



The 3rd issue  
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# Economic Bulletin



بنك أهل مصر



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## Tarek Amer



- ✓ Is named as Central Bank Governor of the Year for the Middle East and North Africa by Global Markets; the newspaper of the World Bank and International Monetary Fund annual meeting.
- ✓ Is selected as the Best Arab Central Bank Governor in 2017 by the Union of Arab Banks.

The Central Bank of Egypt was selected a member of the board of directors of The Alliance for Financial Inclusion thanks to its prominent efforts in reinforcing financial inclusion.



## CBE's Governor in an Interview with Bloomberg States:

### “Egypt’s economy is on the right track”

4.9%

#### Economic growth rate in Q4 2016/2017 versus only 2.3% YoY

Egypt’s Central Bank Governor, in an interview with Bloomberg TV, confirmed that Egypt’s economy was put on the right track and succeeded in building investor confidence. Egypt’s Q4 2016/17 real GDP growth significantly increased last year to 4.9%, which is a reliable indicator for any emerging market worldwide. He also expected that rate to increase during the next period.

13%

#### Inflation rate target by Q4 2018

Inflation also surged to more than 30 percent. In response, the Central Bank of Egypt (CBE) has been monitoring these developments closely and has adopted procedures and policies to limit the impacts of such inflationary wave, triggered by the decisions of EGP floating and subsidy restructure under Egypt’s economic reform program. The CBE is targeting an inflation rate of around 13%, in the last quarter of 2018. It plans to bring the rate down to 7% in the medium term. In that vein, Egypt moves in the right direction to restore the normal rates.

Over US\$ 30 bn

#### Customer sale of foreign currency to banks

As for foreign currency flows and the related developments in the global markets (especially the procedures of reducing U.S. federal budget and the expected interest-rate decisions), Egypt depends mainly on the domestic market which was, over the last period, the largest generator of foreign exchange. Banks purchased approximately US\$ 30 bn. from customers in the domestic market. Moreover, Egyptian expatriate remittances, which are a primary source of foreign exchange, boosted by 43% in August 2017. It is expected for such flows to continue growing to more than US\$ 25 bn.

## CBE's Governor in an Interview with Bloomberg States

### “Egypt’s economy is on the right track”

US\$ **17.5**  
bn

Egyptian expatriate remittances in FY 2016/2017

The CBE announced that Egyptian expatriate remittances hiked to US\$ 17.5 bn. in the FY 2016/2017, compared to US\$ 17.1 bn. last year. Furthermore, they increased by US\$ 1.4 bn. during the period (November-June) 2016/2017, following the decision of EGP floating.

#### **Economy fundamentals positively respond to economic reform program**

Meanwhile, Egypt's economy is one of the largest and most diversified, with different sources of funding such as tourism, remittances and exportation. This has been supported by giant natural gas discoveries particularly the Zohr field, as well as funding via international bond market through which Egypt succeeded in raising US\$ 7 bn. by issuing two bond offerings, with high demand rates exceeding the offered bonds several times. In that context, as Egypt is currently focusing on maintaining long-lasting stability, its reform program is directed towards strengthening the potentials of domestic economy. Egypt has recently succeeded in pushing up growth rates to 4.9% as mentioned above, curbing the trade deficit and encouraging investments to gradually improve their contributions to GDP. On the other hand, tourism receipts scored a 200% growth rate during the period from April to June 2017.

#### **Reform program is progressing well ensured by IMF regular reviews**

Egypt has a major economy and the biggest market in the Middle East and North Africa (MENA) region. Currently, Egypt does not only rely on external flows but it also works on reinforcing the economy's fundamentals. The procedures so taken produced fruitful results beyond expectations.

Regarding IMF program reviews, the basic tough measures have been completed and the long-term reform program is still ongoing. The upcoming IMF program review is just a regular one, ensuring that the program is on the right track.



## Positive results of implementing

# Egypt's economic reform program

### GDP

GDP growth rate surged to 4.9% in Q4 FY 2016/2017 compared to 2.3% yoy.

### Unemployment

Unemployment dropped to 12% in Q2 2017 vis-à-vis 12.5% yoy. Accordingly, nearly 651k jobs are created annually.

### FDI

FDI grew to US\$ 7.9 bn. in FY 2016/2017 against US\$ 6.9 bn. yoy.

### Balance of Trade (BoT)

Balance of trade deficit declined 8.4% to US\$ 35.4 bn. in FY 2016/2017 versus US\$ 38.7 bn. due to the US\$ 3 bn. growth in commodity exports and the US\$ 265.6 MM. decrease in commodity imports.

### International reserves

Net international reserves jumped to US\$ 36.5 bn. in September 2017 compared to US\$ 19 bn. in October 2016.

### Increasing foreign portfolio investments

Inflow foreign portfolio investments shot up to US\$ 18 bn. in September 2017 , against outflow of US\$ 1.3 bn. in June 2016.

# THE ASIAN BANKER

**NBE is the strongest bank in Egypt and Africa in 2017**

**Hisham Okasha**



The Asian Banker granted National Bank of Egypt (NBE) "the Strongest Bank" award of 2017 in Egypt and Africa continent. The award is provided to the strongest bank in the state and continent, according to AB500 index produced annually by the institution to measure the strength of public balance sheets and financial performance indicators of commercial banks in mature and most promising emerging markets. The institution assesses the bank's capability on generating profitability out of its core business on the long run depending on the rigorous balance sheets and financial performance indicators.



# THE ASIAN BANKER

## Hisham Okasha, NBE Chairman, confirmed that reaching this remarkable rating came directly as a result of:

- ✓ the banking reform policies adopted by the Central Bank of Egypt (CBE) since 2004;
- ✓ the restructuring of the Bank since 2008;
- ✓ the reliance on the scientific method of management;
- ✓ the adoption of the risk classification policy and commitment to corporate governance;
- ✓ the modernization of technological infrastructure, the use of the best software systems; and the expansion of branch and ATM networks; and
- ✓ the development of existing products and cross-selling new products that meet all customer desires and expectations.

NBE has increased its issued capital in the advent of 2017 from EGP 30 bn. to EGP 50 bn. and the paid-up capital from EGP 15 bn. to EGP 28.65 bn. This is to enhance the Bank's financial position, bolster its creditworthiness and financial solvency and develop its market competitive advantages.

## NBE indicators in June 2017

31%

Market share of total assets

29%

Market share of total deposits

28%

Market share of total loans

412

Number of branches and units

EGP 970  
MM.

Corporate social responsibility

EGP 36  
bn.

SME loan portfolio

# IMF Commends

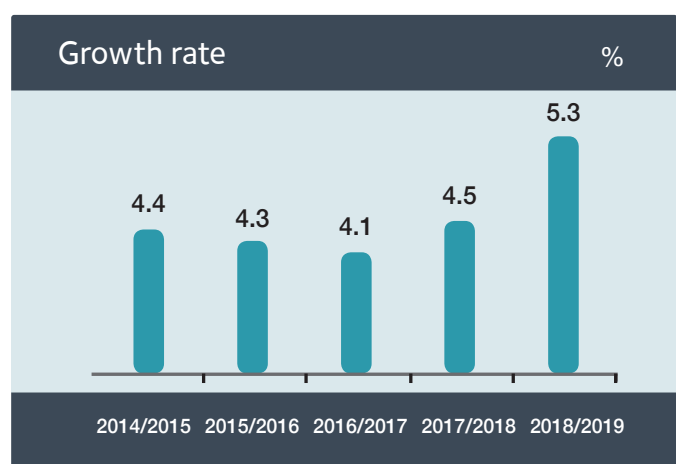
## the Egyptian Economic Reform Program Success

In its latest review reports, the International Monetary Fund (IMF) commended the success of the Egyptian economic reform program, which received significant support from the business community, international development partners and foreign investors. The Egyptian government has undertaken a number of efficient actions, mainly reforming the fuel subsidy and wage systems and applying the value-added tax. This created favourable fiscal conditions as a main pivot of the program, in conjunction with strengthening the social protection network.

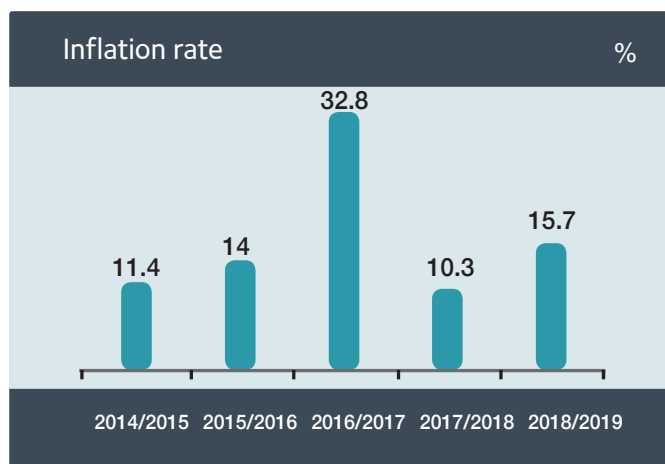
Moreover, the IMF noted that foreign currency shortage is overcome, the parallel market has virtually disappeared and the exchange rate is stabilized at around EGP 17.70 per USD 1 since the end of May 2017, following a period of fluctuations after liberalizing the exchange rate in November 2016. The Fund confirmed that Egypt will receive the third tranche of the IMF loan, accounting for USD 2 bn., after completing the second periodic review of the program by the end of 2017. Egypt has received the first tranche of USD 2.75 bn. in November 2016 after signing the agreement, and the second tranche of USD 1.25 bn. in July 2017 after the agreement progress was first reviewed and approved by the IMF.

### Salient IMF projections for the coming years are as follows:

Increase in economic growth rate to realize 4.5% in 2017/2018, compared to 4.1% in 2016/2017, and will continue increasing to reach 5.3% in 2018/2019.



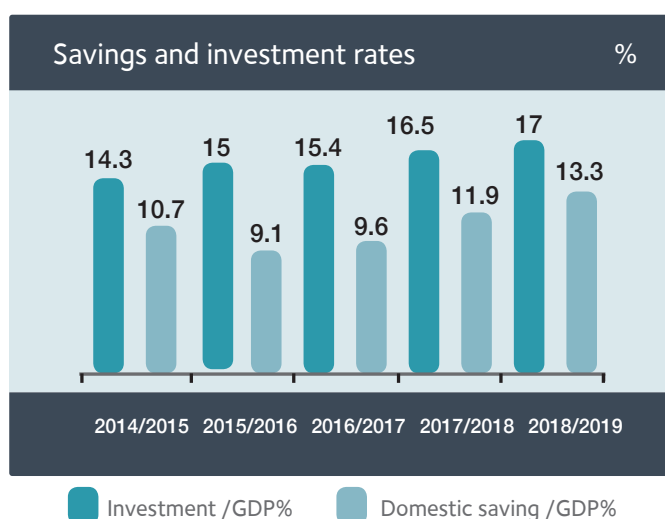
Decline in inflation rate to stand at 10.3% in 2017/2018 against 32.8% in 2016/2017 and is expected to rise again to reach 15.7% in 2018/2019. IMF referred to Egypt's success in taking serious steps to reduce inflation. The Central Bank of Egypt (CBE) increased the interest rate by 700 base points on three subsequent stages following the liberalization of the exchange rate. Interest rate was last raised in July 2017 to record 18.75% for deposit and 19.75% for lending.



Retreat in unemployment rate to stand at 11.8% in 2017/2018 vis-à-vis 12.6% in 2016/2017, and will continue to decrease to reach 10.7% in 2018/2019.



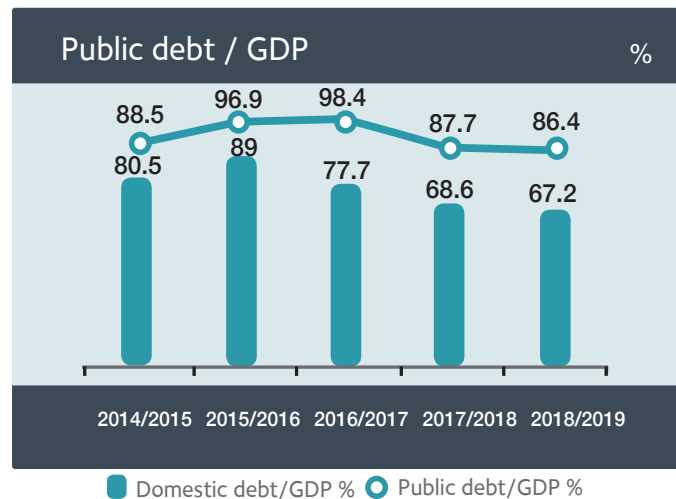
Surge in investment and domestic saving to GDP ratio to reach 16.5% and 11.9% in 2017/2018 against 15.4% and 9.6% yoy, and will continue to increase to record 17% and 13.3% in 2018/2019.



# IMF Commends

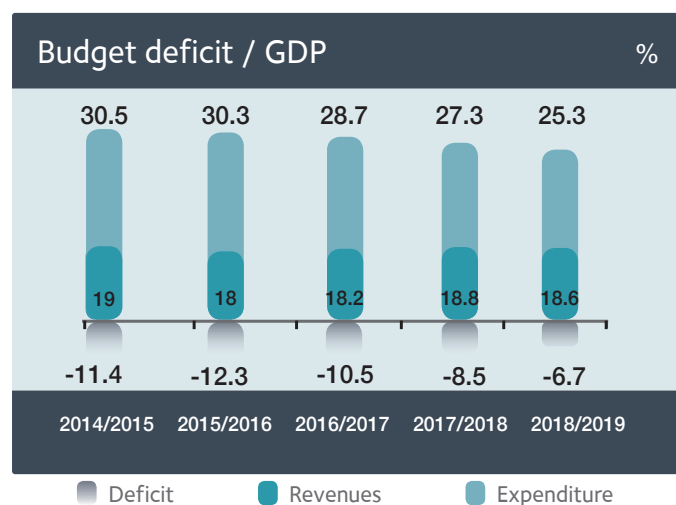
## the Egyptian Economic Reform Program Success

Retreat in total public debt to GDP ratio to stand at 87.7% in 2017/2018 compared to 98.4% in 2016/2017, and will continue to decrease to reach 86.4% in 2018/2019. This is attributable to the drop in domestic debt to total GDP ratio to stand at 68.6% against 77.7%. It will continue to decline to reach 67.2%.

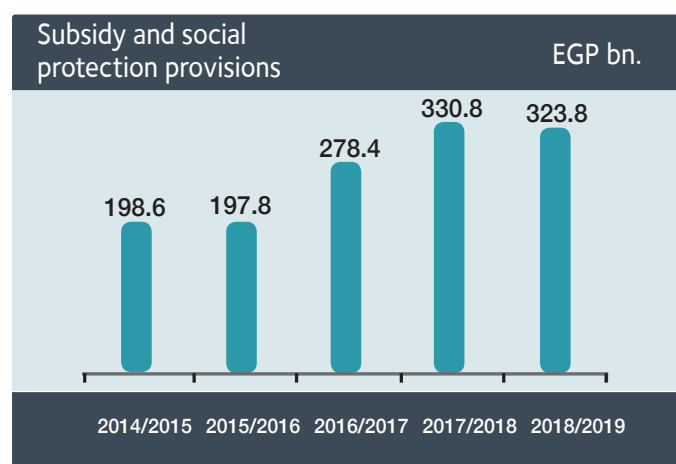


Decline in budget deficit to GDP ratio to stand at 8.5% in 2017/2018 against 10.5% in 2016/2017, and will continue decreasing to realize 6.7% in 2018/2019. This is attributable to:

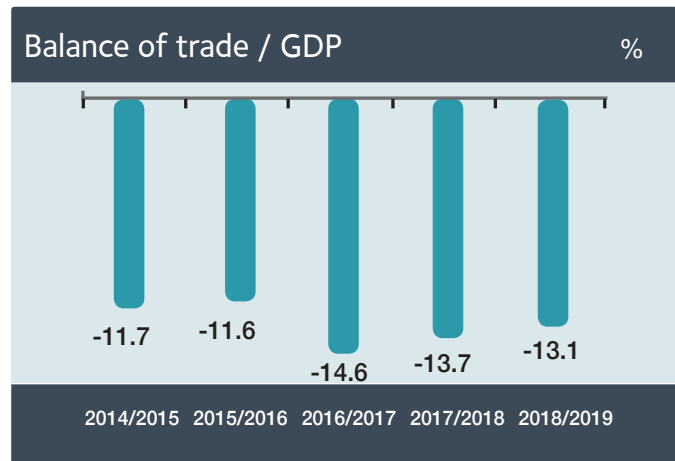
- ✓ Increase in public revenues by 18.8% compared to 18.2% and are expected to reach 18.6%.
- ✓ Decline in public expenditure by 27.3% vis-à-vis 28.7% and is set to reach 25.3%.



