

# Egypt

land of opportunities



2019



**ANDERSEN TAX  
& LEGAL.**



Prepared by  
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LONG LIVE  
**EGYPT**

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## Introduction —



Egypt has always played a vital role in the shaping of the region, and trades freely with both neighboring countries, and the rest of the world. Now, as the country witnesses prosperity and stability, new legislation is being introduced to promote economic development and continue to harvest investment opportunities within the country.

Under the rule of President Abdel Fatah El Sisi, the country is now home to many of the world's most innovative businesses, who have benefited from the vast potential Egypt has to offer. Over the last few years, a number of reforms have been introduced in an effort to support the government's plan to promote said opportunities, the most note worthy of which is the introduction of the New Investment Law No. 72 of 2017. In 2018, this initiative continued to expand as more legislation was promulgated to facilitate and modernize doing business in Egypt.

As a result of these changes, the country's economy has witnessed a 6 per cent increase in the first quarter of 2019 alone. Expansions in gas extractives continue to make Egypt a major gas exporter, and this, coupled with the stabilization of the tourism sector and a boom in the manufacturing and ICT sectors, continues to reaffirm Egypt's position as an attractive emerging market.

To further enable these developments, the country itself

has undergone significant restructuring, mainly focused at decongesting the capital. Roads and tunnels are being built to facilitate travel, transportation systems are being upgraded, and the new capital will soon open its doors accommodate the country's growing population.

With these changes in mind, we have written this book to summarize the most recent commercial legislative changes, as well as to highlight the mega projects which were successfully concluded in 2018. Finally, this book takes a look at the existing opportunities and the sectors which are on the rise within the country.

As our country continues to develop, it becomes all the more important to communicate the myriad changes that our government is making to support these developments regularly, particularly to those who are not familiar with our systems of governance.

I would like to thank the Ministry of Investment and GAFI for providing us with the information needed to create this book, and for supporting us throughout this process. and I would like to thank our firm's team who have spent countless hours researching this book - without each of your individual contributions, we would not have been able to create such a concise and informative publication.

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# Country Profile —

## Area

Total: 1,001,450 sq. km  
Land: 995,450 sq. km  
Water: 6,000 sq. km

## Land Boundaries

Total: 2,612 km  
Border countries: Gaza Strip 13 km,  
Israel 208 km, Libya 1,115 km, Sudan  
1,276 km

## Climate

Moderate climate throughout the year (Summer °35-°25, Winter -°15 °25 C).

## Natural Resources

Petroleum, natural gas, iron ore, phosphates, manganese, limestone, gypsum, talc, asbestos, lead, rare earth elements, zinc

## Government Structure

Republic

## The Capital

Cairo

## The National Day

23 July

## Population

109,207,983

## Language

Arabic is the official language, however, English and French are commonly used in the commercial fields

## Telephone code of Cairo - Giza:

00202

## Currency

Egyptian Pound

## Time Zone

(UTC + 2)

## Establishment

3200 BC

## Geographical Location

Egypt controls the Sinai Peninsula, it is the land bridge between Africa and the remainder of the Eastern Hemisphere and controls the Suez Canal, as well as linking the Indian Ocean and the Mediterranean Sea

## Cities

The biggest cities are Greater Cairo, Zagazig, Alexandria, Port Said, Al Mahala Al Kubra, Luxor, Mansoura, Tanta, Asyut, and Menya.

## Administrative Division

The Republic is administratively divided into 27 governorates. The governorates are either completely urban, or a blend of urban and rural areas.

## Ports

There are 43 ports in Egypt due to the extension of the coastlines to the north and east, and the most important ones are Alexandria, Damietta, Suez, Port Said and Safaga.

## Official Workdays

Official workdays in the ministries, government departments and general authorities and local administrative units are Sunday to Thursday leaving Fridays and Saturdays as the official weekend.

## National Holidays and Religious Events

### Official Islamic Holidays (Hijri Calendar)

- **Islamic New Year:** 1st of Muharram
- **Birth of Prophet Muhammed:** 12th of Rabi Al-Awal
- **Eid al-Fitr:** 1st of Shawwal
- **The Day of 'Arafah:** 9th of ZulHijjah
- **Eid al-Adha:** 10th of ZulHijjah

### Official Coptic Holidays

- **Christmas Holiday:** 7th of January
- **Easter:** 29th of April

### Other official Holidays at the Gregorian Calendar

- **Sinai Liberation Day:** 25th April
- **Labour Day:** 1st of May
- **July Revolution Day:** 23rd of July
- **October's Victory:** 6th of October
- **Revolution of 25th January / Police Day:** 25th of January



# Investment Law & Related Laws

Cairo Tower



## Investment Law No 72/2017 —

On the 31st of May 2017, a new law was introduced to govern domestic and foreign investment projects, namely Law No 72/2017.

The New Investment Law replaces the Investment Guarantees and Incentives Law No 8 for 1997 and aims to serve as an incentive for all potential investors by facilitating the process of investing in Egypt. It should be noted however, that article 2 of the new law emphasizes that it does not override tax privileges, exemptions or safeguards granted to companies created before this law, until their term expires.

The new law encourages fair competition, consideration of social and environmental issues, transparency, stability and, most importantly, the facilitation of investment procedures. It also introduces three forms of incentives:

### General Incentives

**Applicability:** All investment projects, except for those set up in free zones and those issued a certificate by the Authority's Chief Executive Office

#### Benefits

- For the first five years of registration, the documents, loan agreements and pledge contracts of such companies are exempt from stamp duty tax and notary public fees
- Projects are exempt from land registration fees
- Projects can enjoy a unified flat customs duty rate of 2% on all machines and equipment needed for establishing the project

### Special Incentives

**Applicability:** Companies that fit into either sector (A) or (B) (as determined by the relevant Minister) and association projects issued a certificate by the Authority's Chief Executive Officer and satisfy the following conditions:

- Be incorporated (within a maximum of three years) to conduct the investment project
- Keep regular accounting books

#### Benefits

Investment projects established after this Law enters into force and according to the investment map shall be granted an investment incentive in the form of a deduction on taxable net profits, in the following manner:

- 50% deduction on the investment costs of projects set up in underdeveloped geographic locations (**Sector (A) projects**)

- 30% deduction on investment costs for projects in **Sector (B)** (laborintensive projects, small and medium enterprises, renewable energy projects, national and strategic projects, tourism projects, electricity generation and distribution projects, projects that export their production outside of Egypt, automotive projects, certain chemical industries, certain pharmaceutical industries, food and agricultural projects and, finally, the engineering, textile and leather industries).

## Additional Incentives

**Applicability: Companies issued a certificate by the Authority's Chief Executive Officer**

### Benefits

- Allowing projects to have their own customs gates for imports and exports
- Government aid for the costs associated with introducing utilities to the land allocated to the project, and with the cost of technical training for employees
- Refunding half of the fees paid for the allocation of land for industrial projects if they commence production within two years of allocation. The cabinet may allocate free land for specific strategic projects

Finally, the law **guarantees** the following to all types of investments:

- a) Fair and equal treatment to both foreign and Egyptian investors
- b) Protection from coercive or discriminatory measures on any invested capital
- c) Residency permits for foreign investors throughout the term of their investment project

d) Protection against nationalization – Article 4 states that investment projects will not be nationalized and can merely be used for the public utility if fair compensation is paid in advance.

e) Protection against the seizure of money without a court judgment, excluding amounts due for tax and social insurance contributions.

f) Protection against the withdrawal of licenses without obtaining approval from GAFI and giving the investor prior notice and time to cure the defect

g) The right to set up and fund projects from abroad using foreign currency – as well as the right to transfer proceeds of liquidation abroad (without prejudice to the rights of third parties)

h) The facilitation of liquidation procedures, ensuring that they are concluded within 120 days

i) The importation of machines, equipment and raw materials needed for the purpose of establishing, expanding and operating the investment project without an import license. Projects also have the right to export products without a license

j) The right to have workforce which consists of up to 10% foreign workers. This number can be increased to 20% if it is not possible to find national workers with the required qualifications. Further exceptions can be made provided that training is offered to national laborers.

Finally, the law has also created a more rigorous corporate social responsibility scheme, allowing projects to set aside up to 10% of their net income profit (deductible for annual corporate tax) to participate in one of the following fields:

- Environment protection and enhancement
- Health, social, and cultural services
- Vocational education.
- Research funding or leading awareness campaigns in collaboration with universities or scientific institutions
- Scientific training and research

## Types of Investment in Egypt —

The New Investment Law provides for four types of investments: inland investments, investment zones, technological zones and the free zones

### 1 | Inland Investments

Internal or inland investments can be set up in any area other than in investment and free zones. Projects here must comply with all relevant laws, and they do not benefit from additional incentives other than the exceptions introduced in the New Investment Law. One of the methods of facilitation set up by the new law is that of “certification offices”.

These offices assure the quick issuance of the certificates required to confirm the status of investment projects.

#### **Additional incentives include:**

**Investment projects established after this Law enters into force and according to the investment map shall be granted an investment incentive in the form of a deduction on taxable net profits, in the following manner:**

- 50% deduction on investments made in underdeveloped areas
- Government support for the cost of introducing utilities to a new project
- Returning to investors half of the amounts paid to acquire land for industrial projects if production begins within two years

Additionally, inland projects can sometimes develop into private free zones if they prove to be active and half of their production is exported.

## 2 | Investment Zones

Investment zones were first introduced by Law No 19 of 2007 and later explained in Prime Minister Decree No 1675 of 2007, which currently regulates these zones.

GAFI emphasized that these zones are a key instrument in the government's plan to support Egypt's economic growth by facilitating interaction with investors. They aim to establish integrated clusters in all fields, widen the scope of economic and social development across the country, and develop small and medium enterprises.

Investment zones come with fewer limitations than free zones, in addition to many incentives, for example exemption from stamp duty and documentation tax for the first five years of their registration, and prevention from being nationalized or confiscated.

It should also be noted that companies in investment zones are each managed by a board of directors, who have the exclusive power to approve investment projects. Consequently, no administrative party can freeze the company's assets, intervene in their pricing or cancel the use of their real estate license.

There are currently 13 investment zones in different fields:

- a) CBC Egypt for Industrial Development specializing in building materials, located in Giza
- b) Polaris International Industrial Park, specializing in textile industries and located in Giza
- c) The Industrial Development Group, which specializes in auto-feeding industries and is located in Giza
- d) Pyramids Industrial Parks, which are made up of engineering industries in Sharqiya

e) Al-Tajamouat Industrial Park, which works with textiles and RMG in Sharqiya

f) Two Small and Medium Enterprises: Meet Ghamr in Dakahlia and Al-Saf in Giza

g) City of Scientific Research and Technology Applications for nanotechnology and biotechnology in Alexandria

h) Three higher education and scientific research industrial zones: Cairo University in Giza, Ain Shams University in Qalyubia and Fayoum University in Fayoum

i) City of Scientific Research for Information Technology in Maadi

j) Cairo Airport Investment Zone, which provides commercial services in Cairo Airport

## 3 | Technological Zones

The New Investment Law also permits the Prime Minister to license the establishment of Technological Zones. These are to cover the fields of communication and information technology, which includes designing and developing electronics, data centers, programming development, technological education, and other related areas.

Such zones are managed solely by a board of directors – again meaning that their approval for any projects will suffice. The New Investment Law makes it clear that the tools and equipment required for the functioning of these zones are not subject to tax and custom duties.

The board of directors is also responsible for setting the controls and criteria required to conduct activities, as well as approving the proposed activities within the boundaries of the zone. More information on the properties of technological zones can be found in our comparative tables below.

## 4 | Free Zones

In addition to the above, the new law has reintroduced private free zones after their ban in the 2015 amendments. Free zones consist of Egyptian shareholder companies, set up on Egyptian land, following the laws of the country namely:

- Obtaining a commercial register
- Obtaining a tax card
- Obtaining the correct operating and building licenses
- Fulfilling their income tax obligations
- Providing social insurance for their employees

They must also comply with Ministerial Decrees and Laws, as well as decisions issued by the National Bank with regards to currency use. In summary, they must comply with the laws and regulations found in:

- a) Law No 72/2017 Promulgating the Investment Law Decree No 48/2008
- b) Law No 21/1958 Article 23 on the regulation of Egyptian Industry
- c) Decree No 770/2005 Article 51
- d) Decree No 770/2005 Article 39

Free zones can be either public or private and can be established in most investment sectors excluding:

- a) Oil, fertilizers and steel production
- b) Transportation, liquidation or production of natural gas

- c) Heavy energy usage systems
- d) Alcohol and wine production
- e) Production of weapons, ordnance or explosives

All products (with a few exceptions) imported or exported by projects inside free zone are not subject to importation and exportation regulations otherwise applied outside the free zones, nor are they subject to taxes such as custom duty taxes and VAT.

Likewise, investment projects established in these free zones will not be subject to taxes imposed on distribution of dividends. Instead, companies are to pay certain charges, as will be seen below. These charges will be paid to the National Bank through the Investment Authority, similar to the taxes that are paid to the Ministry of Finance from inland investment projects.

Free zones also benefit from the following:

- a) No limitations on transferring profits or investing money
- b) The right to import and export without the need to maintain records in the Importers Register
- c) All equipment, machinery, and transportation necessary to carry out activities in the free zones are exempt from customs duties, VAT and other taxes and duties (except for cars)
- d) Any property or funds cannot be detained, seized, retained in protective custody, frozen or confiscated
- e) No administrative body will interfere in the pricing of any products nor in determining their profits.

Products from these projects are however, subject to the general rules

applicable to importation from abroad. Products containing both local and foreign components will be taxed according to the value of their foreign components at the time of production. As the new law aims to be environmentally conscientious, any waste resulting from the operation of projects in the free zone are permitted into the country for the purposes of recycling (subject to their compliance with the safety methods described in the Law on the Environment promulgated by Law No 4 of 1994).

## Setting up Free Zones in Egypt —

**Free zones are divided into public and private zones.**

There are nine public free zones throughout Egypt:

- Alexandria Public Free Zone
- Nasr City Public Free Zone
- Port Said Public Free Zone
- Damietta Public Free Zone
- Keft Public Free Zone
- Media Public Free Zone
- Shebin el-Koom Public Free Zone
- Suez Public Free Zone
- Ismalia Public Free Zone

Discussions are currently underway to add 3 new zones:

- Badr City Public Free Zone
- El Minya Public Free Zone
- Nuweiba Public Free Zone in South Sinai Governorate

These free zones are supplied with facilities and services such as electricity, water, sanitation, telecommunication, and natural gas. They were set up in the aforementioned places due to their proximity to sea and air ports as well as to large cities. The management of any public free zone is carried out by a Board of Directors. The Chairman of the board will be appointed by GAFI's Chief Executive Officer, who is to be approved by the competent minister. Board members must disclose all their funds to the Supreme Council of Investment, and will be supervised by an independent entity.

This board of directors of the public free zone is authorized to issue final approval on projects within the zone (or within any private free zone located in their geographic domain), in addition to being responsible for issuing licenses to authorize these projects. These licenses must describe the purpose and term of the project as well as the amount of financial guarantee to be paid by the licensee. This license must also state the real-estate properties needed to carry out the relevant project. To determine this, the investor must approach Zone Management within 30 days of receiving consent to conduct the project. Upon the termination of the project, the land allocated must be cleared of occupancy – which includes removing any buildings or facilities at the investor's own expense.

Furthermore, GAFI may set up private free zones to hold one project each. GAFI Decree No 48/2008 Article 2 sets out that Large Industrial Projects may set up private free zones, as opposed to setting up within the boundaries of a public free zone, if the following conditions are satisfied:

- a) There is no appropriate existing public free zone and the proposed private zone is adequate for the economies of the project. This includes geographical necessities, such as working close to raw materials, an export port, or a certain route or highway necessary for textile transport. Projects may also require private free zones due to the nature of their products or raw materials namely being of a large size, heavy weight or short shelf life.
- b) The project is a holding or limited liability company. It can also be a branch of a foreign company or a branch of one of the companies operating in the domestic investment system.

- c) The paid capital or issued capital for the project is no less than 10 million \$. Investment costs should be no less than 20 million \$, or the equivalent in foreign currency. The capital must be paid within three years of licensing.

- d) The number of permanent employment is no less than 500 workers, employed within the first year of operation (a signed document will need to be provided to ensure this).

- e) No less than 75% of goods must be exported, with the exception of ready-made clothing and furnishing, where 95% of goods must be exported. In the strategic and mining industries, export rates are to be decided by the relevant minister.

- f) Proof of ownership for the project is presented, ensuring that the surface area of the site is no less than 20 meters squared.

- g) Only 20% of the materials used can be locally sourced, however this excludes extracted raw mineral products.

- h) The project provides a timeline scheduling the start of activity and showing commitment to the rules in this decree. This must also indicate that the project has not gone over the time limit specified except with the approval of the GAFI.

- i) The project gains approval from the competent authority (such as the Ministry of Transport, the Petroleum Authority, the Port Authority) and the environmental agency to set up the project on its merits. This must take place before the decision to license is approved.

- j) The project has an adequate power source and that it will comply with the resolutions of the Supreme Council of Energy.

- k) It has received security clearances for foreign shareholders and partners, if applicable.

- l) The project presents a letter of indemnity to GAFI with the value of

50,000 \$ for industrial projects and 100 000 \$ for service projects for the duration of their operation.

GAFI has also produced guides indicating the required documents and steps for setting up free zones:

1. The investor or their agent submits a 'Form of Establishment of Project' (available at GAFI).
2. The Permanent Technical Committee of the Free Zones Affairs grants preliminary approval on establishing the project.
3. The investor submits a check amounting to 10% of the rent value, with a minimum of \$1000.
4. The investor fills in the security investigation forms for any foreign partners.
5. The investor submits a request and attaches a check with the rest of the rent value, as well as a pledge to leave the site if the request is denied.
6. The investor receives final approval from the board of directors of the respective public free zone.
7. The investor submits the company's Articles of Incorporation.
8. The investor registers at the Commercial Register, obtains a tax card, and their company is published in the Investment Gazette.
9. The investor receives 3 draft copies of the decree issued to them by the head of the Free Zone.

## Governing Authorities and their Responsibilities —

**The current law stipulates that the Supreme Council for Investment will be established under the chairmanship of the President of the Republic to carry out the following:**

- a) Take all necessary measures to set up a good climate for investment.
- b) Develop the general framework for the legislative and administrative reform of the investment environment.
- c) Adopt the policies and the investment plans which prioritize target investment projects.
- d) Follow up the execution of investment plans and programs by the state's authorities.
- e) Explore the investment opportunities available in each sector and examine the problem areas within them.
- f) Monitor the development of Egypt's ranking in international investment reports and indicators.
- g) Follow up on the mechanisms for investment dispute resolution and the status of international arbitration cases.
- h) Oversee the joint liability of all ministries, public authorities and government bodies concerned with investment.
- i) Resolve any confusion which may raise among authorities in areas of investment.

Secondly, having established its power to allocated state-owned land within the 2017 law, GAFI is given a number of additional duties. As a public economic authority, it reports to the Competent Minister and works

to regulate, encourage, advance, administer and promote investment in the country. One of the ways this is done is by delivering incorporation and post-incorporation services to joint-stock companies, partnerships limited by shares, and limited liability companies – including the automation and unification of their procedures. Moreover, GAFI is responsible for carrying out these procedures swiftly, and will often decide on the application for incorporation within one full business day from the date of submission, as well as ensuring the following services are provided to companies:

- a) Simplified procedures related to the general assemblies and boards of directors of new companies.
- b) Digitized books and documents to stay in line with technological advancements.
- c) Developed, standardizes and simplified procedures for capital increase or decrease.

On a more general scale, GAFI is also to:

- a) Draft an investment plan (in cooperation with all the state's competent authorities).
- b) Develop plans, studies, and regulations that would attract and encourage national and foreign investment in various fields, pursuant to the national investment plan.
- c) Create a database and map for the available investment opportunities and the target investment projects and activities.
- d) Issue certificates needed by investors to enjoy the incentives and safeguards granted by this law.
- e) Develop an investment promotion plan and take all necessary measures to publish the plan both locally and abroad.

f) Standardize all official forms related to investment affairs, in coordination with the competent authorities, and offer these forms online and through other channels.

g) Develop a management system for free and investment zones.

h) Explore and provide suggestions for existing legislation.

i) Hold conferences, seminars, workshops and exhibitions connected with investment affairs, both locally and abroad.

The new law also facilitates licensing procedures by offering two new routes for registration:

1. Applying directly to the Investors Service Center at GAFI or
2. Using one of the private Approval Offices.

Approval Offices are authorized by GAFI to review and confirm the completeness of their applications in order to attain the licenses required to set up, operate or expand a project. Approval Offices are to issue, to issue certificates (valid for two years) confirming that the investor financially and technically complies with all terms and conditions required by the law and that all their documents have been submitted. The investor is to then submit this certificate to the authorities, which have a maximum of 10 days to accept or refuse the application.

Certificates are then submitted to the competent authorities and their representatives at the Investors Services Center.

Essentially, the new law gives GAFI the authority to function as a one-stop-shop for investors to obtain all licenses and approvals they may need to set up and operate a project, including allocating state-owned land.

