safe market entry and exit and integrate informal sector into economy. The Law includes 262 articles applicable to merchants as defined in Trade Law No. 17 of 1999 and all types of companies, except for joint ventures and the public-sector and public-enterprise sector companies. The Law includes the following:

Setting up a bankruptcy department

The Law provides for the formation of a special bankruptcy department within the Economic Courts, which handles mediation process in the cases of corporate restructure, preventive composition and bankruptcy; the completion of request documents and the preparation of a brief on the litigant's requirements and pleas within a maximum of 60 days from the request date.

Introducing settlement by mediation

The Law approves the creation of a "mediation process" as an amicable means to settle trade disputes between the disputed parties to reduce litigation by referring to courts. This will be effected by appointing a "bankruptcy judge" taking charge of:

- ✓ Approaching the viewpoints of disputed parties to reach proper solutions;
- ✓ Making proper mediation, taking into consideration the individual requests and mediation circumstances; and
- ✓ Reaching a binding settlement agreement to be signed by the relevant parties.

Formation of restructuring committee

The Law regulates the financial and administrative restructure of insolvent or defaulted enterprises, in an attempt to rescue and qualify them to return to the business market. The right of restructure is granted, by the Law, to the merchant, whose capital is not less than EGP 1 MM and has conducted business for two years prior to submitting the petition, provided that the merchant has not committed fraud. In this course, the Law stipulates the formation of restructuring committee to assist the competent judge in achieving this purpose, noting that such committee:

- ✓ comprises the experts who are listed in firms and companies specialized in corporate restructure and asset management and the experts of certain ministries, authorities and general federations;
- ✓ takes charge of developing a plan to reorganize the merchant's financial and administrative affairs, ensuring a safe exit from such financial and administrative disturbance and repayment of debts and indicating the proposed funding sources.

Regulation of preventive composition procedures

The Law allows the companies and merchants of good faith to avoid bankruptcy proceedings by giving them the right to request preventive composition in the following cases:

- ✓ the merchant who is close to bankruptcy and has not committed fraud or error, but his financial situation was disordered in a manner leading to his default; and
- ✓ the merchant who is in default but is qualified, as mentioned above, to request composition within 15 days of debt non-payment, even if the merchant has requested to declare bankruptcy.

In the course of supporting business continuation of merchants/ companies as referred above, the Law gives priority to resolving composition request over bankruptcy declaration request.

Simplification of post-bankruptcy procedures & introduction of bankrupt assets liquidation

The Law simplifies post-bankruptcy procedures and introduces new liquidation mechanisms for the purpose of standardizing and regulating the disposal of unregistered properties so as to guarantee the rights of all involved parties.

Alleviating penalties for bona fide bankrupt and reserving rights of creditors

In an attempt to mitigate the bankruptcy consequences on bona fide bankrupt, and in line with the internationally-accepted rules, the Law abolishes prison sentences in bankruptcy based on default cases and limits punishments to a monetary fine ranging from EGP 50,000 to EGP 200,000.

On the other flipside, the Law maintains the rights and interests of creditors against mala fide debtors and their accomplices as it strengthens the penalties for bankruptcy fraud, to be 3-5 years of imprisonment and a fine ranging from EGP 50,000 to EGP 500,000.

In pursuit of developing an **integrated framework for entrepreneurship and innovation**, the Ministry of Planning, Follow-up and Administrative Reform launched the “2030 Pioneers” Project in December 2017. The Project aims to promote young talents to achieve inclusive and sustainable economic and social development. In line with the main objectives of Egypt’s Vision 2030, the Project is designed to create a scientific community that is capable of supporting and expanding the concept of self-employment and innovation, where knowledge and training skills go hand in hand to transform ideas into projects.

Pillars of support

Pillar 1

Granting annual scholarships in different areas to help students become members in an academic environment where ideas are diverse, innovation is enabled, sectoral priorities and challenges are identified and addressed, and investment in human resources is greater.

Pillar 2

Offering master’s degree in entrepreneurship, in cooperation with the University of Cambridge, to offer suitable disciplines for transforming promising ideas into entrepreneurial projects, create a scientific community that is capable of supporting and expanding the concept of entrepreneurship, capitalize on and invest in youth’s innovations, and finally achieve economic growth based on creativity and innovation.

Pillar 3

Promoting the society’s awareness of the culture of self-employment and entrepreneurship, through training and developing the skills of students in accordance with the labour market, and delivering a specialized curriculum on entrepreneurship by experts to create a new generation of entrepreneurs capable of employing their academic knowledge in start-ups.

Pillar 4

Expanding business incubators in universities and vocational schools. Incubators aim to encourage development projects, foster companies that cater for local needs especially through the innovations they provide, offer technical and financial support, enhance the youth’s management and innovative competencies, and contribute to lowering unemployment rates.



Dr. Hala Al Saeed

Minister of Planning, Follow-up and Administrative Reform

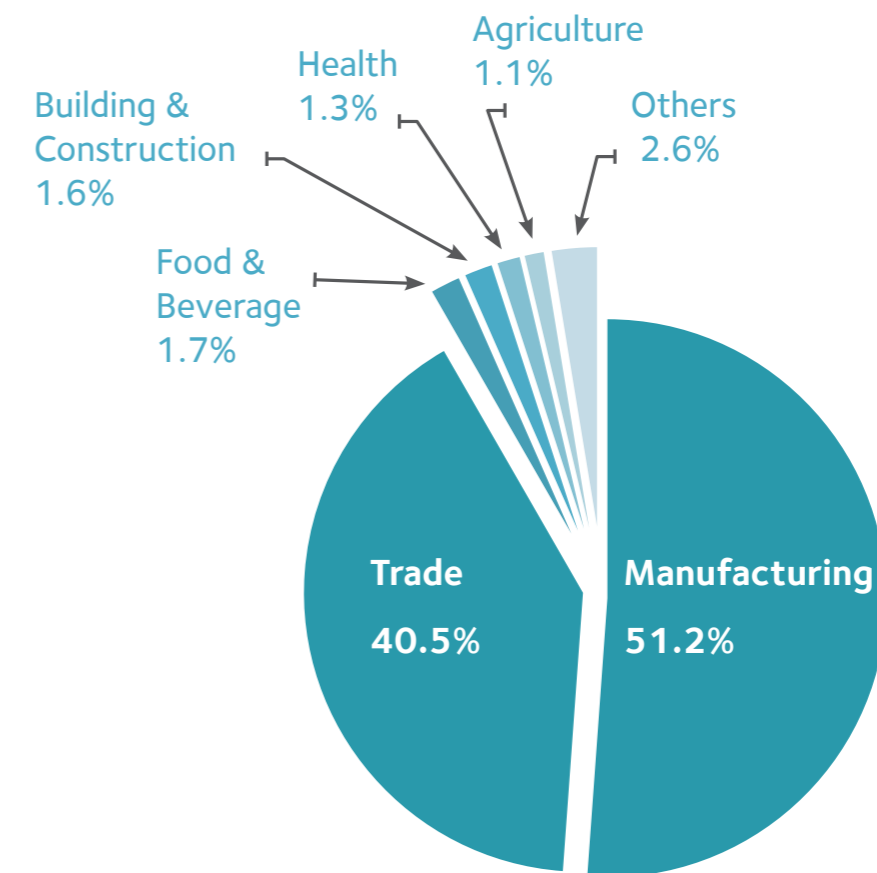
Strategic objective of the Egyptian economy

The micro, small and medium enterprises (MSMEs) sector is one of the key economic and social development drivers worldwide, especially in developing countries, being a major pillar in increasing production on the one hand and affording more jobs to address the problems of unemployment and poverty on the other. In this context, the Egyptian government pays great attention to increasing MSMEs’ contribution to the national economy in line with the Sustainable Development Strategy: Egypt’s Vision 2030.

Egyptian MSME indicators

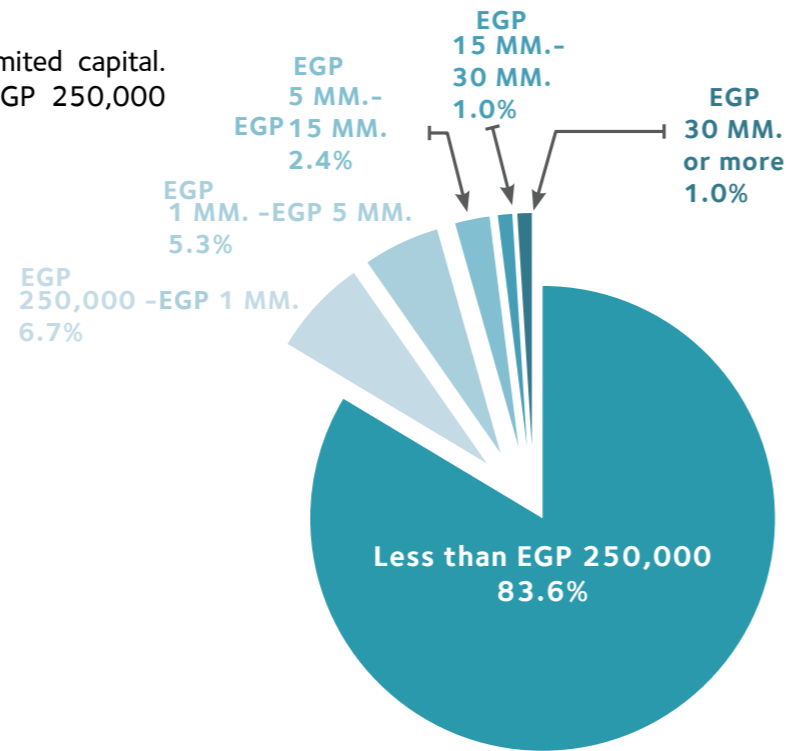
The Industry and Trade Development Strategy (2016–2020) adopted by the Ministry of Trade and Industry (MTI) indicates that Egypt embraces about 2.5 MM. MSMEs, which accommodate 75% of the total labor force. MSMEs distribution in Egypt is shown below **based on a number of indicators**:

✓ **Business nature:** Manufacturing and trade capture the largest share of MSMEs at rates of 51.2% and 40.5%, respectively.

