Government targets 16.2% growth of ICT sector next FY: El-Kady 17

CAPMAS considers launching online interactive investment map 9

Egypt still attractive, EgyptAir to support direct flights: Tourism Minister 18

EUROMONEY
Alborsa

Monday, September 18, 2017 | Special supplement for Euromoney Conference - Egypt 2017 | 28 Psges

New $10bn programme planned for international bonds: Finance Minister 02

Legislative reforms prepared Egypt for receiving foreign investment: Nasr 05

Electricity Ministry seeks investments worth $25bn until 2022: Shaker 04

Cost of LNG imports worth $1.8bn during current FY: Petroleum Minister 06

Economic reforms prompt major US companies to invest in Egypt 16

Trade and Industry Ministry receives requests to allocate lands for projects worth $16bn 08

Housing Ministry supports real estate sector within comprehensive economic reform plan 12

New $10bn programme planned for international bonds: Finance Minister

We need to develop, deepen industry to increase exports that do not reflect progress of economy

The Ministry of Finance is planning to draft a new $10bn international bond programme, after consuming a large portion of the programme listed on the Luxembourg Stock Exchange (LSE). Minister of Finance Amr El-Garhy said that the Egyptian government has a programme for the issuance of international US dollar bonds on the LSE worth $10bn, as $1.5bn have been consumed in 2015, compared to to $7bn consumed this year.

by Ahmed Farahat

Amr El-Garhy

We will turn to economic development programme after end of reform programme

Maximum target deficit at 9.5% instead of 9.1% due to increased interest rates

We target foreign subscription in debt instruments worth $20bn by end of 2017

The minister added that international bonds are being used to diversify the sources of financing given external obligations and the ability to pay them, and to measure the difference between internal and external interest rates and their cost, while they have not yet decided to rely on sukuk as a financing tool.

According to the minister, international markets were not happy with the issuance of Egyptian bonds prior to the liberalisation of the exchange rate on 3 November 2016, while implementing this reform pushed investment circles to submit applications worth $25bn to subscribe to a $7bn issuance. Interest rates on Egyptian bonds offered have declined by 1.2% and 1.7% since January.

The value of foreign subscriptions to government debt instruments since the liberalisation of the exchange rate has so far reached $16.5bn, while the minister expects them to reach $20bn by the end of the year.

He added that the Ministry of Finance will determine during the next two weeks the appropriate timing of the issuance of Eurobonds, and is likely to complete the offer before the end of November, worth up to €1.5bn, following the approval of the Cabinet.

He added that banks involved in the offering would be discussed, although European banks are inclined to help in the marketing process in case the government moves to the European market.

El-Garhy said that in the event of deciding on offering euro-denominated bonds by the end of November, the US dollar-denominated offering will be postponed to February, with a value of $3bn-$4bn, as both offerings cannot take place at the same time.

The revival of the secondary bond market is one of the tools to reduce the cost of debt, with the activity of the treasury bills market through interbank trading, which is lacking in the bond market and needs more traders, he noted.

El-Garhy also said that the government aims to shift from economic reform to economic growth and development, after completing the economic reform programme agreed upon with the International Monetary Fund (IMF). He stressed that there is no retreat from the implementation of the current reform programme.

"We have been talking about economic reform for the past 30 years," he said. "The difference is that now we are dealing with long-postponed problems."

He explained that the economic reforms establish a disciplined economic situation, including subsidies which were dealt with inefficiently, and granted to all citizens without discrimination, as the budget was supporting the owners of luxury cars in large amounts, which hindered subsidies from reaching its true beneficiaries.

The minister stressed that the prices of petroleum products will not be raised again during the current fiscal year, as the current expectations of prices are consistent with the runway in the state budget.

The Ministry of Finance estimated the average price of a barrel of oil in the budget of the current fiscal year at about $55 and allocated EGP 110bn in subsidy for fuel.

Meanwhile, El-Garhy said that when addressing the economy, they are working to create large revenues. Then, the objectives of fiscal and monetary policy will shift to encourage investment, which is already contrary to the increase in interest rates. However, this increase will be for a temporary period until inflation is curbed, then the interest rates will decline again.

He noted that the government is working to strengthen the various types of revenues in terms of taxes, other revenues, and the profits of companies, while controlling expenditures to create financial space, which would enable the ministry to spend on productive aspects in the state budget rather than spending on consumption.

As for the budget deficit, the minister said that the interest consumed about EGP 400bn of total annual expenditure of EGP 1.2tn; hence, treating this comes gradually and through controlling the economic rhythm to achieve sustainable growth rates of 6% and 6.5% for long periods.

He said that the size of the initial deficit since 2011 until the last fiscal year amounted to EGP 540bn without the debt, "assuming that the size of indebtedness was in the range of EGP 1.4tn, in addition to interest and exchange rate impact, we reach our current debt," he explained.

The initial deficit is the difference between general revenues and general expenses without interest.

The public debt is at 102% of the GDP, which is estimated at EGP 3tn.

El-Garhy noted that the debt service and initial deficit accelerated the pace of increase of the overall deficit, which increased from 11% in 2010/2011 to 13% of GDP in 2014/2015 and was likely to increase to 16% in case of absence of grants and Arab support in 2013/2014.

He pointed out that the ministry is working on the completion of the initial deficit with a surplus that contributes to the payment of part of the interest without borrowing to pay the debt service and the initial deficit.

He added that the estimates at the beginning of the economic reform programmd for the financing gap was between EGP 34bn and 35bn, while the ministry targets a gap of EGP 12bn-EGP 14bn in the current fiscal year.

He added that work is currently being carried out through monetary, financial, structural, and economic reforms to develop different frameworks and areas that contribute to the development of the real economy.

"The Egyptian economy is characterised by its diversification and the existence of a large consumer market," he noted.

He added that attention is also focused on human development at various levels and the development of the education system gradually by international standards.

El-Garhy also said that structural reforms would put the economy on a sound track by dealing with monetary policy without targeting a US dollar-specific price, as was the case in the past when Egypt fixed the local currency's rate against the dollar to prove the strength of the economy, which proved to be unsound.

He said that the currency rate cannot be targeted but reflects the economic aspects and growth. Thus, growth at the level of each economic sector reduces the dependence on imports, and the growth of the agricultural and industrial sectors increase export opportunities, in addition to the tourism sector.

He stressed the importance of the tourism sector in many respects due to being a labour-intensive sector and a prominent source of hard cash. He noted that before the 25 January Revolution in 2011, the number of tourists ranged between 10 million and 14 million per year, which fell to 3.5 million only at the end of last year.

"Despite the circumstances of the country, the numbers would have hiked to 20 million, which would have, in turn, created more demand and improved the balance," according to El-Garhy.

He pointed out that the decline in the number of tourists affected other sectors, such as museums and archaeological areas that were generating high revenues at low costs, while this equation has changed now.

El-Garhy also said that the disbursement of the second tranche of the IMF loan is linked to the achievement of financial targets during the review period, adding that the various objectives of the Central Bank of Egypt (CBE) and the economic reform programme are proceeding properly.

Egypt signed a financing program with the IMF worth $12bn at the end of August last year over a period of three years. The loan requires Egypt to fulfill an economic and monetary reform programme. Egypt disbursed $4bn of the loan last year after floating the national currency and hiking fuel prices.

According to the minister, the budget deficit targets cannot be measured within three or four months, but are handled throughout the year, because of their dynamic. "We may achieve the goals during part of the year, or not, based on economic data."

Yet, he noted that the government targets a deficit of 9%-9.5% by the end of the current fiscal year.

Thus, the Minister of Finance raised the maximum target deficit, which was estimated at 9.1%, in light of the negative effects of the monetary policy used to deal with inflation, and the increase in the interest rate, which raises the interest in the target budget.

The general budget of the state for the current fiscal year estimated the allocations of interest at EGP 380bn.

El-Garhy pointed out that the coordination council between the monetary and financial policy is one of the tools of linking the two policies, adding that he constantly attends discussions and understands the role of the CBE in curbing inflation.

He added that in the current situation, the CBE aims to reduce inflation rates, which fell to 1.1% per month at the end of August. He predicted that the annual inflation will settle at 15% by the end of next June.

According to El-Garhy, the Ministry of Finance will complete the final account of the budget for the last fiscal year in late September and send it to parliament for discussion, with a total expected deficit of 10.8% of GDP, next to 1.8% of initial deficit.

He added that the request to open an additional appropriation in the budget of the previous year will be in accordance with the provisions of the general budget on the expenditure side.

He described the response of the economic and investment sectors to the recent reform measures as "good" and reaping results through discussions with investors and businessmen and their impression. "Although Egypt is still below 50 points on the PMI, there are signs of improvement in a number of sectors, including the food and industrial sectors, creating new export opportunities and increasing their competitiveness in foreign markets, as well as the recovery of the tourism sector," he noted.

In addition, he said that the current export rates, amounting to $20bn, do not reflect any kind of progress. "So we need to develop the industrial sector and further deepen it, especially since a large part of the industry requirements that are exported are now imported from abroad."

El-Garhy said that prior to the flotation of the Egyptian pound, it was hard to call investors and ask them to inject funds into Egypt; however, now he can hold a conference call attended by 150 investors.

The minister explained that the focus of FDI over the past two years in the oil sector is only due to the shortage of US dollar liquidity in the past, which accumulated arrears due to be paid to foreign oil partners, making them worried about their entitlements.

El-Garhy said that the ministry is considering the possibility of adjusting the Capital Gains Tax on unlisted companies, which is now at 22.5%, but has not made a decision yet.

According to the minister, the government is considering the development of a simplified system for small- and medium-sized enterprises (SMEs), including the payment of a pittance tax based on the size of economic activity to gain full legitimacy in the transactions and provide services and transfer to the formal economy.

The Ministry of Finance intends to submit a number of bills to the House of Representatives in the next session, including the unified tax procedures law, customs, simplified system for SMEs, health insurance, tenders, and auctions.

Regarding the financial guarantees granted by the ministry for investment projects, El-Garhy said that the ministry grants its guarantees for strategic projects in the sectors of electricity, transport, and railways to accelerate the implementation and ensure the ability to generate revenues and cover the financial cost and debt, such as the electric train that will arrive at the New Administrative Capital.