Since one of the center's functions is to speed up the licensing process, a time limit of two days has been implemented to give feedback to investors

on their company's compliance and completeness (but there is no time limit on the issuance of final approval or licenses). The center can also object to the certificate within ten business days. Additionally, the center also has the power to ratify board and shareholder meeting minutes, capital increase and reductions, liquidation, and all other company-related matters. It should also be noted that strategic as well as PPP (public-private partnerships) projects in infrastructure, renewable energy, transportation or ports can also be set up with the issuance of a single license from the Cabinet.

Finally, Competent Authorities now have the power to examine the investment application submitted through the Investor Service Center, however objections can only be made within sixty days.

The new law also ensures that GAFI can carry out these duties by prescribing a structured system of management, namely that the Board of Directors must be headed by the Competent Minister, that it must include representatives from relevant authorities and bodies, as well as have members who are experienced in the area of private investment and in the law. The law also includes requirements that the board should meet at least once a month in order to complete its tasks.

With GAFI functioning as a facilitator between the investor and the system of investment, the investor must also provide the right documents and paperwork to initiate the process. Below are the steps necessary to create a Joint-Stock Company, a Partnership Limited by Shares, or a Limited Liability Company:

### **Documents Required:**

- Photocopies of the power of attorney from each of the investors or partners
- Photocopies of the national IDs or passports of each of the investors or partners
- A bank certificate proving the availability of at least 10% of the project's capital for joint stock companies and partnerships limited by shares, or

100% for limited liability companies

- A copy of the party's legal counsel's Egyptian Bar Association identification card
- Original certificate indicating that the company's auditor is listed at the registry of accountants and auditors
- Application to GAFI as well as a financial Letter of Indemnity on behalf of GAFI according to the type of activity and its investment costs
- The company's Articles of Incorporation

## Allocation of Property —

This new system permits investors to obtain real estate properties required for pursuing or expanding activity, regardless of participation or capital. GAFI is to issue an updated and detailed map specifying all available properties. These properties are then allocated upon the approval of the Council of Ministers and the President of the Republic. Properties allocated can include state private property, so long as the investor indicates in his application the purpose and size of the project. If more than one investor competes for a certain plot, whether by way of sale, lease, lease-to-own, or license, those who meet the technical and financial requirements will be selected based on a points system.

As for the sale price, rent, or consideration of usufruct of the property, it is to be estimated by either the General Authority of Government Services, the Supreme Committee for Pricing of State-Owned Lands at the Ministry of Agriculture, New Urban Communities Authority, Tourism Development Authority, or the Industrial Development Authority. The chosen authority, based on the nature of the target activity, will have one of its experienced representatives finalize the estimation within 30 days of receiving an application for estimation.

The law ensures that decisions will not be terminated unless in the following situations:

- a) Failure to receive the real estate property within 90 days of receiving approval.
- b) Failure to start the project within 90 days from the date of receiving the property (without a valid excuse).
- c) Violation of the conditions governing the payment of the financial dues and the payment dates.
- d) Changing the purpose for which the real-estate property was allocated,

pledging the property, or establishing rights on the property without proper written consent from the Administrative Authority.

- e) Committing material violation of the terms of the contract or the license for usufruct at any point and then failing to rectify the causes of the breach.

## Settlement of Investment Disputes —

### Amicable Settlement

The New Investment Law introduces three committees that deal with different types of complaints, as well as a new arbitration and mediation center. The three committees settle disputes between investors and the Authority, the state or any of its branches. Their decisions are binding on the state and its branches but not on investors. Failure to enforce decisions made by these committees will hold the state departments liable to civil penalties, however, none of these new methods are to prejudice the right of investors to resort to the judicial system for dispute settlement.

In the following page you will find an overview of the various means of dispute settlement available, with a particular focus on the new committees presented by the New Investment Law.

### New Settlement Committees

Issue	Committee	Result
Complaints filed against the resolutions issued in accordance with the law and regarding the issuance of approvals, permits, and licenses	The Grievance Committee	The committee is to respond within 30 days from the hearing/submissions closing date
Issues with applications, complaints, or disputes submitted or referred to the state or one of its branches, authorities, or companies	Ministerial Committee on Investment Dispute Resolution	Competent administrative authority is to submit memoranda relevant to the request and the committee is to settle matters within 30 days
Disputes arising from investment contracts with the state or one of its branches, authorities, or companies	Ministerial Committee on Investment Contracts Dispute Resolution	The committee is to examine and explore the dispute arising between the parties and then execute the necessary settlement, with the consent of the contracting parties. The settlement is to then be presented to the Council of Ministers and, upon their approval, becomes enforceable and binding on the administrative authorities.

## Arbitration

Finally, the new law allows for arbitration either through the traditional method or through the newly created “Egyptian Center for Arbitration and Mediation”, an independent entity based in Cairo. This center is available for investors to settle disputes between them and other investors or the state. The formation of this new method of arbitration avoids unfair rulings that previously occurred, and ensures that civil liability will only be found if the individual was aware of their crime.

The center is managed by a board of five directors appointed by the Prime Minister every five years. This board is to issue the articles of association for the center as well as its arbitration and mediation rules.

## Litigation

Egypt operates under a civil law system of codified laws, largely derived from the French Napoleonic Code. The Egyptian Civil Code of 1948 remains the primary source of legal rules applicable to contracts and is influenced by the French Civil Code and Islamic (Shariah) law. The Civil and Commercial Procedural Code regulates litigation procedures across all court levels since they are the same in all cities. Despite this, court jurisdiction varies from one local court to another according to the nature of the dispute.

There are three tiers to the courts of general jurisdiction, namely:

1. The District Courts (**al-Mahākīm al-Juz’iyya**) and primary courts (**al-Mahākīm al-’Ibtida’iyya** or **al-Mahākīm al-Kuliyya**) act as courts of first instance. Their jurisdiction is primarily based on the monetary value being disputed.
2. The Courts of Appeal (**Mahākīm al-’Isti’nāf**) form the second instance of litigation.
3. The Court of Cassation (**Mahkamat al-Naqd**), which is solely concerned with reviewing questions of law, is the highest court in the hierarchy of adjudication.

In the last decade, specialized Economic Courts were created as part of the courts of general jurisdiction to ensure the efficient resolution of disputes in commercial matters. These courts have exclusive jurisdiction over civil disputes arising out of the application of 13 particular laws which include those regulating the capital market, investment, financial leases, unfair competition and anti-trust, companies, transfer of technology, commercial agency, intellectual property, insolvency and the banking system.

To complement this, they were also given exclusive jurisdiction over crimes related to economic activity, including insurance, financial leases, capital markets, investment, intellectual property, telecommunications, unfair competition and antitrust, consumer protection and electronic signature.

Administrative courts also exist within the country, however they form an independent court system, organized under the Council of State (**Majlis al-Dawla**). Their area of jurisdiction concerns matters related to public and governmental entities. Administrative law mainly consists of case-law from rulings in the administrative courts.

## Court Proceedings in Egypt

Below are the steps generally taken to initiate court proceedings:

1. Filing the claim statement with the competent court.
2. This statement is subsequently served upon the defendant(s) through a court bailiff.
3. The court bailiff serves a formal notice notifying the defendant of the claim, and the time and date of the hearing, together with a copy of the statement of claim.

## Costs

The average cost of litigation in the Egyptian cities measured is 23.6% of the claim value, significantly lower than the global average of 35.1% and below the regional average of 24.6%. Additionally, enforcement fees are regulated nationally by the Ministry of Justice as set by the Law on Court Fees, and it is therefore identical across all cities. Egypt's court fees, at 1.3% of the claim value, are among the lowest in the world. Court fees associated with filing a case are fixed, while the enforcement fees are largely based on a percentage of the claim value.

## Enforcement of judgments

Foreign judgments can be enforced in Egypt under the procedural code, however the courts will only examine final judgements. Prior to this however, the following requirements must be fulfilled:

- The reciprocal treatment of judgments by Egyptian courts. If there is no reciprocity the court will tend to review the merits of the case as if it had original jurisdiction over the dispute
- Egyptian courts do not have jurisdiction over the dispute, whereas the foreign courts do
- Correct procedures were followed in the international court proceedings. Egyptian courts will essentially verify that the parties to the dispute were duly notified and properly represented in the proceedings
- The foreign judgment is final and has res judicata effect
- The foreign judgment does not conflict with a previous judgment rendered by an Egyptian court in the same dispute, and is not contrary to public order or public morals as understood by Egyptian law

## Laws Related to Investment Law —

In the past year, a number of new laws have set the scene and have created a ground ready and fertile for new investments and growth. This was accomplished through the introduction of a number of laws and regulations, all resulting, whether directly or indirectly, in the creation of new and attractive opportunities for foreign investors.

These laws and changes include updates in financial leasing laws, the introduction of the new consumer law, the new public procurement law, and the imposition of new fee brackets for registration on the stock exchange. Moreover, two new laws governing much-needed technological advancements are those concerning the incorporation of e-signatures and the new cybercrimes law. Together, the formation of these laws can be drawn out in a timeline, showing that Egypt has made efforts to attract investment and has indeed become ready for investors.

### 1 | Updates in Financial Leasing Laws

In August 2018, President Abdel Fattah el Sisi ratified Law No. 176 of the year 2018 regulating financial leasing and factoring activities, replacing both the old financial leasing law (Law No. 95 of 1995) and ministerial decree No. 446 of 2003.

The new law lays down the rules and procedures for licensing financial leasing companies. Financial leasing companies own assets and provide financial leases, meaning that they lease them to companies for their use, control, and a share in any economic risk entailed.

In fact, the law clearly sets out which contracts are deemed leasing contracts. The initial contract must include that after a certain leasing period, the lessee can own the asset for a pre-determined price. Contracts without this option are not considered financial leasing contracts under the new law. Moreover, the asset must be central to the business of the lessee.

Of course, one of the key requirements for obtaining a license under the new law is that the activities of these companies must be limited to financial leasing or factoring activities or both. Moreover, such companies must be joint stock companies with a minimum paid initial capital of ten million Egyptian pounds, or their equivalent in foreign currency.

The law also requires that shareholders with more than 10% shares, board members, and managers have a good reputation with no criminal record or declarations of bankruptcy in the five years preceding the establishment of the company. The managers must have past experience in the sector. The company must also have the necessary technology to maintain its activities.

Moreover, one of the new provisions of the law is that it gives employees of the Financial Regulation Authority judicial seizure status, allowing them to impose this law. Failure of an entity to provide these employees of the paperwork they ask for could lead to a fine or imprisonment.

The law also gives financial leasing companies the right to inspect the asset regularly and ensure that the lessee is using it for its planned purpose. The law warns the lessee against selling part of or the whole asset to the third party without receiving written permission from the financial leasing company, deeming any action to that effect null, and giving the right to the company to retrieve the asset from the third party. The lessee will also face a fine of no less than half the value of the asset as well as possible imprisonment.

The law also provides appropriate mechanisms for receiving complaints from lessees against such companies. In turn, companies can appeal against decisions taken by the authority. If the issue is taken to court, the Economic Court will have jurisdiction.

Pre-existing companies are required to change their status to comply with the requirements within 6 months and earn the new license under the new law. The FRA may approve to extend this period for up to two times. After this period, the old license will be revoked and the FRA will decide a set period of time to liquidize their assets and give them to a company licensed under

the new law. Continuing business activities without a license would lead to both a fine and imprisonment.

All in all, this law is part of a grand scheme of laws aimed at development and growth. This new law supports small businesses, as it regulates their provision of assets necessary for the businesses – especially since they would usually not be able to obtain these benefits from traditional banks. This encourages both foreign and internal investment, creating new employment opportunities.

## 2 | New Consumer Law

In September 2018, President Abdel Fatah el Sisi ratified the new Consumer Protection Law. Its Executive Regulations were introduced in April 2019. Its key attributes are protecting consumers from unsafe products and implementing the rights of citizens to allow them to know the details of the services they use, or the goods they consume.

The new law cancels the previous one, No. 67/2006, and replaces its provisions with those more protective of consumers. Indeed, the old law can be criticized for not providing consumers with enough protection.

In its emphasis on providing consumers with more information, it obligates businesses to inform the consumer of all information relevant to the product, including its source and main features in a clear manner. The business will otherwise face a fine between 10,000 EGP and 50,000 EGP. The seller must also make clear their information, including their address, contract information, and trademark.

In fact, all messages aimed at the consumer, including advertisements, data, information, bills and receipts must be written either in Arabic or in Arabic and another language. Moreover, a fine no lower than 50,000 EGP but no higher than 1m EGP is imposed for creating misleading advertisements. Business will also face the same fine for providing products, or advertising for them in a way that incites racism or religious hatred.

Businesses must also provide invoices to consumers for goods and services, in addition to providing spare parts for the products they sell, or made available to consumers even after their warranty period has ended.

The new law also creates a list (Article 9) warning business of providing misleading information as to the nature or components of the goods, the source of the goods as well as their production and expiry dates, the relevant trademarks, and the producer of the goods.

Perhaps two of the most important reforms that have come with this law are those concerning real estate. Article 15 stipulates against two actions that were previously harmful to consumers. Firstly, it prohibits the advertising or the contracting of sale of property or land before obtaining the relevant license (as per Law No. 119/2008 on Unified Building).

This is to prevent agents or owners from selling land based on a yet-to-be-imposed plans or blueprints. Secondly, the law now prohibits the common practice of real estate agencies, wherein they often stipulated in their contracts with new land owners that they were to receive a percentage of any further sale of the land or property. This percentage often went up to 10%, and was a way for agencies to continue making money off of consumers, even after they had already purchased the land. Any clause stipulating for such behavior will be considered void.

The new law contains a number of provisions concerning e-commerce. Article 36 stipulates that the business must, before carrying out the contract, provide the consumer information regarding the business itself, the product, the warranty, the post-sale services, and the delivery date and location.

The new law has indeed met its aims of protecting consumers through ensuring that they obtain all the information and rights regarding the goods and services easily, further implementing this by imposing high fines on businesses should they fail to do so. The law is relevant and up-to-date both in how it addresses e-commerce and in its realization of the issues surrounding real estate, and fixes them, effectively protecting the consumer from possible deception or abuse by real estate agencies. It provides certainty

for both consumers and companies, creating a dynamic atmosphere for investment.

### 3 | New Public Procurement Law

The new tenders and bids law of 2018 was introduced in October of that year to cancel that of 1998 and govern business transactions that involve the state.

The law first starts by defining a number of aims. Among these aims is the correct organization and execution of contracts in general, ensuring that such matters are as economically beneficial as possible. The law also aims to encourage relevant entities to constantly create new and innovative methods and solutions. Moreover, it clearly lays out that it attempts to create a good climate in which small and medium sized enterprises can grow. To fulfil these aims, Articles 3-5 of the law create new authorities to oversee such tenders and bids, as well as handle any complaints rendered to them. Moreover, Article 7 clarifies that any buying or leasing of real or personal property, as well as any contract for services, must generally be subject to a public tender.

If an entity has no legal personality, it will also have to carry out any buying or leasing through a public tender, and more specifically through a limited tender, a local tender, or a direct agreement.

Some of the methods above are new ways to carry out bids and tenders; such as the two-stage tender and the option of direct agreement. Two-stage tenders can be used in cases which the authority finds the subject of the tender complicated or difficult to specify, allowing the parties to communicate with one another. As for the direct agreement stipulated above, the law allows for entities to contract for goods or services without a tender or bid and through direct agreement in the following cases:

- If the matter is time-sensitive
- If only one entity is capable to provide the service

- If the service was previously carried out without a contract and the entities wish to continue working together contractually

- If the subject matter supports the political, social, and economic goals of the state

- In cases where there is no time to carry out official tender procedures Direct agreement can then take place through the approval of the head of the authority so long as the value of the matter does not exceed EGP 1 million in the cases of buying or leasing, EGP 5 million in cases of contracting for services. However, if the matter exceeds EGP 10 million or EGP 20 million respectively, it would require the approval of the competent minister or governor.

Article 8-27 govern how an agreement is presented and then carried forward. While many of these rules are carried over from the new law, a few new ones include:

- Expedited measures for time-sensitive tenders or bids

- Warnings against meddling in a tender or bid by visiting the headquarters of the bidders

- Reducing the temporary insurance amount in tenders from 2% to 1.5% Most importantly, the law then proceeds to go into a number of new measures prohibiting and allowing certain practices in order to make bids and tenders more efficient.

Most importantly, the law then proceeds to go into a number of new measures prohibiting and allowing certain practices in order to make bids and tenders more efficient.

For instance, article 33 warns entities against entering into more than one bid or tender. Article 35 further stipulates that if the prices in a bud or tender seem too low, authorities will step in to inspect the integrity of the matter.

Furthermore, as mentioned above, the law tightly regulates the circumstances under which a tender or bid may be cancelled. Articles 37 and 38 explain that tenders can only be cancelled if any illegal acts are carried out, such as collusion between bidders, acts of corruption or monopolization, or mistakes in the rules of the bid or tender.

All in all, the new law creates certainty for investors as well as opens up opportunities for them. It clarifies matters which had been previously unclear, such as the cancellation of a tender or bid, as well as introduces new and updated methods to carry out such transactions. Contracts which the state is a part of must be concluded fairly and in full transparency – and the new law ensures just that.

## 4 | New Fee Brackets for Registration on Egyptian Stock Exchange

In a continuing effort to make investing and building a business in Egypt easier and simpler, Ministerial Decree No. 2125 of the year 2018 was published in the Official Gazette on October 18, 2018. The decree amends the fees charged on companies to register on the Egyptian Stock Exchange.

Article 1 of the new decree divides companies into five brackets based on their capital:

Bracket	Capital EGP	Yearly Registration Fee
1	12,500,000 and below	0.2% of capital
2	12,500,000 – 100,000,000	0.15% of capital
3	100,000,000 – 300,000,000	0.075% of capital
4	300,000,000 – 500,000,000	0.005% of capital
5	500,000,000 and above	0.0025% of capital

In general, registering in the stock market has a number of benefits. To start off, registering in the stock market makes companies more approachable and appealing to investors, who will know that the rights and obligations they are owed are laid out clearly. The registered company will therefore benefit

by being exposed to a variety of investors, whether they be natural persons or other companies. It also markets the firm, as it will gain credibility for being listed on the stock exchange. The company can in turn use this to encourage their employees by offering them stocks in the company, thus increasing their loyalty. Further, this makes actions like mergers and acquisitions easier, as the shares of companies will be listed clearly. In a wider sense, these new regulations benefit the Egyptian Stock Exchange as a whole by breaking down the fees imposed on companies, therefore making registration more realistic and viable as well as encouraging companies to seize these benefits and in turn benefit the economy.

However, this decree is especially impactful when it comes to small and medium-sized enterprises, which will now have a bigger chance at being able to register. Article 2 of the decree stipulates that SMEs will only incur a reduced annual fee of 50% of the fees above. Placing SMEs on the stock exchange will help them grow faster, cultivating their potential for creating jobs and fostering competition. Encouraging SMEs is an important step in a growing economy with a vast labor market.

## 5 | Technology Legislation Developments

### a) GAFI Incorporates E-Signatures for Company Formation

For the first time in Egypt, electronic signatures have become an integral part of legal and official procedures in the public sector. The Ministry for Investment and International Cooperation has announced that The General Authority for Investments and Free Zones (GAFI) has made it possible to sign company formation documents using electronic signature. Such paperwork includes contracts and official forms, which previously could only be accepted if signed by hand.

E-signatures consist of a unique set of digitalized numbers or letters used to identify an individual. They are similar to traditional manual signatures in that they are a means of safeguarding against fraud as they can be used to differentiate individuals. However, their main benefit is that they can be used online without requiring physical presence. For that reason, e-signatures are a safer substitute for traditional signatures, as they provide the same benefits but with added modernity and practicality.

These new developments come as part of the efforts associated with facilitating and updating the links between the public and the private sector, where the availability of signing through e-signature should make setting up companies easier. This goes hand in hand with the new investment law, Law No. 72 of the year 2017, which calls for a more modern and digitalized registration system. Giving e-signatures legal status means that one can now set up a company entirely through GAFI's online system, without ever having to physically visit the GAFI, or any other governmental authority. Entrepreneurs and business people alike can now log on to the GAFI website, submit the required paperwork, pay the allocated fees by credit or debit card, sign everything electronically, and then receive the completed and authenticated paperwork pertaining the creation of their new company.

All in all, this is one of many steps required to ensure that Egypt is ready for advanced, modern transactions. The introduction of this law was a welcome step given the need to upgrade Egypt's legal incorporation system as well as the need to cut on time, effort, and paperwork in tomorrow's paperless economy.

### b) New Cyber Crimes Law

To top off a year of innovative and advanced legal instruments, the Anti-Cyber and Information Technology Crimes Law (Law No. 175 of the year 2018) has been ratified and published in the official Gazette. The new law addresses issues such as hacking state information systems, committing crimes through information systems, technology, or e-mail, or publishing material online that threatens the country's security or economy. It is a much-needed update from the out dated its 2004 counterpart, which only

addressed telecommunications. This made the law inadequate to address modern cybercrimes, which often gave judges difficulty in finding the appropriate legislation to fit alleged crimes. This undermined key principles such as legal certainty and fairness. Now, this law, even if not directly nor clearly an economic law, can be used to provide assurance for investors and potential business people, as it is a key tool in any modern legal system.

