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Economic Bulletin

البنك الأهلي المصري
NATIONAL BANK OF EGYPT

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Economic
Bulletin

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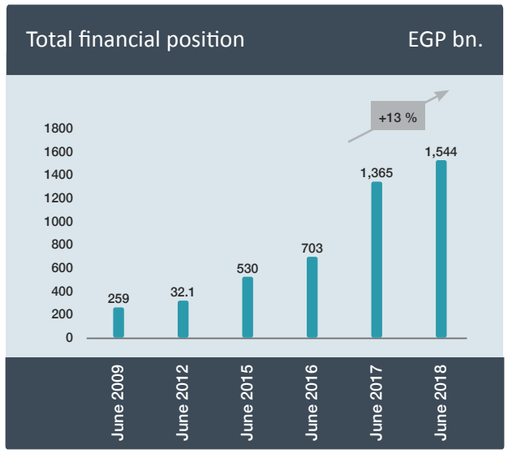
NBE's Key Achievements in the FY 2017/2018



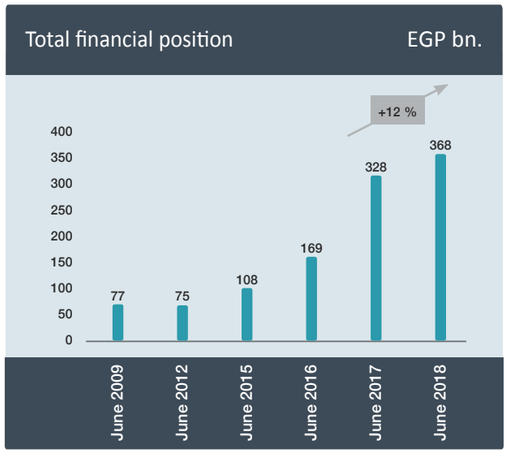
EGP 92.249 bn. Total equity	NBE's total equity rose to EGP 92.25 bn., with an increase of EGP 6.3 bn. YoY and a growth rate of 7.3%.
EGP 1.014 trillion Total deposits	For the first time in the history of the Egyptian banking system, customers' deposits exceeded EGP 1 trillion, with an increase of EGP 153 bn. YoY and a growth rate of 18%, which reflects customers' confidence in NBE.
EGP 455.1 bn. Total loans	Total loans and facilities extended to customers increased to EGP 455.1 bn., including EGP 44 bn. for SMEs finance, with an increase of EGP 55.5 bn. YoY and a growth rate of 14%.
11 MM. NBE's customers	Thanks to the continuous development of NBE's services and products and the significant improvement in their level and quality in line with the adopted policy on branches expansion and geographic distribution, the number of NBE's customers rose to 11 MM. They are served through 446 branches, offices and banking units, which increased by 33 branches, and 3,996 ATMs which increased by 488 ATMs YoY.
EGP 4.3 bn. E-commerce transactions	NBE played a significant role in digitalization and support of financial inclusion through a distinguished team at the departments of IT, Operations, and Central Banking Services by means of providing several banking services via internet, which helped increase e-commerce transactions to EGP 4.3 bn. and serve 616k customers via Al Ahly Net (internet banking). In addition, Phone Cash application is used by 1.4 MM. customers.
EGP 881 MM. Social responsibility contributions	NBE is the largest corporate social responsibility contributor with 9% of net profits compared to 7% YoY, out of its belief in the importance of social responsibility, which is reflected directly on meeting a significant part of the Egyptian citizen's needs. NBE's policy focused on supporting health, education, slums development and combating poverty.
1.8% NPLs to total loans	NPLs declined to 1.8% of total loans compared to 2.1% YoY. In this context, settlements were made for 213 non-performing customers with total indebtedness of EGP 6 bn. and a number of defaulting customers were supported.
1,622 New employees	To accommodate NBE's expansions, develop future cadres and create new jobs, about 1,622 persons, including fresh graduates and professional bankers, were recruited.

NBE's achievements over the previous years

Total financial position grew EGP 178 bn. to reach EGP 1,543 bn. as at June 2018

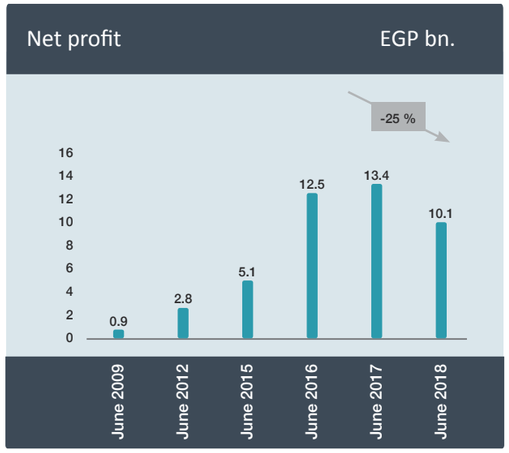


Large corporate loan portfolio grew 12% YoY to reach EGP 368 bn. as at June 2018

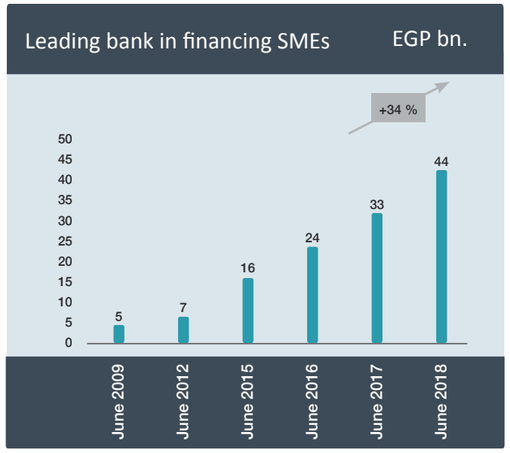


NBE's Key Achievements in the FY 2017/2018

Profit before tax accounted for EGP 21.5 bn. and net profit reached EGP 10.1 bn. in 2018



Total SME loan portfolio increased to EGP 44 bn. , with a growth rate of 34%, including EGP 25 bn. extended to 25,000 customers under CBE's initiative



Salient awards received by NBE

NBE received the Best Trade Finance Provider and the Best Transaction Bank in Egypt awards by "The Asian Banker". NBE was also recognized by the Asian Banker as the Best Retail Bank in Egypt.

Three awards in syndicated loans in 2017. Awards were granted for the key deals concluded across MENA region in the field of syndicated loans and project finance, namely:

- Best Energy Deal
- Best Industrial Finance Deal
- Best New Financing Project Deal

NBE's Legal Division was chosen on the list of GC Powerlist of the most influential legal groups across Africa in cooperation with the IBA. It is an assessment that sheds light on the most influential legal teamwork all over Africa in 2018.

NBE received the ISO 22301-2012 Certification in Business Continuity Management from the BSI. This proves the Bank's ability to maintain the provision of vital services effectively in case of emergencies and crises.

NBE was named the best book runner for syndicated loans, and was ranked the third as an administrative agent and a mandated lead arranger in Africa during the first nine months of 2018, according to Bloomberg.

NBE was recognized as the best Straight Through Processing (STP) bank in the Middle East.

NBE received the Award of the Best Arab Bank in Socio-Economic Development for the Year 2018 from the World Union of Arab Bankers.

NBE received the PCI DSS Certification for the fifth year in a row from ControlCase Company, a certificate of compliance with security standards issued by Visa and MasterCard for the payment and credit card data security. NBE is the first bank to receive version V3.2 of such Certification in Egypt.

NBE topped the Egyptian banks as the largest banking brand in 2019 for the second year in a row according to the annual report on the world's most valuable brands "Global 500" issued in 2019 by Brand Finance, the world's leading brand valuation consultancy in cooperation with The Banker.

NBE received a certificate of appreciation for the best recruitment in MENA. This certificate is awarded for recruiting and headhunting the best professionals and talented individuals through using LinkedIn solutions and data in the field of recruitment.

Egypt's Economy ... Reaping the Fruits of Reforms and Improving Macroeconomic Indicators

Egypt's macroeconomic indicators continue to improve in a clear sign that the economy is on the right track, thanks to the success of the Egyptian government's economic reform program which is widely supported and commended by international organizations. In February 2019, the International Monetary Fund (IMF) announced that Egypt passed the Fund's fourth review of the reform program. It also lauded Egypt's economic indicators and maintained its favourable macroeconomic outlook for the country. The success of the economic reform program was also reflected in the reports of several global credit rating agencies which upgraded Egypt's rating last year. Standard and Poor's upgraded Egypt's credit rating from B- to B. Similarly, both Fitch and Moody's upgraded the economy's outlook from stable to positive, which increases the chances of raising Egypt's credit rating in 2019.

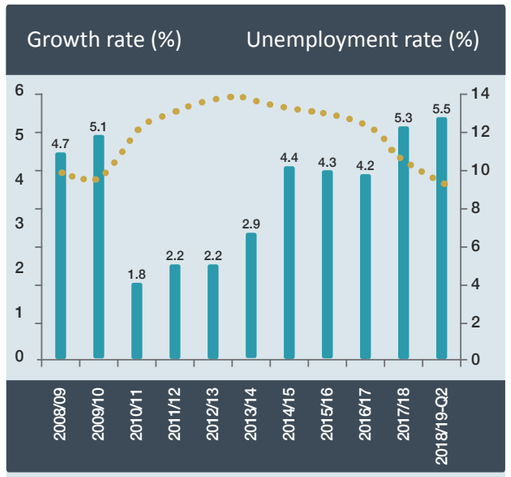
Egypt's key macroeconomic indicators are shown below:

Economic growth and unemployment

The economy grew in the second quarter (Q2) of FY 2018/2019 to 5.5%, its highest rate in a decade, compared with 5.3% in the same quarter of FY 2017/2018. Egypt's economic growth rate was the highest in the Middle East and North Africa (MENA) in the said quarter.

Egypt managed to raise its economic growth rate to 5.3% in 2017/2018 compared with an average of 2.3% during the period from 2011 to 2014. This remarkable rise is driven by the strong performance and positive contribution particularly from investments and exports which resulted in cutting unemployment to 8.9% in Q2 2018/2019, its lowest level since 2010.

Egypt targets a growth rate of 6.2% in 2019/2020 with a focus on achieving fully inclusive growth. The aim is to create adequate jobs in order to continue to push unemployment rates down to an average of 7% to 8% in the medium term.



*Unemployment rate in june
- Central Agency for Public Mobilization and Statistics (CAPMAS);
- Ministry of Finance (MoF), Semi-Annual Report for FY 2018/19

In the same vein, investments contributed 2.6% to the real growth rate of 5.3% in Q1 2018/2019. Meanwhile, exports and final consumption contributed 2.2% and 0.5% respectively. This demonstrates the paradigm shift in the sources of economic growth as investment, exports, tourism and natural gas became the key drivers of growth in lieu of consumption.

Achieving primary budget surplus and lowering total deficit as a percentage of GDP

The state's primary budget surplus, before deducting public debt interest payments, reached EGP 21 bn. in the first half (H1) of 2018/2019, which accounts for 0.4% of GDP, compared with a primary deficit of EGP 14 bn. (0.3% of GDP) during the same period in 2017/2018. A primary surplus of 2% of GDP is targeted in 2018/2019.

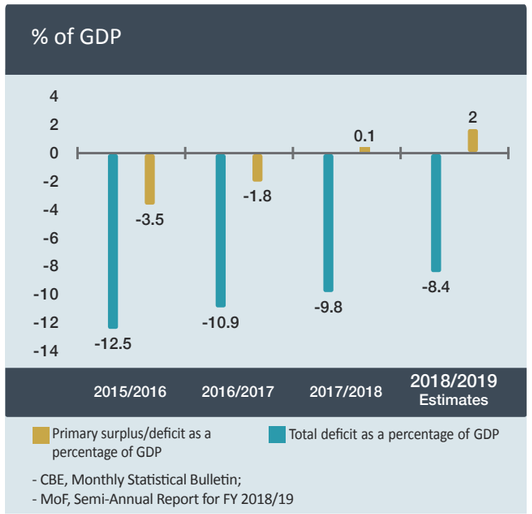
The significant upswing in primary surplus led to remarkable improvement in reining in the total budget deficit as a percentage of GDP, which fell in H1 2018/2019 to 3.6% from 4.2% year-on-year.

The improvement in the state's primary budget deficit is driven by the considerable spike in public revenues which soared 28.4% in H1 (July-December) of 2018/2019 year-on-year, thus exceeding the growth rate of public expenditure which only grew by 17.7%.

The IMF announced that Egypt remained committed to reaching cost recovery for most fuel products by mid-2019 and implementing automatic fuel price indexation, which together are critical to encourage more efficient energy use and, combined with revenue enhancing reforms, will help create fiscal space for high-priority spending on health and education.

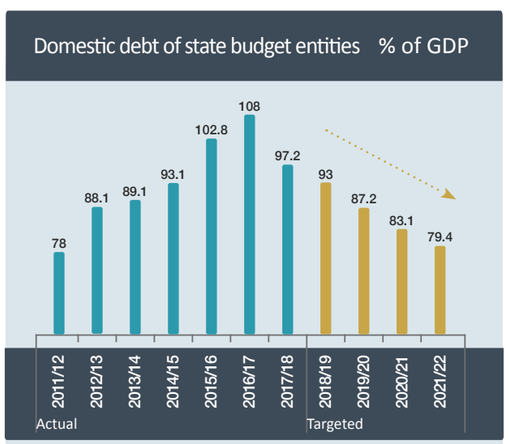
The positive performance of the state budget in terms of both revenues and expenditure is expected to contribute to lowering the ratio of the domestic debt of budget entities to GDP. The government aims to reduce the ratio of debt to GDP to 93% in 2018-19, then to 87.2% in June 2020 and to 79.4% in June 2022, targeting an annual initial budget surplus of 2% of GDP and achieving annual growth rates exceeding 6% in the medium term.

These efforts are complemented by the target to reduce the external debt ratio in June 2019 to 34% of GDP from 37% in June 2018 and reaching lower levels up to 2022. This means that Egypt's external debt is starting to fall within the safe range.



- CBE, Monthly Statistical Bulletin;
- MoF, Semi-Annual Report for FY 2018/19

New mechanism
for automatic fuel price indexation, to go with more efficient energy use and restructure subsidies



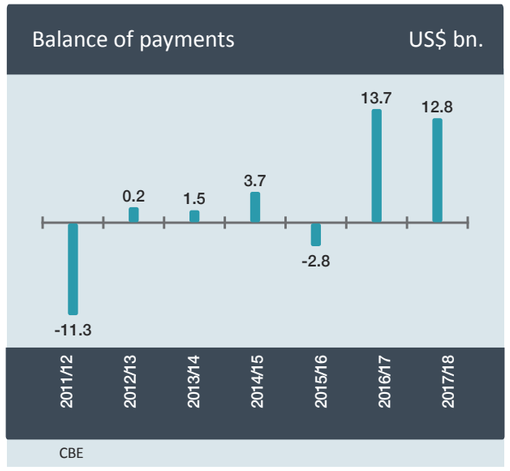
MoF, Semi-Annual Report for FY 2018/19

Along the same line, the Ministry of Finance (MoF) has developed an integrated strategy, with the participation of Central Bank of Egypt (CBE), to lower and manage medium and long term debt to ensure a sustainable and low debt-to-GDP ratio.

Keen on diversifying the sources of external financing, the MoF toured the major financial centres in East Asia from October 2018 to January 2019 to court more financial investments to the Egyptian market. The tour included China, South Korea, Singapore and Japan.

Balance of payments continues to generate surplus

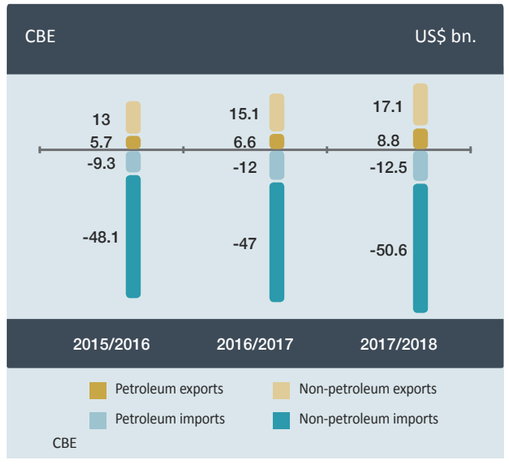
The balance of payments continued to generate surplus in Q1 of 2018/2019 that reached US$ 284 MM. On an annual basis, the balance of payments achieved an overall surplus of US$ 12.8 bn. in FY 2017/2018, owing to the constant decline in the current account deficit to reach only US$ 6 bn. In addition, the capital and financial accounts continued to post a surplus. **In this regard, it is noted that:**



- The balance of services surplus doubled to US$ 11.1 bn. in 2017/2018 vis-á-vis US$ 5.6 bn. year-on-year. This is mainly attributed to the rise in tourism revenues in 2017/2018 to US$ 9.8 bn. from US$ 4.4 bn. year-on-year. Additionally, remittances from Egyptian expatriates jumped to US$ 26.4 bn. from US$ 21.8 bn. during the same period. The Suez Canal generated the highest revenues in its history which amounted to US$ 5.7 bn.



- The balance of trade deficit stayed at US$ 37.3 bn. in 2017/2018. This can be traced back to the increase in export proceeds and payments for imports by US$ 4.1 bn. each. In this framework, the IMF projected that the balance of trade deficit would improve over the coming years as exports are expected to grow 14.4% and 5.3% in 2018/2019 and 2019/2020 respectively. Meanwhile, imports are projected to increase by only 6.4% and 3.1% in the said years respectively.



- Net foreign direct investment (FDI) inflows to Egypt, on an annual basis, amounted to US$ 7.7 bn. in FY 2017/2018.

In early 2019, the Organization for Economic Co-operation and Development (OECD) announced that it had raised Egypt's rating on the country risk index to become an investment-friendly destination. According to the OECD, Egypt's progress in the country risk classification was the result of the successful financial and economic reforms and improved investment climate due to creating a supportive environment for doing business. This will open the door to foreign investments and particularly lure in FDI flows from European countries to Egypt.

Raising Egypt's rating as an investment-friendly destination

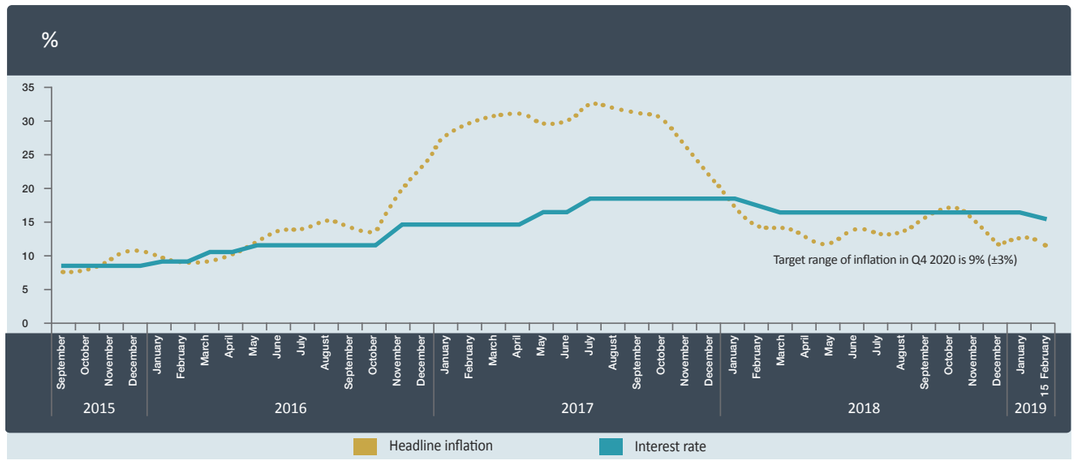
Higher net international reserves

Net international reserves (NIR) with CBE reached a record high of US$ 44.5 bn. in October 2018. Nonetheless, it slipped to US$ 42.5 bn. in December 2018 over the payment of interest on T-bills to foreign investors and external debt. NIR resumed its upward trend to record US$ 42.6 bn. in January 2019.



Containing inflationary pressures

The tighter monetary policy maintained by CBE helped to contain the inflationary pressures that accompanied the economic reform program that Egypt embarked on in November 2016, especially in view of the floatation of the Egyptian pound, implementing financial management policies and cutting fuel and energy subsidies. Headline inflation reached a record high of 33% in July 2017, while core inflation exceeded 35%. Nevertheless, since then, inflation has been generally on a declining trajectory.



Accordingly, CBE started easing its monetary policy in Q1 of 2018 by cutting interest rates by 200 basis points or 2%. However, it maintained interest rates unchanged in 2018 following waves of fuel and energy subsidy cuts as part of its financial management policies and against a backdrop of volatile emerging markets and global monetary policy tightening, especially after the US Federal Reserve raised interest rates.