El-Garhy directed a message to the attendees of the Euromoney conference, saying that Egypt is ready for investment and the financial situation is improving greatly. "Investment opportunities are very attractive, with a large market, high employment rates, and availability of labour and competitiveness. We look forward to attracting investors in different sectors," he added.

We are considering €1.5bn Eurobonds by end of November

Funding gap amounts to $14bn by end of current fiscal year

MOSTAKBAL CITY
Egypt

NEW CAIRO

WE BUILD THE FUTURE

المقاولون العرب
عثمان أحمد عثمان وشركاه

الأهلي للتنمية العقارية
AL AHLY FOR REAL ESTATE DEVELOPMENT
SABBOUR

ARDIC
For Real Estate Development

WADI DEGLA REAL ESTATE DEVELOPMENT

GRAND PLAZA
FOR REAL ESTATE & TOURISTIC & DEVELOPMENT

BETA EGYPT

EL RABWA
Integreted Educational Services

Owned by:

المستقبل
ELMOSTAKBAL
URBAN DEVELOPMENT للتنمية العمرانية
mostakbal-re.com

Mostakbal City Development

Green Square
Exquisite Living New Cairo

Zizinia
EL MOSTAKBAL

NEOPOLIS

l'Avenir
reveal the dream

ARIA

LA MIRADA
EL MOSTAKBAL

Electricity Ministry seeks investments worth $25bn until 2022: Shaker

We do not need new capacities within next 5 years; agreement with Saudi Arabia to be signed next October

The Ministry of Electricity expects an increase in investment opportunities in the energy sector after the economic reforms adopted by the government, especially in new and renewable energy projects. These reforms opened the door to foreign investors to set up power stations and sell the energy produced by the government. The incentives and legislations attracted international companies to invest in transmission, production, and distribution projects.

By Mohamed Farag

Minister of Electricity and Renewable Energy Mohamed Shaker said that the ministry received offers from foreign and Arab companies to invest in solar energy projects, and a committee was formed to study the offers to select the most technically and financially attractive ones.

He stressed that the electricity sector was able to provide electrical feeding to all consumers, and seeks to improve the quality of service in cooperation with private companies, under the Electricity Law, which allows the private sector to participate in production and distribution.

The minister estimated the investments necessary for the production, transmission, and distribution projects at about $25bn by 2020 to improve the quality of electricity supply, including $17bn for production stations and $5bn for transmission and distribution projects and other investments for other activities.

He said that the electricity sector needs large investments to implement the expansion plan and sustainable development in the sector.

Additionally, Shaker said that Egypt aims to export electricity to a number of Arab countries to reduce the dependence on gas and strengthen the electricity network. Nevertheless, Egypt agreed with Saudi Arabia to exchange 3,000 MW in the peak period between the two countries. The feasibility study is regarding an exchange of 2,000 MW with Greece is still being discussed.

The agreement with Saudi Arabia will be signed by next October, after reaching a final agreement on a number of items. The partial operation of the project will start at the end of September 2020, and the project will be fully operational by September 2021, according to Shaker.

The cost of the project is $1.6bn, of which $600m is set for the Egyptian side, while the Kuwait Fund for Arab Economic Development (KFAED), the Arab Fund for Economic and Social Development (AFESD), and the Islamic Development Bank (IDB) will participate in the funding, as well as internal resources of the Egyptian Electricity Transmission Company (EETC).

According to Shaker, the Ministry of Electricity is working to establish a green energy corridor with African countries through several axes, including the assessment of renewable energy sources and zoning according to sources and the development of renewable energy technologies.

The second axis includes three main items, including the study of readiness assessment for the deployment of renewable energy applications to enable consultative frameworks in the countries, and an electronic platform that outlines funding mechanisms and policies that should be adopted for the deployment of renewable energy applications.

The third axis includes local and regional planning and capacity building. The fourth involves raising awareness of the challenges of climate change. The timetable for implementation of the corridor requires long-term planning of up to 25 years.

He explained that the agency responsible for the construction of the African Clean Energy Corridor will cooperate with its partners in the preparation of an agenda of the requirements that must be taken throughout 5-20 years to build and support the clean energy corridor.

Shaker said that the plans of the electricity sector are dynamic and linked to the growth of loads and national output, and in light of the review of the load and energy forecasts required to be provided to different sectors of the state.

A total of 27,400 MW will be added in light of the implementation of the urgent plan projects and the start of the conversion of part of them to the composite cycle system and completion of the projects of the five-year plan (2012-2017).

Mohamed Shaker

According to Shaker, the reviews and studies have resulted in the absence of the need to add new production capacities until 2022, as all the planned generation projects were transferred to the plan 2022-2027, including the projects of Akobor, Benshmar, Alnoy, and Hamrawein.

Shaker said that the preliminary plan of estimation (2022-2027) includes the primary study of a number of projects including Aquapower, Benchmark, Al-Nawais, Qena, and Hamrawein. All projects are subject to revisions according to the development of loads.

The minister said that the next year will witness the completion of the Siemens projects in the production plants of Beni Suef, Borollos, and the New Administrative Capital. It will also see the implementation of the rest of the projects of the five-year plan and the transfer of ElShabab, West Damietta, South Helwan, West Cairo, and Assiut to work in the cycle system installed in the framework of improving the efficiency of work stations to generate power without additional fuel.

He explained that the renewable energy tariff projects will be completed along with the wind projects in Jebel El-Zayt, the capacity of Jebel El Zayt 1, the 220 MW wind station in cooperation with the Japan International Cooperation Agency (JICA), and a wind station in cooperation with the Spanish government of 120 MW.

The development of transmission and distribution networks will be implemented with a total value of EGP 37.4bn and the development and completion of the 500 kV control stations.

Shaker said: "Many international entities have provided loans to the electricity sector on soft terms and good interest. These include the International Finance Cooperation (IFC), the European Bank for Reconstruction and Development (EBRD), and JICA, and a number of local banks including the National Bank of Egypt (NBE) and Banque Misr. An agreement has been signed with the two banks to arrange the largest loan received by the Ministry of Electricity worth EGP 37.4bn."

Moreover, Shaker stated that the ministry is considering setting up a specialised company to maintain the stations, in cooperation with the ministries of petroleum and military production, and Siemens, to reduce the ministry's expenses for the maintenance of stations.

When electricity was contracted on projects with Siemens and General Electric to build, operate, and finance plants, maintenance contracts were also signed with the operators.

The minister said that the first and second phase feed-in tariff system (FIT) is currently being implemented in solar energy projects and that the deadline for the financial closing of the projects is in October.

The ministry will not offer a third stage, but the solar and wind projects will be put through a new competitive bidding system.

He expressed the ministry's readiness to contract with any Arab or foreign company to purchase electricity produced from waste recycling projects, if an appropriate technical and financial feasibility study is presented.

The strategy of the Ministry of Electricity is to diversify the sources of energy production.

Regarding the Dabaa Nuclear Power Plant, the minister stated: "We agreed with Russia on all items. The contracts were sent to the State Council for review. Egypt received several concessions, including the total cost of the project and the Russian loan for the station, as well as the training of Egyptians to work on the necular plants."

NREA receives new offers for solar, wind power plants

Projects implemented under the BOO system benefitted from the economic reform, were not adversely affected by flotation

The New and Renewable Energy Authority (NREA) has received several offers from companies to implement new solar and wind power stations under the direct contracting system during the coming period.

According to the chairperson of the NREA Mohammed El-Khayat, the Cabinet recently agreed to sign a bilateral agreement with Sky Power to set up a 600 MW solar power plant and a similar agreement to implement two 250 MW and 320 MW wind power projects.

These come in addition to the memorandums of understanding (MoUs) that were signed last March to set up 500 MW wind stations.

El Khayat added that the Cabinet has approved a competitive tender for the implementation of 600 MW solar plants in the coming period.

He explained: "According to Law 203, the Egyptian Electricity Transmission Company (EETC) offers competitive tenders, but the preparation, analysis, and negotiations with investors for these tenders happen through a joint committee comprising the Commission and the EETC."

El Khayat said that the new and renewable energy sector attracted investments, and the decisions taken by the government and the Central Bank of Egypt (CBE) to implement the economic reform plan did not adversely affect investment in the sector.

The effects of the economic reform decisions on renewable energy projects can be categorised according to the projects' implementation mechanism. For projects implemented under the Build Own Operate (BOO) system, the EETC is committed to purchase the energy produced according to the contract price (US cents/kWh).

These projects will benefit from the economic reforms and will not be affected by the liberalisation of the exchange rate, as shown by the progress of one of the companies to establish a solar power plant with a capacity of 600 MW, in addition to the submission of investors to other applications to implement renewable energy projects.

He added that regarding the projects implemented under the feed-in tariff system will buy the energy produced in accordance with the tariff in US dollars. The payment will be covered in Egyptian pound over two parts. The first part will be according to the exchange rate on the day of issuing the tariff, ranging from 30%-40% according to the technology used, and the remaining, largest part will be set according to the exchange rate of the US dollar at the time of maturity of the invoice.

The projects implemented under the BOO and feed-in tariff mechanisms remain economic and attractive, proven by the 33 companies that offered letters of commitment to participate in the second phase of the feed-in tariff.

Cabinet agreed to offer tender for implementation of solar plants at 600 MW capacity

He added that the projects implemented by factories or houses to cover their electricity needs will be affected by the high cost of capital. However, taking into account the rise in government electricity prices and the plans to raise subsidies, these projects remain economic and attractive for investment, especially with the state's net metering system for renewable energy projects.

El Khayat pointed out that the authority signed three contracts in the first phase of the feed-in tariff mechanism with a total capacity of 150 MW. The first of them will start generating electricity at a capacity of 50 MW by the end of this year.

He said that the position of the 33 companies which proceeded to the second stage of the feed-in tariff will be clarified after the financial closing date on 26 October. The final framework of the total capacity added will appear in this programme.

He added that new investors seeking to set up the solar and wind projects can be implemented through the BOO system, which is proposed by the EETC.

El Khayat estimated the average cost of producing 1 kWh from the NREA's projects during the fiscal year 2016/2017 at about EGP 0.58.

He noted that the NREA is holding ongoing meetings with the German company Siemens to reach the best price for the purchase of energy from the new wind station.

