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Economic Bulletin



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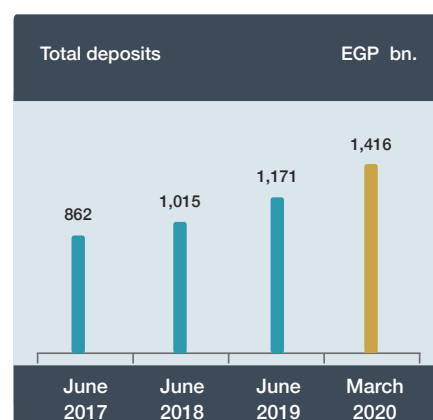
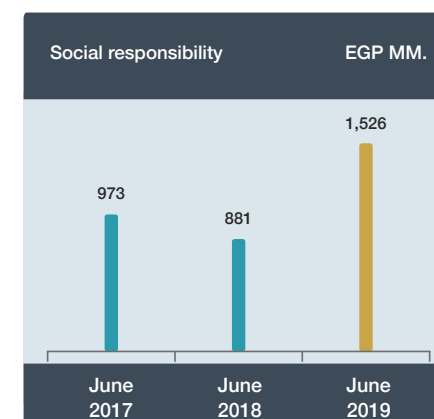
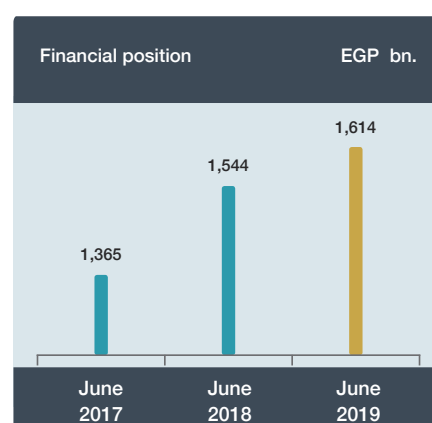
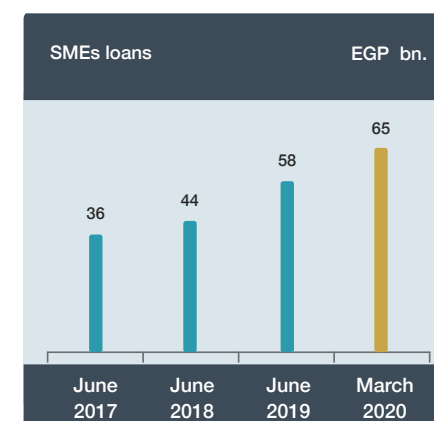
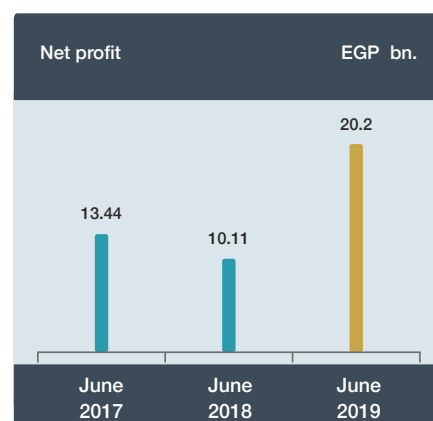
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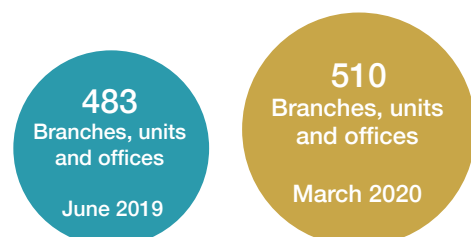
Egyptian Economy in Brief

Unprecedented operating results and growth rates for National Bank of Egypt (NBE)



Unprecedented operating results and growth rates for National Bank of Egypt (NBE)

Branches



Customers



Deployment plan to serve all brackets of customers

9,000 new customers daily, which promotes financial inclusion

Machines



Digitalization

Electronic wallets



Ahly Net - corporate



Ahly Net - retail



Electronic service branches



Mortgage finance



Cards



The Asian Banker recognized NBE as the Best Retail Bank in Egypt for 2019, as well as the Best Bank in Africa and Middle East in terms of "agents incoming electronic wire transfers".



NBE received 14 awards from EMEA Finance as the Best Bank in Africa in the field of syndicated loans and financial advisory with high professionalism. NBE was also recognized as the Best Bank in Africa in terms of social responsibility for 2019.



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.



Global Finance announced NBE as the Safest Bank in Egypt for 2019, through a review of the banking sector in 110 countries worldwide in accordance with long-term performance indicators based on reports issued by international rating agencies, as well as the assets of more than 1,000 banks across the world.



For the second year in a row, NBE managed to renew and enhance its compatibility with ISO 22301-2012 Certification in Business Continuity Management from the British Standards Institute (BSI). NBE succeeded last year, as the first national bank in Egypt, to win such certification.



According to the Global Syndicated Loans Review in 2019, Bloomberg International announced that NBE ranked first as the Best Bank in Egyptian banking market for its role as an administrative agent of syndicated loans. Further, NBE ranked third in Africa and seventh in the Middle East as an administrative agent of syndicated loans.



NBE was named by Global Brands magazine as the Best Commercial Bank and the Best Retail Bank in North Africa in 2019.



As the first bank in Egypt, NBE managed for the seventh year in a row to maintain the PCI DSS Certification V3.2.1, i.e. a certificate of compliance with security standards issued by Visa and MasterCard for the payment and credit card data security. NBE's maintenance of such Certification is an unprecedented achievement in the Egyptian banking sector.



Global Business Outlook granted NBE two new awards as the Best Digital Bank and the Best Retail Bank in Egypt for 2019. The first award is a clear demonstration of NBE's keenness on implementing its ambitious strategy for digitalization, which supports the state's plans in this respect and aims to transform the society gradually in line with informed plans to a cashless society.



President Abdel Fattah al-Sisi granted NBE a certificate of appreciation for its effective role in supporting the activities of Tahya Misr Fund, which target several national projects aimed at promoting comprehensive development plans in Egypt

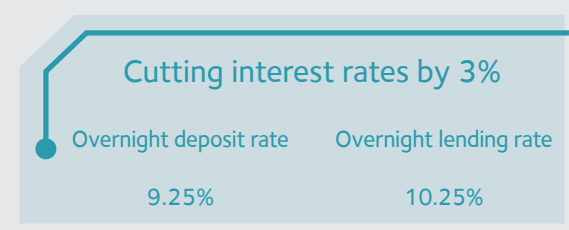


CBE's measures to mitigate the Coronavirus impacts

Central Bank of Egypt (CBE) has taken a raft of measures and precautionary actions to address the effects of the novel Coronavirus pandemic (Covid-19) on the national economy and to shore up all economic sectors. By such measures and actions, the CBE also seeks to maintain the safety, security and stability of the banking sector. They include the following:

Lowering key interest rates

In an unscheduled meeting on 16 March 2020, the Monetary Policy Committee (MPC) slashed its key interest rates by 3% in an emergency and preemptive move to support all economic activity sectors, taking into account keeping the inflation outlook consistent with achieving the inflation target of 9% ($\pm 3\%$).



Facilitating access to banking services and reducing cash transactions

The CBE has taken several measures to facilitate banking services and reduce cash transactions, such as:

- instructing all banks to postpone loan due repayments for retail and corporate customers including consumer loans and personal housing mortgage loans for a period of 6 months, with no additional interests or penalties as a result of the postponed repayments. Interest rate shall be applicable as per the agreed pricing mechanism;
- extending credit limits to finance the working capital, particularly for the payment of salaries;
- developing emergency plans to increase credit lines with foreign banks to secure uninterrupted financing to foreign trade transactions;
- extending the exclusion period for some basic food commodities, including rice, lentils and fava beans, from the 100% cash cover on imports for commercial purposes, for one year ending on 15 March 2021;
- exempting domestic transfers in the Egyptian pound from all the relevant commissions and charges for 3 months;
- facilitating subscription to internet banking services;
- revising the ceiling of electronic money units issued to each bank as per the regulations of mobile payment services issued in November 2016 to become EGP 500 MM.;
- raising the maximum limits of mobile accounts to EGP 30,000 daily and EGP 100,000 monthly;
- issuing electronic wallets for free for 6 months including the creation of the virtual card number (VCN) via the wallet;
- enabling bank customers to transfer money between a bank account with any bank and any mobile account with any other bank; and
- implementing know your customer (KYC) procedures electronically as an exception.

Revising the interest rates of a number of CBE initiatives

CBE announced amending the interest rate of a number of its initiatives including: "the industrial private sector, mortgage finance to middle-income individuals, and supporting the renewal and renovation of hotels and tourism transportation fleets" initiatives to become 8% on a diminishing basis, down from 10%.

Launching an initiative for retail customers with non-performing loans

CBE launched an initiative for retail bank customers with non-performing loans worth less than EGP 1 MM., excluding credit card balances and interest in suspense, according to each customer's financial position as at 30 September 2019. This initiative seeks to help struggling customers to be able to deal again with the banking sector in order to boost their purchasing power and prop up domestic demand.

Ensuring that the banking sector continues to undertake its role

With an eye to ensuring that the banking sector continues to carry out its role under these unusual circumstances, the CBE took several measures including:

- ensuring that the banks' call centers continue to operate in order to respond to the customers' inquiries;
- promptly replenishing and regularly maintaining ATMs, and coordinating with cash-in-transit companies to ensure that they continue to carry out their activities;
- replacing cash withdrawals in large amounts with transfers or bank cheques, and exempting customers from the ensuing bank charges;
- cancelling fees and commissions on transactions made on retail point-of-sale (POS) machines, ATM withdrawals and electronic wallet payments for 6 months;
- raising the daily limits of debit and credit cards; and
- encouraging customers to carry out banking transactions through electronic channels and cards instead of cash transactions.

Developing business continuity plans for banks

CBE introduced several precautionary measures to ensure the safety and security of the banking sector, most importantly:

- raising the awareness of the bank staffs;
- requiring them to disclose the countries that they have been to in case of travelling abroad to be given a mandatory leave once they return;
- expanding the usage of electronic means (e.g. the scanner and email) in handling documents inside and outside banks, and holding meetings using video- or tele-conferencing; and
- providing sanitizers and setting up a mechanism for continuous disinfection and sanitization.



Key measures by governments and central banks to contain Coronavirus fallout

The global economy is reeling from the Coronavirus (COVID-19) outbreak and its far-reaching negative impact. The World Health Organization (WHO) has called on all countries to ramp up their efforts to slowdown the rapid spread of the Coronavirus disease. In January 2020, the International Monetary Fund (IMF) trimmed back its global growth forecasts for 2020 and 2021 by 0.1% and 0.2% to 3.3% and 3.4% respectively compared to its October 2019 projections. The IMF mainly cited US-China trade tensions and geopolitical risks in a number of Middle Eastern countries. However, in late February, Kristalina Georgieva, the IMF Managing Director, said that the Coronavirus could further lower global growth by 0.1% compared to January 2020 projections.

The credit rating agency Moody's said that the Coronavirus had increased the risk of global recession this year. Advanced economies including the United States, Japan, Germany, Italy, France, Britain and South Korea could all fall into recession, Moody's warned.

Figures as at
21 March 2020

12,784
Global deaths

292,142
Global confirmed cases



Source: World Health Organization (WHO)

Key measures taken by governments, international organizations and central banks to cushion COVID-19 impact

International organizations and governments

- ✓ The World Bank announced an initial US\$ 12 bn. fast track package to assist member countries.
- ✓ The IMF is making available about US\$ 50 bn. through its rapid-disbursing emergency financing facilities for low income countries and emerging market economies.
- ✓ Trump declared a state of national emergency and suspended travel to the US from Europe for 30 days starting from March 13th.
- ✓ Italy, France and Spain declared a nationwide quarantine.

- ✓ The British Chancellor of the Exchequer unveiled a £30 bn. (US\$ 36.75 bn.) package to boost the economy.
- ✓ Italian Finance Minister announced €25 bn. (US\$ 28 bn.) to shore up the economy.
- ✓ Iran asked IMF for US\$ 5 bn. emergency funding and cancelled Friday prayers.
- ✓ Saudi Arabia halted "Umrah" pilgrimage (for domestic and foreign visitors) and suspended all international flights for two weeks.
- ✓ United Arab Emirates suspended all visa issuances.
- ✓ Morocco created a US\$ 1 bn. fund to upgrade health infrastructure and help vulnerable economic sectors

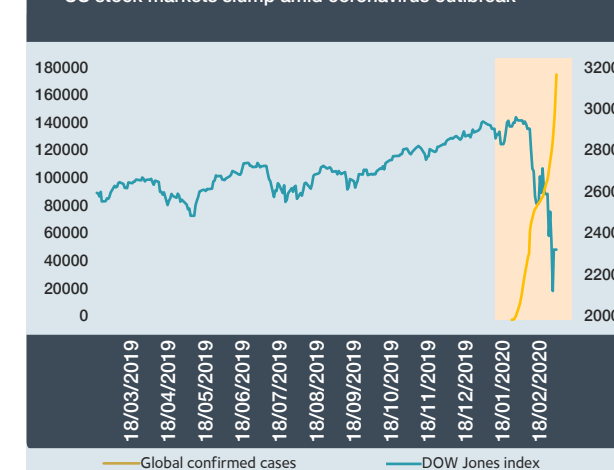
In Egypt, several decisions and measures were taken, including:

- Suspending schools and universities;
- Pledging EGP 100 bn. to implement a comprehensive plan to stop the spread of the Coronavirus;
- Suspending all flights into and out of the country's airports;
- Temporarily reducing number of employees working in government bodies;
- Announcing several decisions to ease the burden off citizens such as supporting workers and pensioners;
- Reducing natural gas prices to US\$ 4.5 per million British Thermal Unit (mmBtu) for industrial activities, and lowering electricity prices by 10 piasters for the industrial sector; and
- Supporting the agricultural sector and farmers by extending the moratorium on the tax law on agricultural land for a period of two years with the aim of helping farmers continue and even expand their activities in order to curb prices .

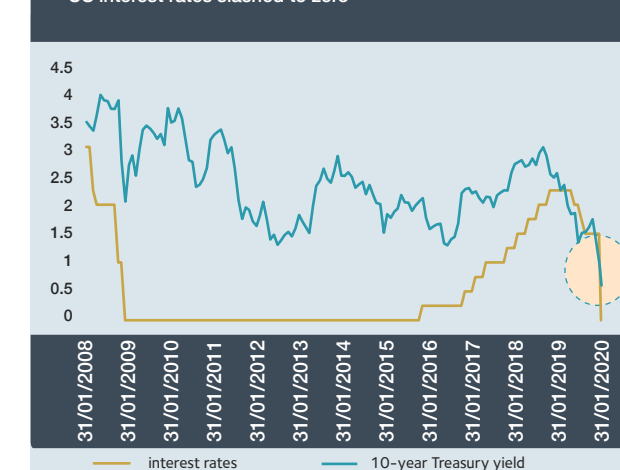
Central banks

- ✓ At two emergency meetings held within 10 days, the US Federal Reserve (Fed) slashed interest rates by 150 basis points (bps) to near zero (a range of between zero and 0.25%) for the first time since the 2008 global financial crisis. It also launched a US\$ 700 bn. quantitative easing (QE) program, taking the form of US\$ 500 bn. of bonds and treasury securities and US\$ 200 bn. of mortgage-backed securities (MBS). In addition, the Fed said it would pump US\$ 1.5 tn. in an effort to prop up crashing markets. In the last week of March, it unveiled a bunch of programs to help keep the markets functioning, including an open-ended commitment to continue its asset purchase program

US stock markets slump amid coronavirus outbreak

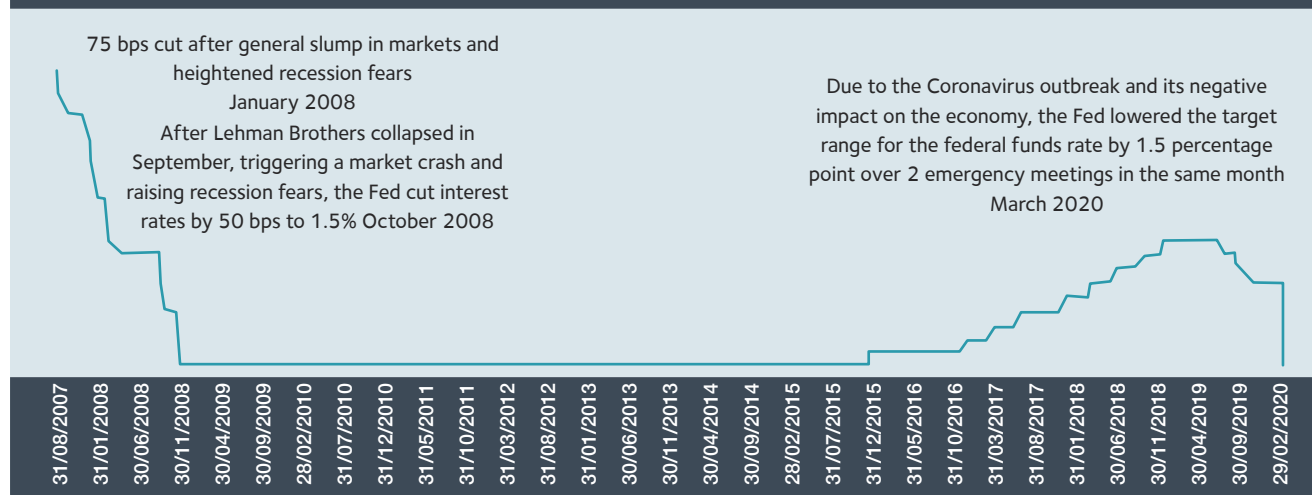


US interest rates slashed to zero



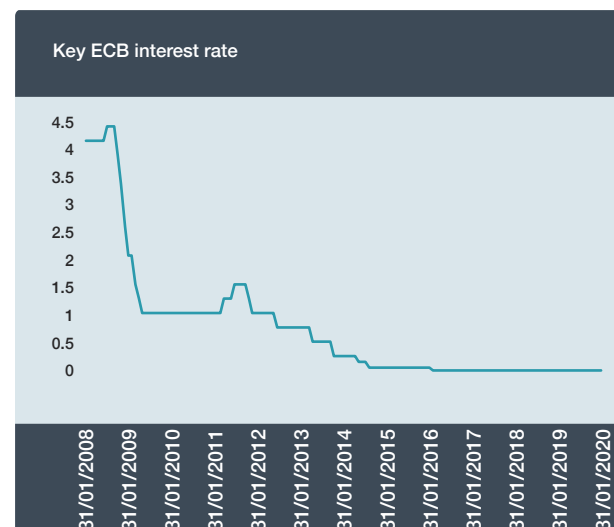
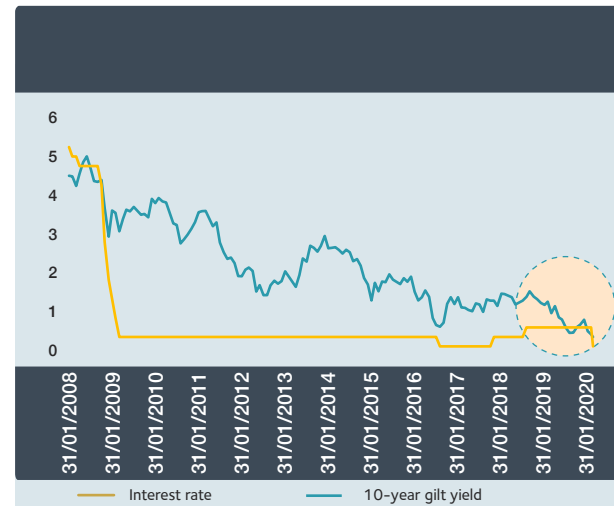
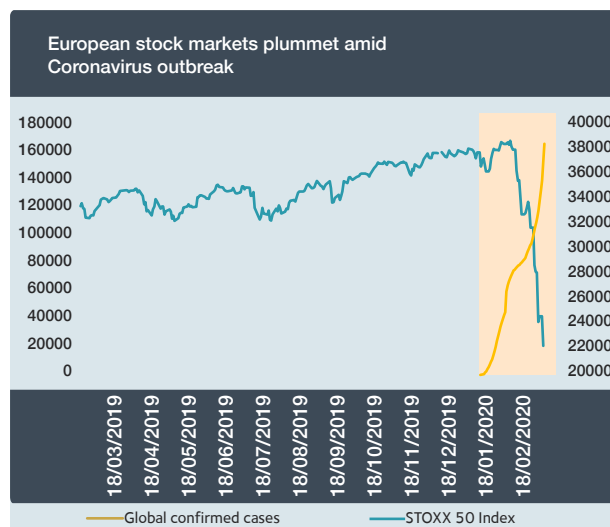
Key measures by governments and central banks to contain Coronavirus fallout