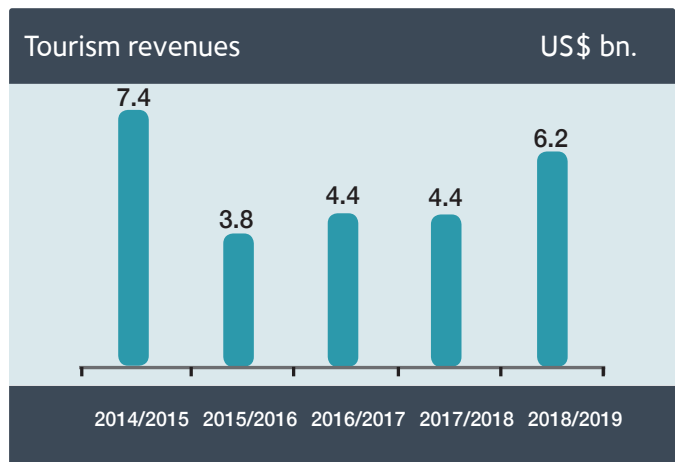
The Government is still committed to supporting the poor and limited-income individuals. Subsidy and social protection provisions increased to EGP 330.8 billion in FY 2017/2018 against EGP 278.4 billion yoy. However, they are expected to fall to EGP 323.8 billion in FY 2018/2019 in line with efforts to rationalize subsidies and ensure that they reach those who deserve them.



Decline in balance of trade deficit as a percentage of GDP to 13.7% in FY 2017/2018 compared to 14.6% yoy. It is expected to continue this trend to reach 13.1% in FY 2018/2019.



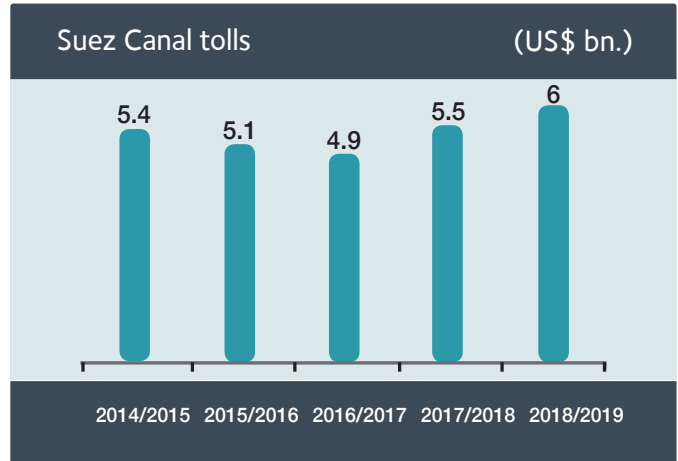
Steady tourism revenues are steady at US\$ 4.4 billion in FY 2017/2018, almost the same as in FY 2016/2017. Nevertheless, revenues are expected to surge to US\$ 6.2 billion in FY 2018/2019.



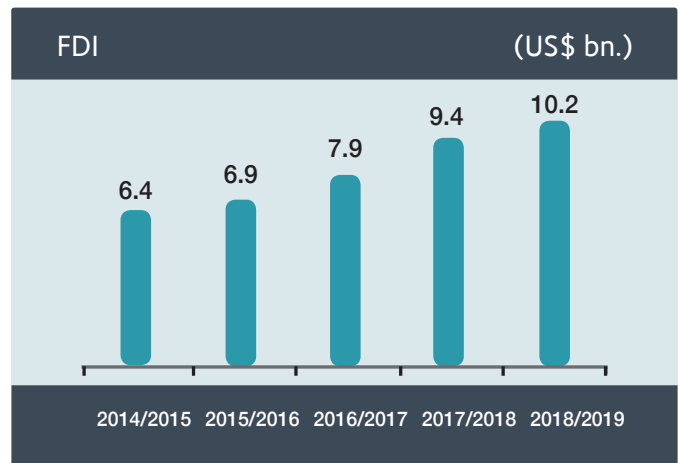
# IMF Commends

## the Egyptian Economic Reform Program Success

Surge in Suez Canal tolls to US\$ 5.5 billion in FY 2017/2018 vis-à-vis US\$ 4.9 billion yoy, with a further increase to US\$ 6 billion in FY 2018/2019.



Increase in foreign direct investment (FDI) to US\$ 9.4 billion in FY 2017/2018 against US\$ 7.9 billion yoy. It is also expected to continue to increase to reach US\$ 10.2 billion in FY 2018/2019.



Decrease in external debt as a percentage of GDP to 28.7% in FY 2017/2018 compared to 31.6% yoy. It is expected to maintain its downward trend to reach only 26.2% in FY 2018/2019.

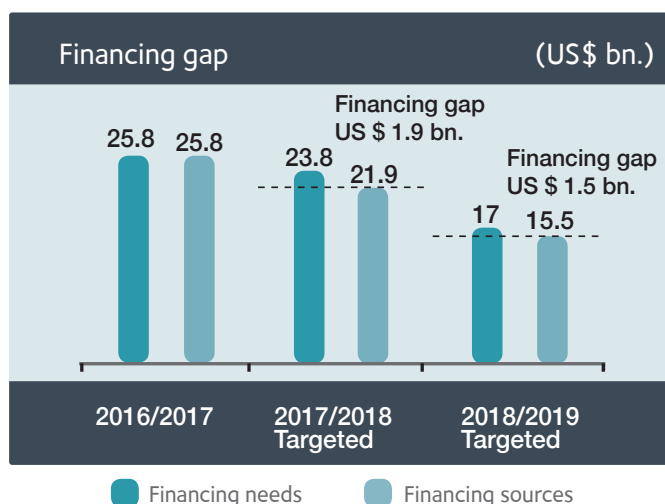


Bridging the financing gap in FY 2016/2017 by covering all financing needs with an amount of US\$ 25.8 billion. This gap is estimated by US\$ 1.9 billion in FY 2017/2018 with financing needs accounting for US\$ 23.8 billion, including:

- ✓ US\$ 11.8 billion current account deficit;
- ✓ US\$ 9.1 billion outstanding short-term debt; and
- ✓ US\$ 2.9 billion medium- and long-term debt service.

Meanwhile, financing sources account for US\$ 21.9 billion, including:

- ✓ US\$ 9.4 billion FDI
- ✓ US\$ 4.1 billion short-term debt extension
- ✓ US\$ 6.2 billion medium- and long-term loans
- ✓ US\$ 3.8 billion other capital flows
- ✓ US\$ 4 billion from the IMF.



In addition, an amount of US\$ 5.3 billion is to be repaid to international financial institutions. The financing gap is expected to narrow to US\$ 1.5 billion in FY 2018/2019.

# Standard & Poor's revised

## Egypt's outlook to (positive)

In November 2017, Standard & Poor's (S&P) revised Egypt's outlook from (stable) to (positive), reflecting that Egypt's credit rating is most likely to be raised over the next twelve months, especially that the government is implementing a structural, financial and monetary reform program.

S&P attributed this decision to the recovering economy and improving investment climate. The government has implemented a set of ambitious reforms, ahead of which comes EGP floating, application of the Value-added Tax (VAT) Law and enacting the Civil Service Law for government employees. This is in addition to the measures taken to rationalize energy subsidies and the recent significant legislative reforms, including the issuance of the New Investment Law and the Industrial Licensure Law.

**A significant milestone fostering trust in Egypt's economic reform program**

S&P raised its estimates for the average growth rate of Egyptian economy during the period from 2017/2018 to 2019/2020, from 3.8% up to 4.4%. This came in view of the improved performance of the foreign trade sector, the increased foreign direct investment (FDI) flows, the remarkably improved prospects for the energy sector and the construction and building sector, and the implementation of infrastructure and national projects, such as the Suez Canal axis development project, the new administrative capital and the expansion of road network.

**Recovered economy & improved investment climate**



# Standard & Poor's raises

## the outlook of three local banks to "positive"

Standard & Poor's (S&P) raised the outlook of three Egyptian commercial banks, National Bank of Egypt, Banque Misr and CIB, from "stable" to "positive" and affirmed their long-term foreign and local currency ratings at "B-" and short-term foreign and local currency ratings at "B".

S&P says that it expects economic indicators to continue to improve, reflecting positively on the financial system and its indicators through stronger bank business volumes, higher levels of capitalization and strong net interest margins. In addition, the banking sector enjoys abundance of liquidity and high yield of government debt.

# The Egyptian Economy: A New Launch

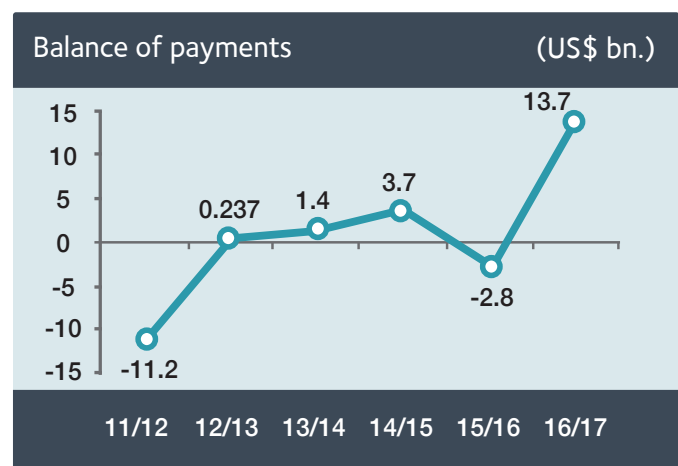
The end of year 2016 witnessed Egypt's launch of an ambitious economic reform program, whose results began to be reaped, especially throughout the foreign investors' increasing interest in the Egyptian stock exchange and robust comeback to debt market, besides the growing FDI inflows.

However, Egypt is still in need of more FDIs to support its economy and overcome the underlying challenges .

The following is a number of the Egyptian economic indexes immediately after the said reform program.

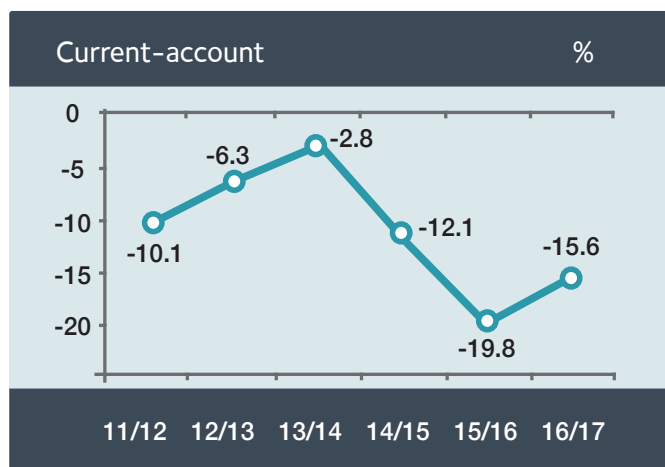
## Balance of payments realizes total surplus

The Egyptian balance of payments realized a total surplus of US\$ 13.7 bn. during the fiscal year 2016/2017, (including US\$ 12.2 bn. during the eight months following the decision of EGP floating in November 2016). This is attributable to the fact that the capital and financial account scored net inflows of US\$ 29 bn. (versus US\$ 21.2 bn. in the previous year).



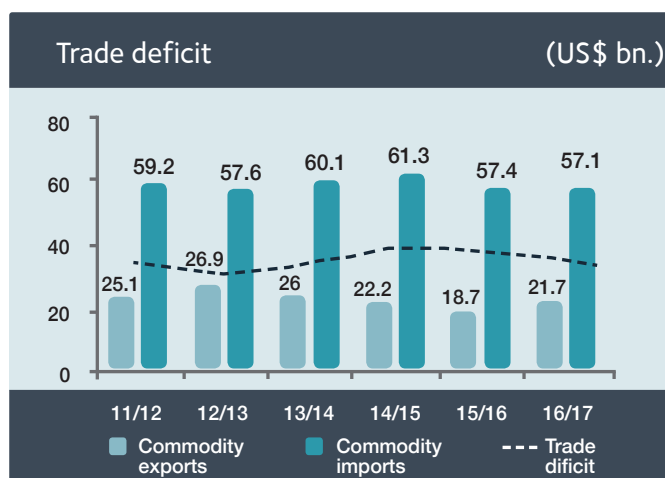
## Current-account deficit retreats

Current-account deficit retreated by 21.5% to stand at US\$ 15.6 bn. (against US\$ 19.8 bn.). It is noteworthy that such deficit declined by 13.1%, 37.3% and 50% during the periods October/December, January/March and April/June respectively (the period that has witnessed EGP floating); whereas the said deficit rose 24.3% during the period July/September (prior to the EGP floating).



## Trade deficit declines

Deficit in the balance of trade fell back during the fiscal year 2016/2017 by 8.4% to score US\$ 35.4 bn. (versus US\$ 38.7 bn.) as a result of the rise in the commodity exports proceeds by US\$ 3 bn. and the retreat in payments for imports by US\$ 265.6 MM. Commodity exports rose by 15.9% to reach US\$ 21.7 bn. (against US\$ 18.7 bn.). This is due, on one hand, to the increase in non-oil commodity exports by 16.2% to score US\$ 15.1 bn. (versus US\$ 13 bn.) as a result of improved competitiveness of Egyptian exports, and on the other hand to the rise in oil exports by 15.4% to score US\$ 6.5 bn. (against US\$ 5.7 bn.)