El Khayat said that the legislations and regulations governing the Egyptian energy sector contain many incentives and facilities in support of the sector, including Law No. 203 of 2014 on stimulating production from renewable energy sources and the Cabinet's decision on the feed-in tariff, in addition to the Electricity Law promulgated by Presidential Decree No. 87 of 2015 and others.

He added that all these legislations and controls are sufficient at the present time, but that with time, amendments may be considered.

Legislative reforms prepared Egypt for receiving foreign investment: Nasr

Direct lines of communication with international institutions to attract private sector financing

Minister of Investment and International Cooperation Sahar Nasr said that Egypt is ready to receive Arab and foreign investments after legislative and administrative measures taken in the previous months to create an attractive business climate.

By Mostafa Fahmy and Hussein Hassan

Nasr added that the government recently issued a package of legislation supporting the business environment, in conjunction with the implementation of the economic reform programme launched last October.

The government passed the law on the regulation of movable guarantees and the New Investment Law, which ended the last weeks of the executive regulations preparation, and completed the preparation of a bill for bankruptcy which will be presented in the House of Representatives' second session next month, in addition to the Companies Law.

The minister said that the government is constantly looking to solve the problems facing investors in Egypt, which is part of its investment promotion plan.

"Our discussions with investors are aimed at reaching final and fundamental solutions to investment disputes because we are well aware that the problems that remain outstanding for more than a year give a negative message about the investment climate in Egypt," she said.

"The Ministry of Investment and International Cooperation is keen to solve the problems of investors, ensuring the preservation of the right of the state and citizens to land and natural resources," Nasr said.

The ministry is reviewing the new investment agreements to ensure the rights of the state, and provides all support to the serious investor who facilitates productivity and provides jobs.

The government attaches special importance to foreign investment for its strong contribution in the transfer of modern technology, excellent management methods to the local market, as well as the transfer of international expertise to the Egyptian investor, Nasr explained.

The economic reform programme implemented by the Egyptian government depends on improving the business environment and increasing foreign and domestic investment rates, she said.

She also noted that the increase of domestic and foreign investments in Egypt supports economic growth and continuity in achieving sustainable growth rates pursued by the state.

Nasr pointed out that the New Investment Law does not differentiate investors according to nationality or gender. It eliminates the bureaucracy that Egypt has suffered over the past years and allows companies to obtain equal opportunities.

"The lesson does not lie in the investment law, but the most important thing is to apply the law properly and that is what we aspire to," she said.

The New Investment Law supports the industry and gives incentives to investors in labour-intensive industries located in remote and disadvantaged areas, she said.

She said that the government, through the legislative and economic reforms, is seeking to implement strong infrastructure projects, which the investor needs, in addition to good legislation.

Sahar Nasr

Solving corporate problems is part of the promotion plan to attract capitals

She pointed to the cooperation between the Ministry of Investment and all the governmental bodies and agencies to implement the New Investment Law. The new law stipulated the presence of a representative of the government bodies in the General Authority for Investment and Free Zones (GAFI).

In addition to that, it is expected to issue the executive regulation of the New Investment Law soon, especially as the Legislative Department of the State Council is currently being drafted.

Nasr pointed out that the ministry is in contact with the private sector financing arm of international financial institutions to support projects implemented by investors in Egypt.

"We have direct contact lines with the International Finance Corporation (IFC) of the World Bank, the Islamic Development Bank (IDB), and the European Bank for Reconstruction and Development (EBRD) to provide private sector financing," she said.

Additionally Nasr stated that the ministry has started the right steps in the application of the investment law through the establishment of the Egyptian Entrepreneurship Investment Company (EEIC), also known as Egypt Ventures, to support small investors in the coming period.

The Ministry of Investment established the EEIC a few months ago with a capital of EGP 451m, in partnership with the Saudi Development Fund and NA Capital.

The new company announced the establishment of two new companies to finance entrepreneurial projects with a capital of EGP 200m, a partnership with EFG-Hermes, and the United Nations Development Program (UNDP).

Nasr said that the ministry launched the Your Business Idea initiative to encourage and finance emerging projects and promote the entrepreneurial environment in Egypt.

She explained that the initiative is based on collecting ideas from young people in all governorates, selecting the good ones, and organising workshops for their owners for four months, followed by funding for the project.

Furthermore, she pointed out that the ministry attaches special importance to the Investors Services Center and will have representatives from several bodies, including the Ministry of Justice, represented in the Real Estate Registration Office, the Ministry of Finance, and the Central Bank of Egypt (CBE), as well as Misr for Central Clearing, Depository and Registry (MCDR) and the Egyptian Financial Supervisory Authority (EFSA) to provide the best service to the investor in all governorates.

The ministry also signed two cooperation protocols with the EFSA and MCDR this month to allow the exchange of data and information among them.

Nasr said that the government has launched an integrated plan to support and develop free zones and investment, and seeks to establish a free zone in each province.

The GAFI has received numerous requests for the establishment of special free zones in a number of governorates.

The New Investment Law allowed the return of the special free zone system, based on the offer of the relevant minister and after the approval of the board of directors of the Authority.

The minister pointed to the interest of a number of foreign investors, including two from China, of investing in the area of the Suez Canal Economic Development Zone. These investments will be announced in the coming period.

She said that the Suez Canal Economic Zone is one of the most attractive areas for foreign direct investment.

Last week, Nasr held a session on investment in Egypt organised by CI Capital, in the presence of a number of international banks and funds to discuss expansion opportunities.

Seven international investment banks—Silk Invest, British Bellevue, Sustainable, NBK Capital, Sanlam South Africa, RIMCO, and American Oppenheimer Funds—expressed interest to invest in the Egyptian market, especially in the development projects of the Suez Canal and the New Administrative Capital.

The Minister of Investment estimated the net foreign direct investment attracted by Egypt during the last fiscal year at $8.7bn. She said that the oil sector accounted for the largest share by 42%, followed by investment in the construction sector.

Foreign direct investment increased by 67% in July compared to July 2016, which is promising at the beginning of the current fiscal year, she added.

Investments during the past fiscal year, whether new companies were established or expanded, rose by 24%.

Cost of LNG imports worth $1.8bn during current FY: Petroleum Minister

Egypt's current gas production at 5.2bn cubic feet per day; imports to stop at end 2018

The government succeeded in solving the energy crisis of the country until 2015 by importing liquefied natural gas (LNG) shipments and realising large oil and gas discoveries that contributed to reducing pressure on foreign currency and saving energy through local production. This sparked a dialogue with the Minister of Petroleum and Mineral Resources, Tarek El-Molla, to understand the sector's plan to increase oil and gas production and economic development, and for the minister to direct a message to investors.

By Mohamed Adel

El-Molla said that the oil sector gives top priority to meet the needs of the local gas market before becoming an exporting country, and sets the priority of achieving self-sufficiency of natural gas by the end of 2018, once the major discoveries have been linked to the production grid.

The Ministry of Petroleum is seeking to achieve a surplus of gas by 2020, so that a portion can be directed to meet the contractual obligations for export, as a message to reassure investors that Egypt is a country committed to its contracts. In order to optimise the utilisation of resources, the ministry will direct the bulk of the gas surplus to develop the petrochemical industry, which would also contribute to achieving added value and the optimal utilisation of natural resources.

El-Molla estimated that Egypt's current production of gas is about 5.2 billion cubic feet per day, up from 4.46 billion, when the first stages of the West Delta fields entered the production map. He said that the production will continue its gradual increase after the first phase of the Zohr field is linked to the production grid by the end of the year, as well as Atoll field, while production of oil is estimated at 700,000 barrels of crude oil per day.

The Italian Eni has spent some $4bn until now on developing Zohr field in the Mediterranean Sea.

According to the minister, the oil sector signed 82 exploration agreements with a minimum investment of about $15.4bn, which are expected to result in some new discoveries, supporting the goal of increasing production and reserves of petroleum wealth.

Efforts are also being intensified in cooperation with foreign partners to carry out projects to develop large gas discoveries in the deep waters of the Mediterranean Sea and the Nile Delta to contribute to the planned increase in gas production.

El-Molla said that 80 shipments of LNG worth around $1.8bn are set to be imported to meet the needs of the local market, stressing that imports have been cut significantly after the increase in domestic gas production as of last year.

He pointed out that the procurement programme takes the different needs and consumption rates throughout the different months into account. The summer months record the highest rates of gas consumption in the power plants, with imports gradually decreasing in winter, in conjunction with the decline in electricity needs and the entry of new fields of production by the end of the year.

He noted that the number of shipments will decline slowly. "Before the end of 2018, we will stop importing and achieve self-sufficiency," he stressed.

The minister added that before the end of this year, three major projects will be completed, including the first phase of Zohr field, which will see its production growing gradually to reach 2.7 billion cubic feet of gas per day when all phases are completed in 2019. This is in addition to the Atoll gas field, which has rates of 300 million cubic feet of gas per day, next to Noras field with 1.2 billion cubic feet per day in production.

This is also on the side of imports of crude oil, to which El-Molla said that the agreement with the Iraqi side includes the supply of 12 million barrels of crude oil for one year, to be refined in Egyptian refineries as of last May, of which Egypt received four shipments of 2 million barrels each.

The contract with the Kuwait Petroleum Corporation (KPC) was renewed in April for a period of three years to supply 2 million barrels per month to be refined in Egyptian plants, while the value of each shipment varies according to international prices at the time.

He added that the ministry saved some 78 million tonnes of petroleum products worth EGP 411bn at a cost of EGP 321bn and sold in the domestic market at EGP 200bn. He noted that domestic production secures 70% of local needs and that the state imports the remaining 30%.

Tarek El-Molla

8m

barrels of Iraqi crude oil have arrived; contract renewed for 2m barrels of Kuwaiti oil for 3 years

We are setting route of gas line connecting Egypt, Greece, Cyprus

The ministry plans to deliver natural gas to about 600,000 residential units in 26 governorates in the current fiscal year, including villages and cities where natural gas is first introduced.

Talks with El-Molla then touched on the Egyptian-Greek-Cypriot relations. He said that several meetings were held to discuss ways to enhance energy cooperation between the three countries. Specific areas were identified for broader regional cooperation in the field of hydrocarbon activities, as well as safety in marine activities, energy infrastructure, research, and development in the hydrocarbon sector.