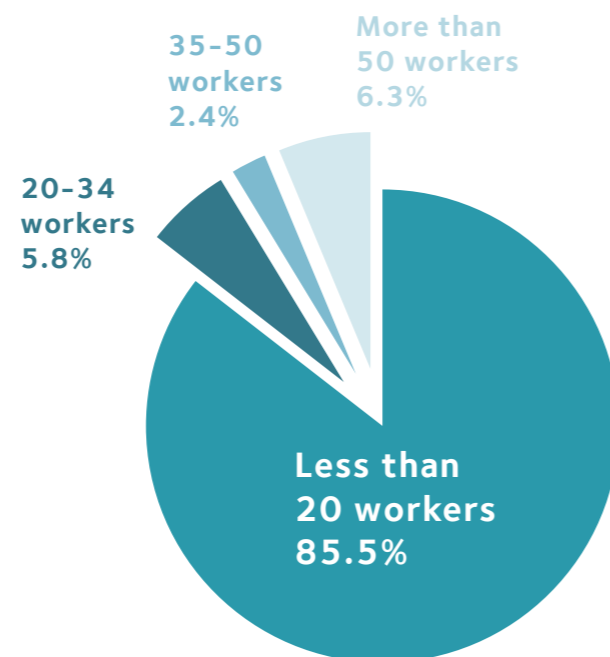


Development of Micro, Small and Medium Enterprises

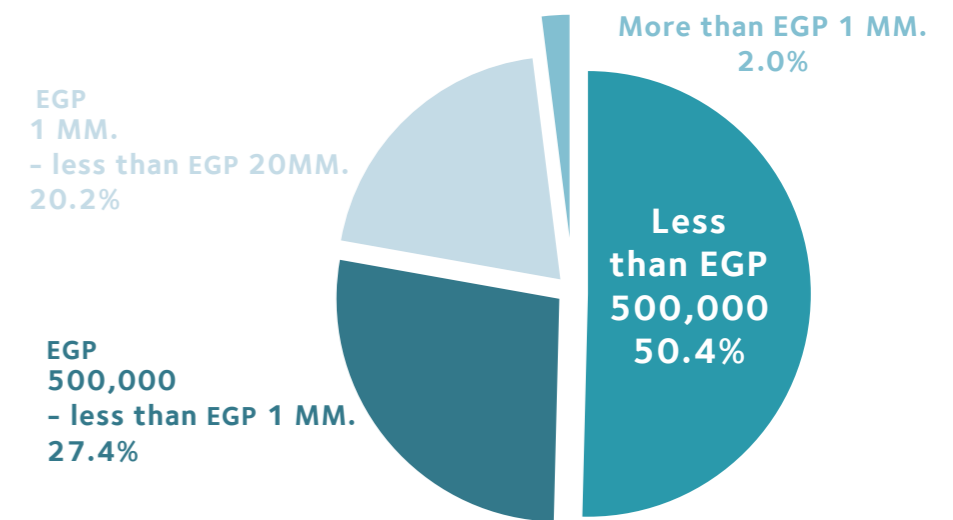
✓ **Capital:** Most MSMEs have limited capital. Enterprises with a capital less than EGP 250,000 account for 83.6% of total MSMEs.



✓ **Labor force:** Enterprises accommodating less than 20 workers acquire 85.5% of total MSMEs.



✓ **Turnover:** Annual turnover of 50.4% of MSEMs is less than EGP 500,000.

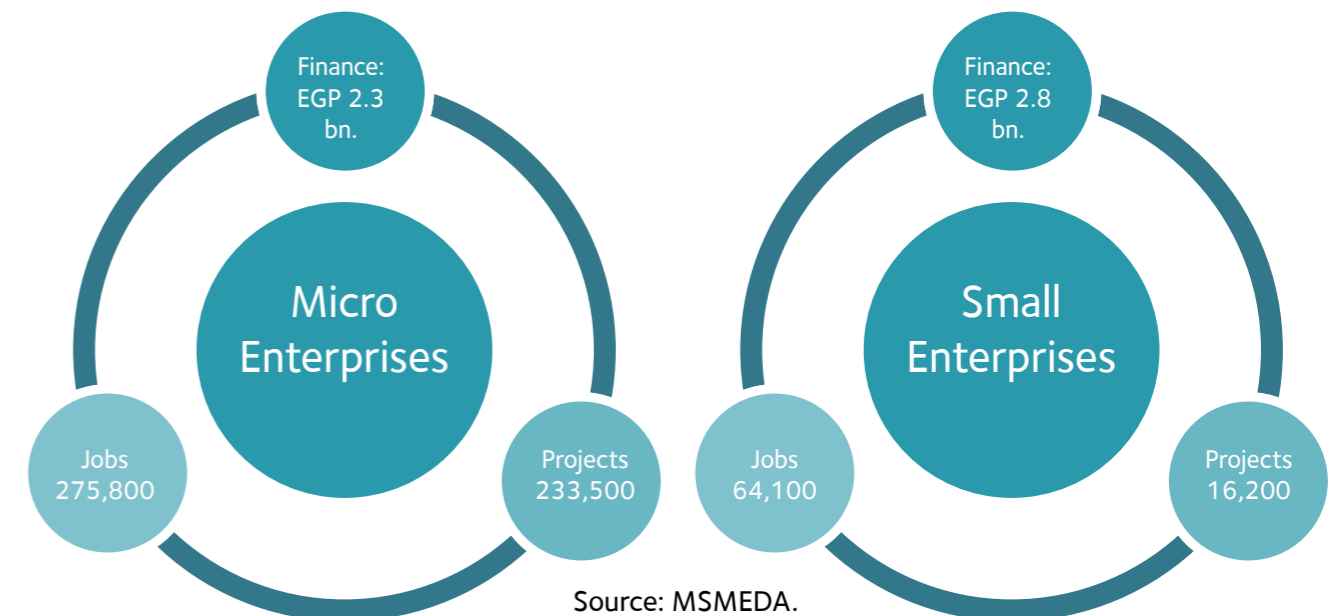


✓ **Banking transactions:** About 47% of SMEs deals with banks, while 22.4% obtains bank facilities.

MSME Development Agency

The MSME Development Agency (MSMEDA) is one of the state's active mechanisms towards boosting and promoting these types of projects. Some of MSMEDA's key performance indicators with respect to financing small and micro enterprises are outlined below.

✓ **Structure of finance, projects and workforce:** Total finance extended to small and micro enterprises accounted for EGP 5.1 bn. in 2017, benefiting about 250,000 projects and affording 340,000 jobs, **distributed as follows:**



Development of Micro, Small and Medium Enterprises

✓ **Sectoral distribution based on business nature:** The commercial sector was in the forefront of economic sectors during 2017 in terms of the volume of finance extended (to both small and micro enterprises) and the number of respective projects and jobs.

Finance extended by MSMEDA in 2017, by sector

Sector	Small enterprises			Micro enterprises		
	No. of	No. of	Disbursed amount	No. of	No. of	Disbursed amount
	Projects	Jobs	EGP MM.	Projects	Jobs	EGP MM.
Industry	854	9190	314.8	7241	16208	81.4
Livestock	4202	15436	711.7	37681	26104	219.3
Service	3158	10269	338.6	23870	38688	241.2
Trade	7859	28476	1408.4	162165	189381	1677.1
Free professions	93	730	42	2534	5397	34.8
Total	16166	64101	2815.5	233491	275778	2253.8

Source: MSMEDA.

MSMEDA's efforts are not limited to providing the necessary finance to support these projects, but extend to non-financial services. In this context, MSMEDA provided several non-financial services during January–November 2017. **For example:**

- ✓ Holding 147 exhibitions with the participation of 2,685 exhibitors with total sales and contracts amounting to EGP 32.4 MM.;
- ✓ Nominating 84 projects to obtain export opportunities through the Egyptian International Trade Point;
- ✓ Contributing to the conclusion of 154 transactions for the integration of projects worth EGP 16.5 MM.;
- ✓ Issuing about 29,000 «final and temporary» business licences, in addition to 15,000 national ID cards for establishments, 2,600 commercial registers and 8,000 tax cards through the one-stop shop system provided by MSMEDA's branches in all governorates; and
- ✓ Providing training courses for 3,400 trainees.

In line with the state's ongoing and diversified efforts in support of SMEs, MTI launched the first phase of the **"SMEs online platform"** in August 2017 to provide all data, services and programs provided by government institutions and agencies, NGOs, businessmen associations and the private sector to small businesses, entrepreneurs and startups, while linking them to the industrial investment map. This is in addition to providing a number of electronic applications to carry out economic feasibility studies and calculate the loan value and the schedule of installments and interests.