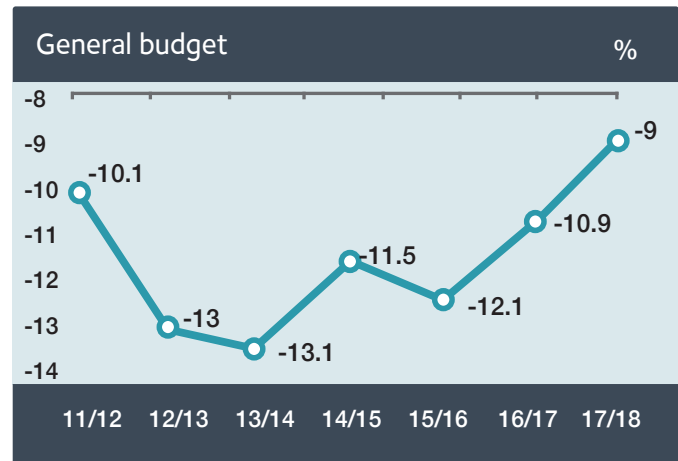


# The Egyptian Economy: A New Launch

## Gross Domestic Product rises in Q4 (2016/2017) and general budget deficit goes down

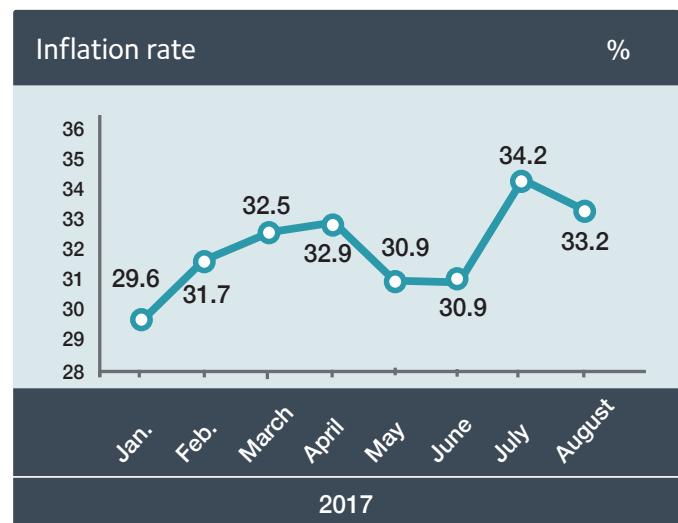
In spite of the slight decline of the economic growth rate in 2016/2017 to stand at merely 4.2% against 4.3% yoy, the Q4 growth rate of the year 2016/2017 realized a 4.9% increase versus 4.5% only yoy.

State's budget deficit remarkably dropped to 10.9% during 2016/2017 against 12.5% yoy. Total deficit in the State's budget is generally expected to fall back to hover near 9% during 2017/2018.



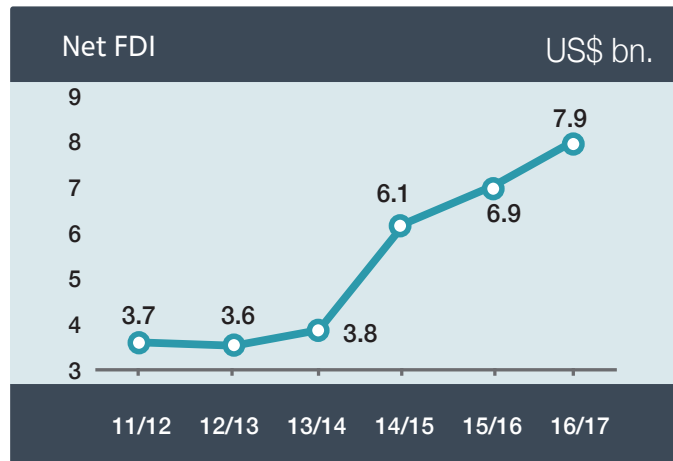
## Inflation rates go down

Annual inflation rate decreased to record 33.2% in August 2017 against 34.2% in the previous month. Inflation rates are anticipated to noticeably decline by the end of 2017. CBE expects inflation rate to retreat to score 13% ( $\pm 3\%$ ) in Q4/2018 to reach single-digit rates afterwards.



## FDI flows increase

Total FDI inflows to Egypt rose 6.5% during the fiscal year 2016/2017 to score US\$ 13.3 bn. (versus US\$ 12.5 bn. in the previous year). Total outflows recorded US\$ 5.4 bn. (versus US\$ 5.6 bn.). Thus, net FDI flows to Egypt rose to stand at US\$ 7.9 bn. (against US\$ 6.9 bn.) in the comparative periods.



Portfolio investments in Egypt went up during the same year to record net inflow of US\$ 16 bn. (against net outflow of US\$ 1.3 bn.). The increase is caused by foreign investments in Egyptian T-bills with net purchases of US\$ 10 bn. Moreover, foreign investments in the Egyptian stock exchange rose to score net purchases of US\$ 497.3 MM (against US\$ 157.1 MM).

# The Egyptian Economy: A New Launch

## International optimistic outlook & growing investment opportunities

EGP floating is deemed a vital procedure to restore confidence in the Egyptian economy, control external imbalances, re-build international reserves, foster investors' confidence in the investment climate and create a fair value for the domestic currency.

Such step was taken within restrictive monetary policy to contain inflationary pressures. In an apparent response to the diligent reform steps, IMF approved the loan agreement extended in November 2016, with a value of SDR 8.596 bn. (with an equivalent of US\$ 12 bn.) to boost the Egyptian reform program which is based upon:

- ✓ EGP floating scheme;
- ✓ Adopting a monetary policy geared towards containing inflation and supporting the soundness of banking sector;
- ✓ Developing a public finance policy whose backbone is to set public debt on a descending trend, together with fostering social protection programs and strengthening the social security network; and
- ✓ Implementing structural reforms and inclusive development.

## The Egyptian economy gains more confidence

Egypt received in January, 2017 US\$ 4 bn. through issuing Eurobonds in three tranches (total purchase requests reached US\$ 13.5 bn. for the 5-year, 10-year and 30-year tranches). This is considered a vote of foreign investors' confidence in the Egyptian economy.

In May 2017, Egypt received US\$ 3 bn. through a new issue in the international bond market; which was twice the previously planned amount. The new issue was composed of US\$ 750 MM for five years with an interest rate of 5.45%, US\$ 1 bn. bonds for 10 years with a rate of 6.65% and US\$ 1.25 bn. bonds for 30 years with a rate of 7.95%. Interest retreat in such issue against the one launched in January 2017 proves the growing confidence in the Egyptian economy.

	January, 2017	May, 2017	Total
Value "US\$ bn."	4	3	7
Demand "US\$ bn."	13.5	11	24.5
Coverage rate	3.4	3.7	
5-year tranche "US\$ bn."	1.75	0.750	2.5
Interest %	6.125	5.45	
10-year tranche "US\$ bn."	1	1	2
Interest %	7.5	6.65	
30-year tranche "US\$ bn."	1.25	1.25	2.5
Interest %	8.5	7.95	



## Attractive investment environment

The new investment law grants investors large-scale guarantees and incentives.

The promotion of investment, including foreign investment, is a top priority for Egyptian government. The GOE exerts considerable efforts to court foreign direct investment by means of launching national mega projects in addition to issuing the new investment law. Egypt also intends selling a number of state-owned companies including banks, oil and electricity companies in the framework of privatization scheme through IPOs in the Egyptian stock exchange. This program is executed in the framework of the State's plan to raise growth rates by means of attracting investment. The new investment law is regarded as a key achievement in terms of the governmental efforts exerted to ameliorate the investment environment. Such efforts – which aim to tackle a bundle of structural issues – are magnificently supported by the partners, including international finance institutions.

## Granting the industrial licences within 7 days (instead of 634 days)

One licence-granting entity and the introduction of licensing by notice

The executive regulations of the law on streamlining the industrial licence procedures were issued on May 2017. The said regulations aim at streamlining the procedures and enabling investors to easily obtain the necessary licences; consequently solving the problem of granting operation licences, which is one of the key problems affecting Egypt's ranking in doing-business reports issued by international institutions. The new law creates one entity to grant industrial licences instead of eleven in the previous law. A system of licencing by notice is introduced for industries with low-risk on health, environment, safety and security (representing 80% of existing industries in Egypt). The manual system of licensing will be automated, and complaint systems will be developed according to specific criteria and provisions.

## Oil and gas sector is the most attractive

Great potentials for Egypt to become a main natural gas producer and exporter

Oil and gas are deemed the most attractive sector for investment in Egypt, besides retail, real estate and consumer commodity sectors. The United Kingdom and the United States of America are the key foreign investors in Egypt; besides, the United Arab Emirates is the major source of investment inflows to Egypt from the Arab Gulf. The United Kingdom's FDIs amounted to US\$ 5.5 bn. during the first nine months of the fiscal year 2016/2017, representing 41% of total direct investment inflows during the same period. On the other hand, the Arab countries' share of investments in Egypt went down to record 13.5% of total investment inflows against 18.2% in the comparative period.

In terms of distribution by sector, oil and gas led the economic business sectors receiving foreign investments, especially after overcoming the crisis

of foreign currency shortfall and the repayment of a remarkable segment of the outstanding dues to foreign oil companies. "Zohr" gas field is expected to increase investment attractiveness of oil and gas sector during 2018.

Egypt has concluded agreements to generate renewable energy which would boost infrastructure and electricity generation. The GoE also ratified in May 2017, six agreements concluded between the Egyptian General Petroleum Corporation and foreign companies to explore oil fields in the Western Desert. Egypt is supposed to reach self-sufficiency in natural gas by the end of 2018. A number of 21 projects were executed to develop natural gas fields during the last three years. Nine other projects are under development and will be completed by 2019.

# Social Protection Program

## Food subsidy

Increasing ration-card subsidy per capita from EGP 21 to EGP 50

## Takaful and Dignity

Increasing cash subsidies by EGP 100 for 1.7 MM. families

## Pensions

Increasing social-insurance pensions by 15%, with a minimum of EGP 130 for 10 MM. pensioners

# Social Protection Program



worth  
EGP  
85 bn.

#### **Tax exemption limit**

Raising tax exemption limit from EGP 6,500 to EGP 7,200

#### **Agricultural land taxes**

Suspending the same for 3 years to alleviate tax burdens on the agricultural sector

#### **Wages**

Approving allowances of 14% and 20%, with a minimum of EGP 65, in 2017/2018 budget for employees subject to Civil Service Law and special cadres, respectively

# The Executive Regulations of the New Investment

## Law: Facilitations and Incentives

The executive regulations of the New Investment Law No. 72/2017 represent a part of the reform package launched by the government with the aim of creating investment friendly environment. In line with completing the investment legislative framework, the Law was issued in May 2017 to court new local and international investors via facilitating procedures, curbing government bureaucracy, offering further incentives and guarantees for investors and prioritizing small and medium enterprises. The executive regulations fall in five sections: General Provisions; Investor Facilitations and Incentives; Investor Service Center; Investment, Technological and Free Zones; and Organizing Investment Environment.

The executive regulations drew on a set of principles, most importantly:

### Adopting a very broad and flexible concept of the investment project biased to investment fulfillment,

since the Executive Regulations stipulate "investments are open in most of the economic sectors and the terms, scope and controls of conducting such activities are included in the Regulations. The competent minister may, in coordination with the relevant ministries, add other activities pursuant to the national economic development plan".

Industry, agriculture, trade, tourism, sport, power, building & construction, water, transportation, health care, oil and mineral resources



## Zones eligible for the incentives given under Article (11) of the Investment Law are classified into two Divisions (A) and (B):

### Projects established in Division (A) can refund 50% of the investment cost in the form of cuts on net profit taxes. Division (A) includes:

Suez Canal Economic Zone, Golden Triangle Economic Zone and other zones in most need of development, as determined by virtue of a decision of the Cabinet, which show low levels of economic development and domestic product, spread of informal economy, low levels of employment and available job opportunities, high level of unemployment; along with social indicators reflecting a noticeable increase in population, low quality of education, spread of illiteracy, poor health care services and high poverty rates.

50% of investment costs are refundable in the form of cuts on net profit taxes

### Projects established in Division (B) can refund 30% of the investment cost. Division (B) includes:

Other zones across the country where development requisites are available and where investments would target development of such zones and the adjacent zones. **Examples of eligible investment projects include** labor-intensive businesses, small and medium enterprises, enterprises operated by or producing new/renewable energy, national and strategic projects, businesses exporting no less than 50% of their production, automotive industry and feeding industries and ICT related industries.

30% of the project's investment costs is refundable via cuts on net profit tax

# The Executive Regulations of the New Investment

## Law: Facilitations and Incentives

**The investor has the right to set up, expand and liquidate the business and make cash transfer abroad.** "An investor may denominate the project capital in any convertible currency, and an existing company can request converting the nominal value of its capital from the Egyptian pound to any convertible currency subject to a set of controls stipulated in the Executive Regulations".

### Foreign investor residency is regulated and a foreign investor shall have the right to employ foreign labor of 10% of total headcount of the business,

which can rise up to 20% in accordance with the relevant controls with a view to offering the investor the opportunity to benefit from foreign labor qualifications and experience lacked in the local market.

**10% of total headcount for foreign labor, to be increased to 20%**

### Protecting investment projects against cancelling their licences,

as the executive regulations provide that competent administrative bodies may cancel or suspend licences issued for investment projects or withdraw the property assigned therefor only after notifying the investor by means of a registered mail with a return receipt, stating the violations committed by the investor and granting the latter 60 days from the date of notification to remedy the violations or to submit a complaint.

**A licence may only be cancelled after serving a notification**

### Granting projects additional incentives,

as the executive regulations read "incentives provided for in Article (13) of the Investment Law are granted to the investment projects located principally in Egypt to undertake their businesses, and which depend on their foreign-currency resources transferred from abroad, export at least 50% of their products and use local components of 50% minimally in their products."

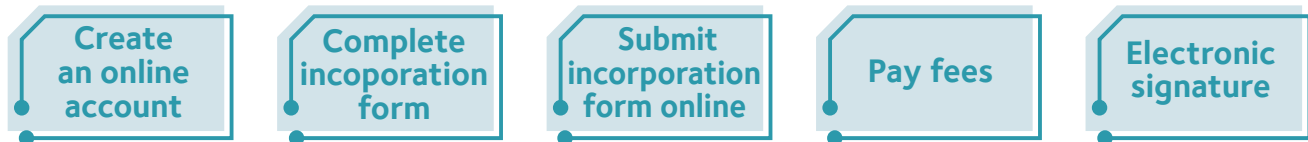
**Additional incentives for the projects that export no less than 50% of their products and use 50% local production inputs**



Moreover, the executive regulations introduce a system of electronic services for investors to facilitate company incorporation as follows:

### Steps of incorporating a new company:

- ✓ Create an online account on GAFI's electronic portal through which the applicant can obtain the online incorporation services.
- ✓ Complete the incorporation form determining the legal form and all necessary data and documents.
- ✓ Submit the incorporation form online and make any amendments, if any.
- ✓ Pay the incorporation fees online as a lump sum for the account of the bodies providing incorporation and post-incorporation services.
- ✓ Sign all forms online.



Documents required to consider the incorporation application depend on the company type, mainly:

### Associations of capital

- ✓ A certificate proving deposit of the legal ratio by an approved and authorized bank.
- ✓ ID copies of the founders, board members, managers or partners.
- ✓ Copies of incorporation powers of attorney.
- ✓ The competent authority's permission in case the founder or the board member is a public servant, or a public sector or a public business sector employee in case of joint-stock companies.

### Partnerships and sole proprietorships

- ✓ ID copies of the partners or the sole proprietorship owner, as the case may be.
- ✓ Copies of incorporation powers of attorney, as the case may be.
- ✓ A declaration by the acting partner or his/her agent, non-partner manager or the entity owner stating that s/he is not a public servant or a public/public business sector employee.

Companies' memorandum of association and articles of incorporation along with amendments thereof are published at the relevant persons' expense in the GAFI's Investment Gazette or by any other electric means. Publication may be in foreign language at the relevant persons' request and on their responsibility.

# Streamlining Industrial Licensure

The Egyptian government has taken earnest steps to improve industry and streamline the allocation of industrial land as one of the main industrial growth enablers. In May 2017, a new law No. 15/2017 was issued to streamline industrial licensure, and in August 2017, the Executive Regulations were issued. The Law and its Regulations aim at streamlining the procedures of obtaining industrial licences, defining a single competent authority, facilitating licensing for investors, encouraging micro, small and medium-sized industries. The Law and its regulations also tackle the issues associated with granting operation licences, which is deemed as one of the most important factors affecting the ranking of countries in the Doing Business and Competitiveness reports issued by international institutions. This Law will contribute to creating the appropriate environment to include Egypt on the list of most attractive countries to industrial investments regionally and internationally.