According to the minister, the possible options for the pipeline and land facilities to transport Cypriot natural gas to Egypt are being explored using the infrastructure available between Egypt, Cyprus, and Greece, which will contribute to strengthening Egypt's position and supporting its project to become a regional hub for energy trading, next to improve the value added and revenues from the facilities of gas liquefaction in Egypt that will receive Cypriot gas.

El-Molla added that a committee was formed by decision of the Prime Minister under the chairmanship of the Minister of Petroleum, which includes a number of ministries concerned with turning Egypt into a logistics centre to follow up this national project and support its implementation.

He pointed out that Egypt has many elements that enable it to transform into a regional center for energy trading, foremost of which is its distinguished geographical location, which lies in the middle of the producing countries that are rich in energy sources and major consumer countries. These advantages require the support of a strong infrastructure in the field of oil and gas, and the passage of investment-attractive legislation.

He described the Suez Canal as the most important international shipping corridor for international trade, and the SUMED crude oil and petroleum products project in Ain Sokhna and Sidi Kerir as one of the main pillars of the current trend to turn Egypt into a regional hub for energy.

Arrears owed by government agencies to Petroleum Ministry at EGP 96bn

Domestic production saved state EGP 411bn last fiscal year

The Ministry of Petroleum is developing the capacity of the SUMED project, and recently completed the operation of a new seaport at Sumed, Ain Sokhna. It is also currently developing and expanding the oil and gas pipeline network, natural gas liquefaction, exporting plants, and new refining projects.

The minister said that production rates are currently being accelerated in the discovery of new natural gas and the development of oil ports, in addition to the promulgation of the law regulating the activities of the gas market prepared by the Ministry of Petroleum and the new investment law, as well as many steps being implemented to achieve this national project.

Meanwhile, the Minister of Petroleum estimated that the sector's entitlements by government agencies, which represent the value of their withdrawals of petroleum products and natural gas, stand at EGP 96.2bn. He considered them a major challenge for the ministry, where the accumulation of debts owed by government agencies force the ministry to borrow.

The electricity sector is the largest consumer of oil with a total of about EGP 75.9bn of arrears, while the other sectors, such as aviation, railway, and public business companies are due to pay about EGP 20.3bn.

As for the entitlements of foreign partners by the ministry, El-Molla said they were cut to $2.3bn, which is the lowest since 2013, after the ministry paid $2.2bn of arrears to international oil companies working in Egypt.

Foreign partners' entitlements amounted to $6.3bn in 2013. The obligation to pay the current receivable bill regularly did not accumulate any new entitlements. This reflected positively on the increased inflow of foreign oil companies' investments in Egypt and thus, increased the country's crude oil and gas production.

The Ministry of Petroleum recently signed six new oil agreements with the United States and international companies, approved by parliament and issued by the President, with a total investment of $160m minimum, and grants of $64.2m to drill 33 wells.

In the petrochemical sector, El-Molla said that there are planned projects, including the Styrene production project in Alexandria and other projects under study and development, with investments of about $1.5bn, including the project of producing propylene and its derivatives with the expansion of Sidi Kerir Petrochemicals (SIDPEC) and the ammonia production project.

The petrochemical sector will also witness the establishment of a project for the production of formaldehyde and its derivatives and the project of production of resins and medium density wood panels (MDF), as well as an integrated petrochemical complex at the Suez Canal Economic Zone, the Phase II project to increase ethane extraction from the Western Desert Gas Complex, and the refining and petrochemical complex in southern Suez.

El-Molla conveyed a message to investors, saying that Egypt is recovering and is currently working to increase economic growth and aspires to achieve more successes, in the light of political stability, adding that Egypt is the land of opportunities. "The political leadership said, several times, that it stands with fair investment which achieves the state's interest and expected revenues for investors, which is why the government passed the new investment law and its bylaws."

He added that the oil sector involves investment opportunities which are being configured. "We have prospects for the oil and gas areas and global partnerships and a long history and experience accumulated in this vital industry. We are committed to our financial obligations and we work to pay the arrears to our partners, which have emerged due to the unstable conditions seen in Egypt before. I believe you are following the great interest and demand in the international auctions offered by Egypt, with trust in the reputation of the Egyptian petroleum sector and its strong and clear commitment to the investors."

SARAI
New Cairo

Live a world away, minutes from city corners.

Own your luxury home at Sarai. Strategically located at New Cairo's most desirable future suburbs, an area of 5.5 million sqm welcomes you to explore the diverse rhythms of life. Central to the city's greatest attractions, Sarai is far from traffic, noise and pollution. It is in close proximity to the Suez Road and only 20 minutes away from the Ring Road; 10 minutes from the AUC Campus and 5 minutes from the New Capital. Tailored with unique home interiors and outdoor experiences, the world's master planning leaders, Benoy, and our very own local experts, bring you the very best of comfort living.

Trade and Industry Ministry receives requests to allocate lands for projects worth $16bn

Implementation of plans with 71 companies to rationalise consumption of energy and increase product competitiveness : Kabil

The Ministry of Trade and Industry, represented in the Industrial Development Authority (IDA), has received requests from companies to allocate lands for the implementation of projects with investments worth $16bn.
Minister Tarek Kabil said that the economic decisions made by Egypt over the past period have contributed to facilitating investors' readiness to invest, based on three main factors, namely monetary and financial policies, and security and political stability.
He said that the ministry received requests from a Chinese company to establish new investments in the sector of textile industries in the Suez Canal Economic Zone worth $1bn. The IDA is carrying out negotiations with more than 17 companies to establish new investments in Egypt worth more than $16bn.

Tarek Kabil

By Nehal Mounir

Cooperation with private sector companies to manage industrial zones, starting with Merghem

Coordination with ministries of agriculture, public business sector to restructure companies and develop textile industry

He ruled out the possibility of the interest and inflation rates affecting the investment plans of companies on the long-term as investors prepare their plans expecting changes in interest rates, as well as inflation.

He said that the current interest rates affect the investment climate, but that the increase in interest prices is a temporary procedure that will not continue on the long-term.

A few weeks ago, the Central Bank of Egypt's (CBE) monetary policy decided to fix the interest rate at 18.75% and 19.75% for depositing and loans, respectively.

Investors complain from the increased interest rate prices and their impact on the expansion plans of companies, as well as their debts; however, the minister said that the issue is temporary and should not raise concerns. He gave Turkey as an example in which the interest rate temporarily reached 80%.

Kabil stressed that Egypt is not currently seeking negotiations with the United States to sign a free trade agreement due to the American policies.

According to the official data issued by the Ministry of Trade and Industry, the volume of trade exchange between Egypt and the US since the beginning of the year until last June reached $2.253bn. The trade balance was in favour of the US.

US exports to Egypt reached $1.617bn, while Egyptian exports to the US reached $636.64m.

Kabil pointed out that the government is seeking through the current session of the Euromoney conference to direct a message to investors to stress that Egypt is taking the right steps towards the road of development. All indicators show that the economic reforms programme implemented by Egypt is the right thing to do.

"According to the indicators of the Ministry of Planning, growth rates last year reached 4.1% despite the fact that tourism never fully recovered. Foreign exchange reserves increased to $36bn in July. The surplus in the balance of payments this year reached $11bn. Also, there is noticeable improvement in the trade balance. Imports declined by 29%, and exports increased by 8% during the first half of this year, while unemployment declined to 12% during the first half of 2017," the minister said.

He also noted that with these positive indicators, Egypt is seeking a diversity in investments to include different industrial sectors, rather than focus on increasing investment rates.

Kabil pointed out that the ministry is not currently seeking to issue new laws to limit foreign imports, especially since Egypt is committed to many international trade agreements with different countries across the globe.

He added that the ministry is seeking to encourage local manufacturing to create an alternative for importing. A positive indicator is clear in the decline of foreign exports from January to August. Ready-made garments imports declined by 64%, leather by 52%, and furniture by 40%.

He ruled out the possibility of the ministry taking measures to reduce imports, especially since some of them are strategic goods, such as wheat, beans, and corn; however, the ministry will seek to reduce the trade deficit by 50% by 2020.

"According to the current import and export rates, the ministry may be able to achieve its target to reduce the trade deficit by 50%, especially since exports achieved $24bn at the end of last July and imports achieved $12bn at the end of May," he said.

He added that over the past period, new export markets were opened to compensate for the losses of Arab markets which led to an increase in exports, as well as the number of exporting companies and the entrance of a large number of small- and medium-sized enterprises (SMEs) into the exporting system. The increase in exports was not a result of the liberalisation of the exchange rate.

He noted that the Export Development Authority, established by the ministry this year, is preparing a strategy for export in general, and another for the more competitive sectors in exports.

Egyptian non-petroleum exports increased by 8% during the first half of this year, recording $11.13bn compared to $10.295bn during the same period in 2016, according to data by the ministry.

Kabil said that the ministry's plan aims to increase exports by $2bn-$3bn annually.

Egyptian non-petroleum exports achieved an increase of 8.65% in 2016 with exports amounting to $20bn, compared to $18.6bn in 2015. Imports reached $63bn last year, compared to $70bn in the year before.

The Ministry of Trade and Industry has put forward the 2020 strategy which focused on a number of main sectors, namely the chemical, food, engineering, apparels, construction materials, and medical industries, with the aim of increasing exports.

He stressed that the Export Development Authority is negotiating with the Saudi Development Bank and the African Development Bank, in addition to other entities to ensure exports delivered to Africa and other foreign markets.

Kabil added that the ministry is currently not making adjustments to the programme of export burdens refund.

The minister stressed that indicators show a recovery in the industrial sector and denied allegations of a recession. The ministry aims to increase the rates of industrial growth to record 8% by 2020.

Kabil explained that the negotiations with Russian and Dutch investors to establish industrial areas in the Suez Canal Economic Zone are ongoing.

923
permits provided since issuance of Industrial Permits Law until approval of executive regulations

He said that the ministry will not grant any preferential advantages to an investor at the expense of another, and that the Industrial Permits Law's executive regulations are enforced on all investors. The ministry is having negotiations with Russia regarding establishing the Russian industrial zone.

Russia expressed its desire to establish a Russian industrial zone in Egypt two years ago and settled on the area of North Ataka on an area of 2 million sqm, in preparation of establishing a free trade zone between the two countries, including food, equipment, machinery, and engineering industries.