The law, made up of 45 articles, revolves around ensuring the safe and secure use of technology – not around restraining its users. Most importantly, we find that such a law is essential from a professional perspective: after a spur of new laws aimed at protecting investment and growth in a modern, paperless economy, the platform behind all of these changes, technology, must be protected in the highest regard.

To start off, the law strictly prohibits any sort of activity that promotes terrorist support. The law then moves on to address hacking: anyone convicted of hacking into state-owned systems would be subject to a fine of EGP 50,000 – 200,000 as well as a two-year prison sentence. Hacking other individuals' or organizations websites or accounts would lead to similar penalties. Similarly, using someone else's name to operate an e-mail, website, or other private account may lead to a fine between 10,000 – 30,000 and/or three-month imprisonment.

In fact, individuals may be penalized for altering or otherwise disrupting an individual's or organization's website. Individuals may also be banned from travel if they are the subject of investigations concerning cyber-crimes. Moreover, the law penalizes anyone who uses the internet to make unfair gain. It also imposes a fine of EGP 50,000 – 250,000 and/or a one-year prison sentence on anyone who gains illegal access to information.

The second half of the law concerns using technology to gain access to bank information or hack credit or debit cards. This also includes penalizing any disrespect of privacy through leaking contact information. This part is key to ensuring that this law is adequate in addressing crimes that modern courts are faced with but cannot adequately address using current laws. The law also addresses those involved in the above crimes through selling,

making, or providing in any way certain machines without authorization from the relevant entity.

In conclusion, the new law serves as a much-needed update in a wide framework of laws that directly and indirectly touch on the investment atmosphere in Egypt. Its provisions provide more legal certainty for internet users, ensuring that decisions and verdicts can be fairer and more grounded on sound legislation.

# Significant Accomplishments of 2018

Khofu Pyramid



## Significant Accomplishments of 2018 —

Below is a glimpse of some of the mega-projects introduced in 2018, accompanied with some information on the progress of the project. The projects discussed below are a summary of those presented by the various authorities governing the sectors described within, and as such, the details herein are as accurate and up to date as possible.

The majority of these projects were also featured in our 2018 'Egypt Land of Opportunities' book as open opportunities for investment, and their timely completion is an indication that the Egyptian economy is rapidly developing.

One of the central purposes of this year's version of our publication, is to highlight the abundance of opportunities which truly exist within the country, as well as to provide an analysis of the projects which we had previously mentioned but were not completed.

## Petrochemicals Sector —

Around 69 projects, costing a total of EGP 728 billion have been initiated within the petroleum sector, which have impacted the Egyptian economy greatly.

### Notable Projects

- Signing of 63 agreements for investments estimated at 14.7 billion pounds
- Opening 3 bids which provided grants to 11 sectors in the amount of \$136.7 million
- Signing 34 contracts for development grants worth approximately \$19.1 million
- 186 new oil discoveries
- Increased number of ports to receive and import liquified natural gas

All in all, investments in the oil and gas sectors rose from 4.9 to \$8.8 billion, which contributed an increase in the production capacity from 3.7 to 5.7 million tons per year.

The development of the Dhahar field is also one of the most notable projects. The first phase was completed at the end of 2018, and increased production to 1.2 billion barrels of gas per day, which is expected to increase further, to 2.9 billion barrels per day in addition to the development project of the Neduku Nores which consists of a drilling a number of wells to increase gas production.

### Initiation of three projects for the development of oil refineries

- Construction of 14 lines, spanning 576 km for transporting crude

oil, as well as a number of storage tanks.

- 20 pipelines to transport 408 km of gas
- Initial distillation tower at Midor
- Gas recovery unit in Assiut
- Issuance of nearly 360 contract licenses for the exploitation of gold

## Tourism Sector —

The 39 new projects developed in this sector have been amongst the most heavily funded, and are all created with the primary goal of restoring tourism to Egypt. The total costs of the 39 projects are EGP 5.4 billion.

**The first major project focused on creating a new international tourism campaign which is due to run for three years.**

- Other projects included the development and establishment of 10 hotels costing EGP 2.6 billion, the most important of which is the development of the Ritz-Carlton Hotel, the Steigenberger Hotel, and the establishment of the Hotel and Conference Center and Choueifat Conference Center.

- Installation of the dancing fountain with the multimedia display at the New Cairo Family Park at a cost of EGP 23.1 million.

- The completion of the first and second phases of the development of Nile berths on the route of long Nile cruises at a cost of EGP 11 million.

**Another category of projects have been devoted to the restoration and improvement of Egypt's many archeological sites and artifacts.**

### Notable Projects

- Opening of the Egyptian Grand Museum
- Reconstruction of the Museum of Islamic Art at Bab El Khalk
- Completion of the Royal Jewellery Museum in Alexandria
- Opening of 4 smaller national museums in the governorates of Matrouh, Sohag, Suez and Ismaily, at a total cost of EGP 384 million

- The completion of the restoration of the Melloui and Tel Basta museums, the Rummel Cave in Matrouh costing EGP 15 million
- Development of the area surrounding the pyramids, costing EGP 541 million.
- Completion of the development of the World Cultural Heritage Site in Dahshour,
- Completion of the ruins of Mt Rahina and Saqqara
- Completion of the lighting of the Luxor Temple, the lighting of Ramessium and the three tombs of the Valley of the Kings at a cost of EUR 2.24 million
- Restoration of 9 historical mosques

## Private Sector Investments in Tourism —

50 hotel projects are currently underway, placing Egypt at the top of Hotel developments in Africa. With this in mind, the Starwood group, has initiated expansion into the Egyptian market by launching the ST. Regis hotel, set to open in March with an investment of \$1 billion. The Hilton group has also made an announcement stating that they aim to increase hotel rooms managed by the group in Egypt by 40 percent by the end of 2022.

Additionally, The Emaar group has plans to develop a hotel in Marassi resort on the Mediterranean coast, named Vida Hotels and Resorts in Egypt. Furthermore, the Al Rahma company also announced increases in the company's capital from EGP 15 million to EGP 75 million to develop its hotel units.

Another evidence of the willingness of international chains to move on with their long term development plans in Egypt is the signing of Intercontinental Hotel Group for a 187 room hotel in Cairo. BMI also expects to increase the number of its hotels in Cairo from 730 to 930 by 2021.

Overall, Egypt's tourism sector is bouncing back, and is considered diverse and dynamic with a potential to expand beyond the cultural and leisure segments. Niche tourism areas include residential, eco, business, religious and conference segments. Health care tourism is also another area set to expand, driven by numerous developments of medical centers at touristic areas, as witnessed by Porto Ghalib in Marsa Alam and Marassi developments in the north-west coast.

The Tourism development authority (TDA) acknowledges the state's policy of industry development, since tourism is the second highest contributor to gross national income. The TDA also develops desert lands to create regions for tourism and eases investor relations.

## Real Estate —

As a result of the state's interest in providing suitable housing for citizens of various classes, around 915 projects have been implemented, costing a total of EGP 85 billion.

The first goal for these projects was to provide suitable housing for low and middle income groups, and this was done through the following initiatives:

- Establishment of 270,000 units of social housing at a total cost of about EGP39 billion pounds,
- Implementation of 13,000 units for youth housing cost of EGP 1.1 billion
- Implementation of 73, 000 housing units for those living in dangerous areas with the hopes of eliminating slums and working to remove the sources of danger and industrial pollution from areas with high population density.

The next phase of the developments in this sector were focused on improving drinking water so that clean water is available to the entire population. To enable this, 236 new projects were initiated at a total cost of EGP 31 billion. These include:

- Opening 66 sanitation treatment plants with a total capacity of 2.9 million m<sup>3</sup> / day
- Implementation of drainage networks and stations for 522 projects to increase the number of areas served by sanitation.

## Agriculture —

This sector has undergone significant expansions in an effort to make the most of the varied reserves of land available in the country. To do this, 75 new projects have been implemented at a cost of EGP 17.5 billion, centering around land reclamation, improving the efficiency of field irrigation in order to rationalize water consumption, increasing land use, and the establishment of silos and hangars to accommodate an increased wheat storage capacity.

### Notable projects

- Development of field irrigation for 100 thousand feddans in the provinces of Al-Beheira and Kafr El-Sheikh at a cost of \$243 million, aiming to improve the efficiency of field irrigation, water supply and the increase of agricultural land,
- Reclamation of 15,000 feddans in the center of Bir al-Abed in North Sinai at a cost of EGP 381 million,

The National Service Project implemented a number of projects in the agriculture sector, the most important of which were:

- Investing in animal feed, developing livestock by fertilizing 200 thousand cattle at a cost of EGP 1.2 billion pounds
- Establishment of 186 agricultural farms at the Mohammed Najib military base
- Establishment of a fish farming project in the Pool of Ghalion at a cost of EGP 1 billion. This includes 1359 basins and canals 107 km in length.

## Education —

Over the last few years the state has implemented numerous educational projects at a cost of EGP 10.9 billion. The projects aim to diversify and improve the educational system in Egypt, to give people from all backgrounds access to high quality education.

### Notable Projects

- Construction of over 3000 schools (equating to 40,000 new classrooms) across all levels
- Providing specialized training for teachers and administrative personnel
- Development of national curriculum

45 new Japanese schools were also built and equipped, adding 837 classrooms at a cost of EGP 938 million. Additionally, 1.1 million teachers and administrative staff, and 130 thousand technical teachers were trained. Finally, 42 new technical education programs were developed which added to Cairo's literacy rate substantially.

## Technology —

In order to propel the technology sector so that it is one of the fastest growing in the region, Telecom Egypt has become a national integrated telecom operator and increased its contribution to the public treasury to EGP 8.22 billion.

Due to an injection of over investments totaling EGP 2 billion. The number of companies operating in the telecommunications sector reached 1611, with 150 thousand new jobs being created as a result of this increase.

### Notable Developments

- The National Post Authority now provides integrated electronic services in 4000 post offices.
- Over 2,500 km of new roads in Sinai and the Eastern and Western Deserts have been upgraded with mobile phone services.
- The technological zones in Borg El Arab and Assiut were established at a total cost of EGP 400 million. The work system was installed at the documentation offices at a cost of EGP 20 million, which had the greatest impact on facilitating the work cycle services in 4000 post offices.
- Over 2,500 km of new roads in Sinai and the Eastern and Western Deserts have been upgraded with mobile phone services.

## Transport and Logistics —

To assist in the decongestion of the roads, particularly those in Cairo, approximately 383 projects have been implemented within the roads and bridges sector. Aside from improving traffic liquidity, these projects aim to ease the transfer of goods across the country and improve efficiency in the routes to areas outside Cairo.

### Notable Projects

- 6 axes on the Nile
- Implementation of 230 industrial work (car bridges, car and pedestrian tunnels)
- Establishment of the Dabaa axis with a total length of 315 km
- Establishment of 4 links to connect with the existing road network which connect Wadi Haggoul and Zafarana, as well as Beni Suef
- Construction of the western arch of the regional ring road (from the Cairo / Assiut West Road to the Cairo / Alexandria Desert Road)
- Construction of the Shubra / Benha road
- Establishment of the Rawd Al Faraj axis (Phase II),

With regard to the railway sector, the government has sought to implement a number of projects aimed at the overall development of railway lines in order to improve the level of services provided to the public.

### Notable Projects

- Adding approximately 400 km of railway lines and related equipment

- Development and supply of 3000 vehicles and 180 tractors
- Development of 1,100 crossings and signaling systems for 1000 crossings.
- Development and maintenance of 156 new railway stations.

The majority of these projects have already been completed at a total cost of EGP 3.8 billion. The remaining projects will be finalized by the end of 2022.

Significant focus has also been placed on the existing metro system, and as such, there are 5 projects in place which aim to develop and modernize the first and second lines of the Cairo tunnels, at an estimated cost of EGP 3.9 billion.

#### Further developments for the metro lines include:

- Supplying 20 air-conditioned trains for the first metro line
- Development and modernization of 17 existing trains
- Supply and installation of surveillance cameras and metal detectors in 47 stations
- Supplying and installing 850 gates and 100 ticket machines

Ports are also an area of focus for both the private and the public sector and a number of projects will be implemented at an estimated total cost of EGP 2.3 billion. The overall aim is to make the most of Egypt's unique geographical location and the Suez Canal, which is an essential shipping link between East and the West.

#### The aforementioned projects include:

- Establishment of the Qustal and Arqeen ports
- Development and expansion of the Safaga Port.

- Finalizing development of the first and second stages of the port of Hurghada.
- Finalizing the first phase of the Suez port at a total cost of EGP 985 million,
- Finalizing the first and second phases of the development of the Nuweiba port.

Due to the above developments, the Red Sea port area has expanded 1370 000 meters, allowing for the transfer of 3700 thousand passengers per year.

## Aviation —

To further encourage economic development, the Civil Aviation Authority has recognized the need to expand the aviation network within the country. This breaks down to two essential lines of work, the first being focused at creating more airports, and the second aims at updating the existing airports and their security. All in all, a total of 54 projects were completed at a total cost of EGP 18.2 billion.

### Notable Projects

- Creation of 5 new airports, namely: Administrative Capital Airport, Bardawil International Airport, Sphinx International Airport, Bernice Airport, Ras Sidr Airport.
- Development of runways and exit corridors to accommodate a maximum number of aircrafts.
- The air cargo fleet was also replaced and renewed with high operating aircrafts and long-range capabilities.
- Air navigation systems and meteorological centers have been developed
- Replacement and development of radar and air surveillance systems
- Security systems were also upgraded to enhance airport security.
- Securing cargo villages at airports and expanding the terminal at Hurghada Airport to accommodate 7.5 million passengers annually at a total cost of EGP 2 billion.
- In addition to the maintenance of the corridors at Cairo airport, and raising efficiency, a number of rapid exit corridors were also added to accommodate more aircrafts.

## Energy Sector —

To counteract electricity outages within the country, and particularly within Cairo, 169 projects were implemented, costing approximately EGP 308 billion . The main purpose of these projects was to increase the electricity capacity of the Egyptian National Electricity Grid to 52000 megawatts (MW). One of the main features of the project included opening a number of electrical, gas and steam, and renewable energy power plants, adding an additional 22 000 MW to the existing electricity capabilities of the country.

### Notable projects

The below power plants are the largest, and provide a total capacity of 14400 MW:

- Beni Suef Power Plant
- New Administrative Capital power plant
- Al-Boruls Power

Additionally, 4 steam stations were opened in the below locations to provide a total capacity of 4840 MW:

- Ain Sokhna
- North of Giza
- Suez
- Ataka

Additional achievements in this sector include:

- Opening 10 new gas stations with a total capacity of 4992 megawatts

- Strengthening the high voltage transmission network by increasing the capacity of transformers to 13,000 mega volt amps (MVA),

- Increasing the capacity of transformers to 53000 MVA to enable an increase in the capacity of medium and low voltage

- Increasing the cable lengths by 11,000 km for high voltage and increasing the length of lines and cables for medium and low voltage by 25,000 km

Aside from the creation of new plants, maintenance has also been carried out on several of existing plants to maximize production.

## Healthcare Sector —

As part of the state plan to improve the health services provided to citizens, approximately 247 new projects were implemented at a total cost of EGP 24 billion. These projects included upgrading medical equipment in 376 hospitals within Egypt to enable the treatment of more patients.

Additionally, the government was successful in screening five million citizens for virus “C”, and treating those who were found to have the virus free of charge, with the overall aim of making Egypt a virus C free country by 2020.

Finally, developments in the sector have included improving the emergency services, which consisted of providing 300 new ambulances, and providing new road networks to enable easy of transport. To provide a supportive regulatory framework, a new and comprehensive Social Insurance Law was also released.

# Investment Sectors



# Oil and Natural Gas



Zohr Natural Gas Field

## Oil and Natural Gas —

Throughout history, Egypt has had significant energy resources, both in traditional fossil fuels and in renewable energy, largely due to the abundance of underutilized land and year round sunshine within the country. Egypt's strategic geographic location also provides potential for it to become among the most important gas producing nations in the world in the near future.

After the discovery of the Zohr Well in 2015, an additional goal was set for Egypt to be self-sufficient for natural gas by 2020, and this goal is well on its way to being realized.

The next phase in the development of this sector concerns putting in place infrastructure which will facilitate transfer of the gasoline liquefaction plants located in Egypt, allowing the country to export the liquefied natural gas to Europe, which has long been Egypt's target market.

To support this expansion plan, the government has also signed a memorandum of understanding with the European Energy Commission who will provide financial or technical support to allow Egypt to reach its mission of becoming an energy hub within the next four years.

In addition to exporting gas, international companies can invest in several frontier locations within the country such as the Red Sea, the western side of the Mediterranean on the northern coast, and the western side of the Nile delta off shore.

## Advantages —

### 1 | Strategic location

Geographically, Egypt is ideal for people from all corners of the world, and travel is facilitated through direct flights from Europe, Africa and the Middle East. A number of 'Passage Projects' have created various naval passages which connect European countries with Egyptian cities such as Alexandria and Port Said. Additional ports are found along the Red Sea (Ras Shukhair, Al Adabia and El Sokhna Ports), two of which, (El Sokhna and Eastern Tafreea) constitute two of the five naval axes which link the European Union to its neighbors. The accessibility of the country has also allowed it to retain a larger share of international petroleum products and to be a key player within natural gas trade. This is particularly important when we consider neighboring countries in the Gulf, West Africa and the Caspian Sea, all of which are primary crude oil and natural gas production areas.

### 2 | Mature Petroleum Industry

The petroleum industry in Egypt is considered one of the oldest in the world, starting with the dawn of the twentieth century. Today, the sector has matured, employing a multitude of technical experts in searching, exploration and production as well as transporting and refining activities.

### 3 | Supporting Infrastructure

Over the last few decades the Egyptian government has invested tens of billions of pounds in constructing national pipe grids to transport crude oil, natural gas and petroleum products to and from the seven refinery labs which are present within the country. As the sector grows, the government will continue injecting money to create additional supporting infrastructure which will keep Egypt at the forefront of these developments.

## 4 | Governmental Support

The government of Egypt has focused a considerable amount of effort into the development of the oil and natural gas sector, by primarily restructuring its governing system's. This has included amending the entire body of legal provisions regulating the oil and gas sector to preserve Egypt's mineral wealth and to encourage additional direct foreign investment.

To keep up with urgent local demand, the government has also put in place a plan of action which includes:

- Development of Egyptian refineries that lack technology.
- Increasing petroleum product trade.
- Restructuring the financial support system for petroleum products to take into account energy prices.
- Allowing private sector companies to import natural gas to meet current local demand.
- Ensuring the delivery of natural gas to residential areas as well as industrial establishments.
- Increasing the number of distribution and supply stations within the country.

## Rights Granted

Private companies are capable of exploring and exploiting oil and gas through concession agreements with the government.

Generally speaking, the government requires contractors to acquire a certain amount of any oil or gas discovered in accordance with a production sharing scheme. The contractor can then sell and export his share according to the price valuation set out under the concession agreement. These agreements

include specific provisions to encourage foreign investors to enter into a bidding process announced by the Minister of Petroleum.

## Concession Agreements

### Terms

The Egyptian General Petroleum Authority (EGPA) is responsible for the governance of the conditions pertaining to the exploration and exploitation of oil and gas set out under Law No. 66 of 1953 and Law No. 86 of 1956 (Law No. 167 of 1958) A concession agreement is the only mechanism and document that grants the contractor the right to carry out oil and gas exploitation activities. The term of these agreements must then be approved by Parliament, signed by the Egyptian Minister of Petroleum and the contractor. In general, the terms for exploration range from seven to nine years, and are divided into three terms – the initial term and two extensions. However, if there is a commercial oil and gas discovery, the agreement may be granted for 25 years to be extended to 35 years. The contractor's rights can then be assigned by a deed of assignment to a third party in accordance with the terms of the concession agreement, after the approval of the Government.

### Granting of Licenses

Oil and gas concession agreements are awarded to contractors through a bidding process. Generally, the Egyptian General Petroleum Company (EGPC) and the Egyptian Natural Gas Holding Company (EGAS) announce specific tenders to solicit the best and most appropriate contractor. The tender documents are usually offered in accordance with the provisions of the Law No. 182 of 2018.

### Fees

Generally, the contractor's financial liabilities are determined by virtue of the provisions of the concession agreement, and there are no set fees associated with acquiring the right to practice exploration and exploitation activities.

## Liability

The contractor is considered a party to the concession agreement, meaning that he is bound by certain contractual liabilities under terms of the concession agreement. These rights and obligations can only be altered or amended through written approval from both parties.

## Taxes

Profits attained as a result of the exploration and/or exploitation activities will be subject to a 40.55% tax as per Egyptian Income Tax Law No. 91 of 2005. Additionally, contractors who work under a concession agreement will be subject to Egyptian income tax law and must comply with the requirements to file returns, assess tax, keep and show books and records on the stipulated dates.

