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Economic Bulletin

البنك الأهلي المصري
NATIONAL BANK OF EGYPT

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NBE Obtains Certification of Business Continuity Management System – ISO 22301-2012

NBE was awarded the ISO 22301-2012 certification of business continuity management by British Standard Institution (BSI), which is one of the most internationally renowned institutions that plays a pioneering role in global standardization and accreditation.

This international certificate highlights the Bank's ability to continue rendering its core services with high quality and in real time in case of contingencies or disasters. This includes raising staff awareness through awareness-raising campaigns and training courses for competent employees to educate them on business management from the alternative premises in case of contingencies while maintaining the highest performance rate without affecting the Bank's vital businesses.

This certificate reflects the Bank's compliance with the International Organization for Standardization's instructions and requirements in this regard. It also shows the Bank's efficiency and effectiveness in managing its banking operations and services. The Bank is always keen on realizing excellence and providing all banking services with the required efficiency and quality with a view to serving and protecting the national economy and achieving financial and banking stability.

The first Egyptian and national bank to obtain certification of business continuity management - ISO 22301-2012

British Standards Institution

NBE Signs an Interbank Alliance Agreement with Arab and Chinese Banks

National Bank of Egypt (NBE) signed an interbank alliance agreement with China Development Bank (CDB), First Abu Dhabi Bank (FAB), Lebanon's Fransabank, and Morocco's BMCE bank. This marks a new phase of relations between Arab banks and CDB. Such alliance is an effective step towards promoting collaboration in various economic areas, especially in the fields of energy, infrastructure and developing industry.

NBE's presence in China

- NBE is the first Egyptian and African bank to exist in China. At first, the Bank operated through its Representative Office in 1999, founded on the background of the long political and economic relations between Egypt and China, as well as the anticipatory vision of NBE's management of the Chinese pivotal role in global economy.
- NBE upgraded the Representative Office in 2008 to an operating branch which carries out various banking services and plays a critical role in facilitating commercial and investment cooperation between the two countries.
- NBE obtained a licence to deal in local currency in 2017. As a result, it contributes to facilitating trade activities between Egypt and China on one side and China and the Arab and African countries on the other side, in addition to promoting NBE's role in the Silk Road Initiative.

NBE and EIB Sign a Deal for Financing SMEs

Hisham Okasha, NBE's Chairman, and Flavia Palanza, Director of EU Neighboring Countries at the European Investment Bank (EIB) signed a EUR 375 MM. financing agreement to fund small and medium sized enterprises (SMEs) in Egypt. The financing agreement is in line with state's plan to encourage this segment of enterprises, aiming at creating more job opportunities and greasing the wheels of national economy. The deal also reflects EIB's confidence in NBE in particular and the Egyptian economy in general.

This financing agreement will contribute to:

- Granting the finance necessary for developing the private sector throughout the Egyptian governorates; and
- Empowering and supporting women through fulfilling their financing needs.

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EUR 375 MM.
The value of the agreement

European Investment Bank

Economic Reform Program Policies Enhancing the Financial System Stability

The economic reform program policies, adopted by the Egyptian government and the Central Bank of Egypt (CBE), contributed to rectifying the internal structural imbalances and eliminating the spillover effects of external shocks. The program focused on pursuing a fiscal control policy, diversifying sources of finance, liberalizing exchange rate and applying a tightened monetary policy to contain inflationary pressures.

According to the "**Financial Stability Report 2017"** published by the CBE, such policies improved overall financial conditions and enhanced the fiscal system stability, as follows:

Decline of risks which may emerge as a result of the outflow of foreign capital and lack of foreign currency liquidity held with the banking sector in light of the flexibility of exchange rate and the drop in current balance deficit.

Prevention of accumulated risks as a result of excessive growth of credit. The private sector credit to nominal GDP retreated below its historical levels during the period from September 2017 till March 2018. This is partly attributable to the household and business enterprise sectors, indicating their ability to obtain more credit during the coming period without being vulnerable to risks.

The decrease of government securities share in the banking sector assets and the improvement in the financial performance of the government, curbing the exposure of the banking sector to general financial turbulence.

Given the **positive financial conditions**, the financial stability index (FSI) tackling quarterly data during the period from March 2011 till December 2017 with its four sub-indices, recorded an upward trend during 2017 "except for the world economic climate index (WECI) ", as follows:

The banking system performance index made an upswing to record its highest value in December 2017;

The macro-economic index signaled an uptrend in 2017, especially after adopting the exchange rate liberalization policy, achieving security and political stability, curbing inflationary pressures and reducing budget deficit and total public debt to GDP;

The financial markets index continued to surge since June 2016 to reach its highest level in December 2017; and

The world economic climate index dropped in December 2017 after reaching its peak in September 2017.

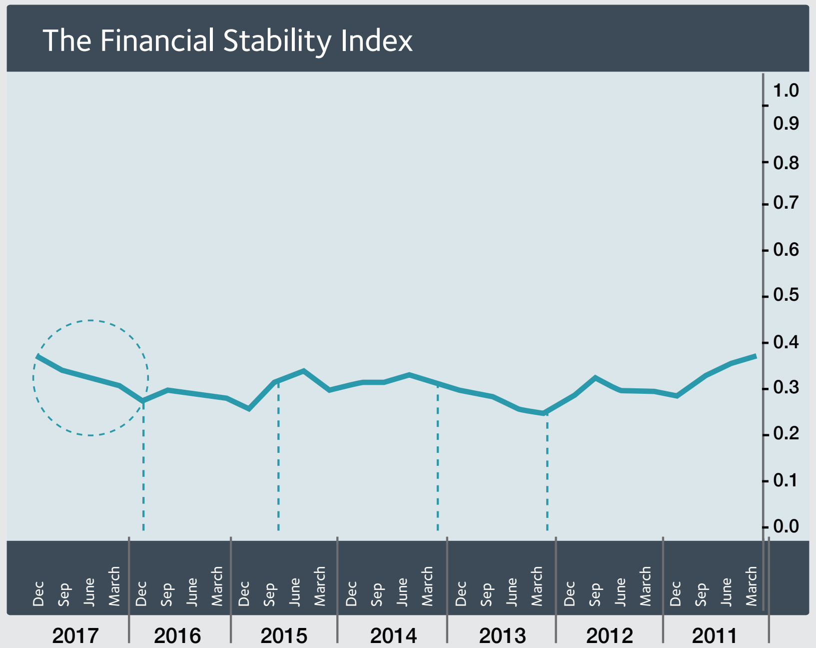
Future trends

- Boosting the concept of financial inclusion and drafting and promulgating the law of "The Central Bank, the Banking Sector and Money" with the objective of setting regulatory and supervisory standards and applying more efficient systems for governance and risk management, in order to ensure stability in the banking system.

- Obliging banks to establish special departments, as instructed by the CBE, to provide small-scale customers with access to finance and develop information systems with a specialized unit to manage the associated risks. The growing trend towards financial inclusion raises the chances for the engagement of new customers and increases the number and spread of bank branches, POS, ATMs, traditional banking and e-banking services. This is associated with the higher credit risks resulting from the expansion in credit sanctioning to micro and small enterprises, as well as the technological risks arising out of expanding e-banking activities.

- Establishing a new CBE department to protect consumers of financial services at banks.

- Developing the Financial Technology or "FinTech" strategy in Egypt in light of cutting-edge financial standards and benefiting from the technological innovations in this field, such as the "Block-Chain" technology and "Big Data Analytics".



The Voluntary National Review 2018 highlights Egypt's achievements in sustainable development

Egypt released the Voluntary National Review 2018 report in line with its **transformation towards a sustainable and resilient society**. The report showcases Egypt's achievements in light of the United Nation's sustainable development goals (SDGs) which came into effect on January 1st, 2016. Voluntary national reviews are particularly important for monitoring the implementation of the United Nation's SDGs across different countries, sharing experience and success stories, promoting partnership between the private and public sectors and the civil society and raising awareness of the importance of achieving SDGs. The report also sheds light on Egypt's achievements and structural and economic reforms. Finally, it portrays a true picture of Egypt and its achievements in sustainable development to the international community.

Egypt launched its first-ever sustainable development strategy, Sustainable Development Strategy: Egypt Vision 2030 (SDS), in February 2016. The SDS is the first long-term strategy to be developed in Egypt following a participatory, open and transparent approach. It acts as a roadmap for all development programmes and projects that will be implemented until 2030. The SDS encompasses sustainable development targets. In order to ensure the effective implementation of the SDS, focal points and working groups were introduced at the relevant ministries to coordinate and monitor the achievement of SDS targets.

Egypt's key achievements in sustainable development

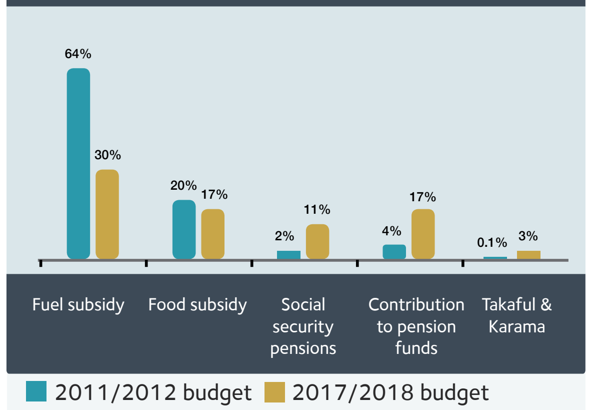
Egypt has put the main SDS goals into action in the framework of inclusive growth. These goals include the achievement of balanced regional development, the empowerment of women, youth and people with disabilities, promoting gender equality, and raising the standards of living of low-income citizens. The Government has adopted effective social policies and programmes which are inclusive of all targeted groups. Key programmes include:

Social protection programmes

Takaful and Karama programme

Egypt has restructured social protection programmes in terms of their scope, targeting mechanisms and methods of delivery. There is an increased reliance on conditional cash transfers in lieu of direct price subsidy, especially for fossil fuels. Takaful ("Solidarity") is a conditional cash transfer programme targeting the most vulnerable in the society. The report shows that the number of households enrolled into the programme multiplied to 2.3 MM. households this year compared to 0.7 MM. households in 2015/2016. Karama ("Dignity"), on the other hand, is an unconditional cash transfer programme which targets the elderly, people with disabilities, and orphaned children. Total enrolment currently stands at 306K households.

Spending on subsidies and social programmes



Sakan Karim ("Decent Housing")

This programme is designed to provide housing for low-income households. The first phase of the programme targeted 67K households in several governorates, (Minya, Sohag, Assiut, Qena and Luxor). A number of 22.1K housing units were completed under the programme.

Empowerment of people with disabilities

President Abdel-Fattah Al-Sisi declared 2018 the Year for People with Disabilities. The Government is collaborating with nearly 50 non-government organizations (NGOs) to create a plan for monitoring performance and results on disability issues in Egypt, improve the living and social conditions of people with disabilities and provide them with job opportunities. Meanwhile, in the same year, Law No. 10 of 2018, the first Egyptian law that specifically addresses the rights of people with disabilities, was passed. Currently, more than 1.1 MM. people with disabilities benefit from the different cash transfer programmes.

Women empowerment

The Government is keen on empowering women through training and soft loan programmes to support start-ups.

Other programmes

Egypt is also keen on creating employment opportunities for the most vulnerable through capacity-building to allow access to labour markets. It has also launched a social insurance programme, the Aman ("Security") certificate, for informal workers. Aman serves as both an insurance certificate and a savings certificate.

To ensure society engagement in SDS goals, the Government introduced Nes2alak ("We Ask You"), a mobile polling application that measures public sentiment on development issues. NazahaMap ("Integrity Map") is another mobile application that allows citizens to report any SDS goal-related corruption incidents.

Economic reform programme and mega projects that foster growth

The Government has embarked on an economic reform programme with the aim of addressing key imbalances in the economy, primarily external imbalances and budget deficit. Accordingly, the Programme helped put Egypt on the track of comprehensive and effective economic growth. In addition, Egypt is making progress on the implementation of a number of mega-projects which have two common denominators: upgrading the country's infrastructure and improving the investment climate on the one hand, and achieving sustainable development beyond the Nile Valley to reach all areas in Egypt on the other hand. Mega projects include:

- **The one and a half million feddans project** which aims at increasing the country's arable land by nearly 18.75%;
- **The national project for highways,** the objective of which is to extend the network of roads and bridges to all areas that lack appropriate means of transportation. It also aims at easing congestion in major cities. It is noted that 865 km of roads have been added to the Egyptian road network and around 2,000 km of existing roads have been subject to maintenance or development;
- **Suez Canal Economic Zone** which seeks to create a logistics area with utilities in the Suez Canal region and support marine transportation activities;
- **The Golden Triangle in Upper Egypt** which covers an area of 9K km^2 between the cities of Qusayr, Safaga, and Qena. Its objective is to promote development and tap into the mineral resources that this region is rich with; and
- **The New Administrative Capital** which is only one city from a total of 15 cities that the Government plans to establish in different geographical locations around Egypt.

Egypt's progress towards SDGs

Decent work and economic growth

Egypt has made great strides in economic reform. Hence, economic growth rate rose to 5.4% in Q3 of 2017/2018. Unemployment also declined to 9.9%. Egypt eyes more success by creating a favourable environment for foreign direct investment, carrying out other mega projects, supporting SMEs and promoting financial inclusion.

5.4%
Economic growth rate in Q3 2017/2018

Industry, innovation and infrastructure

Egypt has made significant infrastructure reforms over the last few years, including the improvement of the roads and bridges network, strengthening the electricity grid, supporting drinking water and wastewater projects and expanding natural gas pipelines to households. To demonstrate, generated electricity increased by 50% from 32 GW in 2014 to 48 GW in 2017. With an eye to bolstering industrial and mining activities, four major industrial zones have been established, as well as five zones which are currently being developed. In addition, a comprehensive plan has been developed to optimize the benefits of the Golden Triangle economic area in Upper Egypt.

Responsible consumption and production

The Government is keen on promoting sustainable production and consumption through launching a number of initiatives and programmes across several sectors such as energy and water resources; enhancing the development of irrigation and agriculture; and waste recycling and reuse. In this vein, Egypt's efforts include:

- Launching the National Solid Waste Management Program (NSWMP);
- Establishing the Waste Management Regulatory Agency (WMRA) to manage waste using cutting edge techniques such as recycling;
- Adopting an energy subsidy reform programme to encourage citizens to rationalize energy (fuel and electricity) consumption to allow for increased spending on other budget items such as health and education;
- Supporting the efforts of a number of private sector companies to transform rooftops in the capital into urban farms, to create a healthier environment, as well as potentially generate revenue. The farms are designed to recirculate the water supply and reduce water usage by up to 70% compared to traditional farming techniques; and
- Launching campaigns to raise awareness of the importance of sustainable consumption and production such as the Reduction of Plastic Bags Consumption National Initiative as plastic bags are not eco-friendly products.

Affordable green energy

Egypt aims to become an affordable green energy hub and to diversify its energy mix. It is expected that 20% of Egypt's power would be generated from renewable sources by 2022 (with wind providing 12%, hydropower 5.8%, and solar energy 2.2%). The percentage of power generated from renewable sources is targeted to increase further to 37% by 2035. To this end, Egypt took several steps towards creating a favourable environment for achieving its energy targets, including:

20%
Contribution from renewable energy to total energy mix by 2022

- Revising the 2030 energy strategy to cope with the latest developments and their impact on renewable energy projects;
- Adopting a reform programme to re-channel energy subsidy to education, health and food programmes;
- Applying the feed-in-tariff policy to boost private investment in electricity generation, particularly from new and renewable resources;
- Benban, the solar park built in Aswan, is one of the flagship renewable energy investment projects. It will house 32 power plants and is set to produce between 1.6 and 2.0 GW of solar power with a total cost of US$ 2.8 bn. It is expected to be completed in mid-2019; and
- Disseminating the culture of electricity consumption rationalization. A project is initiated to replace 3.9 MM. streetlights with LED bulbs, saving 872 MM. kWh of electricity.

Good health and wellbeing

The SDS prioritizes the development of the health sector as an integral aspect to achieving sustainable development. One of the main aims of the strategy is to develop the health insurance system to increase the percentage of citizens covered from 58% in 2013 to 100% by 2030. The Government works persistently on improving medical services provided to citizens through:

- Lowering child and maternal mortality rates;
- Eradicating virus C. In 2017, the Government launched a programme to be free of the virus by the end of 2020. The success of the eradication plan relies on producing the required medication locally, and reducing the price of hepatitis C treatment per patient from US$ 900 in 2014 to less than US$ 200 in 2016. In addition, the "Ibda Binafsak" ("Start with Yourself") initiative was launched for the early diagnosis of patients with hepatitis C in public organizations; and
- Private sector initiatives such as Magdi Yacoub Foundation and the Children's Cancer Hospital (57357).

Quality education

Egypt is currently revamping its education system at all levels (primary and secondary education, technical education and university education). Egypt's plan to achieve sustainable development involves preparing the youth for, and closing the gaps in, the labour market, which will reduce unemployment and poverty. The Government's efforts include:

- Offering a new generation of schools to revamp the education system. Since the start of the academic year 2017/2018, 28 Egyptian-Japanese schools have been opened across Egypt. On the other hand, Nile schools aim at providing internationally renowned education certificates, developed in partnership with the international Cambridge Assessment agency; and
- Partnering with the private sector to improve technical education by establishing an academy which offers technical education for the major electrical industries, in accordance with international standards, in addition to providing training programmes at international organizations to enhance the competencies of technical education graduates.

Clean water

Meeting its water needs is at the heart of Egypt's SDS. Egypt's water uses amount to 100 billion m^3/year while the total water resources currently available for utilization are 59.25 bn. m^3/year. Thus the gap between the current needs and availability of water accounts for nearly 40.75 bn. m^3/year, filled by using several mechanisms such as sea water desalinization, reuse of treated wastewater, etc. Given this, the Government of Egypt is exerting major efforts to bridge such gap and address the increasing demand for water through the efficient management of its water resources. Such efforts include:

- Using state-of-the-art technology to reduce water pollution. A number of 21 stations have been installed to monitor Nile River pollution violations. The number of monitoring stations is expected to reach 95 by 2030;
- Launching awareness campaigns to promote the optimal and sustainable use of available water resources; and
- Developing the existing irrigation mechanism to use drip irrigation methods and reuse treated wastewater.

The percentages of households with access to safe drinking water in urban and rural areas stand at 98% and 95% respectively. However, in order to increase that to 100%, the Government is expanding drinking water projects. For example:

- The Government is extending water facilities to remote areas to cover 498 villages.

The provision of sanitation services is targeted to reach 100% in all villages by 2030, compared to the current 92.2% and 47% in urban and rural areas respectively. The estimated cost is EGP 200 bn.

Raising the standard of living for low income groups

The Government of Egypt, in partnership with the civil society, launched various initiatives which aim to mitigate the impact of economic reform on low income groups, including:

- Social housing projects which provide suitable housing for those with low incomes, at affordable prices and with payment conditions that are appropriate to their financial resources. In this respect, the Government has already built 190,000 housing units. In addition, the Central Bank of Egypt (CBE) has launched the "Mortgage Finance Initiative" to finance the purchase of housing for low-income earners. Furthermore, several initiatives were launched by the civil society and by the private sector as part of the latter's corporate social responsibility activities;
- School meals programmes. The Government initiated a programme to provide meals to all the students in state preschool and primary education; and
- The commodity subsidy system (the points system) which allows citizens to choose from a variety of commodities. The commodity subsidy system currently covers 67.8 million people.

190,000 units
were constructed under the social housing programme for low income groups.

67.8 million people
benefit from the commodity subsidy system

Sustainable cities and communities

Egypt targets the redistribution of population from urban and high population density areas to new cities. In this respect, the Government has taken a number of steps, such as:

- The National Urban Development Plan 2052 (NUDP) developed by the Ministry of Housing, Utilities and Urban Communities which comprises several mega-projects such as the Suez Canal axis development project;
- Establishing 12 new cities during the period from 2007 to 2018 to reduce the population density in the capital. Meanwhile, 15 new cities are currently being built across the country. They are designed to be sustainable cities;
- The expansion in social housing programmes which target the provision of 600,000 housing units for low-income citizens at a total cost of EGP 103 bn.;
- The upgrade of slum areas to secure safe housing through establishing the Informal Settlements Development Fund (ISDF). The number of slums is estimated at 377 residential areas. In this regard, 85 areas have already been developed (like "Al-Asmarat" in Cairo, in cooperation with the Tahya Masr state fund);
- The expansion and upgrade of the transportation network in cooperation with the private sector and start-ups through mobile phone applications to reduce traffic congestion and offer better services; and
- The preservation of national heritage. In this vein, the Government has embarked on a new project to renovate Cairo's downtown district.

12 new cities
were established during 2007-2018
15 new cities
under construction

600,000 housing units
targeted by the social housing programme

Conservation of natural resources on land

Egypt is committed to protecting its natural and environmental resources. This is reflected by its adoption of a number of environmentally friendly national strategies and the endorsement of regional and international conventions concerned with combating harmful phenomena that threaten such resources including overfishing, desertification, climate change and pollution. Egypt is also keen on improving the conditions of natural protectorates. It has adopted a strategy to raise the efficiency of natural resources management.

Conservation of natural marine resources

Egypt is keen on conserving its natural marine resources and fish stock, as well as coasts and beaches, in order to attract tourism and maintain a balanced marine ecosystem. This is carried out through:

- Establishing the Integrated Coastal Zone Management (ICZM) to protect and effectively manage Egypt's marine and coastal areas. This will allow for the conservation of these natural resources and enhancement of institutional mechanisms to ensure the sustainable management of such areas. Since its establishment, the ICZM has supervised a number of projects, including a coastal zone management project in Alexandria and a shoreline management project for the coastal areas between Hurghada and Ras Ghareb in the Red Sea;

- Joining the Regional Organization for the Conservation of the Environment of the Red Sea & Gulf of Aden (PERSGA or the Jeddah Convention) which aims to conserve the environment of the Red Sea and Gulf of Aden; and
- Taking serious steps towards developing sustainable fisheries, with production growing steadily at 1.8 million tonnes in 2017, up from around an average of approximately 200,000 tonnes in the 1990s. More specifically, the Government of Egypt launched the Ghalyoun fish farm to enhance sustainable fish production and increase fish stocks in Egypt. After its full completion, the Ghalyoun is set to be the largest fish farm in the Middle East.

Reduced inequalities

Egypt targets achieving equity and justice in the distribution of the fruits of economic reform and realizing financial inclusion through a just legislative framework based on the principle of equal opportunities for all. In addition, Egypt is working on expanding the social safety net to reduce the gaps among different social and economic groups. For example, the Government is currently implementing the Local Development Programme in Sohag and Qena to create job opportunities and improve the local infrastructure and business environment, which will result in curbing unemployment rates.