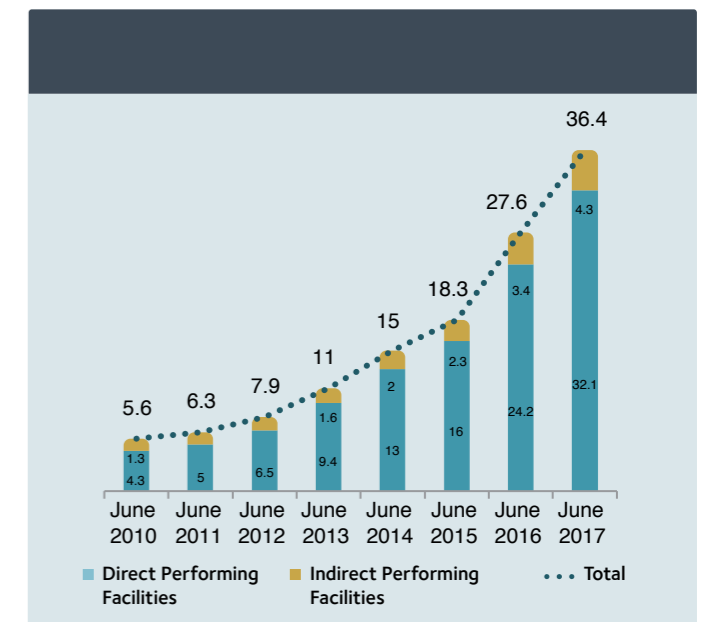
NBE's leading role in SMEs development

The National Bank of Egypt (NBE) offers a wide range of financing products that cater for the needs of SMEs in various activities and sectors through specialized units in NBE branches in all governorates. This is commensurate with NBE's constant strive to participate effectively in building the Egyptian economy; provide finance requirements for the different sectors, especially those depending on local components; and contribute to increased exports and hence real growth of GDP.

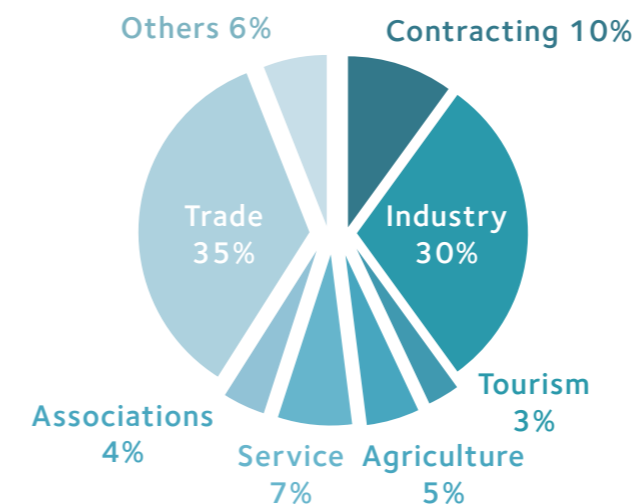
Development of NBE's portfolio

NBE's SMEs portfolio has achieved remarkable growth in recent years, recording 550% increase during June 2010–June 2017. The portfolio of direct performing facilities grew 647% during the same period.

In June 2017, the portfolio of (direct and indirect) SMEs facilities amounted to EGP 36.4 bn., of which a sum of EGP 32.1 bn. was allocated to a total of 51,000 customers as direct facilities, and a sum of EGP 4.3 bn. was allocated to a total of 3,300 customers as indirect facilities.



Direct facilities based on economic sector (June 2017)



With respect to the distribution of the direct SMEs facilities portfolio as per the economic sector, trade occupies the first place, accounting for 35% of the portfolio, followed by industry with 30%.

The Electronic Movable Collateral Registry Goes into Operation

A step towards making finance available to all economic activities; praised by international rating agencies

Egypt officially launched the movable collateral registry. The Egyptian Credit Bureau (I-Score) announced the beginning of electronic registration into the movable collateral registry system pursuant to Law No. 115/2015. Egypt is the first Arab country to issue a law regulating movable collateral under the supervision of Financial Regulatory Authority (FRA). The Movable Collateral Law and its executive regulations were issued to overcome the legal obstacles that hinder financing micro and small enterprises (MSEs) using movable assets as collateral, given that the general provisions of pledging assets stipulate that the possession of movables should be transferred from the obligor to the creditor or any other person acceptable to the creditor.

FRA hired I-Score to establish and operate the movable collateral registry in September 2017 and set a period of six months to complete the incorporation procedures of the registry. The Egyptian Collateral Registry (ECR) is a central electronic registry to register rights to movable collateral. The rights are registered in the ECR where any modification or removal is posted and made available to the public, thus reducing finance and credit risks and enhancing the confidence of financial institutions such as banks, financial leasing companies and other entities providing finance, particularly microfinance.

The launch of the ECR is a new means to achieve financial inclusion through non-banking financial tools. It also contributes to improving Egypt's ranking on the Ease of Doing Business index, as access to finance is one of the major determinants considered by global institutions to rank economies on the ease of doing business scale.

The ECR mechanism

The ECR is an electronic registry subject to the supervision and control of the FRA. The ECR allows the creditor to register all rights secured by movables - of various types - and to grant priority to the rights registered in the ECR, from the date of registration, over all other collateral.

Registration in the ECR is done through filling in the relevant electronic form by the creditor. Parties to a collateral agreement are allowed to stipulate commercial conditions for the agreement as appropriate. Any disputes or claims arising from executing the provisions of the said Law will be settled by economic courts.

Facilitation of obtaining finance against tangible, intangible and future movables.

The ECR mechanism allows micro, small and medium enterprises (MSMEs) to obtain finance secured by movables which are divided into:

- ✓ **Tangible movables** such as: machinery and equipment, goods and devices.
- ✓ **Intangible movables** such as: patents, trademarks and copyrights.
- ✓ **Future movables** such as: debt ownership, production and agricultural crops.

Key services provided by the ECR

Opening an account for registration purposes; registering the final judgments on movables, liquidation decisions and judgments, bankruptcy judgments; modifying and removing registrations; and contesting filed registrations.

Outcomes of registering collateral rights in the ECR

- ✓ Collateral right shall be enforceable against third parties.
- ✓ Registration provisions/term may only be changed pursuant to a final judgment or at the creditor's request.
- ✓ Collateral agreement shall be inclusive of the yields/returns of the movable asset or its usage, to satisfy the creditor's rights. It will also include in-kind and/or cash consideration for selling or using the movable collateral, or compensation for any decrease in its value or damage to it.
- ✓ The creditor shall have the right to request the summary court judge to inspect the movable asset and action will be taken in case gross negligence in maintaining the movable asset is proven.
- ✓ Movables registered in the ECR shall be excluded from bankruptcy and/or liquidation monies.

ECR: objectives and advantages

The ECR contributes to revitalizing investment, promoting development and increasing operation and growth rates. It aims to increase the volume of credit granted against collateral registered in the ECR; i.e. stepping up finance extended to business owners, especially MSMEs. Also, the ECR establishes priority rights with respect to the ranking of creditors' rights and streamlines collateral enforcement. Besides, the ECR offers a seamless search function which is available to the public as any collateral can be found via different search options. A certified statement of the collateral can also be issued.

Key advantages of the ECR are as follows:

- ✓ **Expanding the scope of movables used as collateral** to include tangible, intangible and future movables.
- ✓ **Facilitating finance and reducing risks**, especially with respect to SMEs by utilizing movables as collateral.
- ✓ **Promoting financial leasing** to make medium- and long-term finance available by registering and recording the assets which are subject of financial lease agreements in the ECR.
- ✓ **Recording the movable collateral while the obligor has possession of the movable assets subject of collateral** with no need for the creditor to maintain them.

- ✓ **Making information on collateral registered in the ECR readily available** by searching through the database of ECR's website.
- ✓ **Striking a balance between the creditor's rights and obligor's protection** by determining the procedures of expedited litigation to maintain both the creditor's rights and the obligor's right to dispose of the movables subject to the creditor's consent and the obligor's ability to dispose of or lease the movables after the repayment of the secured debt and payment of breakage cost.
- ✓ **Maintaining the rights of creditors by specifying their priority if the movable assets represent a security for more than one creditor**, and granting the owners of collateral rights registered in the ECR a lien that supersedes all other liens (including government and tax claims and workers' rights). Judicial fees and ECR fees are excluded.
- ✓ **Allowing applicants to register collateral, and apply for and make online searches** directly via the internet or the direct communication network systems.
- ✓ **Allowing ECR users to open an account to facilitate utilizing the services** and paying the due amounts. Data available in the ECR will be indexed in different ways for a seamless search.
- ✓ **Generating reports on transactions** to allow ECR applicants to follow up their transactions which are recorded in the ECR over a specific period of time.
- ✓ **Obtaining copies of the collateral rights registered** and recorded in the ECR as well as search results.
- ✓ **Providing the service on the ECR's website 24/7.**

Moody's praises launching the movable collateral registry

Moody's Investors Service praised Egypt's first movable collateral registry, highlighting that it is a credit positive for Egyptian banks. It added that the registry contributes to accelerating banks' credit decisions and increasing credit growth rate through using movable assets as collateral, especially that they happen to be the main or sole collateral of most MSMEs to obtain loans. Moody's also referred to the efforts exerted by the Central Bank of Egypt (CBE) to support the SMEs sector through launching an initiative in 2016 to improve SMEs' chances in securing finance, and encourage banks to spur lending to SMEs with the target of reaching 20% of total loans by 2020.

Moody's: The movable collateral registry is a credit positive for Egyptian banks.

Finally, the Movable Collateral Law and its executive regulations issued in 2016 are regarded as a paradigm shift in the financing process which should continuously evolve to serve all members of the society and to enhance growth. Operating the ECR puts the Law into action. Accordingly, finance to MSEs, either from banks or finance associations, is expected to witness huge growth in the coming period.