Kabil said that the ministry is planning to expand in order to establish integrated industrial cities in addition to an industrial zone. There are ongoing negotiations with several foreign investors to establish an integrated industrial city in Kom Oshim in North Fayoum on an area of 33 million sqm. The city would include residential areas for workers, as well as schools and hospitals.

He added that the ministry will assign the advisory tasks of the integrated industrial city in Fayoum to a global technical office to handle the management and offering of the project.

Kabil explained that the ministry is organising a visit of a businesspersons delegation to the countries taking part in the Mercosur agreement to raise awareness of the importance of the agreement and its positive impact on Egypt's foreign trade, as well as the mechanisms to benefit from it and holding bilateral meetings between businesspersons during the visit.

The Argentine parliament ratified the free trade zone agreement between Egypt and Mercosur countries, which completes the ratifications made by the member countries which are Brazil, Argentina, Uruguay, and Paraguay, in addition to Egypt's approval of the agreement.

Kabil stressed that the prices of energy provided to factories have not been reduced, adding that the government continues its plan to rationalise energy and make sure it is delivered to those who deserve it.

He called on companies to put forward a programme to face the recession in local markets, as well as rationalise employment and energy consumption.

The ministry is working with 71 energy-intensive companies to prepare a programme to rationalise energy usage, as well as increase the competitiveness of the products of these companies in global markets.

The decision to register exporting foreign companies remains; no new procedures to restrict export

It is also seeking to finish the preparation of an investment map this September with the aim of creating a linkage between factories and meeting their needs for raw materials.

"For example, Sohag has 17 furniture factories that all need glue, and there is not a single glue factory in Sohag," the minister said.

The map would be used to determine the kind of labour and trainings needed to achieve integration between factories and connect factories and workers.

He added that the ministry launched a website for the 10th of Ramadan Investors Association and waste recycling companies to connect all the companies working in the sector to each other.

Kabil stressed that the authority has issued about 923 operation permits since the issuance of the Industrial Licensing Law until the issuance of the executive regulations last August. "The law will create a leap in the rates of industrial growth over the upcoming period," Kabil said.

He pointed out that the minister of the public business sector is cooperating to develop the affiliated companies, as well as prepare a plan to develop the industry of textiles.

The minister said that several meetings were held over the past period with El Nasr Automotive Manufacturing Company to develop production lines and look for new partnerships while using the company's assets and reviving them.

Kabil explained that the personal export council grants law is currently being discussed in the parliament and aims to provide export councils with more authority, such as making decisions to open logistical centres, in addition to other decisions related to increasing export rates.

This year, the ministry carried out changes to Law No. 155 of 2002 to develop exports in a way that enables it to establish promotion and marketing companies for the different export councils, as well as contribute to establishing logistical centres to facilitate the presence of Egyptian products in foreign markets, as well as hold specialised exhibitions in coordination with the concerned authorities.

The Minister of Trade and Industry handles determining the specialties of these councils, their resources, and their spending, as well as the work system and the membership. In addition, the Federation of Egyptian Industries (FEI) nominates one-third of the number of members in each council.

Kabil explained that the ministry seeks to include companies from the private sector in the management of the industrial zones to ensure the quality of the infrastructure and carry out periodic maintenance.

CAPMAS considers launching online interactive investment map

Agency issued a special bulletin for producer prices in June in order to protect the rights of investors, says El-Guindy

The Central Agency for Public Mobilization and Statistics (CAPMAS) is studying the use of population data and distribution, and the distribution of activity and production in order to formulate an interactive investment map highlighting the type of activities in the governorates, facilities, and services. This map would be available on the agency's website.

By Amany Radwan

CAPMAS director Abu Bakr El-Guindy said that the agency is keen to communicate with local and foreign investors through social media and periodic updates on its website and the Geographic Information Portal.

El-Guindy told Al-Borsa in an interview that the agency is seeing growing demand by producers in giving CAPMAS information on the different sectors. This came as a result of the government and other bodies, including the private sector and suppliers, resorting to the bulletin as a tool to evaluate the cost differences to specify the compensations for the difference in costs that emerged due to the difference in the foreign exchange rate in tenders and contracts signed before the flotation of the Egyptian pound in November 2016.

He added that CAPMAS appreciates the cooperation of the sources of information and responds to their needs. CAPMAS issued a special bulletin for producer prices in June, before its usual date, so that the various parties could reconcile their positions before the end of the last fiscal year to ensure the rights of investors.

Egypt, with its legislative and financial reforms, has become a suitable environment for investment, which is expected to show more results in the coming months, according to El-Guindy.

He highlighted the growth in the number of new companies between January and July 2017 by 20%, reaching 8,751 companies up from 7,279 companies established in the same period last year.

He noted that CAPMAS is continuously cooperating with the Ministry of Trade and Industry and the Egyptian Customs Authority to improve the quality of foreign trade data by recording the quantities next to the prices, instead of manually processing the data and determining the quantity according to the value and the average price, which would take months to calculate.

At the same time, El-Guindy pointed to some technical problems facing the unification of different units of measurement, which is being solved in the new way the mechanism expected to be faster and more accurate.

He added that CAPMAS is constantly seeking to improve its communication with data sources to speed up the issuance of statistical bulletins and is working on developing its technological structure for processing data in real time, as was the case with the birth and death bulletin. He noted that this process requires high costs that the state budget cannot afford now.

Moreover, El-Guindy said that CAPMAS is cooperating with the World Bank on technical support to improve the quality of important bulletins, such as consultation on income and expenditure research forms, data entry methods, training of staff on computers, and modern software.

Abu Bakr El-Guindy

We study linkage of poverty line with consumer price index and update it periodically

The recovery of investment statistics is evidence of the success of reforms in improving the business environment

He pointed out that CAPMAS will work on linking the prices of the food basket, which determines the poverty line, periodically with the current market prices, since the method of measuring the number according to the US dollar exchange rate is not correct because its effect is uneven on different products and it neutralises other factors in the cost.

He added that the agency is in the process of conducting a new survey on the fare of transportation and the extent of the obligation of drivers in the various governorates with the new tariff.

El-Guindy also said that the supervising authorities could have ignored the drivers who round up the tariff to even numbers; yet, he noted that the survey aims to find the ratio of unjustified tariff increases in different regions to identify the areas where control should be tightened.

He noted that the monthly survey conducted by CAPMAS on 20,000 outlets shows that the adherence to prices is linked to the number of competing entities in different regions, where the spread of governmental outlets, including the Ministry of Supply, the armed forces, or the police, curb random pricing.

Egypt ranks 115th from 138 countries on the Global Competitiveness Index 2016/2017, even though it ranks amongst the top 25 countries on the market size rankings included on the same index. Egypt also ranked 112th amongst 138 countries on the commodity market efficiency index.

The general producer price index registered 289.1 in May, up by 35.7% from the same month last year, in conjunction with the consumer price index (CPI) scoring 29.5% in the same month.

He mainly attributed the inflation hike to the increase in production costs, not lack of competitiveness, as shown in the producer price index, which surveys 1,330 establishments spanning more than 785 commodities.

El-Guindy expects that the social protection measures taken by the state to protect low-income citizens by financing direct subsidies, which doubled the ration cards of the energy and electricity subsidy programmes, will accelerate the recovery of the purchasing power of citizens and support competition with private producers.

According to the statistics of the system, the ration cards include 90% of households up to the eighth tranche of the expenditure segments, and this percentage decreases with the increase in the standard of living of the family to 77.4% in the tenth, upper expenditure segment.

The ration cards provide about 6.8% of households' consumption of food products, mainly sugar, which covers 62.5% of the household needs in the urban governorates, and can go up to 84.9% in the countryside, according to the indicators of the food support system issued by the agency last year.

Industrial sector needs more lands after new investment, licensing laws: FEI Head

Factories have been adversely affected by the economic reforms; investors' pains will soon end

The economic reforms adopted by the government in the last few months have not been easy on the industrial sector, but have caused a decline in the productive capacities of factories. Yet, this will soon change and the pain of factories may soon be gone—especially after the passage of the industrial licences and investment laws.

BY Walaa Gamal and Ahmed Sabry

The head of the Federation of Egyptian Industries (FEI), Mohamed El-Sewedy, said that the adoption of the two laws and the imposition of restrictions on imports pushed many foreign and local companies to submit requests to invest in Egypt.

He noted that the industrial sector now needs much more industrial land offerings to meet the booming demand on investment in Egypt.

The Industrial Development Authority (IDA) has offered 11.5 million sqm to investors in the first half of this year, in addition to a number of ready industrial complexes.

El-Sewedy added that the last few months saw a decline in the production capacities in the industrial sector, due to the rise in production costs on the back of increasing the prices of fuel, electricity, and water, as well as the high exchange rate. He, however, said that the pains of factories will soon come to an end and that they will be back online at full capacity soon.

He said that many Egyptian and foreign investors showed great desire to invest in Egypt and that the IDA received requests from Germany, Italy, and China to establish industrial zones in East Port Said and the Suez Canal Economic Zone.

El-Sewedy also said that the Egyptian market offers many investment opportunities in the sectors of garments, medicines, petroleum industries, marble, food industries, agricultural reclamation, ceramics, and sanitary ware, having been saturated with investments in the strategic industries such as iron and cement.

He urged the government to expand in the establishment of integrated industrial complexes and cities; to expand the industrial scale, because the future of the industry is based on the small- and medium-sized industries development to provide raw materials in the domestic market, and the operation of a large amount of labour.

He pointed out that the FEI called on the government to establish areas for the feeding industries to reduce the import bill from abroad, and identified four major sectors, namely ready-made garments, upholstery, leather, and marble, to start to provide materials locally.

He added that the FEI, in cooperation with AYADY for Investment and Development, also submitted a memorandum to the Cabinet to approve the establishment of six industrial zones within the 1,000 Feddans projects in the Delta and Upper Egypt with investments of EGP 90m-120m.

Two years ago, the FEI announced its intention to establish a project called 1,000 Feddans to establish an industrial zone on an area of 1 feddan in each village. About 40% of funding comes from the governmental AYADY for Investment and Development, while the remaining part comes from financiers or private sector investors. The project aims to support micro, small-, and medium-sized enterprises all across Egypt, and create jobs, as well as stimulate the industry.