Gender equality

Egypt launched the National Strategy for Women Empowerment in March 2017 which includes a number of quantitative targets to be achieved by 2030, at the economic, political and social empowerment levels. In this context, Egypt has made remarkable strides which are translated into significant improvements in all the gender equality indicators. On the political empowerment level, the proportion of women in ministerial positions recorded 25% compared to the UN SDG target of 5.5%. In addition, the proportion of seats held by women in national parliament accounted for 14.9%. Furthermore, a female governor was appointed for the first time ever. On the economic empowerment level, the percentage of women who have bank accounts has reached 27% in 2017 against 9% in 2015, exceeding the 2030 targeted percentage of 18%.

Climate action

Egypt has taken various procedures to minimize the impacts of climate change on state sectors such as health, water resources, tourism, agriculture, energy, coastal zones, fisheries and biodiversity. For this purpose, Egypt has institutionalized its efforts to fight climate change. Such efforts include:

- Establishing the Egyptian Environmental Affairs Agency (EEAA), and later the Ministry of State for Environmental Affairs;
- Forming a National Council on Climate Change as a means to centralize policymaking efforts related to climate change, under the leadership of the Minister of Environment and with the membership of representatives from the relevant ministries;
- Developing a National Strategy for Adaptation to Climate Change and Risk Reduction. This strategy aims to improve the country's capacity to manage risks and disasters caused by accidental climate change and is regularly updated to integrate new scientific information and on-going research findings;
- Joining the cooperative global efforts aimed at confronting climate change threats, such as the United Nations Framework Convention on Climate Change (UNFCCC) in 1994, the "Kyoto" Protocol in 2005 and the "Paris" Agreement in 2017; and
- Improving energy efficiency and relying on clean energy to reduce greenhouse gas emissions.

Peace, justice and strong institutions

Egypt adopted a number of policies to promote the notions of peace, justice and the rule of law, and enhance social cohesion and transparency, in addition to empowering women and young people, especially in regard to key decision-making processes. The Government took a number of steps including:

- Combating illegal migration. In this respect, Egypt created the National Strategy for Combatting Illegal Migration in 2016; and
- Fighting all forms of corruption. For example, Egypt adopted the National Anti-Corruption Strategy in 2014.

Partnerships for SDS

In pursuit of achieving Egypt's SDS 2030, the Government is keen on boosting cooperation among Government, the private sector, civil society and international partners to achieve the set goals.

Finally, achieving sustainable development requires mobilizing efforts, persistent hard work, sharing experience and success stories, and overcoming challenges in order to achieve the desired goals.

In July 2018, the Ministry of Health and Population (MoHP) announced launching phase I of the national comprehensive health insurance project at a cost of EGP 18.2 bn., following the promulgation of the Comprehensive Health Insurance Law No. 2 of 2018 and its executive regulations. The project will effectively contribute to promoting the health sector in Egypt and improving the current medical care system to ensure access to high-quality health services without suffering or discrimination. It is a new step along Egypt's road to sustainable development.

The national comprehensive health insurance project is founded on a number of main pillars to be implemented according to a specific timetable, namely:

Implementing the comprehensive health insurance program in Port Said

Port Said was chosen to be the first Egyptian governorate that implements the comprehensive health insurance program through 4 general hospitals, 4 specialized hospitals in addition to more than 40 health units. The program costing EGP 1.8 bn. will be gradually expanded to include all governorates on 6 phases over 15 years, starting from 2018 until 2032, to ensure sustainable solvency of the said insurance system.

Phases of project implementation in governorates

Phase I "2018 -2020"	Port Said, Ismailia, Suez, North and South Sinai
Phase II "2021- 2023"	Luxor, Marsa Matrouh, Red Sea, Qena and Aswan
Phase III "2024- 2026"	Alexandria, Behira, Damietta, Sohag and Kafr El Sheikh
Phase IV "2027- 2028"	Beni Suef, Assiut, Minya, New Valley and Faiyoum
Phase V "2029- 2030"	Daqahlia, Sharqia, Gharbia and Menofia
Phase VI "2031- 2032"	Cairo, Giza and Qalyubia

In this new insurance program, individuals will enjoy a set of advantages in consideration of specific subscription fees, including the following:

- Providing coverage for all resident citizens in Egypt, including all family members (family is the system's main unit of insurance coverage). The program also allows Egyptian expatriates to subscribe;
- Rendering health insurance services for all diseases, whether diagnostic, therapeutic or rehabilitative services, medical checks, laboratory tests and surgeries, in addition to pharmaceutical and chemotherapeutic drugs; and
- Undertaking treatment abroad for those patients who cannot be treated through the services provided inland.

To achieve a higher degree of transparency and provide outstanding level of health services, financers and providers of the services were separated through introducing 3 bodies, each of which is entrusted with a specific mandate as follows:

- **General Authority for Comprehensive Health Insurance:** it replaces the General Authority for Health Insurance and is in charge of managing and financing the program's services through contracting with service providers;
- **General Authority for Health Care:** it provides health care and treatment services for all insured individuals through service outlets (i.e. hospitals, health units of the General Authority for Health Insurance, participating bodies affiliated to the Ministry of Health and Population (MoHP) and qualified private hospitals that are contracted).
- **General Authority for Accreditation and Health Control:** it ensures the quality and continuous improvement of health services according to its quality standards. The authority issues a detailed manual that includes quality standards of health services after being approved by the International Society for Quality in Health Care (ISQua). The said manual is updated every four years based on international specifications and standards applicable to service providers.

Implementing the national project for model hospitals

The project aims at establishing a model hospital in each governorate according to the Egyptian standards set by the General Authority for Accreditation and Health Control to ensure providing high-quality health services without any additional financial burdens, and to be a role model for all other hospitals nationwide. This can be achieved through the following:

- Developing and renovating the infrastructure of hospitals and health units;
- Training the medical team, including doctors, nurses and technicians in standard treatment protocols;
- Training administrative staff and database & statistics officers in the hospitals; and
- Improving outpatient areas and dispersing drugs through the automated calling system.

In this context, 47 hospitals **"including 29 MoHP hospitals and 18 university hospitals"** in different governorates were selected to join model hospitals covering all specializations over two years at an estimated cost of EGP 6.1 bn. The financial capacity of citizens will be considered upon determining outpatient charges in the model hospitals. Charges are proposed as follows:

- Medical service will be provided free of charge for low-income patients of Takaful & Karama program "one of the integrated protection programs implemented by the Ministry of Social Solidarity (MOSS)"; and
- With respect to financially capable patients, the cost of medical service is classified according to different categories, at a maximum of EGP 50 for patients who are not referred by a health unit.

EGP 6.1 bn.
Estimated cost of the national project for model hospitals

2.3 MM. households
Number of Takaful & Karama
beneficiaries

Eliminating waiting lists in hospitals

This can be achieved by identifying the reasons for having waiting lists of surgeries and critical medical interventions, which may be attributable to shortage of medical supplies and drugs, maldistribution of patients across hospitals, lack of operating rooms and intensive care unit (ICU) beds in some hospitals and poor coordination between university and MoHP hospitals. In addition, appropriate mechanisms should be developed to resolve the problem over 6 months, provided that these mechanisms shall be sustained in the future to avoid the accumulation of more waiting lists. These include:

- Establishing a database of patients across hospitals and units that provide the state's health services, and making lists of patients according to specialization and date of approving the medical procedure;
- Identifying the maximum operational capacity of the participating hospitals as well as the size and reasons for the operating gap, and developing necessary medium and long-term solutions;

EGP 1 bn.
Allocated by CBE to eliminate waiting lists of surgeries and critical medical interventions

- Establishing website "wl.smcegy.com" and call center to monitor and record patients' data with respect to surgeries waiting lists, and reply to their inquiries. This is in addition to a control center to guide patients to the service and follow-up outlets;
- Providing logistic support by identifying quantities and requirements for all medical procedures, calculating the cost of supplies and drugs necessary for each specialization and supervising the supply chain to ensure sustainable service provision in all outlets; and
- Extending the necessary finance, as MoHP participates with several official and non-official bodies including the Central Bank of Egypt (CBE), Misr El Kheir Foundation (MEK) and the Ministry of Higher Education and Scientific Research (MOHE) to ensure financial sustainability by identifying and maintaining the sources of finance through courting donations, attracting civil society organizations and encouraging corporate social responsibility (CSR) of major companies operating in local market.

Hepatitis C virus "HCV" elimination program

This program aims at making Egypt free of hepatitis C by 2020 through conducting nationwide testing and screening of targeted citizens and providing medication for HCV-infected persons, at a total cost of EGP 5.6 bn. allocated as follows:

- EGP 2.3 bn. to examine 45 MM. citizens over three years, at a rate of 15 MM. citizen per year; and
- EGP 3.3 bn. to treat 2.15 MM. HCV-infected citizens.

Providing stockpiles of sera, vaccines and infant formula

MoHP developed a strategic plan to secure the state's needs of sera and vaccines to prevent epidemic diseases (for both residents and expatriates) which negatively affect the productivity of manpower in society, in addition to securing stockpile of infant formula to protect infants from malnutrition diseases, at a total cost of EGP 3.7 bn. as follows:

- Concluding agreements to provide all required sera and vaccines for one year at a total cost of EGP 2.5 bn. in cooperation with UNICEF; and
- Concluding agreements with a set of central and regional warehouses to secure the stockpile of infant formula to cover the needs of 3-month period at least, together with automating warehouses within 8 months. In addition, agreements were made to supply 22.5 MM. milk packs at a monthly average of 1.5 MM. packs, at a cost of EGP 1.2 bn.

In addition to the above-mentioned main pillars, the national project includes three other pillars reflected in raising the efficiency of the provided medical service, namely:

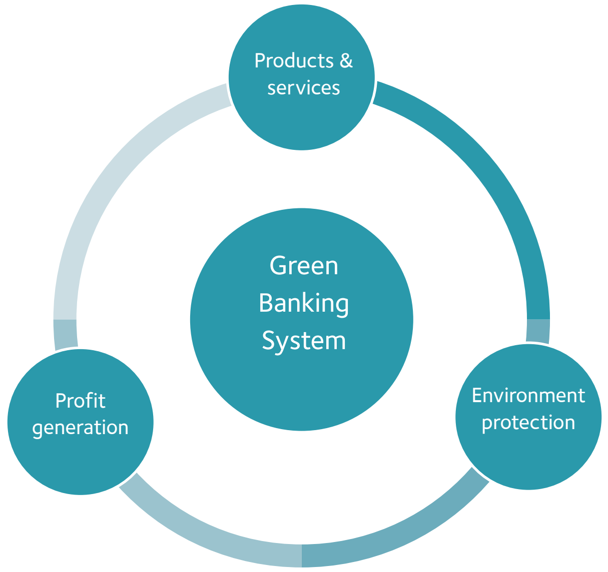
- Enhancing the work environment of medical teams by promoting the housing of doctors and nurses;
- Launching the incentive program for distinguished health specialists and improving the image of doctors and nurses; and
- Reducing population growth rate to 2.1% by 2022.

Against this background, the comprehensive health insurance program is an umbrella program that provides high-quality treatment and health care services to citizens. Effective implementation of the said program in all governorates by 2032 requires working in parallel on several pillars, including upgrading infrastructure, providing medical and non-medical equipment and supplies, developing human cadres and ensuring sustainability of financial resources required for each phase.

Green Banking: a Mechanism for Sustainable Development in Egypt and a Leading Role Played by NBE

In recent years, green banking has been increasingly recognized across the world, by both developed and developing countries, as a mechanism for deepening ties between economy on one hand and the environment on the other. The green banking wheel aims to develop the banking sector in particular and the economy at large, along with adopting environment-friendly practices and observing standards to rationalize the consumption of natural resources, with a view to securing sustainable development.

Green banking is a three-dimensional system, where banks design and develop products and services that cater for the needs of society, while maintaining environmental sustainability and generating proper profits.

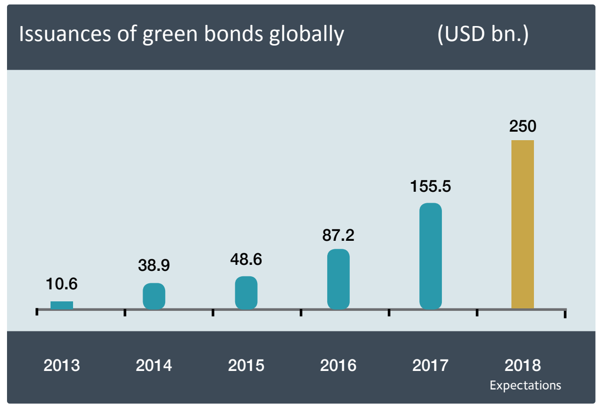


The scope of green banking activities and services extends to include:

- Providing an infrastructure for eco-friendly banking institutions, which enhances clean energy usage and reduces natural resources depletion;
- Offering a diverse array of finance schemes and banking products and services, covering several business activities and industries, based on environment-friendly criteria, including:
  - renewable energy projects, such as solar energy, wind energy and hydropower,
  - projects of housing and new urban cities planned, implemented and run based on an environmental approach,
  - waste recycling plants,
  - projects for improving farm productivity, achieving food security and boosting water usage efficiency,
  - low-cost finance schemes, which enable customers to purchase energy-saving equipment and transform to eco-friendly homes instead of the traditional ones, with a view to reducing environmentally-detrimental carbon emissions, and
  - incentive loans to purchase green vehicles;
- Delivering training and awareness programs to educate bank staff and clients, spreading the culture of environment preservation and optimal resource utilization; and
- Designing products that help customers attain sustainable development, for instance green bank cards, which are specially designed to support environment-friendly business and make donations to relevant environment protection entities and agencies.

Green bond definition and role in protecting the environment and addressing climate changes

Green bonds are bonds issued by governments, banks and international finance institutions to raise funds necessary to support climate and environment-related projects, including renewable energy projects, sustainable waste management, sustainable land management "SLM" (sustainable agriculture) and low-carbon emission transportation. Thus, investors are not only interested in assessing the benchmark financial features, such as maturity dates, interest rates and bond issuer's credit rating as the case for usual bonds, but also pay attention to evaluating environment objectives sought by the green bond-financed projects.



From this perspective, green bond issuances recently experienced consecutive leaps, amounting to USD 155.5 bn. in 2017, compared to USD 10.6 bn. in 2012. This trend is projected to keep up rising to USD 250 bn. in 2018.

It is noteworthy that the World Bank Group (WBG), through the World Bank (WB) and International Finance Corporation (IFC), has pioneered in developing the green bond market. The WB issued its first green bond in 2008, and in 2013 IFC became the first institution to issue a USD 1 billion global benchmark green bond, contributing to the transformation of the green bond market from niche to mainstream.

Egypt's sustainable development: Egypt Vision 2030

In February 2016, Egypt launched its sustainable development strategy (SDS) "Egypt Vision 2030". It is a participatory work where a large number of ministries, governmental agencies, experts and civil society and private sector representatives have collaborated to make it serve as a base for short and medium term development plans and an integrated framework based on certain key pillars, with an eye to addressing the main issues faced by Egyptian society and potential global risks. It also takes into consideration linking SDS objectives with practical and measurable performance indicators, to be achieved by specific entities within a precise period of time. The strategy also aligns with the September-2015 United Nations Sustainable Development Goals (SDGs).

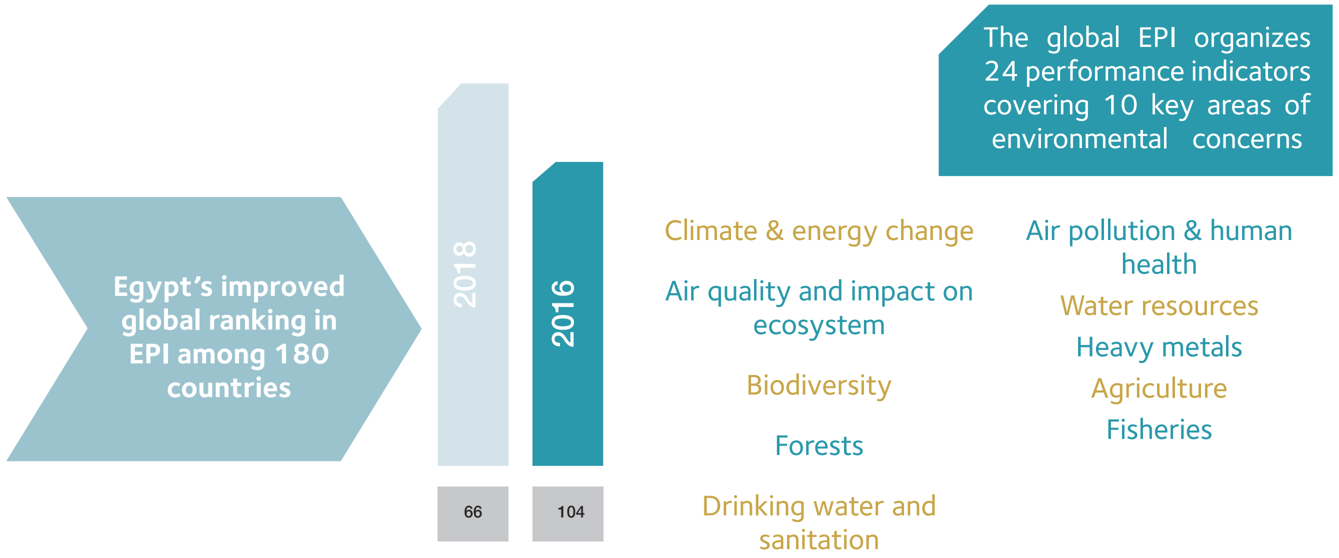
2030 EGYPT VISION

SDS economic dimension calls for having an energy sector capable of fully meeting the national sustainable development requirements and maximizing the efficient use of various traditional and renewable energy resources, effectively giving impetus to economic growth, preserving the environment, along with achieving leadership in renewable energy, as well as efficient and sustainable resource management, while striving to achieve the international SDGs.

Green Banking: a Mechanism for Sustainable Development in Egypt and a Leading Role Played by NBE

Broadly speaking, SDS also focuses on the importance of observing environment as major pillar in all development and economic sectors to preserve natural resources and support their fair and optimal utilization and investment, while maintaining the rights of future generations. This would also help to diversify production sources and economic activities, support competitiveness, create new jobs and achieve social justice, in addition to providing Egyptian citizens with a clean, safe and healthy environment.

Notably, Egypt has made a great leap in the **2018 Environmental Performance Index (EPI)** produced by US-based Yale and Columbia universities in collaboration with the World Economic Forum. Egypt jumped 38 places to rank 66th out of 180 countries all over the world, compared to its ranking in 2016, and was ranked as the fifth Arab country (climbing 5 positions) and the fourth African country (moving up 6 positions).



On a related note, Egypt is planning to develop a green bond market, in order to confront climate change and boost eco-friendly projects in Egypt. IFC held consultations with the Financial Regulatory Authority (FRA) to outline a comprehensive reference guide for green bonds in Egypt.

NBE supports sustainable development and environmental compliance

The National Bank of Egypt (NBE) draws full attention to sustainable development issues and environmental compliance. In that vein, NBE extended EGP 4.8 bn. credit lines to large-scale renewable energy projects compliant with environmental standards as at June 2018.

Speaking of small and medium-sized enterprises (SMEs), NBE signed in February 2018 with the Ministry of State for Environmental Affairs (MSEA) an agreement extending the joint cooperation agreement entered into by NBE, the Egyptian Environmental Affairs Agency (EEAA) and the Federation of Egyptian Industries (FEI), in the amount of EGP 120 MM. over 20 years to implement environmental compliance projects. The above agreement would help SMEs fine-tune themselves to adhere to environmental requirements through the finance mechanism convenient for this purpose.

EEAA, FEI and NBE inked a cooperation agreement worth EGP 68 MM. to establish a revolving loan for the period from 2005 through 2017, to finance environmental compliance projects and SMEs, during which nearly 400 projects were funded under this revolving loan.

In March 2018, NBE, acting as Apex Bank, signed a service agreement with the Ministry of State for Environmental Affairs (MSEA) to implement the third phase of the Egyptian Pollution Abatement Project (EPAP III), the total finance of which is EUR 145 MM. This aims to provide technical or financial support to certain activities of environmentally noncompliant industrial sectors to comply with environmental laws and legislation. EPAP is one of the largest projects in the Middle East aimed at curbing industrial pollution and applying clean production technology in Egyptian industry.

Add to this implementing alternative fuel projects in heavy industries to reduce all kinds of solid wastes and adopting a recognized system in local market to finance industrial pollution abatement, improve environment and workplace conditions and urge SMEs to invest in industrial pollution-abatement projects (green investment), so as to ensure the sustainability and expansion of their operations. It is understood that NBE will disburse the grant designated for suppliers or beneficiaries, throughout the project completion milestones, upon obtaining EEAA's technical approval.

In order to go paperless in line with green banking requirements, NBE's strategy is based on several pillars conducive to the transformation to electronic services. To illustrate, NBE provides retail and corporate online banking, through which more than 1.5 million customers are dealing with e-wallets. Furthermore, Egyptian expatriate remittances are available via mobile phone to be instantly cashed via the ATM network.

In light of NBE's endeavors to reduce thermal emissions and deepen the concept of green banking, NBE adopts a plan purporting to make dozens of its branches equipped with solar lighting, reaching 32 branches by the end of June 2018, saving 3 megawatts (MW) annually and reducing carbon-dioxide emissions by nearly 2,000 tons annually given the low electricity consumption from power stations.

Moreover, NBE and Arab Organization of Industrialization (AOI) signed in March 2018 an agreement to provide NBE branches with LED lamps, in order to save energy and comply with environmental requirements. The first stage of this agreement provides for supplying 260,000 LED lamps to 260 NBE branches.

In conclusion, the growing interest in green banking is considered as an effective factor for achieving sustainable development, especially along with the pivotal role performed by banks in the various economic sectors in general.

S&P Upgrades NBE's Credit Rating

Standard & Poor's (S&P) raised the long-term credit rating of the National Bank of Egypt (NBE) to "B" from "B-", with a stable outlook. S&P affirmed that the improved economic environment and political stability in Egypt were reflected in the performance of Egyptian banks in general, increased creditworthiness, and diminished risks.
S&P also indicated that NBE's stable outlook reflected Egypt's sovereign rating, and expected that NBE's financial performance would be stable next year.

Long-term credit rating	B
Outlook	Stable

S&P forecasts that the Egyptian economy would grow 5.4% on average during FYs 2017/2018 – 2020/2021, backed by the continued recovery of several economic sectors, especially tourism, oil and natural gas, building and construction and industry.

Positive Outlook for the Egyptian Economy by the International Rating Agencies

International credit rating agencies commended the positive developments of and the growing confidence in the Egyptian economy, especially in light of the economic reform program which has been in place since November 2016 and the subsequent improvement in economic indicators (i.e. state's public budget – current balance – international reserves). Furthermore, the business environment reforms have contributed to achieving higher and more comprehensive growth rates capable of enhancing competitiveness and absorbing the country's ever-increasing labor force. In this context, Moody's upgraded its outlook for the Egyptian economy from "stable" to "positive". Also, Fitch affirmed its positive outlook, which augurs well for higher credit ratings for Egypt.