The Egyptian General Petroleum Company (EGPC) pays income tax on behalf of the contractor out of EGPC's share of the petroleum saved under the terms of the concession agreement.

## Ongoing Projects —

### 1 | Assiut Oil Refinery Project

Assiut National Oil Processing Company (ANOPC), in collaboration with Enppi and Italy's Technip firm have announced the biggest oil refinery project to be implemented in the Upper Egyptian Governorate of Assiut. The project is currently under planning and will add 3.4 million tonnes per year to the national production capacity.

### 2 | 13 New Wells by Egyptian Natural Gas Holding Company

The Egyptian Natural Gas Holding Company also announced plans to drill 13 wells by 2020. These projects are set to cover 100% of all natural gas sector's demands, as well as decrease mazut consumption.

### 3 | Benzene and Diesel Complex Project in Suez

Additionally, significant progress is underway with the benzene and diesel complex project in Suez, which costs will cost a total of \$2.4 billion. The complex's capacity is approximately 3 million tons of diesel, and more than a million tons of high quality benzene. This project is under the leadership of the Red Sea National Company for Refining and Petrochemicals.

### 4 | Increase refining capacity of Middle East Oil Refinery

The Middle East Oil Refinery (Midor) also announced plans to increase its refining capacity, reaching 4.5 million tons annually after completing the development and rehabilitation processes. Increasing the refining capacity will contribute to meeting the domestic needs of fuel and petroleum products, a proportion of which is currently being imported. The current capacity is about 3 million tons per year .

## 5 | Zohr Natural Gas Field

In August 2015, one of the world's largest natural gas discoveries was made in Egypt's Mediterranean Sea, namely, the Zohr Field. The field was found by Italian company Eni, however minority stakes in the Shorouk concession where the field is located have been sold to BP (30%) and Rosneft (10%). Zohr has the potential to produce 850 billion cubic meters of gas, and could therefore double Egypt's natural gas production in the near future. More specifically, experts have stated that the discovery of this well will potentially allow Egypt to be self-sufficient for natural gas by 2020. As it stands, over 80% of the development of the field has been completed, so the target is well on its way to being reached.

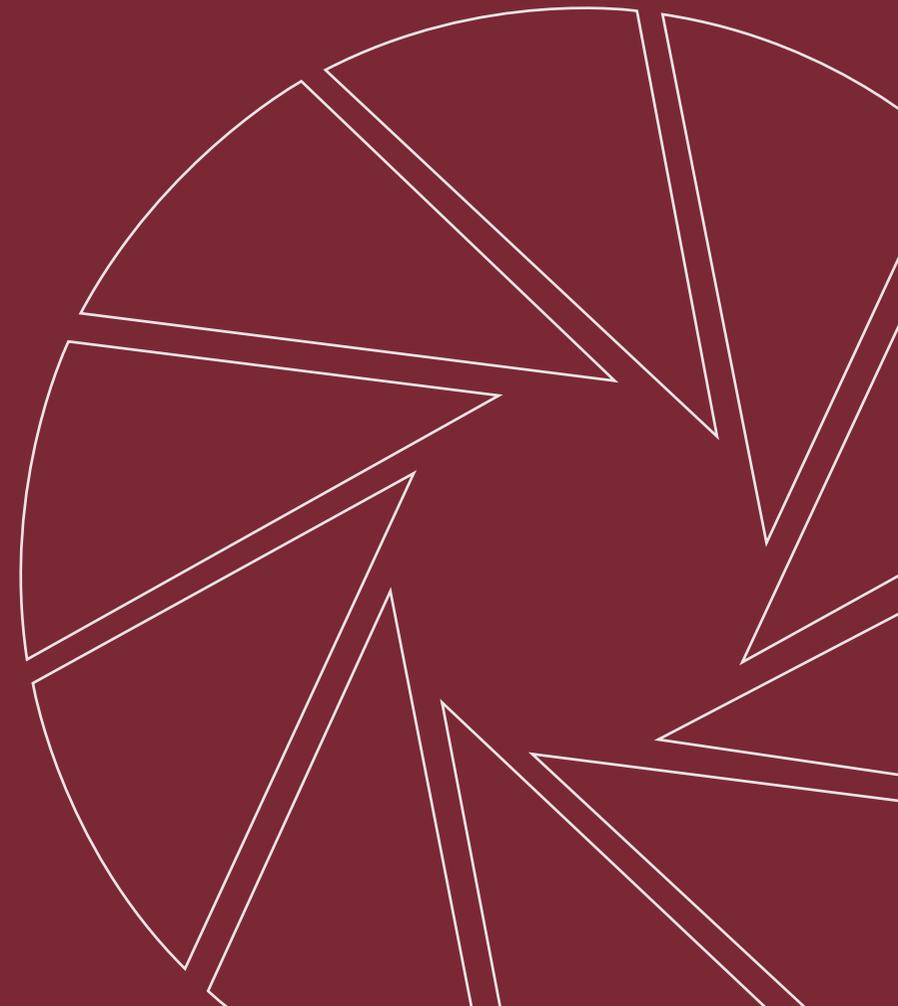
## 6 | Mediterranean Sea Gas Projects

Egypt's Ministry of Petroleum has recently announced the commencement of new natural gas projects near the Mediterranean Sea, which will help to double the production of natural gas by 2020. The first stage has already increased natural gas production by 50 % as of the end of 2018, and this will eventually increase to 100% by 2020. These new projects will account for approximately \$8.3 billion of investment within the sector. It is believed that these projects, coupled with the rapid developments of the Zohr field will make Egypt a hotspot for trading oil and gas by 2021.

## 7 | Western Desert Exploration Projects

The Minister of Petroleum and Mineral Resources signed three new agreements for oil and gas exploration in the Western Desert of Egypt worth approximately \$79 million. The first and second agreements were signed with American company Apache, enabling them to explore within the concession areas of the Western Desert using \$73 million of investments, while the third agreement with Merlon Company was made to enable exploration within the Fayoum region, with approximately \$6 million of investments.

These projects are part of much larger expansion plan wherein 79 new agreements for oil and gas exploration were signed, with predicted investment amounts reaching a minimum of \$15.3 billion.



# Renewable Energy

Zafarana Wind Farm



## Renewable Energy —

In Egypt, energy plays a substantial role in the country's economic development, contributing to macroeconomic variables such as gross domestic product (GDP), commodity exports, and investments. On the other hand, Egypt as a developing, fast growing country suffers from rapid annual population growth, currently at a rate of approximately 1.9 % yearly. Such fast population growth, coupled with other environmental challenges is overstraining the limited energy resources of the country.

The Egyptian government has therefore recognized the need to reform the energy sector in order to attract private sector investment in power generation, since this will be instrumental to Egypt's ability to deliver its renewable energy targets. To do this, the government has implemented the competitive bidding approach whereby the Egyptian Electricity Transmission Company will issue tenders requesting the supply of power from large-scale renewable energy resources for pre-determined sites on a build, own, operate (BOO) basis.

Overall, the country is set to supply 20 % of generated electricity from renewable sources by 2022 (20 by 2022 plan), with wind providing 12 %, hydro power 5.8 %, and Solar 2.2 %. The solar energy plan aims to install 3.5 GW by 2027; including 2.8 GW of PV (photovoltaic) and 700 MW of concentrated solar power. The strategy is also aimed at generating 7.2 GW (12 % of generated electricity) from wind by 2022. To do this, private sector involvement must equate to around 67 % of the overall plan.

Over the next three to five years, the Ministry of Electricity and Renewable Energy plans to add 51.3 gigawatts (GW) to the current installed capacity. The New & Renewable Energy Authority (NREA) plays a strategic role in the government's renewable energy plans. It currently has around 500 MW of wind power plants in operation and 1340 MW under implementation and development, and is expected to contribute substantially to the rapid expansion of wind power capacity. There are also three privately owned independent power producers (IPPs) which began operations in 2002-2003 under 20-year long power purchase agreements with EEHC, and currently

have a total generation capacity of about 2.5 GW.

The Egyptian government's renewable energy plans for 2015-2023 include 3.2 GW from government projects; 1.25 GW generated through BOO mechanisms, and 920 MW from IPPs.

### Solar

Egypt is located in the "sunbelt" area of the world, meaning geographically, it is endowed with high intensity solar radiation ranging between 2000 and 2600 kwh/m<sup>2</sup> per annum, with a daily sunshine duration of 9-11 hours. The potential for solar energy is further increased given the country's vast deserts, rendering it well suited for the generation of concentrated solar power.

The first solar thermal power plant was constructed 90 km south of Cairo at Kuraymat. This location in the desert makes use of the extended unified power grid, expanded natural gas pipelines, and close proximity to a substantial source of water namely, the River Nile. The power plant, which is financed from the Global Environmental Facility (GEF) and the Japan Bank for International Development, is able to contribute 140MW to renewable energy generation. Based on the above, the Egyptian government has been working to expand solar energy usage within the country and to stimulate investments in solar energy by offering free land to potential investors in both the Eastern and Western deserts.

Egypt is now recognized as having vast potential for solar energy application in the near future. In addition to the 20 by 2022 plan initiated by the government, a separate proposal was also approved named the 'Egyptian Solar Plan'. This plan involves adding 3.5 GW of solar energy to Egyptian electricity generation by 2027. To begin realizing this plan, The Ministry of Electricity and Renewable Energy signed seven memorandums of understanding worth \$500 million for solar and wind projects in Egypt. The target for the first regulatory period (2015-2017) was to contract 4,300 MW of both solar and wind energy, and the Ministry has confirmed that this target was reached early 2018.

The government is also considering financing options to conduct feasibility studies for the following projects, which are considered pivotal for the renewable energy sector in the country:

- Solar thermal power plant using CSP technology for both electricity generation and water desalination.
- Designing a technical-financial mechanism to promote the use of solar water heaters in Egypt's residential sector.

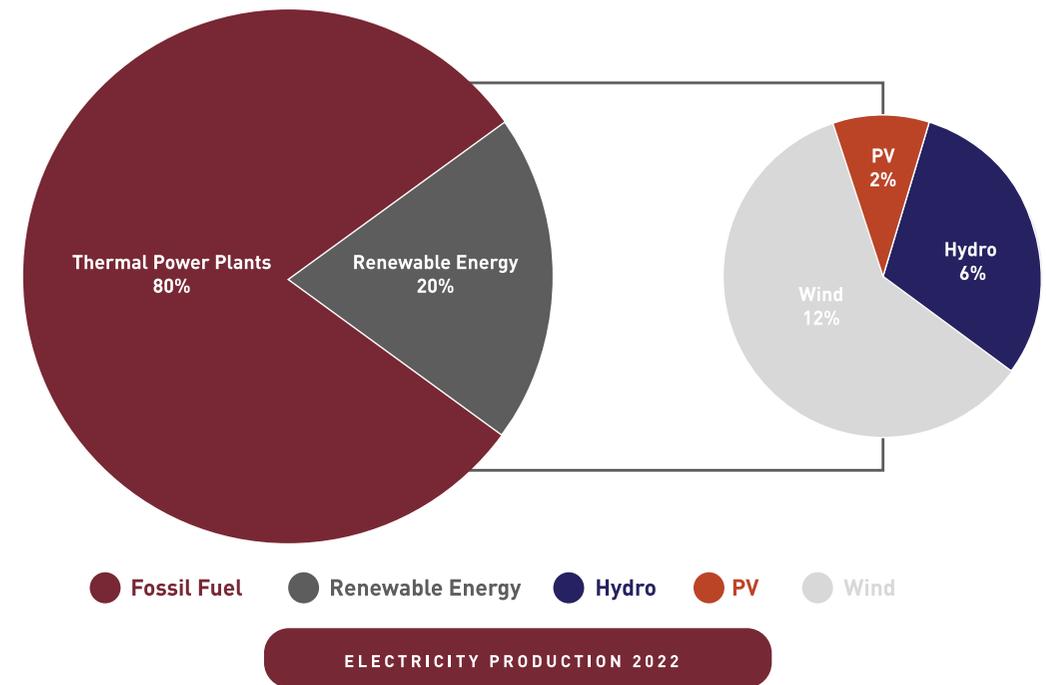
## Wind

The Suez Gulf provides an excellent source for wind energy projects, as it boasts an average wind speed of 10.5 m/sec, making it one of the highest consistent wind speeds in the world. The country is also producing almost 57% of the region's total wind energy, ahead of Morocco, Iran and Tunisia.

Additionally, Egypt is just one of only 38 countries in the world with a published National Wind Atlas, meaning that data on wind patterns are readily available. As well as Suez, other relevant areas include the Western and Eastern deserts, in addition to the Red Sea coast along the Gulf of Aqaba.

In an effort to aid the development of this sub-sector, the Government of Egypt is planning to provide 12 % of generated electricity (6.8 GW) through wind by 2022. Additionally, according to the Egypt Wind Energy Association, 700 square kilometers have been set aside for new wind projects in the Gebel el-Zayt area which has wind speeds of 11 m/sec.

Egypt's best-developed wind region so far is the Zafarana district, with average wind speeds of around 9 m/sec. The project (which is owned and operated by NREA) consists of a series of linked wind farms, the first of which started construction in 2001. The government has also allocated an additional area of approximately 7,845 square kilometers in the Gulf of Suez region and the Nile Banks for NREA to implement more wind energy projects.



## Biomass

The current government plan indicates that biomass will generate an expected share of 1,500 MW worth of electricity by 2020 since the country has a logistical advantage in biodiesel production. Progression within this sector is facilitated by Egypt's competitive labor force, stable and hot climate which assists plant growth, and its abundance of affordable land for plant production. There is a high level of public acceptance for future developments in biomass and wind since they are expected to provide an estimated 40 jobs per project. In addition, cultivation of plants for biodiesel production can provide employment for 3,000- 5,000 people, thus creating job opportunities to help boost the country's economy and the renewable energy sector's public image.

## Advantages —

### 1 | Government Support

There is a strong commitment from the government to encourage investment within Egypt's renewable energy sector, and they have developed an investor-friendly incentive system based on successful European incentive models to support this commitment. Furthermore, the government has reduced the cost of infrastructure investment for foreign renewable energy companies by identifying logistically suitable areas, whilst at the same time providing the locations with connection access to the national grid.

In addition to governmental tenders, if renewable energy investors want to link projects to the national grid, they will have to submit proposals to the state's Egyptian Electricity Transmission Co.

Land used for the construction of the project will be operated under a usufruct scheme, and the Egyptian Electricity Transmission Company will be tasked with purchasing and transporting electricity produced from the power plants to loading centers for a period of up to 20 years.

### 2 | Public Support

Promotion of renewable energy projects will lift a significant weight off the Egyptian job market, creating thousands of potential jobs for its nationals. As well as this however, there has been strong support from NGO's within the country whose main aim is the promotion of renewable energy projects. As well as conducting insightful research studies on energy consumption, these organizations have established small grants programs to promote conservation and implement renewable technology in poor communities, in an effort to reduce greenhouse gas emissions by using cleaner energy techniques.

### 3 | International Cooperation

Egypt has access to over \$ 5.2 billion from the World Bank Group, African Development Bank, development agencies, and private sector sources and it has already started making use of these funds to meet its 20% target for attaining energy from renewable sources. The government has also set aside \$100 –\$120 million in clean technology fund money to co-finance a high capacity transmission system from the wind farms in the Gulf of Suez to serve heavily populated areas such as Cairo. Moreover, the National Renewable Energy Authority is preparing a study in cooperation with the German Government to identify the suitable locations for thermal solar stations. With regards to solar technology, the country has received strong support from Italy, with The National Renewable Energy Authority signing a protocol for cooperation with the Italian Ministry of Environment to electrify two remote settlements in the Matrouh Governorate. The Italian government also gave a grant of more than \$500,000 to develop solar power in the Wadi Al-Hitan region of El Fayoum Governorate's Wadi Al-Rayan wildlife reserve. Furthermore, the World Bank and the Japan International Cooperation Agency have cooperated to finance the construction of the solar-thermal plan at Kuraymat, one of Egypt's major solar power projects.

## Incentives —

**The government has introduced a number of incentives to help investors realize the goals set within their 20 by 2022 plan. These include:**

- Concluding long-term agreements (20-25 years) with private sector companies in the Renewable Energy Sector to cover their cost of production and return on investments.
- Exempting renewable energy equipment from customs and tariffs.
- Obtaining all the required permits to allocate the lands and clearing from land mines.
- Preparing the required studies for implementing projects, such as environmental impact assessments including bird migration and soil research studies.
- The technology behind PV applications is expensive, yet the high setup cost is compensated by savings in network construction and free land offerings.
- The finance ministry will subsidize the financing of the projects, offering 4% rates for household and commercial productions under 200 kW, and 8% for commercial productions between 200-500 kW.
- For solar energy projects, land will be offered for 25 years whereas wind energy projects will have 20 years of land use.
- Investors will only be charged 2% customs on materials imported for the projects.

### Licensing Procedures

The Egyptian Electric Utility and Consumer Protection Regulatory Agency has prepared rules and procedures for obtaining generation, transmission and distribution licenses, namely:

- Approval requires a technical and economic feasibility study.
- The license is valid for a term of 5 years to be renewed thereafter.
- At the end of each year, the license must be verified.
- In cases of non-compliance with the terms of the license, the penalty procedure will be followed.
- The licensee has the right to access the transmission or distribution grids in accordance with a contractual agreement between him and the transmission or distribution company.
- The Agreement has to be approved by the Agency.
- The licensee is further obliged to provide an annual report on the licensed activities.

The requests for licenses with detailed information on the licensing procedures, as well as model framework contracts with distributors and transmission companies can be downloaded from the Agency's homepage.

The transmission and distribution codes lay down the standard specifications for design, construction, modification, operation and maintenance for all generation and distribution assets associated with the transmission grid. The transmission companies have to comply with the transmission code, as well as with performance standards acceptable to the agency, in order to verify the quality of electrical supply and the degree of reliability.

## Ongoing Projects —

### 1 | 26 MW photovoltaic solar park in Kom Ombo, Aswan

An agreement was signed with Spain's TSK to establish a photovoltaic solar park with The Egyptian New and Renewable Energy Authority for almost \$23 million, financed in part by the Agence Francaise de Developpement (AFD).

### 2 | 3 wind farms with a total capacity of 380 MW in Gabal el Zeit

Egyptian Renewable Energy Authority opened 3 additional wind farms with a total capacity of 380 MW during the second quarter of 2018. The projects included a 12 MW wind farm, 40 MW and 220 MW In Gabal El Zeit.

### 3 | 2 250 MW wind farms in Ras Gharib, Gulf of Suez

At the end of 2018, the Egyptian Electricity Minister stated that by 2020 two additional 250 MW wind farms will be operational in the Gulf of Suez, tendered on a BOO basis by an Egyptian Japanese consortium.

### 4 | 300 MW wind farm in Gulf of Suez

Infinity Solar Company announced plans to build a 300 MW capacity wind power plant in the Gulf of Suez. The project is worth EUR 350 million, and the company is planning to invest an additional \$ 400 million in Egyptian renewable energy projects by 2022, and recently received licenses to operate two stations for wind power with a combined capacity of 100 MW.

### 5 | Financing from The Asian Infrastructure Investment Bank (AIIB) to build Solar Project

AIIB has dedicated a \$210 million fund to tap into the renewable energy potential of Egypt. The investment would consist of 11 solar power plants with an aggregate capacity of 490 megawatts, and would help the country to meet its pledges under the Paris Climate Agreement by reducing half a million tons of CO2 annually.

### 6 | The African Development Bank Finances 3 PV Projects in Egypt

The African Development Bank (AfDB) Board of Directors approved three senior loans totaling \$55 million, to finance three solar photovoltaic (PV) projects in Egypt. The projects fall under the second round of the country's Feed-in-Tariff (FiT) Program. The three Independent Power Producers benefiting from the loans include; Alcazar Energy Egypt Solar 1 (Alcazar I), Delta for Renewable Energy (Delta) and Shapoorji Pallonji Energy Egypt (SP), with Alcazar I and Delta being granted a loan of \$18 million each. All three projects are located at the same site, on unoccupied desert land in Benban, 40km north of Aswan.