Upper Egypt has massive potentials with its abundant natural (mineral and quarrying wealth, fertile arable land and water resources) and human resources; several sea outlets (like Port of Safaga) which give it access to foreign markets; and many tourist attractions. Hence, Upper Egypt is a hot spot for investments. In line with the government's efforts to spur investment and improve the business climate in Upper Egypt to achieve balanced and sustainable development and raise the standard of living, Egypt has adopted a vision which focuses on executing national projects and entering into partnerships with international institutions and organizations to develop Upper Egypt. Huge investments are also directed to Upper Egypt governorates under the sustainable development plan for 2017/2018. As a result, the region is now home to a considerable number of development projects across different fields with the participation of the local and foreign private sector to boost their revenues.

Key pillars of sustainable development and investment in Upper Egypt's governorates:

Executing several national projects:

The most important of these projects is the Golden Triangle project (Qena – Safaga – Quseir) which aims to attract more investments to Upper Egypt's governorates by establishing a new integrated economic zone (industrial – commercial – logistic – touristic – agricultural) over 6 phases. Salient targeted economic sectors are:

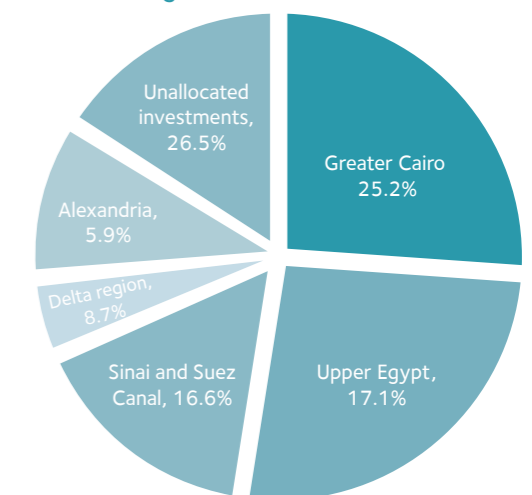
- ✓ **Mining:** an amount of EGP 33.7 bn. in investments is to be injected with EGP 24.5 bn. annual return.
- ✓ **Tourism:** many projects are to be established such as Wazar Tourist Center (which will create 2,500 jobs) and Waterfront Sahl Hasheesh.
- ✓ **Agriculture:** the cultivation of 2.7 MM. feddans in the area between Qena and Safaga is planned.

Allocating large investments to Upper Egypt regions

An amount of EGP 33 bn., accounting for 17.1% of total public investments under the 2017/2018 development plan, is allocated to Upper Egypt governorates as follows:

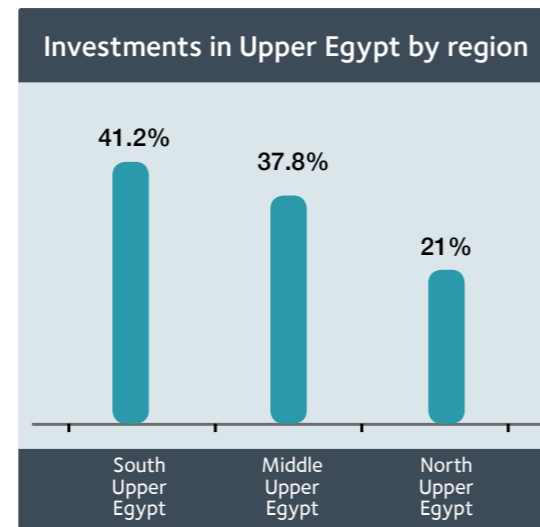
EGP 33.7 bn. total mining investments in the Golden Triangle with EGP 24.5 bn. annual returns

Public investments in Egypt by region in 2017/2018



Upper Egypt: A Promising Investment Destination

- ✓ **EGP 13.6 bn. to South Upper Egypt** (Sohag, Qena, Luxor, Aswan and the Red Sea). Housing and utility projects come at the forefront with 49.6%, followed by petroleum projects with 12.6%.
- ✓ **EGP 12.5 bn. to Middle Upper Egypt** (New Valley and Assiut). Petroleum projects account for the lion's share with 61% or EGP 7.6 bn., followed by housing and utility projects with 19.3%.
- ✓ **EGP 6.9 bn. to North Upper Egypt** (Fayoum, Beni Suef and El Minya). Investments in housing and utility programs have a commanding share of 59%.



Source: ministry of planning, follow-up and administrative reform

Agreements were signed with some international finance institutions and organizations to develop Upper Egypt's governorates; for example:

- ✓ "Upper Egypt Local Development Program" kick-started in early 2018 with US\$ 500 MM. finance from the World Bank. The Program's objective is to bolster the competitiveness of local economic sectors and shore up the infrastructure in the most lagging Upper Egypt governorates to create a favourable climate for local and foreign investments. Sohag and Qena were selected as the cornerstone for launching the Program (with US\$ 283.7 MM. for Sohag and US\$ 216.3 MM. for Qena).
- ✓ Imkan project was launched in Luxor to promote youth employment and entrepreneurship in Upper Egypt through collaboration among the Ministry of Trade and Industry, Luxor Governorate and the United Nations Industrial Development Organization (UNIDO). The project, which is funded by the Government of Japan, aims to diversify the resources of local economy; boost comprehensive and sustainable investment in Luxor; and enhance youth employability by linking training skills to labour market needs. Notably, the project contributed to the set-up and growth of 22 start-ups and micro and small enterprises (MSEs) in 2017 with average investments ranging between EGP 30,000 and EGP 1 MM. for each in the fields of waste management, sustainable energy and food and agro-industries.

US\$ 500 MM. from the World Bank to Upper Egypt Development Program in 2018

22 start-ups and MSEs were supported by Imkan project in Luxor over 2017

- ✓ The Industrial Development Authority (IDA) signed a memorandum of understanding (MoU) with Singapore Holding Company to build a state-of-the-art integrated industrial city in Kom Oushim, Fayoum over an area of 33 MM. m² to attract foreign investment companies. IDA will contribute the land and costs of water and electricity supply to the project. On the other hand, Singapore Holding Company will be responsible for the costs of constructions and the City's facilities as well as the marketing and management of the City with up to US\$ 1 bn. initial investment. A joint company will be established to execute the project.
- ✓ In January 2018, the General Authority for Reconstruction Projects and Agricultural Development (GARPAD) signed an agreement with Canal Sugar Company, a subsidiary of the UAE-based Al Ghurair's Group, to establish an integrated investment project to grow sugar beet and produce sugar in West Minya with US\$ 1 bn. in total investments. The project includes the reclamation of 181k feddans to grow sugar beet, and establishing a factory to produce white sugar. The project is expected to cover most of the local market demand and cut imports. In addition, it will create more than 20K direct jobs and 60K indirect jobs.

An integrated industrial city in Fayoum over 33 MM. m² in collaboration with Singapore Holding Company with US\$ 1 bn. investments.

An integrated investment project for white sugar in West Minya with US\$ 1 bn. investments from UAE

Holding conferences to lure investments to Upper Egypt

With the aim of bringing attention to investment opportunities and available potentials in Upper Egypt and providing job opportunities to the locals, the Franchise Gate Forum for Investment and Commercial Agencies was held in Assiut in March 2018. It is the first and largest investment forum in Upper Egypt to support SMEs and encourage the top global and local commercial agencies to tap new markets in the area. The Forum was held under the sponsorship of the Ministry of Investment and International Cooperation (MIIC) in collaboration with a number of banks, investor associations, businessmen and the SME Development Authority.

Establishing a high economic authority to develop Upper Egypt

In February 2018, the Egyptian Cabinet approved a draft law to establish "Upper Egypt Development Authority" to be headquartered in Aswan. The new Authority's objective is to design, execute and follow up a five-year plan to accelerate comprehensive economic, social and urban development in Upper Egypt with the participation of its inhabitants. Priority will be given to developmental and labour intensive projects. The Authority will also work on attracting the investments required for these projects.

The Cabinet approves the establishment of a high authority to develop Upper Egypt



Upper Egypt: A Promising Investment Destination

Setting up investment, logistics and technological zones in Upper Egypt

In the framework of Egypt's strategy to establish many investment zones over the coming period and the country's endeavours to attract more private sector investments to Upper Egypt, the General Authority for Investment and Free Zones (GAFI) approved the establishment of 3 investment zones in Luxor over a total area of 21.6 MM. m² which mainly rely on agriculture and related industries, including poultry production.

Egypt approves 3 new investment zones in Luxor and mulls 10 more in Upper Egypt

Furthermore, 10 other investment zones in the New Valley, Assiut, Sohag, Luxor and Aswan were given the initial green light according to the following table:

Governorate	Region	Activity	Area (000' m ²)
New Valley	Paris Locality	Industrial	559
	Balat City	Industrial	420
	Farafra City	Industrial	311
	Farafra City	Tourism	521
Assiut	Beni Ghalib	Logistics	840
	El Fath Locality 1	Land reclamation and related industries	3,998
	El Fath Locality 2	Logistics	635
Sohag	Cairo-Aswan Road	Logistics	9,639
Luxor	El Hobeil – El Bayada Locality	Industrial	130
Aswan	Wadi Hilal El Sebaya – Edfu Locality	Industrial	21,483

Source: GAFI

Major logistics zones are planned in Upper Egypt in 2018 with the aim of creating investment opportunities and ensuring that basic food needs of individuals are met to stabilize prices. In this view, an agreement was signed in February 2018 to allocate the first logistics zone in Qena over an area of 65K m². The zone, which comprises warehouses, marketplaces and large commercial areas, will be offered to investors in the coming period after being prepared and provided with the necessary utilities.