Moody's and Fitch's salient forecasts on a number of Egyptian economic indicators are reviewed as follows:

GDP growth rate:

- Fitch forecasts real GDP growth rate to accelerate to 5.5% in FY 2018/2019, indicating that GDP grew 5.2% in H1 of the FY 2017/2018. This is mainly attributable to the growth achieved in the sectors of tourism and building & construction, in addition to natural gas discoveries, especially in Zohr field.

5.5%
Expected growth rate in 2018/2019

Current balance:

- Fitch forecasts current balance deficit to retreat during 2018–2020 to stand at an average of 2.5% of GDP, noting that current balance deficit improved in 2017 to stand at only half of its 2016 record. The agency added that such positive trend would continue in 2018. Deficit decreased 38% (YoY) in Q1 2018, which is mainly ascribable to:

  - Tourism revenues surged to record a growth rate of 300% in 2017 YoY, and 80% in Q1 2018 compared to the corresponding qurater last year;
  - Remittances of Egyptian expatriates increased 20% and 12% (YoY) in 2017 and Q1 2018, respectively; and
  - Non-oil exports grew 19% (YoY) in Q1 2018, the highest in seven years, driven by the competitive advantage of Egyptian exports following EGP floating by the Central Bank of Egypt (CBE), in addition to the slower growth rate of imports.

2.5%
Average current balance deficit to GDP during 2018–2020

300%
Growth rate of tourism revenues in 2017

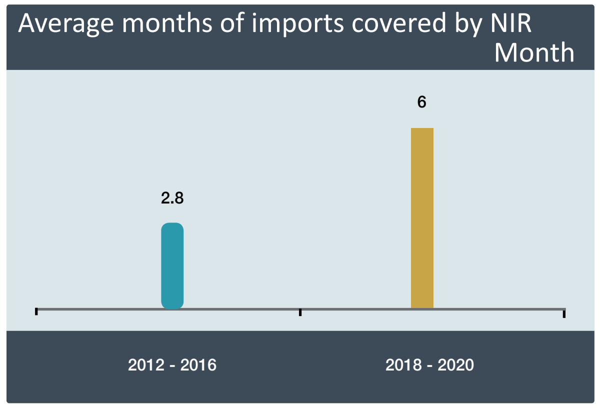
Fitch also indicated that net foreign direct investment (FDI) covered 77% of current balance deficit in 2017, up from 39% in 2015 and 2016, and pinpointed that it continued increasing to reach 100% in Q1 2018. In addition, there has been a surge in non-FDI inflows through bond issuance, multilateral and bilateral loans as well as commercial loans and portfolio inflows.

Moody's expects current balance deficit to fall to 2.5–3% of GDP in the next few years, from 6% in the past two years, driven by natural gas exports from Zohr field starting in 2019.
On a related note, Moody's said that Egypt's almost complete repayment of arrears, owed to international oil and gas companies operating in Egypt and the expected injection of new investments amounting to US$ 10 bn. annually over the next four years into the energy sector, would contribute to fostering Egypt's role as a regional energy hub, thus further strengthening Egypt's external financial position.

US$ 10 bn.
Expected annual energy investments in Egypt

Net international reserves

✔ Fitch applauded the steady increase of net international reserves (NIR), reaching US$ 44.3 bn. as at end-June 2018 against US$ 36.3 bn. as at end-December 2017. Foreign-currency reserves are expected to be maintained at safe levels, covering on average 6-month import payments during 2018-2020, compared to an average of 2.8-month import payments in 2012-2016.

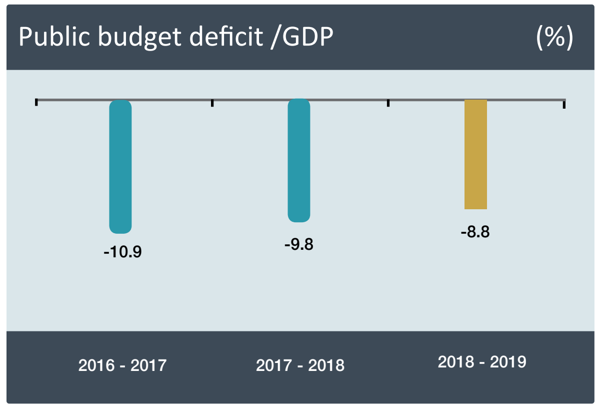


Public budget

✔ Fitch forecasts that budget deficit to GDP would fall to 8.8% in 2018/2019, with primary surplus of 1.6% of GDP.

✔ In the same vein, Moody's commended the improvement of public budget indicators and the achievement of a primary surplus in 2018/2019 budget as the government continues to implement the fiscal reforms, noting the following:

- The value added tax (VAT) was applied in 2016 at a rate of 13%, and was raised to 14% in July 2017;
- Civil Service Law was enacted, to contribute to containing the increase in public sector wage bill; and

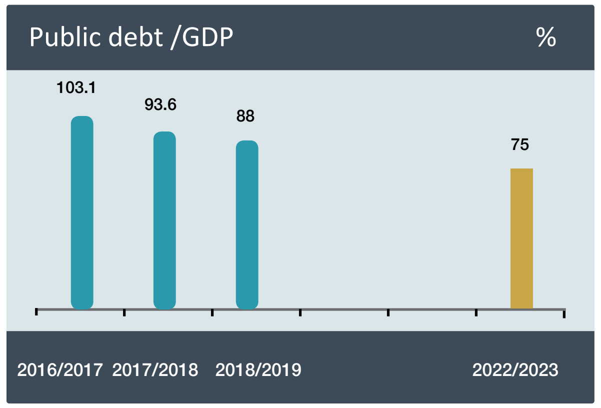


- The subsidy system was reformed. Energy subsidy bill is expected to fall below 1% of GDP in FY 2019/2020, from 4.1% in FY 2016/2017. These savings will be channeled to lower-income brackets in society. In this context, the Egyptian government continued to take steps towards liberalizing fuel price, bringing cost recovery in the range of 70–80% in late June 2018. Moody's also indicated that fuel price would be fully liberalized by 2019/2020 and that a new pricing mechanism would be introduced "to allow for setting prices based on global prices and exchange rates". This would act as a buffer for the state's public budget against the impacts of global fuel price fluctuations.

Public debt

✔ Fitch forecasts that public debt to GDP would decline to 88% as at end-June 2019, reaching 75% as at end-June 2023, which would contribute to controlling public finances.

✔ Meanwhile, Moody's expects public debt to fall to 82% of GDP by the turn of the decade, down from 103.5% in 2016/2017, reflecting the continued success of fiscal reforms and the expected acceleration of GDP growth rates in the coming years.



Egyptian economy's greater resilience to external shocks

✔ Moody's referred to the continued success in implementing the economic reform program and the bolstered financial position of Egypt, which should lower Egypt's vulnerability to potential external financial and economic shocks. Moody's pointed out the following:

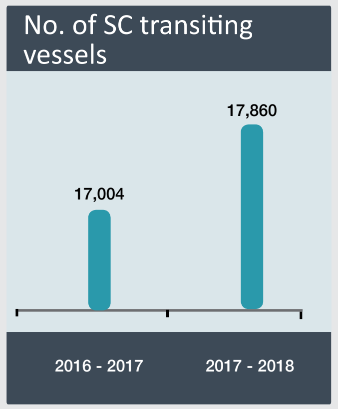
- EGP floating strengthened the financial system's resilience to external shocks;
- Egypt's international reserves increased to cover 6.5 months of imports as of March 2018; and
- There is a shift in the sources of financing Egypt's external payment needs towards FDI rather than external debt.

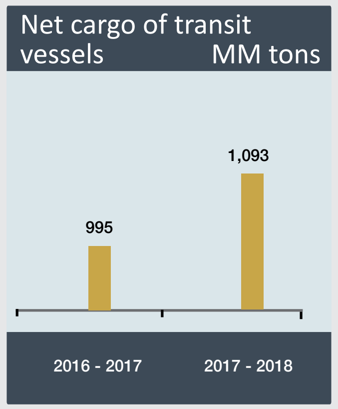
In conclusion, the positive outlook for Egypt by the most renowned credit rating agencies is a new vote of confidence in its economic reform process and a means of enhancing local and foreign investors' trust in the Egyptian economy.

Suez Canal Achieves the Highest Annual Revenues in its History

The Suez Canal revenues edged up by 14% hitting an unprecedented record of US$ 5.7 billion during the fiscal year 2017/18 with an increase of US$ 761 million YoY. It is estimated that such revenues would grow further over the coming years especially in light of the anticipated growth in navigation movement in the Canal. This is attributable to:

- ✔ Inaugurating the 'New Suez Canal' Project in August 2015 which effectively enhanced its capacity and shortened the transit time for ships.
- ✔ Adopting flexible marketing policies so as to encourage major and new shipping liners to use the Suez Canal (SC) route, mainly via:
  - reducing SC transit tolls for some kinds of ships;
  - applying rebates for vessels travelling long haul voyages; and
  - granting incentives based on cargo quantities for liquefied natural gas (LNG) carriers.
- ✔ Announcing the activation of the "Consolidated Bill" system for vessels transiting the Suez Canal. This simplifies the procedures and steps for paying the relevant fees via including all fees collected for various state agencies in one consolidated invoice instead of being collected by multiple entities with a view to encouraging more ships to transit the Suez Canal.
- ✔ Seeking the development of services provided to international trade to diversify SC revenue sources so as not to be confined to ships transit tolls.





JP Morgan: Egypt's Balance of Payments Improves over Competitive Pound

Egypt's external balances have recently witnessed a remarkable improvement. The balance of payments (BoP) generated an overall surplus of US$ 12.8 bn. in 2017/2018. JP Morgan Bank attributes the continuous improvement to a much more competitive pound following its liberalization in November 2016. The Bank also cited the more stable political and security situation and rising gas production led by the Zohr gas field. In addition, a thriving tourism sector, record high Suez Canal revenues and the surge in remittances from Egyptian expatriates all contribute to the BoP's stronger performance, not to mention net inflows generated by both direct and indirect foreign investments.

Current account

The current account deficit declined to US$ 6 bn. in 2017/2018 from US$ 14.4 bn. in 2016/2017, in view of the unchanged trade deficit and doubled services surplus. A report by JP Morgan on MENA emerging markets showed that Egypt's current account deficit came in slightly better than forecasts, easing to 2.4% of GDP in 2017/2018 from 6.1% in 2016/2017.

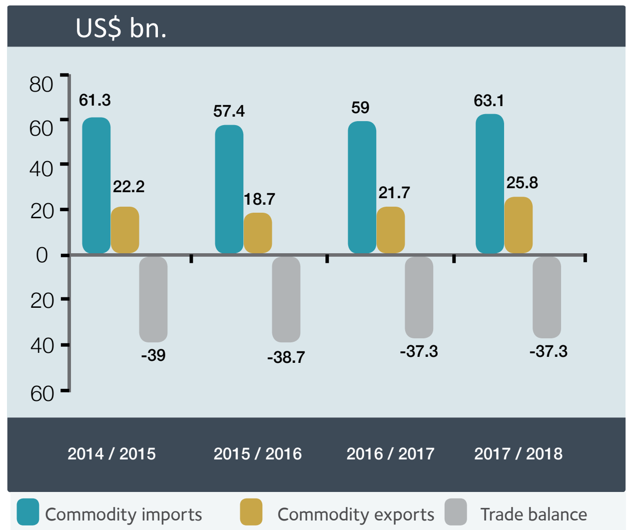
The report projected that the current account deficit as a percentage of GDP would improve to 0.3% in 2018/2019 and turn to a surplus of 1.4% of GDP in 2019/2020.

1.4%
Current account surplus as a percentage of GDP in 2019/2020

Trade balance

The trade balance shaped up, following the Central Bank of Egypt's EGP floating decision in November 2016. Exports grew at a faster pace compared to imports. Nonetheless, the trade deficit remained largely unchanged at US$ 37.3 bn. in 2017/2018 compared to the previous year due to the following:

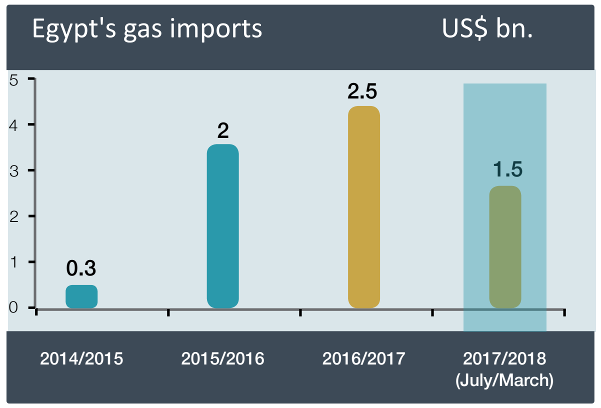
Source: Central Bank of Egypt (CBE)



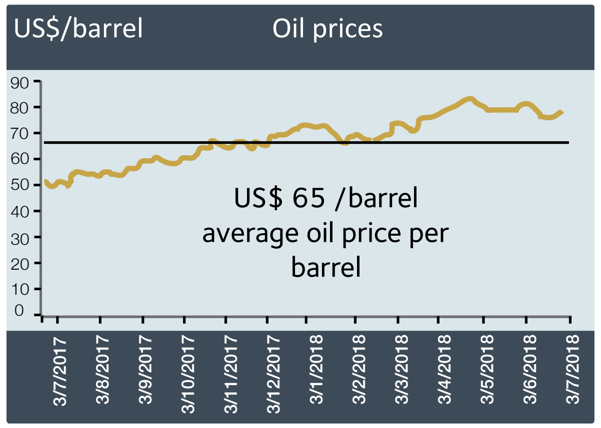
Source: CBE

- Petroleum export revenues **(including oil, petroleum products, natural gas and fuel of ships and aircrafts)** soared 33.1% to US$ 8.8 bn. from US$ 6.6 bn., driven by higher global oil prices which recorded an average of US$ 65 per barrel over the relevant period as well as increased oil exports.

- Meanwhile, payments for petroleum imports **(including oil, petroleum products, natural gas and fuel of ships and aircrafts)** grew 3.9% only to US$ 12.5 bn. from US$ 12 bn. thanks to lower imported quantities of natural gas, particularly in light of the growing production from newly discovered fields led by the Zohr gas field and North West Alexandria fields. Notably, Egypt's gas production amounted to 6 billion cubic feet per day (bcf/day) in June 2018. Egypt managed to reach self-sufficiency in October 2018. Accordingly, payments for petroleum imports are projected to continue to decline, and the trade balance to improve over the coming years.

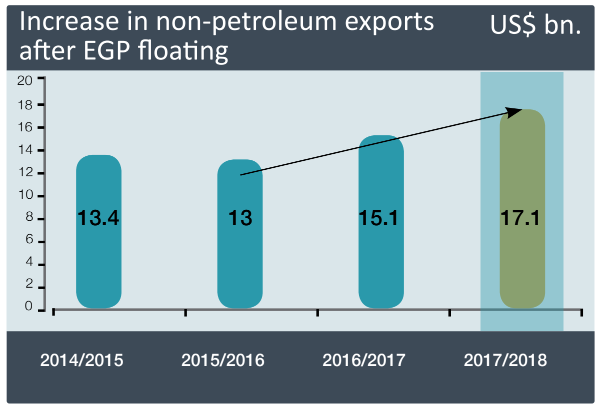


Source: CBE



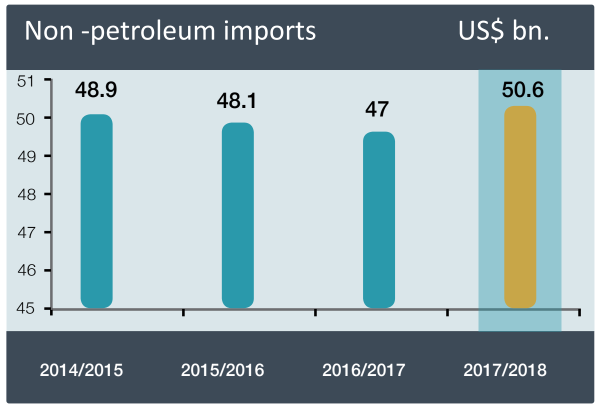
Source: Bloomberg

- Revenues from non-petroleum exports picked up to reach US$ 17.1 bn. from US$ 15.1 bn., owing to a US$ 1.3 bn. rise in finished product exports (mainly phosphate fertilizers and electric appliances) .



Source: CBE

- On the other hand, payments for non-petroleum imports edged higher 7.7% to US$ 50.6 bn., largely due to the rise in imports of intermediate goods required for production which recorded US$ 4 bn. Meanwhile, other non-petroleum imports waned against the background of an improved investment climate and higher growth rate during the last few years.



Source: CBE

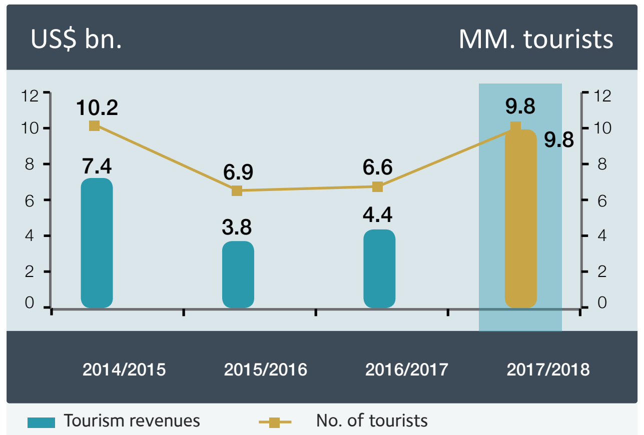
Service balance

The services surplus almost doubled to US$ 11.1 bn. growing 98.1% in 2017/2018 due to the strong improvement in tourism and Suez Canal revenues, and remittances from Egyptian expatriates.

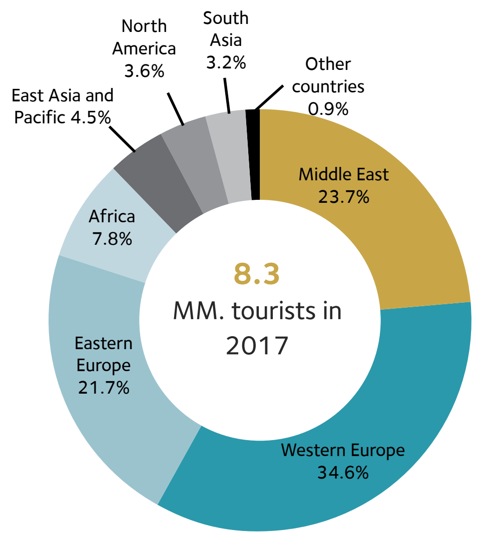
Tourism revenues

Tourism revenues shot up 124% to US$ 9.8 bn. as a result of the following:

- The return of Russian tourism and rise in number of tourists to 8.3 million tourists in 2017, particularly due to the increase in the number of tourist arrivals from Ukraine, Germany and Saudi Arabia; and
- The number of tourists surged 42% in the first half of 2018 on an annual basis, as hotel occupancy hit a record high since 2010 .



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

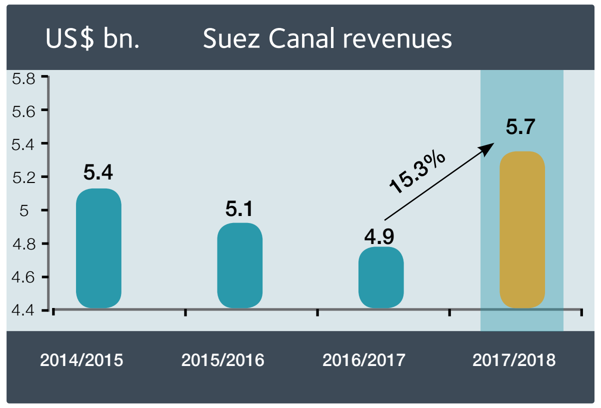


Source: CAPMAS

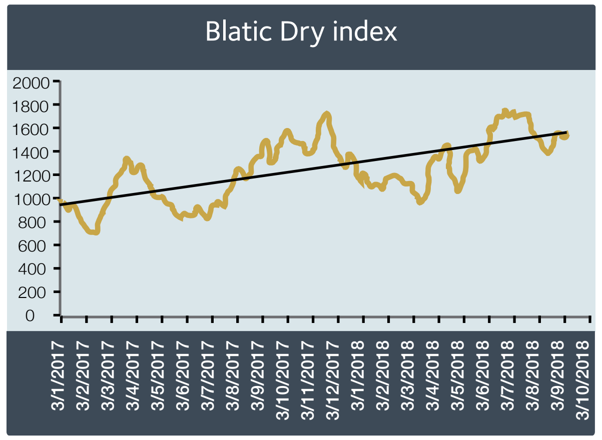
Suez Canal revenues

Suez Canal revenues surged 15.4% to US$ 5.7 bn. on the back of the following:

- Improved global economic indicators, resulting in higher global trade growth as shown by the Baltic Dry Index which depicts trade and shipping movement;
- New marketing policies adopted by the Suez Canal Authority to lure new freight liners which do not normally cross the Canal, such as giving discounts to freight liners sailing from North America to East Asia, which helped in attracting more vessels; and
- Higher global oil prices in 2017/2018 causing several global freight liners which used to sail around the Cape of Good Hope to cross the Suez Canal instead after the rise in bunkering costs.



Source: CBE



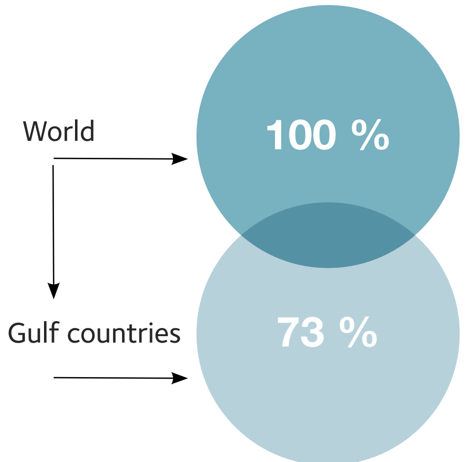
Source: Bloomberg

The New Suez Canal is projected to contribute to increasing revenues to US$ 13 bn. by 2023. The adjacent Suez Canal Economic Zone is expected to eventually command a significant portion of Egypt's economy.

Remittances from Egyptian expatriates in 2017

Private transfers

"Official and private" transfers to Egypt's economy rallied by 21% to US$ 26.5 bn., thanks to the rise in remittances from Egyptian expatriates which recorded US$ 26.4 bn. vis-á-vis US$ 21.8 bn. Remittances from expatriates are one of Egypt's key sources of foreign exchange. (Remittances from Gulf countries alone accounted for roughly 73% of total remittances in 2017) .