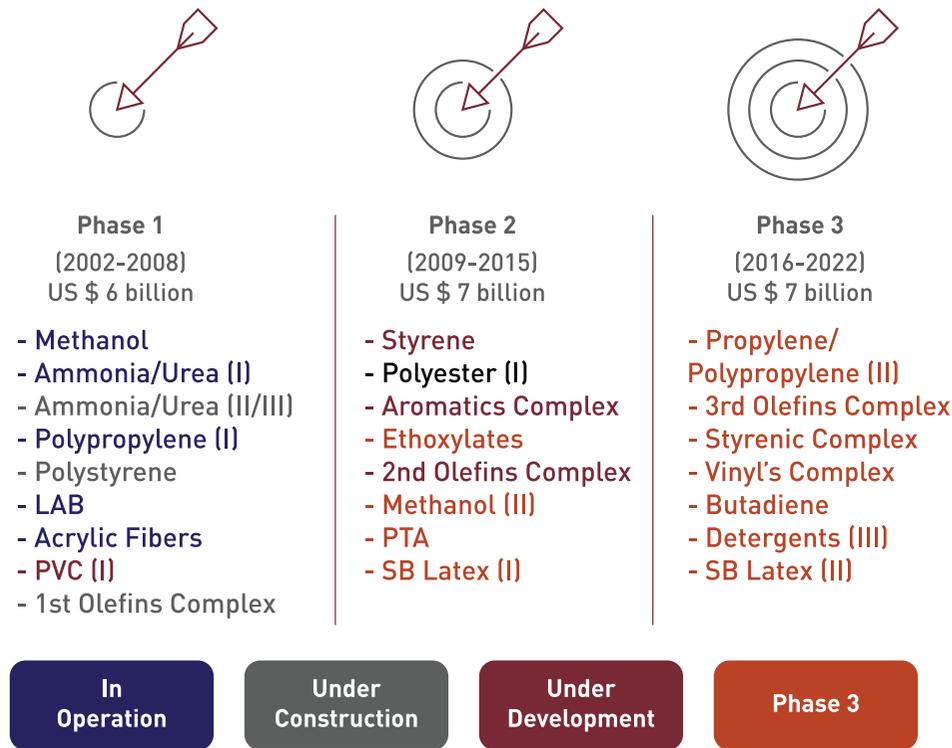
# Petrochemicals

Petrochemicals Power Plant



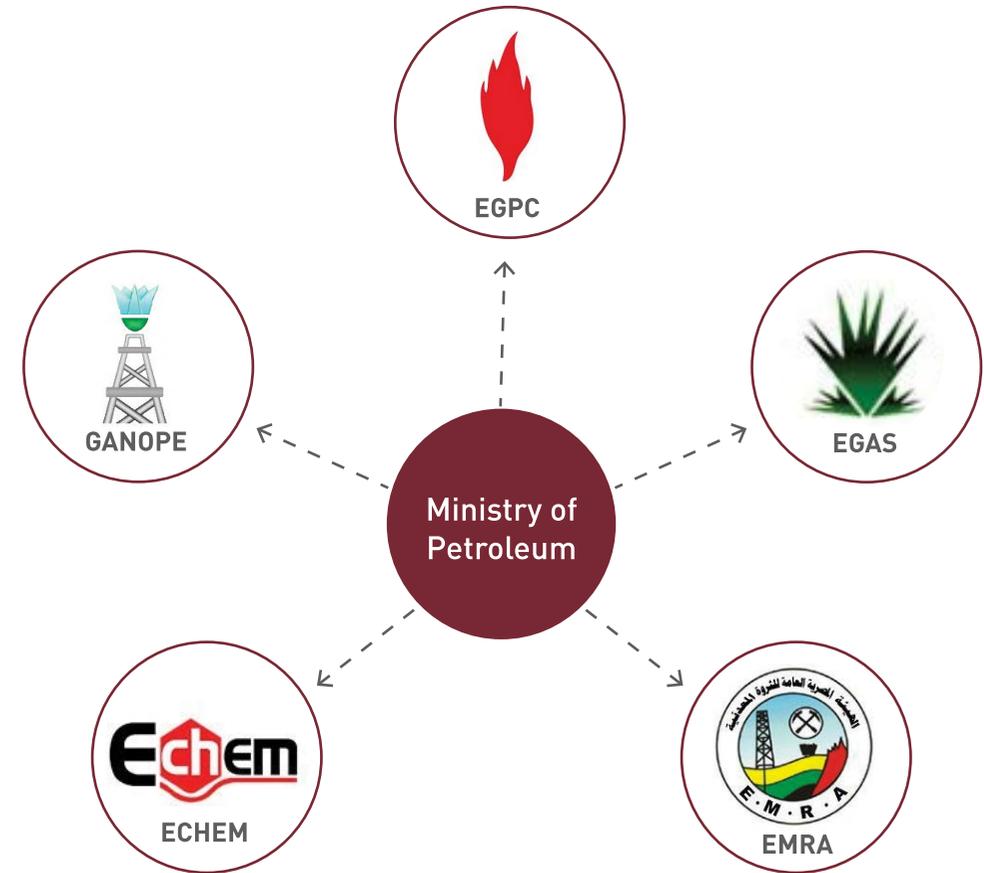
## Petrochemicals —

The petrochemical industry plays a vital role in the economic development and growth of the Egyptian economy, in addition to allowing the country to exploit the full capacity of its oil and natural gas resources. In light of this, there has been a strong governmental push to form an apt development strategy to accelerate the development of the industry. The plan consists of two branches working simultaneously to expand the industry. The first of these branches aims to support and develop existing projects to increase their competitive capacities, while the second path consists of establishing new petrochemical projects in the near future to highlight the country's investment opportunities.



### PETROCHEMICALS MASTER PLAN (2002-2022)

This development plan lays out a strategy which aims to balance the country's trade deficit by improving exports and reducing dependence on imports, particularly for the consumption of plastics. The governmental strategy includes major legislative and institutional reforms designed to benefit both national and international players, and increase foreign direct investment. International industry experts and national industrial strategists alike believe that the country is set to become one of the region's leading players, and investors have already begun responding positively to the evolving business environment.



Currently, the petrochemical sector accounts for around 12% of Egypt's total industrial production, which is estimated at US \$ 7 billion. While this amount is equivalent to only 3 % of Egypt's total GDP, the National Petrochemical Plan (2002-2022) aims at increasing this number. This will in turn position the country as a primary competitor in an industry which has traditionally been led by the countries in North Africa where natural gas readily is available.

The organizational structure of the petroleum sector consists of: Egyptian General Petroleum Corporation, Egyptian Natural Gas Holding Company, Egyptian Petrochemical Holding Company, South Valley Holding Company and Egyptian General Authority for Mineral Resources as seen above.

## Advantages —

**Strong Governmental Support:** The Ministry of Petroleum developed its strategy in order to provide for the raw material needs of the country, encourage investment, create jobs, and to activate integration policies between oil companies.

**A wide variety of products:** Plastics, fertilizers and acrylics are already being produced in the country. The government is also allowing foreign firms to invest in the phosphate fertilizer sector.

**Significant Regional Demand:** Strong regional demand is expected to require larger volumes of olefins (ethylene, propylene), polyolefin's (PE, PP) or downstream products. As the economies develop and quality of life improves, polyethylene usage is expected to increase.

**Competitive Production Costs:** As natural gas prices continue to rise, the production of petrochemicals is migrating towards countries with lower natural gas costs such as Egypt.

**Natural Resources:** In addition to abundant natural gas reserves, Egypt has several raw material reserves which are needed for the manufacture of any number of petrochemical products. These locally available raw materials reduce the costs of manufacturing.

**Feeder and Support Industries:** Egypt has numerous feeder industries to support the petrochemicals sector. The presence of locally based feeder and support industries facilitates doing business and reduces outsourcing costs.

**Proximity to Customers:** Egypt is close to the major petrochemical consumers in Europe, Africa and the Middle East. Strong regional markets and proximity to major export markets decreases the time it takes to get products to customers.

## Areas of Investment —

### 1 | Plastics

Egypt is one of the only countries in the MENA region which has a well-established plastics market, exporting worldwide to the EU, Middle East, and African countries. In terms of manufacturing, the plastics industry appears to be the most modernized and rapidly developing sub sector, which is largely due to the high quality machinery and equipment utilized in the factories.

The country's scope of production includes raw materials, home appliances, plastic bags, packages, pipes, fiberglass products, bottles, and automotive accessories, to name a few, making the Egyptian plastics market strategically important for global companies to invest in, export to, or import from.

Egypt's plastics market is comprised of approximately 65% imports from Korea, India, Russia, and the Gulf States, and 35% domestic source. Polyethylene, polyvinyl chloride suspension, PET, and thermoset plastics are the most common locally manufactured products. A private company now produces polypropylene, but most propylene continues to be imported. The high quality of EU-made products explains their popularity in Egypt.

Despite the local production of the above mentioned raw material, the market is not yet saturated. As the government of Egypt is focusing on exporting to collect foreign currency, 75% of production is set aside for exports, with the remainder being used locally. It is predicted that approximately \$3 billion will be invested into the following subsectors over the coming years:

- Styrene
- Polyester
- PTA
- Aromatic complex
- Ethoxglates
- Methanol II
- SB Latex
- 2nd Olefins complex

### 2 | Fertilizers

The role of fertilizers has become more prominent since the establishment of the high dam and the increase of constructional expansions, both of which have lessened the fertility of cultivated land. Egypt has abundant reserves of gas and rock phosphate which are the basic raw materials for a strong nitrogenous and phosphate fertilizer industry. This is teamed with the avid experience which Egyptians have with both types of fertilizers to form a market which is prosperous and easy to penetrate.

Nitrogen fertilizers represent the most widely used type of fertilizers in Egypt, with a strong governmental contribution in the industry.

Similarly, there have been numerous phosphate fertilizer production units built within the country, and the production of ammonia-urea fertilizers has increased significantly within Egypt over the last seven years. Currently, the private sector represents the largest producer of fertilizers with 96.2% and 62.4% shares of nitrogen and phosphate fertilizer production respectively, whilst the public sector only accounts for 37.6% of total production.

To encourage further investment in this field the government has included fertilizer production in the list of activities which may be carried out in a free zone. Such free zone companies can take advantage of the many incentives available to them, such as their exemption from exporting restrictions. Furthermore, the Egyptian Ministry of Environment also provides different funding packages for projects to help large and medium industrial facilities to control the pollution they cause. This is done by the Egyptian environmental affairs agency who offers the fund in cooperation with international institutions such as the World Bank, European Investment Bank, Bank of Japan for international Cooperation, French Agency for Development and Reconstruction Bank of Germany through the industrial Pollution controlling Program.

## Ongoing Projects —

### 1 | Tahrir for Petrochemicals

Located in the Southern region of Ain Sukhna stands a colossal petrochemical project, named "Tahrir for Petrochemicals". This factory facilitates the production of 1.4 million tons of ethylene and polyethylene per year, as well as 900 thousand tons per year of propylene, 250 thousand tons per year of butadiene, 350 thousand tons per year of gasoline and 100,000 tons per year of hexane, at a total cost of approximately \$3.7 billion.

### 2 | Naftas Project

New investments worth \$233 million have been injected into the Naftas petroleum refining project to produce high-octane gasoline in Alexandria. The project will add 850,000 tons annually of reformats to produce high-octane gasoline, in addition to large amounts of butane gas and hydrogen obtained through the new Naftas project. The project began in July of this year.

### 3 | Petroleum Corporation and the Toyota Tsusho Corporation Refining and Petrochemical Complex

Set to launch in 2021, this project will be located in the Suez Canal Economic Zone with investments exceeding \$3 billion. A detailed feasibility study was completed at the end of the first quarter of 2018 and production will begin in 2021 with the aim of producing around 5.3 million tons per year of petroleum products, in addition to, approximately 1 million tons of petrochemical products. The Japanese company will cooperate with the Ministry of Petroleum to complete the project according to specific timeframes.

### 4 | The Murgham Industries Complex

This complex reopened after 12 years with the aim of transporting foundries and plastic workshops outside residential areas and establishing a specialized area for the production of plastic.

The project includes 240 factories with licenses worth EGP 75 million. Factories are allocated through the usufruct system for 30 years, the banking partner will finance the machines, whilst the Ministry will provide technical, engineering and marketing support to applicants for units and factories in the complex. The Ministry has also agreed to conduct studies on market needs, raw materials and their availability, in addition to providing up to EGP 5 million in loans from the National Bank to unit holders.

# Mining



Gaitbay Citadel Alexandria

## Mining —

Historically, Egypt has been home to a substantial mining industry dating back to the predynastic era. The area known as the Arabian-Nubian shield between Egypt's Eastern desert and the Sinai Peninsula is particularly rich with mineral resources including iron ore, steel, gold, marble, copper and limestone, as well as a number of other precious and base metals. Despite this, only one gold mine has been operative over the last 70 years suggesting that the sector is hugely underutilized today.

Keeping in line with the government's overall initiatives to take full advantage of the potential within the country, a bid-round for new gold mining concessions was recently announced in an effort to revive the industry. Fortifying this industry would undoubtedly help to stimulate the country's economy as well as generate more revenue from tax and increased foreign direct investment. Additionally, the sector would employ and train a large percentage of the population, particularly those within Upper Egypt where there is a high level of unemployment. Potentially, gold reserves within the country could provide more than 300 tonnes, and to help tap into this pool of opportunity, a more flexible Mining Law was issued, along with a governmental goal of expanding the mining sector to reach 5 % of GDP by 2024.

Similar to the oil and gas sector, mine operation can commence through a profit-sharing agreement with the government.

On the next page you will find an over view of some of the rules governing this sector.

## Mineral Resources Law No. 198/2014 —

**This law governs the exploration of raw materials sourced from mines, quarries and salt pans, and appoints the Egyptian Mineral Resources Authority (EMRA) as the competent authority to run and manage the activity of mineral wealth in Egypt.**

**The law also puts forward the licensing criteria which must be complied with for exploitation, as well as the costs associated with licensing:**

### **Licensing:**

- Obtain a valid search permit for the required area of exploration stating clearly whether the whole area will be exploited or only for part of it.
- Provide a technical report indicating the existence of raw materials within this area. This report should show the economic returns from the exploitation and exploitation program and the necessary guarantees to facilitate exploration.
- EMRA must then approve the license. If the application is rejected a reasoned decision must be provided to the applicant.
- The license cannot be granted for more than 15 years.

### **Associated Costs:**

- Each licensed area will have its own fees which the licensee must pay.
- Annual rent, as determined by the Executive Regulations of the law, will also need to be paid a year in advance. EMRA may however, change the annual rental value of ore mines every four years, with the consent of the Prime Minister.
- Annual royalty fee of no less than 5% of the annual production of the raw material value must also be paid.
- 1% of the annual production value of the ore mines must then be allocated to contribute to the development of the province where the exploitation area is located.

## Ongoing Projects —

### **1 | Golden Triangle Project**

Known as the 'Golden Triangle' due to its location on the Eastern Desert which is known for being rich with gold. The economic zone has been opened to entice investors to help revive the sector. The area will consist of an industrial, commercial, mining, and tourism center covering an area of 6000 km<sup>2</sup> in the region between Qena and the Red Sea Governorate.

### **2 | Loesche Cement Plant**

The German construction company has partnered with the Ministry of Defense to open a plant with three vertical roller mills 500 km south of Cairo in Sohag. The Chinese Chengdu Design & Research Institute (CDI) will be the general contractor for the project, having previously worked with Loesche on a number of projects within the country. The plant's daily capacity is due to increase to each 6,000 tons with Loesche providing 18 new vertical roller mills to accommodate this value.

### **3 | Projects Introduced by the Ministry of Trade & Industry:**

The Ministry of Trade and Industry have also opened a number of projects for the mining sector which investors may contribute in.

The projects are for:

- **Crushing and grinding of talc**
- **Production of salts for various uses**
- **Production of processed calcium carbonate**
- **Crushing and grinding of dolomite and feldspar**

The Ministry has also identified alteration zones as the most promising areas for mineral exploration in the Central Eastern Desert.

# Tourism

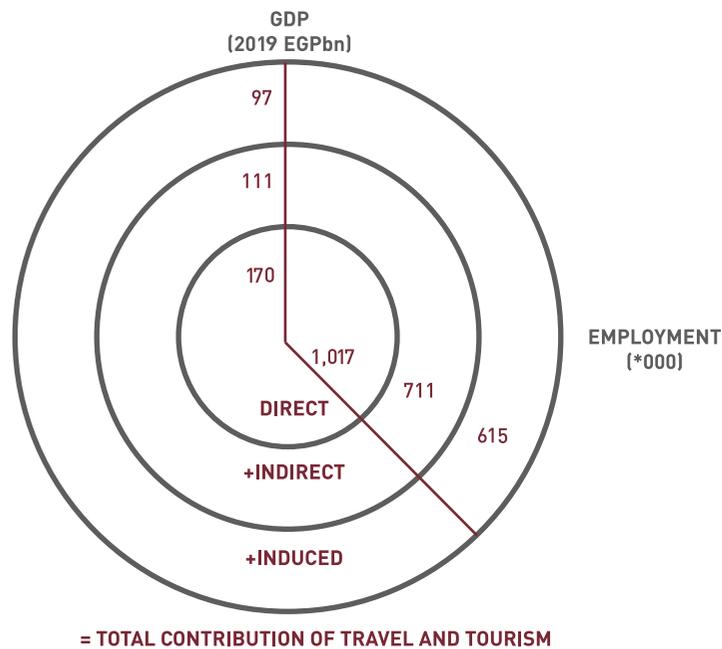
Luxor Temple



# Tourism —

Egypt's tourism sector has revitalized, with the number of tourists increasing by 30 % in 2018. In January 2018, alone, Egypt saw 712,000 tourists come into the country, and by the end of the year, approximately \$ 9 billion was generated from the tourism sector in its entirety. There are several existing reasons why the sector is reviving, including the renovation of the Giza pyramids area, the discovery of several new ancient artifacts which have sparked international attention, as well as the opening of several new airports. Moreover, the political climate continues to stabilize, thus encouraging more inbound travel.

Overall, the sector contributes to around 11% of the total GDP, and accounts for approximately EGP190.3 billion from direct contributions. This number is estimated to increase at a steady rate of 4% per annum from 2018-2027. In terms of employment, the sector provides around 2,425,500 jobs, equating to

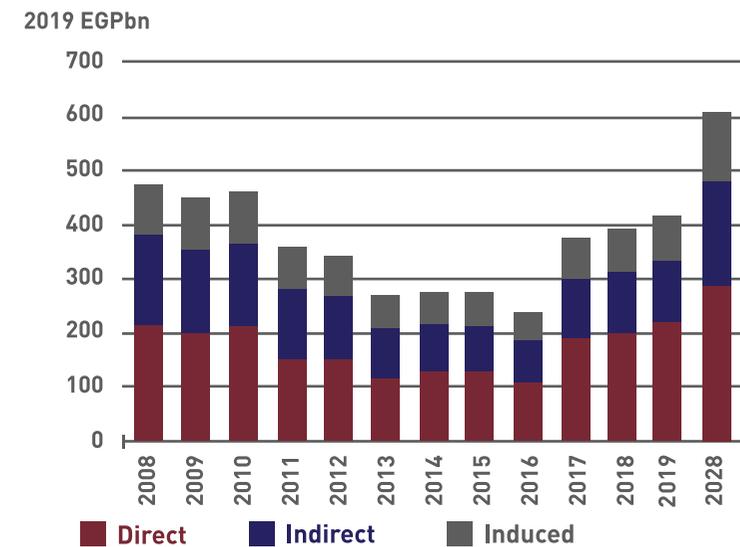


**BREAKDOWN OF TRAVEL & TOURISM'S TOTAL CONTRIBUTION TO GDP AND EMPLOYMENT 2018**

8.5% of the total job market, with this number also due to increase by around 2.3% per annum by 2027.

Due to the myriad options which are available, investing in the tourism sector is both lucrative and relatively risk free. Even during times of turmoil, domestic tourism helped to fill the void left by a reduction in the number of international visitors. Today, Egyptians spend significantly more money on internal travel than they previously spent traveling abroad, which has in turn caused stimulation within the sector.

Luxury hotels have long had prominence throughout the country however; other highly promising sectors include niche experiences such as ecotourism, health and medical tourism, therapeutic tours, providing nature and desert safaris, residential tourism, and adventure travel. Though leisure tourism remains the largest market segment, business and conference tourism is also on the rise, as is health tourism, with Cairo as a principal healthcare hub within the region.



**TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO GDP**

## Religious Tourism

After his visit in 2018, Pope Francis voiced his desire to include Egypt as an official Roman Catholic Church pilgrimage destination, beginning in May of 2018. The Ministry of Tourism has since supported this plan, stating that the path of the Holy Family through Egypt, as they fled from King Herod in Bethlehem, is now a part of the Vatican pilgrimage program. The original trip made by the Holy Family took its members from Bethlehem to the Gaza Strip. They then entered Egypt via the Zaranik Protectorate in Northern Sinai, moving down to central Cairo before finally reaching the Asyut governorate in southern Egypt. To assist in the replication of this trip, a 25- sight route, (eight of which are archaeological sites) has been prepped to receive pilgrims. They include the Church of Saints Sergius and Bacchus, the Saint Virgin Mary's Coptic Orthodox Church in Cairo (also known as the Hanging Church), the three monasteries of Wadi El Natrun — Saint Bishoy Monastery, Monastery of the Syrians and the Paromeos Monastery — the Church of the Holy Virgin in Jabal al-Tayr, the Monastery of Al-Muharraq at Mount Qosqam and the St. Mary Monastery in Mount Drenka. This announcement has the potential to change the tourism sector in the country since it is estimated that it could attract up to 20% of the world's 2.2 billion Christians. The result of this will be a huge incline in religious tourism which at the moment only accounts for around 3% of the entire sector, and is mainly concentrated around St. Catherine's Monastery in southern Sinai.

## Areas for Investment —

### 1 | Hotels

Currently the country is well-served by five-star properties, however there is considerable room for investment in the three- and four-star hospitality segments. Over the last few years there has been an influx in companies which cater to foreign investors looking to purchase smaller hotels. The existence of such companies offers peace of mind for any investor since they provide consultancy services which cover everything from market analysis to investment strategies.