In February 2019, the CBE's Monetary Policy Committee (MPC) decided to cut the overnight deposit rate, overnight lending rate, and the rate of the main operation by 100 basis points to 15.75%, 16.75%, and 16.25%, respectively. The CBE's decision was driven by several factors, mainly the following:

- The annual headline inflation dropped to 12% in December 2018. As a result, CBE reached its inflation target of 13% (±3%) in Q4 2018 which it announced for the first time in its history in May 2017; and

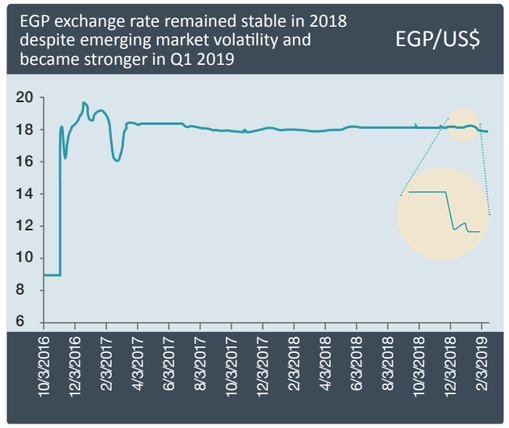
- The global economic growth weakened, trade tensions continued to cast a shadow on the prospects of the global economy, and the tightening of global financial conditions slowed down.

In light of the above and as a result of keeping inflationary pressures well-anchored, the MPC decided to decrease the key interest rate. That move is consistent with reaching the inflation target of 9% (±3%) in Q4 of 2020 and securing price stability over the medium term. The CBE's decision to lower interest rates is expected to boost investment efforts across all sectors and improve confidence in the business environment.

The Egyptian pound remains stable despite emerging market turbulence

In spite of the volatility of emerging markets in 2018 which caused foreign direct investments to flee such markets at a large scale, including Egypt's, the Egyptian pound held steady. Egypt has managed to weather the emerging market sell-offs as the government debt issuance market saw a strong return to domestic debt instruments in January 2019 by foreign investors who clinched a large portion of T-bill issues. This signals greater investor confidence in the economy. The Egyptian pound has relatively strengthened since the end of January 2019 to trade at 17.34 to the US dollar in March 2019 thanks to improving inflows and the termination of the repatriation mechanism.

EGP exchange rate remained stable in 2018 despite emerging market volatility and became stronger in Q1 2019



International rating agencies see Egypt's economy in favourable light

The positive developments of the Egyptian economy were reflected in Egypt's credit rating. Fitch upgraded Egypt's rating from B to B+. Standard & Poor's maintained its stable outlook. Meanwhile, Moody's changed its outlook from stable to positive which signals the possibility of upgrading Egypt's credit rating over the coming period in light of the continued improvement of macroeconomic indicators and the government's commitment to the economic reform program.

Egyptian economy credit rating and outlook		
Credit rating agency	Rating	Outlook
Standard & Poor's	B	Stable
Fitch	B+	Stable
Moody's	B3	Positive

In conclusion, the economic reform program acts as both the key driver of Egypt's economy that will unlock its potential and the safety valve that helps the economy stand up to challenges and be resilient in the face of economic risks that roil foreign markets, particularly emerging ones.

IMF Sees Favourable Outlook for Egypt's Economy

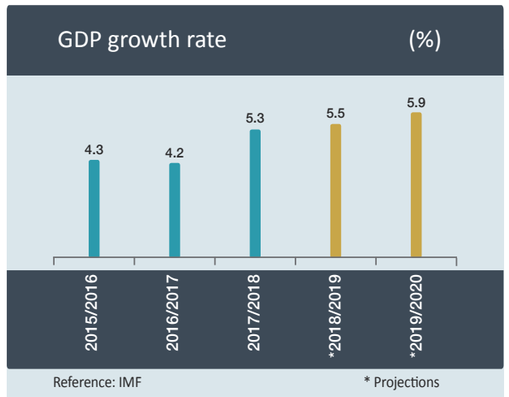
The International Monetary Fund (IMF) renewed its confidence in Egypt's economy. The IMF predicts a favourable outlook for a wide range of economic indicators as it revealed in its latest review of Egypt's economic reform program which is supported by the IMF's US$ 12 bn. loan. Accordingly, Egypt has received the fifth tranche of the loan, worth US$ 2 bn., bringing total disbursements under the IMF loan to about US$ 10 bn. The remaining US$ 2 bn. loan installment will follow in the second half of 2019.

> "IMF Managing Director commended the commitment of the Egyptian people to the economic reform program, paving the way to higher and more inclusive growth that will include all Egyptians"

In early 2019, IMF's Managing Director praised Egypt's economic reform program, pointing out to the success achieved in macroeconomic stabilization. Egypt's economic growth rate is among the highest in the Middle East and North Africa (MENA) region. Budget deficit has narrowed as a percentage of GDP. Inflation and unemployment have both retreated. Meanwhile, social protection measures have been expanded. **The IMF's key projections for Egypt's economic indicators are shown below.**

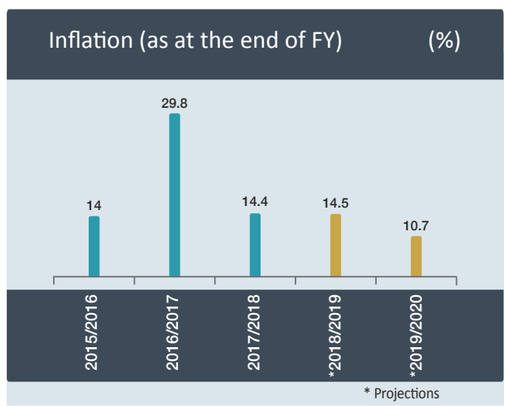
GDP growth rate

GDP growth rate will rise in 2018/2019 to 5.5% from 5.3% in 2017/2018. It will continue to improve to 5.9% in 2019/2020.



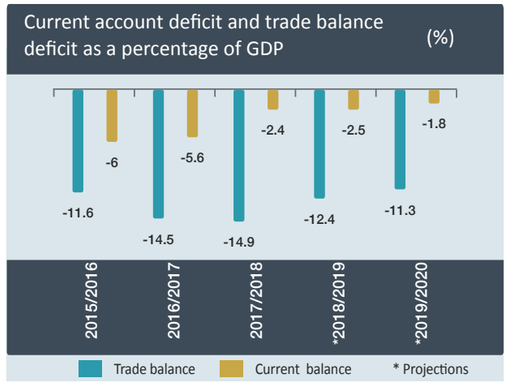
Inflation

Inflation will record 14.5% and 10.7% as at the end of FY 2018/2019 and FY 2019/2020 respectively, compared with 14.4% as at the end of FY2017/2018.



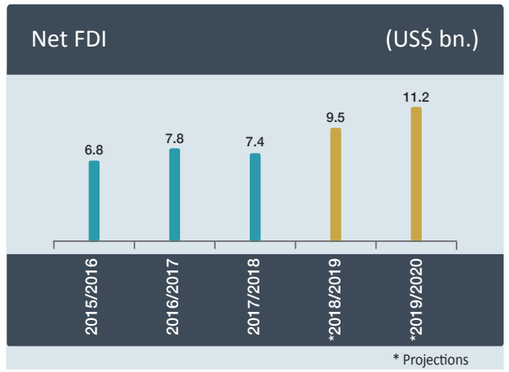
Foreign transactions

Trade balance deficit as a percentage of GDP will fall in 2018/2019 to 12.4% from 14.9% in 2017/2018. Deficit is expected to continue on a declining trajectory to 11.3% in 2019/2020. Additionally, current account deficit as a percentage of GDP is projected to decline in 2019/2020 to 1.8% from 2.5% and 2.4% in 2018/2019 and 2017/2018 respectively.



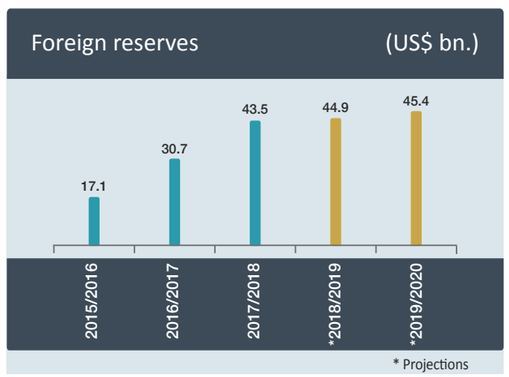
Net foreign direct investment (FDI) inflows

Net FDI inflows will rise in 2018/2019 to US$ 9.5 bn. from US$ 7.4 bn. in 2017/2018. They are expected to continue to increase to reach US$ 11.2 bn. in 2019/2020.



Foreign reserves

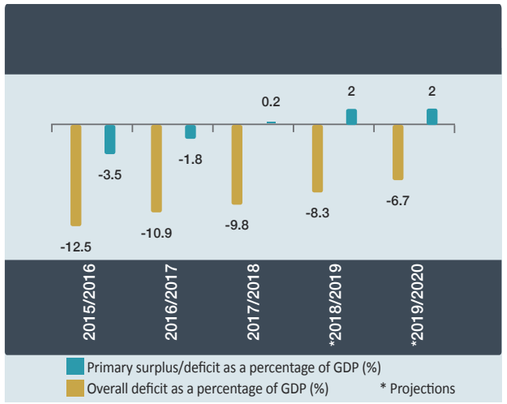
Foreign reserves will increase to US$ 44.9 bn. which covers 6.6 months of imports of goods and services as at the end of 2018/2019, compared with US$ 43.5 bn. in 2017/2018, which also covers 6.6 months of the same imports. Foreign reserves will continue their upward trend to reach US$ 45.4 bn. which covers 6.3 months of imports in 2019/2020.



IMF Sees Favourable Outlook for Egypt's Economy

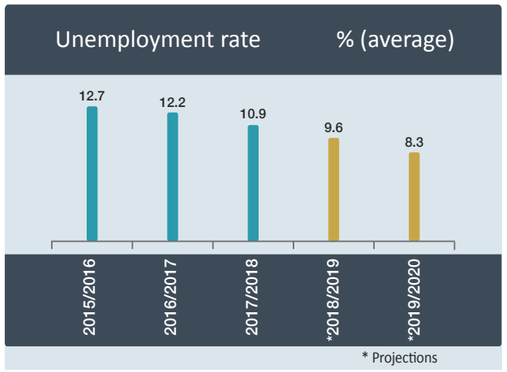
State's general budget

- The state's general budget deficit will narrow in 2018/2019 to 8.3% of GDP from 9.8% in 2017/2018. The budget deficit is projected to continue to decline to 6.7% in 2019/2020.
- The primary surplus will rise to 2% of GDP in 2018/2019 and 2019/2020, compared with 0.2% in 2017/2018.



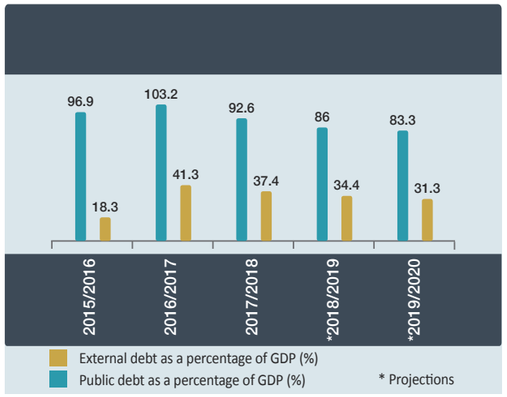
Unemployment rate

Unemployment will decrease in 2018/2019 to 9.6% from 10.9% in 2017/2018. It is expected to continue on a downward path in 2019/2020 to fall to 8.3%.



Debt

Public debt will decrease in 2018/2019 to 86% of GDP from 92.6% in 2017/2018. It is expected to continue to retreat to 83.3% in 2019/2020. Similarly, external debt will fall to 34.4% and 31.3% of GDP in 2018/2019 and 2019/2020 respectively, compared with 37.4% in 2017/2018.



Arab and African Youth Platform Held in March 2019, Aswan

Arab and African Youth Platform was convened during the period 16-18 March as a mechanism to enhance Egypt's orientation towards empowering the youth and sharpening their communication skills. The platform's aim is to open new horizons for the youth, in implementation of 2018 World Youth Forum (WYF) recommendations of establishing an interactive platform for the Arab and African youth to discuss the important challenges facing both regions, with the aim of fostering the Arab and African cooperation, empowering young people and adopting their ideas through convening a series of events.



The platform witnessed several discussion panels that tackled many significant issues, including "The Future of Scientific Research and Healthcare" and "The Impact of Financial Technology and Innovation on Africa and the Arab Region", and a number of workshops, mainly, "the Social Entrepreneurship from an African Perspective". The platform also included a round-table discussion, entitled "the Nile Valley: The Pathway for Arab and African Integration", in addition to some events that will deepen communication ties between the promising youth, decision makers, politicians and experts of different arenas to create a youth-inspired vision for better future.



As part of the platform's interest in the impact of financial technology and innovation on Africa and the Arab region, President Abdel Fattah al-Sisi visited the banking sector pavilion, displaying the latest developments in the FinTech applications and entrepreneurship to promote financial inclusion in Egypt. On a related note, the President's tour in the banking sector pavilion reflects the pivotal role played by banks in greasing the wheels of national economy, and acts as a strong impetus for all banks to keep pursuing their mission that extends to include benefiting from technological applications, with a view to developing financial services, realizing financial inclusion, and encouraging entrepreneurs as well as small and medium sized enterprises (SMEs). During the tour, Tarek Amer, the Governor of the Central Bank of Egypt (CBE), demonstrated the radical shift in digital transformation witnessed by Egyptian banks and the provision of several e-payment means and services.

During his visit to NBE's pavilion, the President was welcomed by Hisham Okasha, NBE Chairman; Yehia Abo-Elftouh, NBE Deputy Chairman; Alaa Farouk, Chief Executive Officer of Retail Banking; and Ingy Herraz, General Manager of Digital Services at NBE. The President witnessed NBE's modeling of a fully integrated electronic branch, through which the Bank seeks to provide a new and unique experience in delivering banking services to customers. A sophisticated branch model will enable customers to access full electronic banking services via alternative channels, without any interference of the human factor. Alternatively, two highly-efficient and well-trained customer service representatives will offer necessary banking information for customers and guide them on how to complete their banking transactions, especially at the debut of electronic services. This status will be sustained until customers are familiarized with processing transactions entirely on their own inside the branch, in a step towards strengthening the concept of electronic banking services.

Arab and African Youth Platform Held in March 2019, Aswan

At the conclusion of the Arab-African Youth Platform, President Abel Fattah al-Sisi made several recommendations, most importantly :

Final recommendations of Arab -African Youth Platform of 2019/2020

- Make the Egyptian knowledge bank available for use by Arab and African researchers
- Establish a cooperation council between African and Arab Universities
- Launch an Egyptian initiative to eradicate Hepatitis C virus for one million Africans
- Launch a new stage of the "100 million healthy lives" campaign for foreign residents in Egypt
- Form a teamwork of Arab and African youth to spearhead opportunities for integration in all fields and submit them to officials
- Prepare, in coordination with the African Union Commission and the Secretariat General of the Arab League, a paper to be presented to the next Arab-African Summit about the establishment of a joint Arab-African market and a fund for financing infrastructure in Africa.
- Empower, prepare and rehabilitate women and youth via elevated education and training
- Form a working group to develop a youth-inspired vision for mechanisms of dealing with extremism and intellectual polarization to be submitted as a youth initiative for eradicating extremism and terrorism
- Prepare for the convening of the Egypt-Sudan Forum to promote integration between the two countries

Egypt's Presidency of the African Union: A Turning Point in the Economic and Commercial Relationships between Egypt and African Countries

Egypt was handed over the presidency of the African Union (AU) for 2019 for the first time in the history of the Organization of African Unity (OAU). President Abdel Fattah al-Sisi, who took over AU's presidency this year from his Rwandan counterpart, affirmed that Egypt would give great priority to strengthening economic relationships with African countries in the coming period. Egypt will also work on enhancing ties among all African countries; achieving political and security stability; and implementing financial and administrative reform plans at the continental level, which would achieve economic progress.

OAU & AU

Egypt is one of the key founding countries of the Organization of African Unity (OAU), which was established in May 1963. The main objectives of the OAU are to promote unity and solidarity among African states, to coordinate and intensify cooperation and efforts to achieve a better life for the peoples of Africa, and to safeguard the sovereignty and territorial integrity of member states. Other objectives include enhancing international cooperation within the framework of the United Nations (UN) and aligning the political, diplomatic, economic, educational, cultural, health, social care, scientific, technical and defence policies of member states.

The African Union (AU), a continental union consisting of 55 African countries, was officially launched in July 2002 to succeed the OAU. The AU's Commission and Secretariat are headquartered in the Ethiopian capital, Addis Ababa. This step came after the African leaders in the 1990s, and precisely in 1999, perceived the necessity of restructuring the OAU to reflect the global evolving challenges. The heads of state and government at the OAU issued the Sirte Declaration in Libya, calling for the establishment of a new African Union to accelerate the integration process in Africa and address the multifaceted social, economic and political problems confronting the continent.

Egypt's priorities during its presidency of the AU

During its presidency of the AU for 2019, Egypt focuses on a number of key objectives based on the current agenda of the AU, **most importantly:**

- **Social and economic development,** through creating jobs, maximizing the return on African youth activities in addition to developing the manufacturing and agricultural systems in Africa and expanding fishery projects to achieve food security for the peoples of Africa.
- **Promoting peace and security in Africa**, through supporting AU's efforts in:
  - Conflict prevention and resolution (CPR) and enhancing cooperation to defeat terrorism;
  - Strengthening African mechanisms of post-conflict reconstruction and development, and establishing and launching the African Union Post-Conflict Reconstruction and Development (AU-PCRD) Center in Egypt in 2019; and
  - Reforming the African Peace and Security Council (PSC).
- **Economic integration and regional inclusion**, through expediting the entry of the African Continental Free Trade Agreement (AfCFTA) into force during Egypt's presidency of the AU; and supporting the implementation of infrastructure projects in Africa to help achieve economic integration and promote intra-trade exchange.
- **Enhancing cooperation between AU and partners of international, regional and local development and peace.**
- **Promoting AU's financial and institutional reforms,** developing an integrated system for performance appraisal and accountability and enhancing transparency.
- **Building bridges of cultural and civilizational communication among African peoples,** supporting and expanding African cultural events and cultural exchange among African countries and developing the African sports system.

Egyptian-African Relationships

Africa is the second largest continent worldwide after Asia and extends over an area of 30.2 MM. km^2. African population reached 1.25 bn. in 2017 and is expected to account for 2.5 bn. in 2050. Africa comprises 10 Arab countries, i.e. Egypt, Algeria, Tunisia, Comoros Islands, Djibouti, Sudan, Somalia, Libya, Mauritania and Morocco.

Investments between Egypt and African countries

Total Egyptian investments in Africa amounted to US$ 10.2 bn. by the end of 2018, while total **African investments in Egypt** reached US$ 2.8 bn. Egyptian investments in Africa comprise the sectors of building and construction, chemicals, mining, pharmaceuticals, telecommunications, electronic components and financial services. **African investments in Egypt** are distributed across the sectors of agriculture, industry, finance, services, tourism, construction and information and communication technology (ICT).

Although Egyptian investments in Africa are faced by many competitors at the global and regional level, the Government of Egypt (GoE) is constantly seeking to promote its investments in the African countries. This would help strengthen and increase its potentials and push forward Egypt's economic relationships with these countries, especially in light of the 32 bilateral investment agreements concluded with African countries, including 11 agreements in force, which supports this trend. On the other hand, GoE's choice of African countries as a destination for Egyptian investments in the coming period will benefit the Egyptian economy. African countries have huge economic resources, containing about 30% of global mineral reserves, 10% of the world's proven oil reserves and 8% of natural gas reserves worldwide, and constitute a large consumer market with enormous human resources.

It is worth noting that Egypt topped the list of the most attractive African countries to investment, according to "Where to invest in Africa" report issued by Rand Merchant Bank in September 2018, which confirmed that Egypt surpassed Africa's largest economies that year due to its higher economic growth rate expected to reach 5% over the next five years. The report pinpointed that Egypt was the largest consumer market in the Middle East and North Africa (MENA) region, with 100 MM. people, which made it most attractive to foreign investments.

On the other hand, Algeria, Sudan, Libya, Nigeria, Morocco, Ethiopia, Swaziland, Tanzania, Kenya and Cote d'Ivoire are among Egypt's most important destinations for foreign direct investment (FDI) in Africa. In this context, Egypt seeks to increase mutual investments with African countries and to benefit from the agreements signed with them through holding several conferences and forums to highlight the investment opportunities available in Egypt and African countries for Egyptian, African and foreign investors.

"Africa 2018 Forum"

Africa Forum is one of the key forums organized by the Ministry of Investment and International Cooperation (MIIC) in cooperation with COMESA Regional Investment Agency (RIA) in December 2018 in its third session in Sharm El Sheikh under the theme "Bold Leadership and Collective Commitment: Advancing Intra-African Investments". The Forum was held under the patronage of President Abdel Fattah al-Sisi, and attended by several heads of state and government and ministers from various African countries, as well as a large number of businessmen, investors and high-profile figures from different sectors, including Egyptians, Africans and other nationalities, and heads of international finance institutions.