Allocating the first logistics zone in Qena over 65K m²

With a view to achieving equitable development and technology localization nationwide to create a business friendly environment, steps are accelerating towards the establishment of integrated technological zones in Upper Egypt to encompass all ICT activities as well as the other related service and production activities. In that vein, an integrated technological zone is underway in New Assiut over an area of 44 feddans (the first phase went into operation in November 2017 over an area of 15 feddans, and the second phase is in progress). Other technological zones are to be established in New Beni Suef and New Aswan over 50 feddans and 41 feddans respectively.

Integrated technological zones to be established in Beni Suef, Assiut and Aswan under the Ministry of Communications and Information Technology plan to set up 7 technological zones across Egypt

Key investment projects underway or planned in Upper Egypt

- A number of 10 integrated industrial complexes ready with the necessary licences are to be established across Upper Egypt's governorates by the end of 2018 (as part of a nation-wide project to set up 13 industrial complexes with EGP 5.4 bn. in total investments in order to create 43K direct jobs). These include 8 complexes to be launched over 300K m² each in May 2018 in line with plans to build 200 small factories in every governorate in Upper Egypt.
- The first phase of the leading renewable energy national project, Benban Solar Park in Aswan, was opened in March 2018. The Park is set to be churning out 1,650 megawatts of electricity using photovoltaic cells through 32 power plants with total investments ranging between US\$ 3.5 bn. and US\$ 4 bn. The project will create 14K jobs during construction and operation.
- A phosphoric acid production complex will be built in New Valley governorate over 3 km² with US\$ 750 MM. investments. The project's leading company, Al-Wadi for Phosphate Industries and Fertilizers Company and the Engineering for the Petroleum & Process Industries Company (Enppi) entered into a front-end engineering design (FEED) contract in March 2018 with the US-based Fluor Corporation for MENA region business development. The project aims to exploit the huge deposits of raw phosphate in Abu Tartour in New Valley governorate with a production capacity of one million tons of phosphoric acid per annum which is the main raw material used in manufacturing phosphate and compound fertilizers.
- The first public free zone for textile industries will be set up in El Minya over 306.7 feddans. It is expected to attract US\$ 271 MM. in investments through establishing 85 factories, and boost the value of Egypt's textile imports with US\$ 100 MM. per annum.
- The largest feeding industries complex for engineering industries is to be built in Beni Suef with EGP 15 bn. investment costs. The complex will provide 11K direct jobs. The first phase of the project, which has already started operation, focuses on manufacturing products such as motors and compressors of refrigerators and washing machines, and similar products which are usually imported.

Upper Egypt: A Promising Investment Destination

- ✓ A tree forest irrigated by wastewater and an MDF factory will be created in El Minya over an area of 300 km² with up to EGP 2 bn. investments. The Cabinet approved the allocation of 6K feddans to a private sector company to execute the project.
- ✓ The first phase of a phosphate fertilizer complex in Aswan with EGP 500 MM. investments was opened. The second phase is to start operation before the end of June 2018.
- ✓ An industrial city for manufacturing household utensils is planned in El Minya. An area of 171K m² was allocated in October 2017 to build 7 factories with a cost of EGP 428 MM. for manufacturing household utensils (such as plates, glassware, and electrical lighting supplies).
- ✓ A solar cell manufacturing plant is to be built in Qena with EGP 370 MM. investments in 2018.

In conclusion, developing Upper Egypt and creating a favourable investment climate is a national objective which all the State's relevant bodies are joining efforts to achieve. Upper Egypt is rich in attractive investment opportunities for both the local and foreign private sectors across different fields such as agriculture, industry and tourism. Accordingly, investment in Upper Egypt will create many jobs and raise the living standards of the locals, in addition to stimulating Egypt's economy and boosting its growth rate.

Generating Energy-from-Waste (EfW)

One of the new investment models in Egypt

In mid-February 2018, Egypt's Cabinet approved a draft law on waste management and regulation to be sent to the Parliament for final approval. This opens the door for investments to rapidly flow into this industry in which Egypt owns considerable unfulfilled assets and potentials. In fact, electric power generated from waste is one of the new investment models in Egypt. It will contribute to injecting more electric powers into the national power grid to support development on one hand and realize a comprehensive environmental impact and societal development on the other hand.

A global and regional trend to generate electric power from waste

The global Waste-to-Energy (WtE) market is witnessing a significant growth. It is expected to hike to USD 43 bn. by 2024 from USD 25 bn. in 2015. The United States of America (USA) and the European Union (EU) topped this market by dedicating enormous investments for research and development to cut the cost of waste-to-energy technology. Europe has more than 400 power plants applying these technologies. However, new players have recently emerged from Asia such as Japan, India and China.

WtE market is expected to account for USD 43 bn. by 2024

This global trend was not beyond reach for the Arab countries. Under its 2021 vision for protecting environment, the United Arab Emirates (UAE) has recently launched a project for building the largest green-field waste-to-energy facility worldwide. The facility will process 1.8 million tons of solid waste a year that will be converted into renewable energy at a capacity of 185 megawatts (MW). With the advent of 2020, the plant's engineering, procurement and construction works are expected to be completed by a global consortium comprising Japan-based Hitachi, Swiss Anova and Belgium's BESIX.

The domestic trend to generate power from waste

Egypt started to show interest in producing energy-from-waste (EfW) since 2015 and continued the endeavors to create a favourable environment with a view to drawing more investments to this industry and greasing the wheels of generating power from unconventional energy sources. This will be achieved by encouraging investors via attractive prices offered for purchased generated power. Rates suggested range from 130 to 160 piasters/KW based on the utilized waste type and the new waste-to-energy feed-in tariffs (FiT) are to be approved by the Parliament under agreements extending for a period not less than 20 years. In order to relieve investors from the exchange rate risk, a part of the feed-in tariff will be paid in foreign currencies. It is noteworthy that a plant's capacity must be at least one megawatt in order to be linked to the medium-voltage grid.

Proposed FiT to purchase EfW	
Waste type	Purchase price per kilowatt (KW)
Municipal solid waste	160 piasters
Animal waste	145 piasters
Agricultural waste	130 piasters

Generating Energy-from-Waste (EfW)

Projects of generating electric power from waste

The domestic market currently has a limited number of solid waste-to-energy power plants with limited capacities. There are only 10 local companies operating in this arena. On the other flipside, and in line with the new scheme for solid waste management, it is targeted to build 27 plants within five years at a capacity of 10 Megawatts each across Egypt to supply the national electricity grid with the produced energy. Regarding the most prominent waste-to-energy projects in the pipeline, we would like to highlight the following:

✓ Al Beheira governorate will have the first power plant generating electricity from waste (in the industrial zone at Hosh Essa) with an investment cost of USD 225 MM and a capacity of 20 megawatts per hour (MWh) by recycling about 500 tons of waste per day. South Korea's Global Knowledge Company (GKC) will implement the project in partnership with GKC - Egypt under a build-operate-transfer (BOT) framework, provided that ownership will be completely transferred to the governorate after 25 years.

✓ Egypt's Empower for New and Renewable Energy will build 3 waste-to-energy plants, two of which will be located in El-Salheya El-Gedida city, Al Sharqya governorate with a total capacity of 2 megawatts per hour (MWh) and with investments up to EGP 143 MM. Both plants are expected to start operation by the end of Q1 2019. The third plant will be located in New Nubariya city, Al Beheira governorate with a capacity of up to 1 megawatt and EGP 94 MM in investment. It is expected to be completed before mid-2019. It is worth mentioning that the above Company intends to increase its investments in the domestic market to generate 51 megawatts by 2022.

The 1st waste-to-energy power plant to be built in Al Beheira governorate at an investment cost of USD 225 MM

Three waste-to-energy power plants to be built by Empower Company over 2019 with total investments of EGP 237 MM

Amount of waste generated in Egypt

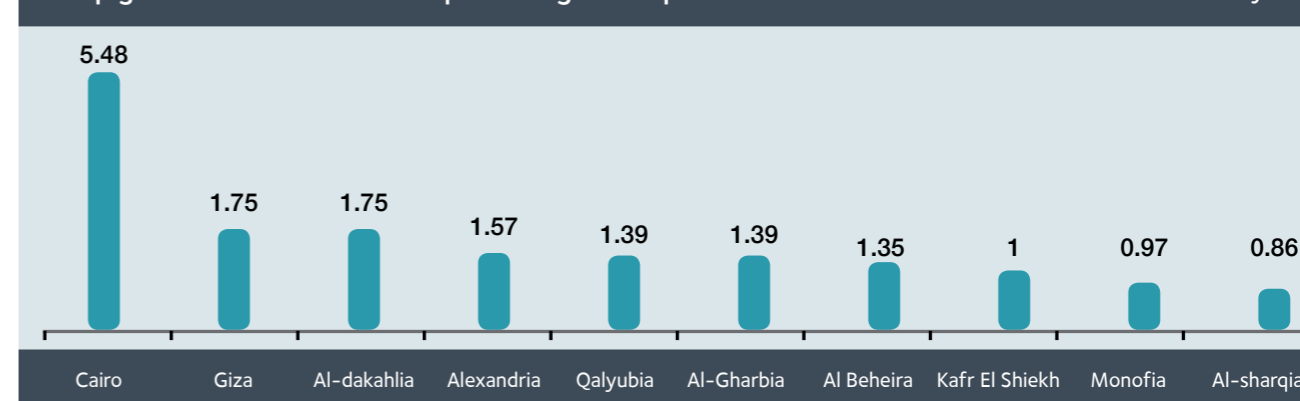
Egypt generates 55,000 tons of waste per day, with a total of nearly 91 million tons per annum, of which 21 million tons are municipal solid waste (garbage). This constitutes a great impetus to tap into and invest in this energy source. Cairo generates the biggest amount of municipal solid waste (MSW) across Egypt. It solely grabbed 26.1% of total MSW in 2016, followed by Giza and Dakahlia at 8.3% each, then Alexandria at 7.5%.