Further indicators suggest that the tourism industry will continue to rise, due to numerous government reforms and incentives aimed at increasing luxury hotel developments. As a result of these reforms, a number of additional high-end hotels are expected within 2019.

### 2 | Residential Tourism

Egypt has much to offer the foreign investor: Its year round warmth offers high rental potential especially for winter sun holidays. This, teamed with its ability to cater to an array of tourists makes any property purchase here extremely profitable. At the same time, investors can enjoy a beautiful holiday home while the property is unoccupied and watch its value increase at a steady pace each year. Guaranteed rental agreements offered by many real estate agents can also prove to be very lucrative and remove the hassle of finding tenants for periods of up to 5 years. The country also boasts tax breaks (no stamp duty), no capital gain tax on resale, no sales tax, low death succession duty 7% (to transfer property ownership), ease of access to banks (easy to open accounts and to transfer funds) and 0% tax on bank interest, all of which make investment in property undeniably good value for money. A further advantage is the growing availability of off-plan investment in Egypt (buying property from developers before the building is completed, sometimes even before the foundations are laid), which have proven to be more beneficial to investors in terms of overall net income as the plot of land/property is sold for a fraction of its price upon completion. As soon as

the erection of the property has been completed, a profit will be made with purchasers being able to achieve returns between 10-100% in just 24 months. With this type of investment, investors can benefit from an excellent finance structure with deposits as low as 10 - 30% of the value of the purchase being required. The remaining balance is then paid upon completion and can be financed by a mortgage. Popular Areas for investment with new properties include the North Coast, Red Sea, South Sinai, and Hurghada, particularly since the existence of international events hosted in the 'Gouna' district of the later governorate.

### 3 | Therapeutic Tours

The therapeutic qualities of Egypt have been recognized since ancient Greek times. Rich with a wide range of natural resources, such as hot springs and sea minerals, it is easy to see why this area of tourism is picking up quickly. The estimated number of springs all over Egypt reached 1356 including five in Helwan, three in Ain Assera, 36 in Fayoum, four in Rayan Valley, 33 in Sinai, 315 in Baharia Oasis, and 106 in Siwa in addition to a large number that reached 564 in Dakhla Oasis, 188 in Kharga, 75 in Farafra and the rest are spread in Gulf of Suez, of Qattara, Natroun Valley and Gara.- The desert cities such as Siwa, New Valley, Oasis and some regions in Sinai are characterized by burring the body in sands for certain periods. It leads to unprecedented results in curing rheumatic diseases such as rheumatoid and pains caused by the spine and other causes of acute and chronic pains.

Aswan's dry weather is ideal for enjoying sand bathing during the period of May to September, which is particularly useful for curing various diseases such as rheumatism and rheumatoid arthritis. In Aswan, many hotels have physiotherapy centers manned by efficient and highly trained staff experienced in various types of massage therapy. Moreover, rheumatoid patients can be treated in hot sands surrounded by a calm and beautiful landscape and pollution free environment which also contributes to speedy recovery. Aswan's year round clear sunshine teamed with its dry weather provides an ideal atmosphere for curing rheumatism and bronchial asthma. Further south, Abu Simbel, with its high rate of ultraviolet rays and low humidity rate during the period of December to March, also provide a

congenial environment for the treatment of these diseases. Healing springs can also be found across the country from Sinai to Helwan providing countless potential locations for interested investors. Since the focus of therapeutic holidays is to improve the clients' well-being, the shift can be moved away from luxury, allowing a new business to be less costly in comparison to its counterparts.

Egypt holds a recognized position on the therapeutic tourism landscape and has become a popular traveling spot for people seeking treatment. The tourists arrive at Egypt for the healthy weather and medical healthcare under supervision of medical experts in all modern hospitals which include top tier equipment ran by experts in physiotherapy, exercises with an added perk of visiting Egypt's amazing landmarks.

All in all, Egypt has 16 inland and coastal locations, where natural treatments for many diseases are available, namely:

- Helwan
- Ain Assera
- Ain Sokhna
- Hurghada
- Fayoum Oasis
- Aswan
- Sinai and Safaga on the Red Sea

Egypt also has mineral and sulfurous springs which has a compound chemical that exceeds others of its kind, in terms of.

### Ecological Recovery

The Ministry of Health introduced 6 new regions in the field of ecological recovery including the Pharaoh bath, Moses springs and Siwa in Marsa Matrouh, in addition to the sulfuric wells and springs in New Valley and Baharia Oasis. Additionally, the Safaga hospital was turned into a medical center for Ecological recovery. The main purpose of the therapeutic tourism programs in Egypt was to highlight the wide reaching capabilities

of Egyptian resources, with the overall aim of turning Egypt into the largest therapeutic tourism center and ecological recovery hub worldwide.

#### **4 | Eco-Tourism Adventures**

Ecotourism, or green travel, has become increasingly common due to the rising awareness of the negative environmental impact tourism can have on any given country. Ecotourism recognizes these problems and aims to reduce these negative effects as much as possible. In Egypt, there is a rapidly growing market for this kind of travel, with locals and tour operators taking more of an initiative to protect some of the fragile environments so interesting to tourists. The Aswan governorate has taken this one step further by creating 2 solar stations named Kom Ambu and Faris, which hold 32 power plants, making it the largest private-sector solar photovoltaic facility in the Middle East and North Africa. Since the very purpose of these projects are to reduce waste and contribute to the local environment, investors can benefit from educated and eager locals who are willing to work with comparably lower wages, the developing renewable energy sector, and the low start-up costs associated with starting eco-lodges.

#### **5 | Medical/Health Tourism**

Another rapidly increasing sector within Egypt is that of medical tourism. There are many reasons as to why this field is growing with such success, the most recurrent of which is Egypt's competitive geographical location between the Middle East, Europe and Africa, as it provides ease of access to travelers from across the globe. Additionally, those traveling to Egypt for medical treatment can enjoy high quality services for a price which is significantly lower than that in their country of origin (it is estimated that US patients can save up to 60% on medical treatments including travel and accommodation). More importantly however, there are no waiting lines for procedures, allowing for those who need immediate care to be seen too quickly.

## Ongoing Projects —

### **1 | The Grand Egyptian Museum ("GEM")**

Situated near the Giza Plateau within two kilometers of the pyramids are the first signs of the monumental GEM project. The museum will cover 491,000 square meters of land making it the largest archaeological museum in the world. The museum is currently under construction, and the first phase of its development was unveiled earlier this year. In total, the project will house over 50,000 artifacts, the most awaited of which is the full tomb collection of King Tutankhamun consisting of 5000 items. The remainder of the artifacts will be sourced from storage locations situated across the country.

In January 2019, the General Supervisor of the Grand Egyptian Museum completed the examination process of the tender pre-qualification documents for the management and operation of the GEM facilities, which were submitted last September by eight major Egyptian and international companies/consortiums.

### **2 | Egypt to Build Africa's Highest Tower**

One of Africa's tallest buildings is being built on one of the last patches of land along the Nile River. In a difficult feat of engineering, the project will twist from a thin triangular base to form a rectangular skyscraper, rising 70 stories and providing a panoramic view of the Nile and the pyramids. The "Nile Tower" will be part of a plan to transform the area between downtown Cairo and the Nile River into an upscale district. The budget for the project is set at \$600 million.

### **3 | Giza Pyramids Development Project**

The first phase was completed prior to 2011 and included a new building for ticket offices, new gates and a wall around the area. The Antiquities Ministry has now progressed to the second phase of the development project in the Giza Pyramids archaeological area, which will be inaugurated in May 2019. Almost 99 % of the project's second phase is finished, including an

administrative building, a visitor's center and an office for the Minister. The new main gate is planned to be on the Fayoum road instead of its current location near the Mena House hotel. The cost of the second and third phases in the development of the Giza Pyramids project is approximately EGP 90 million and the total project cost is estimated to be at EGP 349 million .

Orascom, Egypt's largest construction company will be managing this new area, and has already committed to building a new parking lot for tourist buses off Fayoum Road and providing a non-polluting internal transport network for tourists within the site. Additionally, Orascom will provide 30 buses and 30 eco-friendly vehicles to carry tourists in, out, and around the Pyramids plateau. It will also set up 20 mobile toilet units, a mobile medical centre, as well as fast-food and snack trucks. Finally, the company will provide high-speed WiFi services and lay the groundwork for a comprehensive digital guide to the site. As for horse and camel riding, the company will invest in training stable owners to adequately deal with tourists, and work on providing them with stable incomes and uniforms to wear on site so they would be easily recognizable by tourists.



# Real Estate

Cairo Skyline & Nile River

## Real Estate —

The real estate sector is one of the bedrocks of the Egyptian economy, and has remained stable even during times of political turmoil in the country. This sector already contributes significantly to the Egyptian economy by impacting around 90 surrounding industries relating to construction and development, and 8% of the overall labour force.

Additionally, real estate investments currently comprise between a third and a half of all middle and upper income classes' wealth, and over half of the lower-income population segments wealth.

Furthermore, annually published reports have shown that Egyptian publicly listed real estate companies have witnessed double-digit growth in their revenues supporting their market capitalizations. On a macro level, the real estate sector has been growing at more than 20 % lately and its overall contribution to GDP has exceeded 10 %.

The floating of the Egyptian pound back in 2016, also influenced this sector, more specifically by causing an influx in the purchase of high-end properties, since Egyptians living abroad suddenly had twice as much income when converted to Egyptian pounds. Knowing that investing in Egyptian property is low risk, much of the middle class turned to the real estate market for investments, for both primary and secondary homes.

Moving forwards, this sector is expected to increase Egypt's external competitiveness, and thus attract more foreign investment into the country. Aside from residential properties, there is a growing demand for commercial and retail spaces, and a large number of shopping centers and office parks are currently under construction in an effort to meet the demand from a more structured market driven by the growing middle class.

Additionally, one of the government's main focus points in 2018 was to provide enough housing for citizens from all social backgrounds. Accordingly, around 915 projects have been implemented, at a total cost of EGP 85 billion to aid in reaching this goal. The implementation of projects in service & development

categories which support the housing sector will also continue, and as such, 3392 new projects are currently under construction at a total cost of LE 1.13 trillion.

It is also important to note that 29% of the population is under 40 years old, as this suggests a continuation in the demand for primary and secondary homes within the country.

### Retail Establishments

Because such a large percentage of the population consists of youth, it is no surprise that there is a growing retail market in Egypt. The younger generation in Egypt is well educated, experimental and tech-savvy, often looking to adopt western trends in fashion and technology. Coupled with the emergence of a more affluent middle class, there is a strong movement toward accepting modern retailing concepts that match Egyptian lifestyles, which is also driving shopping behavior in the region.

Egypt is ranked 13th in terms of the most attractive retail markets worldwide, making it one of the most promising and fastest expanding markets in its region, lucrative for foreign investment. Currently, retail outlets account for 59% of total business establishments in Egypt. Within the sector, 99.7% of all establishments are micro enterprises, employing between one and four workers. The food, beverage and tobacco retail market is the largest component of the sector, but remains largely fragmented, with mass retailers accounting for only 8.6% of the total market, while traditional convenience grocery stores dominate the retail scene.

In total, there are just over 1 million private enterprises active in retail. Food and beverage retailers account for 50.9% of total establishments and 43.5% of employment in micro enterprises. This is followed by textiles, garments and footwear enterprises, which makes up 8.6 % of total establishments and 9.6 % of employment in the sub-sector.

## Commercial Property

Commercial property is also considered resistant to inflation and the devaluation of the Egyptian pound as it continues to bring in high returns on investment for locals and foreigners. Additionally, the boom in the entrepreneurial spirit of Egyptians has also caused the commercial property market to strengthen, especially grade A offices in East and West Cairo, which have witnessed increasing demand during the past year. Likewise, demand for small office space has also increased as more startups are launched in the country. Those with established businesses are also choosing to spend money relocating to quality office space with better geographical locations.

To match this growing demand, developers have begun establishing more commercial projects and this is set to increase with the opening of the New Administrative Capital. Additionally, there has been an influx in new concepts such as “co-working spaces” which provide affordable office space for budding businesses.

## Advantages —

Whether you are looking to purchase property for your own personal use or as an investment, Egypt offers many incentives:

- Low property prices starting at around only £40k.
- Steady year-on-year capital appreciation of between 20-30%.
- Well established tourist hotspots suitable for varied interests.
- Steady annual growth in tourist figures.
- Less property tax than the UK.
- No capital gains tax.
- British residents avoid inheritance tax on any property in Egypt.
- Foreign investors are regarded by the government as a big investment opportunity and laws have recently streamlined procedures, making the purchase procedure easy.
- Strong economic growth and increased investment in infrastructure are boosting the property investment market as a whole.
- Warm climate with temperatures ranging from 14°C in winter to 30°C in summer create a year-round tourist season.
- Increasing inward investment creates a rich investment climate.
- Well renowned developers are creating luxury resorts to cater to Egypt's new influx of international tourists.
- Easy air access from many European destinations makes Egypt an ever popular medium haul holiday location.

- Low cost of living and maintenance costs.
- English is widely spoken.

## Purchase Procedure

There are a number of structures which may be taken advantage of to purchase property within the country:

### Off Plan Purchases

- The buyer reserves a new (off plan or under construction) property with a reservation deposit (usually between GBP£1500-£5000) providing the 'option to purchase' and fixing the sale price from the date of reservation.
- The vendor (seller) releases a private purchase contract (in English & Arabic) and supplies paperwork relating to the title, boundaries, planning permission, building license, furniture pack and rental guarantee option.
- Part of the contract will also lay down the conditions relating to the payment of the balance of the purchase price. Often the installments are payable at certain building milestones.
- The purchaser will transfer the correct sum of money at each installment time as per the agreed sales contract. A few developers are beginning to offer an 'escrow' type account where the money can be held until the developer has reached the 'milestone' so the money can be released to the developer only when it has achieved the promised stage of development. This helps to safeguard the client's exposure in case the developer faces any construction problems.
- The keys are given to the owner once the payments are completed as per the contract.
- The property can now be registered / signature of validity applied for in the land registry in the name of the new owner.

## Older Property Purchases

- A real estate investor wishing to avoid new property developments and contemplating the purchase of undeveloped land or older, well established resale properties will need to employ a lawyer specializing in real estate law in Egypt to advise on any such purchase to ensure the transaction is conducted legally, and that at the end of the property buying process the investor is the legitimate owner of the real estate and can seek to have it registered by the authorities in his name and acquire the deeds to the real estate.
- A foreign property investor purchasing in an "off plan" development now has two options of registration, one of which must be adhered to:

### 1 | Registration of Property

- Property in South Sinai can only be purchased through a 50 year lease using the signature validity process. In other areas of Egypt where the land is freehold, either process can be adopted. However, even in the areas of Egypt where foreigners can purchase freehold, signature of validity can be used instead of registration.
- Foreigners can buy property in Egypt, under Law No 230 of 1996. Foreigners cannot buy more than two pieces of real estate, which cannot exceed 4,000 square meters (sq. m.) in total.
- If registered, the property cannot be sold or rented for five years. The purchase sum must be brought into Egypt in foreign exchange, through one of the public commercial banks.

### 2 | Signature Validity

This procedure was first introduced because property in Sinai follows a different regime, as a result of an administrative decree issued in 2005. Under the decree, foreign purchasers in Sinai cannot acquire freehold rights, but only 50 year leases. In 2006, this decree was updated to include

Egyptians only being able to obtain usufruct contracts (i.e. a 50 year lease contract) in Sinai and not freeholds. Therefore, all purchasers must follow a procedure called 'signature validity', and various other steps. The 'signature validity' method has actually become the most popular route for foreigners even outside Sinai, because it allows foreigners to buy as many properties as they like, rent them, and sell them. The following steps must be taken:

- A 'negative' certificate for the property should be obtained from the government, stating that there are no mortgages, pledges, or any other sort of rights on the property registered to any other party.
- The tax authorities must issue a certificate stating which taxes are due on the property.
- A sale / usufruct contract is then drawn up. The validity of the sale depends on the terms of the contract, so it is essential for the purchaser to have a detailed contract, defining the property boundaries, the purchase price, the method of the acquisition of the rights of the previous owner, and the method of payment. The contract must be in Arabic, since Arabic is the only language recognized by the courts.
- Purchasers must issue a power of attorney to their lawyer so that he can act on their behalf, a procedure which first requires the purchaser to obtain a multi-entry visa.
- The lawyer then files a legal suit to obtain a court verdict certifying that the signature on the sale / usufruct contract truly belongs to the seller (This is the 'signature validity court verdict'). This suit will take between 6-8 months.

### **Property Rental**

Egyptian tax laws work on a self-declaration taxation system where rental income derived from furnished property is classed in the same bracket as general income tax. 70% of the gross rent is accountable as tax on income, the other 30% being allowable deductions as income-generating expenses. Property with an annual rental values less than EGP 24,000 will be exempted

from paying taxes, along with commercial units with annual rental values less than EGP 1,200.

Those owning EGP 2 million in a single residential unit will also be exempted from tax, as well those owning EGP 10000 in commercial and industrial units. Property valued above that figure will be taxed based on an assessment of its annual rental value, and under new legislation there is a stipulated levy of 10% of a property's annual rental value after deducting 30% to 32% as maintenance costs.

The balance is taxable at a standard rate of up to 20% of personal and corporate income.

### **Stamp Duty / Capital Gains Tax / Inheritance Tax**

In Egypt there is no stamp duty or capital gains tax payable on real estate and, if you are a British resident, you will also avoid inheritance tax on any Egyptian properties that you decide to pass on.

### **Sale of Property**

In terms of property in Egypt, the sale of land and/or buildings is taxed in the same way, at a rate of 2.5% of amounts earned from a sale. This must be filed as tax owed by April 1st.

The only exceptions to this are income from the sale of inherited land or other real estate which are not subject to tax. The same exemption applies on any income earned from the sale of land or other real estate owned through a shared capital company, provided your shares are kept in the company for at least five years after the sale.

## Ongoing Projects —

### 1 | Egypt to construct 20 fourth-generation cities

Twenty 4th generation cities, with a combined space of 580 thousand feddans are currently being established with the purpose of accommodating 30 million citizens and providing additional job opportunities.

The new cities are:

1. The New Administrative Capital
2. South of New Cairo in Cairo
3. New 6th of October City
4. October Gardens
5. Extension of Sheikh Zayed
6. New Sphinx
7. New Al-Warraq in Giza
8. El-Obour City
9. El-Qalyubia Governorate
10. New Alamein city in Marsa Matrouh
11. New Mansoura City in Dakahlia Governorate
12. Extension of New Nubaria in Behaira Governorate
13. East Port Said “Salam” in Western Port Said

14. New Bir al-Abd in Northern Sinai

15. New Al-Fashn in BeniSuef

16. New Mallawi in Minya Governorate

17. Western Assiut

18. Western Qena

19. New Luxor

20. Toshka in Aswan

The most substantial of the above named projects are the following:

### 2 | New Administrative Capital

The new capital is located 45 kilometers (28 miles) east of Cairo and just outside the Second Greater Cairo Ring Road, spanning across an area of 170,000 feddans. The new capital will be home to a multitude of government departments, ministries, and foreign embassies, making it Egypt’s new financial and administrative hub. The overall purpose of the capital was also to decongest mainland Cairo, by housing around 6.5 million people in 20 residential areas.

Opportunities for real estate investment are unrivaled, since the city will offer a number of residential districts, artificial lakes, educational institutions, hospitals and clinics, mosques, 40,000 hotel rooms, a major theme park, 91 square kilometers of solar energy farms, an electric railway link with Cairo, and a new international airport.

Another essential element to the new capital is to provide more branches for governmental offices which are currently only present in Downtown Cairo. The new “government district” aims to be accessible by people within Cairo as well as the SCZones which the government are also promoting.

The new capital will also be equipped with smart systems which monitor facilities such as water and electricity to bring the country a step closer towards technological advancement, in addition to being the first fully green city in Egypt, equipped with a Green River resembling the Nile River. The first phase of this project is 10 kilometres long and will be worth \$500 million. Finally, six international universities, from the United States, Britain, Sweden, France and Hungary will also be opening in the new City.

### 3 | Galala City

The new City of Galala will be located on the highest plateau in the Red Sea area between the areas of Ain Sokhna and Zafarana, approximately 650 meters above sea level at its highest elevation. 1 out of 3 phases have been completed covering an area of 2050 acres of residential, commercial, cultural, medical, educational, and religious sights. When completed, the new city would include a number of tourist projects, several hotels, service and medical projects, the new King Abdullah University, and a new road linking.

#### Ain Sokhna to Zafarana through Galala Mountain

The area would also host a number of model housing communities suitable for people from varied economic backgrounds. The development is located on the Red Sea in one of the country's most important tourist and entertainment locations, and the road leading up to the city also serves major resorts in the area and connects major tourism, industrial and agricultural projects that are currently being implemented within the Suez Canal development plan. As it stands, around 80 national companies and 15,000 employees are currently working on the Galala Mountain project.