US Fed emergency meetings



- ✓ Bank of England cut interest rate by 50 bps to 0.25% in an emergency meeting

- ✓ The European Central Bank (ECB) announced supporting European Union (EU) countries with loans and liquidity facilities



- ✓ The People's Bank of China (PBOC) cut the reserve requirement ratio (RRR) by 50-100 bps, releasing US\$ 79 bn. to help the economy.
- ✓ The Bank of Canada cut its interest rate by 50 bps to 0.75%, stating that it stood ready to make further cuts.
- ✓ Norway's central bank cut its interest rate in an emergency meeting by 50 bps to 1%.
- ✓ Sweden's central bank said it would lend up to US\$ 51 bn. to support Swedish companies.
- ✓ Bank of Japan announced a package of measures worth about 2.03 tn. Yen (US\$ 20 bn.), focusing on support for small and mid-sized firms.
- ✓ Central banks in the Gulf region lowered interest rates: Saudi Arabia, UAE and Bahrain by 75 bps and Kuwait by 100 bps.
- ✓ Saudi Arabian Monetary Authority (SAMA) unveiled a SAR 50 bn. (US\$ 13.33 bn.) funding package to support the private sector.
- ✓ UAE central bank announced 100 bn. Dirham (US\$ 27 bn.) economic support plan

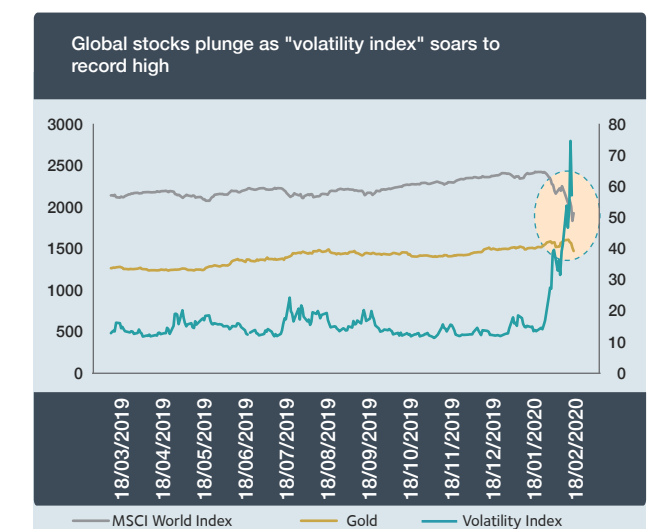
Central Bank of Egypt

- Cut its key interest rates by 300 bps (3%) bringing the overnight deposit rate, the overnight lending rate, and the rate of the main operation to 9.25%, 10.25% and 9.75% respectively;
- Extended the exclusion period for some basic food commodities, including rice, lentils and fava beans, from their 100% cash cover, for one year until 15 March 2021;
- Instructed all banks to postpone loan due payments for retail and corporate customers including consumer loans and personal housing mortgage loans for a period of 6 months;
- Launched an initiative to help customers with non-performing loans worth less than EGP 1 MM., excluding credit card balances and interest in suspense, according to each customer's financial position;
- Allocated EGP 20 bn. to support the Egyptian Exchange, with NBE and Banque Misr allocating a total amount of EGP 3 bn. for the same purpose; and
- Exempted domestic transfers in Egyptian pound from all the relevant commissions and charges for 3 months

Negative repercussions of Coronavirus outbreak on global markets

Global markets have fallen sharply over the rapid spread of Coronavirus pandemic and fears of supply shocks intensified due to damage to global supply chains. This pushed down raw-material demand, particularly oil which plummeted as Brent crude traded as low as US\$ 25 per barrel.

The CBOE Volatility Index (VIX), which measures expected price fluctuations in the S&P 500 Index options, surged nearing its highest levels since the 2008 global financial crisis.

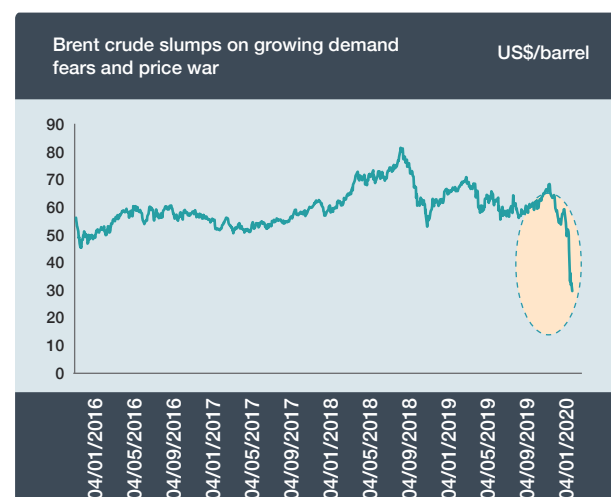


Key measures by governments and central banks to contain Coronavirus fallout

Gold which is regarded as a safe-haven by investors, spiked to US\$ 1,700 per ounce. However, amid the slide in global markets, growing uncertainty and investors preferring cash, gold back tracked by more than US\$ 200 per ounce during the last week of March.

A report by the Institute of International Finance (IIF) reveals that portfolio managers are liquidating part of their positions in the debt instruments and stock markets of emerging markets. Investors are highly projected to rapidly exit such markets.

Finally, the rapidly-spreading COVID-19 will cost the global economy heavy losses including an economic recession for the United States, the Euro Zone and Japan. China's economy is also expected to grow at the slowest pace in its history. Additionally, emerging markets will suffer heavy losses. The scale of losses depends on many factors such as how long the Coronavirus will remain active, the distribution of cases worldwide, the scale of damage to global industry and trade across the world, and the risks to global supply chains.

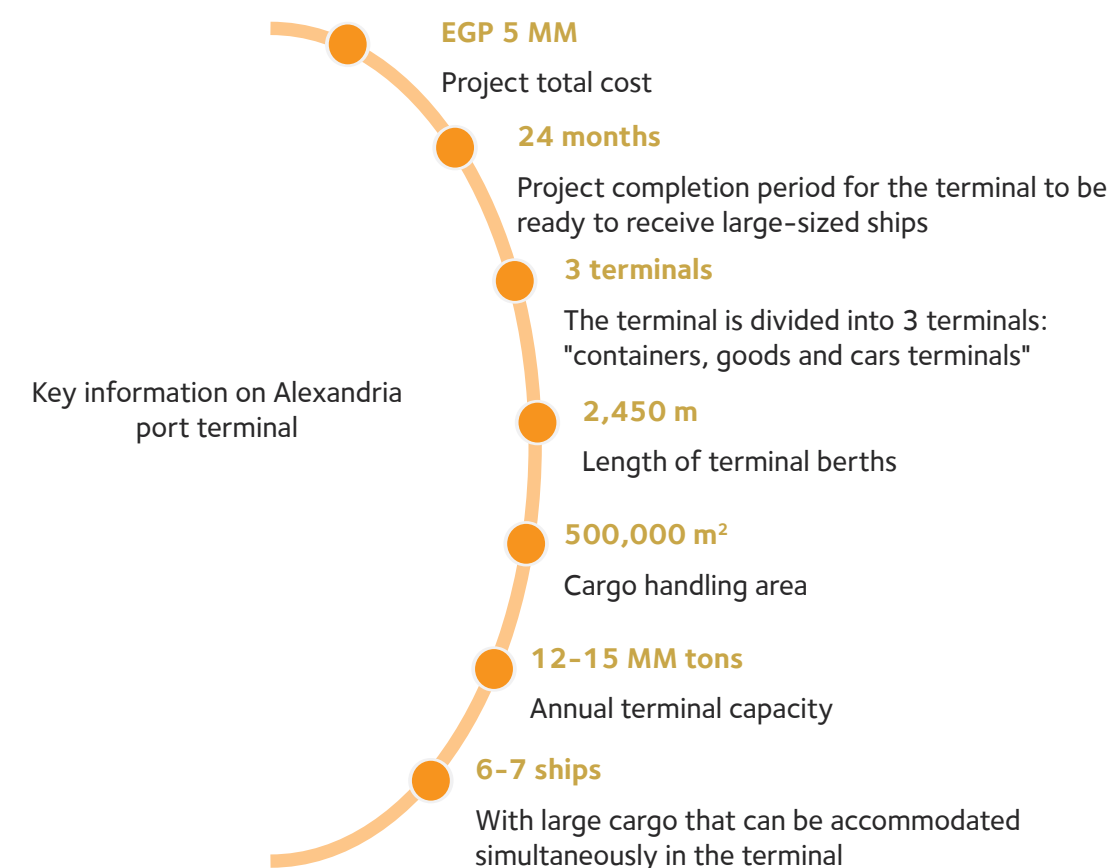
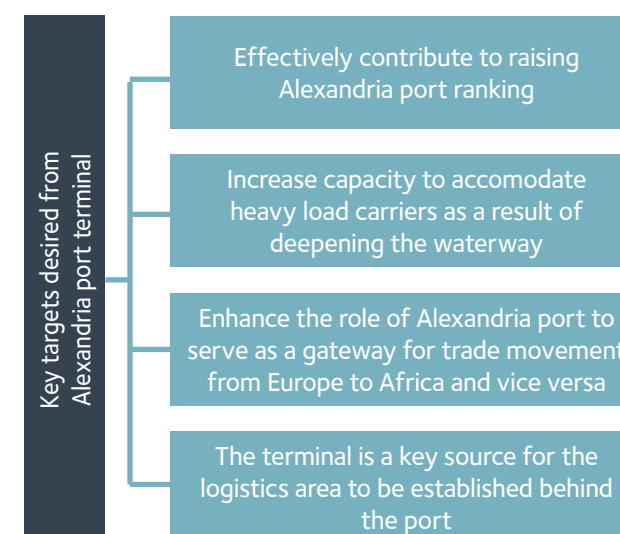


Multipurpose terminals and dry ports Effective mechanisms to turn Egypt into a trade and logistics hub

Egypt adopts a comprehensive strategy, according to Egypt Vision 2030, that aims to turn Egypt into an energy, trade and logistics hub at regional, African and global levels. Thus, efforts have recently been intensified to develop Egyptian ports and expand the establishment of multipurpose terminals and dry ports. In this respect, two multipurpose terminals will be constructed; one in Alexandria port and the other in Safaga port, and a dry port will be established in 6th of October City.

Alexandria port multipurpose terminal

It is a key maritime transportation project implemented by the Ministry of Transportation, emphasizing the special importance of Alexandria port as a main Egyptian port since 60% of Egypt's foreign trade flows across Alexandria and Al Dekheila ports. In this respect, the construction of the said terminal will result in a plethora of positive outcomes including:



Multipurpose terminals and dry ports

Effective mechanisms to turn Egypt into a trade and logistics hub

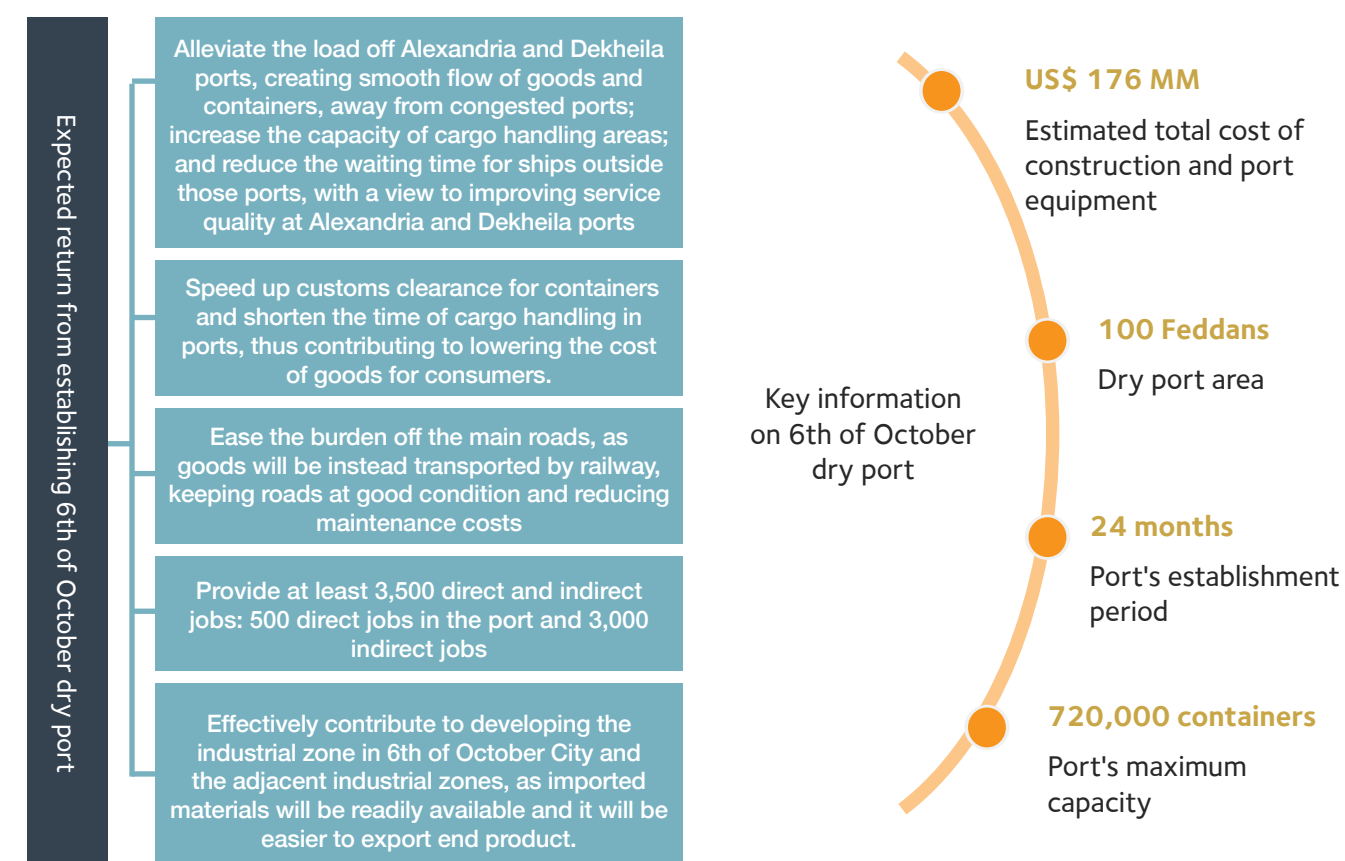
Safaga port multipurpose terminal

It is planned to implement a multipurpose terminal in Safaga port (containers - general cargo). The importance of the terminal stems from the fact that Safaga seaport is a main terminal on the International Shipping Line (ISL) that links the Mediterranean Sea and the Indian Ocean through the Red Sea. It is also connected to the main road network between Safaga City and the cities of Upper Egypt through Upper Egypt-Red Sea axis. Moreover, the terminal's importance is reinforced by the fact that Safaga seaport is a key African port on the western coast of the Red Sea. It is also connected with a road network to Sudan. In addition, Safaga port and the Golden Triangle Economic Zone are located on the sea route of Road and Belt Initiative that extends through the South China Sea, the Indian Ocean and Bab Al-Mandab Strait to the Suez Canal.



6th of October dry port is the first in Egypt to be established under PPP

The Egyptian government announced late January 2020 that an Egyptian-German consortium was awarded the implementation of the first dry port in 6th of October City under public-private partnership (PPP). This step comes as part of a broader plan to establish 8 dry ports and 5 logistics hubs on an area of 2,375 feddans.



Dry ports and logistics hubs to be established during the coming period

A dry port and logistics hub in 6th of October City over an area of 400 feddans	A dry port and logistics hub in 10th of Ramadan City over an area of 250 feddans	A dry port in New Beni Suef City over an area of 100 feddans	A dry port in New Borg El Arab City over an area of 90 feddans	A dry port in Sadat City over an area of 75 feddans
A dry port in New Sohag City over an area of 45 feddans	A dry port in New Damietta City over an area of 14.5 feddans	A dry port in El-Tor City over an area of 100 feddans	A logistics hub in Al-Qastal, south of Egypt, over an area of 300 feddans	A logistics hub in Arqin, south of Egypt, over an area of 300 feddans
				A logistics hub in Salloum over an area of 70 feddans

Multipurpose terminals and dry ports Effective mechanisms to turn Egypt into a trade and logistics hub

In that vein, it is worth mentioning that Egypt surged in the **Agility Emerging Markets Logistics Index**, rising 6 places in 2020 Index. This resulted from improved rankings in the three sub-Indices: "Domestic Logistics Opportunities, International Logistics Opportunities, Business Fundamentals".