Total waste generated in Egypt in 2016	
Type of waste	Annual amount generated (million tons)
Municipal solid waste (MSW)	21
Agricultural waste	31
Construction & demolition waste (CDW)	5.8
Industrial waste	4.9
Other	28.1

Source: Ministry of Environment – 2016 Report on Environment Condition

Top governorates in terms of producing municipal solid waste in 2016

In million tons a year



Source: Ministry of Environment – 2016 Report on Environment Condition

The state's role in boosting investment in the waste-to-energy industry

Working on creating a favourable investment environment and encouraging private sector to tap into generating energy from waste, the state has taken many catalytic procedures, including:

- ✓ **Establishing the Waste Management Regulatory Authority (WMRA) in 2015**, in order to regulate, follow up and monitor processes related to the waste management in Egypt on the central and local levels. WMRA promotes investments in waste collection, transport and treatment and the safe disposal of solid waste. To put those objectives into effect, WMRA is also authorized to propose draft laws, regulations and decisions necessary in this regard.
- ✓ **Incorporating an Egyptian joint stock company to manage the waste ecosystem.** The Ministry of Environment witnessed signing a memorandum of understanding (MoU) in February 2018 between the National Bank of Egypt (NBE), Banque Misr (BM), National Investment Bank (NIB) and Al Maadi Company for Engineering Industries, a subsidiary of the Ministry of Military Production, to incorporate the above company with a view to stimulating investment in the integrated waste management and ensuring the maximization of the socio-economic return. NBE's participation is estimated to be 20%.
- ✓ **Allocating EGP 60 MM governmental investments in 2017/2018 plan** for projects that support municipal solid waste programme in WMRA.
- ✓ **Approving to utilize 20% of total municipal solid waste** in generating electric power as per the new system for solid waste management.
- ✓ **Creating a legislative environment that supports and stimulates investment in waste**, by approving draft law on solid waste management and regulation by the Cabinet to be passed to the Parliament.

In conclusion, the state is paying special attention to the issue of waste management to be widely adopted through establishing projects of economic benefits using the latest technologies such as those projects of generating electric power. This primarily aims to create direct and indirect job opportunities in different governorates, reduce waste's harmful environmental impact, address the problem of methane emission (which is the second major factor contributing to climate change), and depend less on traditional energy sources to cater to the country's needs for electric power.

Online Portal “Expo Egypt” Launched to Promote Egyptian Exports



In line with the Egyptian government efforts to boost exports, the Ministry of Trade and Industry launched Egypt's online export portal “Expo Egypt”, www.expoegypt.gov.eg, in early 2018, to serve as an online platform which includes studies and information on foreign markets, and a virtual market to connect exporters with importers.

Key services provided by the Portal

To the Egyptian exporter

“Study Foreign Markets”

Provides maps of Egyptian exports and potential foreign markets, in addition to information on commercial representative offices abroad and international trade agreements.

“Develop your Export Capability”

Offers a variety of training courses to enhance export capabilities, as well as consulting services to exporters, and a database of the relevant service providers.

“Move to Trading Markets”

Provides a database of international exhibitions to promote the Egyptian products abroad, and an online B2B marketplace “Yalla Nsadar” (Let's export) for SMEs products, to streamline communication between exporters and importers; and also introduces “Egyptian Trade Weeks” - i.e. exhibitions to showcase Egyptian products in African countries - according to the target sectors of the export development action plan to African countries.

To the foreign importer from Egypt

“Egyptian Export Movement”

Provides information on the volume of Egypt's exports of various products and the countries importing such products.

“Request Product Price”

Offers a detailed product price service to allow the importer to choose the most appropriate price.

“Exhibition Plan and Trade Missions”

Provides information on the international exhibitions to showcase Egyptian products to importers.

“B2B Meeting Requests”

Organizes business meetings between Egyptian companies and potential importers in the target markets, on the sidelines of international exhibitions and business weeks, in cooperation with the exporters concerned.

“Learn about Egyptian Products”

Offers information on some products of Egyptian companies registered with the Egyptian Export Development Authority (EDA).

Egypt Passes WTO's Fourth Trade Policy Review

With the aim of enhancing transparency and giving its members a chance to showcase key economic reforms and trade policies and their impact on the global trading system, the World Trade Organization (WTO) reviews the trade policies of its member states. In this framework, Egypt has undergone four trade policy reviews since its accession to WTO, the latest of which took place in February 2018 at the WTO's headquarters in Geneva, Switzerland, with the participation of all 164 members of the WTO. The review highlighted Egypt's key economic performance indicators and the government's main reforms and actions aimed at stimulating the economy and improving the investment environment. It also explored Egypt's development strategy and future plans and shed light on the country's trade policy and its impact on boosting trade movement and balance of trade.

Egypt exerts strenuous efforts to promote the integration of its economy into the global economy in line with its National Sustainable Development Strategy “Egypt Vision 2030” which aims at placing industry at the forefront of domestic economy and rendering Egypt an indispensable leading hub in the Middle East and North Africa (MENA) region for the innovation, manufacture and export of high-technology value-added goods and services by 2025.

In this context, key trade policy objectives according to “Egypt Vision 2030” are:

- ✓ Increasing openness to global markets and raising the contribution of trade in goods and services to GDP to 45% by 2020 (which accounted for 33.5% in 2016).
- ✓ Reducing balance of trade deficit to 4% of GDP by 2030 via boosting exports by 10% p.a. and raising their contribution to the annual GDP growth rate.

45%
Foreign trade as a
percentage of GDP in
2020

These objectives depend on improving the investment climate; accelerating industrial growth rates; raising SMEs' contribution to exports; stepping up efforts to effectively market Egypt's exports abroad; and adopting policies which aim at replacing imports with local products.

4%
Balance of trade deficit
as a percentage of GDP
in 2030

This goes hand in hand with embracing a trade policy that reflects a strong commitment to the continuous improvement of trade facilitation processes, through the use of scientific methods and new technologies.

Egypt Passes WTO's Fourth Trade Policy Review

For example:

Trade Facilitation Agreement (TFA) ...

In June 2017, the Egyptian Parliament ratified an agreement signed by the government and WTO on Egypt's accession to the Trade Facilitation Agreement (TFA) which sets out to improve and facilitate the processes and controls regulating the movement of goods across national borders in order to reduce the cost burden and expedite the clearance of imported goods. The TFA comprises provisions on the publication and availability of information on laws that govern import and export processes; expedited clearance of goods, particularly perishable goods; promoting cooperation and information sharing among customs agencies of WTO members; and transit facilitation. Egypt's ratification of the TFA will bring the country to a new phase of openness to the world; and will contribute significantly to lowering the costs of foreign trade and accelerating the growth of Egypt's exports to different markets.

TFA takes Egypt to a new phase of openness to the world

Notably, several global organizations estimate that the TFA will boost global trade by US\$ 1 trillion annually, with the developing and least developed countries (LDCs) seeing the biggest gains, as the TFA contains special and differential treatment (SDT) provisions that allow LDCs to determine their own implementation schedule of the TFA individual provisions according to their capabilities.

Customs single administrative document (SAD)

The government introduced the single administrative document (SAD) for import and export procedures in February 2017. SAD aims to reduce the costs of foreign trade, streamline the relevant procedures, and shorten the list of required documents. This is a preliminary step towards the eventual implementation of single-window system.

Three documents required as a maximum for import and export procedures by 2019

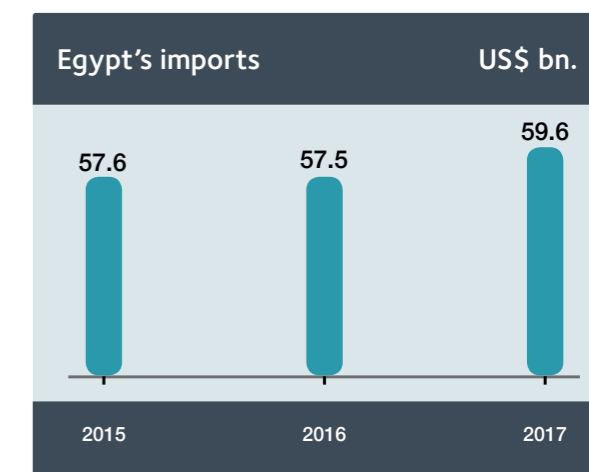
In the same vein, the World Bank's Doing Business report showed that the number of documents required for an export transaction dropped to five in 2017 compared to nine a year earlier. Similarly, the number of documents required for an import transaction fell to six from eleven over the same period. An additional streamlining process is planned with the aim of reducing the number of documents required for import and export transactions to no more than three documents in total by 2019.

Trade defence policy

Egypt's trade policy relies on considering trade defence (protectionist) measures as a last resort to address unfair trade practices or other instances where sovereign economic rights are compromised after all other options are exhausted between relevant parties, and only in full compliance with the relevant WTO regulatory frameworks. Egypt has continuously notified the WTO on a timely basis, wherever required, of matters involving trade defence.

Egypt's foreign trade and multilateral agreements

Egypt's foreign trade recorded a remarkable increase over the last three years, which is mainly due to soaring exports. The weighted average of exports reached 28.1% of total foreign trade in 2017 compared to only 24.8% in 2015.