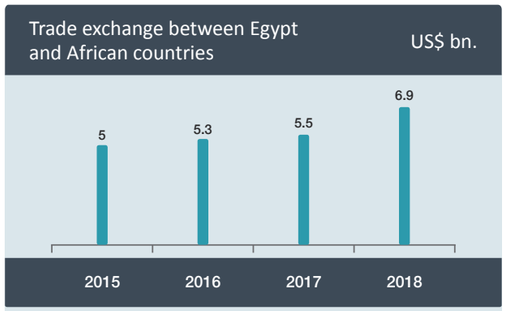
The **Forum** targeted **increasing investments in Africa,** tackled strategies to court investments to the continent to accelerate the growth of start-ups, and sought to create a favorable business environment for entrepreneurs in Africa and strengthen cross-border economic cooperation. **Key outcomes of the Forum included the following declaration:**

- **Establishing an investment risk insurance fund in Africa** to encourage Egyptian investors to direct their investments to Africa, participate in the continent's development and capitalize on the vast opportunities available in the continent. This Fund also seeks accelerating infrastructure projects between African countries, e.g. completing the "Cairo-Cape Town" route to integrate African countries and expand intra-trade exchange, and stimulating and facilitating the business of African companies in Egypt to motivate joint investments and benefit from the continuous development of the Egyptian economy.

- **Establishing a fund to invest in IT infrastructure,** with the aim of supporting technological development and digital transformation in the continent in order to build modern economies based on the latest technological systems, and reinforcing joint cooperation between Egypt and its sister countries of the continent in fields of governance and combating corruption.

Trade exchange between Egypt and African countries

Egypt's trade with African countries has grown in recent years. In 2018, Egyptian trade exchange with African countries increased, with a growth rate of 25.5% p.a., to reach US$ 6.9 bn., accounting for 6.3% of Egypt's total trade exchange, compared to US$ 5.5 bn. in 2017. It is worth mentioning that total trade exchange between African countries reached US$ 136 bn. in 2017, with an increase of 10.1% YoY.

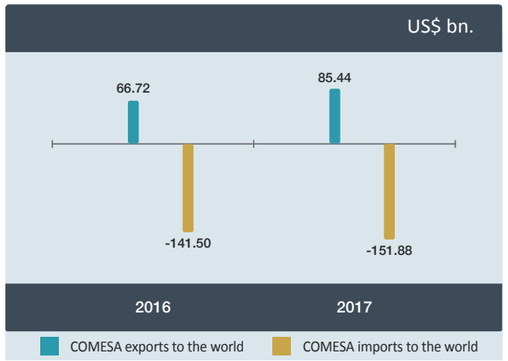


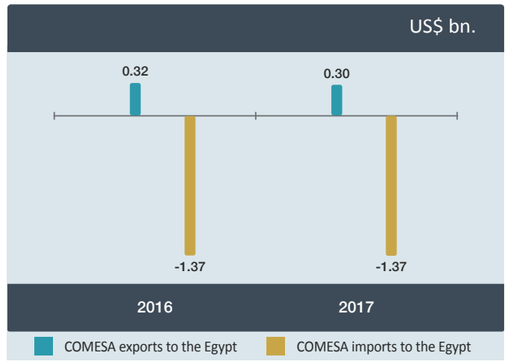
Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

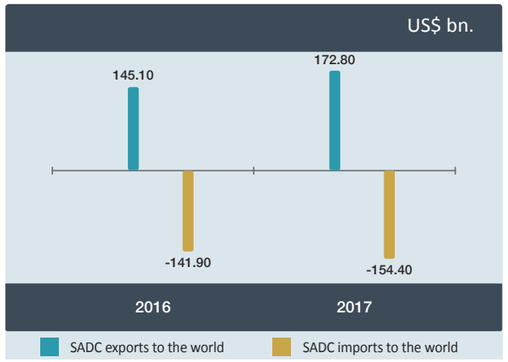
Joint efforts between Egypt and Africa

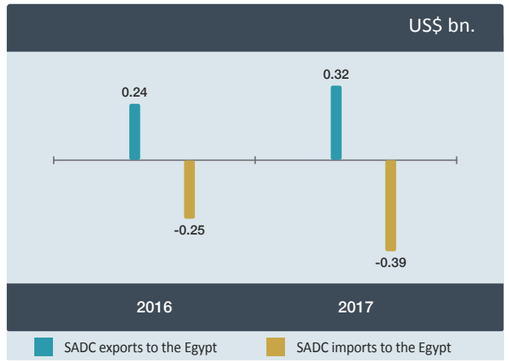
African Continental Free Trade Agreement (AfCFTA)

Egypt plays a leading role in the regional economic integration since it embraced several initiatives and agreements. Egypt hosted the forum of the three African blocs: Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and East African Community (EAC) in Sharm El-Sheikh in June 2015. The blocs include 26 African countries representing the largest economic bloc in the continent and contribute to creating significant opportunities for foreign and regional investment, by benefiting from the easing of tariff and non-tariff barriers among member states. The aforesaid forum witnessed launching AfCFTA among these blocs.

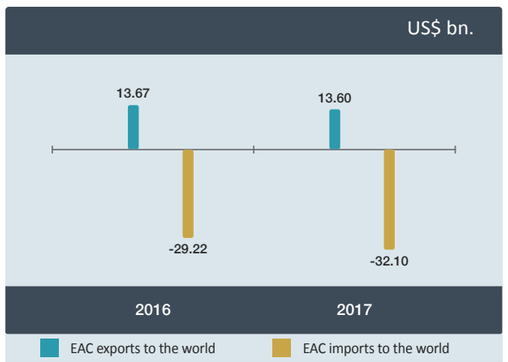


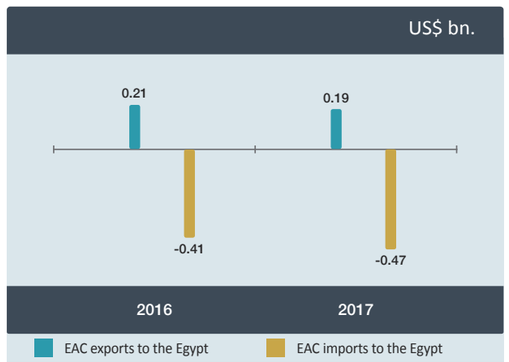






* Some SADC countries did not include their trade details in 2016.





Source: https://www.trademap.org

Egypt and African countries are looking forward to achieving greater regional integration and facilitating intra-trade exchange, especially after the AU launched the AfCFTA, which was joined by 49 African countries until December 2018, paving the way for a common market for goods and services in Africa. In this context, President Abdel Fattah al-Sisi issued Decree No. 87 of 2019 approving the founding agreement on the establishment of the said free trade area and its annexed protocols, which was signed at Kigali, Rwanda, on 21 March 2018. The decree was referred to the Egyptian Parliament for discussion.

AfCFTA objectives and anticipated outcomes

AfCFTA aims at promoting intra-trade exchange among member states and enhancing the competitiveness of African industry. These objectives are achieved through gradual elimination of customs and non-customs barriers to trading goods and services, towards an African customs union. The institutional framework for AfCFTA implementation comprises the Forum, the Prime Ministry and the Committee of Senior Officials (CSO) mandated with trade and secretariat. **It is expected that AfCFTA would contribute to achieving many gains, notably:**

- Achieving higher rates of African economic growth after eliminating customs barriers among African countries and facilitating intra-trade exchange, through adopting a methodology that ensures promoting manufacturing process and intensifying regional intra-trade exchange, developing value-added chains and integrating into international value chains;
- Developing infrastructure and achieving industrial development in African countries by streamlining production inputs;
- Granting businessmen, professionals and specialists free movement to facilitate the transfer of know-how and trade-related services, including energy, ICT, financial, educational and health services, as well as professional services of great importance for sustainable economic development; and
- Creating new jobs and optimizing the use of human and natural resources.

Egypt and African Development Bank

The African Development Bank (AfDB) is among Egypt's key development partners. AfDB started financing its operations in Egypt in 1974. Since then, it has financed more than 125 projects worth US$ 6.5 bn. to develop infrastructure, i.e. transport, energy, water supply and sewage network, and support agriculture, telecommunications, finance, industry and social sectors. This is in addition to economic and institutional reforms and capacity building. Egypt is the second largest regional shareholder in AfDB and third in terms of the amount of the facilities extended by AfDB along its history.

In this context, it should be noted that AfDB Group sent a delegation chaired by AfDB Vice President for Regional Development, Integration and Business Delivery to Egypt during the period from 4–7 March 2019 to engage in a dialogue with the Egyptian government as regards AfDB support of Egypt's agenda in light of its presidency of the AU, especially with respect to AfCFTA and regional integration, and to promote the African Investment Forum (AIF) due to be held in November 2019 in Johannesburg, South Africa. The dialogue also tackled deepening AfDB support of Egypt's national priorities in order to sustain growth, increase labor in the energy and sewage sectors and run discussions on the establishment of the investment insurance fund to promote Egyptian investment in Sub-Saharan Africa.

It is worth noting that AfDB's portfolio in Egypt accounts for US$ 3 bn., distributed over 31 projects, mainly to support the government's economic and social program. Moreover, AfDB supported several projects in Egypt over the past years, notably financing more than 600,000 small and medium enterprises (SMEs) in Upper Egypt and Sinai.

Key projects implemented by Egypt in Africa

Egypt participated in several projects of bilateral cooperation with African countries in general and Nile Basin countries in particular, out of Egypt's keenness to provide support to its neighboring countries in all

Egypt's Presidency of the African Union: A Turning Point in the Economic and Commercial Relationships between Egypt and African Countries

fields to develop and strengthen its bilateral relations with various countries of the continent. **Main projects of bilateral cooperation between Egypt and the Nile Basin countries are as follows:**

- Since 1999, Egypt has been implementing a project to fight aquatic weeds in the Great Lakes of Uganda;
- Establishing a rainfall and climate change prediction center in light of the bilateral cooperation between Egypt and Congo to maximize the integrated management of water resources;
- Implementing 6 subsurface drinking water treatment plants to provide the citizens of Juba, South Sudan, with clean water;
- Completing the first phase of flood risk prevention project in the province of Kasese, Western Uganda, and making preparations for the second phase;
- Training 437 Africans through more than 35 courses in field-level management, and designing and maintaining dams and likewise;
- Signing a memorandum of understanding (MoU) on the construction of rainwater harvesting dams in South Sudan, in addition to carrying out feasibility studies on the establishment of Waw dam;
- Digging 180 groundwater wells in Kenya, in addition to 60 in Tanzania and 10 in Darfur Region of Sudan; and
- Establishing 5 dams and digging 75 groundwater wells in Uganda, in addition to automating 2 groundwater wells to provide clean drinking water.

In addition, Arab Contractors (AC) Co. implemented projects in 23 African countries, notably:

- Concluding a contract for the design and construction of Roviji dam and power plant in Stiegler's George, Tanzania, at a cost of US$ 3.6 bn. The project would take three years to be inaugurated by 2021.
- Implementing the development and expansion project of Cargo Village and Extension 2 at Abidjan Airport in Côte d'Ivoire.
- Establishing a cement plant in Atbara, Sudan, and a bridge on the Nile linking Shendi and El Matama in Sudan, in addition to the river anchorage project in Kuajok, South Sudan.
- Building Rades–La Goulette Bridge and Al-Tawil Bridge in Tunisia, as well as the premises of the Ministry of Finance in Algeria.
- Establishing the Government Complex and the headquarters of the Governor of Lagos State, Nigeria.
- Constructing Nador International Airport in Morocco.
- Establishing the premises of the Ministry of Foreign Affairs and the African Central Bank (ACB) in Chad.
- Establishing Fishtown residential city in the capital of Equatorial Guinea, Malabo, and the presidential ballroom, in addition to the expansion of the airport.
- Designing and constructing the premises of the Ministry of Defence in Kigali, Rwanda.
- Establishing the premises of the Norwegian Embassy and the National Environment Management Authority in the capital of Uganda, Kampala.

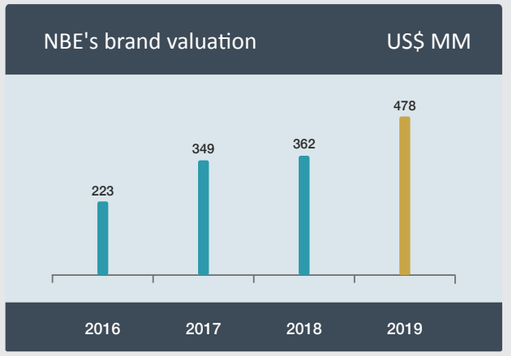
In conclusion, Egypt's constant efforts to harness its potentials and expertise to push forward the joint African cooperation to wider horizons are specifically highlighted here. Egypt is keen on creating consensus between the governments and peoples of the continent and leading the sustainable development process. Egyptian experiences and expertise are transferred through intensified courses and training grants for Africans and projects of joint cooperation are supported, especially in economic and commercial areas. This would strengthen Egypt's pivotal role in Africa with its effective tools, efficient expertise and balanced visions.

NBE's Brand Spearheads Egyptian Banks in Top 500 Banking Brands List 2019

The National Bank of Egypt (NBE) reigns supreme among Egyptian banks as the biggest banking brand in 2019 for the second year in a row, according to the "The World's Top 500 Banking Brands 2019" Report published by Brand Finance Corporation, a leading brand valuation consultancy, in cooperation with The Banker magazine. NBE's brand ranked 292 globally at the value of US$ 478 MM in 2019 and a rating of "AA+" against ranking 319 last year at the value of US$ 362 MM and a rating of "AA". This reveals the unique position occupied by NBE in the banking market on the national and international levels.

Egyptian banking brands and their rankings in the world's top 500 banking brands list 2019

Brand	Ranking locally	Ranking Globally	Value (US$ MM)	Rating
البنك الأهلي المصري NATIONAL BANK OF EGYPT	1	292	478	AA+
بنك مصر BANQUE MISR	2	398	278	A+
EIB	3	455	228	AA-





Brands are deemed one of the most important intangible assets for companies and corporations. Although they do not appear in financial statements, brands enjoy a substantial importance as a key factor revealing the strength of a company and its administrative and financial structures. In that vein, Brand Finance relies upon a group of metrics to determine the brand values of companies and institutions such as sound financial performance, sustainability and emotional connection, etc.

Moody's Maintains Positive Outlook for Egypt's Banking Sector

The credit rating agency "Moody's" maintained its positive outlook for the Egyptian banking system, driven by an improving operating environment. "Egyptian banks will continue to have good access to stable, deposit-based funding and hold large volumes of liquid assets, especially in local currency", Moody's declared. Buoyant economy and inter-linkages with the sovereign's improving credit profile drive Moody's positive outlook on the Egyptian banking sector.

Factors confirming the positive outlook for the Egyptian banking sector

The outlook for the banking sector is a future assessment of the credit conditions, which may affect banks' creditworthiness in a given system, in the coming 12-18 months.

Therefore, the outlook provides insights into the developments of the banking operating environment, including the macroeconomic conditions, the competitive and legislative environment and the relevant impact on a number of banking variables such as quality of assets, capital, volume of funding and liquidity, and profitability rates.

Accelerating economic growth

Egypt's real GDP growth is forecast to reach 5.5% and 5.8% in 2018/2019 and 2019/2020, respectively, on the back of increased public and private-sector investment, higher exports and tourism recovery, where tourist arrivals rose 48% to reach 9.8 million tourists in 2017/2018.

Sovereign's improving credit profile

The positive outlook reflects the strong links between the Egyptian banking system's rating and sovereign's improving credit profile, along with a positive outlook adopted by Moody's for the Egyptian economy.

Positive banking indicators

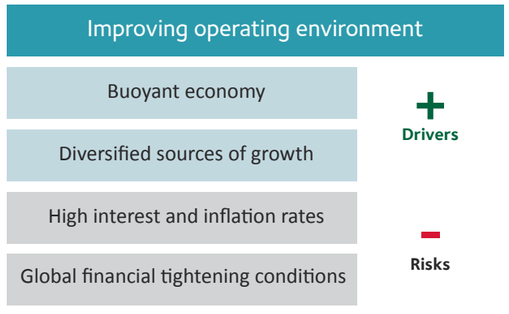
Moody's forecast robust performance of Egyptian banks, especially with respect to maintaining ample local currency funding, high liquidity rates and strong profitability.

On a related note, Moody's affirmed that a number of key drivers contributed to maintaining the positive outlook, mainly:

Operating environment

Moody's confirmed that this driver developed on the back of higher growth rates and diversity of growth resources. Moreover, the ongoing reforms, such as the new investment law and bankruptcy and streamlining industrial licensure legislation, contributed to Egypt's higher competitiveness ranking and would enhance investment in the coming period.

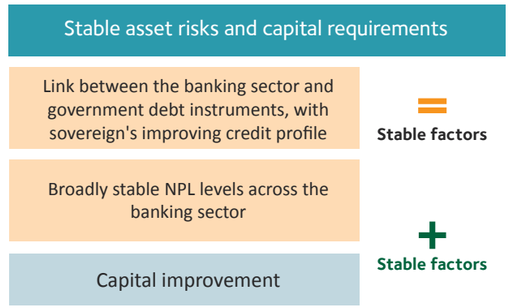
According to Moody's, Egypt's buoyant economy will support banking penetration and deposit and loan growth.



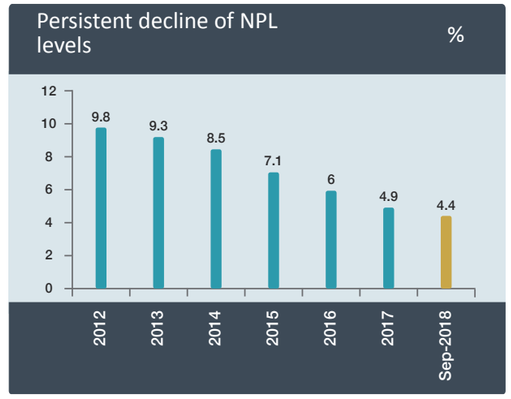
However, Moody's notes also that there are a number of associated risks, e.g. higher interest and inflation rates and pressure from global financial tightening. In this context, it is worth mentioning that the Central Bank of Egypt (CBE) started a new round of monetary easing policy in February 2019 through reducing interest rates by 100 bps. CBE stressed that lower inflation rates are targeted within 9% (± 3%) by Q4 of the FY 2019/2020.

Asset risk and capital improvement

Egyptian banks' high exposure to government debt instruments links their creditworthiness to the sovereign's. The latter positively affects the earlier, thanks to the successful economic reform program.



On the other hand, Moody's pointed out that non-performing loans (NPL) levels in the Egyptian banking sector were broadly stable in view of the strong economic growth. NPLs at Egyptian banks dropped to 4.4% only of total loans in September 2018. At the level of banks' capital, Moody's forecast it would improve in the coming period.



* The period from 2012 to 2017 represents fiscal years, noting that FY ends on 30th June in public-sector banks and on 31st December in other banks.

Profitability and efficiency

Despite the decline in bank profits in 2018, Egyptian banks' profitability is expected to be generally stable in the coming period.

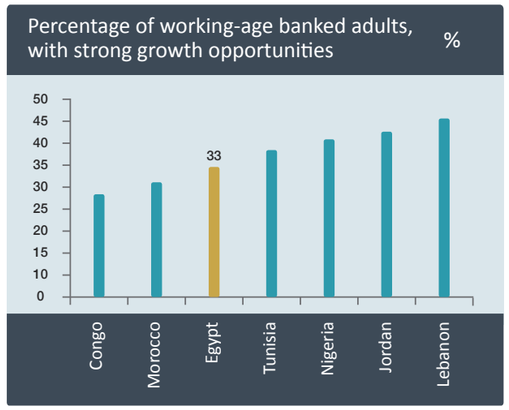
Funding and liquidity

As affirmed by Moody's, Egyptian banks are capable of providing finance based on the large flows of stable local deposits, which supports credit strength. According to Moody's forecasts, banking penetration would enhance, leaving a positive impact on the incessant growth of deposits, thus increasing the rates of liquidity and fundability.