## The Executive Regulations of the new Law consist of 6 sections and 53 articles. Salient provisions of the Executive Regulations include the following:

- ✓ Introducing a "system of licensing on notice" for the industrial activities that do not pose significant risks to health, environment, safety or security (80% of the existing industries in Egypt). The Executive Regulations oblige the Industrial Development Authority to provide the concerned applicant on the same day with a true copy of a stamped form to serve as an open-ended licence. The relevant industries shall notify the competent administrative authority of their activity, evidenced by data and documents.

Licensing on notice for 80% of existing industries

- ✓ Meanwhile, the Law maintains the pre-licensing requirement prescribed for the industrial activities which entail high risk for security, health, safety and environment (20% of the existing industries), mainly "iron and cement industries, food industries, leather tanning, mining and quarries, pharmaceuticals and chemical products".

Pre-licensing for hazardous industries, accounting for 20% of existing industries



- ✓ Streamlining licensing process to reduce licensing time from 634 days to less than 7 days for "licensing on notice" and less than 30 days for "pre-licensing", and automate the manual licensing system.

**Reducing licensing time from 634 days to 7 days**

- ✓ Setting an adequate mechanism for the legal adaptation of existing industrial facilities. This includes granting a temporary operation licence to existing industrial facilities and shops which have obtained a licence before the new Law and its Executive Regulations. The Industrial Development Authority (IDA) shall decide on legal adaptation requests within one week of presenting complete information and documentation.

- ✓ Defining a single competent authority, the IDA, instead of 11 entities as per the previous law. Accordingly, the main procedures followed by the investor (applicant) are reduced to 3 instead of 7. IDA internal procedures are also cut to 19 procedures in lieu of 154.

**Defining a single competent authority instead of 11**

- ✓ Granting several facilities to small and micro enterprises. This includes providing special procedures tailored to the nature of such enterprises, and double the maximum time limit for their legal adaptation under the system of licensing on notice. The Executive Regulations also exempt them from half of the applicable fees (including the fees of obtaining a licence, licence assignment, business change, and annual follow-up by grievance committees). These enterprises are also exempted from non-material requirements with an eye to formalizing such informal entities.

**The exemption of small and micro-enterprises from half of the applicable fees**

# Streamlining Industrial Licensure

- ✓ Authorizing mandating qualified private technical accreditation offices to determine the industrial facilities' compliance with regulatory requirements under the Law to grant licences as well as other licensing procedures. The Law also authorizes IDA to engage qualified offices to undertake examination after licence issuance.

**Hiring a qualified private technical accreditation office to examine compliance with requirements**

- ✓ Setting controls for the examination of industrial facilities, whether examination is carried out by IDA or a mandated private accreditation office. Examination in the form of a survey, follow-up or inspection shall be conducted during the official working hours and subject to prior notification to the relevant industrial facility, except for a surprise examination of which the facility is not to be notified. In case of minor violations, the facility shall be given a warning and a grace period not exceeding 180 days, renewable only once to correct any violations while being allowed to continue operation during such period.

**Granting facilities a 180 day grace period to correct minor violations**

- ✓ Removing the obstacles before applicants. Grievance committees will be formed to examine all licensure grievances; accreditation offices in charge of applying the provisions of the Law will be hired with the aim of avoiding any barriers hindering the applicant or the notifying party. In addition, the decisions of the competent administrative authority shall be reviewed (i.e. rejection of licensure application, licence cancellation or suspension), along with detailed procedures and time of filing a grievance, within 15 days from the notification date or acknowledgment of the decision subject to the grievance.

The Law vested IDA with a more effective role, being the entity concerned with regulating industry, establishing the rules of licensing industrial facilities and adopting new licensure tools and mechanisms. It is worth noting that IDA has recently taken a package of actions in preparation for applying the said Law, hinging upon four major pivots:



<b>Procedures enhancement</b>	<ul style="list-style-type: none"> <li>✓ Updating and developing the list of industrial activities.</li> <li>✓ Preparing a risk matrix and identifying the high-risk industries.</li> <li>✓ Designing a comprehensive streamlined licensure system.</li> <li>✓ Producing an updated list of technical requirements.</li> <li>✓ Developing a guide and a system for accreditation offices.</li> <li>✓ Tailoring a system to harmonize the services of the industrial register with the new Law.</li> </ul>
<b>Restructuring</b>	<ul style="list-style-type: none"> <li>✓ Enhancing decentralization through providing the services from all AID branches.</li> <li>✓ Updating and structuring the competencies of the technical, licensure and registration departments in light of the Law on Streaming Industrial Licensure.</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>✓ Developing customer service system and allocating a hotline for investors.</li> <li>✓ Training the staff of IDA and its branches in handling industrial licensure procedures in view of the Law on Streaming Industrial Licensure.</li> </ul>
<b>Automation</b>	<ul style="list-style-type: none"> <li>✓ Offering a global tender to automate service procedures.</li> <li>✓ Initiating procedures to link IDA and the Customs Authority electronically.</li> </ul>

It is noteworthy that the government of Egypt has recently undertaken several legislative reforms. Ahead of these come the new Investment Law and the Law on Streamlining Industrial Licensure of 2017. This stands for a turning point creating a favourable investment climate and providing a proper environment for both Egyptian and foreign investors. Since the promulgation of the Law on Streamlining Industrial Licensure in May 2017, and up to the issuance of its executive regulations in August 2017, 923 industrial entities have been licensed. This would reflect positively on industry in particular and on economic development in general.

# National Projects:

## the Driving Force of Development in Egypt

National projects are the driving engine of sustainable development. As national projects are particularly inclusive, wide-scale and spread all over Egypt, they play a vital role in attaining economic balance, boosting social justice in its comprehensive form, curbing unemployment and poverty and driving relocation of population in a host of new cities across the country.

Following is an overview of the key investment opportunities offered by national projects:

### Development of Suez Canal region, including:

#### Ain Sokhna region

Location: Along the coast of Gulf of Suez

##### Key investment opportunities:

- ✓ Oil refining – chemicals and petrochemicals
- ✓ New and renewable energy projects
- ✓ Agriculture and food industries
- ✓ Textiles and ready-made garments
- ✓ Building materials
- ✓ Telecommunications and information technology
- ✓ Home appliances and electronics

Textiles and ready-made garments: a promising industry in Ain Sokhna

#### East Ismailia

Location: El-Qantara Sharq at the eastern bank of Suez Canal at an area of 71 Km<sup>2</sup>

##### Key investment opportunities:

- ✓ Solar energy generation plants
- ✓ Technology-based industries

Technology valley in El Qantara Sharq



## El-Qantara Gharb region

Location: At the northern boundaries of Ismailia Governorate at an area of 13.6 Km<sup>2</sup>

### Key investment opportunities:

- ✓ Food and agricultural industries
- ✓ Feeding industries for Delta and Greater Cairo regions

Food industries complex in El-Qantara Gharb

## East Port Said

An industrial zone in the northern area of Suez Canal economic zone

### Key investment opportunities:

- ✓ Light and medium scale industries

## Golden Triangle area

Location: Red Sea Governorate, the area extended between Safaga city in the north, El-Quseir in the south and Qena in the west

### Key investment opportunities:

- ✓ Mining: Gold, phosphate, limestone, tin and zinc.
- ✓ Tourism: Build tourist resorts and hotels making use of the lengthy beaches and monumental sites of the Pharaonic, Roman and Arab ages.
- ✓ Agriculture: Reclaim 16,000 feddans and launch agricultural-industrial zone.

Gold, phosphate and tin are just examples of the abundant mineral resources in the Golden Triangle area

# National Projects:

## the Driving Force of Development in Egypt

### The 1.5 MM. Feddan Project

Location: Eighteen areas across eight governorates (Giza, Aswan, New Valley, Qena, El-Minya, Marsa Matrouh, Ismailia, Sinai)

Reclaim and plant new areas in these governorates using ground water with the ultimate goal of establishing agriculture-based integrated urban communities.

Add 1.5 MM.  
feddans to the  
agricultural land in  
Egypt

#### Key investment opportunities:

- ✓ Agriculture and agricultural-based production
- ✓ Storage and cooling
- ✓ Agriculture automation

### Global logistics hub for storing and handling grains in Damietta

Location: Damietta port at a proposed area of 4 MM. m<sup>2</sup>

#### Key investment opportunities:

- ✓ Production and packaging of oil-bearing grains and seeds, unrefined oils, raw sugar and strategic foods as well as launch of grain- and seed-related industries such as flour and animal fodder.

### New El-Alamein city

Location: Extension of El-Alamein City at Marsa Matrouh Governorate at an area of 48,000 feddans; of which 8,000 feddans represent Phase I.

#### Key investment opportunities:

- ✓ Business park
- ✓ Innovation and technology city (at an area of 253 feddans)
- ✓ University (at an area of 300 feddans)
- ✓ Agricultural industries zone (at an area of 255 feddans)
- ✓ Land plots for agricultural research (at an area of 335 feddans)
- ✓ World-class medical center for recovery and physical therapy (at an area of 44 feddans)
- ✓ Tourist and recreational areas (at an area of 1,835 feddans) housing hotels and yacht marina
- ✓ Regional services center (at an area of 240 feddans) housing malls, showrooms, amusement parks, cinemas, theatres and sports clubs.

World-class  
medical center (for  
recovery) in New El-  
Alamein City



## El Galala city and resort at 19k feddans

Location: Gulf of Suez between Ain Sokhna and El-Zafarana

### Key investment opportunities:

- ✓ Mountain hotel at an area of 52 feddans and with a capacity of 309 units
- ✓ Coastal hotel comprising 300 hotel rooms and chalets
- ✓ Aqua park city comprising swimming pools, restaurants, open-air theatre and chalets
- ✓ Tourist residential compound at an area of 43.3 feddans comprising 80 villas, social club, restaurant, swimming pools, malls and playgrounds.
- ✓ Yacht marina
- ✓ El Galala Teleferik (6 km long)
- ✓ Hypermarket

Hotels, aqua park city and yacht marina in El Galala Resort

## New El-Mansoura city

Location: In the vicinity of El-Mansoura city

### Key investment opportunities:

- ✓ Industrial projects: including dry port and logistics zone
- ✓ Tourist projects: including tourist villages and recreational cities
- ✓ Service projects: including educational/academic zones housing private universities, and the new medical care international city (Medical Oasis)
- ✓ Commercial projects: including wholesale market for vegetables and fruits for the Delta region, shopping area (hypermarket and mega malls) and a regional logistics center for grains.

Logistics zone, hotels, medical care city and private universities in New El-Mansoura City

## Damietta Furniture City

### Key investment opportunities:

- ✓ Complex for "home, hotel and office" furniture factories
- ✓ Small workshop complex
- ✓ Medium-scale workshop complex
- ✓ Wood waste recycling factories
- ✓ Supplies warehouse and shop complex
- ✓ "Egypt Furniture" Mall for serving the local and global markets

Integrated complex for furniture manufacturing in Damietta City

# Suez Canal Economic Zone:

## A Great Hope for the Egyptian Economy

The inauguration of Suez Canal Economic Zone (SCEZ) is a quantum leap in the efforts exerted by the country to attract direct investments, increase its share of international trade and enhance the economy. It is targeted to attract local and foreign investments of US\$ 100 bn., create 1 MM. job opportunities by 2030 and generate annual revenues of US\$ 12 bn. through 6 seaports.

### **SCEZ enjoys several advantages which increase its investment opportunities and promote the success of its projects, mainly:**

- ✓ **SCEZ is located at the heart of international trade lines: 17,000 vessels cross the Canal annually, especially after inaugurating the new Suez Canal, which attracted major oil tankers and container vessels. In September 2017:**
  - the world's largest container vessel crossed with a cargo of 21,400 containers,
  - the world's largest oil tanker (BW Catcher) crossed with a cargo of 100,000 tons.
  
- ✓ **Projects and investment businesses are managed by an authority with vast powers and rapid decision-making mechanism.**
  
- ✓ **There are various and diversified investment opportunities within the Zone, including:that identify investment opportunities in the zone.**
  - marine services and ship building and repair "West Port-Said Port"
  - oil services "West Port-Said and El Tor Ports"
  - industrial businesses in "East Port-Said, Ain Sokhna and Qantara Gharb"
  - technology and software development in "East Ismailia"
  - renewable wind and solar energy projects in "East Ismailia"
  - tourism and recreation activities in "Ain Sokhna and East Ismailia"
  - infrastructure activities in all "regions and seaports"
  
- ✓ **SCEZ enjoys streamlined registration and licensing procedures, as company registration takes 1-3 days, while building licences take 3-5 days. This is in addition to adopting the one-stop shop, developing investor manuals, and compiling studies that identify investment opportunities in the zone.**
  
- ✓ **Investment projects enjoy tax and customs incentives and many other advantages.**
  - Availability of qualified manpower with competitive wages that cater to the needs of investors,
  - Access to major markets through international trade and economic agreements which link Egypt to several regional blocs.



## Components of Suez Canal Economic Zone:

SCEZ consists of four investment zones, including integrated zones, development zones and 6 seaports (3 ports in the north and 3 ports in the south).

### Integrated zones

The integrated zones include seaports to enable communication with the rest of the world, as well as adjacent logistics, industrial, commercial and residential areas. These include the following:

#### Ain Sokhna Region:

The Region has significant investment potentials as it is equipped for all types of light, medium and heavy industries, in addition to tourism and commercial projects. For example:

- ✓ The Region has a robust infrastructure and an extensive road network;
- ✓ It is also home to Ain Sokhna seaport, one of the top ports in terms of transit and container handling; and
- ✓ It has vast areas for investment (nearly 232 km<sup>2</sup>).

Additionally, there are plans to build a commercial airport, and upgrade Ain Sokhna Port to comprise basins, specialized terminals and a logistics center on a surface area of 1.5 million m<sup>2</sup>.

#### East Port-Said Region:

Extending over an area of 145.5 km<sup>2</sup>, the Region can accommodate (light and medium) industrial and commercial activities. Furthermore, East Port-Said port is of paramount importance since it has a strategic location at the northern entrance of the Suez Canal and constitutes a vital passage to global trade. The Region's 2035 development plan encompasses:

- ✓ establishing an integrated smart infrastructure which keeps up with smart cities standards;
- ✓ building three logistics centers on an area of 25 km<sup>2</sup>;
- ✓ the construction of new tunnels to facilitate the transfer of goods from and to the Region; and
- ✓ building a container terminal and other specialized terminals and increasing the number and depth of docks.

# Suez Canal Economic Zone:

## A Great Hope for the Egyptian Economy

### Development areas:

#### West Qantara

With an investment area of 13.6 km<sup>2</sup>, West Qantara is ideal for small- and medium-sized food, agricultural and feeding industries which cater to Delta Region and Greater Cairo.

#### East Ismailia

The Area offers abundant opportunities for light and medium industries. Besides, it is suitable for solar energy generation as well as entertainment activities. With a total area of 71 km<sup>2</sup>, it is strategically located on the east bank of Suez Canal and only 10 km away from Suez Canal Corridor.

### Seaports

In addition to the previously mentioned seaports located within the Suez Canal Economic Zone, there are four other seaports as follows:

#### West Port-Said Port:

The Port has a unique location due to its proximity to the main waterway of Suez Canal. Its development plan comprises the construction of container terminals and increasing its handling capacity to 25 million tons p.a. The Port offers various trade and service activities such as:

- ✓ handling general cargo and containers;
- ✓ petroleum services; and
- ✓ ship repair.