### 4 | The New Ismailia City

The New Ismailia city will be established on the eastern coast of the Suez Canal and will primarily be operated using alternative energy sources. The area is already residential, however this project will establish an additional

5754 residential units, 620 semi-detached villas and 373 detached villas, provided with health and social service facilities in addition to a sports club. The city will also include 7 districts that will be established in 7 phases. Each district will include 700 flat buildings and a number of fully serviced villas near schools, markets and hospitals.

### 5 | Beit El Watan Project

This project has been launched in seven new cities: New Cairo, 6th of October, Badr, New Damietta, New Aswan, New Qena and New Assiut, providing 4500 feddans of land for Egyptian expatriates, with total revenues estimated at \$2.5 billion.

One of the key focuses of this project is to streamline services to citizens using technology, and as such, an e-portal service is provided to communicate with Egyptian expatriates on the development of the project. Through this portal, Egyptian expatriates can reserve and select pieces of land suitable for them and follow up on any information pertaining to their purchase. Beit El Watan is set to complete in 2020.

### 6 | Heliopolis Sustainable Compound

Set to launch in two years time is the first of its kind 'futuristic compound' in the residential area of Heliopolis. The compound will house 8 humongous smart buildings connected with pedestrian bridges and 9 "mega-trees" covering the premises. The project will run almost entirely on wind and solar energy, making it the only sustainable residential compound in Cairo. Aside from residential properties, the complex will also include office and commercial areas, meaning that investments can be made in a variety of real estate types.

Although the project will be completed by the end of 2019, Emaar Misr, will be accepting down payments well in advance, and it is expected that competition will be high for places within this unique complex.

## 7 | New Alamein City

Located in the Marsa Matrouh governorate, spanning across 50,000 feddans, this new coastal town is designed to house nearly half a million inhabitants. The first stage of the city which is currently underway, will be the establishment of an eco-city system. Additionally, the city will include an opera house, a museum, library and a national university that includes a number of applied science faculties.

Overall, the city will incorporate touristic, residential, agricultural, and industrial sites which will rely on renewable resources, including a desalinization plant and solar energy stations, for their functioning.

## 8 | October Gardens City, New Obour City and West Qena City

The first phase of this mega project includes the creation of 50,000 housing units spanning across 3000 feddans in October Gardens City. The total cost of this first phase will be EGP 400 billion, which will finance local public facilities, such as preschool nurseries, schools and medical centers.

## 9 | New Mansoura City

Mansoura City covers a total area of 5104 acres with the initial stage already completed on 2063 feddans. This phase includes numerous residential projects which include "Sakan Masr" and "Dar Masr", and a total expected accommodation rate of 680 thousand people. The city will also include housing units of all sizes, and touristic villages which incorporate similar designs as those in the Mansoura region of Egypt. The new city will be connected to the old with an electric train railway which make trips every 15 minutes.

The city has the infrastructure and facilities necessary to provide a comfortable life for it's residents, including:

- Logistics and services area

- Regional University

- Medical City

- Areas for technological industries.

- Scientific research centers on wind and solar energy, making it the only sustainable residential compound in Cairo.

Aside from residential properties, the complex will also include office and commercial areas, meaning that investments can be made in a variety of real estate types.

# Agribusiness

Cotton Plant



## Agribusiness —

Egypt is home to one of the oldest agricultural civilizations, with the fertility of the Nile and the Delta enticing populations throughout the ages to settle in the surrounding areas, which make up approximately 10% of the entire land. The remainder of the land is largely desert. Agriculture is crucial to the economy, and accounts for 14.5% of the country's GDP, 12% of all exports, and employs 29.6 % of the total active population.

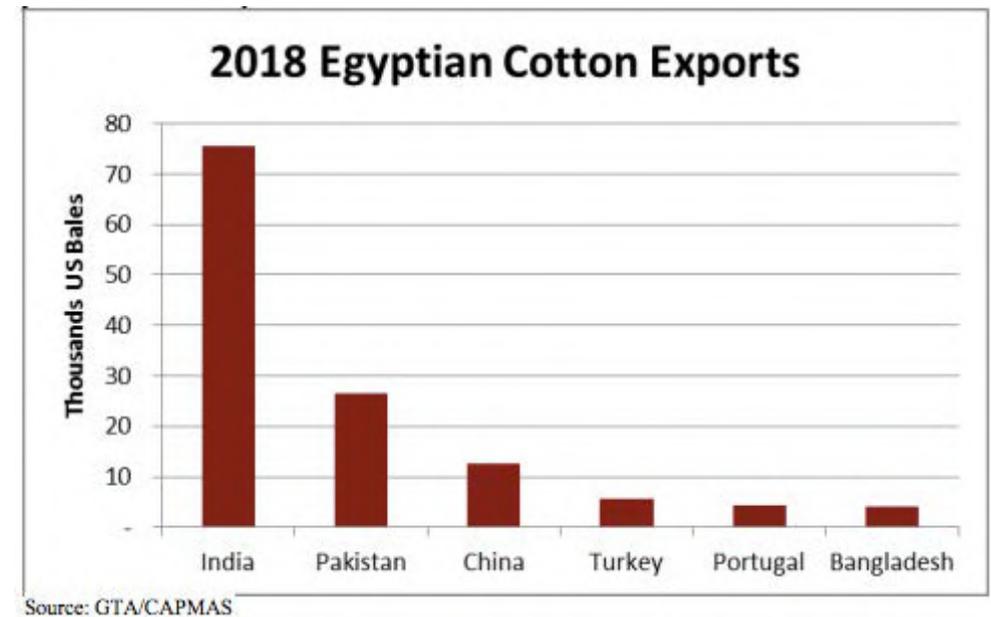
The climatic differences between North and South have some impact on the geographical distribution of crops, for example, humidity in the Delta suits long-staple cotton, whereas the drier, hotter climate of the south favors the planting of sugarcane, onions, and lentils. The Egyptian agribusiness sector is composed mainly of ten product groups: milk and dairy products, oils and oil by-products, beverages, drinks and bottled water, fruit and vegetable products, confectionary and chocolates, meats, poultries and fish, specialty food and food additives, grinding and flour, and the rice polishing and pasta industry.

The majority of agribusiness exports are targeted towards the Arab world with the leading export destinations being Saudi Arabia and Libya, succeeded by the European Union then Turkey and Iran.

This year alone, the Ministry of Agriculture has allocated 500 million pounds for agricultural projects, as well as creating a new agricultural policy for the state, which is geared towards revamping old plots of land in the Valley and the Delta, as well as exploiting the new reformed lands. In total, the Ministry of Agriculture is looking to reform 4 million feddans of land in Egypt by 2030. This in turn has the potential to employ thousands of youths and allow the country to be self-sufficient for wheat, maize, sugar, dairy and cheese. Additional actions within the proposed plan include phasing out subsidies on chemical fertilizers while redirecting the same financial incentives to small farmers. This is to be accomplished by increasing the prices of chemical fertilizers and using the profits to finance small farmers' cooperatives.

### Main Cultivated Crops

- Rice: Egypt is the biggest producer in Africa.
- Cotton: Egypt is the second producer in Africa after Mali, and it is a legal offence to harvest Egyptian cotton anywhere outside of Egypt, making it the only place where this sought after product is available.
- Corn: Egypt is the 3rd largest producer in Africa after Nigeria and South Africa.
- **Wheat: Egypt is the largest producer in Africa.**



## Areas for Investment —

### 1 | Food Processing Sector

Products which fall under the 'processed foods' category include vegetables, dairy products, juices, olives, meat and chicken, semi cooked meals, water, in addition to soft drinks and alcoholic beverages. Egypt's export of processed foods has increased by 57.6% (from 92 to \$145 million in six years) and the country now ranks 17th in the world, and the 3rd in the region for the manufacturing of processed foods. Furthermore, the domestic market is estimated to grow at more than 20% a year, opening up opportunities for new products to help satisfy the growing demand.

Several government authorities regulate this industry, the most authoritative of which is the Egyptian Organization for Standardization and Quality Control of the Ministry of Industry, which issues industrial quality control certificates for the food processing industry. In addition, the Ministry of Health and the Ministry of Supply and Internal Trade also enforce stringent shelf life standards and product specifications for both processed food and agricultural products.

Any investment made within the food sector in Egypt is likely to be both stable and successful due to the ever-expanding population of the country, and their growing demand for food.

### 2 | Machinery

Although Egypt has decades of agricultural experience, there is a constant requirement for new and improved machinery. Generally, there have been problems with the annual losses of fresh fruit and vegetables through poor storage capacities. With investment in processing, handling, cold chains and upgrading of food safety and quality, the sector could help improve Egypt's food security and agricultural trade balance. Additionally, investing in storage and port handling facilities could reduce waste in the country which would be beneficial for both investors and the people of Egypt.

There is also room for the introduction of more tractors and farming machinery into the industry, as tractor distribution in the country is very fragmented.

### 3 | Aquaponic Farms

Most of Egypt's land is desert, leaving only the Nile Valley and Delta as suitable areas for agricultural ventures. Additionally, due to urbanization, much of the country's cultivable land is now being taken over by large-scale commercial complexes, or is covered in pesticides which deplete soil quality and pollute the Nile.

Faced with these challenges several aquaponics farm have been initiated in an effort to revolutionize farming within the country. Aquaponic farms are ideal for the hot Egyptian climate, and can be up to four times more efficient than regular farms which require fertile land. More and more farmers have therefore turned to this method of farming as it provides an innovative approach to cultivating fresh vegetables and fish in Egypt. Busan Aquaponics, the first farm of its kind in Egypt, now produces pesticide-free tilapia fish, lettuce, baby spinach, purple kale, swiss chard, celery, pakchoi, wild rocket, thyme and sage, after just two years in operation.

Despite the obvious potential this farming method offers, there are not many farms in the country which operate in this manner, and investors can take advantage of this. Unlike traditional farms, aquaponic farms can grow anywhere, thus providing an additional incentive for investors who will have an array of choices for project locations.

### 4 | Fisheries

As part of a governmental plan to revive the fishing market so that sea food can be purchased at affordable prices, several major projects have been initiated to create fisheries within the country. The overall aim of these projects, aside from employing over 5000 people per farm, is to farm fish locally and therefore reduce dependence on imports.

A number of massive projects have already been launched in Kafr El Sheikh across an area of 4000 feddans, and including an industrial zone, fodder, ice and packaging factories. To complement these, surrounding educational, research and residential areas have been opened near the area.

Since these projects are still under construction, opportunities exist for participation either in creating the fisheries, or in the supporting industries.

## Advantages —

**Strong Historical Roots in the Industry:** Agriculture has been practiced in the country since the dawn of Ancient Egypt, allowing national market players to perfect their portfolio of skills and procedures.

**Availability of crops raw materials:** Since agriculture already contributes to around 13% of Egypt's GDP, many (if not all) of the raw materials required for the initiation of an agribusiness project are already available.

**Diversity:** A wide range of fruits and vegetables are already successfully being grown in the country, providing investors with an abundance of choice when deciding which sector of agribusiness they wish to participate in.

**Climate:** Egypt's climate which allows for extended and extra growing seasons and significant groundwater resources make it particularly conducive to agribusiness projects. Especially beneficial to the sector is the ability to cultivate winter crops during the time when production is limited in Europe and North Asia, namely from November to May.

**Location:** Offering a region which is easily accessible from Europe, Africa and Asia, in addition to being situated on the Mediterranean, Egypt is ideally located for exporting agricultural products to all major consumer markets. The country's geographic location makes exporting to Europe and the gulf simple and quick.

**A Robust Infrastructure:** Several years of planning for mega-farm projects in North Sinai and the Toshka region of Upper Egypt have resulted in extensive infrastructure and resources to help rapidly export to international markets. The availability of these well-established transportation mechanisms greatly reduces the start-up time needed to prepare future projects.

**A Large Local Workforce:** Egypt has the largest agribusiness workforce in the region, with an estimated 6 million workers, representing around 30 % of the country's total labor force. Plans to further enhance productivity include construction of labour communities in close proximity to areas of

cultivation as well as educational centers teaching workers how to use new technologies related to the field.

**Critical Mass:** Egypt has emerged as a destination of choice for multinationals looking to establish cost-effective production and exportation of agricultural products. Such companies have experienced the advantage of working with local farmers and the government to turn the Egyptian agribusiness sector into a worldwide producer and exporter. Partnerships would also enjoy an established infrastructure and workforce, as well as knowledge of the ins and outs of the local business climate. Further support can also be found through the abundance of packaging suppliers and marketing materials, as well as service companies that cater to the industry.

**High Export Potential:** The country's food production industry is better developed than that in many neighboring states, creating countless export opportunities.

## Ongoing Projects —

### 1 | Sustainable Agricultural Development

The Egyptian government has reclaimed 1.5 million feddans of land to house the 'Sustainable Agricultural Development project 2030', with the aim of promoting the sustainable use of natural agricultural resources, increasing the productivity of both land and water units, raising the degree of food security of the strategic food commodities, increasing the competitiveness of agricultural products in local and international markets, improving the climate for agricultural investment; and improving the living standards of the rural inhabitants, and reducing poverty rates in the rural areas. A number of key investors both foreign and domestic have contributed to the development of this project. Most recently, 26 Saudi companies were granted permission to obtain and develop 300 000 feddans, worth tens of billions of pounds, and the door is still open for interested entrepreneurs to contribute.

### 2 | Western Egypt Development Project

This project is being initiated in the Matrouh Governorate with the aim of creating a large complex of fisheries, as well as a commercial port, passengers quay, economic and tourist centers, urban agglomerations, logistics center, and an industrial zone. The total size of the area will be 250,000 feddans, and the associated costs for its opening will be around, \$10 billion. The project will be executed in three phases and completed after 10 years, creating 25,000 direct jobs and hundreds of thousands of indirect ones, in addition to providing leasing opportunities from investments.

### 3 | Agricultural Development Program

The Board of Trustees of the Agricultural Development Program approved the disbursement of 148 loans to support agricultural development programs and activities including importing and manufacturing tractors and drilling equipment, and harvesting wheat and corn. The loans are primarily aimed at assisting 454 small farmers, breeders, and the Agricultural Cooperative Association. The projects included the following:

- 100 high and medium technology greenhouses built and cultivated over 6,000 feddans in the Mohamed Naguib Military Base.
- 16 net houses were set up and cultivated, each covering 12 feddans.
- 186 traditional greenhouses built and cultivated, each 1.2 feddans in size.
- 1,000 greenhouses built, each stretching over 3 feddans, and preparations for cultivating them have begun.
- Starting April 2019, the cultivation of 12,500 feddans over 2,350 greenhouses in Southern Abou Soltan has also begun.
- 529 greenhouses stretching over 100 feddans in Al Qantarah Sharq will be cultivated.
- The Ministry of Agriculture will set up joint farms in Tanzania, Senegal, Zambia and Burkina Faso, and a joint factory farm in Uganda. There also may be a partnership with the private sector in Sudan to produce silage seeds.

#### **4 | National Greenhouses Project**

Located in the 10th of Ramadan City, this project aims to reclaim 1.5 million feddans, in addition to building a further 100,000 greenhouses. This would be the first greenhouse project of its size globally.

This project will preserve around 40% of Egypt's water resources while simultaneously producing the same amount of crops, both of which will undoubtedly be beneficial to the country. This project also aims to make organic food readily available to all members of the Egyptian public.



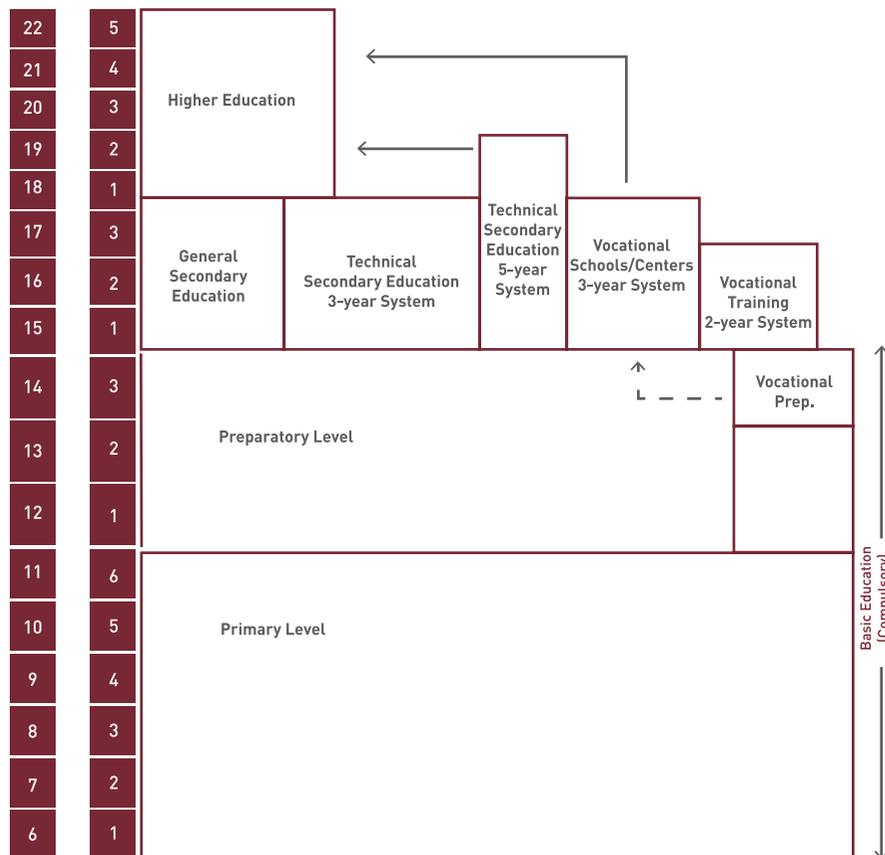
# Education



Cairo University

## Education —

Egypt's education sector is both varied and highly influential within the country, the Middle East, and North Africa as a whole. Using a model which balances private and public schooling, Egypt has successfully created and served the largest work force within the Middle East, one which is ripe with investment opportunities. The government has invested more than EGP 4.5 billion in a pre-university education plan, and there are currently 270 schools and 24 private universities which are accredited by the Ministry of Higher Education. Additionally, the Egyptian government treats educational establishments similar to not for profit institutions, meaning that they are effectively exempt from paying tax.



As a result of these changes, the illiteracy rate in the last two years has also dropped from 85.7 % to 29.8 %, and is continuing to decline. Additionally, more and more investors are filling the gap in the market for education and training programs which offer international teaching locally. The current target is that by 2030 all youth, and a substantial proportion of adults, both men and women, are competent in both literacy and numeracy.

That being said, opportunities for investment can be found both within the higher education market and within workplace training schemes. Currently, there is particular demand for training courses (which range from driver education to high-end corporate seminars) due to the increasing requirements from employers. Barely a decade old, the corporate training sector is already packed with potential. Other collaborative efforts between the government and the private sector have led to widespread access to technology by installing computer labs in 2000 schools, in addition to connecting over 1120 schools to the internet, and creating around 1954 community level IT clubs. It is clear that as Egypt grows, demand for schools providing cutting-edge, high-quality education and training will continue to grow, and this in return will provide investment opportunities unrivalled within the region.

## Areas for Investment —

Being one of the most under flourished sectors in Egypt, The Minister of Higher Education and Scientific Research noted in late 2018 that the coming phase would witness an expansion in establishing non-governmental universities to reach as many as 32 by 2030 with the aim of providing excellent education to students and decreasing the number of students attending public universities.

### 1 | K-12 Schools

In Egypt there is a growing demand for international schools because, unlike domestic private schools, they are geared towards preparing students to continue their education outside Egypt. Setting up a private international school within Egypt is a very profitable business, and has proven to be successful on a number of occasions. Start-up costs need not be extortionate since the fundamental elements, such as construction materials and a labour force are easily attainable and inexpensive. Additionally, there is also huge potential for investing in technology and more modernized equipment for K-12 schools.

### 2 | Universities and Post-Graduate Training Programs

Higher education is provided by universities and non-university higher education institutes, and is accessible to all students holding the general secondary education certificate, a technical diploma with high scores, or a diploma of advanced technical studies. Partnerships with international universities have been successful in the past since there is a growing demand for exposure to the various international education systems. The country already boasts British, American, Canadian and German Universities that offer high quality education and opportunities for travel.

### 3 | Vocational and Technical Training

There are synergies across a wide variety of sectors which the government has identified as requiring modernization and revamping, one of which is

vocational training. There is therefore demand in the country for centers and schemes which provide practical training that prepare people for the working world.

Start-up costs of institutions which provide such training programmes can be considerably less than investing within a school or other formal education entities which need to abide by specific bureaucratic standards.

## Advantages —

### 1 | A Large and Growing Domestic Student Base

Almost 50% of Egypt's 105 million citizens are under the age of 25 which means there is an ever growing market for higher education. Furthermore, many multinational companies are expanding their operations in Egypt, and more Egyptian companies are becoming regionally and even globally competitive. The need has therefore never been greater demand for highly skilled employees.

### 2 | Availability of Local Employment

Egypt produces a skilled and multilingual workforce of more than 3 million university graduates each year. The diverse nature of the Egyptian workforce and economy guarantees both a large pool of people who can teach and conduct training programs.