Agility Emerging Markets Logistics Index measures the ability of those markets to develop their logistics services, based on three sub-Indices. The 2020 Index represented 50 countries.

Egypt's ranking in Global Index



Egypt's ranking in sub-Indices



Mineral resources in Egypt: a comprehensive strategy for the mining sector & development of the legislative environment

Egypt enjoys abundant mineral resources that are key to Egypt's economic development and provide raw materials to be used, directly or indirectly, in different economic sectors. In light of the increased interest in optimizing the use of these resources, a strategy was developed to upgrade the mining sector, and the new Mineral Resources Law was promulgated along with its executive regulations.

Mining sector development strategy

The Ministry of Petroleum and Mineral Resources embarked on tailoring a comprehensive strategy to develop and upgrade the mining sector in cooperation with a global specialized consultancy firm. This would help lure more investments to maximize economic benefit from Egypt's mineral wealth and increase the added value. Consequently, a quantum leap would be achieved in the performance of the mining sector and its contribution to GDP, especially in light of its limited contribution despite Egypt's enormous mining potentials.

The said strategy relies on seven main pillars, including legislative reform and upgrading fiscal systems and investment models applied in line with the best international practices to achieve the right balance of economic returns between the state and investor. These pillars also include amending the licensing system and streamlining procedures, reorganizing the functions of the Mineral Resources Authority, developing detailed strategies to utilize different ores with a view to maximizing added value, raising the efficiency of human cadres through advanced training program and implementing a strategy to promote investment opportunities.

Amending Mining Law and its new executive regulations

In light of the efforts aimed at providing a favorable environment to best use Egypt's mineral wealth including stone quarries, mines and salinas, Law No. 145/2019 was promulgated amending certain provisions of the Mining Law issued by virtue of Law No. 198/2014, followed by its executive regulations in January 2020. In this context, the following points are worthy of note:

Separating exploration from exploitation: the law provides for separating the exploration phase "surveying ground or underground levels to assess their viability" from the exploitation phase "extracting mineral ores" in order to secure more flexibility to lure investments in the field of mining exploration.

Licences may not be issued for archaeological sites; protectorates; lands of towns or villages; market places; utilities; places of worship; tombs; territories adjacent to airports, highways, railways, oil and gas pipelines and irrigation facilities; dams; reservoirs and lands allocated for such utilities unless the approval of the competent authorities is obtained.

As for mines, an exploration licence is issued for mines with an area not exceeding 1 km², by virtue of a decision by the Mineral Resources Authority's BoD, at a maximum of one mine for each licensee under the private law. Otherwise, the exploration licence is issued by a decree of the competent minister after obtaining the approval of the Authority's BoD.

Term of exploration licence and annual rental

Exploration licence is valid for two years, renewable for other two terms and a third term based on technical justifications acceptable by the Authority. In this context, an annual rental of EGP 5,000 for every 1 km² of exploration area is collected for the first term of exploration. The lease value is raised to EGP 10,000, EGP 15,000 and EGP 20,000 for the second, third and fourth terms, respectively. The lease value may be amended every 3 years by decision of the Prime Minister

Exploitation licence and annual rental

Exploration licensee applies, during the validity period of the relevant licence and six months prior to its expiry, for an exploitation licence using the relevant application form. The licensee may request, six months at least prior to the expiry of licence, renewing the licence for one or more periods, not exceeding fifteen years in aggregate. In this respect, an annual rental of EGP 25,000 for every 1 km² of exploitation area is collected. The lease value may be amended every 3 years by a decision of the Prime Minister.

Royalty

Licensee shall pay the Authority a royalty for each ore, based on the value of total annual output of the ore exploited by the licensee, at the specified rates (between 5%–10%) according to ore type. Royalty is calculated according to the local market prices of each ore on site

Allocating 1% of output for community development

A percentage of 1% of the annual output of the ore exploited by the licensee is allocated for community development in the governorate where the exploitation area is located. This percentage is used in building, developing and equipping schools and hospitals; levelling, paving and upgrading roads and implementing basic infrastructure projects including potable water and sewage, with special attention to the most needy villages in the governorate.

Stone quarries and salinas: quarry exploitation licence is issued by the governorate where the quarries are located, and by the New Urban Communities Authority (NUCA) for the quarries within its domain, provided that quarry area shall not be less than 5,000 m². Salina exploitation licence is issued by the relevant authority after obtaining the approval of the Egyptian Mineral Resources Authority (EMRA).

Term of exploitation licence, annual rental and royalty

- Quarries: exploitation licence is valid for one or more years, renewable for other terms. An annual rental ranging between EGP 4 and EGP 12 is collected for each 1 square meter of the licensed area, according to ore type.
- Salinas: the annual rental amounts to EGP 100,000 per 1 km² during the preparation period, and ranges between EGP 120,000 and EGP 150,000 during the production period.
- Lease value may be amended every 3 years by virtue of a decision by the Prime Minister.
- Licensee shall pay an annual royalty of 13% of annual output in case of quarries, and between 10%–13% in case of salinas.

Allocating a percentage of output for community development

6% of the annual output of the ore exploited by the licensee is allocated for community development in the governorate where the exploitation area is located.

EMRA's equity in exploration and exploitation companies:

EMRA is entitled to establish or have equity participation in companies specialized in exploring and exploiting ores in mines, quarries and salinas, whether fully or jointly owned by EMRA according to the regulating laws. Public equity in the said companies may not be less than 25%, while the said companies shall be subject to all the technical and financial terms, requirements and obligations stipulated by law.

25%
EMRA's minimum equity participation in exploration and exploitation companies

Forming an advisory committee: an advisory committee shall be formed and chaired by a representative of the Ministry of Petroleum and Mineral Resources, with the membership of representatives of several relevant ministries and authorities. The said committee shall convene four times at least annually.

The committee gives opinion on a number of topics, mainly:

- amendments to the rental of mines, quarries and salinas;
- determining royalty separately for each ore subject to law;
- defining export-prohibited ores;
- disputes referred to the committee in respect of mineral resources; and
- method of calculating the amount and value of ore extracted from mines, quarries or salinas

The phosphoric acid complex at Abu Tartur plateau as a model for optimizing the use of mineral resources

A contract to establish a phosphoric acid complex at Abu Tartur plateau, New Valley governorate, was signed in December 2019 between Misr Phosphate and the Chinese consortium composed of China State Construction Engineering Corporation (CSCEC) and Wengfu (Group) Co., being among the major producers of phosphate industries worldwide. The project's total investment cost accounts for US\$ 1 bn., with a production capacity of 1 million tons of phosphoric acid per annum, as phosphoric acid is an essential substance used in manufacturing simple and compound phosphatic fertilizers. The complex will be established within Abu Tartur mine over an area of 560,000 m² and with a storage area of 3 MM. m². The complex is affiliated to El Wadi for Phosphate Industries & Fertilizers (WAPHCO) which will assume developing, establishing, managing and operating the complex. A long-term sale agreement was inked with Wengfu (Group) Co. for selling 500k tons of phosphoric acid p.a., equal to half the output expected from the project.

In conclusion, optimization of Egypt's mineral resources is a mainstay in developing and advancing the Egyptian industry, a driving force for export growth and a keystone for the national economy.

Egypt's natural gas sector: Successive achievements and promising prospects

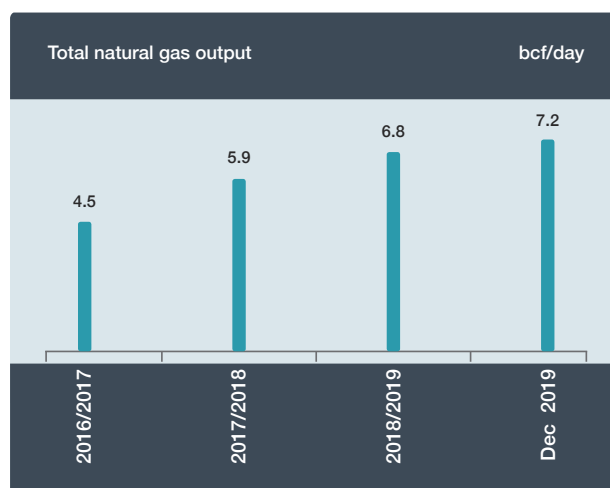
Egypt's oil and natural gas industry saw unprecedented levels of activity and remarkable operating results across different oil and gas activities over the last few years. This reflects the incessant efforts exerted to continuously improve all aspects of this vital industry, develop oil and natural gas resources, and enhance the efficiency of their use. Such efforts also aim to meet local market needs and maximize economic return as well as achieve the goal of transforming Egypt into a regional hub for handling and trading energy in general and gas in particular. Egypt's gas market witnessed huge gas discoveries. Ambitious plans are developed to discover more fields and accelerate the development of existing ones. As a result, growing attention is paid to court investments to this sector through improving the legislative and regulatory environments. In this vein, a new investment law was introduced in 2017. In addition, a law was enacted to amend certain provisions of the Gas Market Law No. 196 of 2017.

Local production and consumption

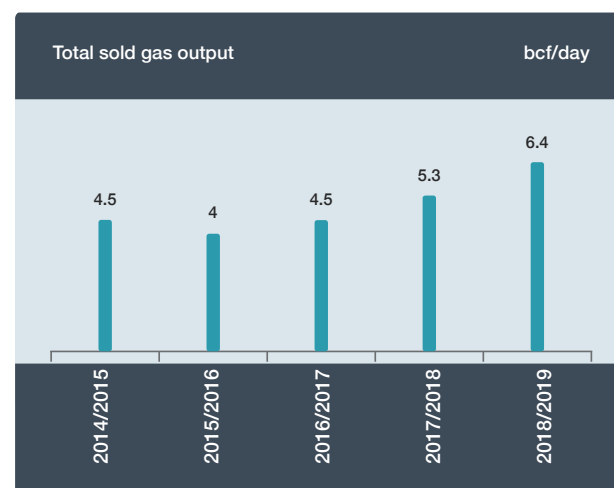
Growth of natural gas production: Egypt's natural gas production posted remarkable growth in 2019. It hit 7.2 billion cubic feet per day (bcf/day) in the last months of the previous year. This is the outcome of the extensive development of gas exploration and production activities. Egypt managed to achieve natural gas self-sufficiency at the end of September 2018. Hence, it halted importing liquefied natural gas (LNG) for the first time in 3 years, which acted as a driving force for efforts to roll out natural gas connection to households, increase its usage in different economic activities, and export any output surplus.

15
new natural gas
discoveries in 2019

US\$ 1.5 bn.
annual savings thanks to
halting LNG imports after
reaching self-sufficiency



Source: Ministry of Petroleum and Mineral Resources



* Sold gas: is the difference between total output and output used in oil and gas production.

The Mediterranean area contributes the most to Egypt's natural gas production, with a share of 62% in December 2019, followed by Nile Delta, the Western Desert and Gulf of Suez areas with 19%, 18% and 1% respectively.

Natural gas fields development projects: In 2019, efforts to develop gas fields continued. Many fields were developed as indicated below:

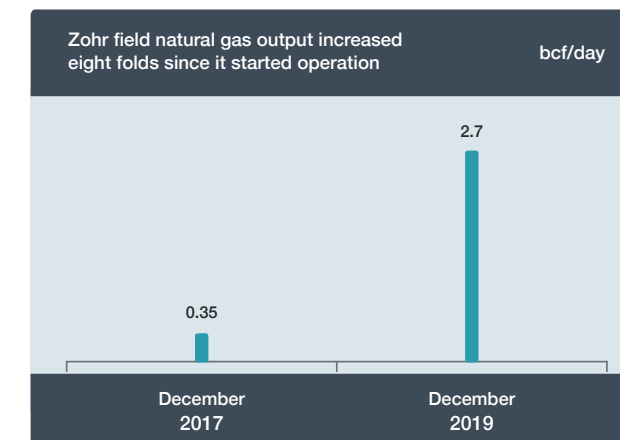
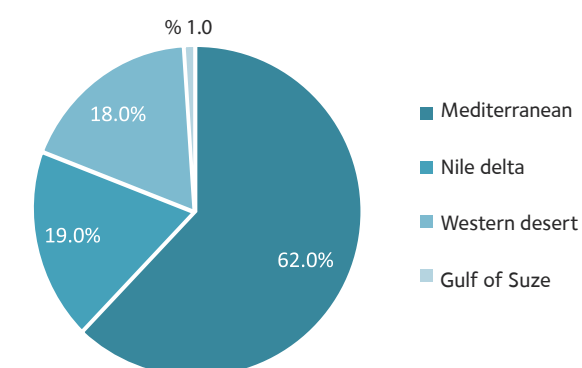
✓ Pushing ahead with Zohr field development – in the Shorouk concession in the Mediterranean Sea (Petrobel/Italian Eni). The year 2019 witnessed the acceleration and continuation of the development phases of the field. Since its inception in December 2017, Zohr field's production has increased eight folds to reach 2.7 bcf/day. Its production capacity rose to 3 bcf/day as at the end of 2019. The field stands out for the huge investments injected into it which exceeded US\$ 11.5 bn. as at the end of 2019 and are estimated to reach US\$ 15.6 bn. over the project's life span.

✓ Developing North Alexandria and West Nile Delta fields (Phase II – Giza/Fayoum fields) – in the Mediterranean Sea – (British Petroleum (BP)). Production started in this Phase in February 2019 with a production capacity of 700 million cubic feet per day (mcf/day). A number of 8 new offshore wells were drilled. The production capacity of Rasheed field was ramped up to 500 mcf/day from 440 mcf/day at an investment cost of US\$ 2.7 bn.

✓ Developing Baltim South West field – in the Mediterranean Sea – (Petrobel/Italian Eni). This project aims to establish the facilities required to step up the production capacity to 500 mcf/day through drilling 5 wells in Baltim South West area. The project's cost is estimated at US\$ 363 MM. Production started in September 2019. Two wells went on-stream with an initial production capacity of 165 mcf/day.

✓ Completion of Phase IX – West Delta Deep Marine (WDDM) fields – the Mediterranean Sea (Burullus/Dutch Shell). The project targets producing 350 mcf/day of gas and 3 thousand barrels of condensates per day through drilling and connecting 8 wells. The investment cost is estimated at US\$ 775 MM. The third and fourth wells came online in October and November 2019 with a total production capacity of 100 mcf/day.

Natural gas production by region in december 2019



US\$ 2.7 bn.
Total investment cost of drilling
8 new offshore wells

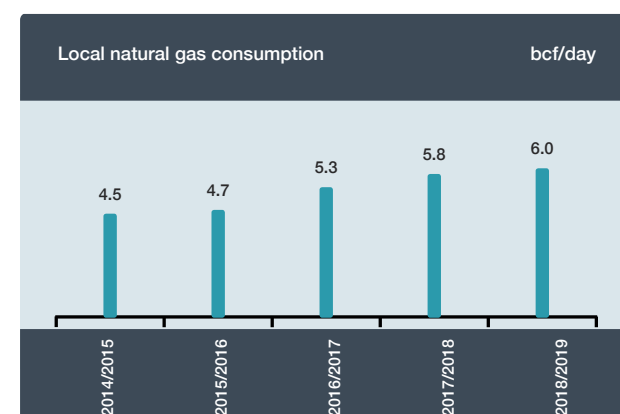
Egypt's natural gas sector: Successive achievements and promising prospects

- ✓ Development of North Sinai fields (completion of Phase II) (North Sinai/French Perenco). The project aims to ramp up production by 100 mcf/day through drilling 4 wells. Its investment cost is estimated at US\$ 100 MM. A number of 3 wells were brought on-stream during the period from July 2019 to October 2019 with an initial production capacity of 60 mcf/day.
- ✓ Completion of Disouq area development – Phase B – Nile Delta – (Disouq Petroleum Company (Disouco)/Germany's Wintershall Dea). The purpose of the project is to produce 100 mcf/day through completing and connecting 10 wells in Disouq area to the central treatment plant (CTP) at a total cost of nearly US\$ 30 MM. A number of 6 wells came online in 2019 with an initial production capacity of 50 mcf/day.
- ✓ Development of South Disouq fields – Nile Delta – (Petro Disouq/SDX). The project aims to produce some 50 mcf/day through drilling and connecting 4 wells (in South Disouq and Ibn Yunis fields). This will be achieved through an early production facility (EPF) with a capacity of 60 mcf/day. The processing facilities will be connected to the national grid at a total cost of US\$ 49 MM. One field has already started production in November 2019.
- ✓ Nidoco/El Gamil pipeline – Nile Delta – (Petrobel/Italian Eni). The project is designed to transport nearly 700 mcf/day of Nidoco field output to El Gamil treatment plant to ramp up the extraction of butane and condensates and boost the capacity to process larger volumes of gas. The project comprises 2 onshore pipelines extending for a total of 128 kilometers. The project's cost is estimated at US\$ 300 MM. The first pipeline started operation at the end of January 2019 and the second was operated in mid-May 2019.

US\$ 775 MM.
total investment cost to
complete Phase IX of the project

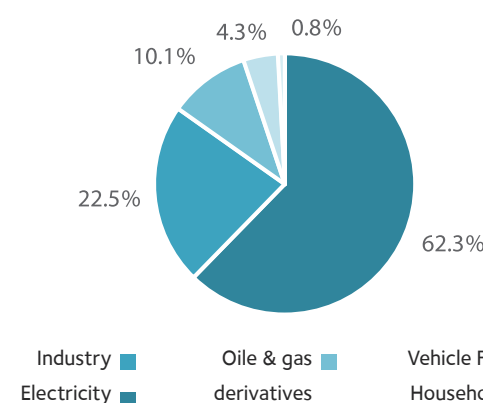
Local natural gas consumption

Total local natural gas consumption amounted to 2.18 trillion cubic feet in 2018/2019 with a daily average of 6 bcf/day vis-à-vis a daily average of 5.8 bcf/day in 2017/2018. Compared to other natural gas consuming sectors, the electricity sector was the largest consumer of natural gas in 2018/2019.