Moody's Maintains Positive Outlook for Egypt's Banking Sector

Finally, Moody's confirmed that there are a number of factors that strengthen the demand for bank finance and support deepening the concept of financial inclusion in the coming period, including:

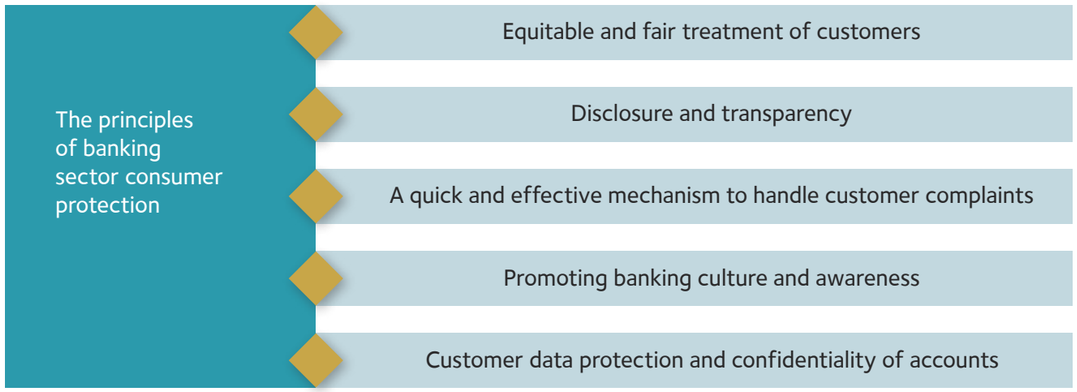
- **Government orientation towards digital economy and payments digitalization**
  It is worth mentioning that in line with the state's orientation towards digital transformation and enhancement of e-payments, the Egyptian banking sector witnessed the opening of the first three electronic service branches in Q1 of 2019 by the National Bank of Egypt (NBE), which targets opening more branches in the coming period. Through these branches, NBE seeks to introduce a new banking service experience via an advanced branch model that offers certain banking services to customers in fully electronic form via alternative channels. Since the Egyptian society is one of the youthful societies, i.e. about 60% of the population are under the age of 30, it has a segment that makes the highest use of modern technology.
- There are **strong growth opportunities for banking penetration**, especially with the low percentage of working-age banked adults.
- **Initiatives of the Central Bank of Egypt (CBE)** to support SMEs facilities and mortgage finance.
- Egypt is among the three countries selected by the World Bank (WB) in 2018 to join the **"Financial Inclusion Global Initiative" (FIGI),** a programme aimed at developing research in digital finance and accelerating financial inclusion based on modern technology.
- **Capital Market Law amendments,** which provide state-of-the-art financial instruments that meet the requirements of Egyptian economy as well as the requirements of competitive global economy.



CBE Issues Instructions on Banking Sector Consumer Protection

Boosting customer confidence in the banking sector and promoting financial inclusion

In light of Central Bank of Egypt's (CBE) keenness on developing the banking sector via applying the best international practices to shore up the confidence of customers in the banking sector, on 19 February 2019, CBE issued instructions on banking sector consumer protection with an eye to consolidating consumer protection policies and procedures at banks and laying down the regulatory framework for consumer service. Additionally, CBE's instructions take into account the provision of tailored products and services that meet the different needs and capabilities of customers. This will encourage and spur individuals to use banking services. Banks will have one year to be aligned to the new instructions as of their issuance date.
The concept of consumer protection encompasses having clear principles and rules in place to regulate the relationship between banks and customers across all the stages of dealing. This mainly includes the fair and equitable treatment of customers, disclosure and transparency, maintaining a quick and effective mechanism to handle customer complaints, promoting banking culture and awareness, and customer data protection and confidentiality of accounts. Furthermore, CBE attaches special importance to consumer protection with respect to automated and electronic services.



Treating customers fairly and equitably

This principle stresses the concept of dealing with customers with high level of professionalism that highlights the value of fairness and transparency. All customers must be treated on equal basis. The values of equity and credibility must be adhered to.

Terms and conditions conveyed to customers must be clear and simple to understand upon marketing any products or services. It is quite important to help customers choose the appropriate service or product that matches their needs and ability to fulfill the obligations arising therefrom. In case a product or service cannot be offered, the customer is entitled to know the reason for rejection, if possible, subject to the relevant laws.

Under this principle, agreements/forms shall be fair, simple, legible and in a clear and intelligible format and shall use simple banking terminology. They may not include any unfair terms that may cause any potential risk to customers.

In case of requesting a collateral from a customer for any granted facility, the value of the requested collateral must be commensurate with the value of such facility.

According to this principle, in case there is a guarantor of the customer, the relevant terms and conditions of the guarantee should be disclosed to the guarantor prior to entering into the guarantee. An undertaking must be filled in by the guarantor to maintain the confidentiality of customer data. The guarantor must be timely informed of the existence of any indications that the customer would be in default or in breach of his/her obligations under the guaranteed facility as well as of the relevant consequences. The guarantor must be notified before the customer is classified as a non-performing customer.

Meanwhile, the customer may, in all cases, cancel his/her application for any product or service that has not been activated "except for savings products" within two business days from the date of signing the relevant contract without any charges or fines.

In case of full repayment of the customer's indebtedness, the bank shall notify the Egyptian Credit Bureau "I-Score" of the termination of the indebtedness. The customer shall be provided with the cheques, if any, that were signed by him/her and the bank's acquittance.

Disclosure and transparency

Pursuant to this principle, the actual annual interest rates and banking tariffs shall be displayed at customers' waiting areas in the bank's units/branches, on the bank's website, in the different mass media, or in the correspondence or brochures forwarded to customers. The terms and conditions of all banking services must be available on the bank's website.

Before entering into any agreement, the customer must be provided with adequate, clear and not misleading information to ensure that the customer is fully aware of the terms and conditions, features and cost of the product or service subject of such agreement. In case the bank deals with outsourced entities or payment service providers or their agents to provide the products or services to the customer, the bank shall inform the customer that the bank is fully responsible for all the services rendered by any such third party.

The bank should notify the customer of any changes to the variable interest rates of credit facilities according to the agreed mechanism in the relevant agreement. The customer shall be provided with a statement of his/her account balance. In case the customer objects to the data sent by the bank during the set period, the bank shall look into the matter and take a corrective action(s), if necessary, within a set period of time.

Handling customer complaints

The bank should implement policies and procedures to ensure maintaining a quick and free mechanism to handle customer complaints fairly, transparently and effectively. This includes establishing an independent unit that is responsible for handling customer complaints, namely the "Consumer Protection Unit". Staff working at such Unit must have the appropriate expertise. The Unit's decisions shall be binding to e-payment service providers and outsourced entities, and agreements concluded with any of them must provide for the same.

Customers should be made aware of complaint rules and follow-up through printed materials, signboards, email or SMS messages or by including the contact information of the bank's "Consumer Protection Unit" in the correspondence and statements of account forwarded to customers.

The customer should be provided with a complaint reference number within two business days of lodging any complaint for easy follow-up. It should be also made possible to follow up complaints on the website of the bank or payment service provider or via phone calls.

A customer's complaint must be responded to within fifteen business days as a maximum from the date of receiving such complaint (save for the complaints related to transactions with third parties; however, the customer must be informed of the period of time that is needed to consider the complaint). The Unit should respond to the complaint in writing or electronically stating the suitable justification or corrective action, if any. The customer may escalate the complaint to the CBE if the complaint is not resolved within the set period of time.

In case the customer is dissatisfied with the response of the bank or service provider, s/he shall notify the bank of the reason for that within fifteen business days from the date of receiving the response; otherwise, this shall be considered an implicit acceptance of the response. In such case, the bank should reconsider and reexamine the complaint. The final response shall be notified to the customer within fifteen business days including clear and adequate justification. The customer shall be informed of his/her right to escalate the complaint to CBE in case the customer does not accept the bank's second response.

The bank should provide CBE with a quarterly report on customer complaints according to CBE's relevant form.

Promoting banking culture and awareness

Promoting banking culture among customers plays a vital role in strengthening the concept of financial inclusion. Accordingly, CBE considered a number of procedures that banks should implement in order to boost their role in raising banking awareness among all customer segments via mechanisms that aim to increase the knowledge of customers and service providers at branches.

Key mechanisms for customers

- Distributing easily understandable brochures and communicating with customers to inform them of the different banking services and products and how to use them;
- Clarifying the consequences of defaulting on loans or credit cards for credit customers;
- Raising awareness of forgery and fraud that bank accounts may be exposed to and how to deal with them;
- Indicating to customers the importance of updating their personal information with the banks that they deal with; and
- Informing customers that they should promptly notify the bank or service provider without delay once the customer becomes aware of any suspicious transaction carried out on his/her account or debit or credit card.

CBE Issues Instructions on Banking Sector Consumer Protection

Key mechanisms for service providers inside branches

- Providing training to employees on the rules of consumer protection and monitoring the effective and continuous implementation of such rules;
- Providing training to employees on how to present banking products and services to customers including how to assess their suitability for customer needs; and
- Providing specialized external or in-house training to employees who are responsible for handling customer complaints.

Raising awareness via the bank's website

CBE indicated that the website of each bank or service provider should have a page dedicated to raising financial and banking awareness.

Data protection and confidentiality of information

According to this principle, all the customer's financial and personal data and information are considered confidential information and may not be shared or used without the customer's approval, subject to the relevant laws.

A suitable environment should be available to protect data and information whether they are kept at the bank or at a third party that the bank deals with. Information related to customers or their accounts may only be disclosed after verifying their identity or the identity of their legal representatives.

Meanwhile, CBE pays special attention to **consumer protection in connection with automated and electronic services.** It sets forth a number of procedures that banks should follow:

- Explaining the correct usage of the bank's electronic systems and clarifying all the fees related to electronic services;
- Maintaining secure systems to ensure the integrity and confidentiality of information flowing through such systems;
- Making customers aware of the importance of protecting the cards and information related to electronic services and maintaining the confidentiality of their user names and PINs. Customers should be also informed of the procedures of reporting any theft, loss, fraud or breach; and
- Providing the suitable means to inform the customers of all transactions carried out electronically on their accounts and of any changes to the relevant services.

CBE Launches NilePreneurs Initiative

In February 2019, the Central Bank of Egypt (CBE) launched the "NilePreneurs" initiative which is implemented by the Nile University (NU). The initiative aims to support entrepreneurship and small and medium-sized enterprises (SMEs), enhance domestic output and create more job opportunities, with a view to shoring up the Egyptian economy and boosting its competitiveness. The event is implemented in collaboration with a number of banks, the Ministry of Planning, Academy of Scientific Research & Technology, Micro, Small and Medium Enterprise Development Agency (MSMEDA) and other several entities.

Targeting various groups, such as youth, innovators, entrepreneurships and SMEs, the NilePreneurs initiative consists of a set of programs and projects, most importantly:

Business Development Services (BDS) hubs

These hubs work on supporting SMEs and furnishing them with non-financial services. NilePreneurs' BDS hubs primarily deliver the following services:

- enabling SMEs to access funds and develop their businesses; integrating SMEs into formal economy; improving their ecosystem; connecting SMEs to partners in the supply chain via NilePreneurs initiative partners; and helping them tap into the target markets;
- providing information and data through Egyproject platform;
- capacity building and vocational training for SMEs and entrepreneurs; and
- empowering women and young people to develop their business, and supporting the elderly and people with special needs in the establishment and development of SMEs.



In that vein, it is estimated to establish 30 BDS hubs, as part of the initiative, in 16 governorates this year. Such hubs will progressively increase over the coming years, to extend all over Egypt, considering them the seed for achieving the initiative's objectives.

Design House

It is planned for the "Design House" to include businessmen, factory owners and SMEs who have ideas or engineering products that need to be designed and also those who have technical expertise and knowledge of engineering industries and can create and innovate products.

It is noteworthy that the "Design House" targets cooperation with startups and SMEs to follow standard operating procedures in developing and processing products, with a view to coming up with a product that can be manufactured in the local market. This would be achieved by:

- seeking cooperation with a plethora of entrepreneurs via workshops held to develop new products and engineering capacity for technical designs;
- implementing design projects for SMEs and supporting a number of startups in the stage of prototypes;
- showcasing design models of many companies in an annual event in which interested manufacturers are gathering; and
- providing primary tools and equipment necessary to create and innovate products, availing the usage of laboratories and utilities of Nile University, along with giving technical training and using state-of-the-art devices.

Challenge and innovation program

This program supports young people, businessmen and start-ups in engineering and agribusiness to transform their creative and innovative ideas into products or services. The program is customized for entrepreneurs and innovators in the fields of agriculture and engineering from the age of 21, and startups that have viable models that meet market needs or increase local production, and mainly offers:

- the guidelines necessary to turn ideas into reality;
- the legal and accounting support necessary to succeed in labour market, also the financial support required for designing and developing products and services available in the local market; and
- technical and entrepreneurship training programs as well as necessary equipment and design assistance.

Awareness program

The program spreads motivational and educational messages to support potential entrepreneurs, with the help of educational institutions, including universities, higher institutes and vocational schools to communicate the concepts of the initiative.

SMEs Growth Stimulation Program

This program increases the contribution of small enterprises operating in agriculture and industry sectors to the national economy by providing the advanced support tools necessary for the growth of promising companies, while transferring the experience gained from other companies, to generally improve the competitiveness of both sectors, creating added value to the national economy. On a related note, the said program will identify potential growth opportunities, whether in the local market or global market; then turn them into an action plan, to allow enterprises to pursue their growth elements at all technical, commercial and regulatory levels; and finally offer relevant implementation tools by providing expertise and access to funding.

Technical and vocational education under public-private partnership (PPP)

Public-private partnership (PPP) aims at bridging the gap between education and labour market; raising new generation of skilled technicians who appropriately cater for market needs as an asset for finding jobs; and trimming the cost of looking for and obtaining trained labour.

Go Digital program

Under this program, entrepreneurship will adopt and practically apply technology via developing mobile phone applications or through the web, to assist in digital transformation of enterprises operating in the industrial and agricultural fields. The program will create innovative methods to educate about entrepreneurship and raise awareness of its importance via recent digital innovations.

In conclusion, it is notable that the CBE seeks to expand "NilePreneurs" across Egypt as a national initiative, building on scientific and global bases, and overcoming all challenges faced by small enterprises, entrepreneurs and innovators, whether in the seed, operating or subsequent stages.

IMF Highlights the Importance of SME Development in the Arab Region

Christine Lagarde, IMF Managing Director, highlighted in her opening speech at the World Government Summit (WGS) held in Dubai in February 2019 the importance of developing and bringing small and medium enterprises (SMEs) under the umbrella of financial inclusion in the Arab region. SMEs help support growth, create jobs and diversify economies. Lagarde added that many Arab countries had made great strides in achieving financial inclusion, especially through increasing access to financial services as a key factor in SME development.

> " Several Arab countries, such as Egypt, Jordan and UAE, have started to implement comprehensive strategies to increase financial inclusion, including SMEs. "
>
> Christine Lagarde
> IMF Managing Director

World Government Summit (WGS) is the largest annual global government gathering. It serves as an international platform aimed at enabling governments to achieve excellence and leadership, focusing on applying technology towards overcoming challenges. It brings together government and intellectual leaders, policymakers and private sector.

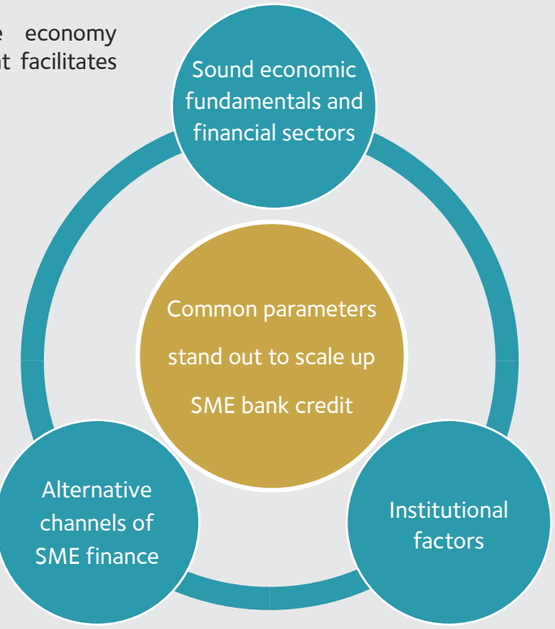
Main factors contributing to increasing SMEs' access to finance

SMEs represent 96% of registered companies in the Arab region, and employ half of the labor force. Closing SMEs financial inclusion gap would boost annual economic growth by up to 1%, potentially leading to about 15 MM. new jobs by 2025 in the Arab region. Benefits also include increasing the effectiveness of fiscal and monetary policies.

> **96%**
>
> SMEs to total registered companies in the Arab region.

However, SMEs' access to finance in the Arab region is only 7% of total bank lending. According to IMF, supporting SMEs financial inclusion is a key component of any inclusive growth agenda. A range of economic and institutional factors are needed to help scale up SME bank credit; mainly, sound economic fundamentals and financial sectors, institutional factors and alternative channels of SME finance.

Sound and competitive economy and a banking sector that facilitates market entry for SMEs.



Tapping capital markets and supporting the development of SME capital market segments. Fintech is also a potential game changer for SMEs; it can expand credit information.

Good governance and financial supervisory capacity, availability of credit information, and strong legal frameworks.

Egypt Petroleum Show (EGYPS 2019)
A Showcase for Investment Chances in Egypt's Oil and Gas Industry

Egypt hosted the events of Egypt Petroleum Show (EGYPS 2019) in its third edition under the patronage of President Abdel Fattah al-Sisi during the period 11-13 February under the theme "North Africa and Mediterranean Sea: Delivering the Energy Needs of Tomorrow". The event serves as an important showcase for Egypt's remarkable opportunities and potentials in oil and gas industry. The Show shed light upon the outcomes, developments and latest successes in this vital industry. EGYPS also highlighted the current serious reforms introduced to create more attractive investment climate for global oil companies.

EGYPS
EGYPT PETROLEUM SHOW
11 - 13 February 2019
Egypt International Exhibition Center

Growing in importance year after year, EGYPS became an important gathering for an elite of ministers and senior officials interested in the energy industry's prospects to discuss the regional and international changes representing a large challenge affecting the oil and gas industry. Experts of this strategic industry discussed and exchanged opinions and ideas to come to innovative solutions for such challenges and to give momentum to the ever-changing oil activities.

In this context, the third edition of EGYPS witnessed a high-level international and regional participation by energy and oil ministers from various countries, besides heads of large energy international and regional organizations; mainly the secretaries general of the Organization of the Petroleum Exporting Countries (OPEC), the International Energy Forum, the Organization of the Arab Petroleum Exporting Countries (OAPEC), the manager of the Mediterranean Observatory for Energy and the heads of major international oil companies. Moreover, the event was attended by more than 1,200 people representing the participating delegates together with 200 experts discussing the industry-related vital issues. In this respect, it is noteworthy that the conference discussed for the first time the issues of digital technology in the energy field. In the same vein, 400 national and international exhibitors and 13 countries (United States of America, Canada, China, France, Italy, Norway, Russia, Scotland, Britain, Germany, Cyprus, United Arab Emirates, Bahrain) participated with pavilions in the exhibition accompanying the conference.

In the margins of the conference, a number of cooperation agreements was inked. For example, a strategic cooperation agreement was signed between the Arab Petroleum Pipelines Co. (SUMED) and Saudi Aramco Trading Company (ATC) to provide 222,000 cubic meters of gas oil storage capacity in Sidi Kerir for re-export to Europe. The two companies also signed a second deal to make use of SUMED's equipped quay to supply fuel oil storage capacity of 165,000 cubic meters in the Red Sea port of Ain Sokhna. The deal targets supplying fuel oil to power plants in Saudi Arabia, re-exporting, meeting the needs of the Egyptian market or providing fuel to ships in the region.

Further, the results of the international 2018 bid for both the Egyptian General Petroleum Corporation and EGAS, in which many major international companies such as ExxonMobil and Shell have remarkably participated, were announced. In the same vein, a number of foreign companies revealed future investment plans in Egypt. The head of global Total S.A said that the company had ambitious plans to pump investments for oil exploration and petrochemicals industry in Egypt.

The convening of Egypt Petroleum Show (EGYPS 2019) is an important and distinguished oil event that gives the opportunity to discuss trends and quick developments in oil industry at the national, regional and international levels. The event comes as a mechanism to support Egypt's efforts to be a regional spot to attract investments for the exploration of oil resources in the light of promising oil and gas potentialities and probabilities. Moreover, ambitious action programs are implemented to convert Egypt into a regional energy center, develop refining and petrochemicals industries and marketing and distributing oil products.

Egypt Turns into a Regional Energy Hub: Decisive Steps and Ambitious Vision

Egypt holds a unique position among the Mediterranean basin countries, in terms of natural gas production and reserves, especially in light of huge gas discoveries made in recent years. In addition, Egypt has an extensive energy infrastructure, qualifying it to become a regional energy hub. In this respect, the Minister of Petroleum held a meeting, in Cairo during January 2019, with energy ministers of six countries to consider the establishment of the Eastern Mediterranean Gas Forum (EMGF). This Forum will promote cooperation between current and prospect Eastern Mediterranean countries producing or consuming gas and transit countries based on the principles of international law and will develop a sustainable regional market for optimal utilization of gas reserves in the region.

Egypt develops natural gas production and attains self-sufficiency

Egypt witnessed a continuous increase in natural gas production during 2018, particularly in light of the actively-growing cooperation between the Ministry of Petroleum and Mineral Resources and international oil companies (IOCs) operating in Egypt, in order to speed up progress of discovered gas fields, bringing them to the production map. As a result, Egypt successfully became self-sufficient in natural gas as at the end of September 2018, producing 6.6 billion cubic feet per day (bcf/day), and Egypt managed to halt natural gas imports for the first time in more than three years, which eventually would decrease import bills and rationalize the usage of foreign currency.