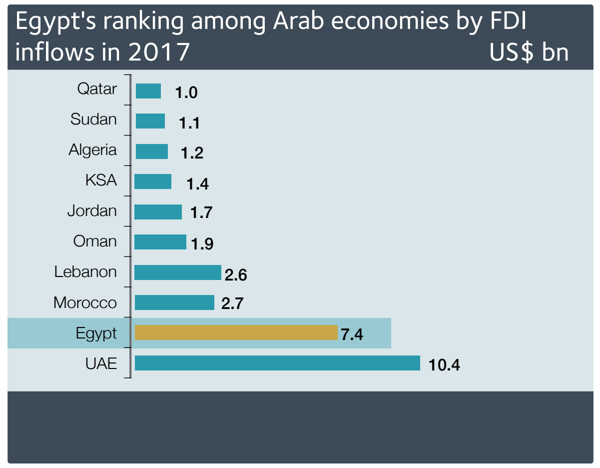
Capital and financial account

The capital and financial account recorded a net inflow of US$ 22 bn. in 2017/2018 against "US$ 31 bn. in 2016/2017". This can be explained by the following:

Foreign direct investment

Global foreign direct investment (FDI) flows fell by 23% in 2017, and FDI inflows to Africa dropped by 21%, the World Investment Report 2018 issued by the United Nations Conference on Trade and Development (UNCTAD) showed. However, FDI net inflows to Egypt recorded US$ 7.7 bn. in 2017/2018, slightly retreating by 2.5% only yoy. The oil sector accounted for 58.4% or US$ 4.5 bn. of FDI inflows.

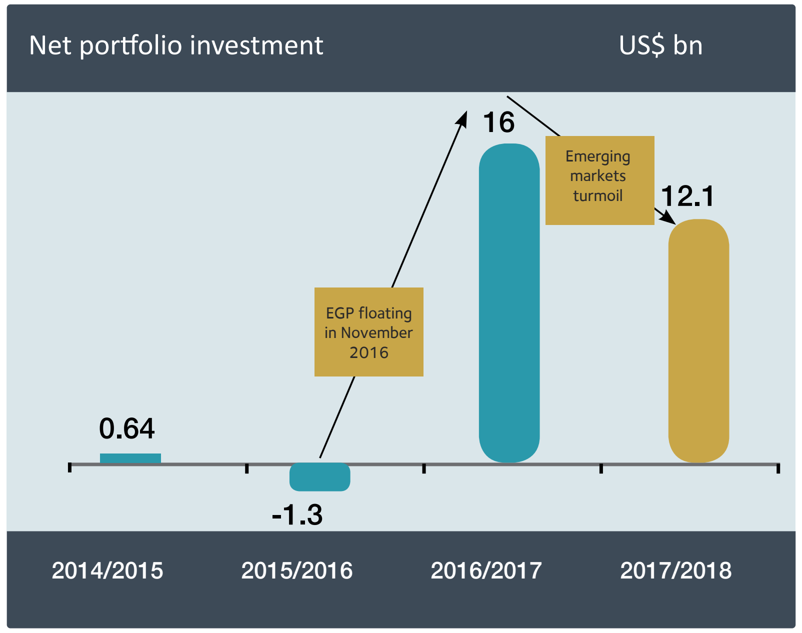
In 2017, Egypt ranked first in Africa and second among the Arab economies by FDI inflows. Egypt's strong performance is supported by the major rise in Chinese investments in manufacturing industries and massive economic reforms as well as the legislative reform including the laws on investment, bankruptcy, and industrial licensure. Along the same line, Rand Merchant Bank (RMB), an African corporate and investment bank, expects that Egypt would maintain its investment status in Africa in 2018. JP Morgan bank also pointed out that FDI inflows remained strong at 3.2% of GDP, driven by investments in the gas sector. The bank further stressed that there remained significant scope for attracting FDI in spite of its decline in 2017/2018.



Source: UNCTAD

Portfolio investment

Egypt's portfolio investment recorded net inflows of US$ 12.1 bn. in 2017/2018 against US$ 16 bn. in 2016/2017. This decline is fueled by the recent turmoil and negative developments in emerging markets, especially Turkey and Argentina. In addition, the global trend of monetary tightening in 2018, especially on part of the US Federal Reserve Bank, negatively impacted the performance of portfolio investment in many emerging economies including Egypt.



Source: CBE

According to JP Morgan bank, Egypt's portfolio investment eased due to heightened global risk aversion. The bank also expects continued pressure on portfolio investment flows against the background of rising global interest rates, which would affect emerging markets in general, including Egypt.

CBE's liabilities to the external world

Net change in CBE's liabilities to the external world reversed to a net external repayment of US$ 3.9 bn. in 2017/2018 from a net disbursement of US$ 8.1 bn. yoy, causing a decline in CBE's liabilities to the external world.

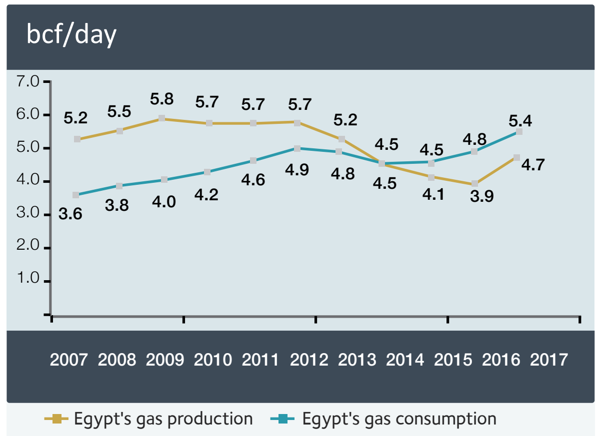
Finally, JP Morgan bank maintained that despite a challenging international backdrop, the economic reform and the IMF programme remained broadly on track. Therefore, there is no impediment to the disbursement of the fifth tranche of the IMF extended facility in December 2018 as agreed with the Egyptian government. JP Morgan also pointed out the importance of foreign currency reserves stability in supporting the international institutions' confidence in the Egyptian economy, especially after playing a pivotal role in protecting the financial and monetary stability in Egypt against emerging market volatility.

Egypt is one of the key economies in the Middle East and Africa. It is also one of the most important promising energy hubs in the region, particularly in light of huge gas discoveries made in recent years and the auspicious outlook for future oil and gas discoveries. In addition, Egypt has an extensive energy infrastructure, which makes it in a position to become a regional hub for energy in general and gas in particular.

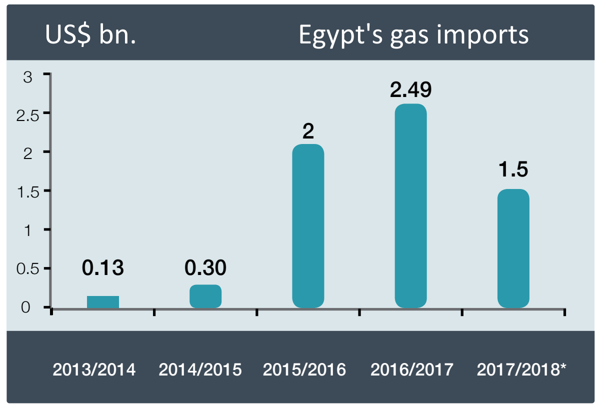
Egypt's natural gas production and consumption

Egypt holds a unique position among MENA countries in terms of natural gas production and reserves. Recent years saw a remarkable surge in Egypt's natural gas production which recorded 5.8 billion cubic feet per day (bcf/day) in 2009, positioning Egypt as a net gas exporter at the time. Nonetheless, the energy sector, at the heart of which lies the area of gas, has faced several hardships since 2011. Consequently, Egypt's gas production fell to 4.1 bcf/day and 3.5 bcf/day in 2015 and 2016 respectively, compared to gas consumption of 4.5 bcf/day and 4.8 bcf/day in the same years respectively.

As a result, Egypt had to import gas, though in limited amounts, as of 2013/2014. Imported gas, however, rose over the following years, taking its toll on the State's general budget, especially in light of the increased reliance on natural gas in producing energy in Egypt. The cost of imported liquefied natural gas (LNG) reached US$ 2.5 bn. in 2016/2017.



Source: British Petroleum (BP)



* During the first nine months of 2017/2018.
Source: Central Bank of Egypt (CBE)

Reviving Egypt's natural gas sector

Despite declining production as noted before, Egypt has taken positive steps since 2014 towards restructuring and boosting its energy sector, which showed an upward trend in 2017 and 2018. The government of Egypt managed to reach self-sufficiency at the beginning of October 2018. As a result, Egypt is bracing itself to return to global markets as a natural gas exporter, restoring balance to the natural gas market and transforming into a regional energy hub. **To this end, the following actions are to be noted:**

Payment of arrears owed to foreign companies

Arrears owed to foreign oil and gas companies by the government reached a peak of US$ 6.3 bn. in 2013. This caused foreign companies to be reluctant to inject new investments into exploring new fields or developing existing ones, resulting in a decline in production. The government intensified its efforts to gradually decrease arrears to stand at US$ 1.2 bn. in June 2018. Such arrears are expected to be fully eliminated by the end of 2019, with promises not to accumulate again. Additionally, the government signed 88 agreements on oil and natural gas exploration during the period from 2014 up to the end of July 2018. Such agreements led to huge gas discoveries.

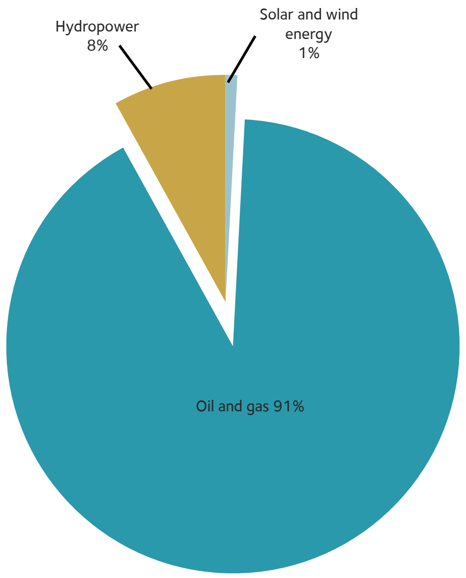
Launching "Egypt Vision 2030"

The government launched Egypt's sustainable development strategy "Egypt Vision 2030". It encompasses a pillar especially dedicated to introducing structural reforms to Egypt's energy sector. **Its key objectives include:**

- Ensuring energy security by providing the required energy supply for the different sectors while maintaining and sustaining the aspired growth rates;
- Increasing the energy sector's contribution to the GDP;
- Optimization of and reliance on domestic energy resources;
- Ensuring good governance and sustainable management of the energy sector and reaching global energy mix levels;
- Reducing energy consumption across all sectors; and
- Minimizing the environmental impact of the energy sector's emissions by lowering its waste and pollutants.

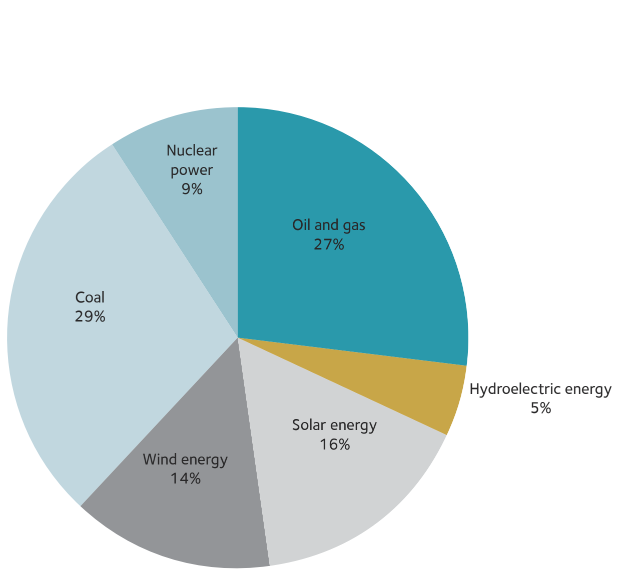
With an eye to realizing Egypt Vision 2030 objectives, the government launched several initiatives to enhance the energy sector's efficiency and promote the engagement of the private sector. The initiatives are also designed to encourage foreign and local companies to inject their investments into the oil and natural gas sector at all levels, with a special focus on drilling and exploration activities. For example, a project to develop and upgrade the oil and natural gas sector was launched. The new gas law was also issued. The government is also working on improving the investment climate. Furthermore, it announced structural reforms to the energy subsidy system as a whole with the aim of rationalizing the consumption of energy which mainly relies on fossil fuel "oil and natural gas".

Fuel mix used in generating electricity in 2016



Source: Sustainable Development Strategy "Egypt Vision 2030"

Fuel mix to be used in generating electricity by 2030



Source: Sustainable Development Strategy "Egypt Vision 2030"

Project to develop and upgrade the oil and gas sector

In 2017, the Ministry of Petroleum and Mineral Resources launched a project to develop and upgrade the oil and gas sector in collaboration with the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD). The project is aimed to attract private sector investments and enhance public sector governance in the hope of improving the contribution of the oil and gas industry to economic growth. The project's strategic objectives include:

- Courting investments to speed up oil and gas exploration and production activities;
- Introducing structural reforms to the sector;
- Developing the human element in the sector;
- Optimizing refinery activities, product distribution and the petrochemical industry;
- Transforming Egypt into a regional hub for energy trading and handling;
- Informing decision making; and
- Enhancing the performance of production activities which include identifying opportunities to step up production from existing fields and lower the relevant production cost.

A new law regulating gas market activities

On 1 August 2017, Law No. 196 of 2017 regulating natural gas market activities in Egypt was issued. The new Law allows the private sector to buy and import natural gas to be resold in the local market or re-exported through natural gas liquefaction plants pursuant to the controls set forth by the Law and its executive regulations issued in February 2018. This approach promises to create added value to the Egyptian economy through benefiting from imported gas by reusing it in several industries or re-exporting it after liquefaction.

The Law also provides for creating a public authority with a legal personality known as the "Gas Regulatory Authority". The main objectives of the new authority include regulating and monitoring the natural gas market activities as stated in the Law; attracting and encouraging investments in gas market activities; creating a favourable climate for free competition; and preventing monopolistic practices. The Gas Regulatory Authority has the right to grant, amend, renew, suspend and terminate gas market licences. To achieve its objectives, the Gas Regulatory Authority **is given extensive powers including:**

- Regulating relationships among gas market players in accordance with the provisions of the applicable laws, decrees and regulations in the Arab Republic of Egypt;
- Granting, amending, renewing, suspending and terminating gas market licences, and determining the general rules that should be observed by licensees after meeting and obtaining all the necessary requirements and approvals;
- Carrying out technical studies, setting pricing methodologies for selling gas to unqualified consumers in collaboration with the relevant entities in a framework of equality, justice and transparency, and obtaining the approval of the Cabinet;
- Handling and resolving complaints from gas market players pursuant to the rules and controls set forth by the executive regulations;
- Supplying gas market players with information, reports and recommendations to know their rights and obligations;
- Providing gas market technical consultancy and recommendations;
- Ensuring a transparent and competitive gas market to serve the interests of all gas market players on equal footing; and
- Taking part in proposing laws and decrees on gas market activities to be presented to the competent minister in order to avoid conflicts or harm to the objectives of regulating gas market activities.

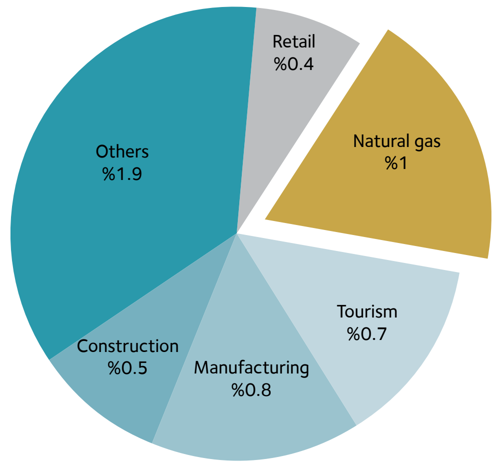
Improving the investment climate

In an effort to create an investment-friendly climate in Egypt, the government issued Law No. 27 on Investment in October 2017. Investor Service Centres (ISC) were accordingly set up to streamline procedures for investors to obtain the approvals, permits and licences required for their investment projects. Such efforts are projected to reflect positively on investment activities across all economic activities including the natural gas sector.

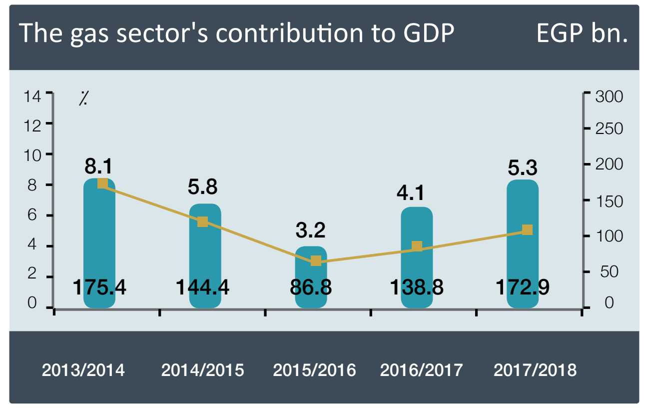
Natural gas sector's contribution to GDP

The contribution of natural gas sector to gross domestic product (GDP) rose to EGP 172.9 bn. in the first three quarters of 2017/2018, accounting for 5.3% of GDP. This is coupled with an increase in the natural gas sector's (constant-price) real growth rate which logged 20.8% in the first nine months of 2017/2018 compared to the same period in the previous year.

Contributions of economic activities to growth rate in 2017/2018



Source: Egyptian Ministry of Finance



Source: CBE

Natural gas supply and major fields discovered

Both the efforts and policies mentioned above bore fruit as many natural gas discoveries were made. The future natural gas supply is projected to rise, thanks to newly discovered fields.

Zohr field

Zohr field, located in Shorouk concession, was discovered in August 2015. It is considered the largest gas discovery in the Mediterranean with massive gas reserves estimated at 30 trillion cubic feet (tcf). As a result, it is expected to meet a large portion of the increasing local demand for natural gas over several decades. Production in Zohr field started in December 2017 with an initial capacity of 350 million cubic feet (mcf) which jumped to 2 bcf in September 2018. Production is expected to reach 2.7 bcf in 2019.

West Nile Delta gas fields

The West Nile Delta gas field project comprises five fields across North Alexandria and West Mediterranean concessions. Their natural gas reserves are estimated at 5 tcf. The project's total production is predicted to shoot up to 1.5 bcf/day by 2019. **The West Nile Delta project is carried out over three phases:**

Phase I: Taurus and Libra fields

Both fields started production in May 2017 with a capacity of 700 mcf/day and 1,000 barrels of condensates per day.

Phase II: Fayoum and Giza fields

Production is scheduled to start in early December 2018 with a capacity of 400 mcf/day which will gradually increase to 700 mcf/day.

Phase III: Raven field

Output is set to start flowing in the third quarter of 2019 with a daily capacity of 450 mcf, gradually growing to its full capacity of 900 mcf/day.

Nawras field

Discovered in 2015 in West Abu Madi concession in Delta, the Nawras field's average natural gas production amounts to 1.2 bcf/day.

Atoll field

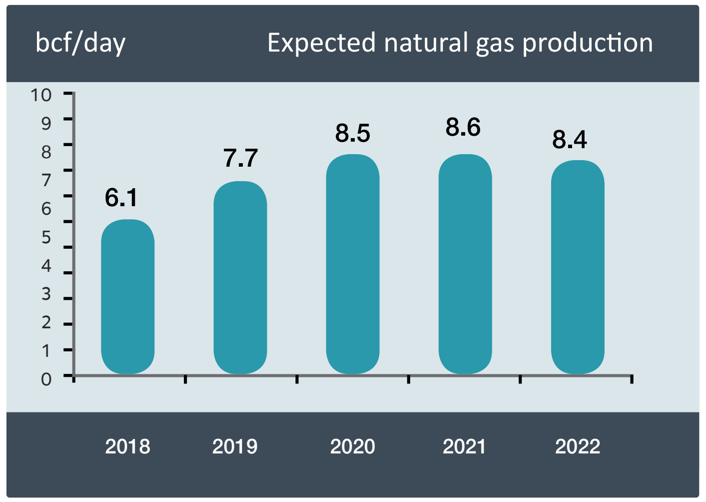
Atoll field was discovered by British Petroleum (BP) in March 2015 in North Damietta offshore concession. Its natural gas reserves are estimated at 1.5 tcf. Production recorded 350 mcf in February 2018.

Noor field

Noor field is a potential natural gas discovery in North Sinai. The Cabinet signed off an agreement with the Italian Eni and Egyptian Tharwa in March 2018 to start exploration and drilling activities in this area. Under the agreement, drilling the exploratory wells to determine the expected level of reserves in Noor field should have started in August 2018.

Natural gas production expectations for the coming years

Thanks to the new discoveries and explorations, a rise in natural gas production is expected during the upcoming years, to reach 8.4 bcf/day in 2022 against 6.1 bcf/day in 2018.

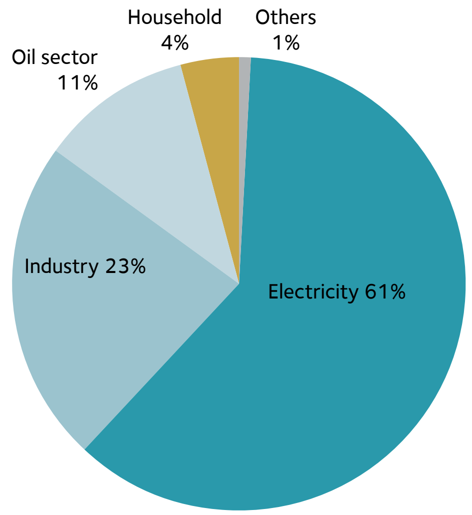


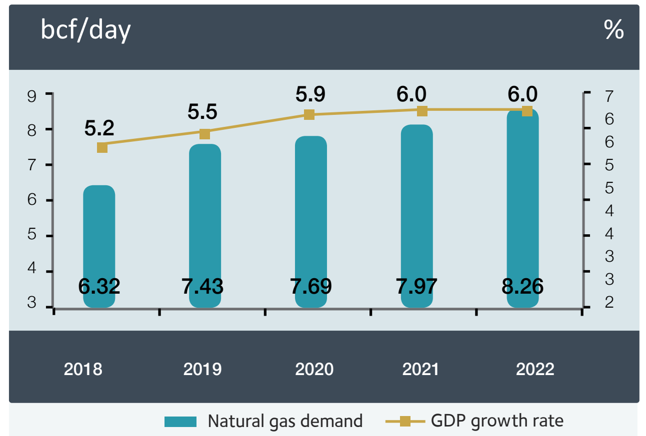
Source: Bloomberg

Natural gas demand in Egypt

In the same respect, natural gas demand is forecasted to be continuously on the increase over the coming years. Such increase is a natural reflection of demand for energy in general and for electricity in particular, generated principally from natural gas. Moreover, improved economic growth and population increase are also anticipated to push up gas demand.