**25**  
million  
tons p.a.

**A targeted handling capacity of 25 million tons p.a. in West Port-Said Port**



## Adabiya Port

The Port is specialized in handling liquid bulk cargo (oils, petrochemicals and petroleum) and general cargo. The Port's capacity is to be increased to between 15 and 20 million tons p.a. under an integrated development plan which includes:

- ✓ the development of infrastructure and internal road network; and
- ✓ building a liquid bulk terminal and two dry bulk terminals.



**A targeted handling capacity of 20 million tons p.a. in Adabiya Port**

## El Tor Port

It mainly caters to petroleum service activities. An additional area of 73.4 km<sup>2</sup> was annexed to the 43.3 km<sup>2</sup> area of the Port in order to be upgraded to a commercial port under a development plan which encompasses:

- ✓ the improvement of the Port's infrastructure; and
- ✓ establishing 3 terminals (a petroleum services terminal, dry bulk terminal and multipurpose general cargo terminal).



**3 terminals with a total dock length of 1,000 m in El Tor Port**

## Arish Port

It is adequate for dry bulk cargo handling. Its development plan comprises:

- ✓ the construction of handling terminals with a capacity of 8 million tons (of which 6 million for exporting dry bulk cargo and 2 million for importing general cargo);
- ✓ building new docks; and
- ✓ providing warehousing areas.



**A targeted handling capacity of 8 million tons p.a. in Arish Port**

# Suez Canal Economic Zone:

## A Great Hope for the Egyptian Economy

### Key pillars of boosting and promoting the Suez Canal Economic Zone at the local and international levels:

- ✓ International promotion: holding meetings with senior officials, business communities and large international corporations in key European countries (such as Germany, Britain and France) and Asian countries (such as Japan, China and Singapore), besides the United States, promoting investment opportunities in the Suez Canal Economic Zone and participating in prominent international events.
- ✓ Communication with several international and regional organizations to bolster the Zone's capabilities: such as the European Investment Bank (EIB), International Finance Corporation (IFC) and International Bank for Reconstruction and Development (IBRD).
- ✓ Close cooperation with counterparties to boost the Zone's activities and benefit from international experience: such as the Port of Qingdao in China and Barcelona Free Zone.
- ✓ Formation of a global advisory council: with the membership of specialists and experts in various fields to provide advice and promote the Suez Canal Economic Zone globally.
- ✓ Enhance investment incentives in the industrial areas and affiliated seaports: such as reducing transit fees for container vessels, adopting a standard invoicing system in ports and introducing new tax incentives for investment projects in line with the incentives granted by competitive economic zone.

### SCEZ's Investment Position

A number of major local, regional and international companies have been courted to the region, which heralds a promising future. Examples include:

#### **Contracting and marketing an area of 23 MM. m<sup>2</sup> in Ain Sokhna:**

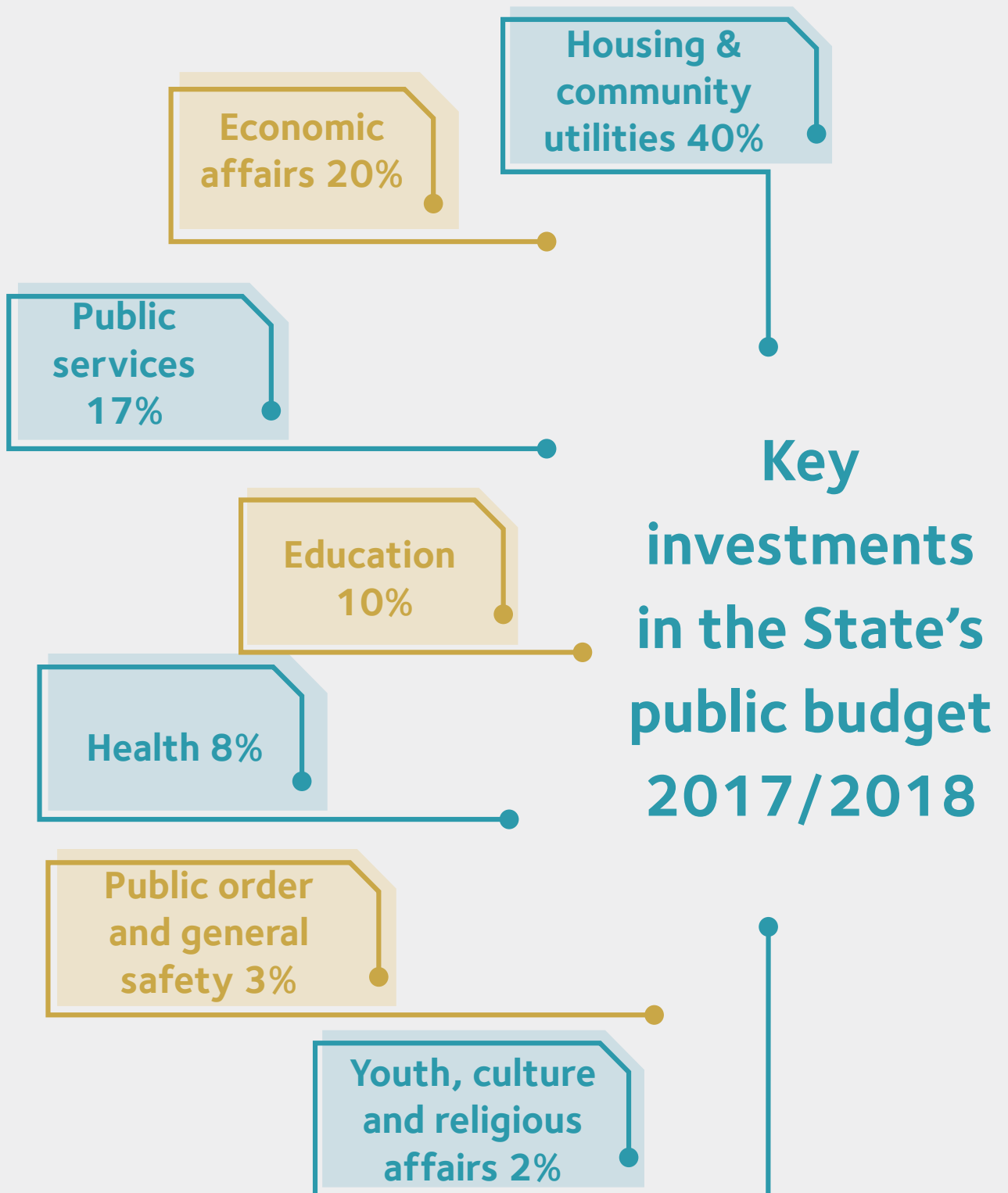
a number of new investment projects have been attracted to Ain Sokhna Industrial Zone. Existing investments were scaled up to include small investments plants as well as massive investments through industrial developers and mega projects, e.g. the Saudi ASEC-Capital (area of 6 MM. m<sup>2</sup>), Marble and Granite City Project (area of 1 MM. m<sup>2</sup>) and DP World (developing 95 km<sup>2</sup>).

#### **Diversified foreign investments in East Port-Said Region,**

such as the Russian Industrial Zone on a targeted area of 2 MM. m<sup>2</sup>, and RORO-Terminal in East Port-Said Port under an international consortium comprising the two Japanese Toyota and NYK, and the French Bolloré. In addition, investment agreements were signed with German and Polish companies in September 2017 to establish a number of plants for tractors and buses, irrigation systems and yachts, for instance.

Finally, SCEZ is one of the largest national projects in the 21<sup>st</sup> century, which followed the inauguration of the New Suez Canal to promote the Egyptian economy and achieve higher levels of growth. Furthermore, it is a model for future development of economic zones in Egypt.





# The Golden Triangle:

## A Promising Economic Zone in Upper Egypt

The Golden Triangle project is one of Egypt's mega projects which aims to create a new economic zone in Upper Egypt by establishing an integrated global industrial, commercial, logistics, tourist hub with a view to attaining sustained development of Upper Egypt. The Project is planned to be implemented over six five-year phases. The Golden Triangle zone is situated south east Egypt in the Red Sea governorate, stretching along the coastal road in the triangle area between the outskirts of Safaga city in the north, El-Quseir in the south and Qena in the west. The Golden Triangle area is rich in numerous mineral resources and human capabilities along with other logistics, commercial and tourist potentials which can stimulate and maximize benefits from the mining and quarries industry in Egypt.

### The mining industry in Egypt: Why is it important?

The mining industry contributed 8% of GDP in 2016. It is connected to several other industries and businesses (industry, agriculture...etc.) and strongly fosters economic development efforts. Egypt owns abundance of mineral resources which vary in types, quantities and areas of presence.



Share of the mining industry in GDP 8%

### Egypt's key mineral resources and estimated reserves

Mineral	Area of presence	Reserves (MM. tons)	
		Proven	Probable
Phosphate	Red Sea coast -Nile Valley -New Valley	3,000	4,140
Iron	Eastern Desert-The Oases-Ghorabi -Nasser-East Aswan-Jabal El-Uwaynat	777.6	1,482
Lead and zinc	Umm Gheig	1	1.5
Tin	Eastern Desert-Igla-Muelha-Umm El-Rousse	1.2	4
Quartz	Umm Heglig-East Aswan-Edfu-Marwat El-Suwaikat	50	78
Feldspar	Ras El-Ush-Abu Shamam-Umm Shaddad-Kadaboura	1,014	6,000
Copper	Eastern Desert	0.285	-
Niobium and tantalum	Abu Dabbab-Nuweiba-Umm Neqat	120	-
Limestone	Eastern Desert-Sinai	2,630	12,000



## The Golden Triangle area in light of Egypt's Sustainable Development Strategy: 2030 Vision

The Golden Triangle project aims to implement an integrated plan for the optimal exploitation of available natural resources and creation of modern economic urban communities in alignment with Egypt's Sustainable Development Strategy: 2030 Vision. Egypt seeks to embrace a disciplined market economy characterized by stability of macro economy, ability to attain sustainable inclusive growth, competitiveness, diversity, knowledge; i.e. an economy that significantly contributes to the global economy, encourages small investors to join the formal economy, supports small and medium enterprises through devising employment-focused general and sectoral policies, and focuses on value-added sectors, e.g. industry.

**Catalyze  
investments by  
tailoring friendly  
legislation**

Egypt has embarked on tailoring industry-specific investment-friendly legislation through enacting a legislative package including the New Investment Law in June 2017 and simplifying procedures of establishing factories and issuing licences through enacting the Industrial Entities Licensing Law. Egypt has also supported the legislative framework of the mining and quarries industry via promulgating the Mineral Resources Law of 2014, streamlining registration and licensing procedures, and reducing relevant fees.

# The Golden Triangle:

## A Promising Economic Zone in Upper Egypt

### Key target sectors and businesses under the Golden Triangle project

The Project aims to build four mining industry focused zones as well as logistics and storage areas for the mining industry, so that a specific area is linked to each branch of the mining industry, i.e. west Safaga area for glass and quartz mainly, north Marsa Alam for gold refining and north Jabal Duwi industrial zone and Jabal El-Geir industrial zone for cement. It is planned to build 44 factories expected to generate for the country annual revenues of EGP 24.5 bn. as follows:

**EGP 24.5 bn.  
estimated annual  
revenues**

### Sixteen factories for producing phosphorite

- ✓ Mining and processing: Build eight factories at a total cost of EGP 1.5 bn. and estimated annual revenues of EGP 2 bn.
- ✓ Phosphoric acid production: Establish four factories at a total cost of EGP 7.2 bn. and estimated annual revenues of EGP 4 bn.
- ✓ Phosphate fertilizers production: Establish four factories at a total cost of EGP 3.6 bn. and estimated annual revenues of EGP 5.4 bn.

### Fourteen factories for producing limestone

- ✓ Mining and processing: Build ten factories at a total cost of EGP 500 MM. and estimated annual revenues of EGP 1 bn.
- ✓ Cement production: Establish four factories at a total cost of EGP 4.2 bn. and estimated annual revenues of EGP 2.6 bn.

### Ten factories for producing glass sands

- ✓ Mining and processing: Build four factories at a total cost of EGP 500 MM. and estimated annual revenues of EGP 400 MM.
- ✓ Glass and crystal production: Establish four factories at a total cost of EGP 2.4 bn. and estimated annual revenues of EGP 1.4 bn.
- ✓ Silicon chips production: Establish two factories at a total cost of EGP 1.2 bn. and estimated annual revenues of EGP 1.9 bn.

### Four factories for producing gold

- ✓ Mining and processing: Build three factories at a total cost of EGP 10 bn. and estimated annual revenues of EGP 2.1 bn.
- ✓ Refining and purifying: Establish a factory at a total cost of EGP 4.2 bn. and estimated annual revenues of EGP 3.7 bn.



## Geographic distribution of mineral resources in the Golden Triangle area

Mining corridors	Available resource	Raw reserves	Area
<b>Eastern mining corridor</b> - Power generation plants using oil shale - Phosphate fertilizers and phosphoric acid factories - Factories of iron and related industries	Oil shale	9.4 bn. tons (minimum: 4.5 bn. barrels)	Sidmeine (2) Sidmeine (1) Wasif
	Phosphate	1,200 MM. tons	Nile Valley phosphate Red Sea phosphate
	Banded iron	53 MM. tons	Wadi Kareim Umm Nar Abu Marawat
<b>Middle mining corridor</b> - Industrial zone for metallic ores - Industrial zone for chemical industries ores - Industrial zone for ceramic and refractories industries ores	Lead and zinc	+1.4 MM. tons	Umm Gheig Jabal El-Rusas Abu Anz
	Tin	2 MM. tons (53,000 tons of extracted metals)	Nuweiba Abu Dabbab Igla
	Quartz	9 MM. tons	Not determined
	Fluorite (Fluorspar)	Not determined	Abu Dabbab Ras El-Ush Wadi Sidmeine
	Copper	Not determined	Al-Atwy
	Talc	Not determined	Darheeb Wadi Al-Atshan
	Niobium and tantalum	Abu Dabbab: 48 MM. tons El-Nabae: 82.8 MM. tons	
<b>Western mining corridor</b> - Industrial zone for building and construction industry ores - Industrial zone for ornamental stones ores	Stones and gravel	55 MM. m <sup>3</sup> , Qena Governorate	West El-Quseir East of Nile
	Sand	Not determined	North west El-Quseir
	Limestone	155 MM. m <sup>3</sup> , Qena Governorate only	Qena Jabal El-Saray El-Quseir-Safaga Rd. Jabal Duwi Al-Atshan
	Marble	Not determined	Not determined
	Granite	Not determined	Not determined

# The Golden Triangle:

## A Promising Economic Zone in Upper Egypt

### Tourism

Egypt's vision draws on development of existing tourist destinations and creating new destinations in the western north coast, oases and south Red Sea. The Golden Triangle project enjoys high tourist potentials that offer favorable investment opportunities, e.g. lengthy intact beaches and many monumental sites from the Pharaonic, Roman and Arab ages. The Project comes as part of the State's plan for tourist development in Upper Egypt especially Red Sea including planned tourist projects in the Golden Triangle area such as:

Development  
of new tourist  
destinations

- ✓ Wazar Tourist Center project: A tourist resort located at Marsa Wazar Tourist Center under El-Quseir Division - Marsa Alam at an area of 1.5 MM. meters. Only 20 Km away from Marsa Alam airport, the resort capacity is 640 rooms and offers 2,500 job opportunities, as per estimates of the Tourist Development Authority.
- ✓ Waterfront Sahl Hashish project: An area of 620,000 square meters comprising housing and commercial units as well as entertainment facilities.
- ✓ Extension of Ghaleb Port - New Lagoon Valley project: An area of 13.8 MM. square meters housing six hotels, medical center, malls and entertainment facilities..