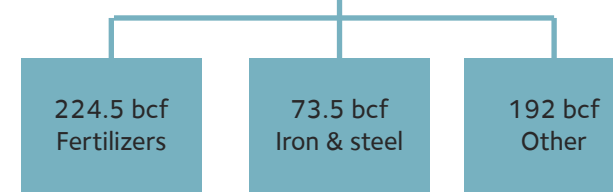
Source: Ministry of Petroleum and Mineral Resources, Egyptian Natural Gas Holding Company (EGAS) – Annual Report 2018/2019

Local natural gas consumption by sector



- ✓ Electricity is the largest natural gas consumer. In 2018/2019, its consumption amounted to 1.36 trillion cubic feet with an average of 3.72 bcf/d, accounting for 62.3% of the total local consumption.
- ✓ Industry is the second largest natural gas consumer. In 2018/2019, its consumption amounted to 490 bcf with an average of 1.34 bcf/d, accounting for 22.5% of total consumption locally.
- ✓ Oil and gas derivatives: This sector includes refineries, petrochemicals, methanol and gas derivatives. In 2018/2019, consumption reached 221 bcf with an average of 605 mcf/d, accounting for 10.1% of total consumption.
- ✓ Households consumption amounted to 95 bcf with an average of 261.1 mcf/d, accounting for 4.3% of total consumption.
- ✓ Vehicle fuel consumption reached nearly 16.5 bcf with an average of 45 mcf/d, accounting for 0.8% of total consumption.

Industry consumption by sector in 2018/2019



**Natural gas was delivered to
10 million housing units
by the end of June 2019**

**276,000 vehicles
were converted to run on natural
gas by the end of June 2019**

It is worth noting that Egypt's natural gas consumption is projected to rise over the coming years in view of the government's plan to use natural gas, a clean source of energy, as a replacement for other energy sources such as the imported butane and imported gasoline and diesel used as car fuel. However, the relative importance of natural gas for the electricity sector is expected to retreat as the government is set on increasing reliance on new and renewable sources of energy in place of the conventional ones.

Egypt: a key regional hub for oil and gas trading and handling

Efforts continue to implement Egypt's national project of becoming a regional hub for trading and handling oil and gas. The strategy to transform the country into a regional hub encompasses four key pillars:

- Negotiating with countries in the region to bring gas from the East Mediterranean to Egypt's liquefaction plants and re-export it to European markets;
- Equipping liquefaction plants to receive such amounts of gas;
- Bolstering the national grid to accommodate gas pumped from the East Mediterranean region; and
- Studying the possibility of building LNG bunkering facilities using LNG from the East Mediterranean.

**"Egypt is fast becoming a key
regional hub for energy and a
global player in the industry,
thanks to making great strides
in discovering and developing its
energy resources" OPEC**

In light of the above, Egypt launched an initiative to create an East Mediterranean gas forum. The ministers of petroleum and energy from seven Mediterranean countries met in Cairo in January 2019 on an invitation from the Egyptian Minister of Petroleum and Mineral Resources to discuss the establishment of the East Mediterranean Gas Forum (EMGF). Ministers from Egypt, Cyprus, Greece, Israel, Italy, Jordan and Palestine attended the meeting. "The Cairo Declaration" was issued after the meeting to establish the EMGF as an international organization that respects the rights of its members with respect to their natural resources in accordance with the principles of international law. The EMGF's second ministerial meeting was held in Cairo in July 2019 in the presence of the United States Energy Secretary and the European Union's Director General for Energy, alongside representatives from France and the World Bank. The meeting approved the rules and procedures governing the high-level team entrusted with implementing the EMGF's events and the establishment of an advisory committee for the gas industry. Along the same lines, Egypt hosted the EMGF's third ministerial meeting in January 2020. The meeting finished discussing the foundational framework of the EMGF which would be eventually signed with the aim of upscaling the forum to a Cairo-based intergovernmental organization.

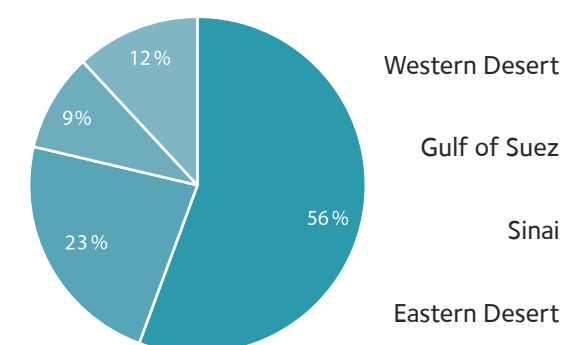
Oil sector plays a prominent role in promoting Egypt's development plans. It is one of the largest economic sectors that lures foreign investments, whether related to oil exploration and extraction or the expansion in petrochemical industries and the production of aircraft and auto fuel. Moreover, it contributes effectively to enhancing the country's public treasury revenues.

Egypt is one of the first countries that had a head start in the various stages of oil industry. In 1886, Egypt started to drill the first well in Gamasa, located on the western coast of the Red Sea. Commercial production of the field began in 1910, and several oil discoveries in Egypt followed subsequently. In 1961, the first offshore oil field in Egypt and the Middle East was discovered, i.e. Belayim Marine Oil Field. In this context, the Western Desert contributes the largest share of crude oil production in Egypt, i.e. 56% in December 2019, followed by the Gulf of Suez with 23%, the Eastern Desert with 12% and Sinai with 9%, through 43 companies. These companies primarily include Khalda Petroleum Company, Belayim Petroleum Company (Petrobel), the Gulf of Suez Petroleum Company (GUPCO), General Petroleum Company (GPC), Agiba Petroleum Company and Badr El Din Petroleum Company (BAPETCO). Among the main foreign companies operating in oil production in Egypt are Apache Corporation (USA), ENI (Italy), Dragon Oil (UAE) and Shell (the Netherlands).

In general, increasing Egypt's crude oil production is a top priority to bridge the gap between production and consumption, reduce imports and face the natural decrease of wells. The government adopts an ambitious program to develop oil resources and improve the efficiency of their use. This would enable the government to meet the needs of local market, maximize the economic return, provide distinguished services to citizens and continuously develop all aspects of this vital industry. In 2019, Egypt's total production of crude oil and condensates reached 650,000 b/d.

At the same pace, 2019 witnessed the highest rate of oil production in the history of Egypt. Production reached 1.9 MM. barrels of oil equivalent per day of crude oil, gas and condensates, which is equivalent to 84.2 MM. tons, with an increase of 7% compared to 2018.

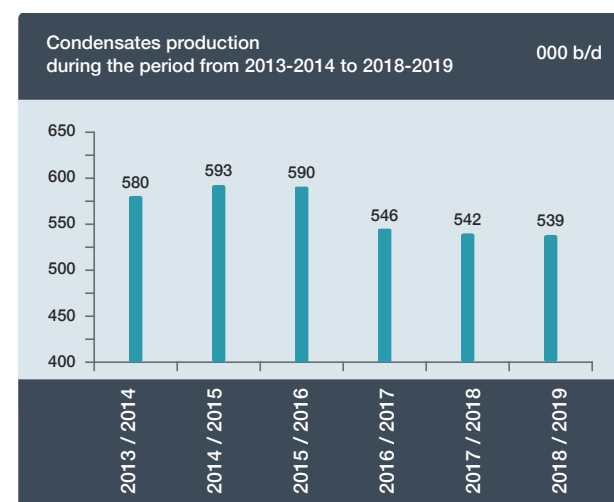
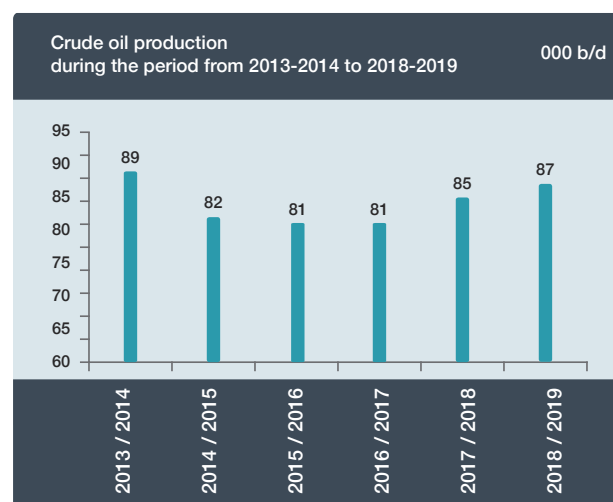
Crude oil production in different regions in December 2019



40 new oil discoveries in 2019

650k b/d
Egypt's average production of crude oil and condensates in 2019

Oil sector performance indicators in 2019



On the other hand, local market stability persisted in 2019, where the needs of citizens and various sectors for oil and gas products were covered and total consumption accounted for 30.2 MM. tons of oil products. To continue meeting local consumption needs from oil products in 2019, about 11.7 MM. tons of oil products worth US\$ 6.8 bn. were imported. It should be noted that total consumption of oil and natural gas products decreased 3.1% YoY as a direct result of the state's decision to implement the final stage of the reform program regarding oil products pricing structure and eliminate price distortions, which contributed to rationalizing consumption.

Exploration and excavation activities: 2019 witnessed the expansion in oil and natural gas exploration and excavation activities, including:

✓ Oil agreements with foreign companies:

- Signing 8 oil agreements to drill 34 wells, with minimum investments of US\$ 179 MM.; and
- Arranging to sign 17 oil agreements to drill 86 wells, at an investment cost exceeding US\$ 1 bn., and signing grants of more than US\$ 173 MM.

✓ Bids for exploration and excavation:

- The bidding investments of the Egyptian General Petroleum Corporation (EGPC) and the Egyptian Natural Gas Holding Company (EGAS) amounted to US\$ 745 MM. in 11 regions to drill 50 wells; and
- The bidding investments for Red Sea oil and gas exploration reached US\$ 326 MM. in December 2019.

✓ Developing oil production capacities

The oil sector is implementing a number of projects aimed at establishing new and advanced transformation units at existing refineries as well as new and modern refineries. This would improve the economic performance of such refineries, increase the added value of oil resources and contribute to securing local consumption needs from strategic oil products, especially gasoline, diesel and liquefied petroleum gas (LPG). Salient projects that were completed in 2019 as well as those under construction include:

- **Mazut hydrocracking complex at the Egyptian Refining Company in Mostorod**, with a production capacity of 4.3 MM. tons p.a. and investment cost of US\$ 4.3 bn.;
- **High-octane gasoline production unit at Assiut Oil Refining Company (ASORC)**, with a production capacity of 800,000 tons p.a. to meet the needs of Upper Egypt from oil products, at a cost of US\$ 450 MM.;

- **Middle East Oil Refinery (MIDOR) expansion project in Alexandria**, which aims to increase the refining capacity by 60%, at a cost of US\$ 2.3 bn.; and
- **Mazut hydrocracking complex at Assiut National Oil Processing Company (ANOPC)**, with annual production capacity of 2.5 MM. tons of mazut to be converted into high-quality oil products, at an investment cost of US\$ 2.15 bn.

On a related note, the main petrochemical projects under implementation include:

- **SIDPEC polypropylene project:** the project aims at producing polypropylene at a capacity of 450k tons p.a. to meet the local demand and export the surplus. It relies upon utilizing the quantities of propane available at the Egyptian Natural Gas Company's facilities (GASCO) in Alexandria instead of exporting them. The project's investment cost accounts for US\$ 1.6 bn.
- **Polybutadiene rubber (PBR) project at the Egyptian Ethylene and Derivatives Company (Ethydco):** the project aims to produce 36,000 tons p.a. of PBR at Ethydco, depending on 20,000 tons p.a. of butadiene produced by Ethydco and SIDPEC to maximize the added value, cover part of the local demand and export the surplus. In June 2019, the consortium of Petrojet and Saipem S.p.A. (Italy) was awarded the general contractor's works as the best bidder. The project's investment cost amounted to US\$ 165 MM.
- **Medium density fibreboard (MDF) project:** the project aims to produce 205k m³ p.a. of MDF by utilizing agricultural waste. The project's investment cost accounts for € 210 MM. and the project's company was established in September 2019 under the name of the Egyptian Wood Technology Company (WOTECH).

Capacity of 450k tons p.a.
Investment cost of
US\$ 1.6 bn.

Production of 36k tons p.a.
Investment cost of
US\$ 165 MM.

Production of 205k m³ p.a.
Investment cost of
€ 210 MM.

In conclusion, the Ministry of Petroleum and Mineral Resources made great strides in 2019 to implement its ambitious vision to develop and modernize the oil sector. Since 2016, the Ministry has started to work on realizing its vision according to a clear strategy and specific implementation plans with timelines for completion, with a view to continuously developing the oil and gas sector and reaching a better and more prosperous future. The development and modernization strategy included proceeding with the implementation of complementary action programs, which comprised alluring investments in exploration, excavation, structural reform and human development as well as improving refining activities, product distribution and petrochemical industry. This is in addition to improving energy consumption efficiency, enhancing performance of production activities, adopting a strategy aimed at transforming Egypt into a regional hub for trading oil and gas, and supporting decision-making and flow of information.



Egypt's international Petroleum Show "EGYPS 2020"

A window to investment opportunities in Egypt's oil and gas industry

Under the sponsorship of President Abdel-Fattah al-Sisi, the fourth edition of the Egypt Petroleum Show (EGYPS 2020) conference and exhibition kicked off. This year's EGYPS, held from 11 to 13 February 2020, was themed "North Africa and the Mediterranean: Delivering the Energy Needs of Tomorrow". The event witnessed a large turnout at the international and regional levels. More than 270 local and global industry experts spoke at the conference. In addition, around 1,600 participants, 14 country pavilions, 15 global oil companies and more than 450 exhibiting companies participated in EGYPS 2020, contributing to its remarkable success.

EGYPS is an important platform for discussing changes in the petroleum industry at the local, regional and global levels. It is a significant window for Egypt to showcase the outstanding investment opportunities in its oil and gas industry in view of Egypt's promising oil and gas capabilities and potentials. The conference also shed light on success stories and key results and development achieved over the last years in this industry. This will help create a more favourable investment climate for global oil companies.



On the sidelines of EGYPS 2020, the Minister of Petroleum and Mineral Resources reviewed the main achievements in 2018/2019. Most importantly, the oil and gas sector contributed 27% to Egypt's GDP which amounted to EGP 1.4 trillion, generating a trade surplus for the first time in years. Foreign investments already operational or in the pipeline recorded EGP 1 trillion of which a sum of US\$ 35 bn. was injected within the last four years. Egypt's arrears to foreign companies fell by more than 80%, which contributed to restoring confidence, reflected positively on boosting investments by Egypt's current partners, and led to the entry of new investors. The petroleum sector managed to bolster gas industry growth rate to 20%, achieve self-sufficiency, and resume exports.

During the Egypt Petroleum Show (EGYPS 2020) conference and exhibition, a number of 29 agreements were signed between Egypt's Ministry of Petroleum and several global companies and organizations. Such agreements reflect the promising opportunities in Egypt's petroleum sector and the great potential it offers at the local and global levels. They also indicate the great confidence of global companies in Egypt's strong economy. Key executed agreements include:

- A cooperation agreement with the US Bechtel to execute a refining and petrochemical complex project in the Suez Canal Economic Zone (SCZone) at an estimated investment cost of US\$ 6.7 bn.;
- An oil and gas exploration agreement with Neptune Energy for Egypt's North West El Amal offshore concession in the Gulf of Suez with a minimum investment of US\$ 35 MM. and a US\$ 11 MM. grant for drilling 3 wells;

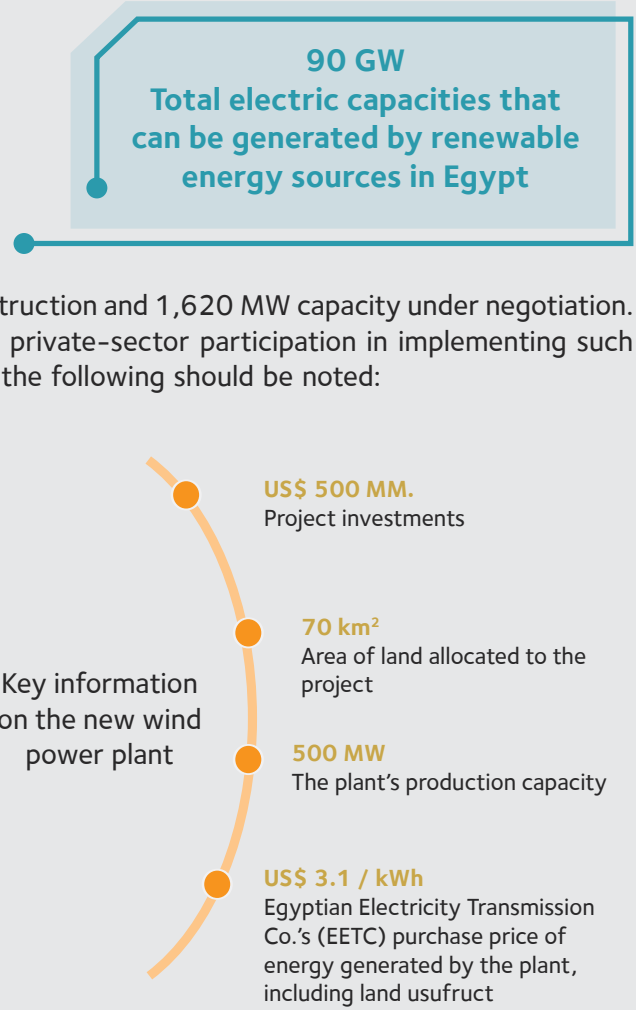
- An agreement between the Egyptian General Petroleum Corporation (EGPC) and British Petroleum (BP) to collaborate in the field of bunkering in Suez Canal;
- A deal between Egypt's Petrojet and Italy's Saipem company for implementing projects in Libya. Petrojet will become a strategic partner of Saipem which is currently finalizing procedures to return to the Libyan market;
- A contract with Germany's Siempelkamp to establish a project for producing medium-density fiberboard (MDF) panels at investments worth about € 210 MM.;
- Two agreements between a consortium of Egyptian companies including the Egyptian Natural Gas Holding Company (EGAS), the Egyptian International Gas Technology (Gastec) and the Natural Gas Vehicles Company (Car Gas), and the Italian Landi Renzo company for locally assembling natural gas fueling stations and the parts and components needed for converting vehicles to run on natural gas; and
- A deal to build the expansion project of GASCO's Western Desert Gas Complex in Alexandria, a contract to implement the methanol derivatives project in Damietta, a cooperation agreement in the field of providing natural gas carriers, conversion plants and shipping agency services, and another agreement to offer marine survey, geophysical survey and underwater imaging services.