El-Sewedy said that under the memorandum submitted to the Cabinet, the FEI seeks to find the best mechanism to complete the project of 1,000 Feddans, employ youth of the villages, and raise their standard of living, even if it is at the expense of obtaining plots of small agricultural land in order to operate the largest number of employment in a legal framework.

He estimated the cost of each industrial zone at EGP 15m-20m to create 500-600 jobs.

Moreover, he noted that the Central Bank of Egypt (CBE) approved the financing of industrial developer companies that are based on the project of 1,000 Feddans at a reduced interest rate in the framework of its small- and medium-sized enterprises (SMEs) development initiative.

Mohamed El-Sewedy

Strategic sectors are saturated with investments; market has potential for textiles, pharmaceuticals, food

He expected that the first factory within the project of 1,000 Feddans will open in Sharqeya governorate in October, specialised in ready-made garents, set to offer 250 jobs.

He pointed out that the FEI called on the CBE to allow the industrial sector to access soft loans with an interest rate of 12%, so that companies can inject further investments.

He explained that the FEI addressed the CBE after many factories complained about the high interest rates, which impacts rates of foreign and local investments.

He added that the reduction of interest rates contributes to an increase in the growth rate of the industrial sector, in line with the government's tendency to establish areas for small- and medium-sized industries that contribute to a rise in industrial growth, and provide raw materials for the domestic market.

The CBE raised interest rates in May by 2% to reach 18.75% on deposits and 19.75% on credit.

El-Sewedy said that the bylaws of the law of industrial licences issued in August can increase growth in the industrial sector, especially safe industries, that account for 80% of the industrial sector.

He explained that these factories were facing difficulties in obtaining licences for industrial land, and the adoption of the law will contribute to the inclusion of several factories from the informal sector to the official sector.

He pointed out that the FEI submitted a memorandum to the Ministry of Trade and Industry to demand a reduction in gas prices for steel plants, so that they can return to work at full production capacity, especially after the decline in the production capacities of the factories.

Prime Minister Sherif Ismail issued a decree last year to reduce the prices of gas supply to iron factories from $7 to $4.5 per million thermal units, but the decision has not yet been implemented.

He described the rise of iron prices in the domestic market during the past few months as a natural matter beyong the will of factories, as a result of the rise of the prices of raw materials and scrap.

He called for the need to obligate all bodies and government agencies to apply the law of domestic product preference, rather than importing.

"In cooperation with the Ministry of Trade and Industry, the FEI is studying an export support mechanism and improving the efficiency of Egyptian products, in order to remove obstacles for exporters," El-Sewedy said.

The study includes increasing support for the African market, facilitating the transport of goods, and setting up external exhibitions to enhance the chances of the Egyptian producer's presence in foreign markets.

It also includes support for shipping goods to distant countries or for which shipping costs are high, as well as facilitating the exporters to obtain the certificates of specifications and quality of the Egyptian product.

He pointed out that the FEI called on the parliament to study the draft law stipulating the independence of the Industrial Development Authority (IDA), both in terms of linking industrial lands to utilities or offering them to investors, without the need to refer to the New Urban Communities Authority (NUCA) or the General Authority for Investment and Free Zones (GAFI) to boost investments rates.

He said that the executive regulations of the Food Safety Authority Law will be issued before the end of this year, and will contribute to organising measures to prevent monopoly and unfair competition, protect consumers, and ensure the safe arrival of products, in accordance with international standards.

He said that the Chamber of the Pharmaceutical Industry at the FEI will submit its proposals to the committees of health and industry in the House of Representatives on the law of the Supreme Healthcare Body within two months, and that the law will be completed before the next session of the House of Representatives.

He explained that the body will contribute to the speed of issuing approvals for the establishment of factories, and the provision of missing drugs, as well as attract new investors to the local market.

Egy Trade to improve country's position on global competitiveness indices

Industry ministry and customs authority to re-examine trade transfer legislation for electronic transactions : El-Gammal

By Nehal Mounir

The government aims at improving Egypt's status in global competitiveness indicators through the application of the national system to facilitate trade, known as Egy Trade.

Advisor to the Minister of Trade and Industry for information Samir El-Gammal said that the implementation of the national trade facilitation system, known as Egy Trade, will improve Egypt's position in the global competitiveness indicators, through reducing the documents required for conducting trade transactions.

Egypt's ranking fell in the Global Competitiveness Index from 70 among 131 countries in 2009/2010 to 115 amongst 138 countries in 2016/2017, while it ranked 116th in 2015/2016 from a total of 140 countries.

El-Gammal told Al-Borsa that one of Egypt's main problems in foreign trade is the multiplicity of documents required for the process of trade, both export and import, next to the manual procedures and their replication from different bodies, which lengthens the trade process and hikes costs.

He explained that Egy Trade works to unify eight licensing bodies for all foreign trade operations into one body to ease the procedures for importers and exporters, which would boost the confidence of investors in the local market and enhance the presence of Egypt on the map of regional and global trade.

Former prime minister Ibrahim Mehleb issued a decree in 2015, giving the order to establish a trade facilitation system known as Egy Trade to simplify procedures for exporters and importers and eliminate bureaucracy. At the same time, President Abdel Fattah Al-Sisi issued a decision to have Egypt join the Trade Facilitation Agreement within the framework of the World Trade Organization; thus, contributing to reducing the cost of trade facilitation by 30%-40% and boosting the size of global trade by $1tn.

El-Gammal said that the Egyptian Customs Authority is responsible for reviewing all procedures to simplify and unify them in cooperation with various relevant authorities. For example, the General Organization for Export and Import Control (GOEIC) can shorten the time and procedures needed from investors to obtain the import and export approvals from several bodies, through a website or an integrated portal that guarantees obtaining customs approvals and examines the imported or exported samples; hence, eliminating the potential for forgery.

He noted that the Ministry of Trade and Industry is working with the customs authority to reconsider the legislation concerning the automation of procedures and convert them into electronic processes to prevent problems in import and export when Egy Trade becomes operative.

He pointed out that the decision of the Minister of Finance to apply the Single Admission Document (SAD) contributes to reducing the time of customs release, and reducing the cost incurred by importers.

Samir El-Gammal

Activating the system reduces foreign trade licences to one body, facilitates tracking of imports

SAD is a document that consolidates all forms required by customs authorities (other than original invoices and certificates of origin) within a single form to be used for a single import or export transaction.

He added that the system will be tested in the port of Alexandria, noting that the internal environment of the offices of the GOEIC is being prepared to become a central system before the end of the year. This will make them ready to be linked with Egy Trade as soon as the Egyptian Customs Authority prepares the software for that.

El-Gammal also said that the first phase of the work of the national system to facilitate trade begins before customs clearance, which is the stage of the customer (importers and exporters) obtaining the permits and certificates that prove their eligibility for such transactions through several electronic documents, such as the importers or exporters registry and the approval.

Once the client enters the data with the code assigned to them on the system, all approvals, industrial, export, and import records are displayed online.

He added that with all the data made available, importers and exporters can open the customs declaration, begin entering their data, facilitate the process of obtaining approvals, start the export or import, and enter directly at the stage of customs declarations. If the commodity is among the goods that must be presented to examination, the system automatically transfers the data to the GOEIC to finish review and accept or deny in accordance with the rules.

He noted that the clients can stay updated about the procedures online, saving them time and effort.

Although he did not specify a time for the launch of the system, he said that it depends on the Egyptian Customs Authority that is preparing the implementation plan.

He pointed out that the new system facilitates the tracking of incoming shipments to Egypt, ensures their conformity to specifications and quality before entering local markets, and is in line with the state policy to rationalise imports and increase exports.

Housing Ministry supports real estate sector within comprehensive economic reform plan

We provide units and land for all income segments, meet demands of developers with various investment models , says Madboly

After decades of scarcity of available land and unsuitable units offered to citizens for real demand, as well as the lack of transparency in distribution, the Ministry of Housing has become a beehive for nearly four years. During that time, the ministry has launched a number of development axes, such as social housing projects for low-income citizens, along with Dar Misr for the middle-income segment, and the expansion in offering investment lands.

By Mohamed Darwish

The ministry has also worked to develop specific legislations for the real estate sector, including the contractors' compensation law, the bylaws of the New Urban Communities Authority (NUCA), and the social housing law, alongside the expansion of offering land plots to individuals in Egypt and Beit Al Watan for Egyptians abroad, in addition to Sakan Misr for distinctive housing.

Minister of Housing Mostafa Madboly said that the ministry is seeking to implement its plans on time, within a comprehensive government plan for urban development and economic reform.

In an interview with Al-Borsa, he specified the ministry's role in the comprehensive government plan, explaining that it will provide the largest number of units and land plots for different income segments and work on meeting investors' demand to obtain lands with utilities according to different investment models.

He pointed out that the Egyptian economy in general and the real estate sector in particular faced the challenges of the rise in the US dollar exchange rate against the Egyptian pound and the price increases, but that the ministry's plan succeeded in absorbing a large number of variables by supplying the market with the units and land needed to meet the increasing demand.

Last year, the ministry, through its investment arm NUCA, launched a series of land proposals in various housing and investment activities, as well as units in its residential projects.

"In past years, real estate companies complained of the lack of available lands in new cities," he said. "Yet, the NUCA has succeeded in providing a variety of mechanisms for offering lands and provide opportunities for all companies in accordance with their technical and financial capabilities."

In July, the NUCA offered 86 land plots, including 59 urban activity plots at a specific price per metre with areas ranging between 4 and 402 feddans in 19 new cities.

The NUCA also offered 14 land plots through closed-envelope tenders. These plots ranged between 10 and 105 feddans each in 6th of October, Obour, Shorouk, Sheikh Zayed, New Aswan, and New Damietta cities, and 13 plots in partnership with the private sector with areas ranging between 58 and 2,800 feddans in New Cairo, 6th of October City, Sheikh Zayed, and South Marina.

The Minister of Housing said that the new placement is suitable for all segments of the real estate development companies operating in the Egyptian market, adding that the ministry was keen to distribute the pieces in most of NUCA's cities within the comprehensive urban development plan.