2,500 job  
opportunities  
in Wazar Tourist  
Center



## Urban and agricultural businesses

The Golden Triangle area accommodates 1.2 MM. persons. The Project aims to establish urban communities in Safaga and Qena and meanwhile creates 480,000 direct job opportunities, which is expected to help reduce the unemployment rate to 10% by 2020 compared to 11.9% in 2016/2017. The Project targets boosting agriculture in the area. It is planned to procure the necessary water for planting 2.7 MM. feddans between Qena and Safaga.

2.7 MM. feddans  
between Qena  
and Safaga

## Infrastructure

The Project's infrastructure costs are estimated at US\$ 2.3 bn. The area comprises the following infrastructure: Qena-Safaga Road, Qeft-El-Quseir Road, a railway from New Valley to Safaga, Qena-Cairo railway as well as three mining-focused ports, namely El-Quseir, Hamrawein and Safaga, and three airports.

## The Project also aims to build road network, comprising mainly:

- ✓ Completion of turning Qena-Safaga railway into a double-way railway.
  - ✓ Completion of Phase I of Upper Egypt-Red Sea road and turning Upper Egypt-Red Sea road into a double-way road.
  - ✓ Turning the Red Sea coastal road (from El-Quseir to Marsa Alam) into a double-way road.
  - ✓ Building a new road in east Nile desert as extension of Qena junction in Upper Egypt-Red Sea road.
- Speaking of sea ports, the Project aims to build the following ports:
- ✓ Building Safaga port with several quays for containers and goods;
  - ✓ Abu Tartour port containing a terminal for dry bulk vessels, a terminal for liquid bulk vessels and a multi-purpose quay.

In conclusion, the Golden Triangle project serves as a step on the way to attain sustainable development and launch a new economic and industrial capital in Upper Egypt, and aims to launch mega projects in the fields of mining, agriculture and industry. As the area enjoys abundant reserves of glass sand, marble, gold, phosphate, manganese, iron, limestone, chromium, uranium and quartz, mining is the dominant industry in the area. The Golden Triangle area is planned to set an example for maximizing the value added of such abundant mineral resources; centers would be established for processing the ores instead of exporting them with the ultimate goal of serving the national economy.

# Zohr field

will make Egypt Gas Self-sufficient in 2019

One of the largest gas field ever found worldwide

Zohr field is located in Shorouk concession in the Mediterranean

Discovery Agreement signed in January 2014

Italian Eni confirmed gas discovery in August 2015



Discovery lies in an area of 100 Km<sup>2</sup>





It will save USD 220 MM from the monthly gas importing

The target production will increase to 1.2 billion cubic ft in 2018 and more to 2.7 billion cubic ft in 2019

Producing 500 million cubic ft of gas per day by the end of 2017

Starting production by the end of 2017

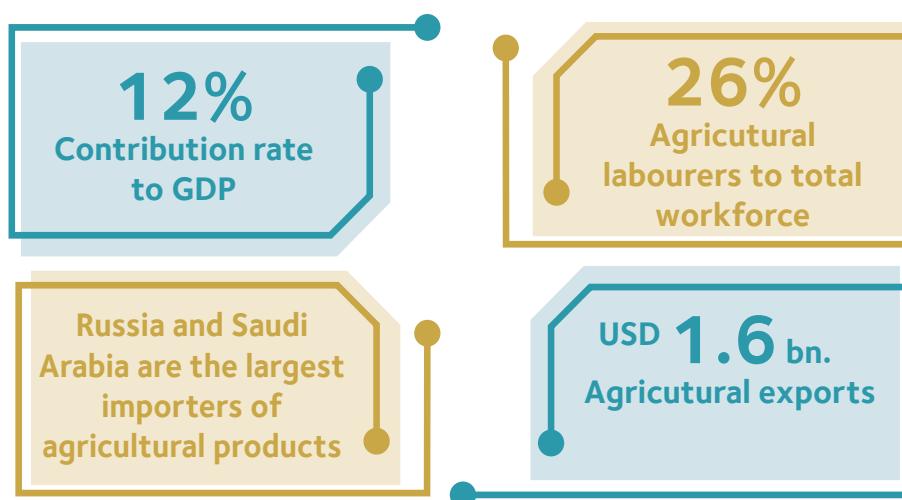
Zohr reserves amount to 30 trillion cubic feet of natural gas

Zohr investments increased to USD 16 bn. from USD 13 bn.

# Agriculture Sector:

## The Cornerstone of Egypt's Economy

Agriculture is one of the most important sectors of the Egyptian economy, due to its pivotal and effective role in reinvigorating economy and giving impetus to the development process. The sector has recently witnessed a boost as it contributed 12% to GDP in 2015/2016, remaining unchanged over the first 9 months of FY 2016/2017. The agricultural output exports accounted for USD 1.6 bn. during the first 8 months of 2017 (representing 11% of the total exports), most importantly, citrus, fruits and vegetables. Russia and Saudi Arabia are among the largest importers of the Egyptian agricultural products. This sector employs an average of 26% of total workforce, and is primarily relied upon to achieve food security for the country. It has a prime role in providing the materials needed for a number of significant industries, on top of which are spinning and weaving and food processing (processed food exports amounted to USD 1.9 bn. in the first 8 months of 2017, accounting for 13% of total exports).



### The state's efforts to develop the agricultural sector

Acknowledging the importance of the agricultural sector and its role in economic development, the state's competent bodies paid due attention to a series of agricultural and irrigation development projects which came on top of mega national projects launched lately. Such projects responded to the state's strategy of 2030 which targets the development of the agricultural sector as one of the state's prime economic dimensions through:

- ✓ Achieving self-sufficiency of a number of strategic crops on the short run, especially wheat, whose productivity is planned to grow to 11 million tons by 2018. It is also planned to increase cotton productivity in 2018 by designating 33,000 feddans for cotton cultivation to be directed either for exportation or domestic manufacturing,
- ✓ Establishing logistic hubs and collection points to store strategic agricultural commodities in partnership with the private sector,
- ✓ Introducing technology and modern techniques in agricultural development, and
- ✓ Encouraging rural industries and rural sector's industrial exports.



In that context, the role of the Government of Egypt (GoE) has been boosted with respect to expanding the area of cultivated land, raising the added-value of agricultural products and supporting the agricultural manufacturing. Such steps would contribute to creating new job opportunities and turning to green economy. Consequently, GoE has approved a package of legislation and procedures to raise the contribution of the agricultural sector to Egypt's economy. Besides, it has adopted policies that establish a friendly environment for investments in agriculture.

## Package of legislation and procedures to provide for a friendly environment for agricultural investment

Issuing the Investment Act which provides incentives for projects implemented in Areas B "including small and medium-sized enterprises (SMEs), food processing, agricultural output, recycled agricultural residuals and projects that export at least 50% of their production". Such incentives aim at enabling such projects to recover 30% of their investment cost.

Issuing the Law on Facilitating Industrial Licensing Procedures which aims to grant micro and small enterprises many facilities and incorporate the informal sector in the formal economy.

Ceasing the operation of the agriculture land tax for three years.

Establishing an organization to control handling pesticides, nutrients and fertilizers, and place a new mechanism to distribute fertilizers depending on the electronic possession system represented in granting "smart cards" to farmers.

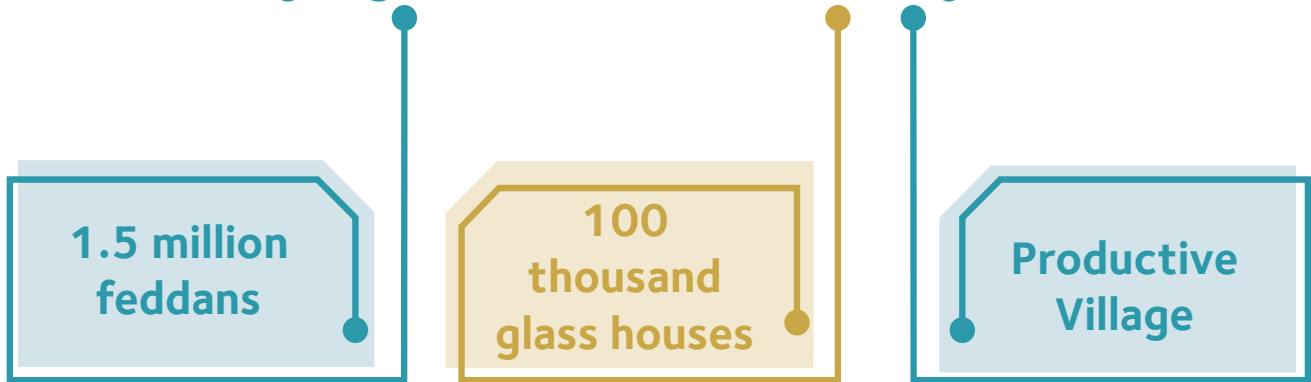
Building a center to monitor the trespassing on agricultural lands either by erecting buildings thereon or using them for purposes other than agriculture.

Launching the service of incorporating your company online on the websites of the Ministry of Investment and the General Authority for Investment & Free Zones (GAFI) to enable investors to electronically establish their companies without having to pay a visit to GAFI's Investor Services Center (ISC). Besides, a one-stop shop is designed in the ISC to provide investment services to Egyptian expatriates.

# Agriculture Sector:

## The Cornerstone of Egypt's Economy

### Key Agricultural National Projects



#### Million and Half Feddans Project

- ✓ Creating integrated urban communities in 8 governorates (Giza, Menia, Qena, Aswan, New Valley, Sinai, Al Ismailia and Mersa Matruh) depending on agriculture.
- ✓ Providing youth-dedicated arable lands.
- ✓ Executing the project in 3 stages, the first is to reclaim 500,000 feddans, followed by 490,000 feddans then finally 510,000 feddans.
- ✓ The first stage was launched by the end of 2015 and the second stage is currently in progress.
- ✓ The GoE spent EGP 1.1 bn. of the budgets of previous years.

#### 100,000 glass houses

- ✓ Setting up integrated sustainable agricultural societies in the new reclamation area under the million and half feddans project to provide 500,000 job opportunities for youth.
- ✓ Creating 600 glass houses up till May 2017, provided that the project will be completed by mid-2018.
- ✓ Exporting the large stake of production to contribute to increasing the foreign exchange.

#### Productive Village

- ✓ Developing villages to be productive rather than consumable.
- ✓ Availing 200,000 job opportunities annually



It is noteworthy that the Board of Trustees of the Agricultural Development Program (ADP) at the Ministry of Agriculture has approved up till August 2017 the disbursement of 148 loans to support the agricultural development programs and businesses totaling EGP 173.2 MM geared towards 454 beneficiaries of small farmers, stock breeders and agriculture cooperative societies.

It also approved to extend 53 loans totaling EGP 23.9 MM to strengthen the marketing potentials for small farmers and the agricultural marketing projects in the governorates of Qena, Sohag, Menia, Assuit, Beni Suef, Behera, and Kafr El-Sheikh.

## CBE's role in developing the agricultural sector

CBE plays a prominent role in developing the agricultural sector being the mainstay of the Egyptian economy. The CBE launched several initiatives with a view to encouraging banks to finance small, medium and micro enterprises, especially in the field of agriculture, which include:

- ✓ An initiative to finance small and micro enterprises at a reduced interest rate of 5%. In this respect, the CBE exempted banks from compulsory reserve ratios equivalent to the size of direct credit facilities extended thereby to finance small and micro enterprises. Banks are committed to allocate a share not less than 20% of its credit portfolio to finance small and medium companies over a period of 4 years as of date of issuing such instructions.
- ✓ An initiative for reducing the minimum capital requirement from small enterprises operating in the fields of agriculture, agro-industries, dairy industry, fodders, fisheries, livestock (either fattening, breeding, flow of milk or egg laying chicken breeds) to range from EGP 250,000 (instead of EGP 1 million) to less than EGP 50 million in addition to providing credit facilities at a low interest rate of 5%.
- ✓ An initiative for granting medium-sized enterprises operating in the fields of industry and agriculture a medium and long – term finance at a low interest rate of 7% via allocating an amount of EGP 5 billion for banks to finance new machines, equipment or production lines over a maximum period of 10 years and a maximum amount of EGP 20 million per customer.

**A 5% interest rate**  
for credit facilities granted to  
small and micro enterprises

**EGP 250,000 to less  
than EGP 50 million**  
Capital of small companies  
operating in the field of  
agriculture and agro-industries

**A 7% interest rate**  
for credit facilities granted to  
medium-sized enterprises in  
the field of agriculture

# Agriculture Sector:

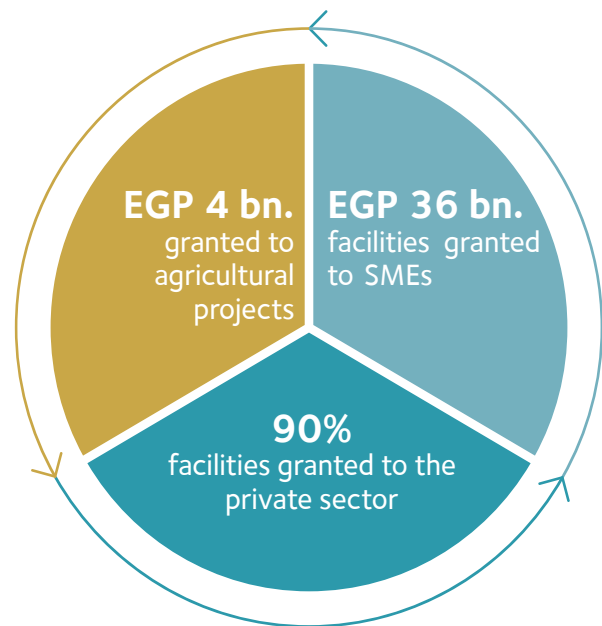
## The Cornerstone of Egypt's Economy

### NBE's role in developing the agricultural sector

NBE developed an agricultural finance strategy with a view to financing small farmers within the Bank's or cooperatives' finance programs and seed funding newly incorporated/established agricultural businesses. The strategy aims to cope with the trend adopted by several international institutions for financing agricultural businesses and green economy and support the efforts exerted by the state and the CBE in directing finance to SMEs in the agricultural and agro-industry sector.

NBE's total credit portfolio financing SMEs reached EGP 36 billion in June 2017. Total credit facilities provided to such enterprises in the agricultural sector such as agricultural development programs and cattle breeding amounted to EGP 4 billion at the end of September 2017 accounting for 11% of NBE's total credit portfolio of SMEs. Facilities granted to the private sector exceeded 90% of total credit facilities provided to the agricultural sector.

### NBE facilities provided to SMEs

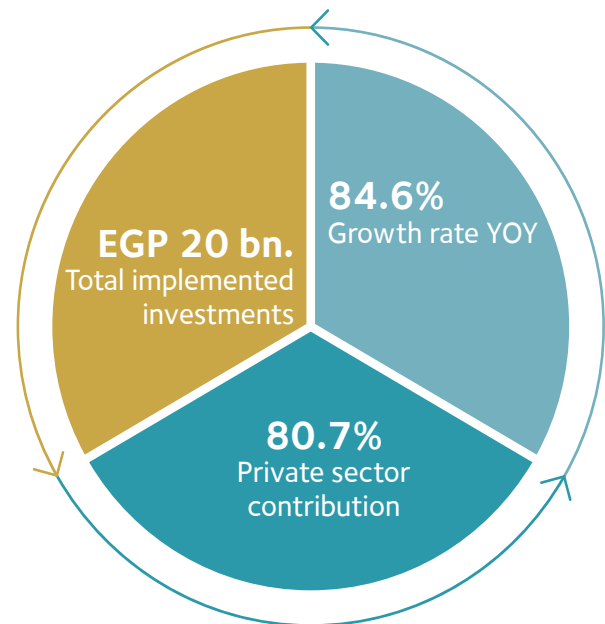


## Total implemented investments and new investment opportunities

In view of the above, it is obvious that launching the foregoing national agricultural projects and declaring a package of legislation and procedures to develop the agricultural sector pave the way for mega investments in such fields as well as other associated industries. Total targeted investments are estimated to reach EGP 33.3 billion in 2017/2018. This considerably contributes to providing job opportunities for youth, bridging the food gap and achieving comprehensive development.