Egypt targets increasing renewable energy sources contribution to 20% of total electric capacities by 2022

The government adopts an effective and ambitious strategy aimed at securing electric power supply, diversifying its sources and increasing renewable energy's contribution to the national energy mix. Renewable energy's contribution is targeted to reach 20% by 2022 and increase gradually to 43%–46% by 2035, especially in light of adopting a package of resilient policies and mechanisms to promote private investment in such projects. These mechanisms include the build-own-operate (BOO) model, independent energy producers and feed-in tariff regime.

This came in light of Egypt's abundant renewable energy sources, which primarily include wind and solar energy. Electric capacities that can be generated by these sources reach 90 GW. More than 7,600 km² of vacant lands were allocated to new and renewable energy projects. More closely, total compound capacities generated by renewable energy plants reached 5,852 MW in early 2020, in addition to 776 MW capacity under construction and 1,620 MW capacity under negotiation. The remarkable success achieved in strengthening the private-sector participation in implementing such projects in Egypt is worth mentioning. In this context, the following should be noted:

- Benban solar park, with 1,465 MW capacity, was completed and operated with the participation of 32 companies. The project received two global awards, i.e. "2017 Global Award" and "2018 World Bank Award".
- In January 2020, the New and Renewable Energy Authority (NREA) and the UAE's AINowais Investments (ANI) signed a concession agreement concerning an NREA-allocated land in the western coast of the Gulf of Suez, with a view to establishing a wind power plant on BOO basis.
- In February 2020, the cornerstone of the 250-MW wind power plant project located in Gabal El Zeit was laid on BOO basis. The project is implemented by Lekela Power.



In conclusion, renewable-energy power plant projects are increasingly alluring "local and foreign" direct investments in Egypt. These projects help promote economic growth, create several direct and indirect jobs and enhance the use of local component in renewable energy equipment, in addition to reducing harmful emissions through clean power supply.

Wastewater treatment: an effective mechanism to promote water resources, generate power and increase GDP

The government pays great attention to wastewater treatment projects and turning from "safe disposal" to "safe use" of treated wastewater as one of the important and non-traditional sources of water, with a view to meeting the growing demand for water. Therefore, the government tended to adopt and implement a set of policies with respect to treated wastewater reuse projects in agriculture, coordinate between relevant ministries and authorities to implement a strategy for the safe reuse of treated wastewater, and follow up existing projects of tree forests that depend mainly on treated wastewater. This is in addition to the recent trend towards the use of treated wastewater in power generation.

- The economic returns intended from maximizing the use of treated wastewater are numerous, including:
- Enhancing the economic return and GDP through the expansion in tree forests which provide raw materials for wood industries. This is reflected in substituting imported wood for locally produced wood, which ultimately comes in favor of the balance of payments (BoP). In this context, it is worth mentioning that irrigation of tree forests using treated wastewater yields a high economic return, compared to irrigation with conventional water, given the higher nutrients and organic substances than conventional water.
 - Cultivating some plants of high economic value, such as "Huhoba" which is used in producing oils that are converted into vegetable fuel.
 - Combating desertification by expanding cultivated areas, and contributing to air purification.
 - Surrounding new cities with tree belts to be protected against sandstorms.
 - Increasing fishery wealth as a result of raising the quality of treated wastewater dumped into waterways.
 - Generating power.

The Egyptian Code for the Use of Treated Wastewater in Agriculture developed a scale that determines the properties of treated wastewater and its suitability for use in irrigation of some crops, including:

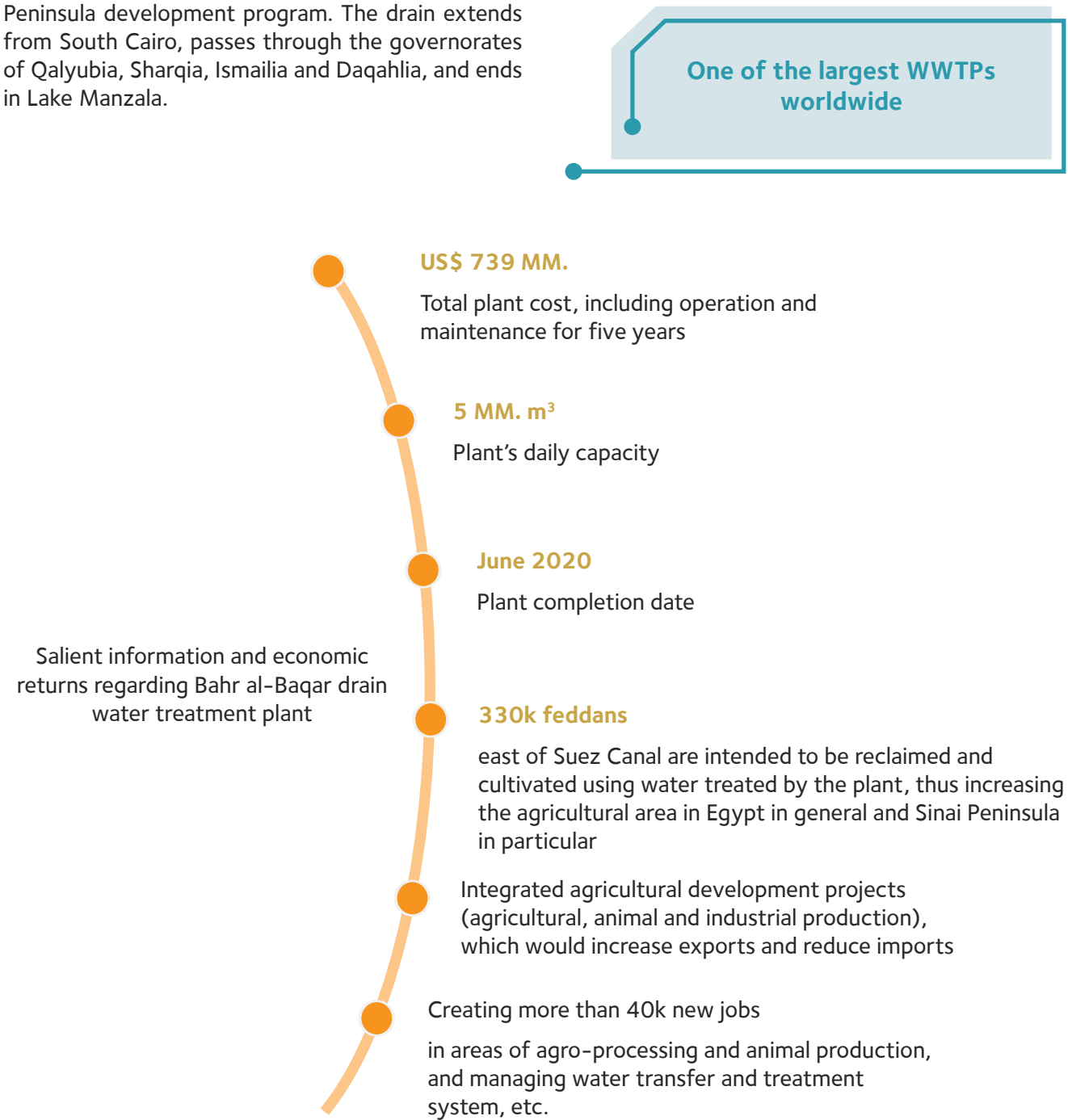
Green landscapes, fence plants and all kinds of flowers, as well as fresh fruit crops eaten without peeling "apples, grapes, peaches, ... etc."	A Highest treatment grade	Classifying plants and crops that can be irrigated with treated wastewater into four agricultural groups
Dry strategic crops such as "wheat - corn - barley - rice - beans - lentils", a number of fruit trees such as "citrus, olives, mangoes, palms", and medicinal plants such as "star anise, hibiscus, cumin".	B	
Dry crops, fruits and medicinal plants in group B; non-food seeds; all types of seedlings, roses and cut flowers; trees suitable for planting in highways and green belts; all fiber crops such as "flax cotton"; grassy and leguminous fodders; berries; all nurseries of ornamental plants and trees.	C Water from secondary or dual treatment plants	
Timber trees; crops converted into charcoal "e.g. willow"; crops used to produce energy oils "such as soybeans and castor", and others.	D Water from pre-treatment plants, lowest treatment grade	

Wastewater treatment: an effective mechanism to promote water resources, generate power and increase GDP

According to the Egyptian Code, the use of untreated wastewater in any agricultural application is prohibited. Further, it is forbidden to use treated wastewater, regardless of the treatment level, in irrigating vegetable crops eaten raw.

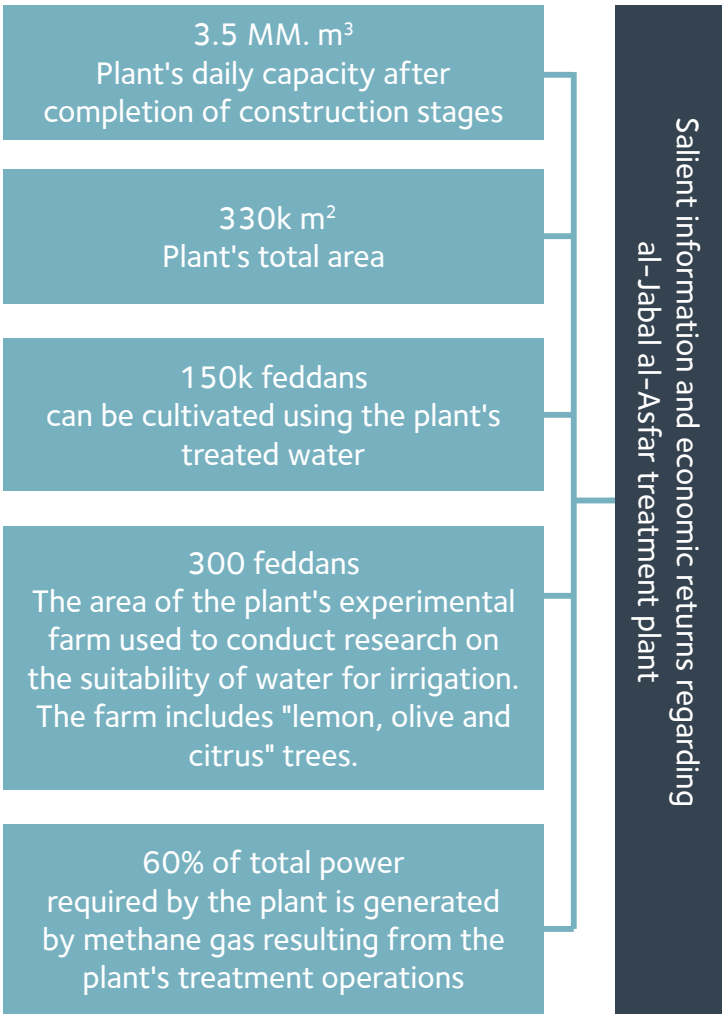
Review a number of wastewater treatment plants in Egypt

Bahr al-Baqar WWTP:
The plant is located in Port Said, and is considered one of the components of Bahr El-Baqar drain system project, being one of the most salient projects of Sinai Peninsula development program. The drain extends from South Cairo, passes through the governorates of Qalyubia, Sharqia, Ismailia and Daqahlia, and ends in Lake Manzala.



Al-Jabal al-Asfar wastewater treatment and power generation plant

The plant is located in Al-Jabal al-Asfar in Qalyubia. The first phase of the plant came into operation in 1998, and the treatment capacity increased gradually to reach 2.5 MM. m³/day in December 2018.



Use of treated wastewater in power generation

Pumped storage for power generation .. Attaqa Mountain plant

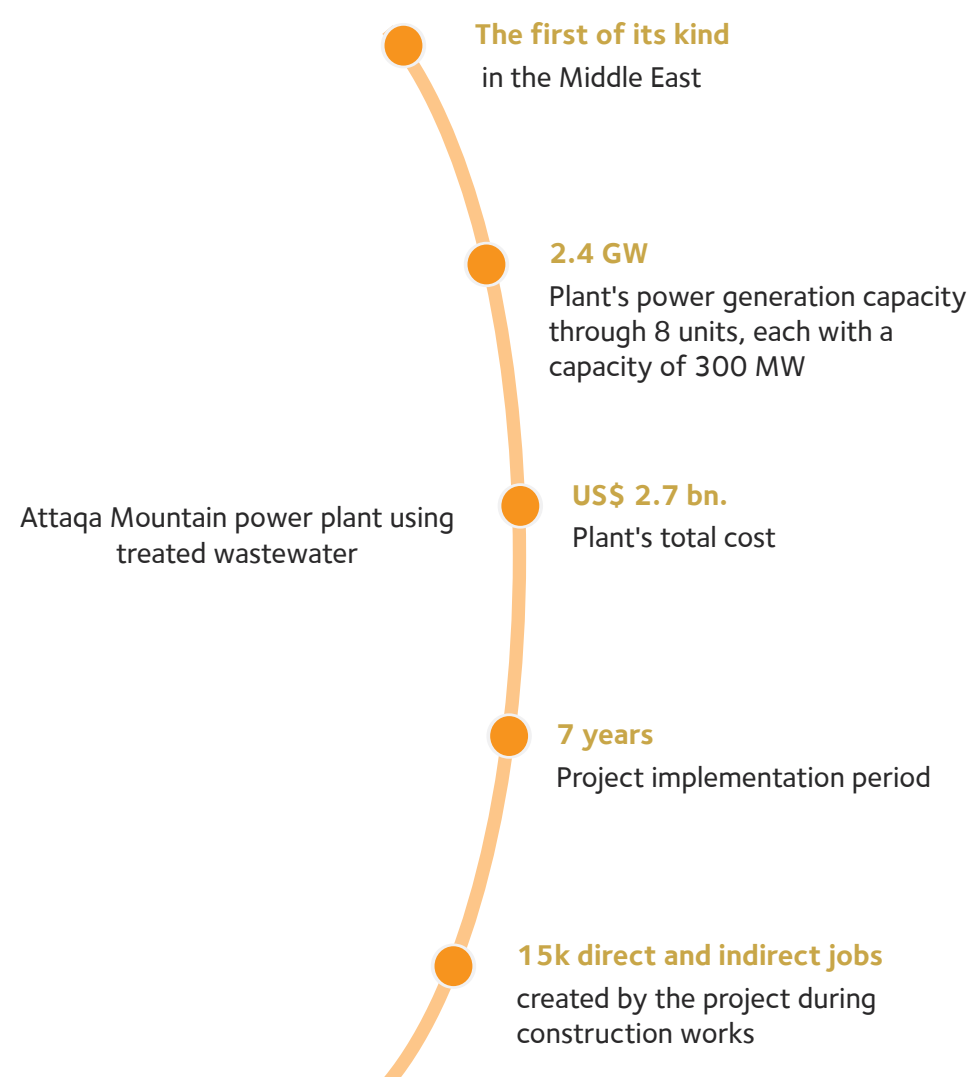
The world moves towards expanding the use of pumped storage in power generation from natural water resources and treated industrial water sources. In this context, the hydroelectric storage system is distinguished from other power storage systems by the fact that the storage capacity is limited only by the size of the upper water tank. Therefore, power generation capacity reaches thousands of megawatts, whereas the largest solar power storage on batteries does not exceed 36 MW.

Wastewater treatment: an effective mechanism to promote water resources, generate power and increase GDP

In general, the pumped storage projects aimed at generating environment-friendly hydroelectric power are the best power storage solution based on three factors:

- The topographical nature that would help establish water-storage natural or industrial reservoirs, with a water level difference between 250-750 meters in order for the project to be economic;
- A water source close to the project area; and
- Proximity to the power grid.

In this context, Egypt is currently constructing a power plant that uses treated wastewater in Attaqa Mountain near Suez governorate:



New "Organic Agriculture" Law promulgated to broaden prospects for exportation and environment protection

President Abdel Fattah al-Sisi promulgated Law No. 12 of 2020 on Organic Agriculture to expand organic agricultural production. The Law aims to secure safe food using proper ecosystem techniques that sustain public health, contribute to increasing organic exports and protect soil against pesticides and fertilizers. Organic agriculture is a farming system that depends on using bio-fertilizers (largely made of animal and crop residues) without any chemical treatment during farming phases.

Motivations for Organic Agriculture Law issuance

- The newly issued Organic Agriculture Law is commensurate with the world's response to the adverse impacts of adopting conventional agricultural techniques that depend on using chemicals in growing plants. Adverse impacts include high rates of water, soil and agricultural pollutants coupled with soil fertility reduction, high level of desertification and disease outbreaks. Accordingly, there is a global trend toward securing healthy and safe food through organic agriculture under the internationally so-called "green revolution" which is a system based on finding new farming methods to redress the ecological imbalances caused by mineral fertilizers and pesticides.
- In light of the new Organic Agriculture Law, along with the associated developments introduced to the Egyptian agricultural quarantine system and the coding of export-oriented farms, new outlets will be opened for agricultural exports to different countries across the world, especially in view of the European Union's (EU) prohibition on imports from countries that do not enforce organic agriculture laws.

It is noteworthy that the high costs of farming methods are attributable to the fact that organic products need special and continuous care. However, their selling prices in foreign markets cover these costs, generating enormous yields due to the widespread cultural awareness of the importance of such products and their great nutritional value.