He noted that the plan aims to attract more internal and external investments through offering lands for real estate investment in new cities, which will positively affect the development of these cities and will provide direct and indirect employment opportunities because of the labour-intensive nature of the sector.

"The NUCA has endeavoured to diversify the mechanisms of offering. The lands at a specified price are suitable for many segments of the companies that target specific areas suitable for their development capacity, while the pieces offered in closed envelopes are left for companies to compete on the offering price, due to their vital locations in the new cities," he said.

Madboly also said that the second offering of the private sector partnership project comes as a continuation of the success of the ministry in the first offering, which resulted in signing contracts with Egyptian and Arab companies to develop four projects over a total area of 2,000 feddans in New Cairo and 6th of October City with investments reaching EGP 150bn.

The Minister of Housing said that the size of the NUCA's offerings in the last year exceeded the size in the previous years, as in 2016 alone, NUCA offered some 80,000 land plots to individuals for social housing, distinctive housing, and luxurious housing.

The new land offering includes 24,000 pieces distributed across three income segments for all categories.

The NUCA offered 12,700 social housing plots, 7,373 plots for distinctive housing through public tenders, and 3,930 luxurious housing land plots allocated for the highest down-payment.

Madboly stressed the ministry's efforts to combat land trade by increasing the number of plots offered in all cities to meet the demand of all Egyptians and speed up the development of the new cities, as well as provide job opportunities in these projects.

He added that the NUCA is keen to speed up development by providing the architectural models of all the necessary executive drawings to obtain licences, so that citizens that win the tender can obtain building permits as soon as they obtain the land.

Madboly described the New Administrative Capital project as the most important project that supports the country's plans for comprehensive urban development due to its large size and its ability to attract local and foreign investments throughout the development period.

Mostafa Madboly

The ministry's plan aims to attract local and foreign investments and helped absorb the fluctuations of the sector

The project lies on 170,000 feddans. The Ministry of Housing provided investments amounting to $8bn to develop 12,500 feddans for the first phase.

The ministry is also preparing to offer 25,000 units in the first phase of the residential district in the new city, including houses and villas.

The first residential district in the New Administrative Capital extends over an area of 1,000 feddans.

Madboly said that the development project aims at creating an integrated work environment with high quality infrastructure, attracting capital and international companies, as well as providing the opportunity to free Cairo from the congestion resulting from the movement of employees in ministries and government bodies. This would leave Cairo to become the historic, cultural, and heritage tourism capital.

He pointed out that the size of the new capital is double the size of New Cairo and provides lands for 50 years, which is a necessity at the current time.

Madboly added that a number of Egyptian construction companies started – under the supervision of the Engineering Authority – the implementation of the government district, which will include the House of Representatives, the cabinet, and 18 ministries.

Meanwhile, he explained that the ministry presented the ninth offering in the social housing project in 22 governorates within a plan to provide units for low-income citizens.

He pointed out that the ministry completed the implementation of 230,000 social housing units worth EGP 31bn and is now working on 270,000 units worth EGP 42bn.

The ministry has also implemented a middle-income project, Dar Misr, where it is now completing 58,000 units in 11 cities and preparing to build 100,000 new units. The distinctive housing project, Sakan Misr, has seen an offering of 40,000 units in six new cities with 115 sqm per unit.

Madboly said that the government is seeking to develop the existing cities and create a new generation of new cities to achieve the national plan of doubling the urban area from 7% to 11% by 2030.

He added that the ministry is implementing 1,920 residential units at a cost of EGP 300m in New El Alamein, along with the beachfront and infrastructure, worth EGP 3bn.

The minister estimated the investments needed to develop the first phase of New El Alamein at EGP 10bn, noting that the ministry is planning to offer projects of large areas to Egyptian and Arab investors, whether through a partnership with the private sector or through selling the lands.

The area of New El Alamein is estimated at 50,000 feddans. The city has a beachfront extending over 14 kms and will include a number of investment projects, a tower district, hotels, and residential areas.

"The NUCA will finance the city," he said, adding that many large investors have begun negotiating with the ministry that will offer them projects soon.

The philosophy of the work of the Ministry of Housing in the new cities is to carry out the implementation of infrastructure, followed by some projects to confirm the seriousness of implementation, and then offer projects and opportunities to investors.

He noted that the NUCA's plan is to build units for all segments, starting with distinctive housing at 5,000 units in the first phase, followed by the implementation of middle-income housing, before moving on to luxurious housing.

Madbouly said that the beach area has been set to become a global tourism destination with over 25,000 hotel rooms that operate all year long like Sharm El-Sheikh, adding that the projects will begin with the first coastline part extending over 4 km, which will include restaurants and hotels.

According to the minister, the Ministry of Housing contributes to the state plan to increase the volume of construction and construction sector to about EGP 1tn over the coming five years.

The land offer to real estate companies and individuals increases the size of the construction sector and contributes to increasing the activities of real estate companies, in conjunction with the ministry's plan to develop new cities.

The value of the investment plan of the NUCA this fiscal year amounts to EGP 31bn.

The NUCA's investments surged from EGP 4.8bn in fiscal year 2012/2013 to EGP 7.7bn in the following year, then EGP 12bn in FY14/15, to EGP 22bn in FY15/16, and over EGP 30bn in the past fiscal year.

He pointed out that the increase in the investments of NUCA reflects on the growth in the number of projects implemented, in line with the state's plan to provide lands and residential units to individuals.

Finally, he stated that the NUCA's negotiations with real estate companies are ongoing to solve the problems facing the sector, adding that the NUCA has adopted its bylaws and signed a cooperation protocol with the Real Estate Development Chamber of the Federation of Egyptian Industries, and formed a permanent joint committee to solve the problems of investors and developers.

Moreover, it also transferred the authority of reviewing permits to an authorised consulting office to speed up granting the permits, obtaining ministerial decisions, and regulating the advertisement of the real estate investment units.

Economic landscape promising, investments inevitably en route: Diab

Reform programme considered successful surgery that took economy out of 'imaginery tunnel'

By Ahmed El Fayed

"The Egyptian economy is still promising and ready to attract new investments after implementing the bulk of the economic reform programme," said businessman Salah Diab, chairperson of Project & Investment Consulting Co (Pico).

Diab told Al-Borsa that the economic reform measures taken by the government in the past period have contributed to confronting reality and emerging from the tunnel of the imaginary economy.

"The economic reform was definitely coming, and facing reality now is better than facing it after the situation has worsened, as it did with Greece or elsewhere," Diab said.

He added that the fruits of the reform will not appear quickly and will not be very noticeable for the time being, due to the rise in the prices of all goods. This contributed to a rather foggy image, despite the prices going up to their realistic level.

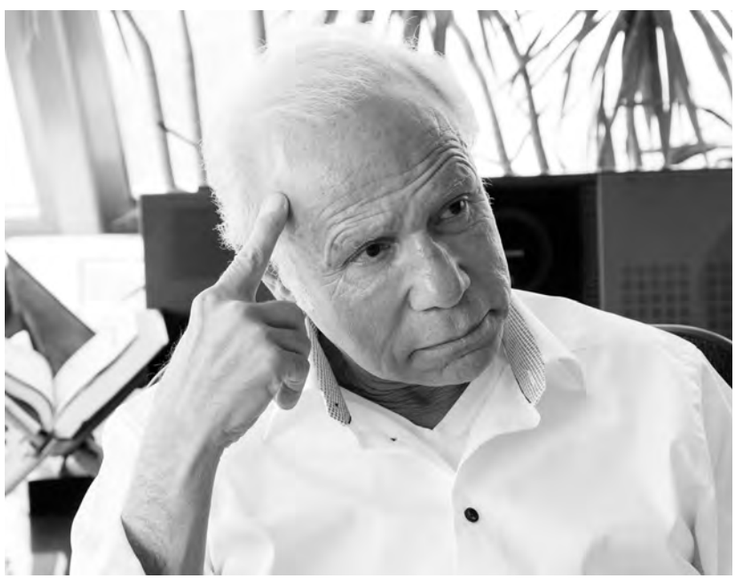
He pointed out that foreign and domestic investments are inevitably coming and that the delay in attracting them is due to the reluctance of some investors.

Diab expected lower interest rates by the end of the year after inflation fell, as that would attract more investments and improve the image of the investment climate in Egypt, as well as send a message of reassurance to local and foreign investors.

The Central Bank of Egypt (CBE) raised interest rates last July to reach 18.75% for deposits and 19.75% for lending. This is the third increase since the flotation of the Egyptian pound, which resulted in a 3% interest rate hike in November 2016 and a 2% rise in May.

Diab said that next year will see a new beginning and reveal the true image of the Egyptian economy, which will positively reflect on attracting investments.

He added: "As an investor, I am confident in what is coming, especially as the exchange rate will not see a new explosion, and everyone should be optimistic, especially businessmen."



Salah Diab

Separating politics from economy, strictly applying laws are success factors of reform plan

He said that the remarks of the Minister of Investment and International Cooperation Sahar Nasr to target the same growth rates achieved in 2010 and attract $10bn of foreign direct investment are realistic and achievable under the government's plan to reform the economy.

Diab called on the government to seriously implement the economic reform programme, resolve the implementation of decisions and laws, and completely separate the policy from the economy.

He pointed out that the reform programme contributed to moving away from the dominant state of economic panic, ending the crisis of foreign currency management and the failure to provide financing and loans to investors.

He added: "The economic scene has changed after the recent measures. The picture is very promising and the next one is better."

El Garhy Steel to raise annual production to 2.5m tonnes by 2020 end: chairperson

Increase in steel prices bad luck for factories, following global price of billet

El Garhy Group for Steel aims to boost its production to 2.5 million tonnes per year in 2020 and increase its market share from 9% to 22%, as well as realising sales of EGP 11.5bn by the end of this year.

By Walaa Gamal and Samira Saed

Chairperson of the group, Gamal El Garhy, said that the group will inject investments of $250m to establish two factories in Suez on an area of 1 million sqm in order to produce billet with a capacity of 1.2 million tonnes per year. The other factory will roll 500,000 tonnes of steel per year.

El Garhy told Al-Borsa in an interview that the current factories include untapped spaces, as the group will add two production lines to the Misr National Steel Ataqa plant and the Egyptian Co For Steel (El Garhy) with a capacity of 500,000 tonnes each.