> Egypt reaches natural gas self-sufficiency as at end-2018.

> Developing four natural gas fields in the Mediterranean, with total investments of US$ 27 bn.

It is noteworthy that self-sufficiency was primarily attributable to the increased production of Egyptian large gas fields in the Mediterranean, namely **"Zohr, North Alexandria, Nooros and Atoll fields"**, in which the total investments exceeded US$ 27 billion. The maximum production rate is predicted to record 6.5 bcf/day by the completion of all improvement and development phases.

Zohr Field

In December 2017, Zohr field began production with an initial capacity of 350 million cubic feet per day (mcf/day) and development of new phases was effected at fast pace, to multiply its production by six times at more than 2 bcf/day in 2018. Production is expected to soar through the roof at over 3 bcf/day by end-2019. Project's total investments are estimated to reach US$ 12 billion. Several partnership agreements were signed to develop Zohr field, under which Russia-based Rosneft acquired a stake of 30%, UAE-based Mubadala Petroleum 10%, through the Italian oil company Eni, as main operator, and the British Petroleum (BP) which holds a 10% stake.

- 350 mcf/day
  Initial capacity of Zohr field
  Mid-December 2017
- 2 bcf/day
  Output up 6 times since inauguration
  In 2018
- Production expected to reach its peak at over 3 bcf/day
  End-2019

North Alexandria and West Nile Delta gas fields

The project comprises five fields across North Alexandria and West Mediterranean concessions. The relevant works are carried out over three phases, (I) Taurus and Libra fields started production in May 2017 with a capacity of 700 mcf/day; (II) Fayoum and Giza fields began production in December 2018 with a capacity of 400 mcf/day which will gradually increase to 700 mcf/day; and (III) Raven field is set to start flowing in 2019, by which the project's phases will be complete with investments exceeding US$ 10 billion.

> Raven field put on the production map in 2019.

Nooros field

Nooros field in Delta reached production levels of 1.2 bcf/day in 2018, as new wells were drilled to offset the natural decline rates of wells, hitting an all-time high of natural gas output in Delta concession.

> Achieving the highest natural gas output in the history of Delta concession.

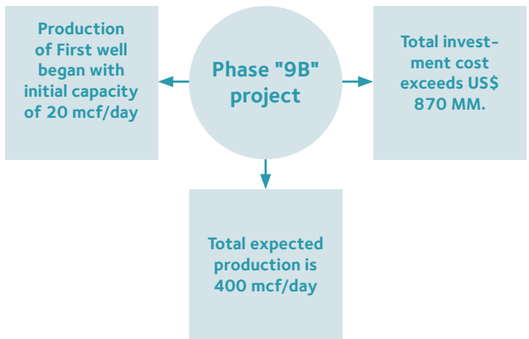
Atoll field

In 2017, Atoll field began operation with capacity of 250 mcf/day and jumped to 350 mcf/ day in February 2018. It is estimated that production would increase continuously to 400 mcf/day by October 2019.

> Total gas output of Atoll field is expected to reach 400 mcf/day by October 2019.

Gas start-up in the new phase of West Delta concession block

West Delta Deep Marine (WDDM) Phase 9B in the Mediterranean was linked to production map, through an initial production from the first well reaching 20 mcf/day of total 400 mcf/day maximum production capacity, by drilling 8 development wells and 2 exploratory wells, with total investment cost exceeding US$ 870 MM.



Egypt Turns into a Regional Energy Hub: Decisive Steps and Ambitious Vision

Resuming gas exportation to Jordan

In light of the increase in the natural gas production rates, after linking many gas fields to production and achieving self-sufficiency, Egypt and Jordan signed an agreement in August 2018 on resuming Egyptian gas supply to Jordan. The Ministry of Petroleum started to supply experimental quantities in October 2018, which will gradually reach the agreed quantities throughout 2019.

Government's efforts to promote foreign investments in gas sector

- In December 2018, the Ministry of Petroleum and Mineral Resources successfully **decreased arrears owed to IOCs to US$ 1 bn.**, the lowest debt level since 2010. This assures the commitment of the government to its international partners. Such commitment increases the turnout of IOCs in the exploration and production (E&P) tenders, spurring investments.

> Decrease of arrears owed to IOCs to US$ 1 bn. in December 2018.

- Through the **"Oil and Gas Sector Modernization Project"**, the Ministry applied new untraditional mechanisms and developed agreement models to explore and produce oil and gas in new areas, encouraging foreign investors to invest and explore in these areas.
- The Ministry took new steps in establishing the **Egyptian Online Gateway** for promoting oil and natural gas E&P areas, in collaboration with specialized global firms, leading to creating investment opportunities with a modern and advanced concept. In 2018, the Ministry signed cooperation agreements on this project with both Schlumberger and Baker Hughes GE (BHGE) global firms.

- In 2018, **two international bid rounds were launched by the Egyptian General Petroleum Corporation (EGPC) and the Egyptian Natural Gas Holding Company (EGAS)** for the exploration and production of oil and natural gas from 27 blocks in the Gulf of Suez, Eastern Desert, Western Desert, Gharbia, Nile Delta and the Mediterranean Sea.

> EGPC and EGAS launched two international bid rounds for oil and natural gas E&P from 27 areas.

- It is planned to launch the **first E&P international bid round in the Red Sea** in 2019, based on the results of 10,000-square kilometer seismic survey and data collection that were conducted, in cooperation with Schlumberger, at total investments of US$ 750 MM.

> It is planned to launch the first E&P international bid round in the Red Sea this year.

- In 2018, the Ministry of Petroleum signed 12 new agreements with IOCs for oil and gas exploration at several concessions in the Mediterranean, Gulf of Suez, Nile Delta, Western Desert and Sinai, at total investments reaching at least US$ 1.3 bn., and nearly US$ 95 MM signing bonuses to drill 41 wells. **In the past four years, the total number of agreements reached 63 during the period from June 2014 up till end-2018.**

> 12 new agreements were made between the Ministry of Petroleum and IOCs in 2018.

- Fiscal year (FY) 2017/18 witnessed investments of around US$ 10 bn. that were injected for oil and gas field E&P and development. **FY 2018/19 is projected to witness the same value of investments.**

> US$ 10 bn. investments injected for oil and gas field E&P and development in 2017/18.

Egypt plugs a regional energy hub status

During 2018, the Ministry took positive concrete steps towards achieving the national project of turning Egypt into a regional energy hub; and creating an appropriate legislative environment through:

- issuing executive regulations of the Gas Market Law in February 2018;
- establishing an independent authority to regulate the gas market activities. The authority organizes the process of gas receiving and supplying from and to the Egyptian market, leading to boosting investment opportunities and supporting private sector's contribution to all the activities related to the natural gas, whether it is importing, shipping, transporting, distributing or storing;
- signing a memorandum of understanding (MoU) for energy strategic partnership between Egypt and the European Union (EU) in April 2018. The EU countries represent the end markets for Eastern Mediterranean gas that will be re-exported by Egypt as part of its pivotal role, making it in a position to become a regional hub for trading oil and gas;
- signing a joint governmental agreement between Egypt and Cyprus in Nicosia, at the end of September 2018, which stated establishing a direct subsea pipeline between the two countries to transport natural gas from the "Cypriot Aphrodite" field to Egypt's gas liquefaction plants on the Mediterranean coast to liquefy and re-export gas through Egypt to different markets; and
- establishing the **Eastern Mediterranean Gas Forum (EMGF)** as agreed by the Egyptian, Cypriot and Greece leaders in the Crete Summit, in October 2018, with Cairo as its headquarters, reflecting Egypt's regional importance in natural gas production and manufacture.

Eastern Mediterranean Gas Forum (EMGF)

Egypt's production of natural gas comes mainly from the Mediterranean Sea, which possesses around 87% of the country's total proven gas reserves. Mediterranean natural gas production represented 58.1% of Egypt's annual production during the period from 2010 to 2017.
In this respect, Egypt hosted a meeting of the Egyptian Minister of Petroleum with energy ministers in 6 Mediterranean countries in January 2019, to discuss the establishment of the Eastern Mediterranean Gas Forum (EMGF), which provides the Mediterranean countries with the opportunity to optimally utilize such cooperation for their best, especially in light of possessing large gas reserves in this region. EMGF seeks to

establish a regional gas market that serves the interests of the members by ensuring supply and demand, optimizing resource development, rationalizing the cost of infrastructure, offering competitive prices and improving trade relations.

The Forum also aims at formulating common regional policies on natural gas, assisting consuming countries in securing their needs and encouraging their cooperation with the transit countries to develop gas policies in the region, thus enabling the establishment of a sustainable partnership between the stakeholders at all stages of the gas industry. In addition, this ensures sustainability and environmental considerations when it comes to gas discoveries, production, transportation and infrastructure construction.

Notably, it is decided that the EMGF would be headquartered in Cairo, at the above-mentioned meeting of petroleum and energy ministers of EMGF countries. It is affirmed that any eastern Mediterranean country producing or consuming gas or any transitory country can join the Forum later after it takes necessary procedures, to be agreed upon between the founding countries.

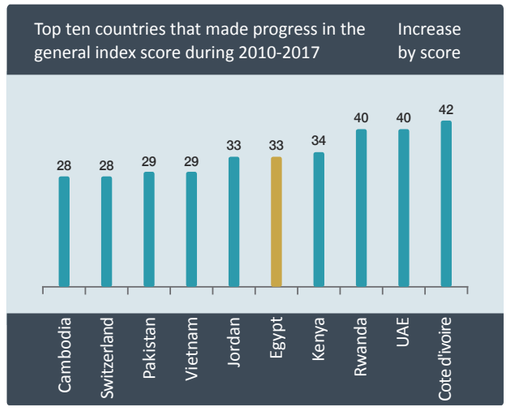
In the same vein, a recent study released by the Organization of the Arab Petroleum Exporting Countries (OAPEC), entitled **"Real Prospects of Natural Gas in the Eastern Mediterranean"**, confirmed that the region would be a gas-rich province, thanks to the consecutive gas discoveries, including Aphrodite field in Cyprus' economic zone, Zohr field in Egypt's economic zone and others.

The study indicated that a number of the region's countries conducted development projects for gas discoveries, as it is expected to produce gas surplus greater than their needs, that can be exported to neighboring countries after developing all present discoveries. Such discoveries will enhance the region's significance, in the future, to be marked on energy map, so that the region could be a hub that feeds large gas markets, particularly Europe, which seeks to diversify its supply sources.

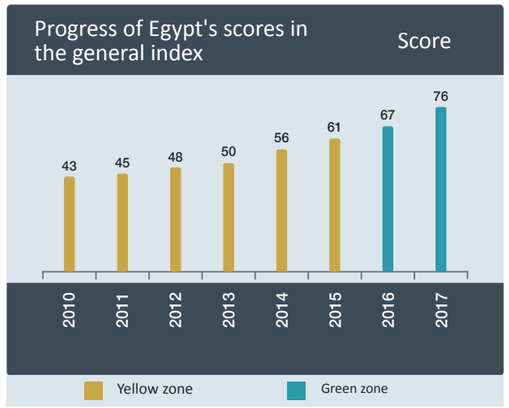
Egypt on the Top Ten List of Countries
That Made Progress in Sustainable Energy Policies as per WB's RISE 2018

Sustainable energy provision is one of the sustainable development goals (SDGs) 2030 adopted by the United Nations (UN) in September 2015. These goals include ensuring universal access to modern energy services, increasing the global rate of energy efficiency improvement and enhancing the relative weight of renewable energy in the global energy mix. Egypt has always been keen to keep up with these efforts, to accelerate the pace of deepening this concept locally.

In this context, Egypt witnessed a remarkable improvement in sustainable energy policies in recent years, ranking 5th among the top ten countries that made progress in the general index of the World Bank's Regulatory Indicators for Sustainable Energy (RISE) 2018. In 2017, Egypt progressed 33 points compared to 2010, recording 76 points. It ranked 35th among 133 countries under survey, and 4th in the Middle East and North Africa (MENA) region (compared to the 53rd and 7th ranks, respectively, in 2016). Thus, Egypt maintained its position in the "green zone" for the second year in a row (among 59 countries in RISE 2018), which reflects the robust frameworks and policies adopted by Egypt to achieve energy sustainability.



The World Bank's RISE 2018 is a benchmark for policymakers and the private sector to make informed decisions about investing in energy projects. It measures the country-level adoption of policies and regulations to push forward sustainable energy sector, based on three main indicators, i.e. "energy efficiency, electricity access and renewable energy". This is in addition to another main indicator developed in RISE 2018, i.e. "clean cooking", which deals with the use of cooking methods that contribute to protecting the environment and avoiding health damage caused by the use of solid fuels (such as coal, firewood, etc.). In general, the scores of the general index and the main indicators range between 0 and 100, as follows:



- 67-100 for the green zone, which includes strong performers with supporting frameworks and policies aiming at achieving energy sustainability;
- 34-66 for the yellow zone, which contains middling performers having opportunities to strengthen the frameworks and policies of sustainable energy; and
- 0-33 for the red zone, which comprises weaker performers.

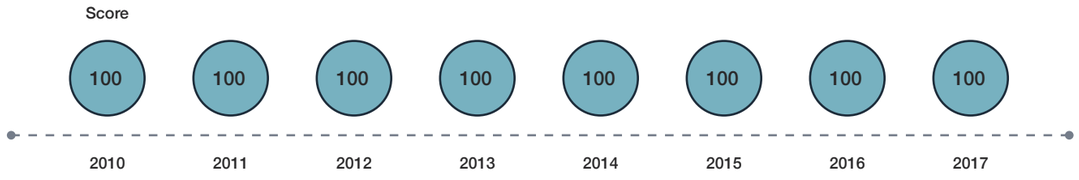
Egypt on the Top Ten List of Countries
That Made Progress in Sustainable Energy Policies as per WB's RISE 2018

Main indicators

The general index of RISE 2018 relies upon three main indicators, as follows:

Electricity access

Throughout the period covered by RISE 2018 (2010-2017), Egypt maintained the highest score "100 degrees" in electricity access. This came in light of the state's efforts to develop and upgrade the electricity sector and improve its services to ensure that all members of society as well as industrial and service establishments have access to electricity, depending on modern technological systems.



Energy efficiency

Egypt's scores improved significantly in the energy efficiency indicator, reaching a score of 60 in 2017, with an increase of 18 and 39 points compared to 2016 and 2010, respectively. Egypt ranked 4th in MENA region, thanks to its growing scores in a number of sub-indicators, notably:

- Sub-indicators of "energy efficiency in institutions" and "public sector reform and incentive measures", recording the highest score (100 degrees), up 25 points each; and
- Sub-indicator of "reform and incentive measures for end-users in industrial and commercial sectors", climbing 29 points to score 92 degrees.

This is in addition to the state's endeavors to reduce carbon emissions in recent period, which contributed to improving Egypt's scores in energy efficiency indicator.



Renewable energy

Egypt is one of the three fastest-improving countries in terms of regulatory frameworks for renewable energy between 2010 and 2017, according to the World Bank's RISE 2018. Egypt's score rose to 68 in 2017 (progressing 11 points compared to 2016) to be included for the first time in the green zone. This score places Egypt the 32nd globally and the 3rd across MENA region. This is attributable to the following:



- In 2017, Egypt maintained its advanced scores in 3 sub-indicators (out of 7 sub-indicators) YoY; i.e. "renewable energy legal framework, aspects of financial and regulatory incentives, planning to expand dependence on renewable energy" to stand at 100, 92 and 71 degrees, respectively. This enhances private sector participation and encourages investment in these projects.
- In 2017, Egypt's score in "risk" indicator rose 26 points YoY, recording 59 degrees. This indicator is seminal since it measures, inter alia, the provision of payment guarantees and the availability of public financial reports and annual reports. Therefore, the improvement in the scores of this indicator reflects lower level of risk and higher access to finance by investors in renewable energy projects.

In conclusion, Egypt's growing interest in deepening the concept of sustainable energy is in essence an enhancement of one of the sustainable development targets. "Sustainable energy is the golden thread that connects economic growth, increased social equity and an environment that allows the world to thrive", said Ban Ki-moon, former UN Secretary-General.

Egypt Issues International Bonds Worth US$ 4 bn.

Diversified sources of finance and an additional testimony to the increasing confidence in the Egyptian economy

Egypt successfully issued a three-tranche US$ 4 billion international bonds with maturities of 5, 10 and 30 years at good interest rates. Subscription orders surpassed US$ 21.5 billion after announcing the offering in international money markets. The bond sale is deemed to be a great success, despite the recent volatility in global money markets that negatively impacted many indices in the developing and emerging markets.

Maturity date	Value (US$ bn.)	Interest "%"
5 years	0.75	6.2
10 years	1.75	7.6
30 years	1.5	8.7

The move is an evidence of the investors' growing confidence in the Egyptian national economy and the success of the economic reform program introduced by the Egyptian government. This was reflected in boosting the international rating agencies' outlook for Egypt and applauding the adopted reforms by international financial institutions. The three-tranche bond rate is considered extremely good for the Egyptian economy in light of developments witnessed by global markets including raising the US interest rates in 2018 and increasing the issuance cost for all countries and emerging markets due to sharp fluctuations witnessed by the markets since May 2018.

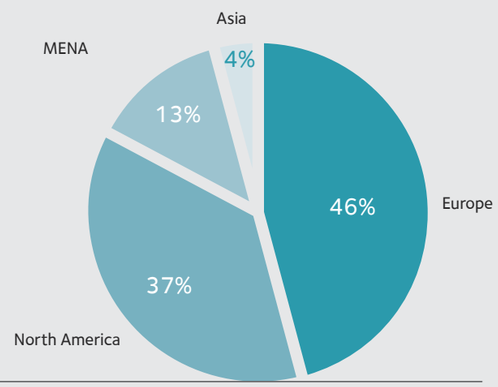
A strong appetite for participating

The offering witnessed a positive sentiment as bonds were five times oversubscribed, attracting over US$ 21.5 billion in total bids from more than 250 international investors from all targeted markets and covering all kinds of investors. This strong appetite led to the closure of the subscription applications very early in the half-time period pre-determined for receiving the applications.

The dollar-denominated bonds are a mechanism of financing and their advantage is that they help the government diversify the sources of finance to include more than just the local market; thus helping to reduce the costs. In addition, offering bonds of various tranches of five, ten and thirty years leads to prolonging the average life of government debt portfolio and reducing the risk of refinancing.

> "Coverage percentage has been the highest compared to the previous international offerings, in terms of countries having similar credit ratings"

Percentage of foreign investors' participation by geographic distribution



Ministry of Finance Wins The Banker's Award as the African Finance Minister of the Year in 2019

According to the international publication owned by the Financial Times "The Banker", the Minister of Finance, Dr. Mohamed Maait won the 2019 African finance minister of the year award, basically attributable to the success of the economic reform program and the Minister's contributions and efforts to ensure that Egypt's reform program remains on the right track.



In the space of a few short years, the country has adopted and enacted some of the most wide-reaching structural reforms in its recent history, paving the way for a brighter future. At the forefront of this reform story, Egypt's Ministry of Finance (MoF) played a pivotal role.

> "The economic reforms are paving the way for a brighter future"

The Banker indicated that the public finances in Egypt witnessed a remarkable improvement in performance achieving, for the first time in 15 years, its primary public budget surplus in FY 2017/2018. This came as a result of adopting energy subsidy reform policies, including fuel and electricity subsidy cuts. Underpinning this performance is a reduction in the energy subsidy bill, which is expected to fall below 1% of gross domestic product (GDP) in 2020.

The Banker also revealed that according to international institutions, it was estimated that such policies rationalizing subsidies, among other measures adopted by the MoF to recover fiscal discipline, would alleviate the government's high levels of public debt. On a related note, rating agency Moody's expects Egypt to return to sustain primary fiscal budget surpluses in the coming years.

> "It is expected that financial policies would contribute to alleviating the levels of public debt in the coming phase"

Egypt Makes Steady Strides towards Public Debt Reduction

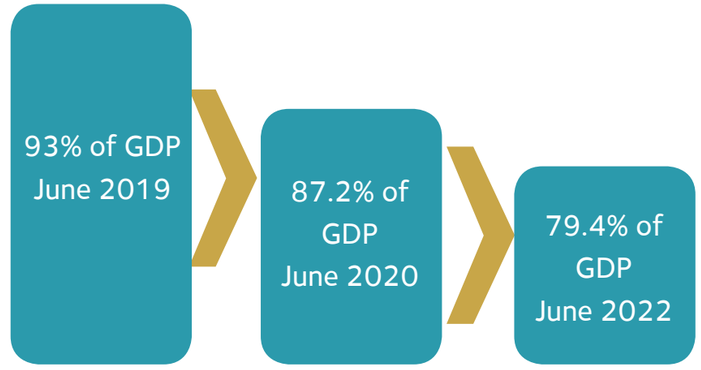
Reducing the debt ratio to gross domestic product (GDP) to be kept low is one of the key and direct objectives of the successful ongoing economic and financial reform program.
Accordingly, the Ministry of Finance (MoF), in partnership with all members of the Economic Group and the Central Bank of Egypt (CBE), developed an integrated strategy to subdue and manage the government debt. Such strategy aims to ensure maintaining a sustainable and lower debt-to-GDP ratio as targeted and planned. In addition, it would decrease the debt service bill, provide additional financial allocations to finance productive economic activities, and increase government funding for social protection programs and improving public services.