Source: central bank of Egypt (CBE)

It is worth mentioning that Egypt concluded several multilateral agreements in the past two decades, most importantly:

The Association Agreement with the European Union (EU)

The EU-Egypt Association Agreement entered into force in June 2004, under which the Egyptian industrial exports to EU are exempt from customs duties and any other duties of the same nature as of the Agreement's effective date. The Agreement also provides for phasing out tariffs on some European industrial imports to Egypt pursuant to agreed timetables. In June 2010, an agreement was ratified to facilitate trading in agricultural, processed agricultural and fisheries products. EU is Egypt's main trading partner with a trade volume amounting to US\$ 26 bn. in 2016.

Egypt Passes WTO's Fourth Trade Policy Review

The Agadir Agreement

The Agadir Agreement was signed in February 2004 by a number of Mediterranean Arab countries (Egypt, Tunisia, Morocco and Jordan), and came into force in March 2007. Palestine and Lebanon followed suit and joined the Agreement in March 2017. The Agreement aims to eliminate all import duties and any other taxes of a similar nature on industrial, agricultural and processed agricultural products. The total volume of trade between Egypt and the other signatory states amounted to US\$ 2.5 bn. in 2017.

The Pan Arab Free Trade Agreement (PAFTA)

The Agreement was signed by 19 Arab countries, including Egypt, in January 1998 to establish a free trade area. It aims to facilitate and develop trade among Arab countries through phasing out customs duties to promote intra- trade, and removing other non-tariff barriers, while giving a preferential treatment to the least developed member countries. The total volume of trade between Egypt and other countries in the region amounted to US\$ 19.3 bn. in 2017.

The Common Market for Eastern and Southern Africa (COMESA)

Egypt is a COMESA member since June 1998. COMESA, which has 19 African member states, targets the liberalization of commodities, services, capital and labour, the establishment of a common market for member countries, and the replacement of customs and non-customs duties with a Common External Tariff (CET). It also targets harmonizing standards, systems and quality standards and creating an attractive environment for investment in COMESA countries. The total volume of trade between Egypt and other COMESA members amounted to US\$ 2.4 bn. in 2016.

The African Continental Free Trade Area (CFTA)

In March 2018, an agreement to launch the African Continental Free Trade Area (CFTA) was signed by 44 African countries, including Egypt. The main objective is to gradually eliminate tariff and non-tariff barriers to African trade movement. In this respect, the total volume of trade between Egypt and African countries in general amounted to US\$ 5.5 bn. in 2017.

The Free Trade Agreement with EFTA member states

It is a free trade agreement between Egypt and the European Free Trade Association (EFTA) countries (Iceland, Switzerland, Norway and Liechtenstein) that came into force in August 2007. The Agreement's target is to exempt Egyptian industrial exports to EFTA countries from customs duties as of enforcement date. The Agreement also includes phasing out all customs duties on EFTA industrial exports to Egypt by 2020. The total volume of trade between Egypt and EFTA member states amounted to US\$ 1.8 bn. in 2016.

Finally, Egypt's joining of various regional and global trade clusters and blocs will eventually strengthen the integration of the Egyptian economy into the global economy and provide great opportunities for the Egyptian economy. Accordingly, this urges the continuation of efforts exerted to maximize benefits from global economic relations and open new markets for Egyptian products.

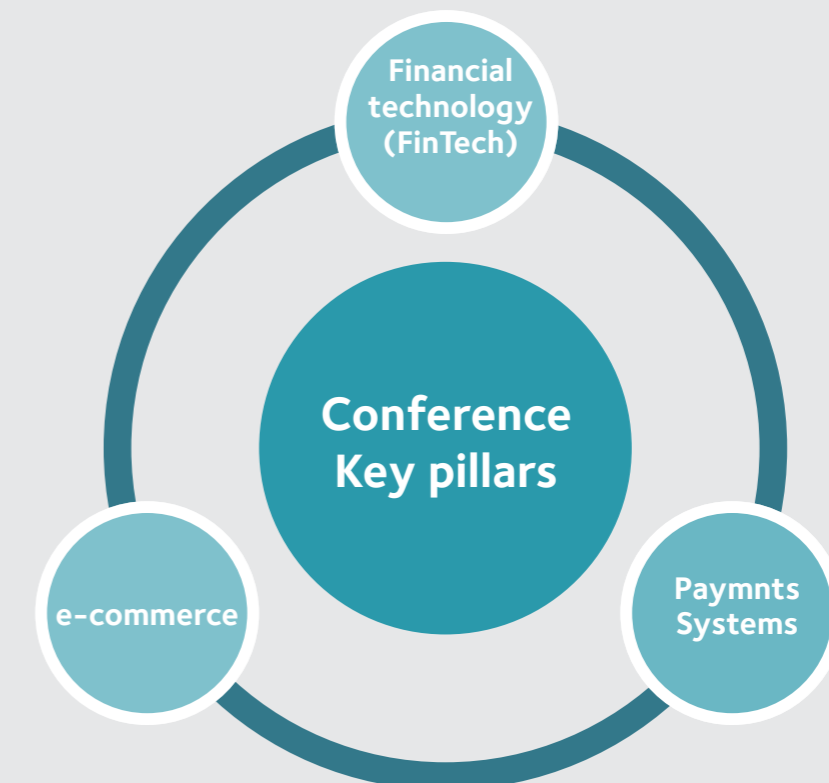
Egypt Hosts FinTech "Seamless North Africa 2018" for the First Time

Egypt hosted the Financial Technology Conference "Seamless North Africa" FinTech 2018 for the first time on February 6th and 7th 2018 under the auspices of Egypt's President, Abdel Fattah Al-Sisi. The Conference was attended by CBE's governor, a number of ministers and banking leaders, and nearly 500 local and international financial technology experts and participants. The Conference was organized in collaboration with the Council of Arab Economic Unity, the League of Arab States, and the Arab Federation of e-Commerce.



The Conference goes in line with Egypt's keenness on transformation into a regional hub for investment in the innovative financial technology field

- ✓ Large numbers of specialized companies' representatives attended the Conference, in order to showcase cutting-edge financial technology innovations from all over the world, methods to promote FinTech applications and how to benefit from them in the Egyptian market.
- ✓ The Conference reflects the opportunities available for this growing industry in the promising Egyptian market. FinTech applications facilitate using financial services, enabling a larger number of individuals to access such services. **Therefore, FinTech is one of the key pillars of the financial inclusion led by CBE.**



Financial Technology (FinTech) in Egypt is a Promising Market

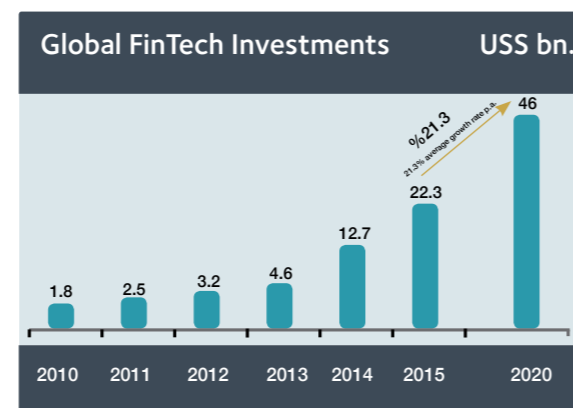
A worldwide fast transit from "the cash economy" to "the non-cash economy" is currently witnessed due to the consecutive bounces in the field of financial technology (FinTech) along with FinTech tools and mechanisms alleviating the reliance on fiat money.

According to the Financial Stability Board's definition, FinTech is «the technologically-enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services.» This technology is faster, cheaper and easier than other alternatives, and accessible by more individuals.

Global investments in FinTech

The global investments in financial technology witnessed remarkable hikes from US\$ 928 MM. in 2008 to US\$ 22.3 bn. in 2015.

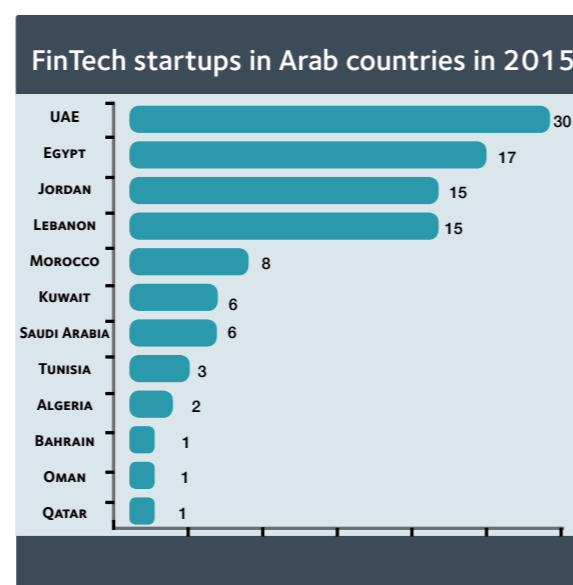
Such investments are expected to reach US\$ 46 bn. in 2020 (with an average growth rate of 21.3% p.a.)



FinTech in MENA region

Reliance on financial technology in MENA region is on the rise with investments of US\$ 100 MM. in FinTech startups over the period 2007-2016. However, estimates show anticipated investments of US\$ 50 MM. in 2017 only.

The number of FinTech startups in 2015 amounted to 105 companies in 12 Arab countries with four countries hosting 73%; namely UAE (30) followed by Egypt (17), and Jordan and Lebanon (15 each). Consequently, these countries are about to be promising financial technology hubs in MENA. It is expected that by 2020 there will be 250 FinTech companies in the region.



FinTech in Egypt

FinTech startups in Egypt saw remarkable growth in concurrence with the state's interest in financial inclusion targeting the provision of financial services to all segments of society and promoting economic growth. FinTech startups have promising growth opportunities over the few coming years, given that a large segment of population is unbanked and still far from utilizing financial and banking services, whether provided traditionally or by financial companies using modern technologies.