Natural gas demanding sectors 2016/2017



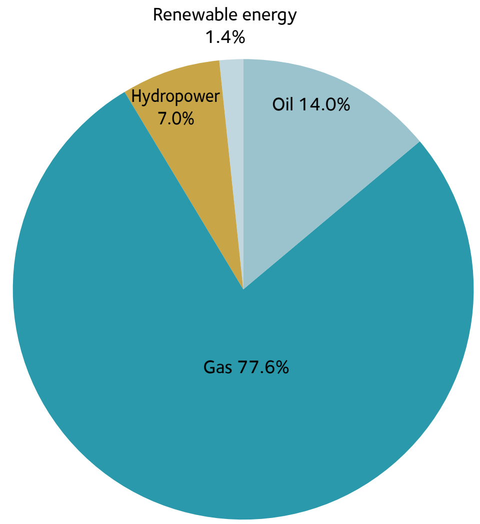


Source: Bloomberg

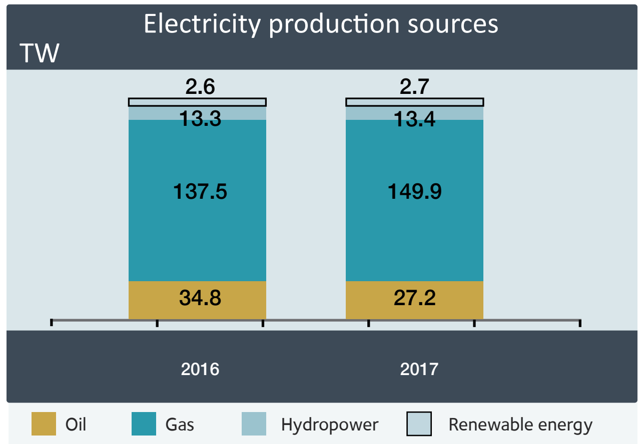
Electricity generation demand

Electricity generation in Egypt depends mainly on natural gas. In this regard, the produced electricity in 2017 amounted to 193.2 TW, including 149.9 TW generated from natural gas which stands for 77.6% of total production. Egypt is keen on reliance on new and renewable energy sources to generate electricity in the coming years. However, natural gas is projected to contribute substantially to electricity generation for the few coming years. According to Bloomberg estimates, it is assumed that should the electricity demand increase by 4% in the coming years, such demand would amount to 241.8 TW in 2022.

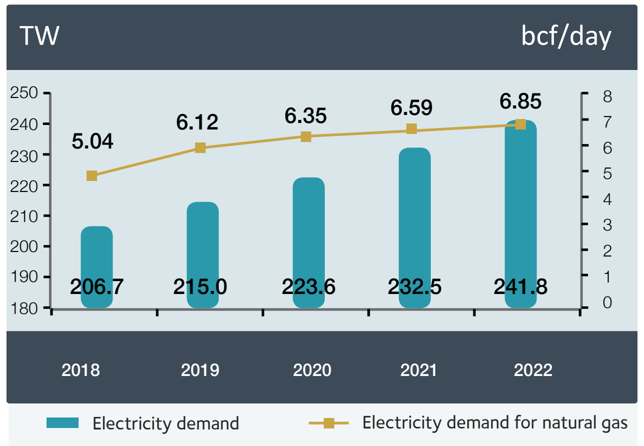
Electricity generation percentages in 2017



Source: British Petroleum (BP)



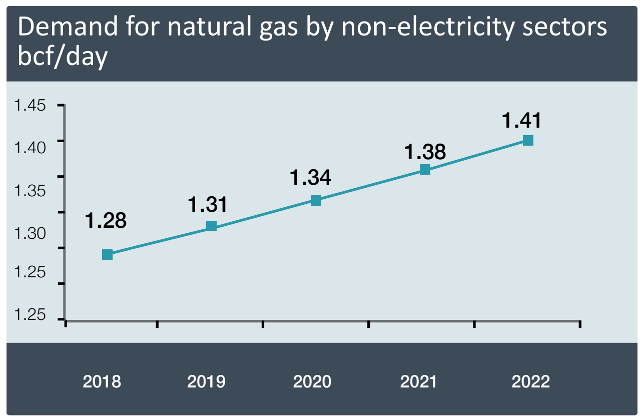
Source: British Petroleum (BP)



Source: Bloomberg

"Non-electricity" sectors' demand

Other sectors (e.g. industry, petrochemical, household and others) maintained 39% of natural gas consumption in Egypt in 2016/2017. Bloomberg assumes that in case the demand by such other sectors for natural gas increases during the following years by 2.5% annually, the said demand would amount to 1.41 bcf/day in 2022.



Source: Bloomberg

Egypt, "a regional hub" for exporting natural gas to global markets

Egypt plans to turn into a regional hub for energy, hinging upon several factors, most importantly:

- Huge gas discoveries that would cover the local market's needs and restore Egypt's position in the global market as a gas exporter.
- A geostrategic location in the middle of continents connecting countries rich with energy resources and major consumers, facilitating gas shipment to importers. Also, shipment costs from Egypt to many countries around the world are quite affordable, which sharpens the competetive edge of Egyptian LNG in European markets and emerging markets in South Asia and some Middle East countries.
- A gas infrastructure which includes two LNG complexes "Damietta - Idku". These two stations have great production capacities and they are located near the discovered gas fields, such as "Zohr, North Delta, Nawras and Atoll", as well as neighbouring countries' fields from which gas is to be received and liquefied then re-exported. In addition, there are dozens of gas processing plants and extensive gas transportation and distribution grids.

Resuming gas exporting

Jordan and Egypt signed an agreement in August 2018 on resuming Egyptian gas supply to Jordan. The agreement is expected to be effective as of early 2019.

Gas re-exports to neighbours

Egypt and Cyprus signed an agreement in Septemeber 2018 on the construction of a direct submarine pipeline to deliver natural gas from Cyprus's Aphrodite field, whose gas reserves account for 4.5 tcf, to Egypt's liquefication facilities, to be re-exported to other markets. Meanwhile, Shell is negotiating to import huge amounts of gas to be liquefied in Idku plant.

Creation of natural gas exchange

The Ministry of Petroleum, in cooperation with the Egyptian Exchange, is currently studying creating a natural gas pricing exchange, especially under the new gas law which allows the private sector for the first time to trade, import and export gas. Hence, such gas exchange will act as the main platform used to conclude gas sale and purchase agreements between sellers and buyers. Moreover, the gas exchange will determine the quantities sold, delivery and receipt times and gas prices. On the same note, carrying out the proposal of creating a natural gas exchange is dependent on Egypt's transformation into an energy handling regional hub and having the neighbours' gas sold in Egypt.

Finally, the substantial changes in the natural gas market are to boost the energy sector's role in general and natural gas in particular as a locomotive to achieve the economic and social development plans in Egypt.

The petrochemical industry is one of the substantial transforming industries that achieves high added value of oil resources, especially natural gas. It provides local market needs of basic, intermediate and final inputs for many complementary industries, such as fertilizers, plastics, paints, synthetic rubber, detergents and toners. This contributes to promoting industrial development as petrochemical sector's average contribution to the industrial sector and GDP is about 12% and 3% p.a., respectively. It further supports the national economy by providing foreign currency through exporting production surplus.

Egypt has promising opportunities and potentials qualifying it to be one of the major petrochemical producers in the region; most importantly:

- A growing local market, especially with the expansion in establishing new cities, such as the new administrative capital, as well as industrial complexes and cities, most of which rely on petrochemical products;
- Available proven reserves of oil, condensates and natural gas, amounting to 3.3 bn. barrels and 62.8 tcf, respectively, by the end of 2017, which ensures availability of materials required for this industry;
- The state's focus on establishing 16 projects to develop natural gas production (scheduled to start production gradually over the next four years), in light of the new gas discoveries and the entry of many fields into production, especially Zohr, Atoll, Noras and West Nile Delta fields. This gives a strong impetus to targeted petrochemical projects;
- Egypt's distinguished geographical location, which supports the sector's exports of various petrochemical products due to their proximity to key consumers; and
- Government support of the petrochemical sector through providing land, necessary infrastructure, and investment incentives to these projects.

Main projects in the petrochemical sector

The petrochemical industry started in Egypt in the 1960s with the production of azotic fertilizers. However, the real start was in the 1980s with the operation of the linear alkyl benzene (LAB) unit at El-Amreya Petroleum Refining Company in Alexandria in 1984, with production capacity of 50k tons p.a. This was followed by the operation of the first petrochemical production complex of the Egyptian Petrochemicals Company (EPC) in 1986 for the production of vinyl chloride, ethylene dichloride, caustic soda and chlorine, with production capacities of 100k, 80k, 72k and 67k tons p.a., respectively. Then, Sidi Kerir Petrochemicals Company (Sidpec) was established in 2000 to produce ethylene and polyethylene, with production capacities of 300k and 225k tons p.a., respectively.

The industry witnessed considerable progress with the establishment of the Egyptian Petrochemicals Holding Company (ECHEM) in early 2002 which was tasked by the government with upgrading and developing petrochemical projects. Accordingly, a national plan was devised to support and develop this industry with the participation of the private sector, which included the establishment of 14 petrochemical complexes with total production capacity of 15 MM. tons p.a. until 2022, phased in 3 stages and aiming at realizing the following main objectives:

- Optimal use of natural resources;
- Meeting local market needs of highly-consumed petrochemical products; and
- Opening up external markets to export high-profit petrochemical products.

Since its inception, ECHEM succeeded in setting up 7 petrochemical projects in Alexandria, Damietta, Port Said and North West Gulf of Suez, with total investments of US$ 7.5 bn. These projects helped increase the annual production of petrochemical products to 5.9 MM. tons in 2017 compared to 355k tons in 2002, which contributed to increasing Egypt's exports of some petrochemical products. ECHEM subsidiaries exported 3.2 MM. tons (worth US$ 1.4 bn.) compared to 81k tons (worth US$ 42 MM.) over the two periods of comparison. Most prominent projects include:

Egyptian Methanol Company (E-Methanex)

The project, established in Damietta in 2010, began operation to produce methanol with a production capacity of 1.3 MM. tons p.a., with a view to reducing Egypt's imports of methanol, one of the main petrochemical products.

The Egyptian Ethylene and Derivatives Company (Ethydco)

Ethydco's complex for the production of ethylene and its derivatives was commissioned in August 2016, with an annual production capacity of 460k, 400k and 20k tons of ethylene, polyethylene and butadiene derivatives, respectively. It is one of the key projects in the National Petrochemicals Plan. It is established over an area of 175 feddans in El-Amerya, Alexandria, with investments amounting to US$ 1.93 bn. It is worth mentioning that Al Ahly Capital Holding Company's share in the said project accounts for 21%, i.e. the highest among shareholders.

Misr Fertilizers Production Company (Mopco)

Mopco's commercial production started in Damietta Public Free Zone in 2009 to produce urea and ammonia fertilizers. In 2015 and 2016, the complex was expanded to raise its annual production capacity to 2 MM. and 120k tons of urea and ammonia fertilizers, respectively, so as to meet local market needs of fertilizers and export production surplus with total investments estimated at US$ 1.96 bn. The National Bank of Egypt (NBE) contributed to the establishment of Mopco complex with an equity participation of 2.56%.

7 petrochemical projects established by ECHEM

with investments of US$ 7.5 bn.

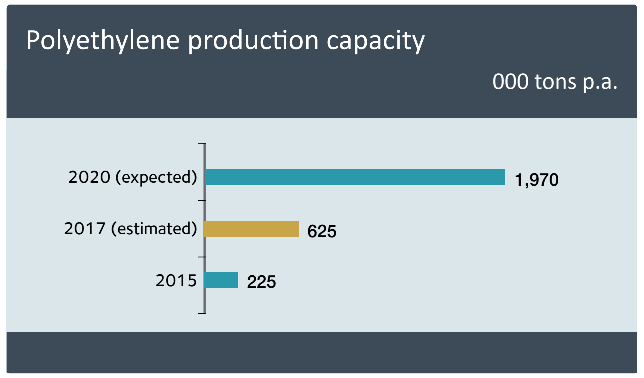
contributed to increasing production and exports by 5.5 MM. and 3.1 MM. tons, respectively, during 2002-2017

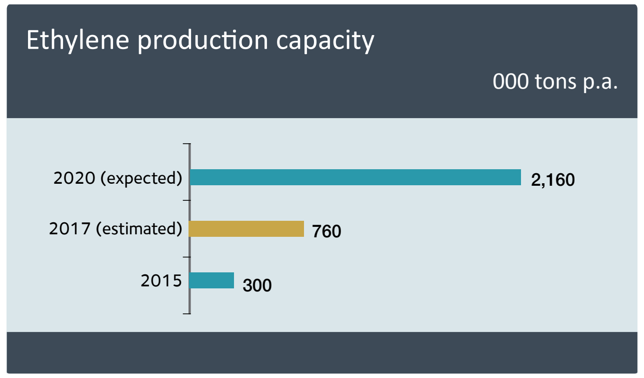
US$ 4 bn.
Total investments of Ethydco and Mopco complexes

Major targeted projects, under-construction projects and expected production capacities in the petrochemical sector

> US$ 20 bn.
> Investments to develop the petrochemical sector

A number of projects and production complexes are being implemented in line with the state's strategy aimed at promoting the petrochemical industry. The strategy targets reducing trade balance deficit through import substitution, improvement of exports performance, and courting more foreign investments to provide more jobs, especially with the new natural gas discoveries and the start of production in Zohr field with reserves amounting to 30 tcf. The said projects and complexes come within the framework of the National Petrochemicals Plan, with investments estimated at US$ 20 bn. to increase current production capacities by 3 MM. tons until 2022, especially ethylene, polyethylene, methanol and ammonia, being among the substantial petrochemical products in Egypt. Most notable projects and expected production capacities of ethylene and polyethylene with the start of operation and commercial production are reviewed as follows:





Source : BMI Egypt Petrochemical Report Q3, 2018

Targeted projects

• Tahrir Petrochemicals Complex in Suez Canal Economic Zone

In June 2018, the contract for the establishment of the largest petrochemicals complex in the Middle East was signed. The complex will be set up in Suez Canal Economic Zone (SCZone), Ain Sokhna, over an area of 5 MM. m^2 with investments estimated at US$ 10.6 bn. It will be co-financed by a number of foreign entities, including the Export-Import Bank of the United States (EXIM Bank), UK Export Finance (UKEF), KfW IPEX-Bank and the Export Development Canada (EDC) to produce a diversified range of petrochemicals, including 1.35 MM. tons p.a. of ethylene and different types of polyethylene with annual production capacity of 1.35 MM. tons (by establishing 3 plants with production capacity of 450k tons p.a. for each). This is in addition to 600k tons of propylene and a number of other petrochemical products. The project’s engineering designs were drawn and construction works will be completed by Q1 of 2019. The project is expected to significantly increase Egypt's exports .

• The new propylene plant at Sidpec's complex in Alexandria

The Minister of Petroleum and Mineral Resources signed the licence agreement for the establishment of the new propylene plant at Sidpec's petrochemicals complex in Alexandria. The plant is being implemented in line with the complex production capacity increase project. The two-stage project aims at maximizing the added value of local resources, i.e. propane, by producing about 500k tons of propylene and 450k tons of polypropylene. The project is planned to be established over an area of 294,000 m^2 with investments estimated at US$ 1.2 bn., with production starting in early 2022.

• Formaldehyde and derivatives plant

The project to be implemented in Damietta by Suez Company for Methanol Derivatives, ECHEM subsidiary, targets producing formaldehyde and its derivatives with a production capacity of 70k tons p.a. to achieve integration with existing projects and maximize the use of their products, i.e. methanol locally produced by E-Methanex and urea by Mopco in Damietta. It is planned to commission the project in 2020, with investment cost accounting for US$ 50 MM.

• Ammonia and derivatives plant

ECHEM plans to establish a plant for the production of ammonia and its derivatives, with a view to making use of currently produced hydrogen. They are planned to be produced by Alexandria National Refining and Petrochemicals Company (ANRPC). The design capacity of the project is planned at 160k tons p.a., with annual production of 50k tons of ammonia as a first stage, and derivatives as a later stage. The project's investment cost is estimated at US$ 175 MM. It is scheduled to start operation during 2019.

• Polybutadiene "synthetic rubber" plant

The project to be implemented at Ethydco's complex in Alexandria targets producing synthetic rubber with production capacity of 36k tons p.a. and at investment cost of US$ 100 MM., depending on available butadiene, which is produced at Ethydco complex as production input and is currently exported. This will contribute to satisfying local market needs of this product, upon which many important downstream industries are based such as tires, conveyor belts, carpets, polystyrene and other several industries. In addition, part of the output will be exported to provide foreign currencies. Project commissioning is planned by the end of 2020.

• Medium density fiberboard (MDF) plant

The project aims at producing medium density fiberboards (MDF) with annual production capacity of 120k m^3, using agricultural residues (rice straw) and urea-formaldehyde in addition to the resins required for the production process, which maximizes the use of petrochemical products. The project's investment cost is estimated at € 80 MM, and commissioning is planned in 2020 at ECHEM premises in Kafr El Sheikh.

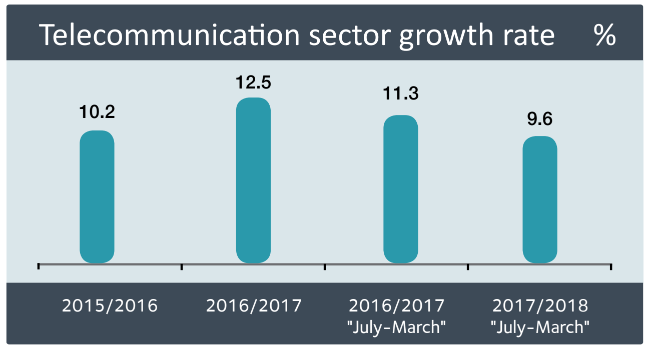
• Petrochemicals complex in North West Gulf of Suez Industrial Zone

The project aims at producing 3.5 MM. tons p.a. of petrochemical products for the local market, in addition to 414k, 662k and 214k tons p.a. of gasoline, propylene and butadiene, respectively, for export purposes.

> In conclusion, the petrochemical industry plays a vital role in achieving sustainable development since petrochemical products penetrate most industrial uses. Egypt has adopted a comprehensive strategy to maximize the use of its oil and natural gas resources for the purposes of producing highly-consumed and lucrative petrochemical products based on the latest technologies and practices to achieve the highest performance levels.

Egypt is in the vanguard of communications and information technology (CIT) among countries in the Middle East and North Africa Region (MENA), especially in terms of its distinguished capabilities in such field. Accordingly, several leading international telecommunication and information technology companies have recently ended to have, or enhance, its presence in the Egyptian market. In addition, the increase in the number of emerging technological companies, providing diversified services nowadays, supported Egypt's stand, as a key global player, to compete currently with several pioneering countries providing services in this arena.

Egypt's CIT sector achieved a growth rate of 12.5% during 2016/2017 which is one of the highest records in its history. Moreover, CIT contribution to GDP reached 3.2% in the same year. In this respect, Ministry of Communications and Information Technology (MCIT) estimates indicate that this sector is targeted to attain a 10% growth rate in 2018/2019 and its contribution to GDP to account for 5% on average during the period from 2018/19 to 2020/21.



According to the A.T. Kearney global services location index report for 2017, Egypt was ranked first in the MENA region and fourteenth worldwide as a global outsourcing destination, (exporting CIT services and products). In that vein, Egypt's export proceeds of CIT services under outsourcing system, increased to US$ 1.9 bn. in 2016/2017.

Egypt ranked 1st in MENA and 14th worldwide, as a "Global Outsourcing Destination" in 2017

The Global Innovation Index Report for 2018, published by the World Intellectual Property Organization (WIPO) in collaboration with a number of universities and scientific institutes, indicated that Egypt jumped 10 places to rank 95th in 2018 up from 105th last year.

Egypt's ranking in Global Innovation Index

2017	2018
105th	95th

Key indicators of CIT sector in Egypt

CIT infrastructure indicators	June 2018 MM	June 2017 MM
Internet users via mobile	32.81	32.07
High speed Internet Access (ADSL) subscribers	5.83	4.77
Landline subscribers	7.40	6.39
Mobile services subscribers	95.73	100.31
Pension disbursement service beneficiaries via post office	6.16 (May)	5.42 (May)

CIT Sector Development

The CIT sector witnessed a significant development in the period "2014 - 2018", illustrated as follows:

- Telecom Egypt (TE), the 80 percent state-owned company, was transformed into a national integrated telecoms operator. This includes 4G mobile services provision in the Egyptian telecommunications market. Moreover, its contribution to the state's public treasury increased to reach EGP 8.2 billion;
- The sector carried out projects with total investments of EGP 2 billion;
- Number of companies operating in telecommunication, amounted to 1,611, comprising 150,000 workers;
- Mobile phone services are covering more than 2,500 km. of new roads, remote regions and roads in Sinai, Eastern Desert and Western Desert; and
- Egypt Post introduced integrated e-services via 4,000 post offices nationwide. Moreover, in September 2018, it launched a new service that allows its customers to send/receive their remittances to/from all banks operating in the Arab Republic of Egypt via the Automated Clearing House (ACH) system, in cooperation with Egyptian Banks Company (EBC).

The following is a review of key developments in CIT sector:

Telecommunications development

The National Telecommunications Regulatory Authority (NTRA) tailored a new regulatory framework for telecommunications services, permitting telecom operators in Egypt to provide cutting-edge technological services. The 4G services were launched to provide high speed internet communications for mobile phone users in addition to initiating 5G trials in December 2017.

Developing IT Industry

A number of programs were implemented to provide financial and technical support via Information Technology Industry Development Agency (ITIDA) to augment the efficiency of Egyptian IT operators, help such companies penetrate new markets, and provide tailored IT-oriented training programs. A number of international institutions hailed Egypt as an investment-friendly and leading outsourcing destination, and a pioneering IT and cross-border services provider. According to **the global CIT consultancy firm "Gartner" 2017 report** and **the British research and consultancy firm "Oxford Business Group" (OBG) report**, IT industry in Egypt made a breakthrough, especially through multinational companies seeking to expand their investments in Egypt.

Gartner and Oxford Business Group hail Egypt's positioning as an investment and outsourcing destination

Deploying technology parks in governorates

Two new technology parks were inaugurated in 2017 at Sadat City, Menofia over an area of 100 feddans and at the New Beni Suef City, Beni Suef Governorate over an area of 50 feddans. This adds to technology parks inaugurated in 2016 at Borg El-Arab, Alexandria and New Assiut "at a total cost of EGP 400 million". Accordingly, 4 technology parks were inaugurated in 2016 and 2017 in total.

> Inauguration of two technology parks at Sadat and New Beni Suef cities besides parks at Borg El Arab in Alexandria and New Assiut

The Smart Village

The Smart Village was established in Cairo in 2001. It comprises local and multinational companies, government and financial authorities, educational institutions and research and development centers.

Maadi Technology Park

Maadi Technology Park is a technology hub that started operation in 2010. It comprises Egyptian and international companies specialized in the business of global outsourcing and innovation especially in terms of information & communication technology industries.

The Egyptian Silicon Valley region in Port Said

The region covers an area of 50 feddans, including several solar energy companies (via a joint venture between China and Egypt), a research center, a power plant, a silica and quartz refining plant and a fiber optical cable plant. The general objective of the project is to take nanotechnology and alternative energy to competition on international level. A number of global technology companies initiated registration process to open branches in the Valley.