Debt ratios indicate as follows:

- The debt ratio of budget entities (domestic and foreign debt) to GDP declined to 97.2% in June 2018 compared with 108% and 102.8% in June 2017 and June 2016 respectively. Such drop is mainly attributed to achieving a primary surplus of EGP 4 bn. in FY 2017/2018 and a higher economic growth rate of 5.3% in the same FY.

- Along the same line, the debt-to-GDP ratio is set to fall to 93% in June 2019, to 88% in June 2020, and to 80% in June 2022. This is in light of targeting an annual primary surplus of 2% of GDP and achieving annual growth rates exceeding 6% in the medium term.

Reducing the ratio of debt-to-GDP is targeted in light of achieving an annual primary surplus of 2% and annual growth rates of more than 6% in the medium term.



Debt-to-GDP ratio targets

Source: Ministry of Finance (MoF) website

- The MoF managed to extend the debt maturity and contain the impact of foreign exchange fluctuations and short-term refinancing risks on Egypt's debt by obtaining long-term loans from international markets and applying part of the loan balances to the repayment of short-term external debt.

According to CBE's data, short-term external debt as a percentage of total external debt fell as at the end of June 2018 to 13.3% from 15.5% as at the end of June 2017. It continued on this declining trajectory in 2018/2019 as it declined to 12.3% as at the end of September 2018. Similarly, short-term external debt as a percentage of net international reserves (NIR) dropped to 25.9% as at the end of September 2018 compared with 27.8% and 39.2% as at the end of June 2018 and June 2017 respectively.



Egypt Makes Steady Strides Towards Public Debt Reduction

It is worth noting that several measures were taken over the last months with the aim of curbing the increase in the debt service bill and improving the government's debt structure and extending its maturity. Such measures include:

- Introducing new financing instruments for investors in the local market with an eye to extending the maturity of the negotiable domestic debt portfolio. Zero coupon bonds with 1.5-2-year maturities were issued, which helped to extend the maturity of debt service payments to the following year. According to the terms and conditions, such bonds may be redeemed after three months in case interest rates fall in local market.

Notably, many global financial institutions lauded the issuance of this type of bonds at a larger scale, particularly Euroclear Bank. MoF is working to link the government's securities market and facilitate foreign investor access, especially central banks and international financial institutions, to the Egyptian market. Euroclear will provide its multi-currency settlement services and will help lower the settlement risk of such international entities.
In the same vein, stepping up long-term issuances will facilitate the potential of including the government's securities in JP Morgan's emerging-market bond indexes. Joining these indexes will spur and double demand from passive investors.

- Embarking on a non-deal roadshow in key financial centres in East Asia from October 2018 to January 2019. The roadshow included China, South Korea, Singapore and Japan. Egypt is also preparing for successive visits to other regions.

In February 2019, Egypt issued international bonds worth US$ 4 bn. in three tranches with diversified maturities and at favourable yields. The bond offering was covered five times. As part of its efforts to diversify the sources of financing, the government also plans to issue green bonds in international markets to finance environment friendly projects such as renewable energy and energy efficiency projects. The bond offering is expected to take place in the fourth quarter of FY 2018/2019.

Egyptian Sovereign Wealth Fund Regulations Approved : A New Step on the Road to Maximizing Economic Return

Sovereign wealth funds (SWFs) are special-purpose investment funds established and owned by governments to contribute to improving the efficiency of public funds management, achieving economic stability and bolstering growth rates. They are normally composed of assets such as land, stocks, bonds and other investment instruments.
SWFs manage or invest in assets in order to achieve their financial targets. The role of SWFs has gained increasing momentum as an effective part of cross-border corporate investment vehicles. In addition, they have become of growing importance in the monetary, financial and international systems, thus, they have come to form a key element of global markets and economies.

Sovereign wealth funds

In light of the above, by virtue of a Presidential Decree, Law No. 177 of 2018 to set up an Egyptian SWF in August 2018 was promulgated. The Prime Minister issued another decree on the SWF's regulations in March 2019. According to the decree, Egypt's SWF, also known as the "Egypt Fund", is a sovereign investment fund wholly owned by the state. It has an independent legal personality and enjoys financial and administrative independence. The Egypt Fund has its head office in Cairo and may set up branches or offices in any other city inside Egypt or abroad by virtue of a BoD resolution and in alignment with its objectives and business nature.

- Sovereign investment fund wholly owned by the state
- Independent legal personality
- Enjoys financial independence
- Legal person under private law

Egypt Fund's authorized capital and issued capital amount to EGP 200 bn. and EGP 5 bn. respectively. The Fund's issued capital may be increased pursuant to a BoD resolution, whereas its authorized capital may be increased pursuant to a resolution by general assembly.

Key objectives and investment framework of Egypt Fund

Egypt Fund aims to contribute to sustainable economic development through the optimal management of its funds and assets according to the best global standards and rules for the maximization of their value for the nation's future generations. To this end, the Fund is authorized to cooperate and partner with Arab and foreign funds and/or other financial institutions for commercial purposes in order to achieve the targeted return on investment pursuant to the Fund's investment policy. The Fund should ensure that its investment policy is consistent with top notch environmental and social responsibility practices as well as governance rules.

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Powers of Egypt Fund

To achieve its objectives, Egypt Fund shall engage in all economic and investment activities and exercise all the powers conferred on it pursuant to the Fund's law and regulations including the following:

- Holding equity participation, whether independently or with other, in companies or funds in specific sectors or increasing their capital according to the investment policy approved by the Fund's board of directors.
- Borrowing, securing credit facilities, and issuing bonds and other financial and debt instruments.
- Investing in securities and financial instruments.
- Purchasing, selling, leasing, renting, using and utilizing fixed and movable assets.
- Lending, or acting as a guarantor for, investment funds and their affiliates.
- Engaging in any other activities as necessary to fulfill the Fund's purposes and obligations.

It is noted that Egypt Fund may set up sub-funds independently or in partnership with other Egyptian, Arab or foreign funds, Egyptian or foreign banks, financial institutions and companies, ministries, or any other public entities pursuant to a resolution for incorporation by the board of directors based on the studies and recommendations of the Investment Committee in line with the Fund's internal policy. A sub-fund shall be financially independent and shall have a legal personality. Sub-funds which are wholly owned by Egypt Fund shall be subject to its supervision. Accounts of sub-funds shall be audited by an auditor(s) according to their respective articles of association. Any such auditor must be registered with Central Bank of Egypt (CBE) or the Financial Regulatory Authority (FRA).

Egypt Fund may also set up a wholly owned subsidiary or hold equity participation in companies or increase their capital, along with others, pursuant to the investment plan proposed by the Fund's CEO and approved by the Investment Committee and board of directors. The provisions of laws regulating the incorporation of companies of any type whatsoever shall apply to the companies incorporated by the Fund or in which it holds equity participation.

Main financial resources of Egypt Fund

- The Fund's capital
- Assets devolved to the Fund
- Loans, facilities and proceeds of bonds and other financial instruments
- Yields and revenues from investing the Fund's money and utilizing its assets
- Other resources as approved by the board of directors

The Egypt Fund's general assembly and board of directors

	General assembly	Board of directors
Key responsibilities	• Monitor and evaluate the Fund's performance and achievement of objectives; • Monitor the performance of the board of directors in accordance with performance measurement criteria; • Review the business plan for the following fiscal year; and • Discuss and approve the Fund's annual financial statements, budget plan, dividends proposal, board of directors' and auditor's reports and the final accounts.	• Develop the Fund's strategic vision and overall investment policy according to its objectives; • Discuss and approve the Fund's investment plan; • Approve the internal policies and objectives and key performance indicators (KPIs) to achieve the Fund's objectives; • Monitor the Fund's overall performance according to the KPIs; • Approve the Fund's annual budget, financial statements and dividends proposal; and • Approve the financial, administrative and technical regulations of the Fund.
Composition	The Fund's general assembly is formed by virtue of a Presidential Decree. It is chaired by the Prime Minister with the membership of: • The competent minister; • The minister of finance; • The minister of investment; • A CBE deputy governor; and • Seven members with financial, economic and legal expertise and experience in the area of managing similar funds and global investment companies. Their term of office is 4 years, renewable only once.	The Fund's board of directors is formed by virtue of a Presidential Decree, pursuant to a proposal by the Prime Minister. Members are: • The competent minister (non-executive chairman); • A representative of the ministry of planning; • A representative of the ministry of finance; • A representative of the ministry of investment; and • Five independent non-executive directors with economic, legal and investment expertise or experience in other fields related to the Fund's purposes. Their term of office is 4 years, renewable only once.
Meeting frequency and decision making mechanism	• The Fund's general assembly shall convene at least once annually. • Resolutions are passed by the majority of votes. In case of a draw, the general assembly chairman shall have a casting vote.	• The board of directors shall meet at least once quarterly or whenever the need arises. • Resolutions are passed by the majority of votes. In case of a draw, the chairman of the board of directors shall have a casting vote.

Building Egypt's Largest Textile and Garment City in Sadat City in the Framework of the Strategic Cooperation between Egypt and China

The Ministry of Industry and Trade announced that the construction of Egypt's largest textile and garment city had started on an area of 3.1 million m^2 in Sadat City, Menoufia Governorate, in cooperation with China's Mankai Investment Company. The new city has gained growing importance in light of the Prime Minister's decree issued in November 2018 which designated the city a national project. The city will be established according to cutting edge technology in the spinning and weaving industry with an eye to reviving the national textile industries and restoring their prominent position in the Egyptian economy. This will help meet the local market demand for textile materials and products which will contribute to generating surplus in Egypt's foreign exchange resources by replacing imports and increasing Egyptian exports. In addition, the project will court foreign and local investments which create many direct and indirect jobs.

The Ministry of Industry and Trade and the Chinese side agreed on carrying out this project in three phases over 4 years (instead of 7 years as previously proposed). Notably, the performance indicators of the first phase of the project up to January 2019 include the following:

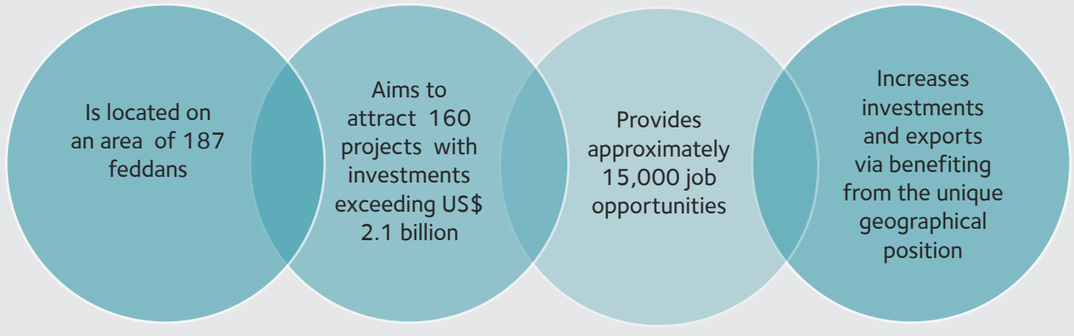
- About 50% of the city's construction works will be undertaken by the Armed Forces Engineering Authority over an area of nearly 600 km^2. This phase comprises 150 factories at an estimated total construction cost of EGP 2.1 bn.;
- The Chinese Company managed to sign initial sale agreements with Chinese companies to sell 48 factories. In addition, it is negotiating with more than 60 Chinese investors to sell other factories in the first phase. Mankai Investment Company held promotional and marketing forums for the project in China. It arranged more than 25 visits by Chinese delegations to the project. Commissioning is planned to start at a number of factories in the first phase in May 2019.

Key information of Egypt's largest textile and garment city in Sadat City	
Total area	3.1 million m^2
Capacity	592 factories
Total investments	US$ 750 MM. (13% local investments and 87% foreign investments)
Direct jobs	160,000 jobs
Expected time for completion	4 years
Estimated value of production	US$ 9 bn. p.a.

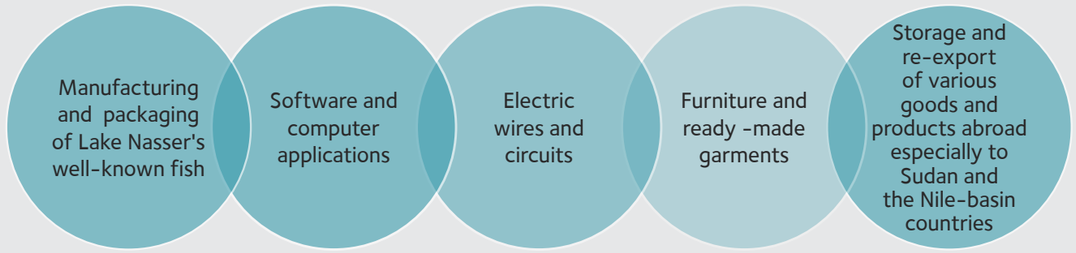
Establishing a Public Free Zone in Aswan Supports the Investment Climate in Upper Egypt

In light of Egypt's efforts to enhance the investment climate in Upper Egypt governorates as the mainstay to achieve sustainable development and provide more job opportunities to raise the standard of living of citizens of these governorates, the General Authority for Investment & Free Zones (GAFI) issued in February 2019 a decision to establish the first public free zone in Aswan. The zone is expected to court local and foreign investments in various fields, given the governorate's potentials and resources in addition to the benefits and incentives granted to projects established in free zones. Furthermore, the free zone will contribute to increasing Egyptian exports especially to the African countries.

Key economic features of the free zone in Aswan



Key targeted business activities in the region



The free zone in Aswan is considered one of the cornerstones of Ministry of Investment and International Cooperation's plan to establish 7 new free zones, on several phases, till 2022. The zones include more than 1,000 projects and provide about 120,000 job opportunities. Other free zones included in the abovementioned plan are distributed as follows: (in Minia, South Sinai, New Ismailia, El Herafeen in Giza, Gamasa in Dakahliya, and Motobus in Kafr El-Sheikh).

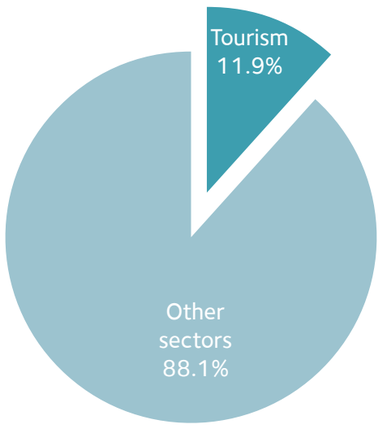
Tourism: A Key Driver of the Egyptian Economy towards a More Prosperous Future

Egyptian tourism witnessed remarkable growth over the last two years. **It restored a substantial part of its weight** as one of the key drivers of the Egyptian economy, especially that it associates with and impacts several economic activities, occupies a privileged place on the list of Egypt's main foreign-currency resources and is a highly labor-intensive sector. **It moved steadily** towards the high levels of the last decade, and is expected to exceed such levels to step up new horizons, giving Egypt its worthy place among the major tourist destinations worldwide. In this context, reference is made to a number of tourism-related indicators:

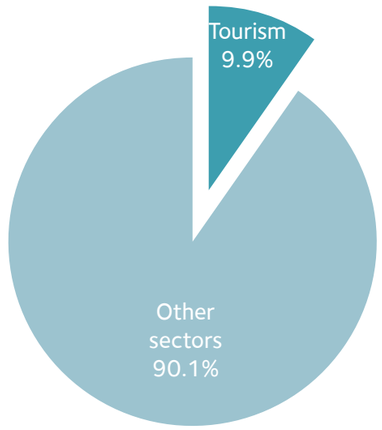
Contribution to GDP and creating jobs

Travel and tourism contribution to GDP grew remarkably by 16.5% in 2018 (according to the estimates of the World Tourism Organization (WTO)). The sector's total (direct + indirect) contribution to GDP reached 11.9% in 2018, while its total contribution to labor market accounted for 9.9%, creating about 2.5 million jobs.

Tourism contribution to GDP



Tourism contribution to labor market

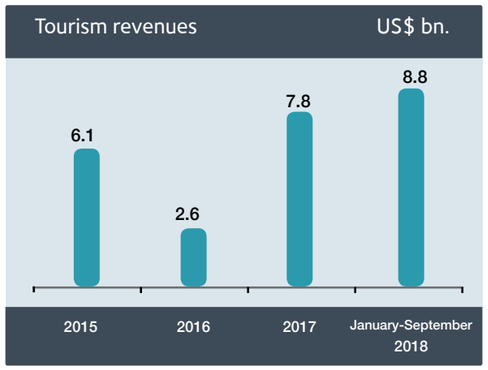


Source: WTO, the World Travel & Tourism Council (WTTC)

Tourist arrivals and revenues

Tourist arrivals to Egypt increased significantly to reach 8.3 million tourists in 2017, compared to 5.4 million tourists YoY, with an increase of 54%. This upward trend continued in 2018, where tourist arrivals reached 8.3 million during the first nine months of 2018 against 5.9 million YoY, with a growth rate of 40%. At the same pace, tourist revenues multiplied in 2017 rising 194% YoY, reaching US$ 7.8 bn. Moreover, tourist revenues grew 59.4% during the first nine months of 2018 to reach US$ 8.8 bn.

In the same vein, it should be noted that tourist revenues play a pivotal role in providing foreign-currency resources, contributing with 49.5% and 22.9% of the total revenues of service exports and whole exports (merchandise + services), respectively, during the first nine months of 2018.



Source: Central Bank of Egypt (CBE)



Capital investment in tourism

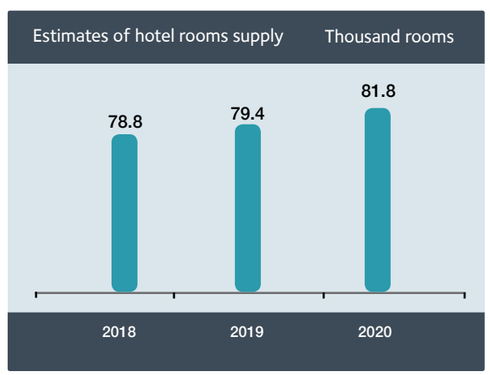
Capital investment in tourism expands beyond restaurants and hotels to cover different tourist activities. In this context, the estimates of World Travel and Tourism Council (WTTC) indicate that tourism investment spending in Egypt reached EGP 63.6 bn. in 2018, accounting for 11.4% of total investments in the entire Egyptian economy in 2018. WTTC pinpointed that tourism investments were expected to grow at a rate of 5.9% p.a. (compound rate) during the period (2019-2028) to reach EGP 113.3 bn. in 2028.



Source: WTO, WTTC.

Improved performance of hotel industry in Egypt

Hotel industry in Egypt witnessed significant improvement in 2018. In this context, Colliers International's estimates indicate that the average occupancy rate of hotels in the major tourist cities "Cairo, Sharm El Sheikh, Hurghada and Alexandria" reached 67% in 2018 compared to 58% in 2017. It is also estimated that hotel rooms supply would increase to about 81.8 thousand rooms in 2020.



Source: Colliers International

Estimates of hotels performance in 2018

	2018		December 2018 – February 2019			
City	Occupancy rate (%)	Average daily rate (US$)	Return on hotel rooms (US$)	Occupancy rate (%)	Average daily rate (US$)	Return on hotel rooms (US$)
Cairo	72	118	85	74	116	86
Sharm El Sheikh	54	44	24	43	43	18
Hurghada	63	54	34	48	47	23
Alexandria	78	63	56	71	59	42

Main reasons for tourism recovery and supporting factors in the coming period

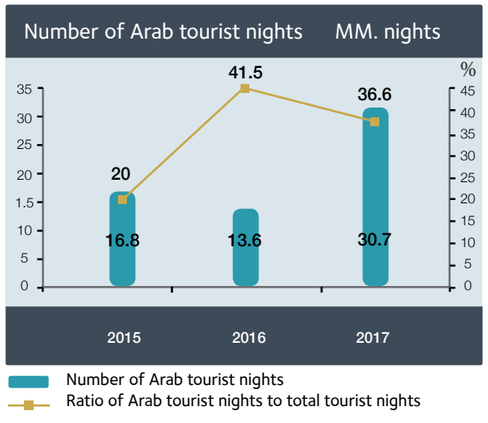
EGP floating in November 2016

EGP floating in November 2016 helped enhance the rate competitiveness of Egyptian tourist destinations compared to many countries, especially in the Middle East.