As a result of the state's increasing interest in disseminating the banking culture and financial inclusion, bank-account holders rose noticeably in previous years. The volume of digital banking services provided through mobile phone transfers also increased. In this vein, the Egyptian market has several potentials that court investments in the field of financial technology. The percentage of youth aged 18-35 years accounts for 30% of total population, number of Internet users reaches 30 MM. and the country mobile phone penetration stands at 112%.

Examples of government, banking and business sector's efforts in FinTech industry

- ✓ The National Council for Payments was established in 2017 to develop systems of payments and money transfer. The Council will be a basic foundation for boosting financial technology services.
- ✓ A draft law for the development of non-cash financial transactions is prepared in the framework of the National Council for Payment's recommendation in cooperation with the Central Bank of Egypt and all relevant government authorities. The draft law aims at granting incentives to promote the use of non-cash financial transactions.
- ✓ The Egyptian Ministry of Investment and International Cooperation in partnership with EFG Hermes and the UNDP, launched in September 2017 a new startup incubator, Fekretak Sherketak. It aims at catalyzing the country's growing entrepreneurial scene through a four-month acceleration and mentorship program.
- ✓ The American University in Cairo (AUC) and an Egyptian bank partnered to create in 2016 the AUC Venture Lab FinTech. The program aims at developing and supporting FinTech startups in Egypt covering areas such as digital and mobile payments and financial planning. Through a 12-week acceleration program, startups received support to grow and launch their businesses.

The Central Bank of Egypt's role in transforming Egypt into a regional FinTech hub

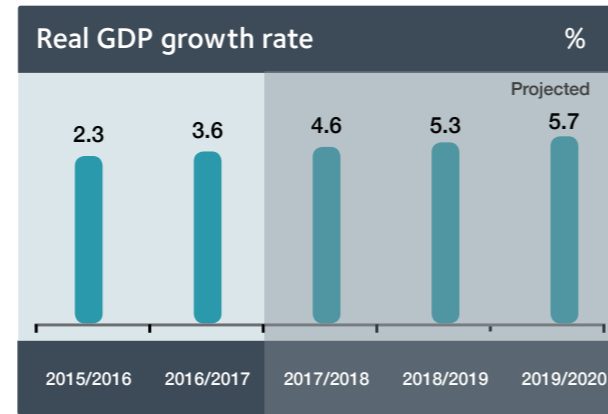
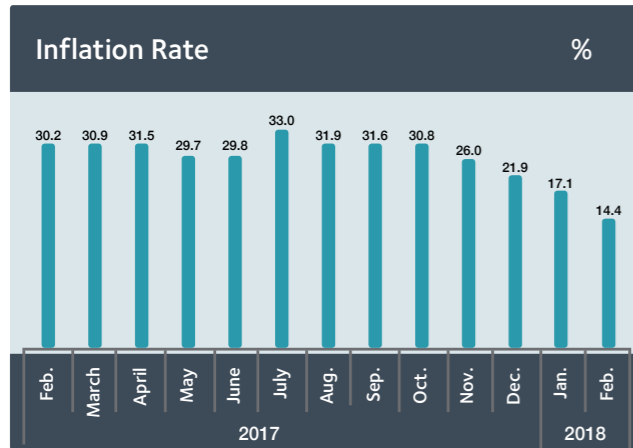
The Central Bank of Egypt exerts tremendous efforts to transform Egypt into a regional FinTech hub through:

- ✓ Issuing the rules regulating the provision of mobile-phone payment services in November 2016. It was a big-time change which secured partnerships between the Egyptian banks and the mobile-phone operators to provide money-transfer services whether by institutions or individuals.
- ✓ Signing an agreement by the Governor of the Central Bank of Egypt (CBE) and Chairman of the Financial Regulatory Authority (FRA) in June 2017 to enhance mutual cooperation aiming at fostering financial inclusion in Egypt.
- ✓ Issuing a decision in January 2018 to utilize QR Code in electronic payments. The new technology will allow merchants and consumers to execute the electronic payments and collections through mobile phones for goods and services by means of the QR Code with no need to the traditional electronic points of sale (P.O.S).
- ✓ Cooperating with a number of the international companies specialized in FinTech consultancy to help develop Egypt's strategy during 2018 in the light of the latest international standards. The strategy aims at converting Egypt into a regional and international FinTech hub within 3 years.
- ✓ Considering a possible launch of an EGP 1 bn. fund to support and finance the privileged innovations and inventions in the Egyptian market, especially youth initiatives.
- ✓ Considering the establishment of digital banks as per a plan for developing an infrastructure that attracts FinTech industry, providing support for owners of innovative ideas and extending finance to SMEs. Digital banks provide numerous banking services through an application to be installed on smart mobile phones.

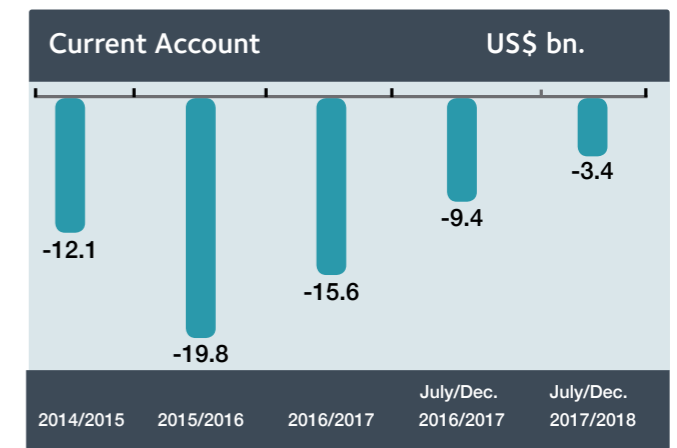
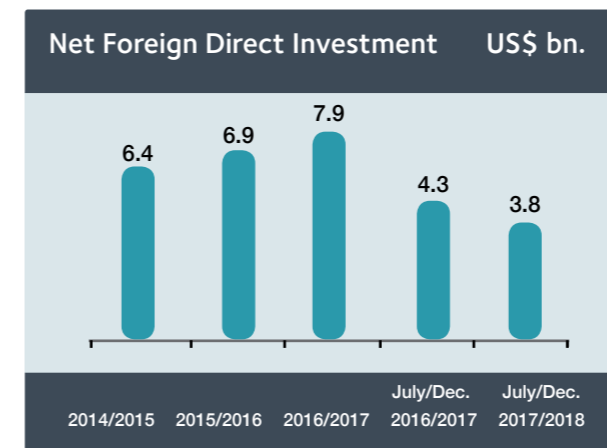
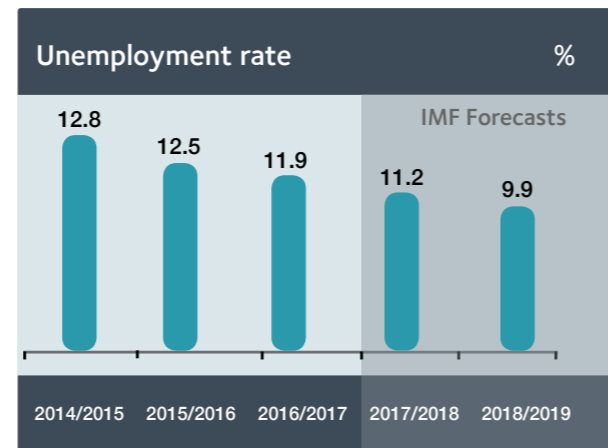
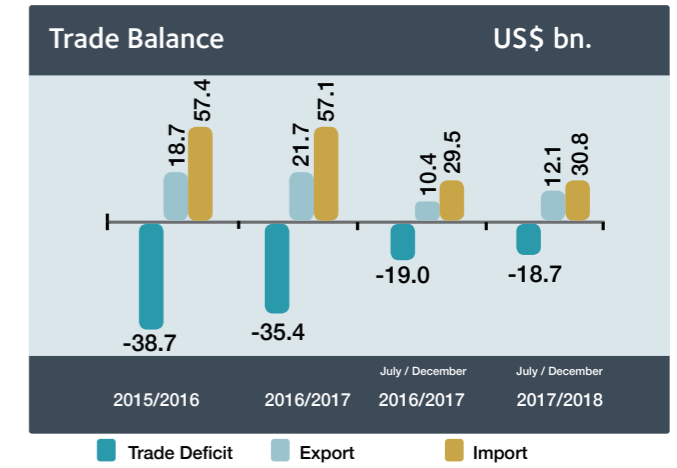
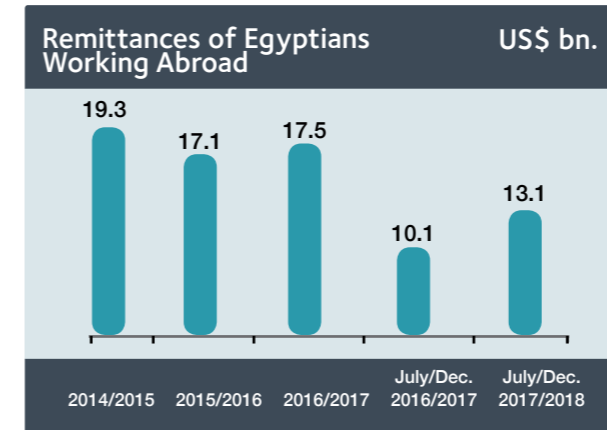
For the First Time in the History of Egyptian Banks

NBE's Deposits
Exceed
EGP 1 Trillion





(*) Economic & Social Development Plan 2018/2017.



Best Regards

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