Technological knowledge city

The knowledge city is set up in the new administrative capital over an area of 301 feddans. Its implementation started in 2018 to serve as a regional hub for innovation and creativity. The city will host research, scientific entrepreneurship centers to develop electronic software and applications.

> 301 feddans: area of technological knowledge city in the new administrative capital

Boosting technological innovation and entrepreneurship

In 2017, ITIDA's Technology Innovation & Entrepreneurship Center (TIEC) supported a number of programs, aiming at providing financial and technical assistance for innovation and entrepreneurship activities and spreading them widely across Egypt. Starting the implementation of 10 technological innovation campuses at Egyptian universities was announced as a first phase to be a technological lighthouse. This should provide all facilities and elements to support innovative young people and create interaction between young people, investors and major global and local companies supporting innovation and entrepreneurship.
Additionally, the Joint Innovation Center between Egypt, Cyprus and Greece was launched in the Borg El Arab Technology Park, with the aim of implementing joint technology-based projects and sharing experiences between the three countries' youth. An agreement was also concluded with the United Nations (UN) to launch Africa's Regional United Nations Technology Innovation Lab in Egypt.

Launch of national e-commerce strategy

MCIT has partnered with the Ministry of Trade and Industry and the United Nations Conference on Trade and Development (UNCTAD) to launch the national strategy for e-commerce in December 2017. This strategy is a mainstay for developing e-commerce in Egypt as well as a step towards achieving sustainable development and transformation to digital economy.

> December 2017: Launch of national e-commerce strategy in cooperation with UNCTAD

Transformation to e-government and digital society

Seeking the transformation to a digital society as well as the development of the Egyptian government's technological infrastructure and procuring to integrate, update and edit data bases, MCIT's Information Technology Infrastructure Division carried out a number of projects and initiatives in cooperation with different ministries, bodies and authorities in the country, most importantly:

- ✔ Cooperation with the General Authority for Investment and Free Zones (GAFI) to deliver automated services, provide several e-payment channels, apply e-signature services and finalize the first stage of electronic company incorporation service. A sum of 4,000 companies has been introduced to the new automated system.
- ✔ Establishment of GAFI's portal of "Bedaya Center for Entrepreneurship", permitting investors to receive services without the need to pay a visit to GAFI's Services Complex.
- ✔ Development of housing and mortgage finance services via automating mortgage finance provision for citizens using communications and information technology; automating the process of registering and following up mortgage loans to ensure transparency of support and improve service level provided by the Mortgage Finance Fund (MFF) for citizens.
- ✔ Launch of several government service portals in cooperation with other ministries and authorities in the country to be an electronic window to provide many e-services and information content on services provided by the country such as Egypt Travel Gateway, Investment Authority Gateway, Trade and Industry Gateway and Public Prosecution Gateway.
- ✔ Launch of e-Visa project in 2017. It provides all technological instruments and mechanisms for Egyptian embassies and consulates abroad, enabling them to process integrated technological visa service. This aims to revive tourism and increase the number of tourists.
- ✔ Cooperation with Central Agency for Public Mobilization and Statistics (CAPMAS) in Egypt's national census project, to assist in providing an accurate informative image of Egypt and its available resources.

Cybersecurity

Egypt moved up to rank 14th in Global CyberSecurity Readiness established by International Telecommunication Union (ITU) among 194 of ITU member states in the Global Cybersecurity Index (GCI) 2017. Cybersecurity comprises information security on computer hardware and networks, including processes and mechanisms through which computers, information and services are protected against any unintentional or unauthorized interference, change or damage that may occur.

> Egypt ranks 14th in GCI-17

The presidential electronics design and manufacturing initiative

The first complex for manufacturing electronics in the New Assiut Technology Park was inaugurated in 2017, where the manufacture of the first ever Egyptian-made cellphone was initiated, with 45 percent locally manufactured components. Moreover, a number of electronics manufacturing complexes are under establishment in the Technology Parks in Beni Suef and Sadat cities.

Initiating the manufacture of the first mobile phone made of 45% Egyptian components

Egypt on the map of big data center industry

A strategic partnership was launched between the Egyptian Silicon Waha Company and the international NxtVn Group in 2017, to establish a cluster of big data centers in Borg El-Arab Technology Park, in Alexandria, on an area of 60,000 square meters and investments worth EUR 50 million.

It is scheduled that the data center cluster will serve as a focal contact point between the East and the West by taking advantage of the submarine cables and outstanding location of Egypt as a meeting point between Asia, Africa and Europe, contributing to the improvement of efficiency, speed of response and the transfer of data on a global level.

Issuance of Law No. 175/2018 on Combating Information Technology Crimes

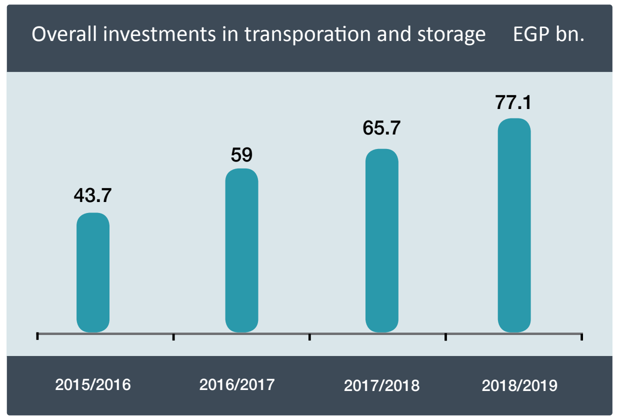
It is worthy to note that Law No. 175/2018 was promulgated on Combating Information Technology Crimes, penalizing illegal access to communications and information services and technologies or fraud using credit cards and electronic payment instruments. The government approved the personal data protection draft law in 2018 to protect citizens' personal data against publishing without consent of the relevant owner.

To conclude, information became one of the fundamental economic resources. Information technology gave way to building knowledge-based economy to effectively optimize and invest information, for the sake of achieving economic and social development. Economy is no longer related to commodities and trade exchange of real products and traditional services only, as it also relies greatly on providing electronic services. Accordingly, economy gained a new feature, namely producing, marketing and selling services and information. In this respect, it is estimated that CIT sector will effectively contribute to achieving the country's economic development goals in line with Egypt's 2030 Vision.

Transportation is a major services sector. It is closely linked to various sectors of economic activity, where the countries' economies and growth rates are influenced by the efficiency of different transportation networks and means. In this respect, the government currently adopts a fully-fledged strategy to upgrade the transportation system, including all related divisions: roads, bridges, railways, tunnels (Metro) and ports, in line with Egypt's 2030 vision for sustainable development.

Transportation in the last 4 years

Transport-oriented investments surged significantly to reach EGP 65.7 bn. in 2017/18, compared to EGP 43.7 bn. in 2015/16. Such rise is expected to continue over the coming period, with targeted investments of EGP 77.1 bn. in 2018/19.



The state's plan aims to boost the growth rate of the transport sector to 4.1% in 2018/19, from 3.2% a year earlier, to edge higher to 7.5% by 2021/22.

Major transportation accomplishments (July 2014 – June 2018)

Roads and bridges

7.5% is target growth rate for the sector by 2021/22

In order to accommodate the growing traffic, provide smooth traffic flow and offer essential services for new national projects, several projects were implemented, most importantly:

- constructing new and dual carriageway at total lengths of 4,700 km and EGP 54 bn. at cost;
- developing and upgrading roads of 2,530 km at length and EGP 14 bn. at cost;
- implementing 6 axes over the Nile at the cost of EGP 8.1 bn.; and
- completing 230 industrial projects (bridges and tunnels for pedestrians and vehicles) at a cost of EGP 9.1 bn.

As a result of the growing endeavors to develop transportation, the 2017/18 quality of roads indicator, a sub-index of the Global Competitiveness Index (GCI) published by the World Economic Forum "WEF", assessing the road quality worldwide, indicated that Egypt climbed in ranking to 75 from 107 globally in 2016/17. It is expected for Egypt's ranking to keep moving up over the next two years following the completion of the underway national project of roads.

Egypt jumped 32 places in rankings of 2017/18 quality of road index

Railways

The government is keen to implement a number of projects targeting railway comprehensive development. Such projects comprise renovating railway lines with lengths totalling nearly 400 Km, developing and procuring 3,000 cars and 180 locomotives, as well as developing civil works of 1,100 grade crossings and the signaling system of 1,000 grade crossings, and the overall development and maintenance of 156 stations. Some of these projects have been actually implemented at estimated cost of EGP 3.8 billion. It is planned to complete the implementation of remaining projects by the end of 2022, as scheduled. It is noteworthy that Egypt ranked 50th in the 2017/18 quality of railroad infrastructure indicator, one of the components of the Global Competitiveness Index that assesses the quality of the railway system, up from 73rd in 2016/17.

Egypt gained 23 spots in the 2017/18 quality of railroad infra-structure indicator

Underground metro

The state has developed an ambitious plan targeting the completion of Greater Cairo Metro Line 3 and implementation of phase I of Line 4, coupled with the upgrade of lines 1 and 2. Moreover, the construction of the electric train project, running from Al-Salam City, through 10th of Ramadan City, New Administrative Capital and Bilbeis, has been started. Further, the rehabilitation studies of Al-Raml tram in Alexandria are under consideration.

5 projects to develop and upgrade Cairo Metro - lines 1 and 2 at total cost of EGP 3.9 bn.

Five projects were completed within the metro sector, to develop and upgrade Cairo Metro lines 1 & 2 at total cost of EGP 3.9 bn., where 20 air-conditioned trains were supplied for Metro line 1, 17 trains were developed and upgraded, and security cameras were procured and installed in 47 stations, in addition to 120 metal detectors, 850 gates and 100 turnstiles.

Ports

The ports sector witnessed the implementation of several projects worth EGP 2.3 bn., making use of Egypt's unique geographic location, including the following:

- Developing and expanding Safaga Port, phases 1 & 2 of Hurghada Port and phase 1 of Suez port at total cost of EGP 985 MM and phases 1 & 2 of maritime Nuweibaa Port at cost of EGP 267 MM., extending the Red Sea ports over a total area of 1,370,000 meters, "increasing by 63%", transporting 3,700,000 passengers a year, with an increase of 93%, and accommodating traffic at 930,000 vehicles and trucks per annum, rising 240%;
- Adding the land ports of Qustal and Arqeen at a cost of EGP 169 MM. to boost movement rate by 55% to 167,000 passengers per annum; and vehicle transmission rate by 13% to17.5 thousand vehicles annually; and
- Complementing the incorporation of Egyptian Company for Land and Dry Ports and Logistics Areas, contributing to the development and construction of an infrastructure for logistics, transport traffic and trade movement, primarily aiming to establish, manage and operate ports and logistics zones.

Egypt surged 17 spots in the 2017/18 quality of port infra-structure indicator

Egypt's position has improved to rank 41st in the 2017/18 quality of ports infrastructure indicator, one of the components of the Global Competitiveness Index, assessing port quality, up from 58th in 2016/17.

Civil aviation

The state attaches high importance to the civil aviation sector, with the objective of ensuring that Egypt is well-connected to the world by international airline network, as demonstrated herebelow:

- completing 54 projects at total cost of EGP 18.2 bn., topped by the establishment of 5 new airports with investments of EGP 9.3 bn. and USD 404.5 MM, where the New Administrative Capital Airport, Al Bardawil International Airport and Sphinx International Airport are completed while Berenice and Ras Sidr Airports are still in the pipeline, along with boosting the capacity of existing airports;
- raising capacity of new terminal buildings, developing runways, and constructing exit taxiways, accommodating as many aircrafts as possible to keep up with the movement of aircrafts. Besides, an air cargo carrier fleet has been renovated or replaced with aircrafts of high-operating economies and long-term capabilities;
- upgrading air navigation systems and meteorological centers by replacing and developing radar systems and air control towers at cost of EGP 80.9 MM. and EUR 15.6 MM.;
- developing security system of terminal buildings, ensuring that airport security is enhanced at total cost of EGP 384 MM. and USD 37.3 MM., including securing cargo villages at airports;
- building terminal at Hurghada Airport in December 2014 to accommodate 7.5 million passengers annually, at a total cost of EGP 2 bn.; and
- maintaining, and improving the efficiency of, Cairo International Airports' taxiways and building quick exit runways to contain as many aircrafts as possible at total cost of EGP 234 million.

The transport sector is set to implement additional mega projects

The Ministry of Transportation seeks, in collaboration with the Ministry of Investment and International Cooperation (MIIC), to complete its projects in Egypt, and obtain the required finance, especially from international institutions, to complement the sector's development plan. **The following are the major current and future projects targeting the sector's development:**

Roads and bridges

The General Authority for Roads, Bridges and Land Transport (GARBLT) completed the blueprints for the third phase of the national roads project. GARBLT's share in this phase is 1,180 km in length at cost of nearly EGP 11 billion. This phase comprises 6 projects, most importantly:

- developing and constructing dual carriageway of Cairo–Assiut western desert road with length of 400 km at a cost of EGP 6.7 bn.; and
- constructing dual carriageway of 6th of October-Wahat road with length of 325 km at a cost of EGP 750 million.

It is expected to disclose the details of phase four by mid-2019 in parallel with implementing final milestones of the project's phase three. Projects of phase four, which are currently in the pipeline, will start with the establishment of a road in the East Delta with length of 37 km at a cost of EGP 1.6 bn.

> Announcing the national roads project - phase 4 in detail by mid 2019

Railways

In 2018, the Ministry of Transportation announced its plan to revamp all utilities of the railway system at cost of EGP 56 bn. up till 2022. **It is notable that:**

✔ **a number of infrastructure projects are to be implemented to upgrade the railways network, improve services and enhance safety and security of passengers, including:**

- infrastructure projects comprising electric signal projects for Cairo-Alexandria track with length of 208 km, Beni Suef/ Assuit track with length of 250 km and Nag' Hammadi/ Luxur track with length of 118 km;
- railway renovation and maintenance completion projects for distances which should have been previously renovated, with total lengths of 1,000 km;
- completion of the comprehensive development plan of grade crossings along the railway lines;
- resumption of the upgrade and improvement plan of railway stations in both Upper and Lower Egypt; and
- securing 112 signaling towers with surveillance camera systems.

In that vein, it is noteworthy that the Minister of Transportation (MoT) met delegations from European Investment Bank (EIB) and Agence Française de Développement (AFD) in October 2018 to discuss the development of the 118 km-long Tanta-Mansoura-Damietta railway through a EUR 150 MM. finance. This is a key railway development project due to its vital role in transporting cargo through the railways from Damietta Port.

✔ **The railway fleet of movable units “locomotives and railcars” is set to be replaced and renovated, as follows:**

For passengers:

- Supplying 1,300 new passenger railcars at a cost of USD 1,6 bn.;
- Purchasing 100 new locomotives at a cost of EUR 290 MM.;
- Spending USD 575 MM. to rehabilitate 81 locomotives;
- Providing EGP 450 MM. to rehabilitate 200 ordinary third class railcars; and
- Supplying 40 new power cars, including maintenance contract in the amount of EGP 800 MM.

For cargo:

- It is agreed to purchase 140 railcars, whereas the purchase of another 160 railcars is under negotiations;
- Cargo lines and inventory are to be rehabilitated as part of public–private partnership (PPP); and
- Multimodal transport technology is to be adopted.

On a related note, a USD 575 MM. agreement has been signed between the Egyptian Railway Authority (ERA) and General Electric (GE) in 2017, providing for several clauses, most importantly supplying 100 multi-purpose locomotives for both passengers and freight rail, including a 15-year maintenance service to provide spare parts and technical support for new locomotives and arrange a training program for more than 275 ERA engineers and technicians.

Set-up of a number of monorail projects

- The 6th of October mounted monorail is a high-speed monorail for passengers linking the 6th of October City to Giza and Cairo and consisting of 10 stations; and
- The Administrative Capital monorail comprises 22 stations with a length of 52 km, to accelerate the development pace of the Administrative Capital and the New Cairo City, and smooth the traffic flow from Cairo to Giza to the shortest duration possible, especially under the attempts to be connected with the underground Metro line 3 in the future.

Underground metro

The Cairo Metro project is a key driver for achieving added value within the transport sector in Egypt. The government has designed a fully-fledged program for upgrading and expanding the current Metro network to cover additional 97.2 km by the end of 2021/22. **This is manifested in the following:**

✔ In October 2018, the Minister of Transportation affirmed the deal made with EIB and AFD to:

- Modernize Cairo Metro Line I, carrying about 2 million passengers per day, via a loan worth EUR 400 MM. (EUR 350 MM. from EIB and EUR 50 MM. from AFD) to finance the rehabilitation of its existing infrastructure. This is complemented by a EUR 205 MM. loan extended by the European Bank for Reconstruction and Development (EBRD); and
- Renovate Al-Raml tram network, as part of an integrated plan to develop the public transport system in Alexandria, based on reviewing the offer submitted by both EIB and AFD to co-finance the modernization projects with an amount of EUR 235 MM.

✔ Continuing the implementation of the fourth phase of Line 3 of the Cairo Metro during 2018, which aims to link the eastern and western banks of the Nile, interchanging services with Lines I and II.

Ports

The government seeks to draw investments to port infrastructure, making use of Egypt's trading strategic position, **the most important of which are:**

✔ **Salloum land port development project**, which contributes to expanding the port's capacity to accommodate the expected additional numbers of individuals and trucks, streamlining procedures to segregate tracks between individuals, personal vehicles and cargo trucks; and

✔ **Finishing studies on constructing dry harbor in the 6th of October City.** The project has been offered to investors in an international tender.

Air transport

As part of its efforts to invest in and upgrade airports, the government undertakes the following:

✔ Sharm El Sheikh International Airport development project that includes designing, procuring and installing security system at the airport, and upgrading terminal 2 (departure and arrival halls) as part of the Egyptian government's strategic vision; and

✔ Borg El Arab International Airport modernization project which is part of the cooperation agreement concluded between the Egyptian government and Japan International Cooperation Agency (JICA) to construct a passenger terminal building at the airport, representing the first eco-friendly building of its kind in Egypt.

> In conclusion, the complete successes and constant efforts to improve road networks and transport means, and the achievement of the state's transport development strategy would strengthen the status and role of transport sector to act as a mainstay for development and a driving engine for various economic activities.

Ministry of Public Business Sector’s Plan to Develop Subsidiaries

Ministry of Public Business Sector announced a comprehensive plan to develop its subsidiaries. The plan will improve public funds governance and enhance the management of state-owned assets, hence boosting national economy and contributing to achieving comprehensive sustainable development.

The public business sector comprises 8 holding companies

121 subsidiaries “employing 215,000 people”

73 profit making companies	48 loss making companies
EGP 14.9 bn.	EGP 7.5 bn.
Net profit in 2016/2017	Net losses in 2016/2017

The Ministry set up a plan to develop the first group of these companies up till the end of June 2019. The following four pillars were adopted:

Pillar I: Loss making companies

- Plans are in place to overcome the losses of 26 companies, mostly industrial companies, which amounted to EGP 6.7 bn. in June 2017, representing 90% of total losses of the sector's subsidiaries.
- The said companies include:
  - ✓ 6 subsidiaries of the Holding Co. for Chemical Industries.
  - ✓ 7 subsidiaries of the Holding Company for Metallurgical Industries.
  - ✓ 9 subsidiaries of Cotton and Textile Industries Holding Co.
  - ✓ 4 subsidiaries of the Holding Company for Pharmaceuticals.
- The Ministry's plan to reform and develop the relevant 26 companies includes the following options:
  - ✓ All-embracing plant upgrade.
  - ✓ Total reorganization with a technical partner.
  - ✓ Major overhaul.
  - ✓ Partial closure.
  - ✓ Complete closure.

The necessary technical audit should be performed for factories to ensure totally effective upgrades which would maximize the return on investment (ROI) in the long run.

Pillar II: Profit making companies ready to be offered in the stock market

- Determining profit making companies eligible to be offered in EGX in Q4 2018.
- Preparing the second list of companies realizing good profits and assessing their offering eligibility in 2019, to be discussed with the IPO committee in charge.
- Increasing the percentage of already traded shares of some companies. This will allow further private sector engagement in boards of directors, contributing with its expertise to the development of such companies. This will also result in a great leap in corporate governance practices and provide the resources necessary for developing the remaining subsidiaries via the offering proceeds.

Pillar III: Underperforming profit making companies in need of reorganization

- This pillar exclusively covers the subsidiaries of 3 holding companies:
  - ✓ Insurance Holding Company.
  - ✓ Holding Company for Construction and Development.
  - ✓ Holding Company for Tourism and Hotels.

Pillar IV: Defining the unutilized assets to settle debts and fund development

- The unutilized assets of subsidiaries and holding companies have been identified.
- Certain assets have been selected to settle companies’ debts payable to government bodies.
  - ✓ It is agreed with the Ministry of Petroleum to settle debts amounting to EGP 11.95 bn.
  - ✓ It is agreed with the Ministry of Electricity to settle debts amounting to EGP 2.38 bn.
- The Ministerial Committee on Counting the State’s Unutilized Assets gave public business sector companies freewill to deal with their own unutilized assets pursuant to the applicable laws and regulations.

Newly incorporated companies and capital flows

Total number of foreign, Arab and Egyptian companies newly incorporated in Egypt reached 10,117 during the first half of 2018 (with total capital flows of USD 2,498 MM.), compared to 8,910 (with total capital flows of USD 2,231 MM.) YoY. This is primarily attributable to a boost in the number of new foreign and Arab companies amounting to 2,078 (with total capital flows of USD 205.2 MM.) growing over 68% during the same period of comparison, in addition to the rise in the new Egyptian companies by 4.7%.