The Ministry of Trade and Industry's and the Industrial Development Authority's investment map reveals new investment opportunities in the field of agro-industry, mainly (dates drying and packing - fruit, vegetable and legume sorting, freezing and canning - fruits, vegetables and onion drying - citrus fruit sorting, gradation and waxing - natural fruit juice production - vinegar production from molasses and black honey - olive oil extraction - tomato sauce and jam production and packing - soya bean and maize project).

## Investments in the agricultural, irrigation and reclamation sectors July - March 2016/2017



It is noteworthy that Egypt is the world leader in date production (with an amount of 1.5 million tons annually accounting for 18% of global production which amounts to 7.5 million tons).

Egypt ranks sixth in exporting dates with a 2.8% of total production.

In light of the efforts exerted to boost our dates exports, 39 factories for dates processing in the New Valley governorate are to benefit from the Law on Facilitating Industrial Licensing Procedures during the coming period.

# Financial Inclusion:

## SMEs Supported under CBE's Initiatives to Reinforce the Concept of Financial Inclusion

There has been growing interest by different countries in adopting financial inclusion in recent years in order to provide and expand banking and financial products and services to cover all brackets of the society, including individuals and institutions, through formal financial channels. Many countries adopted financial inclusion as a key topic of their financial and economic development strategies and agenda with a view to supporting their financial stability. This, in turn, promotes social justice and poverty reduction and supports economic growth as a whole, which slashes unemployment rates. In this context, the Central Bank of Egypt (CBE) launched several initiatives to bolster the concept of financial inclusion, and issued a number of regulations and instructions to enhance the financial inclusion environment, as follows:

### Financial inclusion depends upon the following:

- ✓ Providing a diversified set of financial products and services that cater to the needs of all brackets of the community.
- ✓ Disseminating financial awareness and knowledge among community members to choose the most appropriate services for them.
- ✓ Ensuring that community members benefit from these products.
- ✓ Geographical spread of such services.

### Disseminating financial inclusion awareness and knowledge

**The CBE launched a number of initiatives on financial education to help individuals better understand and select banking products and services.**

- ✓ National initiative "for the future" launched by the Egyptian Banking Institute (EBI) in 2012, and the initiative on "reinforcing the concept of financial inclusion" in April 2017 which allowed banks to be present outside branches to deliver a comprehensive awareness raising campaign.

### Encouraging banks to finance micro, small and medium-sized enterprises:

Micro, small and medium-sized enterprises (MSMEs) account for the largest share of total projects across the different economies of the world – including Egypt. They provide ample job opportunities, which contributes to achieving economic and social development. In this context, CBE issued instructions on opening small branches to serve micro and small enterprises late in 2014, in addition to several initiatives aimed at encouraging banks to finance these companies and enterprises, as follows:



✓ The initiative on issuing a standard definition of companies at the banking sector level, dated 7th December 2015. It included defining the different categories of companies and enterprises (micro, small and medium-sized), based on the amount of annual revenues and number of employees for existing companies, or the paid-up capital and number of employees for startup companies.

✓ The initiative launched in **January 2016** on granting credit facilities to small and micro companies and enterprises **at a low interest rate of 5% (simple and decreasing)** and exempting banks from the mandatory reserve ratio to the full extent of the direct credit facilities granted to such companies and enterprises. Banks are to allocate at least 20% of their credit portfolio to finance small and medium-sized enterprises within 4 years from the date of issuing these instructions.

✓ The initiative, launched in **February 2016**, on granting medium- and long-term finance to medium-sized companies and enterprises (existing or startup) engaged in industrial and agricultural activities **at a low interest rate of 7%**. The initiative provided for allocating EGP 5 bn. to banks to finance new machinery, equipment and/or production lines for a maximum period of 10 years and a maximum amount of EGP 20 MM. per customer (through one bank).

### 5% interest rate

on loans and credit facilities granted to micro and small companies and enterprises

### 7% interest rate

on loans and credit facilities granted to medium-sized companies and enterprises engaged in industrial and agricultural activities

# Financial Inclusion:

## SMEs Supported under CBE's Initiatives to Reinforce the Concept of Financial Inclusion

- ✓ Initiative on microfinance, launched in May 2017, whereby microfinance granted directly by banks to individuals, companies and enterprises, or through NGOs and microfinance companies, was added to the above-mentioned 20% of banks' credit portfolio.
- ✓ The initiative launched in March 2017 on amending certain terms of the previous CBE's initiatives on small and medium-sized companies and enterprises, which included the following:

A- Amending the definition of small and medium-sized companies and enterprises contained in the initiative of 7<sup>th</sup> December 2015. The following table shows the updated definition of small and medium-sized companies and enterprises:

Companies & enterprises	Existing		New (startup)	
	Turnover (annual sales/revenues)	Number of employees*	Paid-up capital**	Number of employees*
Micro	Less than EGP 1 MM.	Less than 10	Less than EGP 50,000	Less than 10
Small	From EGP 1 MM. to less than EGP 50 MM.	Less than 200	From EGP 50,000 to less than EGP 5 MM. for industrial enterprises, and less than EGP 3 MM. for non-industrial enterprises	Less than 200
Medium	From EGP 50 MM. to EGP 200 MM.		From EGP 5 MM. to EGP 15 MM. for industrial enterprises, and from EGP 3 MM. to EGP 5 MM. for non-industrial enterprises	

\* The number of employees is indicative and does not specify the definition of company or enterprise.

\*\* The "paid-up capital" is used in case of startup companies and enterprises instead of turnover, for one year from the start of business until turnover data is available. Accordingly, this classification is temporary, and the original definition based on turnover shall then be applied.



B- Amending certain terms of the initiative on medium-sized companies and enterprises issued in February 2016. The amendments add the new and renewable energy sector to such initiative and allocate EGP 10 bn. (in tranches) via banks at 12% interest rate to be used in granting short-term credit facilities to finance the working capital of medium-sized companies and enterprises operating in industry, agro-processing and new and renewable energy only, while prioritizing companies operating in the field of exports and import substitution.

**Allocating  
EGP 10 bn.**  
to finance industry, agro-  
processing and new &  
renewable energy

- ✓ The initiative on reducing the minimum turnover of small companies and enterprises engaged in agriculture, agro-processing, dairy products, fodder, fish and livestock. The applicable turnover shall start from EGP 250,000 (instead of EGP 1 MM.) to less than EGP 50 MM., so that credit facilities can be offered at a low rate of 5%.
- ✓ "Nile Entrepreneurs" Initiative to support small and medium-sized enterprises, dated July 2017, which was signed between the CBE and Nile University for 5 years to develop, qualify and enhance the capabilities of young entrepreneurs in small and medium-sized enterprises.

### Promoting mortgage finance for low- and middle-income individuals:

In the framework of promoting the social role played by the Egyptian banking sector besides its economic role, Central Bank of Egypt (CBE) launched the Mortgage Finance Initiative for low- and middle-income individuals in February 2014. Under this Initiative, an amount of EGP 10 billion was made available in the form of long-term mortgage finance (with a maximum of 20 years) to these segments in housing projects in new urban communities at a low diminishing interest rate of 7% p.a. and 8% p.a. to low and- middle income individuals respectively.

**EGP 10 bn.**  
long-term mortgage finance  
for low- and middle-  
income individuals

# Financial Inclusion:

## SMEs Supported under CBE's Initiatives to Reinforce the Concept of Financial Inclusion

### The CBE made some amendments to the terms of the Initiative as follows:

- ✓ Opening new marketing channels for the Initiative on February 2016 by introducing new customer segments such as the "upper-middle income segment" (with a maximum monthly income of EGP 15,000 per individual and EGP 20,000 per household) and adding another sub-segment with respect to "low-income individuals". Furthermore, the amendments ease the burden off banks by engaging mortgage finance companies to provide their services directly under the Initiative;
- ✓ Raising the maximum monthly income of eligible low- and middle-income individuals as of June 2017 to EGP 2,100 (instead of EGP 1,400) for low-income individuals (who enjoy an interest rate of 5%), EGP 10,000 for single individuals and EGP 14,000 for households for middle-income individuals (instead of EGP 8,000 and EGP 10,000 respectively). The maximum housing unit price for middle- income individuals was raised from EGP 200k to EGP 700k.

### Electronic banking services:

Technology plays a key role in reinforcing financial inclusion. It provides new mechanisms to deliver financial products and services which attract a large segment of customers. In this vein, the CBE issued the mobile payment regulations for the "M-wallet" in February 2010. The objective is for Egypt to become a less cash-dependent economy. These regulations enable banks and mobile phone operators to open accounts for unbanked individuals via service providers. Mobile payment kick-started in early 2014 by offering multiple services such as money transfer, bill payment and buying goods and services. In November 2016, the CBE issued the new version of the mobile payment regulations (which replace the previous regulations). Most importantly:

- ✓ allowing customers to receive cross-border remittances of Egyptian expatriates;
- ✓ modifying the withdrawal and deposit limits; and
- ✓ enabling customers to transfer money between their mobile phone accounts and any other accounts they hold at the same bank.

**9 million subscribers**  
to mobile money transfer service



The CBE issued the internet banking regulations in November 2014 which address the means and mechanisms to mitigate risks associated with e-banking transactions and enhance information security. With respect to e-banking products, the number of POS and ATMs increased to 63,000 and 10,000 respectively in December 2016 (growing 5.9% and 16.7% respectively yoy).

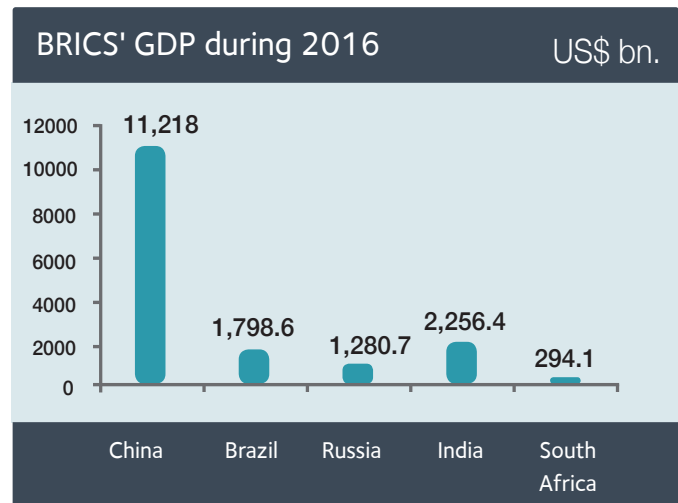
### World Bank:

- Egypt has the potential to bring more than 44 million adults into the formal financial sector.
- Egypt is a model country in the Universal Financial Access Initiative launched by the World Bank Group in cooperation with several international institutions.

In conclusion, the leading role of CBE in implementing the concept of financial inclusion is evident. CBE's efforts contribute to maintaining financial system stability and, thus, raising the growth rate of Egypt's economy. On a similar note, Egypt hosted the 9th Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF), held for the first time in an Arab country, from 13 to 15 September 2017 in Sharm El-Sheikh, under the auspices of the CBE in cooperation with the AFI. Nearly 1,000 representatives of 119 institutions (ministries of finance and central banks) from 95 AFI member states, including developing and emerging economies, participated in the GPF with the aim of designing financial inclusion policies and strategies and exchanging experience between countries in this field. Thanks to its prominent role in enhancing financial inclusion, the CBE was chosen as a member on the AFI board of directors.

# Egypt's Participation in the BRICS Summit

"BRICS" is derived from the initials of its member states which are: Brazil, Russia, India, China and South Africa. The International Monetary Fund (IMF) statistics indicate that the aggregate economies of the BRICS states account for 22.4% of world's GDP in 2016 compared to 10.3% in 2006. Its share in international trade scaled up from 11% to reach 16% during that period. In 2016, the intra-BRICS trade stood at US\$ 16.6 trillion. BRICS member states constitute approximately a quarter of the world area. They make up 40% of the world's total population (about 3.6 billion).



BRICS aims at managing global economy more efficiently together with the G20 and major international financial institutions, creating an international balance on the economic side; achieving an economic, political and geo-political integration between the member states and providing effective contribution mechanisms to grant and exchange loans between the Group's five member states during economic crises. A number of development institutions are linked to the BRICS Group, mainly, the BRICS's New Development Bank (NDB) with a capital of US\$ 100 billion and the Contingency Reserve Arrangement (CRA) fund with a capital of US\$ 100 billion.

## The Egypt-BRICS trade relations in 2016

US\$ bn.

	Trade volume	Egyptian exports	Egyptian imports
China	8.5	0.5	8.0
Russia	2.6	0.3	2.3
Brazil	1.7	0.1	1.6
India	2.7	0.9	1.8
South Africa	0.3	0.15	0.15

Egypt retains formidable economic and trade relations with the "BRICS Group", especially China and Russia. In January 2016, Egypt and China signed a number of agreements and memorandums of understanding focusing on boosting cooperation between both countries in a great number of fields, establishing phase II of the Chinese economic area in Suez Canal region, and tailoring the 5-year executive program on comprehensive strategic partnership between both countries. In November 2015, a draft agreement was



signed between Egypt and Russia on establishing and operating the first nuclear-power plant at El Dabaa with a total cost of US\$ 29 billion. In February 2016, an investment agreement between Russian Direct Investment Fund (RDIF) (a Russian sovereign fund established with a capital of US\$ 10 billion to make direct investments in Russia and abroad) on one side and the National Bank of Egypt and Banque Misr on the other side, was executed. The agreement targets cooperation in the field of investment and forming a joint task group between the fund and both banks with a view to establishing a finance mechanism to fund joint investments in the fields of infrastructure and agricultural projects. Furthermore, a memorandum of understanding was signed to initiate a Russian industrial zone in Egypt. The attached table clarifies the trade volume between Egypt and the Group's states during 2016.

## The ninth summit of the BRICS in 2017

The Group holds an annual summit, the first summit was convened between heads of the four founder states in Russia in July 2009. In September 2017, the Chinese Xiamen City hosted, the ninth summit centering on the theme of "BRICS: Stronger Partnership for a Brighter Future". The following are some features of the summit:

### Objectives of the summit:

- ✓ Bolstering common development and international cooperation in the field of development.
- ✓ Strengthening global governance to work together to cope with challenges together and maintain international peace and stability.
- ✓ Boosting openness to global economy, holding on to the multinational trade system role and rejecting all forms of protective and closed economies.
- ✓ Considering potential admission of new member states to the Group from different continents worldwide and the membership criteria.

## Egypt's participation in the ninth summit of the BRICS states, 2017

Egypt participated in the BRICS Summit for the first time among five nations as guests of honor. On the sidelines of the summit, Egypt signed a number of agreements as follows:

- ✓ A memorandum of understanding to implement the electric train project connecting the 10th of Ramadan City to the New Administrative Capital. The Chinese funding totaling US\$ 739 million.
- ✓ An economic and technical agreement was signed with China to provide a non-refundable grant with an amount of US\$ 45 million to implement Egypt's Satellite Project - SAT II, to serve research and remote-sensing projects.