Growth of Arab tourism

Arab tourist arrivals to Egypt grew significantly in recent years to reach 2.5 million in 2017, with an increase of 47.1% compared to 2015. The ratio of Arab tourists to the total number of tourists coming to Egypt has concomitantly increased, which accounted for 29.8% against 18.7% YoY. In this context, it is worth noting that Arab tourists are characterized by high levels of spending and long stay periods.





Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

Promoting Egyptian tourism

The government embarked on an extensive campaign to promote tourism, with a view to opening up new markets to support tourism industry growth. **Main pillars of this campaign include:**

Launching initiatives and holding several forums and conferences, as well as participating in international exhibitions

- "This is Egypt" initiative was launched in late 2015 to open up new markets such as "markets of a number of Asian and Latin American countries", and to increase flights from traditional markets such as European and Arab countries;
- A promotional campaign was initiated via the US network "CNN" in October 2017 to introduce Egypt and its various tourist destinations;
- Several conferences and festivals were held, contributing to the promotion of the Egyptian tourism, such as the World Youth Forum regularly held since 2017, and several film festivals were organized; and
- Participation in international tourism exhibitions has continued to attract and open up new markets, such as ITB Berlin and OTM India.

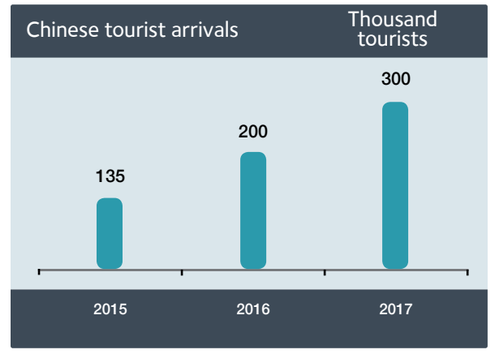
Listing tourism development among the pillars of the government's action plan for 2018/2019 – 2021/2022. This mainly includes:

Implementing marketing campaigns, enhancing the technological infrastructure, improving the quality of hotel and tourist services, raising the efficiency of airlines, and developing archeological sites and museums

- Increasing tourism promotion by expanding international marketing campaigns with a view to targeting promising new markets, increasing tourist arrivals from traditional markets as mentioned above, and implementing joint marketing campaigns with major tour operators, in addition to enhancing the technological infrastructure and encouraging e-tourism;
- Improving the quality of hotel and tourist facilities and renovating infrastructure in tourist places as well as raising the efficiency of workers in this industry;
- Raising the efficiency of airlines and increasing the capacity of Egyptian airports to 80 million passengers p.a.;
- Developing and improving natural protectorates at a cost of EGP 658 MM.; and
- Developing archeological sites and museums at a cost of EGP 25.8 bn., including the completion of the construction of the Grand Egyptian Museum (GEM), the National Museum of Egyptian Civilization (NMEC) and 14 projects to develop museums.

Direction towards non-traditional markets

The government has made great strides in promoting Egyptian tourism in Asian markets, such as the Indian market, by participating in international tourism exhibitions held in India and increasing direct flights between Egypt and India with the aim of attracting about 300–400 thousand Indian tourists in 2019. Chinese tourism to Egypt recorded remarkable growth in recent years.



Tourism: A Key Driver of the Egyptian Economy towards a More Prosperous Future

In this context, the Ministry of Culture and Tourism of the People's Republic of China announced in 2017 that Egypt was a primary tourist destination that appealed to Chinese tourists as the first choice when travelling to Arab countries. In 2017, Chinese tourists incoming to Egypt reached about 300,000 tourists. Egypt targets attracting about one million Chinese tourists in 2020.

Recovering Russian tourism to Egypt

Following the decline of Russian tourism to Egypt in late 2015, a significant progress was witnessed in 2018 on the way to regain its distinguished place on the map of geographical distribution of tourists coming to Egypt, especially after resuming direct flights between Cairo and Moscow. This trend is expected to grow in 2019.

Structural reform program for tourism development

In light of pursuing sustainable tourism development, the Ministry of Tourism launched the "structural reform program for tourism development" which targets raising the tourism competitiveness through five main pillars:

- **Institutional reform,** which includes administrative restructuring, raising the efficiency of human resources, re-shaping and developing ties with international institutions and benefiting from international expertise;
- **Legislative reform** of the laws and regulations governing the tourism sector, and redrafting the relevant legislation not commensurate with the current conditions;
- **Tourism promotion,** including upgrading and diversifying promotion mechanisms and enhancing the effectiveness of participation in international tourism exhibitions;
- **Developing infrastructure and investment,** with a view to diversifying tourist products, increasing the number of tourist nights and creating more jobs; and
- **Keeping abreast of modern tourism trends,** aiming at keeping pace with tourism industry variables worldwide, such as the expansion in eco-tourism activities.

In conclusion, it should be noted that the recovery of tourism indicators in 2018 and the robust indicators of the continuation of this trend in the coming period would help tourism restore its usual weight as a driving force of the national economy.

International Consortiums Compete on GEM Facilities Management and Operation

In January 2019, the Ministry of Investment and International Cooperation (MIIC) announced the shortlist of international companies and consortiums qualified to manage and operate services at the Grand Egyptian Museum (GEM), the world's largest civilizational and cultural project, under construction nowadays, in preparation for selecting the successful company or consortium. In that vein, the wide range of multi-national applicants, along with their regional and international importance, square with the continuing improvement of Egypt's investment climate, on one hand, and the prestigious status attained by the museum globally, on the other hand. This reflects the state's target and keenness to combine private sector and international experiences together in this mega project, with the objective of optimizing the level of service and attracting more tourists with higher tourism revenues.

Salient highlights of the Grand Egyptian Museum project

Ideally situated near the pyramids of Giza, the under-construction Grand Egyptian Museum is considered the world's largest museum of Egyptian artifacts. GEM is designed to become a cultural, civilizational and touristic complex and a scientific research hub to act as an intended destination for all tourists and archeologists worldwide. Generally speaking, GEM project is primarily characterized by the following:

- Nearly US$ 1 billion is the total cost of the project which is being partially funded by Japan, represented by Japan International Cooperation Agency (JICA), through two soft loans of US$ 750 MM, while the Egyptian government incurs the remaining portion of its cost.
- The project is sprawling over 500,000 square meters (sqm) (i.e. 117 feddans), the museum alone covers 168,000 sqm. An area of some 8.2 thousand sqm was allocated to Tutankhamun's Main Hall at the museum and dedicated to display over 5,000 artefacts of his entire possessions that mirror the treasure of humanity and civilization, attracting millions of tourists.
- GEM is distinguished with its unique architectural design that was selected, as a result of an international architectural competition, to resemble a pyramid as far as possible. Its façade is coated with translucent alabaster stones, allowing light to pass through geometric shapes. The entrance gate leads to GEM's lobby where Ramses II colossus is placed.
- GEM houses nearly 100,000 exhibits, reflecting the evolution of Egypt's civilization from pre-history. The monuments are demonstrated as follows:
  - 50,000 exhibits devoted for permanent display, 20,000 of which have never been shown before; and
  - 50,000 exhibits stored for archeological studies and temporary exhibitions.
- The project's first phase is scheduled to be completed during 2019, while the full opening is targeted by 2020.

Key investment activities of the project

GEM project is extending over spacious investment areas that will be open for private sector companies to conduct many leisure and service activities. It contains public gardens, and courtyards to host artistic and cultural events and provides all possible facilities that make GEM visit an unforgettable experience for domestic and inbound tourists. These areas feature the following:

- A food court comprising 10 restaurants, with two main restaurants overlooking the bottom of pyramids, extending over a total area of 4.9 thousand sqm, namely "Temple Garden" restaurant and "The Pyramids" restaurant which are built over 2.3 thousand sqm and 2.6 thousand sqm, respectively and 8 other restaurants, each sprawling over an area ranging between 172 and 529 sqm;

International Consortiums Compete on GEM Facilities Management and Operation

- A shopping area including several retail stores and an area for souvenir shops;
- Libraries, traditional crafts and arts center and a multifunctional building;
- A conference center with a 1,000 seat auditorium;
- A 3-D cinema theater that can accommodate up to 500 individuals; and
- A luxury tourist hotel.

Qualified entities to run and operate GEM services

As part of the state's efforts to involve private sector in major cultural and tourist projects, such as the GEM, upgrade tourist service level and generate more revenues with better management, the government took the following steps:

- The international consultative consortium (Lord, PWC, Ehaf and Hill) was entrusted to prepare the investment plan of tendering process to manage and operate the GEM facilities and set the terms of reference and prequalification procedures of interested companies, including:
  - A track record of managing and operating services of large museums, cultural, commercial and tourist institutions and similar projects, subject to international quality standards;
  - A good financial position in terms of solvency and resources; and
  - A high level of personnel, equipment, utilities, etc.
- In June 2018, the commencement of pre-qualification procedures was announced as the GEM Authority invited companies and consortiums to contract for managing and operating the GEM facilities for a period ranging from 7 to 10 years, in a competition between 8 large Egyptian and international companies and consortiums, reflecting the great interest of international investors in Egypt.
- In January 2019, the shortlist of companies/consortiums qualified for tendering process was finalized, including four consortiums and one single company selected by a five-member committee, comprising GEM Engineering Committee Chairman and representatives from the Ministry of Antiquities, MIIC, the Ministry of Finance (MoF), and the Council of State, in cooperation with a number of competent entities and international experts. It is planned that the tendering and contracting process with the successful consortium/company for managing and operating the GEM facilities will be completed during the fourth quarter of 2019.

Qualified international companies/ consortiums ordered by the precedence of file submission	
An Egyptian-Italian consortium	Al-Kharafi National and its partners (Fabbro and Munus)
An Egyptian-American consortium	Hassan Allam Construction and its partners (Jones Lang LaSalle)
An Egyptian-French consortium	Orascom Construction and its partners (Gl event, Louvre, GFM, Engie, and RMN)
An Egyptian-British consortium	G4S and its partners (the Egyptian Investment and Project and Development and Samcrete)
UAE-based company	MAB company

Source: Website of MIIC

GEM to promote inbound tourism

It is expected that the GEM will gather steam for inbound foreign and Arab tourism and locally reinvigorate cultural tourism. In that vein, GEM is expected to attract some eight-million visitors annually upon the completion of the whole project's phases, which will have a profound and positive impact on Egypt's tourism revenues.

Launch of "EgyptSat-A" Paves the Way into Satellite Technology Indigenization

On February 21, 2019, Egyptian satellite, EgyptSat-A spacecraft was launched with a Russian rocket from Kazakhstan's 'Baikonur Cosmodrome' spaceport, which constituted a new step on the road for satellite technology indigenization, as Egypt seeks to benefit from international experiences and contacts with other countries across the world in this field. The satellite trip is estimated to take 11 years in the space.

"EgyptSat A" background information

- It was built by Russia's Rocket and Space Corporation Energia (RSC Energia) with the participation of a group of Egyptian researchers;
- It depends on a high-resolution telescope;
- It is equipped with a sophisticated electro-optical imaging system and high-speed radio-transmission link;
- It inherits a large memory capacity; and
- It enjoys better features than those of old Egyptian satellites, in terms of receiver unit, electro-optical imaging and surveillance system and more efficient solar panels.

The targets to be fulfilled via the new satellite extend to include expanded realms as follows:

- Boosting capabilities of Egypt as well as Arab and African countries to evaluate and manage their resources;
- Monitoring national mega-projects such as the New Administrative Capital and El-Galala Mountain;
- Developing lands and studying the desertification phenomenon;
- Providing high-definition images that support urban planning processes;
- Following up crop structure and growth;
- Observing tracks and levels of sea, river and waterways; and
- Improving meteorological forecasting to develop early warning systems for natural disasters such as floods and landslides.

30 June Axis Project : A New Lifeline to Accelerate Development along the Two Sides of Suez Canal

95 km
the length of the Axis which extends from Port Said, passing by Ismailia, all the way to Cairo, with a width of 80 m

EGP 5.1 bn.
the cost of building the dual carriageway, each side consists of five lanes, two of which are heavy truck lanes

16 bridges
in addition to 16 tunnels for vehicles and pedestrians and 2 tunnels for pedestrians only

The project's significance

- A key transportation axis, parallel to Suez Canal, to serve the Suez Canal Zone development projects
- Accelerating development along the two sides of Suez Canal
- Upgrading and linking the following ports: East and West Port Said, Damietta, Alexandria, Arish and Gulf of Suez
- Creating new development opportunities to contribute to increasing the national income
- Shoring up the connection between Sinai and Delta
- Implementing future plans of key roads to a number of areas such as Al Galala Mountain and the Administrative Capital
- Reviving and putting archeological sites on the tourist map such as "Tal Dafna" in Ismailia and "Tinnis Island" in Port Said

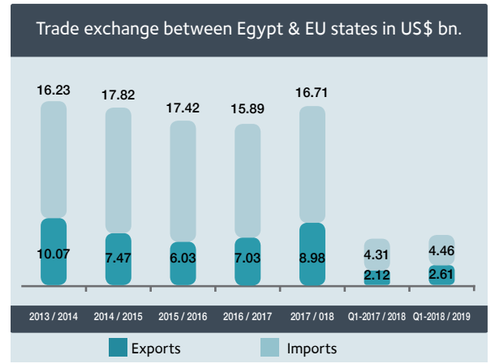
The 1st EU-LAS Summit in Sharm El-Sheikh Restores Arab-European Dialogue and Supports Mutual Strategic Cooperation

Egypt hosted the first European Union (EU)-League of Arab States (LAS) Summit during the period 24-25 February 2019 in Sharm El-Sheikh under the motto "investing in stability", bringing together heads of states and governments and ministers of foreign affairs from 50 Arab and European countries. President Abdel Fattah al-Sisi co-chaired the Summit with Donald Tusk, the President of the European Council. EU-LAS Summit aims at boosting cooperation in all fields of mutual interest and addressing common challenges in order to achieve welfare for peoples of both regions.

The Summit stressed the economic dimension to enhance cooperation between the Arab and European countries, with a focus on trade relations and investments in infrastructure and energy, including renewable energy. The events of the Summit also tackled the possibilities of strengthening collaboration in sciences, digital technology, tourism, fisheries and agriculture, and other mutually beneficial areas.
While Euro-Arab economic ties are generally of a great importance, the Egyptian-European relations are particularly more profound and important as evidenced by a number of significant indicators that can be noted as follows:

Trade exchange

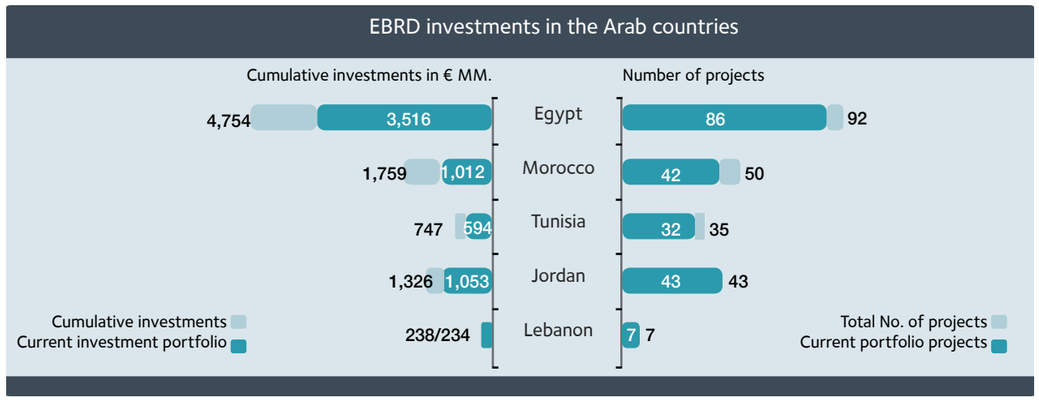
Trade exchange between Egypt and EU states rose to US$ 25.7 bn. during 2017/2018 against US$ 22.9 bn. YoY. At the same pace, total intra-trade amounted to US$ 7.1 bn. during Q1 of 2018/2019 compared to US$ 6.4 bn. for the corresponding quarter last year.



Source: Central Bank of Egypt, monthly statistical bulletin, Feb. 2019.

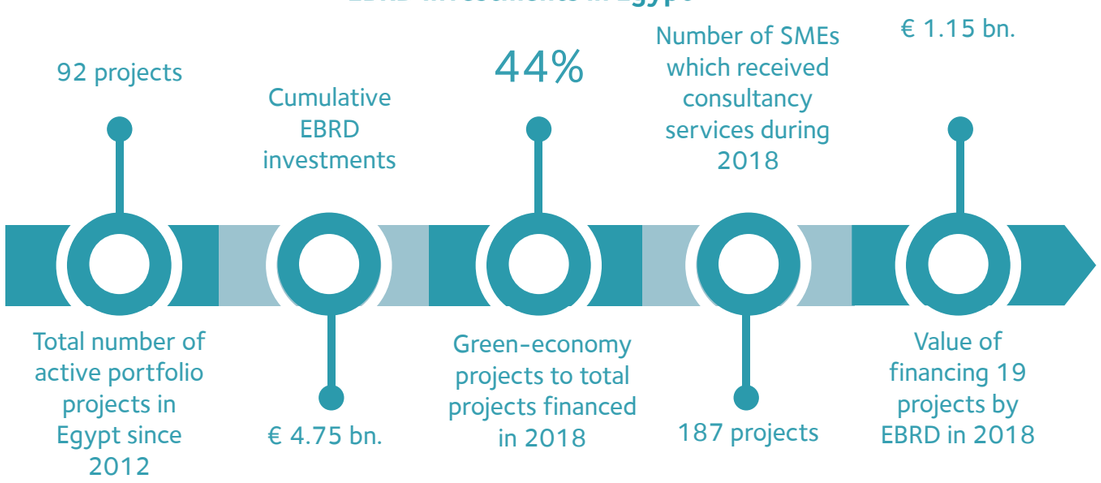
Investment inflows

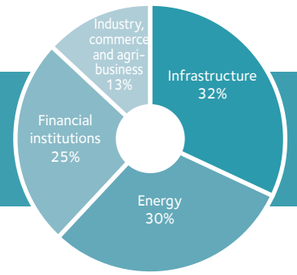
- Total FDI inflows from the EU states to Egypt amounted to US$ 8 bn. in 2017/2018, accounting for 60.6% of the total inflows (US$ 13.2 bn.) during the same year.
- Egypt came first in terms of the European Bank for Reconstruction and Development (EBRD) investments addressed to the Arab countries, with total projects of 92, cumulative investments worth € 4,754 MM and 86 projects in the current portfolio, bringing the present investment portfolio to € 3,516 MM.



Source: Media Center, Cabinet

EBRD Investments in Egypt



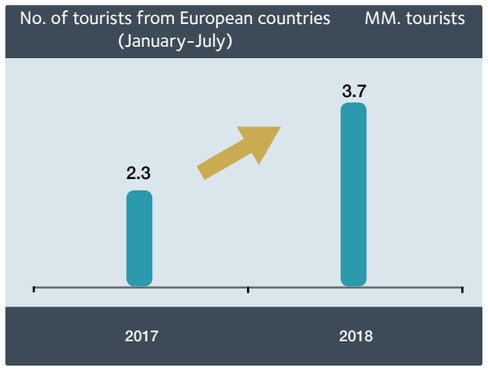


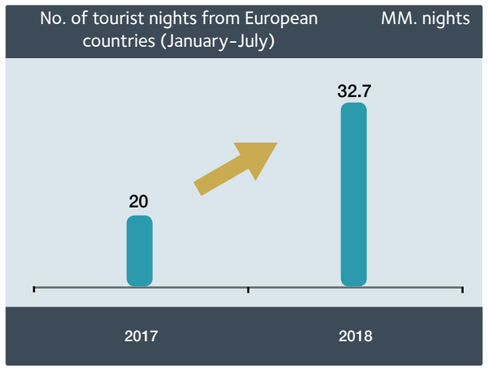
55%
Private sector share in portfolio

€ 3.52 bn.
Current portfolio of projects until 31/12/2018

Tourist inflows

European tourism tops the structure of geographic distribution of tourist arrivals to Egypt whether in terms of number of tourists or number of tourist nights. In this respect, the number of tourists from the European states to Egypt amounted to 3.7 MM tourists during the period January-July 2018, accounting for 59.5% of total tourist arrivals to Egypt during the same period. Tourist nights reached 32.7 MM, accounting for 51.7% of the total tourist nights during the same period.





Source: Central Bank of Egypt, monthly statistical bulletin, February 2019

In early January 2019, EGX Chairman issued Resolution No. 3/2019 on the regulations of market maker activity with respect to EGX-listed securities, after obtaining the approval of the Financial Regulatory Authority (FRA). This came in light of the keenness on increasing market efficiency and raising liquidity rates. Market maker's role is to provide orders and offers on the security for which a market is to be made by regularly providing quantities and prices in relation to the security, which contributes to stimulating the trading volume and increasing market efficiency.