Key indicators of newly incorporated companies in H1 2018 versus H1 2017

13.5%
Growth rate of total number of companies

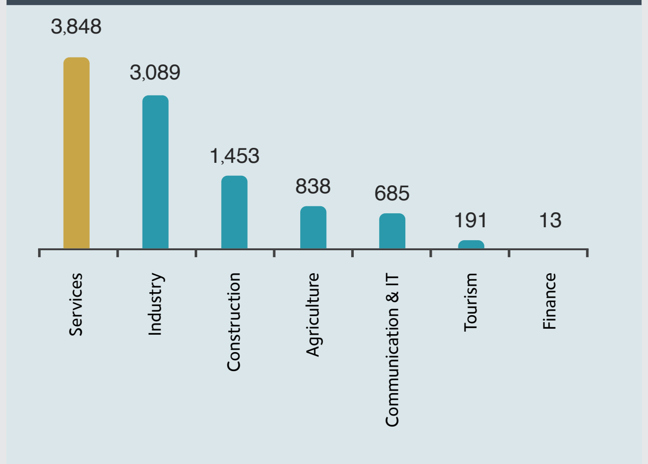
12%
Growth rate of capital flows of total companies

68.7%
Rise in number of foreign and Arab companies

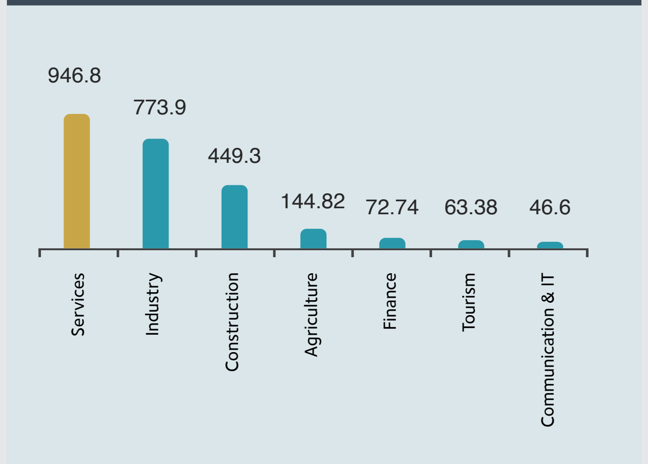
Sectorial distribution of total number of companies and capital flows

As services and industry are the top investment sectors, they took the lead in terms of number of new companies and capital flows during H1 2018, capturing 3,848 and 3,089 companies respectively, with total capital flows of USD 946.8 MM. and USD 773.9 MM. respectively. On a related note, the industry sector commanded the lion's share, with foreign and Arab investors' contribution accounting for 76%, followed by the construction sector at 27.9% during the same period.

Number of new companies by sector



New companies' capital flows distributed by different sectors US$ MM



Geographical distribution of total number of companies and capital flows

Cairo maintained its leading position across Egypt in terms of number of the newly-incorporated companies and capital flows during the first half of 2018 with a relative weight of 48.9% and 36.3% respectively.

Several governorates in Upper Egypt achieved the highest growth rates in terms of number of new companies and capital flows during H1 2018. Such acheivement comes in line with the state's endeavours to oil the wheels of investment and create a business-friendly environment in Upper Egypt, with a view to promoting a balanced sustainable development and raising living standard. In that vein, the number of newly incorporated companies in Qena surged by 135 companies at a growth rate of 193.5% YoY. On the flipside, Al-Minya and Assiut gained the lead in terms of capital flows growing 6,312% and 3,636% YoY (to amount to USD 16 MM. and USD 481.9 MM. respectively).

The countries that invest most in Egypt

Arab countries held the largest shares in the top ten countries investing in Egypt whether in terms of number of companies or capital flows during H1 2018, occupying 9 positions with respect to the number of newly incorporated companies, topped by Syria, incorporating 552 companies, whereas 6 positions in the capital flows were captured by Arab countries headed by the United Arab Emirates (UAE), with capital flows of USD 52.8 MM. during the same period .

Top 10 countries in terms of newly incorporated companies in Egypt during H1 2018

Country	Number of companies	Relative weight
Syria	552	26.6%
Saudi Arabia	397	19.1%
Jordan	119	5.7%
Yemen	119	5.7%
Lebanon	84	4%
China	77	3.7%
Palestine	67	3.2%
UAE	46	2.2%
Kuwait	46	2.2%
Sudan	43	2.1%

Top 10 countries in terms of Egypt's capital inflow during H1 2018

Country	Capital flows (USD MM.)	Relative weight
The Netherlands	304.3	148.5%
UAE	52.8	25.8%
Syria	51.3	25%
Bahrain	25.1	12.3%
Yemen	12.9	6.3%
Jordan	12.5	6.1%
China	11	5.4%
Lebanon	9.8	4.8%
Luxembourg	4.8	2.3%
Turkey	3.6	1.8%

Sole Person Company Incorporation Is Now Available at the Investors Services Center

Law No. 4/2018 was promulgated introducing the incorporation of the sole person company as one of the components forming the legislation, decisions and procedures package adopted by the state to provide an investment-friendly climate. It is estimated that such Law would contribute to developing small- and micro-enterprises, ameliorating Egypt's ranking in international Doing Business reports, besides effectively bringing small informal individual entrepreneurships into the formal fold. The Law enables the entrepreneur to enter into the limited liability framework provided by the Companies Law to sole person companies.

The sole person company concept

The sole person company is "an enterprise totally owned by one sole person, whether a natural or legal person, who is only liable within the limits of the company's capital." The company shall have independent financials apart from that of the owner. The sole person company may be established pursuant to an application submitted by its founder or his/her mandate. The articles of association of the sole person company includes its name, purpose, data of its founder, period, method of management, head office address, branches (if any), capital and liquidation rules.

The sole person company is one of the significant new changes introduced by the Companies Law, being one of the main axes for amending the economic legislative framework. A chapter was added to the Companies Law entitled "The Sole Person Company" with a view to promoting small and microenterprises and boosting entrepreneurship.

A company owned by one person used to be a form of a sole proprietorship. The founder is liable in full for all its obligations and is solely requested to repay such obligations even from his own funds. In that vein, investors loath the mechanism of sole proprietorships and usually resort to limited liability partnerships (LLP), when establishing their companies to avoid being committed to pay from their own funds, as aforementioned, in case of incurring any loss, given that an LLP comprises three members at least.

With the enactment of Law No. 4/2018, it is allowed to establish a trust company where the founders' (or owners') liabilities are within the limits of their capital.

Features of the sole person company

- It is established by only one person.
- It is a limited liability company in which the founder (owner) is only liable within the limits of the capital of the company, provided by himself, and not his own funds except in certain cases, set forth by the Law, where the liability is not limited, as follows:
  - Founder liquidates or suspends company's activity in bad faith prior to the end of its term or purpose achievement;
  - Personal and company funds of the founder are co-mingled; and
  - Founder enters into agreements or takes any actions in the company's name prior to incorporation, where such agreements or actions are not essential for incorporation.
- The minimum capital required for the establishment of the company is EGP 50,000 (to be paid in full prior to incorporation).
- Being the sole owner, the founder reserves all powers and authorities granted to the board of directors as well as ordinary and extraordinary general assemblies. This facilitates decision-making and running all corporate aspects relating to the company.
- The company has a trade name derived from its purpose. The name of the owner is not a part of the company's name as the personal consideration has no effect. Anyone doing business with the company will be according to the financial consideration. The name of the company and registration number must be included in all papers, publications and concluded agreements.
- It promotes investment and trade as the limited liability feature allows the investor's financial liability to be limited to a fixed sum, most commonly the value of its investment in the company. This prevents the investor's total funds from being at risk when dealing with the claims of the company's creditors.
- It limits the establishment of shell companies. In many cases, the investor establishes a partnership of two or more partners, while it actually comprises one person only. The reason for the existence of two or more partners, is a mere formality required by the corporate system in the company's articles of association.
- It ensures the continuity of the commercial business. In the event of the owner's death, the company's business is not terminated and its ownership is easily transferred to an heir or more under a number of legal controls.

Sole person companies are prohibited from undertaking the following activities:

1. Founding another sole person company;
2. Undergoing public subscription whether at the establishment of the company or upon capital increase;
3. Splitting the capital of the company into tradable shares;
4. Issuing any kind of securities or borrowing through the issuance of tradable securities; and
5. Undertaking the activities of insurance, banking, savings, receipt of deposits or investing funds on behalf of third parties.

The sole person company will be put into liquidation and its legal personality will be terminated in the following cases:

1. Loss of half the capital of the company unless the owner resolves the continuity of the company;
2. Liquidation of the legal person who is the owner of the company's capital;
3. The owner of the company is placed under guardianship or incapacitated; and
4. Death of the company's owner unless its ownership devolves to an heir or heirs who resolve to keep the company operating in the same legal form and the company's conditions are accommodated within six months from the date of the founder's death.

In August 2018, the incorporation documents of the first sole person company were submitted with the launch of the incorporation of sole person companies to the Investors Services Center. The company operates in the field of furniture manufacturing in one of the industrial areas with a capital worth EGP 50,000.

In August 2018, the President ratified Law No. 176/2018 on "financial leasing and factoring", to be the first law that regulates factoring business in Egypt and combines two of the most important and complementary non-banking finance instruments to support economic projects and raise production and operation rates; namely:

"Financial Leasing" that offers finance for the purpose of acquiring investment assets required to carry out the productive or service activities. The lessee is granted the right to use and possess an asset owned by the lessor under a contractual agreement against regular payments for a specific period of time. The lessee has the right to choose to purchase the leased asset (in whole or in part), on the date and at the price stipulated in the agreement; and

"Factoring" that offers cash liquidity for projects in the course of operation by means of purchasing current and future financial rights arising out of selling commodities and providing services.

The said Law includes 84 articles, tackling a number of regulations and new mechanisms that support entities exercising financial leasing and factoring and protect the rights and interests of their customers. This would help attract more domestic and foreign investments to these activities, and provide the finance necessary to meet the needs of companies and economic projects. The main content of the Law is as follows:

Legal form and capital

The Law establishes rules and provisions regulating companies that are willing to obtain a licence from the Financial Regulatory Authority (FRA) to provide financial leasing or factoring services. The Law stipulates that the company shall be in the form of an Egyptian joint-stock company, provided that its issued and paid-up capital, upon incorporation, shall not be less than the amount specified by FRA's Board of Directors, and shall not be below EGP 10 MM. in cash or its equivalent in foreign currencies.

Introducing "micro-financial leasing"

In the framework of supporting microeconomic enterprises, the Law allows companies as well as civil associations and organizations to provide micro-financial leasing subject to the provisions of Law No. 141 of 2014, through providing micro-financial leasing services according to the requirements specified by FRA's BoD. These requirements shall specifically include the following:

- ✔ The micro-finance portfolio for any of the said entities shall not be less than five million Egyptian pounds based on the latest audited financial statements;
- ✔ The amount of finance agreement shall not exceed the finance ceiling pursuant to microfinance law, and shall be allocated for economic purposes (related to production or provision of services);
- ✔ Abidance by the standards of solvency, liquidity, maximum concentration ratios and financing levels per single customer and related customers;
- ✔ Compliance with the minimum standards for impairment and provisions with respect to doubtful finances;
- ✔ Compliance with anti-money laundering and counter-financing of terrorism (AML/CFT) controls after coordinating with relevant bodies; and
- ✔ Adherence to governance requirements in terms of formation of the board of directors and its committees, as well as the disclosures required by the company and dates thereof.

Allowing financial leasing companies to exercise operational leasing

To provide customers with the necessary finance at "short, medium and long" terms and expand the scope of companies' business, the Law permits companies to practise both financial leasing and factoring, provided that a licence is obtained from FRA. The Law also allows financial leasing companies to practise operational leasing (which does not include the option of purchasing the leased asset).

Establishing "associations" for companies operating in financial leasing and factoring

The Law provides for establishing "an association for financial leasing companies, and another one for factoring companies" to support non-banking finance activities. The association's main tasks are as follows:

- ✔ Make recommendations on developing the business for which the enterprise was established, raise awareness thereof and adopt the supporting initiatives;
- ✔ Give feedback on the legislation regulating the business of the association members; and
- ✔ Develop the skills of the association members' staff through training and seek coordination among members.

Each association is an independent legal entity supervised and regulated by FRA. All companies operating in the above-mentioned business are committed to joining the respective association, and observing its articles of association approved by FRA. In this vein, it is worth noting that the said Law stipulates that the two associations – subject to a resolution by FRA and after obtaining the consent of each association's general meeting – may be merged to form one association for financial leasing and factoring.

Establishing "grievance committee" to protect the rights of involved entities

The Law aims at protecting the rights of companies and civil associations and organizations licensed to exercise financial leasing and factoring. This includes expediting the settlement of disputes arising out of the administrative decisions issued in application of this Law. The Law provides for establishing "one or more committees" to consider the complaints of the said entities about such decisions; provided that:

- ✔ Complaints shall be submitted to the Committee within one month from notification or knowledge thereof;
- ✔ The Committee shall issue its final decision no later than thirty days from the date of submitting the required documents and data; and
- ✔ Time limitation for forfeiture or prescription of rights or for litigation shall be suspended until the date of settling the grievance.

Protecting beneficiaries' rights

Protecting the rights and interests of financial leasing and factoring beneficiaries and mitigating the risks they may face due to the practices of operating companies are among the priorities of this Law. For example, a mechanism is provided to process the complaints submitted by relevant beneficiaries about the violations of Law provisions and relevant resolutions issued in application thereof. FRA receives and replies to complaints no later than one month from the date of submitting the required documents.

In case a company violates Law provisions, lacks any of the licence requirements or acts against market stability or the interests of its shareholders or beneficiaries, FRA's BoD will take one or more measures, including:

- ✔ Sending a warning to the company to terminate the violation during the period and as per the conditions stated in the warning;

- Removing the company's BoD and appointing a delegate to manage the company for a period of no more than six months, which may be renewed for another similar term. A new BoD shall be appointed by the general meeting;
- Prohibiting the company from entering into new finance agreements for a period of no more than six months; and
- Preventing the company from practising all or some of the authorized businesses for a specific period.

In case the company sustains financial problems affecting its financial standing, FRA's BoD may compel the company to strengthen its financial solvency subject to a specific timetable; noting that in all cases the resolutions issued in this respect must always be justifiable.

Penalties

To realize stability in financial leasing and factoring market, the Law includes a number of penalties for some violations, such as:

- Practice of financial leasing or factoring activities without a licence;
- Breach of Law provisions related to the data required in financial leasing agreements according to the terms established in the right sold to the factoring customer;
- Late submission of financial statements and periodical reports required by FRA's BoD; and
- Disposal of the leased asset without obtaining the lessor's written consent, abstaining from returning the asset or intentionally changing the asset's features.

In conclusion, the Financial Leasing and Factoring Law is considered a vital catalyst to promoting non-banking finance instruments in the Egyptian market. The Law is expected to help new companies enter the market and expand the business scope of operating companies, amounting to 27 financial leasing companies "out of 226 companies listed at FRA", and 8 factoring companies in 2017. Their indicators have recently showed remarkable growth. The value of financial leasing agreements rose 33% YoY to score EGP 28.6 bn. in 2017, while factored securities went up 47.4% to reach EGP 8.9 bn. in the same year.

In order to develop highly sophisticated internal and external trade in the country, it is necessary to create a cutting-edge logistical system. A robust logistics system is a key to improving the efficiency and cost-effectiveness of exportation, sharpening global competitiveness, easily linking individuals and companies to domestic and global market via strong supply chains, boosting investment opportunities, promoting economic growth and creating new job opportunities.

In this respect, the government has paid extra attention to growing and developing the logistics sector via implementing many mega logistics projects, especially expanding logistics zones in several governorates and establishing large chain stores under public-private partnership (PPP) . This would help in developing internal trade; setting high-quality standards for products to be available for the consumer at appropriate prices; and stimulating and giving impetus to investment in wholesale and retail trade, which is a key driver for economic growth, given the positive development recently witnessed by its indicators. Executed investments have substantially picked up to EGP 15.5 bn. during the first 9 months of FY 2017/2018 (with growth rate of 52.8% YoY), contributing 14% to GDP during the same period.

Key target economic indicators for wholesale and retail sector as per the socio-economic development plan 2018/2019

4%
Growth Rate

10.4%
Contribution to GDP

EGP 28 bn.
Sector's investments from total overall investments estimated at EGP 942.2 bn.

89.4%
Private and cooperative sector investments to total target investments of the Sector

Logistics zones significance and investment advantages

Logistics zones facilitate and develop internal trade in the country, and raise the efficiency and competitive edge of wholesale and retail trade sector. These zones aim to:

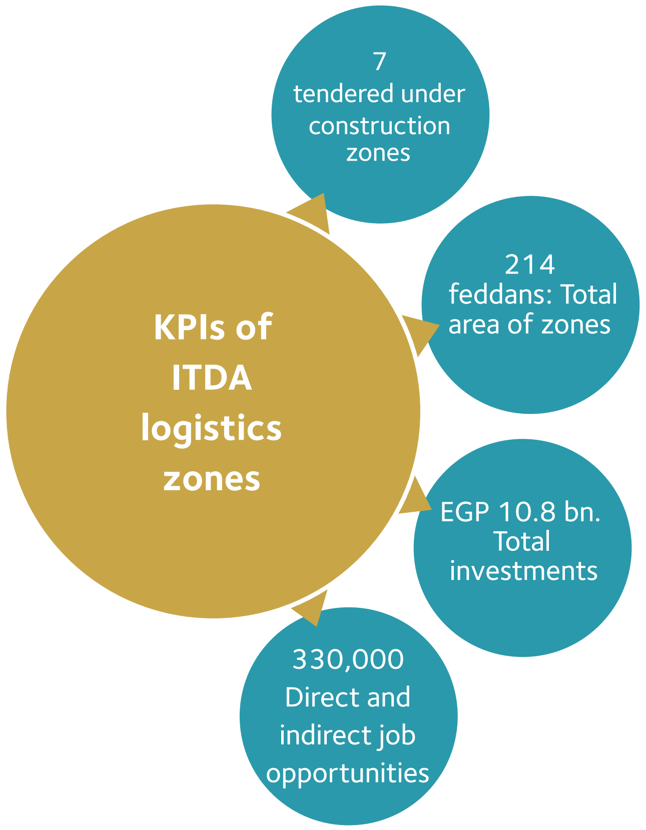
- provide safe commodity reserves, especially the strategic ones at high-quality standards;
- minimize the loss of goods and commodities as they provide warehouses equipped with advanced systems, thus increasing internal trade revenues;
- reduce trade intermediaries; and
- mitigate the risk of price fluctuation and control prices in light of free competition and goods availability, easing the burden on citizens, especially the low-income segments.

Given the great significance of logistics zones and the country's interest in increasing foreign and domestic investments, investors enjoy a number of benefits in such zones, including beneficial ownership of land for long periods and streamlined procedures for issuing licences and approvals via the Internal Trade Development Authority (ITDA). Broadly speaking, logistics zones are distinguished with having an immediate return on investment (ROI) due to business diversification and demand increase.

Tendered logistics zones under construction

ITDA provides utility-equipped land plots in cooperation with the governorates to be tendered to investors or "developers" to establish the logistics zones. In this respect, ITDA offered 7 zones in the pipeline in total, which involve a range of projects and trading and service activities, most importantly:

- general storage areas;
- service centres;
- an open market; and
- other trade-oriented complementary activities.



Logistics zones geographical distribution

The above seven zones are distributed over six governorates (solely the Lower Egypt and Delta capture five zones) as follows:

Lower Egypt and Delta

Gharbiya governorate

The city of Tanta launched the first and largest logistics zone, containing fully-fledged trading services over an area of 82 feddans with total investments worth EGP 4 billion. This is one of the biggest projects in Egypt's Middle Delta. The project aims to create 67,000 direct and indirect job opportunities. In addition to the aforementioned, the project involves several trading and service activities, including:

- pharmaceutical storage area;
- recreational area; and
- a mall.

Beheira governorate

Beheira governorate comprises 2 logistics zones, located in Damanhur, with total area of 47.5 feddans, divided as follows:

- 28.2 feddans with total investments of EGP 1.5 bn., creating 52,000 direct and indirect jobs; and
- 19.3 feddans with total investments of EGP 1 bn., providing 30,000 direct and indirect jobs.

Suez governorate

The logistics zone is located in Suez governorate, near Egypt's major ports, over an area of 30 feddans, to rank second biggest logistics zone in terms of plot area. It will be built at an investment cost totaling EGP 1.5 bn., providing 44,000 direct and indirect jobs.

Menofia governorate

The logistics zone overlooks the agricultural road, Menofia governorate, over a land area of 13 feddans with total investments worth EGP 700 MM., creating 21,000 direct and indirect jobs.

Upper Egypt

Luxor

26 feddans overlooking the New Teba City Road, beside the Luxor International Airport, have been allocated to construct a logistics zone serving a number of governorates in upper Egypt, with EGP 1.3 bn. investments, creating 66,000 direct and indirect jobs.

Qena governorate

A logistics zone will be set up in El-Tramsa, Qena over an area of 15.5 feddans. It has been ideally situated to serve the governorates of Red Sea, Sohag, Luxor and New Valley. Its investments are estimated at EGP 800 MM., providing 50,000 direct and indirect jobs.

Target logistics zones

The country adopts a strategy to boost PPP to develop and increase internal trade. In that vein, ITDA seeks to expand the set-up of logistics zones (of general or specific economic activity) to include:

- border logistics hubs with Libya, Sudan and eastern Red Sea or Sinai area;
- main and pivotal logistics hubs serving many governorates; and
- at least one logistics zone in every governorate, accommodating its economic indicators (population density, purchase power and consumption size), especially the Upper Egypt governorates within the context of their integrated development plan according to the 2030 sustainable development strategy (SDS) to facilitate, increase and make trade movement more attractive to national and foreign investments.

ITDA also aims to establish and incorporate commodity exchanges as legal entities, which contributes to supporting logistics zones and bringing informal trading businesses into formal fold. It is noteworthy that Federation of Egyptian Chambers of Commerce signed cooperation protocols with a number of countries which are known for their commodity exchanges, for instance, Italy, Turkey and Spain to learn and share their expertise.

Additionally, ITDA and some governorates have recently signed several cooperation protocols, under which utility-equipped land plots will be allocated. Such protocols outline the places suitable to be offered to investors in tenders and could be used for establishing logistic zones across Egypt as mentioned above. One of these protocols was signed between ITDA and Port Said governorate in May 2018 to set up a logistics zone over an area of 23 feddans with EGP 3 bn. total investment costs, in addition to a mall over an area of 50,000 square meters with investments worth nearly EGP 300 million.

> In a nutshell, the country exerts every endeavour to set up logistics zones across the nation. This is to help Egypt achieve its objective to be a world trade hub, making use of its unique geographic location, particularly when Egypt took a quantum leap in the 2018 Emerging Markets Logistics Index Survey, compiled by Agility, a leading global integrated logistics company. Egypt surged six spots to rank 14th among the 50 emerging markets globally and one spot to rank 5^{th} among other Arab countries, according to YoY change.

Egypt-China relations have witnessed a remarkable progress in recent years, especially following the conclusion of the comprehensive strategic partnership agreement between the two countries in December 2014. The agreement aims at strengthening interrelations in different fields, primarily economy, trade and investment in order to maximize mutual benefits.

Egypt-China trade relationships

Trade exchange

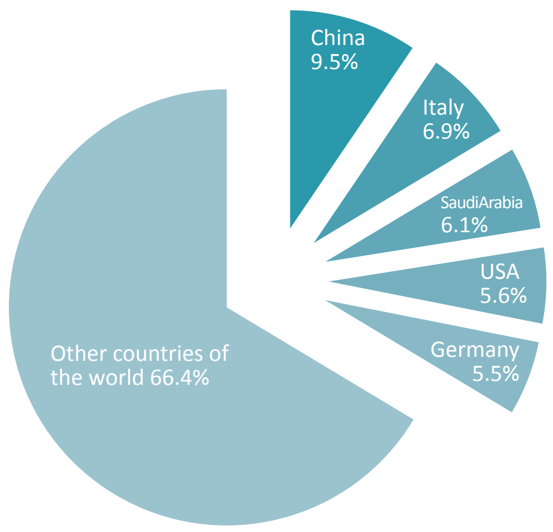
China is one of Egypt's major trade partners. In 2017, Egypt-China trade exchange amounted to US$ 8.7 bn., accounting for 9.5% of Egypt's total foreign trade. It recorded US$ 2.6 bn. in Q1 "January-March" of 2018 (10.4% of Egypt's total foreign trade) compared to US$ 2.1 bn. YoY. According to the General Administration of Customs of the People's Republic of China (GACC), the volume of trade exchange increased 26.7% YoY during the early eight months of 2018 to reach US$ 8.83 bn. Chinese exports to Egypt rose 24.8% to score US$ 7.61 bn., while Chinese imports from Egypt increased 40.2% to amount to US$ 1.22 bn.