Salient provisions of the Organic Agriculture Law:

- ✓ Without prejudice to the provisions of Law No. 1 of 2017 regulating the National Food Safety Authority (NFSA), this Law applies to every natural or legal person engaged in producing, manufacturing, processing, handling, importing or exporting organic and biological inputs and products, registered organic production units, and the relevant licensed conformity assessment bodies.
- ✓ The NFSA and the General Administration of Organic Agriculture are the two bodies competent to monitor and supervise all units that implement the standards of organic production in the country. The NFSA is responsible for organic food production in the post-harvest phase and the Administration is in charge of primary organic production until harvest. Following are the exclusive functions of both entities:

Set standards and specifications for organic or biological inputs and products

Provide technical, scientific and practical advisory assistance in the fields of organic agriculture

Set conditions for importing and exporting organic or biological inputs and products

Set controls and procedures for checking and analyzing organic inputs and products, assessing their fitness, and placing quality marks on them

Specify the conditions for labels, logos, and tags for domestically traded organic or biological inputs and products

New “Organic Agriculture” Law promulgated to broaden prospects for exportation and environment protection

- ✓ The conformity assessment body shall be registered with the General Administration of Organic Agriculture and NFSA to obtain a unique registration number.
- ✓ NFSA or the General Administration of Organic Agriculture shall prepare an organic (bio) logo with a code number that indicates the product name, the conformity assessment body, commodity name and the date of production. This logo shall be placed on all products manufactured and prepared for local consumption.
- ✓ It is prohibited to place any organic (bio) logo or sign on a non-organic input used in organic agriculture or in any other organic product, or to use another company's logo or the code number of another product or company.
- ✓ The General Administration of Organic Agriculture shall design and produce a special logo to be placed on all local inputs that are allowed to be used in organic agriculture, according to the standards and specifications of organic agricultural production, and in line with international organic farming standards.
- ✓ An exporter of an organic or biological product shall obtain a certificate from the General Administration of Organic Agriculture or NFSA, stating that the exporter is registered with a licensed conformity assessment body. Such certificate shall be among the documents necessary for the approval of exportation.
- ✓ NFSA and the General Administration of Organic Agriculture shall establish, update and review the standards and specifications of organic agricultural production and its inputs in accordance with the international organic standards and specifications.
- ✓ Conformity assessment bodies shall inform both NFSA and the General Administration of Organic Agriculture of all data and information related to the issued certificates as well as the audit findings, within a month from the date of issuing such certificates or audit findings.
- ✓ The producer and trader shall keep follow-up records of all requirements and sales management related to organic production and shall notify the conformity assessment bodies of their organic agricultural business program as of the inception date. The producer, trader and conformity assessment bodies shall provide all business information by notifying NFSA and the General Administration of Organic Agriculture of such data when required. The executive regulations of this Law determine the rules and procedures to be included in the said records, their retention period, the notification periods, and other information.
- ✓ The executive regulations of this Law state the standards, specifications and lists for all kinds of organic production, animal, plant, poultry and fish, registration and renewal procedures for organic production units, as well as control, filing and registration procedures for imported organic inputs and products and all the relevant documents and information that are to be made available. They also specify the disposal manner of the inputs and products that violate this Law as well as all the rules governing the use of the state logo on organic inputs and products.
- ✓ The executive regulations of this Law describe the controls and standards related to the breeding, production, trading, importation and exportation of all biological control agents, especially beneficial insects including parasites or predators of other harmful insects or microorganisms like bacteria, viruses or fungi. It is prohibited to violate these controls. The regulations also explain the cases and procedures for stopping and canceling registration and temporary closure, as well as the cases and procedures for removing the product from registration with the conformity assessment body.
- ✓ The registration fees payable to conformity assessment bodies and the charges of certificates, logos and all services performed by the General Administration of Organic Agriculture or NFSA under the Law shall be determined by a decision of the competent minister or the NFSA's board of directors, with a maximum amount of ten thousand Egyptian pounds.

- ✓ Violators of certain provisions of this Law shall be punished with a fine not less than five thousand Egyptian pounds and not more than five hundred thousand Egyptian pounds. The minimum and maximum limits for fines shall be doubled in the event of repetitive violations. Only the competent minister or the NFSA Head may initiate legal actions against the perpetrators of the crimes stipulated in this Law.
- ✓ Those who are subject to this Law shall adapt to its provisions within 6 months of the effective date.
- ✓ The competent minister, in coordination with the NFSA Head, shall issue the executive regulations and all decisions necessary to enforce this Law within three months from the effective date

Egypt's key actions to promote organic agriculture

Egypt has taken many actions in the area of organic agriculture. These include ministerial decrees issued in 2008 approving the standards regulating the production and trade of Egyptian organic agricultural products and the establishment of the Central Laboratory for Organic Agriculture (CLOA) at the Agricultural Research Center, affiliated to the Ministry of Agriculture, along with determining the CLOA functions. This was intended to increase the area of cultivated land according to organic agriculture standards and issue a special logo for organic agriculture, being a legal action that regulates such kind of agriculture until the issuance of legislation in conformity with international organic agriculture laws. Furthermore, it was revealed that greenhouses for organic farming in 2018 had been constructed. Earlier, the NFSA was created in 2017.



In conclusion, the Egyptian efforts culminated in promulgating the new “Organic Agriculture” Law. This Law mainly aims to provide organic products that would contribute to enhancing public health and increasing agricultural crop exportation. The Law and other previous actions will help keep the consumption of non-renewable energy at low levels; reduce gas emissions generated by manufacturing chemical fertilizers; lower pollution caused by industrial residues; protect local environment and the sources of surface water and groundwater against pollution; increase soil fertility; and recycle organic residues to safeguard the environment. In addition, the Organic Agriculture Law will have a positive impact on producing premium agricultural products, especially under the horizontal expansion and the state's new agricultural projects, including the “1.5 million-feddan” project.

FRA reveals key performance indicators of non-banking financial markets for 2019

The annual Authority Harvest Report for 2019, issue by the Financial Regulatory Authority (FRA), displays the key performance indicators of non-banking financial markets, including the capital market, insurance activities, private insurance funds, mortgage finance, financial leasing, factoring, micro-finance, and the movable collateral registry. The report also demonstrates the FRA's main achievements under the implementation of its comprehensive strategy for developing non-banking financial services (2018-2022). The strategy's pillars focus on enhancing legislation and governance; promoting regulatory capabilities; protecting investor rights; deepening sustainability of the non-banking financial sector; achieving financial inclusion in the non-banking financial services; developing non-banking financial markets; creating a more favourable investment climate; opening up to the outside world; cementing relations with international institutions; and raising financial awareness and education among the society's segments.

Key performance indicators of non-banking financial markets

1- Indicators of capital market performance

The value of primary market issuances (shares and bonds) increased to EGP 220.4 bn. in 2019 from EGP 214.8 bn. in 2018, growing by 2.6%.

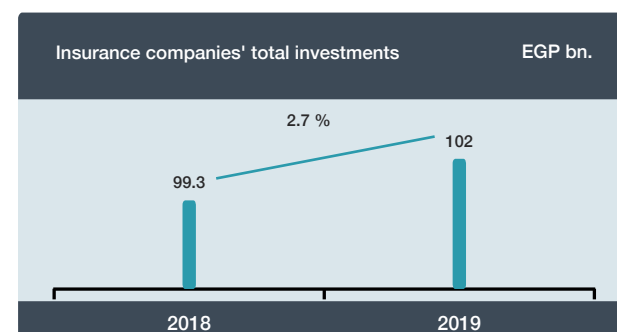


It is noteworthy that Egypt ranked first in the Middle East and North Africa (MENA) region in terms of the number of startups investment deals and ranked second in terms of the amount of venture funding received according to MAGNiTT, Middle East's largest data platform for venture capital (VC) investment.

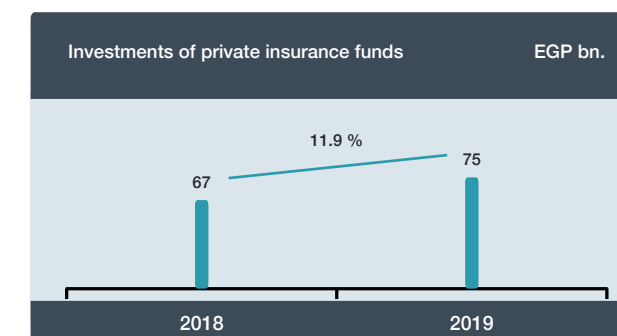
2- Insurance and private insurance funds indicators

The net asset value of insurance companies increased by 5.2% to EGP 118.2 bn. as at the end of June 2019 from EGP 112.4 bn. YoY.

The total investments of insurance companies grew by 2.7% to EGP 102 bn. as at the end of June 2019 from EGP 99.3 bn. YoY.

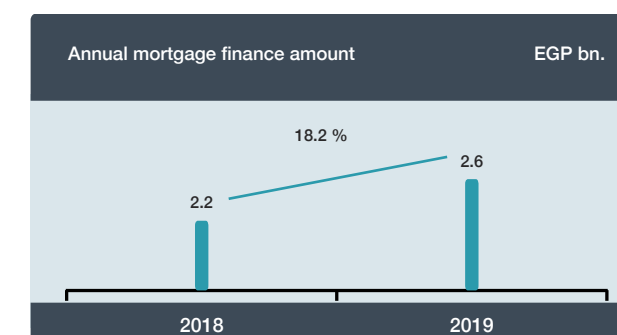


Private insurance funds' investments accounted for EGP 75 bn. as at end of December 2019 against EGP 67 bn. YoY, growing by 11.9%.



3- Mortgage finance, financial leasing and factoring indicators

Mortgage finance companies extended EGP 2.6 bn. to their customers in 2019 versus EGP 2.2 bn. in 2018, increasing by 18.2%.



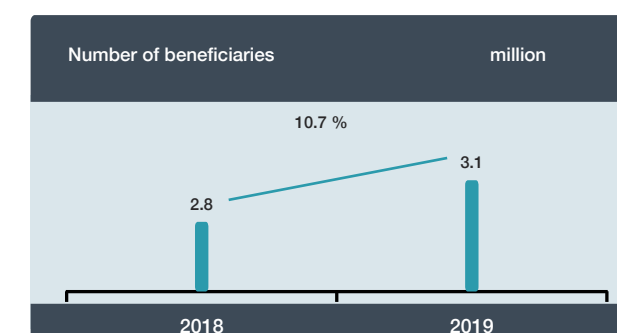
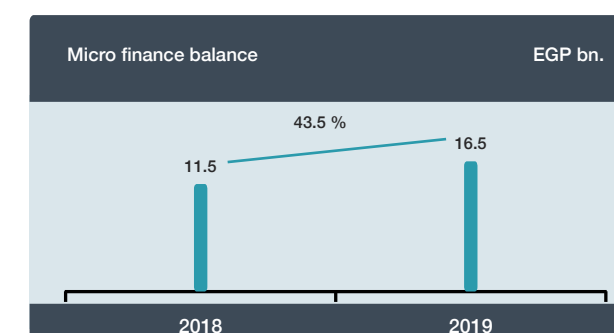
Financial leasing contracts amounted to EGP 55.9 bn. in 2019 against EGP 41.7 bn. in 2018, jumping 34%.



The value of factored securities amounted to EGP 10.6 bn. in 2019, maintaining the same level achieved in the previous year.

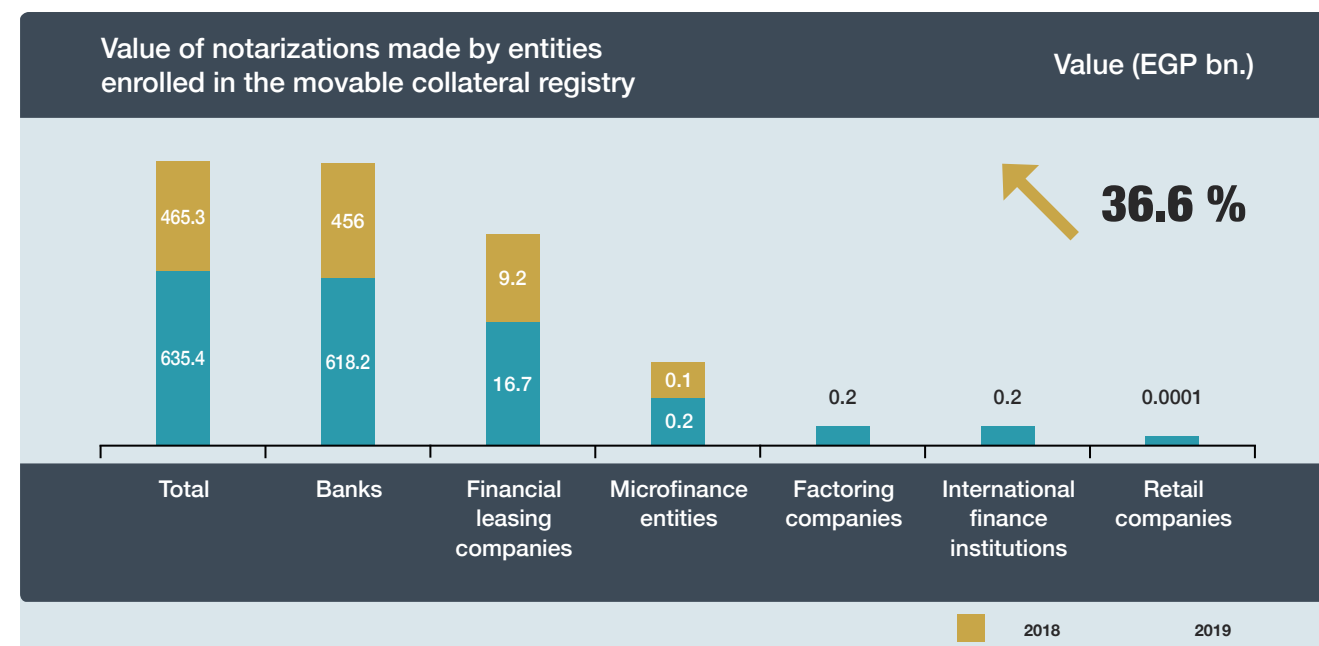
4- Indicators of micro-finance and movable collateral registry

Microfinance balances rose to EGP 16.5 bn. in 2019 with a growth rate of 43.5% YoY. The number of beneficiaries reached 3.1 million people in 2019, compared to 2.8 million people YoY. Women accounted for two million of total beneficiaries in 2019.



FRA reveals key performance indicators of non-banking financial markets for 2019

As for the movable collateral registry, the electronic registry for movable collateral was put in place in March 2018. Since then until the end of 2019, the notarized movable collateral exceeded EGP 635 bn., amounting to over 38,000 notarizations via 70 entities enrolled in the registry. The notarized movable collateral increased by 36.6% in 2019, in comparison to the previous year



FRA's achievements across the pillars of non-banking financial services sector development strategy

Within the framework of implementing the 2018-2020 comprehensive strategy of developing the non-banking financial services sector, FRA has finalized most of the policies incorporated in the strategy's pillars, including the following:

1-The pillar of Legislative development

FRA drafted several laws, including:

- The consumer finance law.
- The law on the independence and reorganization of the Financial Regulatory Authority.
- The unified insurance law.
- Amendments to the microfinance law to include small and medium-sized enterprises along with micro-sized enterprises.
- The central depository and registry law, which permits the establishment of clearing and settlement companies for government securities and others for futures contracts.

2-The pillar of governance development, regulatory capability enhancement and investor right protection

- FRA issued the first detailed Investor Protection Guide in relation to non-banking financial activities. FRA called on FRA-regulated companies and entities to publish the Guide either on their electronic websites or inside their branches to raise the awareness of their customers.

- The Policy Holders Protection Fund has been operationalized after the formation of the first board of directors of the Fund.
- FRA issued a resolution to establish the Arbitration Center for Settlement of Non-Banking Financial Disputes in addition to the FRA's decision to form the Center's board of trustees.
- Rules were issued in compliance with the e-payment laws.

The decisions taken by the FRA board of directors have increased the scope of disclosure, transparency, efficiency of the regulatory framework of corporate governance and minority shareholders protection. As a result, Egypt has moved up 15 positions on the key Minority Investor Protection Index to rank 57 instead of 72 last year. According to the World Bank Group's Doing Business Report, Egypt got the highest score in the Minority Investor Protection Index.

3- The pillar of deepening sustainability in the non-banking financial sector

- FRA introduced a separate department for sustainable development.
- By issuing the 2018 sustainability report, FRA become the first public authority to issue a sustainability report in Egypt.
- Amendments were introduced to the rules of listing and delisting securities to ensure women representation on the board of directors of listed companies and non-banking financial institutions. FRA took gender equality into consideration when recruiting new staff members to work at FRA.
- The FRA board of directors approved a draft resolution to establish the Regional Center for Sustainable Finance (RCSF), paving the way for the relevant presidential decree to be promulgated. In addition, FRA okayed the requirements of registering (sustainable) environmental auditors to evaluate and select green and sustainable projects.
- FRA coordinated with Takaful insurance companies to spend the due insurance surplus undistributed for more than three years on charitable activities through an FRA-chaired committee, according to the opinion of competent Shariah committees. Initial decisions resulted in allocating EGP 50 MM. for charities which work to achieve sustainable development like the Charitable Investment Fund for Supporting People with Disabilities and the Charity Investment Fund for Education.

4- The pillar of achieving financial inclusion in non-banking financial services

FRA has obligated microfinance companies and entities to take out insurance policies on their customers covering death and disability, in an amount not less than the finance granted to the customers. FRA also granted licences to microfinance companies to engage in micro financial leasing and permitted them to deliver digital technology products called nano finance, to be accessible to new segments in the society in need of these services and products.

5- The pillar of developing the non-banking financial market

- FRA issued the licensure terms, conditions and procedures to engage in the futures exchange activity for trading in the derivatives of listed securities.
- FRA approved the first program to offer short-term bonds in Egypt and issued the rules governing short selling activation and mechanisms.
- FRA signed a cooperation protocol with the Central Bank of Egypt (CBE), the Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU) and Ministry of Communications and Information Technology (MCIT), to create a regulatory incubator for innovations and fintech services.
- The business of compulsory insurance covering the civil liability arising from high speed transportation motor vehicles was restructured by creating an online motor insurance pool in lieu of insurance companies.



6- The pillar of creating a more favourable investment climate

- FRA reorganized the Investor Protection Fund to encompass insurance against non-commercial risks of listed companies.
- FRA continues its efforts to complete the digitalization of its regulatory services to be connected online with the companies and entities under its supervision.

7- The pillar of opening up to the outside world and cementing relationships with international institutions

- FRA joined the International Network of Financial Centers for Sustainability (FC4S Network) and the Sustainable Insurance Forum (SIF), making Egypt the second Arab country to join such forum.
- FRA was the 206th participant to join the UN Global Compact Initiative among other government organizations and institutions worldwide.

8- The pillar of financial awareness and education

FRA introduced a website for raising investor awareness "iInvest" and added a new section entitled "Knowledge Bank" which is regularly updated with all information on non-banking financial activities that is of interest to investors. FRA acted as a sponsor for many conferences and organized a number of workshops specialized in non-banking financial activities.