### 3 | Low Start-Up Costs

Egypt offers labour, raw materials, energy and a global quality telecom network at highly competitive prices — all important components of building and running a successful technical institute. Low start-up costs and daily overhead also improve profitability in the long run.

### 4 | Demand for Corporate Training Programs

The demand for such training programs far exceeds their supply within Egypt, which forces many corporations to turn to costly short-term solutions from European companies who have expertise in a particular area of business. This therefore provides an array of opportunities for trainers and teachers to fill this gap in the market.

### 5 | Strong Public Support

Aside from the obvious economic benefits, the public is also pushing for projects which focus on good quality education in the country as it increases chances of employability and improves existing labour forces for a number of reasons.

## Ongoing Projects —

### 1 | Japanese Schools

To add to the diversity of international schools provided within the country, a number of Japanese schools have been set-up and are ready for use for the upcoming school year. Aside from teaching a standard Egyptian curriculum, the schools will also teach 'Tukatsu', a Japanese system based on developing a sense of community and responsibility within the students towards their schools and wider societies, as well as highlighting the importance of enhancing educational and emotional development.

The schools will focus on teaching the Egyptian curriculum. In addition, they teach Tukatsu to children, which is a Japanese educational activity that is based on developing both a sense of community and responsibility for the students towards society and school life.

### 2 | University of Galala

With campuses in Port Said, Ismailia and Suez, construction of the university is over 80% complete as of January 2019. The university consists of 14 faculties, namely: human medicine, nursing, dentistry, physiotherapy, medical sciences, pharmacology and pharmaceutical industries, management and public policy, humanities and sociology, media, engineering, architecture, arts, system and food industries.

### 3 | King Salman University

This anticipated university will include engineering, science, technological industries, library, and sports departments, as well as administrative buildings. Construction of the university began in October 2018, and is set to be completed within 18 months of this date.

## Opening an International School —

Opening an international school in Egypt is relatively straight forward, and licensing can be attained in 2-3 months. Below are the steps for application:

- An application form must be completed and sent to the Ministry of Education along with the name of your company and address.
- The form must specify which curriculum the school wishes to use so that the relevant license can be issued for this curriculum.
- Level of education of the school must also be specified (primary, secondary etc...).
- A cheque must be issued to the Ministry in the name of "supporting education" for the amount of EGP 250, 000.

### Obligations

- The school's curriculum must include Arabic.
- School fees must be collected in Egyptian Pounds.
- The school must raise the Egyptian flag and not the flag of any other country.

Generally speaking, the government seldom rejects applications to initiate international schools due to the many benefits which they bring to the country. Rejections tend only to be made if it is found that the applicant has a criminal record.

# Technology

Egypt's Subway



## Technology —

Egypt sits comfortably amongst its neighboring countries as a provider of quality communication and information technology, ranking 1st in the MENA region and 4th internationally as a global outsourcing destination. Due to the obvious potential the country has in the field of ICT, many tier one vendors and distributors have started focusing their attention on the Egyptian market.

Additionally, the influx in technology startups which offer much needed services within the country, have also strengthened Egypt's position as a globally recognized key market player. Teamed with a huge population, over half of which is under 40 and tech savvy, and low startup costs, Egypt is now rivaling India and the Phillipines in offering technology services.

Last year alone, 32 memorandums of understanding (MOU) were signed to improve networks infrastructure, host technological trainings, construct data centers and boost digital transformation in general. The MOUs were signed with well-known companies such as Huawei, Nokia and Ericsson.

The Government clarified measures in 2018 to incentivize international manufacturing companies to operate in Egypt, which sparked the interest of several big names such as Bosch and Mercedes. A report published recorded internet users in Egypt at 37 million including landline and mobile phones, as well as ADSL subscribers reaching 5.43 million subscribers at the end of 2018, signifying an increasing growth in the sector.

Participation in this sector does not require costly seed investments, and the cost of developing a website or application is comparably lower than neighboring countries.

The introduction of the new technology zone under the New Investment Law will decrease associated costs further by exempting businesses located in the area from customs duty and tax on the tools, supplies and machinery that they require for their operations. A further incentive provided by the new law includes the ability to export products without the need to sign onto the exporter's registry which is particularly useful for technology companies

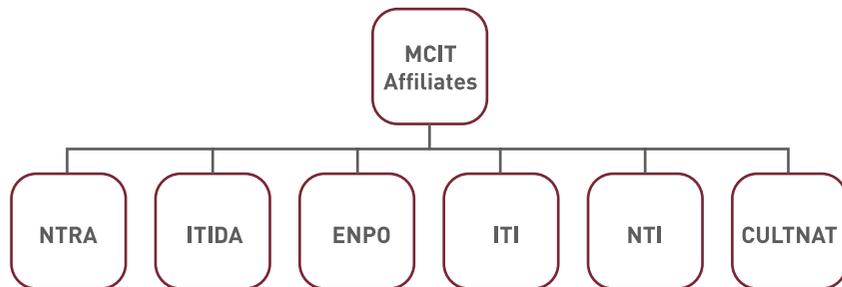
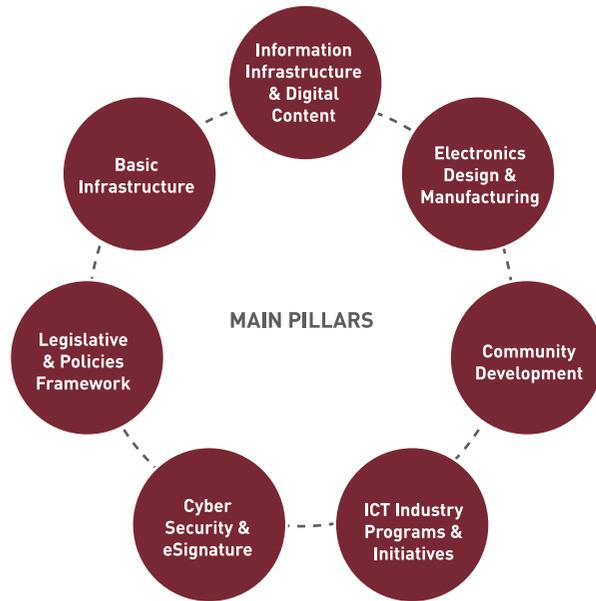
looking to expand globally

The aforementioned technology zone will also provide dedicated support to businesses working on the design and development of electronics, data centers, outsourcing activities, software development and technological education, all of which are relatively new markets which previously had little assistance locally.

Key to the success of this industry is the close partnership between the government and businesses, and in light of this, there has been an ongoing deregulation of the business environment. This attempt at regulatory reformation along with the introduction of a new technology zone under the Investment Law has already resulted in an increase in the number of companies operating within this sector.

The Chamber of Information Technology and Telecommunication (CIT) assists investors further by connecting local companies to their international counterparts, and providing consistent information on the developments of the sector to ensure businesses are in line with any changes made.

## Regulatory Framework



## MCIT

- The Egyptian Ministry of Communications and Information Technology (MCIT) is the government body responsible for information and communications technology. Established in 1999, MCIT is responsible for the planning, implementation and operation of government plans and strategies related to ICT in Egypt. The Ministry coordinates with a number of other agencies, namely:

- National Telecommunication Regulatory Authority (NTRA): Responsible for administering the telecommunication sector.

- Information Technology Industry Development Agency (ITIDA): Responsible for enhancing the expansion of the IT sector and increase its worldwide competitiveness, by identifying the local industry's requirements and addressing them with the needed programs.

- National Telecommunication Institute (NTI): The institute specializes in education, training and research activities in the telecommunications field.

- Centre for Documentation of Cultural and Natural Heritage (CULTNAT): This centre runs a group of projects and programs for the documentation of Egypt's cultural and natural heritage, including architecture, archaeology, manuscripts, folklore, music, caricatures, natural resources and plastic arts.

## Areas for Investment —

### 1 | Business Process Outsourcing (BPO)

As a location for global outsourcing, Egypt is fast expanding; delivering a safe, modern and open business environment that is conducive to the business process outsourcing market. Similar to the Philippines and India, investors have the capability to implement large service centers and employ a suitable workforce within the country. It has also been found that sourcing operations in the country are 30% cheaper than Morocco and 40% lower than Eastern Europe.

The country is cost competitive with India, a global leader in the sourcing industry. Operational costs for contact centres in Egypt range from \$14,800 to \$16,100, compared to \$15,400-16,400 in India, making it the most financially attractive market out of the top 10 outsourcing countries. Many international players have already taken advantage of the environment here, including IBM who have opened a substantial resource centre, and Oracle who have also established a global application resource centre which employs around 500 engineers.

Due to the fast paced nature of the technology environment, simply equaling the client's resources and processes is no longer sufficient to keep up. The next phase of Egypt's BPO development will therefore be focused on harnessing innovation, and increasing the country's ability to improve and advance on clients' existing systems and models to keep them ahead of the competition.

With its abundant pool of multi-talented, technologically savvy graduates, its low cost of operations, high quality infrastructure and strong government support, Egypt is perfectly placed to create this sense of innovation in the market, and further advance its positioning as a leader in the global BPO industry.

### 2 | Call Centers

Egypt is positioning itself as one of the leading locations for call centres, providing services for countries as diverse as the USA, Canada, UK, mainland Europe, Sub-Saharan Africa, and the Middle East. Egyptians are as well-known for their fluent and accent-free English, as they are for their dexterity with French, German, and Spanish, which is one of the many reasons the country has excelled in this field.

The country is also equipped with several technology parks such as Smart Village, and the Maadi Park, both of which house in excess of 135,000 employees, a large percentage of which will be found in call centres such as Vodafone and Orange.

The Egyptian government provides various packages of incentives and subsidies, for new call centres, including training and telecom support. These incentives are coupled with the government's reduction of tax for companies investing in Egypt, making the country all the more ideal as a home for all types of call centres. Furthermore, Egypt is favoured among investors since its geographical location allows the country to serve various time zones easily.

### 3 | App Development

It is expected that by 2020 the global combined mobile app revenue will reach a massive \$189 billion, and the Egyptian share of this is yet to be exploited. As well as being a necessary marketing tool for businesses and simplifying day to day activities such as food delivery or restaurant reservations, apps can generate a huge amount of profit in a short time with low start up costs. Investors can introduce the public to a new idea, or assist existing companies in modernizing their current systems to facilitate communication with their clients. Over the last three years, apps have been introduced for booking doctors appointments, getting traffic updates, making payments online and for public transport, many of which have made an appearance on Forbes

for their innovation. The average application costs around \$5000 to create which is considerably lower than hiring a developer in the USA, Europe or even other areas of the Middle East. Despite the low costs, investors need not compromise on the quality of their platform since the country is home to a large number of capable and innovative website and app developers.

## Advantages —

**A Pro-Business Government and Regulatory Body:** The introduction of the Technology Zone indicates the governments willingness to help this field flourish. Additionally, MCIT and its branches are highly dedicated to assisting local and foreign entrepreneurs by providing support and business building opportunities, especially in the business process outsourcing and information technology outsourcing field. ITADA has also been proactive in facilitating set-up and establishment procedures in Egypt, in addition to reducing start-up and telecommunication costs.

**A Robust Infrastructure:** Egypt is served by four mobile networks: Vodafone, Orange, Etisalat, and the newly introduced Telecom Egypt. The competition between the four providers is positively reflected on the cost of services, introduction of the 4G network, and the increase in mobile database services and mobile phones applications. Furthermore, wireless and wireline broadband covers every major urban center in Egypt, and fiber optic broadband is spreading as well.

**A Large and Growing Domestic Consumer Base:** Over half of the Egyptian population regularly use the internet, and this provides a consumer base which is larger than the combined population of Europe.

**Critical Mass:** Egypt has emerged as a destination of choice for multinationals looking to establish cost-effective product developments and call centers. The establishment of a number of technology parks in the country offer key industry clusters which provide high-tech telecom and IT infrastructure.

**Proximity to Major Markets:** Egypt is close to major ICT consumers in Europe, Africa and the Middle East. It is closer to Europe, the United States and Canada than India or the Philippines. It is also just five hours' flight time to most European cities, as well as being close to India and Asia. The ideal location of Egypt therefore gives it proximity to major export markets.

**Proximity to Suppliers:** All ICT components are available locally. Additionally, Egypt is home to a broad network of skilled service providers.

## Technology Zones

Technology zones promote benefits to member organizations and companies including access to shared resources, such as an uninterrupted power supply, highspeed telecommunications connections, security, management, offices, convention facilities, parking, retail outlets, and entertainment and sports facilities.

Below is an overview of the country's leading technology zones which are open for investments:

### 1 | Egyptian Silicon Valley

The country's very own Silicon Valley is currently being established with a capital of EGP 12 billion in East Port Said. Sitting on 50 acres of land, the project currently consists of 10 solar companies initiated through a joint Chinese-Egyptian venture, a research center, an energy production plant, a silica and quartz purification plant, and a fiber optic cable manufacturing plant. The overall aim of initiating this project was to help the country solidify its role in the fields of nanotechnology and alternative energy so that it may continue to compete on an international level. A number of international tech companies have already signed up to open branches within the region, and opportunities are still open for further investments.

### 2 | Smart Village Egypt

The village was created and managed by the Smart Villages Company, which was formed through a public-private partnership between the private sector and MCIT. The company specializes in the establishment and management of technology clusters and business parks on local and regional levels. The village is spread over an area of 3 square kilometers to the west of Cairo, and accommodates local and multinational companies, government and financial authorities, educational institutions, and research and development centers, all of which share state-of-the-art infrastructure, modern facility management and a broad range of business and recreation services. The village in 6th of October hosts companies such as Xceed, Raya and the

Hawass Saqqara Training Centre, an Egyptology research center by the Bibliotheca Alexandrina as announced in late 2018.

### 3 | Cairo Contact Centers Park

Cairo Contact Centers Park was established as a technology hub to bring together Egyptian and international companies specializing in business and knowledge process outsourcing (BPO /KPO) and information technology outsourcing (ITO), making Egypt one of the top offshore outsourcing contact center destinations in the region. Located in the Cairo district of Maadi, the park offers the latest outsourcing and offshore technologies, and has contributed to making Egypt one of the world's emerging destinations in the off-shoring and out-sourcing industry. Development slots are announced through MCIT, and by the end of this year, 22 additional areas will be completed. Investors are given the right to utilize the land on a usufruct basis for up to 49 years, at extremely competitive prices per meter squared.

# Transport and Logistics

Suez Canal Tunnels



## Transport and Logistics —

Essential to every country's economy is a successful transport and logistics sector, one which will allow commercial activity to flow unhindered from production to consumption. A successful transportation system also facilitates access to raw materials, services and operating, all of which are essential for the success of any viable business venture. Egypt's unique geographic location combined with an expanding infrastructure base is enhancing the country's position as a key global logistics hub for companies looking to do business in, or trade between, Europe, Asia and Africa.

To create a solid foundation for the multitude of projects which are set to take place over the next decade, the government has created a 2030 plan which focuses on the transport sector, with the aims of making it an integrated, well developed system that satisfies national and global developmental needs.

Much of the plan is already underway, and you can read about the various projects completed in 2018 earlier in this book. Below you will find an overview of the sub-sectors which we believe will be important over the next few years.

### **New Means of Transport**

The last couple of years have seen a surge in the introduction of car riding platforms such as Uber and Careem which have employed a significant portion of the nation, and modernized methods of Egyptian transportation. As it stands, Cairo is Uber's fastest growing city, and in their few years of operation in Egypt, they have already partnered up with the Nile Taxi service to provide 'Uber Boat', and last year they launched 'Uber Bus', a public bus service which operates across all of Egypt's governorates.

The undeniable success of such companies has inspired the likes of Egyptian start-up 'SWVL' to launch an app-based booking service for clean, new and efficient buses, which provide transportation at low prices. Private bus transportation services, such as Uber buses, began operation at the end of 2018 and have expanded operations in 2019.

### **River Transport**

As well as Uber's Boat service, Nile Taxi was recently launched to provide a new and environmentally conscious means of transport around the city, and has been hugely successful with locals and tourists alike.

### **Bridges**

Two Tunnels, 9 pedestrian bridges and 15 vehicle bridges, at a cost of EGP 3.9 billion will be constructed in 6th of October city. An additional EGP 1.6 billion will be allocated to the maintenance of the roads in the internal suburban district.

### **Suez Canal Expansion Project**

This monumental project expanded the canal to allow ships to sail in both directions at the same time over much of the canal's length, and it now provides the shortest shipping route from Europe to Asia.

Aside from the canal itself, the expansion project includes a plan to open seven new tunnels (three in Port Said and four in Ismailia) and to transform a 76,000 km<sup>2</sup> area on both banks of the canal into an international logistics, commercial and industrial hub. A number of ship repair and rescue services will also be included in these developments. Additionally, as part of the project, ports will be launched at the entrances of the canal to put Egypt on the global supply chain map.

### **The Suez Canal Economic Zone**

Days after the inauguration of the New Suez Canal, the president issued decree No. 330/2015 to create a special economic zone (SCZONE) in the area adjacent to it, to support the projected regional development plan to turn the strategic waterway into an industrial hub.

The zone spans over 461 square kilometers and consists of two integrated areas, two development areas and four ports. The SCZONE aims to

transform the area into a world-class global logistics hub and industrial processing center which serves European, Asian, African and Gulf markets and stimulates economic growth within the country.

Each area within the zone provides investment opportunities in Egypt's leading economic sectors, namely, industrial and commercial enterprises, infrastructure and real estate development, logistics, amenities and technology.

Port expansions will also increase the capacity for handling maritime traffic and for offering related services such as ship building, stevedoring, bunkering, vessel scrapping and recycling. To facilitate business within the area, registration, licensing and permit applications have been streamlined so that investors from all corner of the world can apply quickly and efficiently.

## Incentives

Companies operating within the SCZone are entitled to:

- 100% foreign ownership of companies
- 100% foreign control of import/export activities
- Imports exempt from customs duties and sales tax
- Customs duties on exports to Egypt imposed on imported components only, not the final product
- Fast tracked visa services

## Project Overview

The proposed governmental development project consists of the following:

**Two Integrated Areas:**

### 1 | Ain Sokhna

This region consists of a major industrial and logistics hub at the southern gateway of the Suez Canal, combining port facilities, industrial zones, residential areas, as well as road and rail connections between Cairo and Suez. A number of real estate development opportunities exist here for building residential communities. Suitable maritime-related activities include ship building and repair services, bunkering, vessel scrapping and recycling are also available.

Developments in this area also include the introduction of the Sokhna Port covering an area of 22.3 km<sup>2</sup>.

### 2 | East Port Said

Similar to the Ain Sokhna developments, East Port Said port is also set to be expanded by 26 km<sup>2</sup>.

**Two Development Areas:**

#### 1 | Qantara West

A new residential area that is ideal for agribusiness projects due to its proximity to the Delta. Currently, there are 13.6 km<sup>2</sup> available for development in an area well supplied with water, electricity and sewage. Suitable logistics enterprises include warehousing services, transportation and distribution, and freight forwarding.

#### 2 | East Ismailia

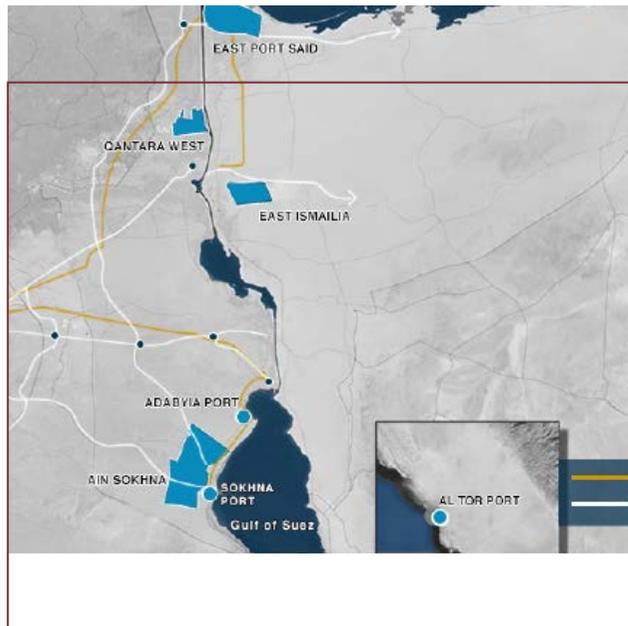
This area is set to be the 'administrative centre' of the SCZone, and will be ideal for high-tech industries, as well as educational and scientific research institutions. East Ismailia is located 10 km east of the Suez Canal and covers an area of 71 km<sup>2</sup>. The area is fully serviced with a consistent electricity and water supply, offering prospects for research and development facilities, as well as commercial ventures and services. A tunnel is currently under

construction to link East Ismailia with the Egyptian mainland, greatly decreasing east to west transportation time.

**The Four Ports are:**

- West Port Said Port
- Adabiya Port
- Al Tor Port
- Al Arish Port

Each integrated development area provides opportunities for investment in commercial & industrial enterprises, logistics, real estate, infrastructure and technology. Capacity for handling maritime traffic and related services such as vessel scrapping shipbuilding, recycling, bunkering and stevedoring will also be increased through the planned port expansions.



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where you're going...**

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