Although the balance of trade is significantly in favour of China, Egypt's exports to China have showed an upward trend since EGP floating in November 2016. Egyptian exports to China grew 44% to record US$ 0.68 bn. in 2017 compared to US$ 0.47 bn. in 2016, and climbed to US$ 0.34 bn. in Q1 "January-March" of 2018 against US$ 0.19 bn. YoY, with a 75% increase. In this vein, the Government of Egypt (GoE) seeks in cooperation with its Chinese counterpart to gradually reduce the deficit of inter-trade exchange and achieve an adequately balanced level.

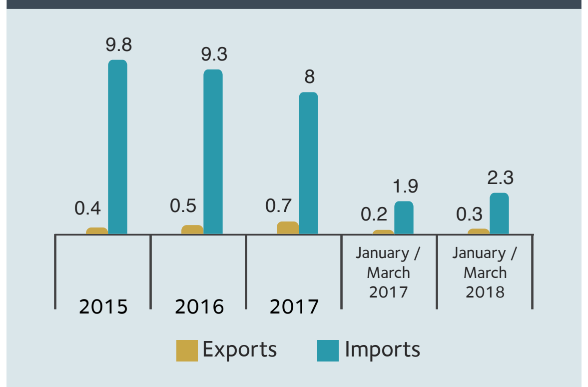
In this context, Egypt's key exports to China in 2017 are:

- Mineral fuel, mineral oils and their distillation products;
- Fruits and edible plants;
- Plasticizers and articles thereof;
- Stones and cement; and
- Vegetable textile fibers.

Egypt's largest trade partners in 2017



Egypt-China trade exchange US$ bn.



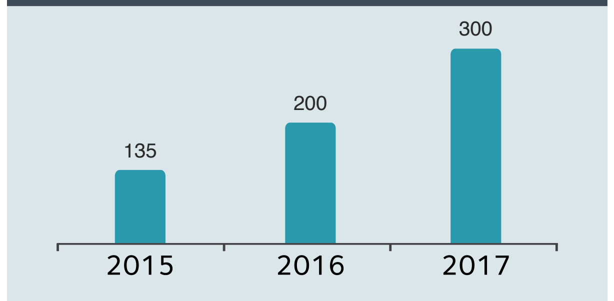
Source: The Central Agency for Public Mobilization and Statistics (CAPMAS), Monthly Bulletin of Foreign Trade Data

Meanwhile, Egypt's main imports from China are:

- Machinery, electric appliances and spare parts;
- Automatic devices and spare parts;
- Synthetic or artificial filaments;
- Iron or steel articles; and
- Plasticizers and articles thereof.

At the level of the balance of services (BoS), China's tourism flows to Egypt have witnessed a remarkable growth in recent years. In this context, the Ministry of Culture and Tourism of the People's Republic of China announced in 2017 that Egypt is a key tourist destination that appeals to Chinese tourists as the first choice when travelling to Arab countries. In 2017, Chinese tourists incoming to Egypt reached about 300,000 tourists. Egypt targets attracting about one million Chinese tourists in 2020.

Number of Chinese tourists Tourists (000s)



Chinese investments in Egypt

Creating a conducive investment climate in Egypt

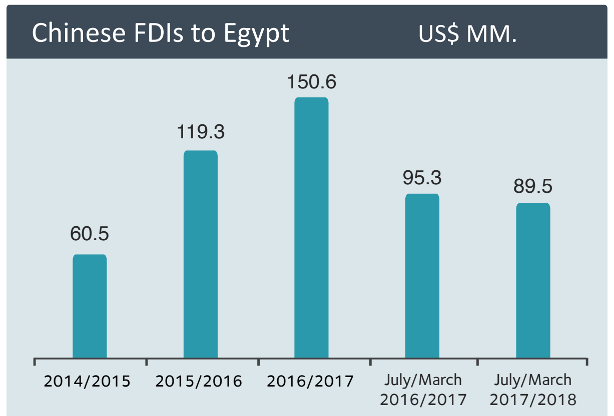
Recent period has seen the promulgation of a number of laws and decrees, most notably the new Investment Law and its executive regulations, which aim at creating an investment-friendly climate and courting more foreign direct investments (FDIs). The Ministry of Trade and Industry (MTI) developed a strategy to strengthen industrial development and foreign trade until 2020. The strategy is based on five pillars, i.e. promoting the industrial sector (increasing its growth rate to reach 8% p.a. and its contribution to GDP from 18% to 21%); developing micro, small and medium enterprises (MSMEs); increasing Egyptian exports by 10% p.a.; upgrading education and vocational and technical training; and achieving organizational development. This accentuates the importance of courting local and foreign investments to achieve such strategic objectives.

On a related note, MTI launched the first industrial investment map in Egypt in late 2017, which provides all information about 4,800 investment opportunities available in industrial sectors across governorates. Moreover, investment in the Egyptian market offers broad prospects for penetration into different international markets in light of the several trade agreements concluded with a number of regional economic blocs and international economic forces. These agreements include the Greater Arab Free Trade Area (GAFTA), the Common Market for Eastern and Southern Africa (COMESA), the EU-Egyptian Association Agreement (AA), the Free Trade Agreement with EFTA and Mercosur, and the Qualifying Industrial Zone (QIZ) Protocol.

Launching the first industrial investment map in Egypt in late 2017

Volume of Chinese investments in Egypt

China ranks high on the list of countries investing in Egypt. According to the data of the General Authority for Investment and Free Zones (GAFI), the total number of Chinese companies investing in Egypt, including domestic investment companies, companies established in free zones and companies subject to Law No. 159, reached 1,478 by the end of July 2018. Equity participation of the said companies in the issued capital amounted to US$ 613 MM. Chinese investments in Egypt are diversified among different sectors; mainly the industrial, service and construction sectors. It is worth mentioning that Chinese FDIs to Egypt grew to record US$ 150.6 MM. in FY 2016/2017 compared to US$ 119.3 MM. in FY 2015/2016, with a 26.2% increase, and recorded US$ 89.5 MM. during July 2017 – March 2018.



Source: Monthly Statistical Bulletin, the Central Bank of Egypt (CBE)

Examples of major Chinese investments in Egypt

The Egyptian-Chinese Joint Venture Company for Investment

The Egyptian-Chinese Joint Venture Company for Investment (S.A.E.), an Egyptian joint-stock company incorporated under the provisions of Law No. 8 of 1997 issuing the Law of Investment Guarantees and Incentives, has started investment in Egypt since 1998. The company's issued and paid-up capital amounts to EGP 200 MM. in which the Egyptian partner has an equity participation of 90%. The company develops and manages an area of 6.5 km^2 as a private economic zone in the North West of Gulf of Suez, including infrastructure projects and in general management of utilities and development for investment in industrial, service and commercial fields. The said zone is one of the major projects that witnessed fruitful cooperation between Egypt and China over the past years. It represents a substantial platform for economic and trade cooperation between the two countries, in addition to being a main area for the purposes of the Belt and Road Initiative (BRI) and an important part of the Suez Canal Economic Zone (SCZone). The Chinese company TEDA developed the layout of the industrial zone of the company due to its extensive experience in the development of industrial zones.

Investment in oil and gas sector

Investments of Sinopec, a Chinese company operating in the oil and gas field, in the oil projects in Western Desert are among the major projects highlighting cooperation between Egypt and China. Sinopec acquired 33% of the U.S. Apache concession in Western Desert, participated in establishing Sino Tharwa Drilling Company in equal shares with Tharwa Petroleum Company (Tharwa) and is looking forward to expanding its investments in Egypt.

The Chinese Sinopec acquired %33 of the U.S. Apache concession in Western Desert

Investment in the new administrative capital

In March 2018, the Prime Minister laid the foundation stone of the central business district (CBD) in the new administrative capital, with the participation of the Chinese ambassador to Cairo and the officials of the implementing company, China State Construction Engineering Corporation (CSCEC) which is one of the world's largest construction companies. The project investments are estimated at US$ 3 bn. The project includes the CBD of the new administrative capital, comprising 20 "office, commercial and service" towers, including the highest tower in Africa at a height of 385 meters. The total area of the project is 1,710,000 m^2.

Laying the foundation stone of the central business district in the new administrative capital

Investment in power and energy sector

Chinese companies showed interest in investing in the power sector, especially power generated from renewable energy sources. In this context, two Chinese companies signed in 2017 a contract for the establishment of six solar power plants in Aswan.

Investment in transportation sector

In 2017, the Ministry of Transport (MoT) signed a contract for the establishment of the first electric railway line connecting Al Salam city, the new administrative capital and 10th of Ramadan city in cooperation with All-China Federation of Industry & Commerce (AFIC), with investments of US$ 1.2 bn. The line will extend for 66 km and include 11 stations.

Signing a contract with the Chinese AFIC for the establishment of an electric railway line

Salient agreements signed between Egypt and China

- An agreement on the establishment of the Egyptian-Chinese Chamber of Commerce was signed in December 2013, with a view to increasing the volume of trade exchange and investment cooperation between the two countries, overcoming obstacles, providing facilities and promoting trade and investment opportunities between the two sides.
- The comprehensive strategic partnership agreement was concluded in 2014 to be a significant milestone in the history of the Egyptian-Chinese relations since it regulates all aspects of the bilateral relations between the two countries. The initiative includes details related to the political, economic, commercial and investment, military and cultural fields as well as science, technology and space, and regional and international affairs. At the economic, commercial and investment levels, the two sides agreed to achieve mutual benefits and activate the role of the joint economic and trade commission.
- In April 2015, the two countries signed an agreement to establish a branch of Beijing Institute of Information Technology in Egypt to provide the Egyptian labor market with trained and professional labor.
- On 5th September 2017, an economic and technical cooperation agreement was signed in China between the Egyptian and Chinese governments on the implementation of satellite project "EgyptSat 2" for remote sensing applications.
- In May 2018, Egypt's New Urban Communities Authority (NUCA) and China's CGCOC Group signed a memorandum of understanding (MoU) for the construction of the first industrial zone in New El-Alamein City, including the cultivation of vast areas of the city's desert to use the resulting agricultural products in the said industrial zone.

Egypt-China Relations: Strategic Partnership and Broad Prospects for Cooperation

- In November 2016, the Central Bank of Egypt (CBE) and the People's Bank of China (PBOC) entered into a bilateral currency swap agreement worth CNY 18 bn. (equivalent to US$ 2.6 bn.) for three years. The agreement allows the two countries to settle part of their bilateral trade transactions in their local currencies without being restricted by dollar, especially that the International Monetary Fund (IMF) has listed the Chinese yuan in the special drawing rights (SDR) basket and adopted yuan as an official currency in international trade since October 2016. During his participation in the annual meetings of the Association of African Central Banks (AACB) held in Sharm El Sheikh in August 2018, CBE's governor declared that the mentioned agreement would be renewed with China in December 2018.
- In September 2018, President Abdul Fattah al-Sisi and his Chinese counterpart witnessed the signing ceremonies of a number of joint economic and technical cooperation agreements worth US$ 18.3 bn., most importantly:

- ✓ A framework agreement to support development projects in Egypt, especially the Suez Canal Axis Development Project;
- ✓ Agreement on the establishment of the second phase of CBD in the new administrative capital;
- ✓ Pumped-storage hydropower plant (HPP) project at Mount Ataka;
- ✓ Hamrawein power plant project;
- ✓ "Shandong Ruyi" textile area project;
- ✓ "TaiShan" gypsum board project; and
- ✓ Agreement on the establishment of a refinery and petrochemical complex at Suez Canal Axis.

BRI as an opportunity for cooperation between Egypt and China

In 2013, the Chinese president launched the economic initiative "Silk Road Revival" to develop cooperation between China and a large number of countries in different fields through developing and establishing trade routes and economic corridors linking China to more than 60 countries. The Belt and Road Initiative (BRI) entails China's spending billions of dollars in form of investments in infrastructure along the Silk Road connecting it to Europe and Africa. The BRI includes two main branches, i.e. the Silk Road Economic Belt (SRB) and the Maritime Silk Road (MSR). In 2018, the Chinese president announced that China allocated about US$ 900 bn. to this project.

In this context, the initiative is viewed as a promising opportunity to strengthen the economic and trade relations between Egypt and China. Egypt was among the countries that first supported this initiative, and sought to develop its economy and strengthen its external relations with different major forces in the world. In August 2014, Egypt launched the Suez Canal Axis Development Project, which is deemed as one of the major logistic hubs not only at the regional level but also at the international arena. This helped link the two projects since Suez Canal is the bridge that connects SRB and MSR with Europe and Africa.

In conclusion, the growing cooperation between Egypt and China and the upscale of existing partnership to a more distinguished level will achieve more common interests and mutual benefits for the two countries and open up broad prospects for increasing the volume of trade exchange and promoting Chinese FDIs in Egypt. This mainly includes the technology indigenization projects and tourism revitalization between the two countries, especially Chinese arrivals to Egypt.

Annual Meetings of the African CAUCUS of the WB and IMF in Sharm El Sheikh 2018

Egypt hosted the annual meetings of the African CAUCUS of the World Bank Group (WBG) and the International Monetary Fund (IMF) on the 5th and 6th of August 2018 under the patronage of the Prime Minister. The meetings were organized by the Ministry of Investment and International Cooperation and the Ministry of Finance in collaboration with the Central Bank of Egypt and attended by 40 countries from inside and outside the African continent.

The African CAUCUS was established in 1963, with the objective of strengthening the presence of African representatives in the International Monetary Fund (IMF) and the World Bank Group (WBG), and conveying views and concerns on development issues of particular interest to African countries. Egypt, as the current head of the African group, hosted such meetings as part of its keenness on supporting issues related to the African continent at all international gatherings and institutions and urging international financing institutions to play a larger role in achieving the comprehensive economic transformation process adopted by African countries. This is in addition to providing better opportunities for such economies to achieve higher standards of living for the people of the continent.

The African CAUCUS sessions focused on four main axes pertaining to African economic policy concerns and the cooperation with the WB and IMF to reform investment and financial development policies, **as follows:**

- Encourage the injection of private sector investments into the African states within an accessible environment for businesses via amending legislation and government procedures to give impetus to private investments;
- Support and diversify exports and relevant destinations to protect the African economies from price fluctuations in global markets;
- Create public and private partnerships (PPP) in the African countries with a view to empowering the private sector with more financing facilities; and
- Share knowledge and technical know-how and transfer technology to the African countries, accelerating access to financial services and benefiting from new technological systems in order to boost small and micro enterprises and enhance financial inclusion.

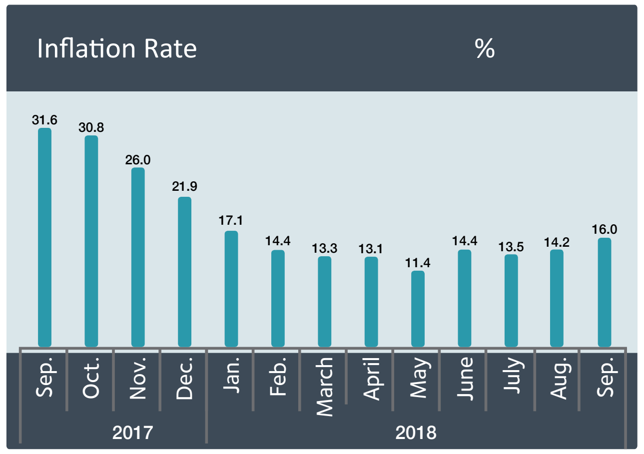
At the conclusion of the African CAUCUS's annual meetings, 'Sharm El-Sheikh Declaration' was announced including the following:

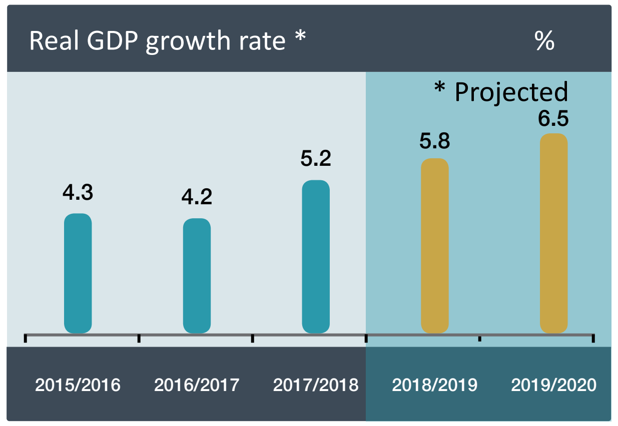
- Adopt policies that lead to an environment conducive to comprehensive and sustainable economic growth;
- Modify legal frameworks and adopt simplified procedures for courting investments;
- Maximize the use of funding for development in the African countries, giving priority to finance projects with major developmental and social impacts, contributing to achieving sustainable development goals (SDGs);
- Assure that digitalization, which has recently emerged, is an effective tool to promote access to finance, including finance to women and small- and medium-sized enterprises. It is noteworthy that few African countries became pioneers in mobile banking, which will have massive impact on eliminating poverty and meeting development goals;

- Seek to increase the African officials' representation in the World Bank Group and the International Monetary Fund;
- Empower the private sector via streamlining procedures with regard to the injection of investments; and
- Look forward to further support from the World Bank and the International Monetary Fund.

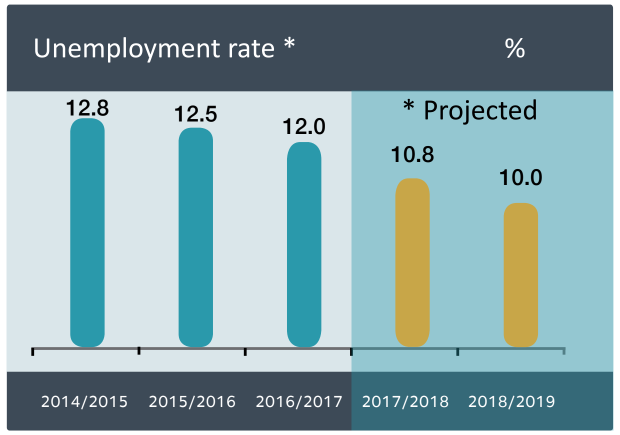
The officials of African countries agreed by consensus on the importance of diversifying their economic bases; enhancing integration into the global economy; developing legislative and executive mechanisms to encourage and court private investments; creating innovative mechanisms for PPP to finance infrastructure projects; boosting SMEs and fostering financial inclusion, as well as achieving African economic integration, which would enhance the achievement of the Sustainable Development Goals and Africa Vision 2063.

Egyptian Economy in Brief

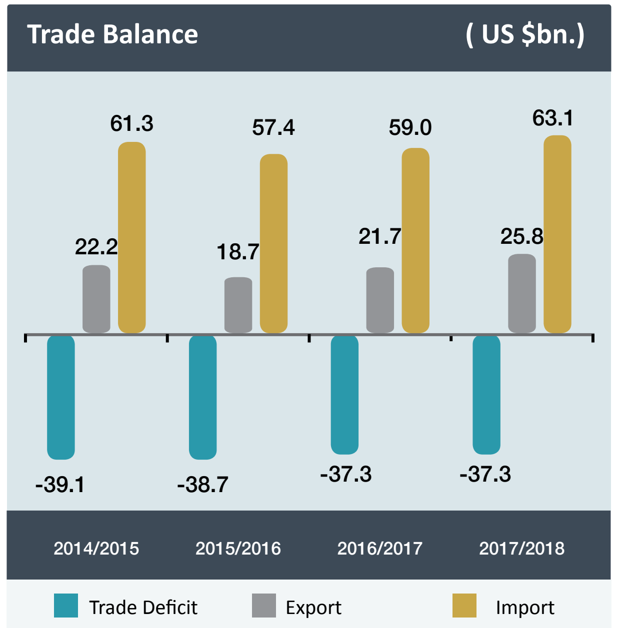


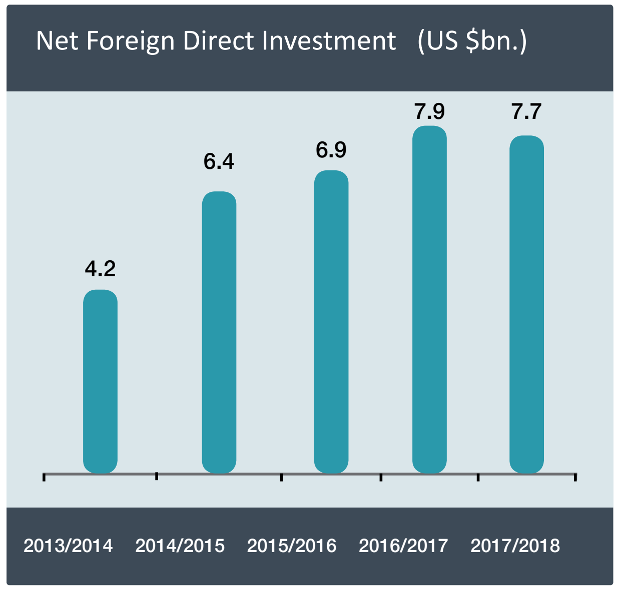


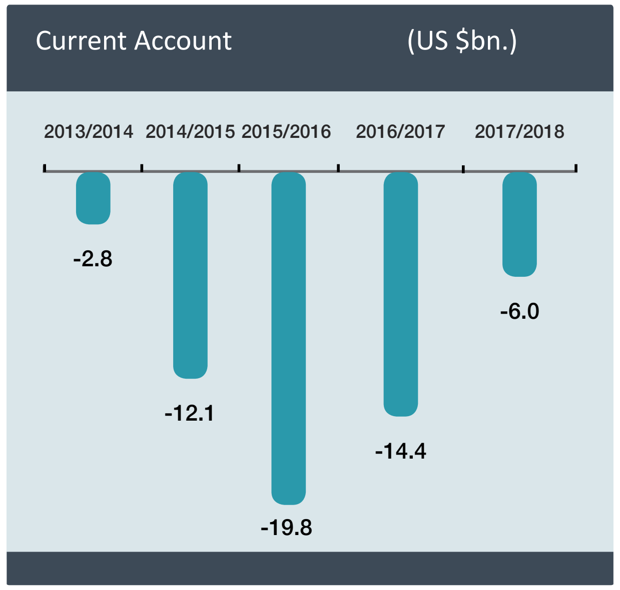
*The State's General Budget for the Fiscal Year 2018-2019.



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







Best Regards

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