FRA board of directors' other decisions and achievements in 2019 comprise the following:

1. FRA board of directors ratified the consumer finance bill to be submitted to the competent bodies to take the necessary actions for enactment.
2. FRA board of directors okayed the bill on the independence and reorganization of the Financial Regulatory Authority in operation of the Egyptian Constitution of 2014.
3. Microfinance companies were granted licences to add micro financial leasing to their business.
4. FRA issued a decision on the licensure terms and conditions to engage in the futures exchange activity for trading in the derivatives of listed securities.
5. FRA issued the first detailed Investor Protection Guide for non-banking financial activities in Egypt.
6. FRA board of directors approved amendments to the provisions of the Central Depository and Registry Law to include certain provisions governing clearing and settlement of financial derivatives and government securities including either treasury bills or bonds, to be submitted to the competent bodies to take the necessary actions for enactment.
7. By issuing the 2018 sustainability report, FRA became the first public authority to issue a sustainability report in Egypt.
8. Two ministerial decrees were issued to establish two government insurance funds for students of Egyptian schools and Azhar-provided education (nearly 24 million students).
9. FRA board of directors approved the unified insurance bill to be submitted to the competent bodies to take the necessary actions for enactment.
10. FRA produced a list of independent international environmental auditors from which issuers wishing to issue green bonds can select an auditor, with a view to activating the issuances of green bonds in the Egyptian economy.
11. FRA established the first charitable investment fund for supporting people with disabilities "Attaa" and the Charity Investment Fund for Education.

Egypt participated in the UK-Africa Investment Summit hosted in London, United Kingdom, on 20 January 2020 under the slogan "Partners for Prosperity". The Summit came at a time when the UK was preparing to exit the European Union (EU) and set future arrangements of alternative markets for British investments. In alignment with the approach of major countries and the Russian-African, German-African and Chinese-African economic summits, the UK strives to make its way through into the African arena. London Summit is considered a new addition to the international action to realize the aspirations of the African continent for development at different levels. During the Summit, UK's keenness on supporting African endeavors towards achieving the development goals was highlighted. For this reason, London Summit gained special attention of all partners as it secures investment deals and contributes to creating jobs through new companies. Twenty-one African countries, represented by African political leaders and businessmen, participated in the Summit along with the UK government, British investors and international Britain-based financial institutions.

The Summit presents the great steps and the financial measures that African governments have taken to keep the continent on the right track, attract foreign direct investments (FDIs) and maintain economic stability. The Summit revealed the UK's intention to strengthen its economic partnerships with African countries, taking into consideration the investment-attractive factors Africa enjoys on its lands, and the endeavors exerted by the British companies to find alternative markets and investment destinations worldwide in the coming period.

Key factors that support British investments in Africa

UK

UK enjoys expertise and adequate innovation means to meet such demand, making it a key investment partner in Africa. Moreover, UK excels in a large number of sectors, e.g. technology, finance, agriculture and renewable energy.



Africa

There is high and growing demand by Africa following the remarkable transformation witnessed in recent years. Africa comprises six out of the ten fastest growing economies worldwide, and has growing population that is expected to exceed 2 bn. by 2050.

In this context, the following should be noted:

- Africa is rich in several natural resources, acquiring 12% of global oil reserves, 42% of gold deposits, 19% of uranium and 45% of titanium. Further, Africa covers more than 50% of total global demand for diamond, according to the report of United Nations Conference on Trade and Development (UNCTAD).
- The African Continental Free Trade Agreement (AfCFTA) is one of the pioneering projects in 2063 agenda. AfCFTA represents the long term vision of the African Union (AU), which targets an integrated and prosperous Africa. AfCFTA, which entered into force on 30 May 2019, was signed by 54 countries and ratified by 27 countries. On 7 July 2019, it was announced at the AU's Extraordinary Summit that the free zone would start operating as one of the largest free zones worldwide and one of the key strengths to consolidate Africa's future as a trade bloc.
- UK is a hub for global banking services, and its partnership with African countries would particularly contribute to restoring Africa's economic strength and exploiting its resources.

An effective participation for Egypt in the UK-Africa Investment Summit

UK-African relationships

The Summit focused on expanding the trade and investment partnership between UK and Africa. The main features of this partnership are as follows:

- In 2019, the UK-African trade exchange increased 7.5% YoY to reach £ 36 bn. It is planned to enhance trade exchange between the UK and African countries with respect to various products and materials.
- In 2018, British investments in Africa reached £ 38.7 bn., UK plans to pump billions of dollars to be invested in several sectors in African countries.

The Summit's prominent advantages for Africa

The Summit had many events held on its sidelines; most notably:

- Launching the "Growth Gateway", a service to help African, UK and other international businesses invest in, and trade with, each other. It provides a team of specialists in trade and investment in the UK to help African companies export to the UK and find investment partners. Additional support will be accessible to companies seeking to combine commercial development with social impact in Africa.
- Establishing an "import promotion" service, an electronic service to help African companies promote their presence in international markets, and support UK firms to source quality products from Africa, with funding up to £ 20 MM.
- Holding "Investors Exhibition" in conjunction with the Summit, with the participation of a number of UK and African companies in different fields, especially robot technology, satellites and new and renewable energy. The exhibition contained an Egyptian pavilion to promote investment in Egypt, which included some brochures highlighting investment opportunities in Egypt, and a review of the successes achieved by foreign companies in the Egyptian market.

Egypt's effective role in the Summit's work

Throughout its presidency of the African Union in 2019 and its participation in the African international summits, Egypt used to call for investment in Africa. In continuation of Egypt's pioneering role in implementing the sustainable development strategy, in his opening speech to the UK-Africa Investment Summit, President Abdel Fattah al-Sisi highlighted the challenges facing Africa and how to overcome them through international cooperation and partnership with the private sector. President al-Sisi stressed African countries' openness to cooperate with all partners, including the UK, in line with the four pillars identified across Africa, namely:

- **First:** strengthening infrastructure projects aimed at achieving integration within Africa by connecting main roads and railways; most prominently, the Cairo-Cape Town Highway Project to link North and South Africa, in addition to implementing renewable energy projects.
- **Second:** enforcing the African Continental Free Trade Agreement (AfCFTA).
- **Third:** addressing the main role of the local private sector in achieving development through deepening partnership frameworks.
- **Fourth:** empowering African women and youth by creating jobs and developing their skills.

UK-Egypt trade exchange

- The bilateral trade exchange reached £ 1,763.8 MM. during January-September 2019, with an increase of 9.4% YoY.

- Egypt's key exports to this important market over the last three years were electric cables, mineral oils, oil products, fertilizers, vegetables and fruits, ready-made garments, inorganic chemicals, plastics and plastic products, textiles, carpets, floor coverings, iron and steel products, ceramics and ceramic products, paper products and furniture.
- Egypt's main imports from the UK over the last three years included iron and steel products, pharmaceutical products, equipment and machines, potato seeds, electric appliances, mineral fuel and oil, vegetables, plastics and plastic products, oils and aromatic plants.



- The recent increase in Egypt's exports to the UK is attributable to the successful promotion of Egyptian exports abroad, and the Government of Egypt's (GoE) support of Egyptian exporters to help them penetrate with their products into the market. In this vein, the GoE provides exporters with marketing studies, arranges bilateral business meetings with importers abroad and organizes Egyptian participation in several specialized exhibitions in the UK. Furthermore, several promotional campaigns are being launched for Egyptian products that witnessed a remarkable development over the last period.

UK investments in Egypt

For the UK, Egypt is one of the main African markets that are most attractive to FDIs. The UK ranks first globally in terms of its contribution to FDIs in Egypt, where UK's total investments amounted to US\$ 5.348 bn., most of which are concentrated in the industrial sector. It should be noted that during the Summit, new partnerships were announced in strategic sectors such as healthcare and education.

Main UK direct investments in Egypt, which were announced on the sidelines of the Summit

Signing MoU worth £ 3 bn. between Egypt's Sovereign Fund and Actis, one of the world's leading investors in energy and infrastructure, for strategic cooperation and investment in several sectors in Egypt; most notably energy and infrastructure.

Signing MoU between the Commercial International Bank (CIB) Egypt and the British government-owned Development Finance Institution (DFI) for a subordinated loan of US\$ 100 MM. to support the current economic development in Egypt.

GlaxoSmithKline (GSK) Consumer Healthcare declared its intention to upgrade its two major production lines in Egypt, with investments amounting to £ 5 MM.

The British fashion and homeware retailer "Matalan" plans to open about 11 stores across Egypt in the next five years, with investments amounting to £ 25 MM.

UK's contributions to Egypt's inclusive economic growth

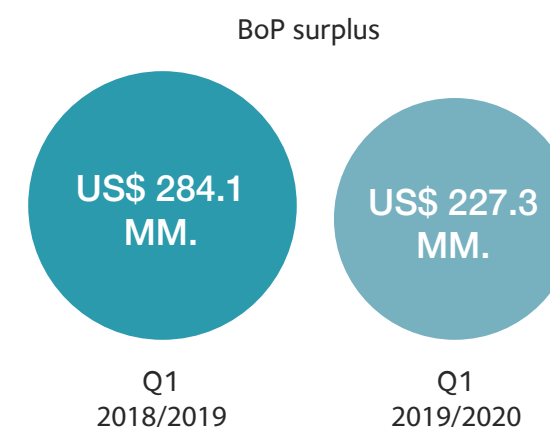
During the Summit events, the UK announced its readiness to provide technical support in building capacities necessary to promote the required structural reforms in Egypt and to pave the way for developing the private sector to achieve inclusive economic growth, in line with 2030 Vision that is commensurate with the UN sustainable development goals (SDGs).



In conclusion, the UK-Africa Investment Summit brought about many gains that would benefit individuals and companies across Africa and the United Kingdom. These gains were reflected in commercial deals between British companies and African partners, which were announced at the Summit. The Summit is the beginning to intensify investments and cooperation between the UK and Africa, and an opportunity for communication between British companies and their African counterparts to forge trade and investment partnerships and achieve sustainable growth.

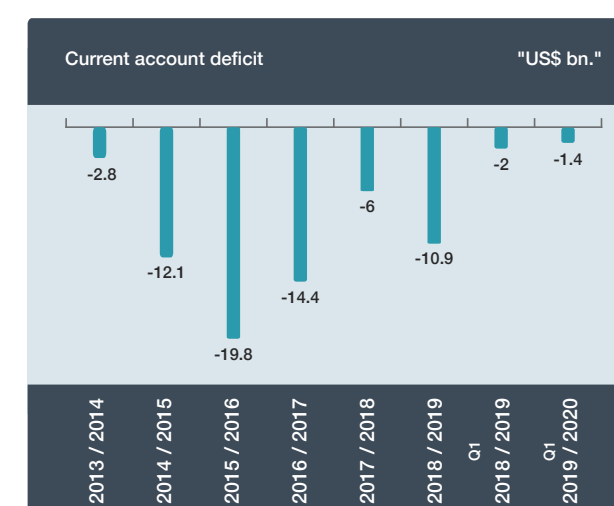
Balance of payments (BoP) results

Egypt's international transactions recorded an overall surplus of US\$ 227.3 MM. in the first quarter (Q1) of the fiscal year 2019/2020. The current account deficit reached US\$ 1.4 bn. while the financial and capital account achieved a surplus of US\$ 0.7 bn.



Current account

The current account deficit recorded a remarkable improvement, narrowing to US\$ 1.4 bn. in Q1 2019/2020 compared to about US\$ 2 bn. in the same quarter of 2018/2019. A closer look shows:



Trade balance

The trade balance deficit declined by 10.5% registering US\$ 8.78 bn. due to the rise in commodity export proceeds and the drop in import payments by 4.9% and 4.2%, respectively.



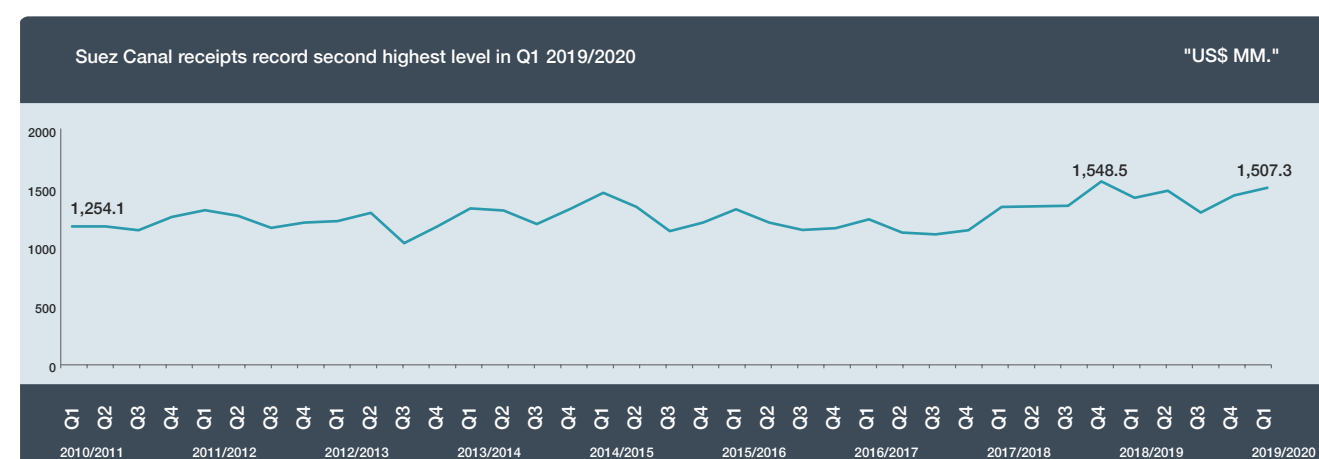
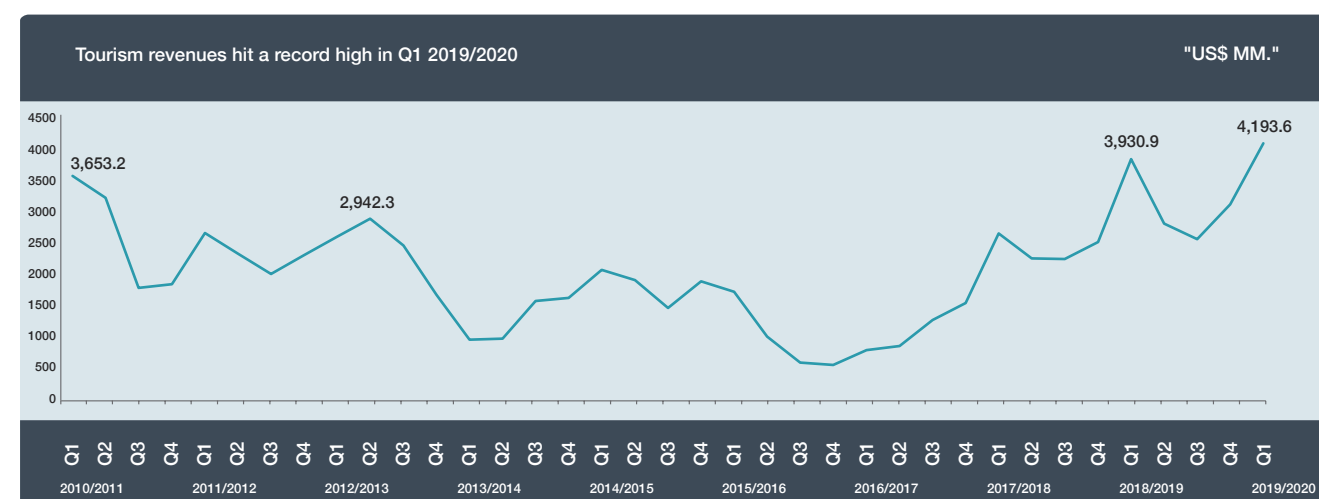
Services balance

The services balance recorded a surplus of US\$ 4 bn. in Q1 2019/2020. The services receipts increased by 7.2% YoY to reach US\$ 7.4 bn. In the same vein, tourism revenues surged to an all-time high of US\$ 4.2 bn. Meanwhile, Suez Canal's tariffs of passage receipts rose to US\$ 1.5 bn. recording its second highest level.

"US\$ bn."	July-September 2019	July-September 2018
Tourism revenues	4.2	3.9
Suez Canal receipts	1.51	1.44

Balance of Payments in Q1 2019/2020

Tourism & Suez Canal revenues hit record high and FDI inflows surge

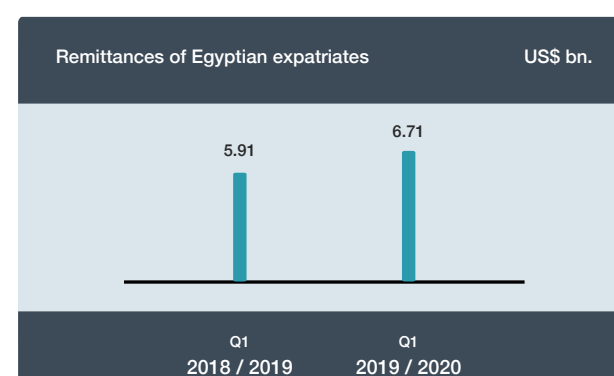


Remittances

Remittances jumped 13.3% YoY to record a surplus of US\$ 6.69 bn. in Q1 2019/2020. Remittances from Egyptian expatriates soared to US\$ 6.71 bn. during the period July - September 2019.

Investment income

The investment income deficit widened to US\$ 3.3 bn. in Q1 2019/2020 compared to a deficit of US\$ 2.4 bn. in the same quarter of the previous fiscal year. This is mainly driven by the increase in investment income payments by US\$ 1 bn. to reach US\$ 3.6 bn. versus US\$ 2.6 bn. year-on-year (YoY).

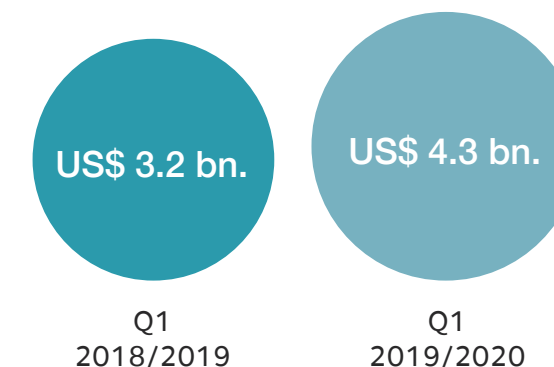


Capital and financial account

The capital and financial account achieved a net inflow of US\$ 658 MM. in Q1 2019/2020. In this vein:

- Total inflows of foreign direct investment (FDI) in Egypt rose by US\$ 1.1 bn. to reach US\$ 4.3 bn. YoY. Meanwhile, total outflows increased by US\$ 0.1 bn. to reach US\$ 1.9 bn. YoY. It is worthy to note that net inflows for greenfield and brownfield investments increased by US\$ 837.9 MM. to US\$ 1.5 bn. In addition, net inflows for oil sector investments shot up by US\$ 256.4 MM. to US\$ 744.2 MM.
- Net outflow of portfolio investment in Egypt recorded US\$ 2 bn. compared to US\$ 3.2 bn. YoY. This coincided with fluctuations in global financial markets especially emerging markets.