# Egypt's Participation in the BRICS Summit

As Egypt participated in the BRICS summit and presented its own views, the chances to access the BRICS Group which became the focus of attention of many states (such as Argentina, Nigeria, Indonesia and Turkey) have increased. This will in fact boost Egypt's economic cooperation with the bloc, open wide vistas for the Egyptian economy and allow Egypt to benefit from the Group's interest in encouraging sciences, technology and innovations. As for Egypt's chances to join the BRICS bloc, the following can be highlighted:

- ✓ Egypt is a focal point in China's "Belt and Road" initiative, launched by the Chinese president in 2013 with a view to developing collaboration between China and a great number of countries along the silk road in continents of Asia, Africa and Europe. Egypt agreed at the beginning of 2016 to join the initiative driven by its strategic geographic location and giant market. In addition, Egypt's efforts today square with the objectives of the initiative especially with establishing the economic area in Suez Canal. This included raising the efficiency of crossing the Suez Canal after doubling the path completely and facilitating the global trade movement.
- ✓ The Egyptian economy has remarkably improved in the wake of adopting the economic reform program. This boosted the confidence of global institutions.
- ✓ Egypt is a portal to the African continent and a member state of most African blocs such as the African Union (AU), the Common Market for Eastern and Southern Africa (COMESA), the Community of the Sahel-Saharan States (CEN – SAD) and others. It is also a gateway to Europe via a joint political and security partnership in the Mediterranean Basin and an EU-Egypt association agreement covering economic, technological and trade matters.
- ✓ Egypt is an asset to the Group on the political and strategic level, as it is a leading country and plays a pivotal role in the Arab as well as the Islamic world, taking into account the Group's rising interest in political aspects by seeking to bolster stability and contribute to maintaining international peace and security.



# Ghalioun ... the Shores of Hope and Life

## The Largest Fish Farm in the Middle East “Chinese Expertise and Egyptian Manpower Join Forces”

Ghalioun fish farming project in Kafr El-Sheikh is the largest marine fish farm in the Middle East with a total area of 12k feddans. The project is a new breakthrough for Egypt as it widens its development horizons. It is also a major step towards food security. The Chinese expertise helped in realizing this huge achievement in a record time through the partnership between China's Evergreen Group, one of the largest fish farming companies in the world, and the National Company for Fishery and Aquaculture.

**The first phase of the mega project was launched in November 2017 on an area of 4,000 feddans divided into service integrated areas**

- ✓ This project is a life-giving river where both saltwater and freshwater flow in the main waterway which extends for 7 kilometers and feeds the whole area of aquariums. On the other hand, there is a wastewater treatment plant which maintains the purity of water and ensures the high quality of fish output. There are 1,359 aquariums in the first phase distributed as follows:

655 aquariums for farming shrimps with a production capacity up to 2,000 tons annually to support the local market and export the surplus.

466 aquariums for farming and growing fish with a production capacity exceeding 3,000 tons annually.

83 freshwater aquariums for farming tilapia and mullet fish to meet local market needs.

155 aquariums for incubation and fish fry to serve all the other aquariums

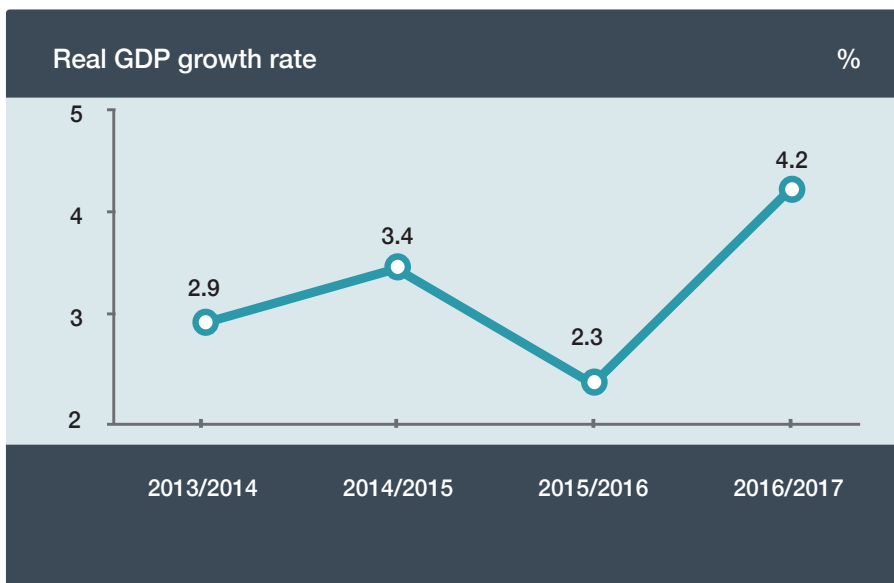
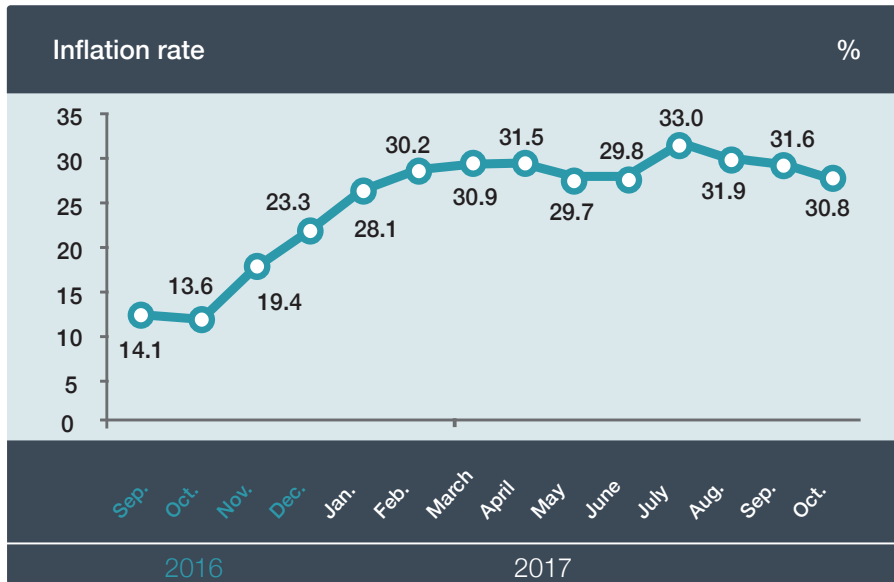
The project also comprises a hatchery for fish and shrimps on an area of 17 feddans which contains 546 aquariums to prepare adult fish for spawning.

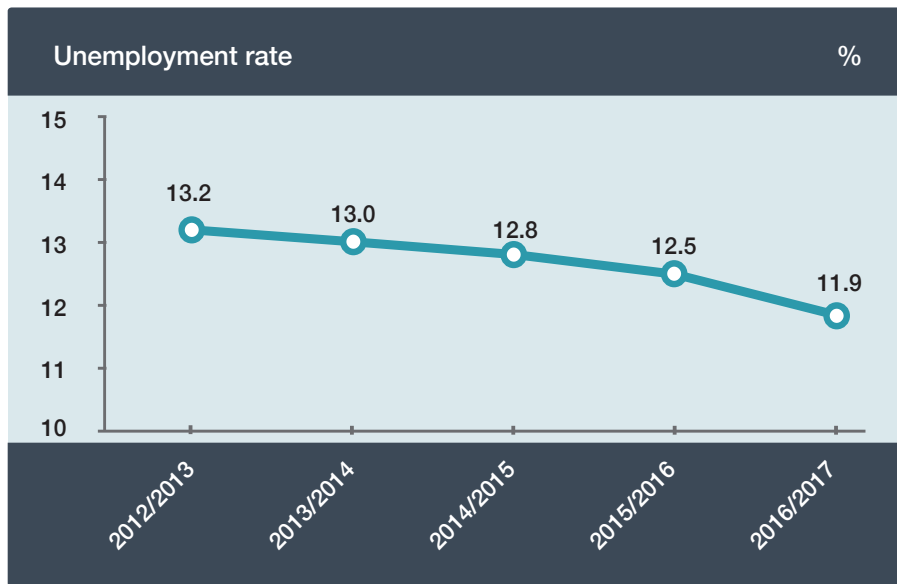
- ✓ The project is a fully-fledged one since an industrial city was established on an area of 55 feddans housing the following key factories:

- A fish feed factory with a capacity of 120k tons annually.
- A shrimp feed factory with a capacity of 60k tons annually.
- A large fish and shrimp processing and packing factory on an area of 20,000 m<sup>2</sup> with a production capacity of 100 tons daily.
- A foam factory with a production capacity of 1,500 kilograms daily for hygienic fish handling.
- An ice factory with a production capacity of 40 tons of crushed ice and 20 tons of ice blocks daily to cater to the needs of the project.
- Research and training centers to train highly qualified staff on the cutting edge scientific methods of breeding saltwater fish and shrimps.

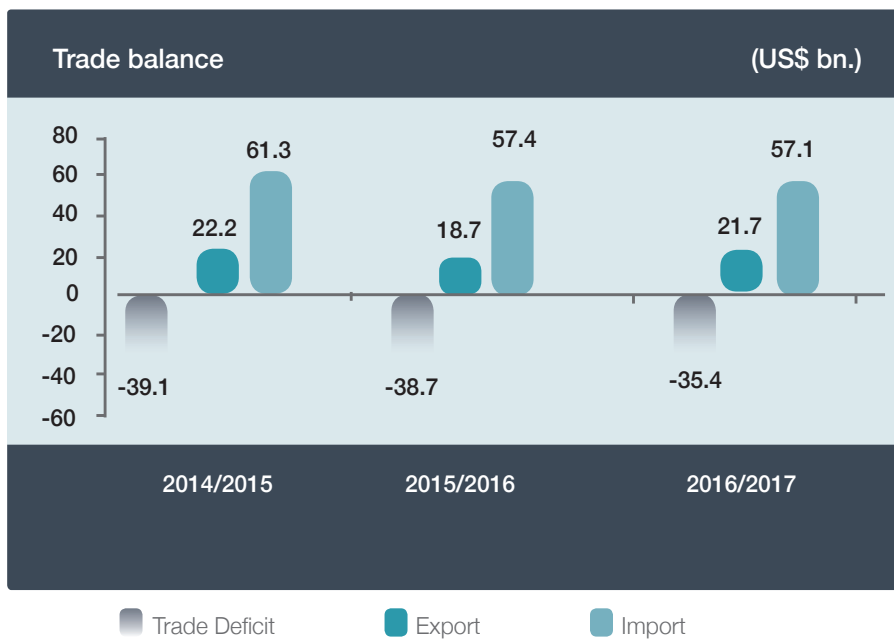
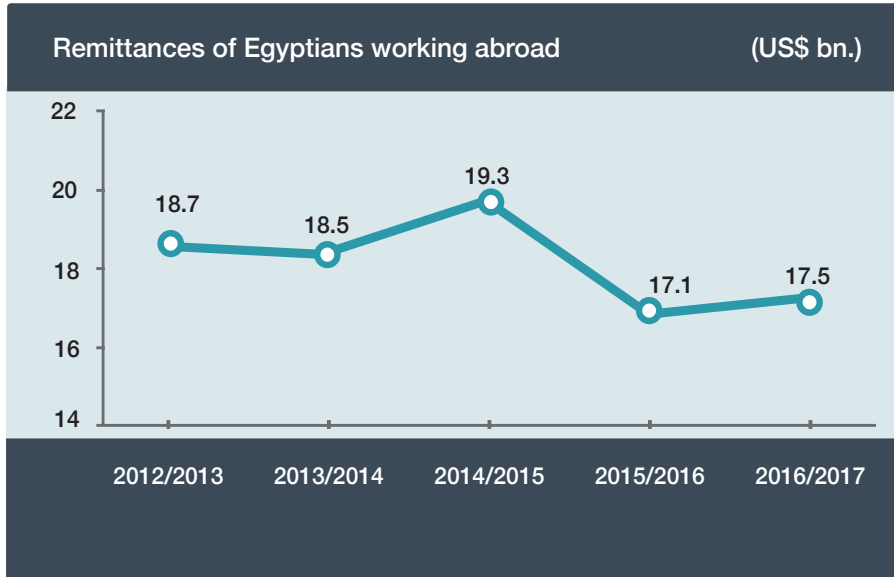
To ensure uninterrupted and stable power supply for the project, a power station with a total capacity of 80 megawatts was built in a record period of six months only.

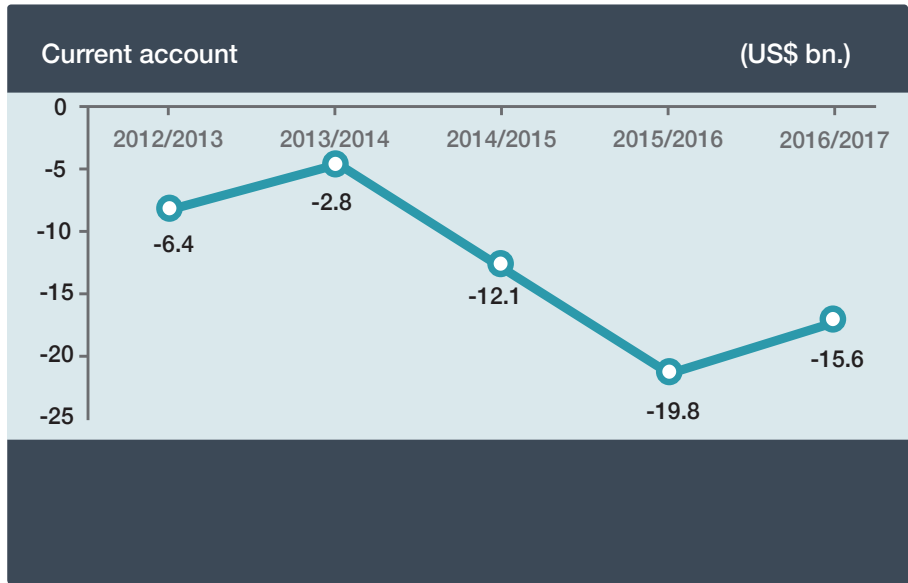
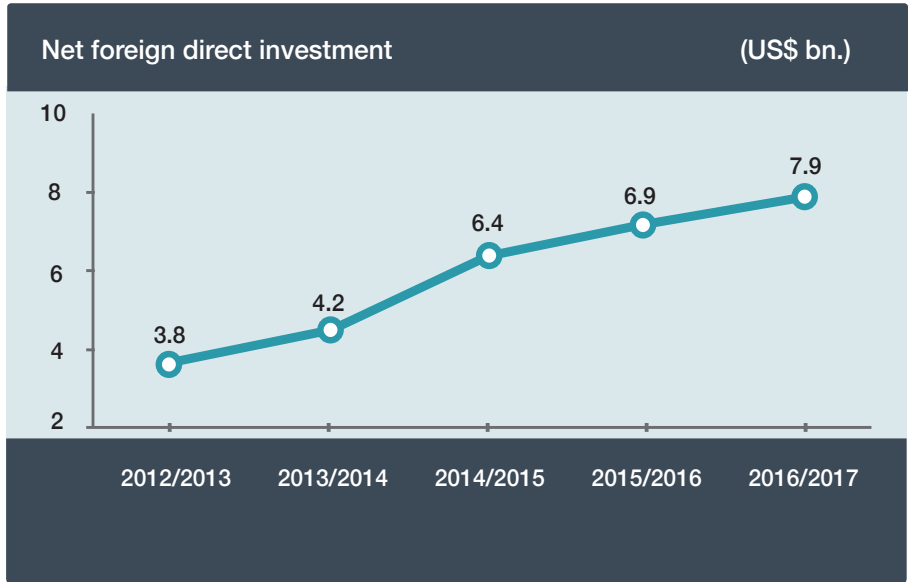
# Egyptian Economy in Brief





# Egyptian Economy in Brief





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