Main duties of Market Maker

- Allocating a cash amount of not less than 20% of the average trading value of the security for which a market is made in the last 3 months. This amount shall not be less than EGP 250,000 or its equivalent in foreign currencies in which the security is listed.
- Listing offers and orders on the relevant security on a regular basis, for not less than 75% of the trading time.
- Offers and orders shall be in executable prices, and shall be updated every 3 minutes at most during the trading session.
- The difference between quantities listed in both sides of offers or orders shall not exceed 50% and for not less than 40% of the trading time.
- There shall be a price range between offers and orders, provided that this range is determined according to the liquidity categories and activity rates of the securities, as determined by the EGX.
- Market maker shall comply with the minimum quantity or value of offers and orders upon entering or updating an order, as decided by the EGX, and may not temporarily or finally suspend the submission of offers and orders on the securities for which a market is to be made unless all governing requirements are met.

How to be a Market Maker?

- Obtaining licence from FRA
- Providing the technical facilities required to practise the activity
- Getting listed in the EGX membership register
- Choosing the security for which a market is to be made

Criteria of security eligibility

Market maker is allowed to make market for all listed securities, excluding securities that witnessed practices that are contrary to the capital market regulations and adversely affect market stability.

The Egyptian Exchange Launches a New Index EGX30 Capped

The Egyptian Exchange (EGX) launched on 3rd February, 2019, the EGX30 Capped Index. The index includes the most active 30 companies in terms of liquidity and trading. It aims at diversifying the instruments for measuring market performance for different categories of investors, coping with the new amendments in the executive regulations of Capital Market Law issued in November 2018. The executive regulations in the chapter on mutual funds state that the percentage of purchased securities of one company shall not exceed 15% of the fund's net assets or 20% of such company's securities.

The index review

A comprehensive rebalance is undertaken to adjust constituents (by adding or deleting) on 1st February and 1st August. In addition, on the 1st of May and the 1st of November, rebalances are undertaken to adjust only capping factors of the constituents without any modification in the constituents.

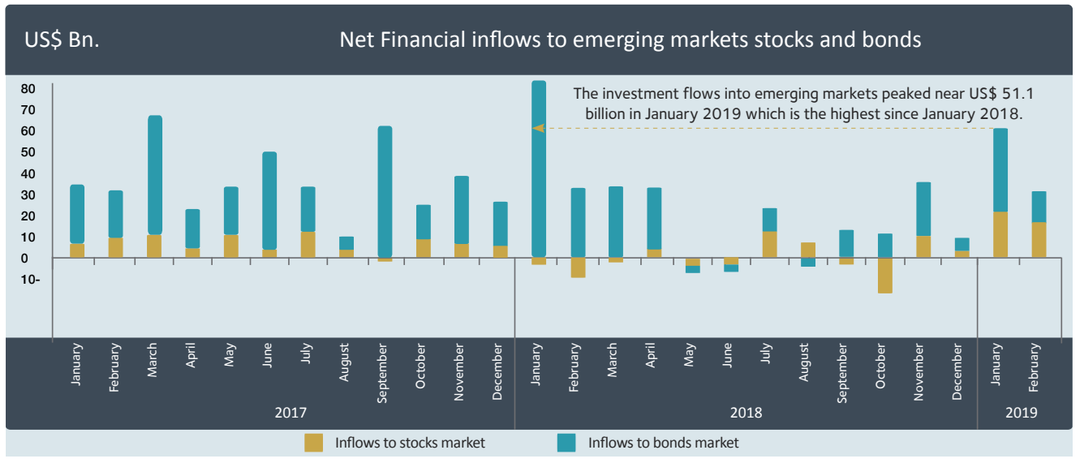
Features of the index

- **Scale-weighted,** the index sets the rules of the maximum weight limit for each company listed on the index at 15% limiting the control of a few number of companies on the index transactions and contributes to supporting trading and liquidity, the key factors of any money market development and competitiveness.
- **Complying with the requirements of the market participants,** especially mutual fund managers who have the desire to have a benchmark index that copes with the investment criteria for funds, which will contribute to promoting their certificates and raising their trading rates.
- **Facilitating the comparison between the new index and EGX30 index performances,** especially that the same companies are listed on both the new index and the EGX30 index.
- **Targeting index,** as the index is considered a good instrument targeted by the financial institutions to issue investment tracking funds.

The launch of EGX30 Capped is considered one of the constituents of the comprehensive development plan executed by the Egyptian stock exchange for all its indices, seeking to develop market instruments and indices to satisfy the demand of several market participants.

Recovery of Emerging Markets at the Beginning of 2019

According to the Institute of International Finance (IIF), emerging markets (EM) witnessed a recovery since the beginning of 2019. Net investment flows into EM stocks and bonds amounted to some US$ 51 billion and US$ 26 billion by the end of January and February respectively.

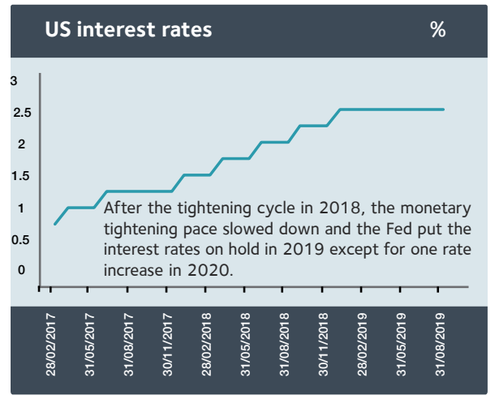


Several elements contributed to such recovery; mainly the slowdown of tightening the monetary policy by the US Federal Reserve (the Fed) which substantially contributed to pushing investors towards emerging markets once more. The Fed signaled several times its intention to take a patient approach to raising its benchmark interest rate especially after interest rates have already been nudged up four times in 2018 in light of the slowing global growth.

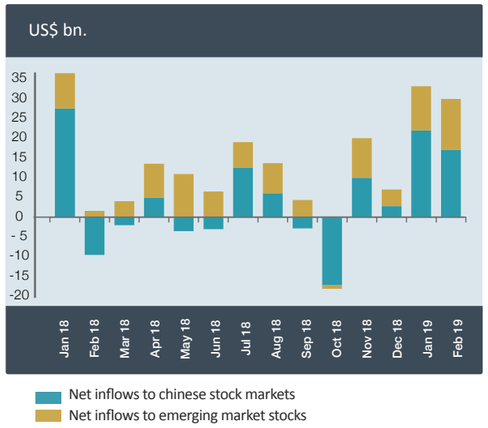
On 20 March 2019, the Fed decided to keep interest rates unchanged ranging from 2.25% to 2.50%.

Fed officials expected that interest rate would not rise in the current year except for a potential one rate increase in 2020. However, previous forecasts predicted two rate hikes in 2019 followed by one more increase in the coming year.

China has been driving much of the recent pick-up witnessed by the emerging markets, as inflows to its stock markets reached US$ 10.6 billion in February 2019 representing 76% of inflows value to stock markets which reached US$ 14 billion in the same month. The positive trade talks between USA and China which eased US-China trade tensions and the financial procedures taken by China to support its economy contributed to such increase. Notwithstanding the apparently strong turnaround

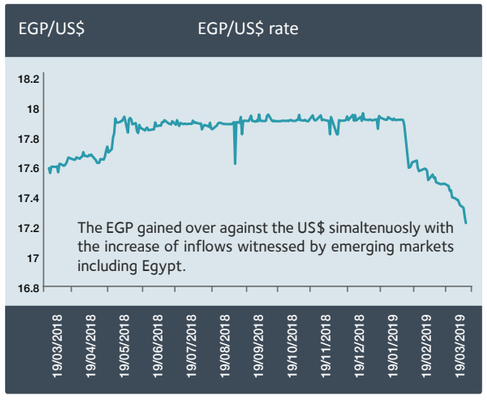


of emerging markets at the beginning of this year, several risks are still hovering over such markets, mainly US-China trade tensions which raise the fears of investors despite the progress in negotiations between both countries, and the slowdown of global economy growth. In addition, there are mounting fears over Brexit, especially after the British Parliament rejected the government's proposed exit plans on 15 March 2019 and Britain's request in March 2019 to delay the exit from the European Union (EU) beyond the then due date (29 March 2019) to June 2019.



Egyptian debt securities market in light of the recovery of emerging markets

The government debt securities in Egypt witnessed a strong turn back of foreign investments with the beginning of 2019. Net foreign investments in bills and bonds increased to reach US$ 15.8 billion by the end of February 2019 versus US$ 13.2 billion in January 2019. Such recovery occurred after the turbulence witnessed by the emerging markets in 2018 which led to the exit of investors from such markets in general including Egypt. Notwithstanding the fluctuations witnessed by the emerging markets in 2018, the Egyptian pound witnessed a remarkable stability due to improving economy indicators under the Economic Reform Program. Furthermore, the improvement of inflows by 2019 led to a remarkable enhancement in the value of the Egyptian pound against the dollar. Hence, exchange rate recorded EGP 17.34/US$ in March 2019 against EGP 17.95/US$ during January 2019.

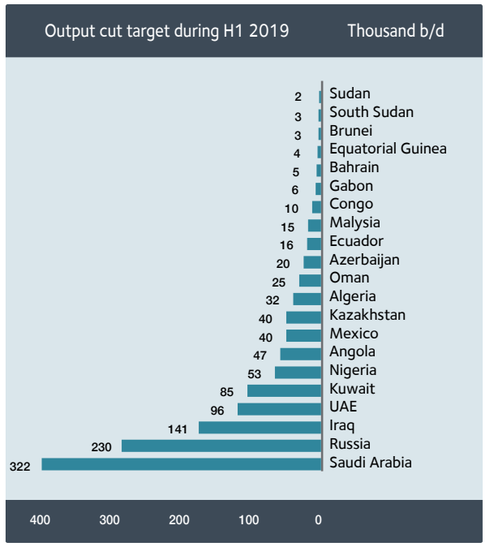


Benchmark Brent crude oil prices bounced back strongly during Q1 2019 at a range between US$ 65-67 a barrel, after collapsing at end-2018 to hit US$ 50 a barrel. Such recovery was primarily due to the cut production agreement of OPEC countries and its allies, or the so-called "OPEC+", in their December-2018 meeting, to drain oversupply in the oil market. In addition, US sanctions impact on Venezuela and Iran undermined the global oil supply.

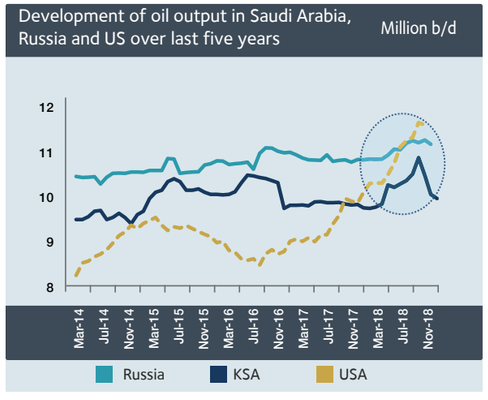
On the other hand, the current US-China trade war tensions and the aftermath of Britain's decision to leave the European Union are deepening fears with respect to global economic growth and thus lowering world oil demand.

"OPEC+" deal to drain oversupply and soaring US production

In December 2018, OPEC partnered with non-member nations, on top of which was Russia, to cut oil production by 1.2 million barrels per day (b/d), compared to October's 2018. This agreement extends for the first six months of 2019 to drain the oversupply in the market. In that vein, the OPEC nations agreed to trim their oil output by 800,000 b/d, while non-OPEC oil producing allies contributed a 400,000 b/d reduction. However, Iran, along with Venezuela and Libya were granted exemptions from output reduction for different reasons.



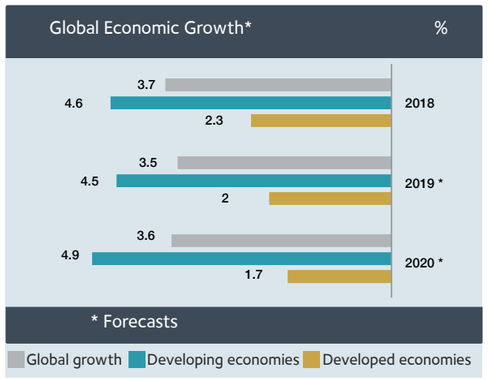
In spite of the aforementioned OPEC+ deal on capping supply, global oil markets are likely to suffer from a new oversupply. Market fundamentals indicate that oil supply of non-OPEC states will outpace the total expected increase in global oil demand during 2019. In this respect, "OPEC+" coalition faces a challenge related to US soaring oil output. Energy Information Administration (EIA) forecasts that U.S. crude oil production would average 12.3 million b/d in 2019 versus 11 million b/d in 2018 (growing by 1.3 million b/d, exceeding OPEC+ reductions) and 13.0 million b/d in 2020. According to International Energy Agency (IEA), the United States will drive global oil supply growth over the next five years.



World Economic Outlook's high impact on demand and price forecast

Negative global growth forecasts have weighed on global oil demand and price movement. In January 2019, the International Monetary Fund (IMF) projected global economy to grow more slowly at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage point below last October's projections. This is driven by the slowing growth pace in the European Union (EU) countries, especially under the UK withdrawal from the EU, and the ongoing trade tensions that remain a key source of risk to the world economic outlook.

According to the IMF, China's economic growth is estimated to continue decreasing to 6.2% during 2019 and 2020, reaching the lowest level ever in about three decades.



Negative world economic outlooks have weighed on oil demand forecasts for 2019. In March 2019, OPEC and EIA expected that overall global demand in 2019 would grow at a slower pace than in 2017 and 2018, and lowered their expectations for overall global demand in 2019 by 40,000 b/d, compared to their previous forecasts.

Million b/d

	2016	2017	2018	2019
OPEC				
Overall Global Demand	95.61	97.29	98.72	99.96
Demand Increase	-	1.68	1.43	1.24
U.S. Energy Information Administration				
Overall Global Demand	96.95	98.46	99.94	101.39
Demand Increase	-	1.51	1.48	1.45

- OPEC monthly oil market report, March 2019
- U.S. energy information administration, STEO March 2019

Expected oil prices

Oil prices passed through severe fluctuations in 2018, influenced by a series of economic, political and trade events. At that time, growing doubts over OPEC's ability to reach an agreement on output cut led to sharp fall of prices below US$ 50 a barrel in December 2018 from US$ 85 a barrel in October by more than 40% in Q4 2018. However, "OPEC+" agreement to cut production, in December 2018, had a positive influence on oil markets lifting prices upwards during Q1 2019. Nevertheless, such hike in oil prices was curbed by the pessimistic global growth outlook and trade tensions as mentioned above.

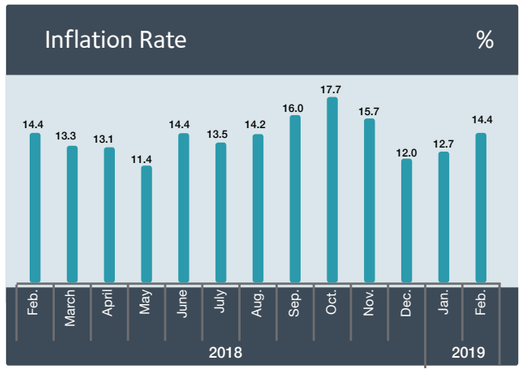


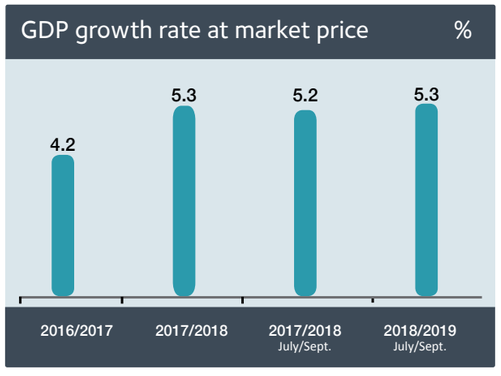
During the coming period, expectations mirror the interaction between a couple of factors. The first is related to OPEC and its allies' ability to cut production and keep on this deal and the relevant impacts on global oil supply, especially under expected strong growth in US oil output. The second is concerned with global growth outlooks influenced by implications of US-China trade war tensions, UK departure from the EU (Brexit) and volatile emerging markets.

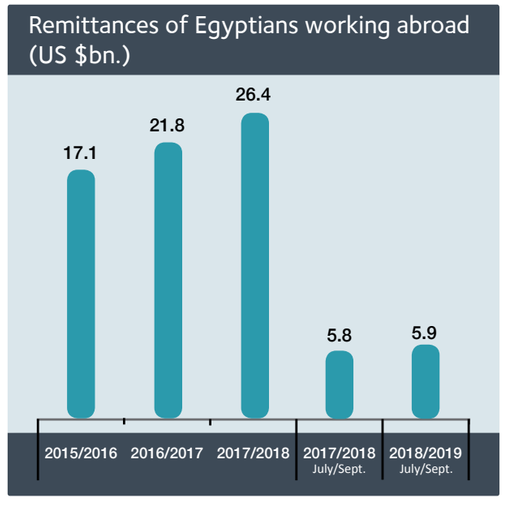
Factors that may support oil prices upward trend over the coming period, if applicable	Factors that may tighten oil prices over the coming period, if applicable
Continuous commitment to the output cut deal by OPEC+	Non-commitment to the output cut deal
Iran and Venezuela exports are lower than expected due to implications of US sanctions	US continues to increase oil production
Lower global oil supply with the help of dampening production of certain countries, such as Libya	Weakening growth rate of global oil demand, in light of ongoing US-China trade tensions.

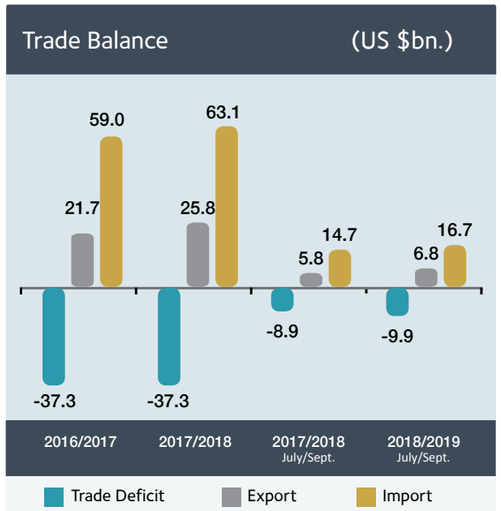
Last but not least, the world oil market developments in 2019 will have significant implications on the Egyptian economy. As per the economic assumptions by Egypt's Ministry of Finance, Brent crude averaged US$ 74 a barrel in 2018/19 budget, which is deemed within safety limits. Yet the unexpected surge of oil prices is a major challenge for the government's plans that will negatively impact the state budget's overall deficit.

Egyptian Economy in Brief

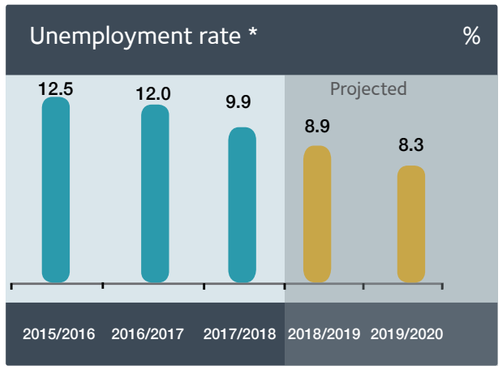




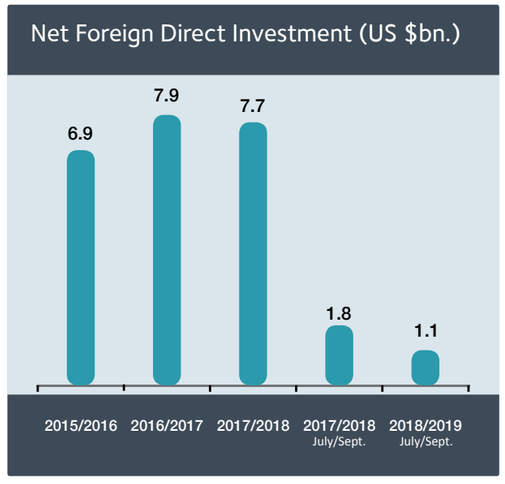


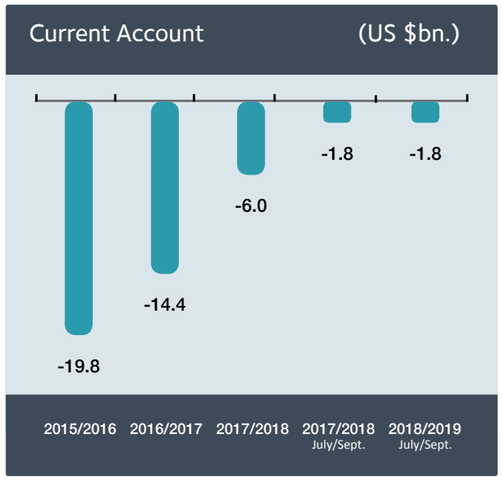






*The State's General Budget for the Fiscal Year 2018-2019.





Best Regards

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