Total FDI inflows



African Development Bank unveils economic indicators and key challenges for African countries

The African Development Bank (AfDB), the development partner of African countries, released its flagship publication "African Economic Outlook 2020". The report provides headline numbers on Africa's economic performance and outlook as well as the key challenges facing African countries. It also sheds light on policies adopted to address such challenges.

At the African continental level, the AfDB's Outlook highlights that:

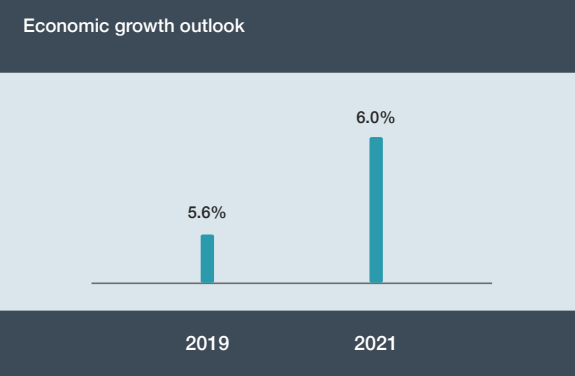
- ✓ African economies growth rate remained stable in 2019 at an average of 3.4 %. However, this rate is below the decadal average of 5% growth for the region. Africa's moderate growth in 2019 reflects the negative effects of global trade tensions in view of the slowdown in trade between the United States and China, the world's two largest economies. Hence, global trade volumes slowed from annual growth of 5.7% in 2017 to 1.1% in 2019.
- ✓ East Africa maintained its lead as the continent's fastest-growing region with average growth of 5% in 2019. North Africa came second as one of the best performing countries in the region, with average growth estimated at 4.1% for 2019, supported by the strong growth momentum in Egypt driven by the vigorous implementation of its integrated economic reform program in collaboration with the International Monetary Fund (IMF).
- ✓ Stronger investment and net exports underpinned growth in Africa in 2019. On a similar note and in view of the growing interest in promoting African investment and foreign trade, a series of summits were held between the world's largest economies and African countries such as "the Russia-Africa Summit", "the United States-Africa Business Summit", "the UK-Africa Investment Summit", "the Forum on China-Africa Cooperation (FOCAC) Summit" and "the Tokyo International Conference for African Development (TICAD) Summit ". Furthermore, the African Continental Free Trade Area (AfCFTA) agreement came into force in May 2019. It is expected to create a US\$ 3.4 trillion economic bloc, open the door to a new era of development, and unite 1.3 billion people.
- ✓ Six African countries are among the world's 10 fastest-growing economies: Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania, and Benin. This is a key indicator of the fast growth of African economies and the huge potential that Africa has.
- ✓ The average inflation rate for the continent inched down from 11.2% in 2018 to 9.2% in 2019. Central banks reacted by adjusting interest rates to encourage investment and spur growth. The weighted average deficit-to-GDP ratio in Africa declined from 5.9% in 2017 to 4.8% in 2019. This resulted mostly from a stabilization in commodity prices and higher tax and non-tax revenues.

"The continent's big five: Algeria, Egypt, Morocco, Nigeria and South Africa grew at an average rate of 3.1%"



As for Egypt's economy, the AfDB's Outlook shows that :

- ✓ Economic growth in Egypt, estimated at 5.6% for 2019, is forecast to strengthen to 6% in 2021, supported by broad-based economic reform programs since 2016. Net exports became the largest contributor to GDP growth in 2019. Tourism, construction, and oil and gas were also driving growth forward.
- ✓ The government took several measures to improve business environment. Egypt climbed six ranks to 114 of 190 countries in the 2020 edition of the World Bank's Doing Business report compared to 120 in the previous year. This shows that the business environment has improved, which should boost domestic investment and further attract foreign direct investment.
- ✓ Egypt has addressed its fiscal imbalances and restructured subsidies while expanding its social safety net to ensure that subsidies reach the deserving. Such efforts put the fiscal deficit on a downward trend from 12.5% of GDP in 2016 to 8.7% in 2019. In the same vein, primary balances registered a surplus over the past two years. Public debt growth has been contained as the debt-to-GDP ratio fell from 103% in 2017 to 89.5% in 2019. The current account deficit narrowed to 2.3% in 2019.



Source: AfDB

Key challenges facing African countries

The AfDB's report notes that the key challenges facing African countries lie in education and the change in the type of skills needed in the labor market. University education in Africa is concentrated in social sciences and humanities, while engineering sciences and technology studies that are currently crucial for the labor market are under-represented.

"Africa is blessed with resources but its future lies in its people"
AfDB's Director of the Macroeconomic Policy, Forecasting and Research Department

In that context, the AfDB gives top priority to supporting the continent's education and workforce skills. It underlines the importance of developing education to meet the labor market demand, encourage capacity building and develop information technology and telecommunications skills. The AfDB President stressed the urgent need for stepping up funding for the different education levels.

Eliminating poverty is one of the key challenges facing African countries. According to the Outlook report, Africa will need more time to eradicate extreme poverty. The AfDB expects poverty to fall from 33.4% in 2018 to only 24.7% of population in 2030, which is far above the 3% Sustainable Development Goal target of the United Nations. Africa's per capita consumption would need to grow. This requires introducing bold economic policies and procedures to raise medium-term growth in the continent, carrying out deeper structural reforms, and strengthening the African countries' resilience to potential risks and their economic impact.



Chief Risk Officers (CROs) in Arab Banks Forum

Egypt hosted the Chief Risk Officers (CROs) in Arab Banks Forum in early March 2020 under the patronage of the Central Bank of Egypt (CBE), the Federation of Egyptian Banks (FEB) and the Union of Arab Banks (UAB). The Forum was attended by banking leaders, CROs, risk managers, financial control heads, internal audit professionals and information security experts in banks. The event aimed to discuss risk management updates in Arab banks and to keep up with the incessant banking industry developments that directly influence risk management techniques in banks.

Forum topics	Digitalization of bank products and operations and the challenges facing risk management in light of such digitalization
	Importance of cybersecurity risk management to mitigate financial losses and reputation risks in banks
	Impact of digital currencies of central banks on payments, monetary policy and financial stability
	The anticipated effects of applying the final amendments to the calculation approaches of credit and market risks on banks
Risks on banking sector	The growing geopolitical risks and their impact on the economic and financial aspects
	Global trade tensions, especially between China and the United States, and their impact on global growth
	The negative repercussions resulting from the spread of coronavirus and the disruption of global supply chains, as well as the negative impact on growth
	The anticipated effects of applying the final amendments to the calculation approaches of credit and market risks on banks

Importance of promoting digitalization

There is a growing importance to develop an integrated strategy that addresses all aspects affected by digitalization. This strategy aims to enhance the competence of employees, by training and qualifying them to know how to deal with digital products. This comes in light of the existence of a state-level unified network that links banks and government institutions. Banks pay attention to, and are keen on, efficiently managing cybersecurity risks and conducting tests before putting new financial technology in place.

In this context, CBE, in cooperation with the Egyptian Banking Institute (EBI), trained bank employees in partnership with an international institution specialized in this field. In addition, CBE allocated a full section in the new banking law that deals with the regulatory instructions of digital banking services.

Finally, the Forum recommended the necessity of having in place a clear methodology for Arab banks to manage digitalization risks as well as the incessant development of the capabilities of employees in banks' information security departments to deal with those risks. The Forum also urged the insertion of a special part for managing cybersecurity risks in banks' strategies or policies. It also proposed developing appropriate legislation to regulate the issuance of digital currencies by central banks. In addition, concerted efforts should be exerted to establish proper awareness indicators to measure the risks of money laundering and terrorism financing.

NBE retains PCI DSS certification

An unprecedented achievement at the level of the Egyptian banking sector for the seventh year in a row

National Bank of Egypt (NBE) is the first bank in Egypt to retain the Visa and MasterCard-created Payment Card Industry Data Security Standard (PCI DSS) V3.2.1 certification for the seventh year in a row.



Retaining this certification for several years is an unprecedented achievement at the level of the Egyptian banking sector. It is the fruit of the ongoing efforts, productive cooperation and incessant collaboration among NBE's divisions and branches to ensure fully securing all the elements of its business environment and customers' data on the Bank's different systems and applications. This is especially important in view of the huge technological advancements and the challenges that they pose. The certification will bolster the confidence of customers, entities and international organizations in NBE.

NBE has previously received PCI DSS V2, V3, V3.1 and V3.2 of the certification. This underlines the Bank's continuous compliance with the international standards established by the PCI Security Standards Council (PCI SSC) which is deemed an international attestation to the Bank's ability to maintain the confidentiality of its customers' card data in particular and all its customers' data in general. The PCI DSS certification is one of the top global certifications. It includes international multifaceted security standards and aims to help institutions protect credit card data effectively, combat fraud and mitigate risks at the level of the financial service sector

Ensure fully securing all the elements of its business environment and customers' data on NBE's different systems and applications

An international attestation to the Bank's ability to maintain the confidentiality of its customers' card data in particular and all its customers' data in general

National Bank of Egypt (NBE) scooped two new awards from Global Business Outlook as the Best Digital Bank and Best Retail Bank in Egypt for 2019, reflecting its growing efforts for expanding digital banking in particular and retail banking in general.

The awards granted by such global magazine specialized in economy and banking clearly indicate NBE's interest to implement an ambitious digitalization strategy in line with the state's plans in this area, with a view to gradually rendering the society more cashless based on well-studied plans. Such awards also underline NBE's growing interest in human capital to be acquainted with the latest applicable methods and techniques in different global banking areas through providing ongoing training. Consequently, NBE staff have been developed and primed for top banking positions, not only in Egypt but also the Arab region as a whole.

NBE attained the Best Retail Bank award for dominating this area, and achieving high growth rates of retail banking portfolio with EGP 91.6 bn. as at the end of December 2019. In addition, NBE is pioneering e-payment card market in Egypt, acquiring the largest market share of credit, debit and prepaid cards, in addition to having the largest customer database in the Egyptian banking sector as a whole.

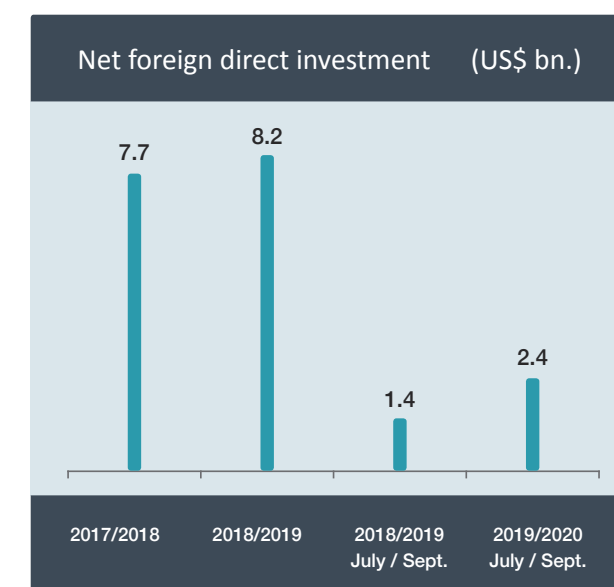
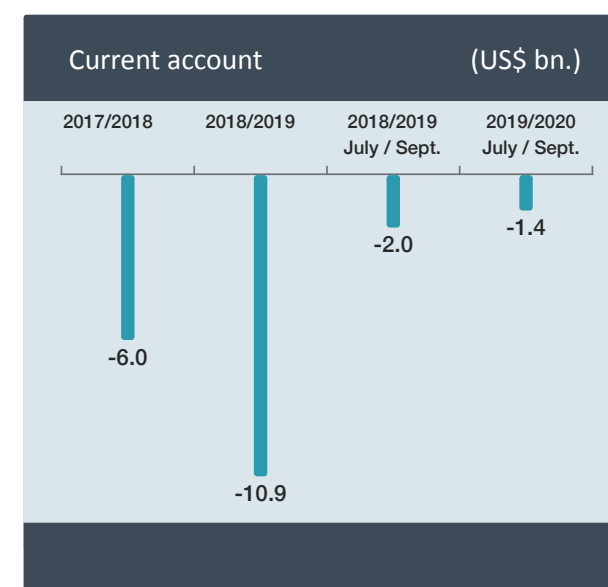
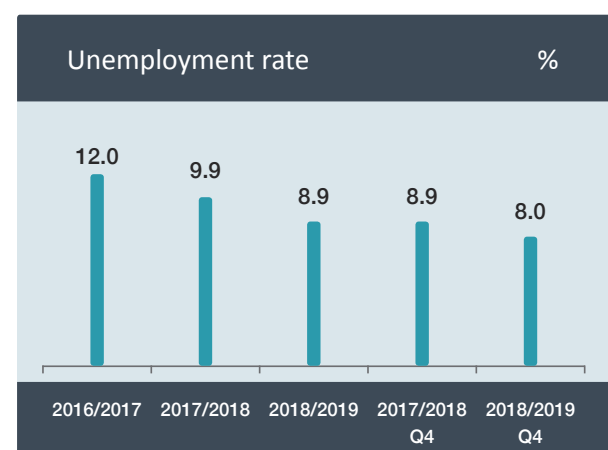
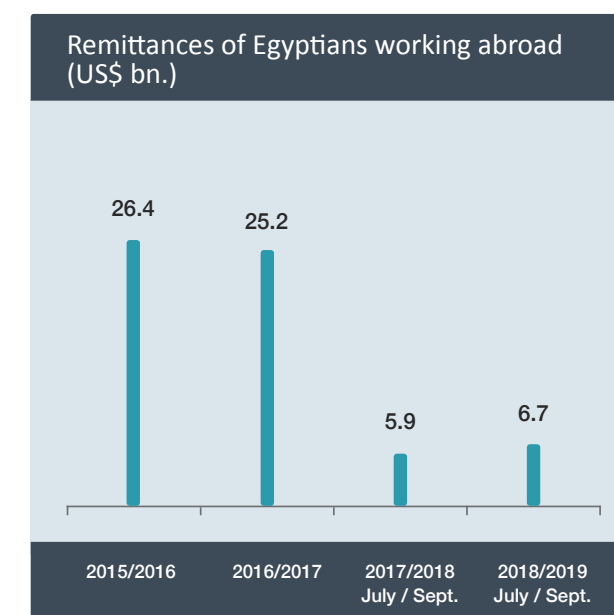
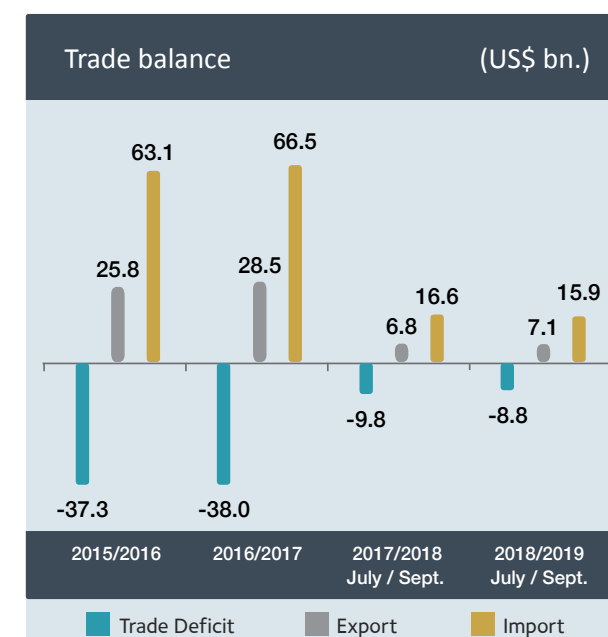
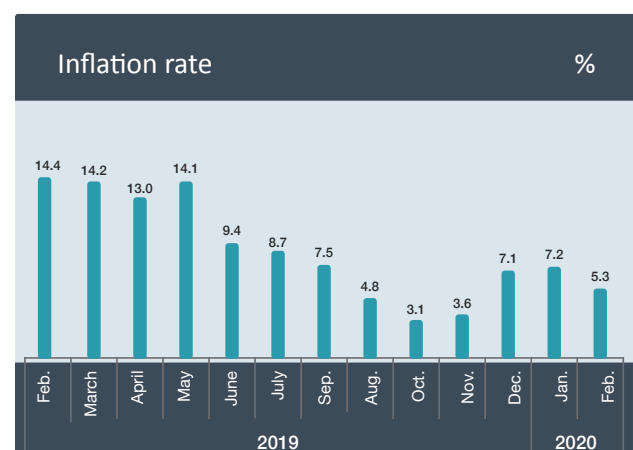
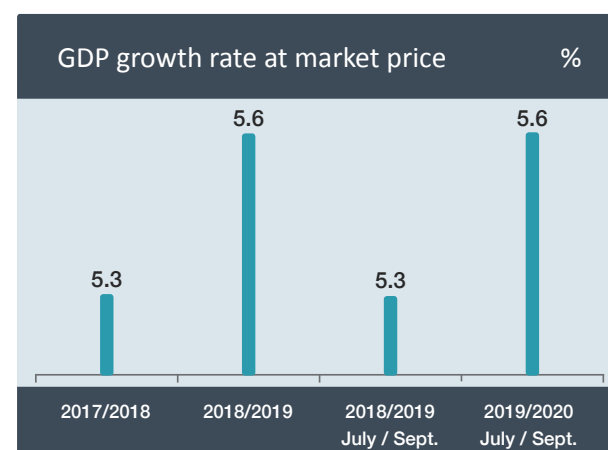
Winning the Best Digital Bank award highlights NBE's leadership in digital banking as the Bank inaugurated the first electronic branch in Egypt at early 2019. Electronic branches, as new prototypes, are based on self-service principle to better serve NBE customers, especially those categories that deal with modern technology on a daily basis in all walks of life. They also target the customers who are quite busy and need to save more time and effort.



EGP 91.6 bn.
NBE's retail banking portfolio as at the end of December 2019

1.15 MM.
Total credit cards as at the end of December 2019

Egyptian Economy in Brief



Best Regards

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