He explained that the production of the group will rise to 2.5 million tonnes per year in 2020, up from only 1 million tonne now.

The group owns three factories producing 1 million tonne per year.

Construction is scheduled to commence during the current period, and the group will select between importing machinery and equipment from Germany or Italy.

El Garhy said that the group aims to realise sales worth EGP 11.5bn by the end of the year, with plans for exporting and new restructuring, in conjunction with the new investment plan, which also includes putting the group on the Egyptian Exchange (EGX).

He added that the first quarter of next year will witness the listing of the company on the EGX and offering 25% of its shares for trading, explaining that the proceeds of the offering will be directed to new expansions and factories, and that the group is now re-evaluating the fair value of the share.

He noted that the banks' participation in financing investments will remain under 30-40% of the total value.

The chairperson explained that he does not want to borrow a sum beyond the contribution of the company itself from banks.

El Garhy also said that investing in full cycle and DRI production factories went through several obstacles, including the high price of gas and the restrictions on establishing power plants for each of the factories, which surged costs and investments.

"I will not go through this again unless I am completely satisfied with the strength of the company in going through these challenges," he stressed.

He said the group had delayed investing beyond the iron and steel sector despite the desire to distribute investment risks and enter into fewer fields. However, the expansion of the iron sector is a priority.

The group allocates 30% of its production to major state projects and 70% to feed the local market through agents and distributors.

El Garhy also said that the group launched an advertising campaign in Ramadan to introduce it to the market.

He explained that the group has a distribution plan covering all governorates with a clients' base of over 250 names, which will increase following the new production increase, especially with the increasing demand from existing clients and the growing list of possible new ones.

Gamal El Garhy

He pointed out that the market share of the group fell from 12% to 9% on the back of other factories increasing their production, adding that the group is working to reach a 22% market share through increasing production and pumping new investments.

The group also plans to allocate part of its production for exporting to collect hard cash, which will be necessary to import raw materials.

He pointed out that the rise of steel prices was bad luck for the factories, explaining that despite the appreciation of the value of the national currency against the US dollar, the global price of billet increased to $530 per tonne, up by $135 (EGP 2,500). Yet, the prices of steel only increased by a small margin compared to the surge in raw materials prices.

He noted that companies are seeking to offer products at a price suitable for the consumer, but the local market is affected by the fluctuations of international iron prices and is forced to raise prices in order not to lose.

El Garhy also said that the group faced challenges last year, but managed to keep production rates steady, which is considered a success, as the volatility of the real estate sector was bad enough to eliminate any investments.

He added that the operational capacity of the factories reaches 12 million tonnes per year, while the local market only needs 8 million tonnes.

He pointed out that the market is witnessing a decline in constructions by individuals, but the national projects offset the decline and balance the market, which contributed to taking the accumulated stockpile in factories, especially with the decline in import rates.

He said imports had not been completely banned, but dumping duties on iron from China, Turkey, and Ukraine had been imposed.

He added that the decline in imports is evidence of the lack of market need for imported iron and that these countries deliberately dump the market and demolish the Egyptian industry.He explained that Turkey, China, and Ukraine were providing dishonest support to their factories to damage the Egyptian steel industries.

He said that the total imports of iron since the imposition of protection fees in June reached 75,000 tonnes and that raising the global price of steel protected the Egyptian market from importing.

The Egyptian iron factories rely, in the pricing of the product, on the prices of raw materials, being the main influence on the sector, he noted, adding that the current period is experiencing a crisis in the availability of the billet because China, the material's main producer, cut down its production—as if is responding to the dumping fees.

He said that Egyptian factories have a tendency to inject new investments to produce the billet in order to get rid of external pressures and fluctuations in the global market. The Egyptian market needs a total of 3 million tonnes of billet per year.

El Garhy said that the price of scrap, which is then melted to produce billet, amounts to $360 per tonne. Its price locally increases as it depends on the price of the final products. The needs of the Egyptian market of scrap ranges between 2 million and 2.5 million tonnes per year.

He noted that the iron sector does not need new investors, especially since current factories received permits to increase production.

He explained that he worries about the sector, not only his share. "I will not be the only one impacted, but there must be balance between supply and demand," he stressed, pointing out that the state should direct new investments to sectors and areas needed by the economy, especially since Egypt's production of iron exceeds the need by about one-third, and any increase will lead to a defect in the sector.

He noted that Egypt should first solve the problems of local investors before attracting foreign investment, as local investors, if satisfied, can themselves promote investments to foreign counterparts.

He called for solving the problems of the iron, aluminum, and foundry industry, especially as the foundries sector suffers from the fixed instalment of electricity, which may reach EGP 26,000 per month, when consumption is worth EGP 3,000.

He added that the foundries are working on smelting the metal and then the furnace is turned off to start the manufacture of the material and its composition. This means that the highest point of consumption is only two or three times a month, so the state must modify the fixed instalment of electricity and determine a figure that does not exceed the value of consumption.

He explained that the problem was presented to the ministers of electricity and industry, and the Prime Minister, but that no actions were taken, which exhausted the foundries, causing many of them to stop or reduce production. He noted that he cannot urge the state to reduce energy prices at the current time, but reducing the price of gas is not a subsidy, as steel is a strategic industry.

He added that what prevents the state from implementing the decision is the limited size of gas available, emphasizing that the cost of gas on the plants of the full cycle of steel production amounts to 12%-13% of total cost per tonne.

Parliament to resume discussing economic reform laws in October: committee head

Bankruptcy, consumer protection laws, amendment of Companies Law are most prominent legislations

The parliament is planning to amend the Companies Law No. 159 of 1981 and discuss a new bankruptcy law during the upcoming legislative term in October. Amr Ghallab, head of the Economic Affairs Committee in the parliament, said that the two laws will continue the economic reforms undertaken by the government since early 2016, which started with the Civil Service Law that targeted the administrative reforms of which the government implemented a part.

By Abdel Razek Al Shuweikhy

Ghallab said that the package of legislations approved by the parliament during the past legislative term targeted reforming the structural imbalances in the economic system to increase growth and the attractiveness of that system before direct, indirect, and local capital.

Over the past legislative term, several important legislations were passed, of which the most prominent one was the value-added tax (VAT) and industrial licensing laws. The latter facilitates the procedures of projects and their implementation. In addition to that, the New Investment Law approves a group of incentives for different economic zones and transferring profits based on specific controls and rules.

During its upcoming session, the parliament targets to resume the economic reforms, whether to attract capital or to set the pace of markets through tightening control on them with the aim of increasing efficiency and transparency through the legislation of the bankruptcy law, the amendment of the Companies Law, and a law to amend the Consumer Protection Agency (CPA), he added.

The laws issued over the past period and those expected to be issued over the upcoming period do not only aim at legislative reforms, but also to create a suitable climate for capital flow, as the state with all its institutions is working towards that goal, the committee head stated.

The New Investment Law approved by the parliament was discussed for more than two months. Business organisations were contacted during the discussions. The government was also keen on responding to all the amendments of the parliament's Economic Affairs Committee and the remarks made.

In addition, the government sent the draft of the executive regulations to the committee for remarks, which were discussed in August, Ghallab explained.

The new law provides incentives to projects implemented after the law becomes active, according to the investment map through carrying out a deduction of the net profit on the taxes due. The law allocates 50% deduction of the tax for sector A. It includes the neediest geographic areas for development based on the data and statistics issued by the Central Agency for Public Mobilization and Statistics (CAPMAS). The deduction will be 30% for sector B which includes the rest of the country based on the distribution of investment activities.

The project stipulated that the investment incentive must not exceed 80% of the paid up capital until the start of the activity.

The law will contribute to enhancing Egypt's position in the indices of direct investments internationally with the improvement in the investment climate, and not only modern legislations, he said. More than 65% of the New Investment Law was amended during its discussion in the Economic Affairs Committee in the parliament. The Minister of Legal and Parliamentary Affairs Omar Marwan can attest to that, he assured.

Of course, there is an important aspect to focus on which is that incentives alone are not enough to attract capital, he pointed out, adding that it goes hand in hand with preparing the investment climate through a whole package of economic legislations; something that the parliament has been able to achieve so far.

Those legislative packages, whether the ones already issued or the ones expected to be issued over the upcoming term, aim to create rules for after the investors' entrance into the market until their exit, whether the exiting is partial or total.

The new law allows transferring investors' profits and has solved this issue from which many foreign investors had complained, Ghallab highlighted. It gives investors the right to completely transfer profits abroad with controls and rules.

All these details are made clear in the executive regulations of the New Investment Law. They were sent by the government to the parliament and were discussed during several sessions held in August, he elaborated.

The investment map is expected to be issued later, and this matter might take a long time as ministries will work to gather all investment opportunities that could be placed on that map, given that each ministry is obliged to propose the available investment opportunities and send it to the General Authority for Investment and Free Zones (GAFI).

The ministries of trade and housing have already sent their available investment opportunities to GAFI in order to place them on the map in August.

Ghallab expressed his optimism about the moves made by the Minister of Investment and International Cooperation and her meetings with investors, whether inside or outside Egypt, through her presence at different events.

Amr Ghallab

Investment law incentives aim to deepen industry, increase contribution to GDP

He believes that minister Sahar Nasr is adopting marketing and promotion of different investment opportunities through those meetings.

Nasr has visited many countries in Southeast Asia during the last month to promote several investment opportunities to them.

These tours and meetings are serious steps that stress the presence of a desire to promote investments and that there is a change in the mindset, according to Ghallab.

Previously, there was no database of these investment opportunities that could be promoted in all the economic events across the world, but everything is improving, he said.

Ghallab added that he is pleased with Nasr's efforts and her ability to implement the tasks assigned to her efficiently.

> Increasing interest rate price increased loan expenses; decline expected with activation of new investment law

The new recently-approved investment law does not treat foreign investors any differently from local investors. Everyone has the chance to benefit from the incentives and guarantees provided by the law, according to him.

Reforms have specified the steps in dates, and the procedures as well as controls to be implemented. This is what will happen in the amendments of the Companies Law planned to be passed to the parliament over the next legislative term, he noted.

The return of foreign investors' confidence in the Egyptian economy has increased investments in the treasury bonds and bills over the past few months. He said that the aim is to create a centre to attract direct foreign investments in the Middle East during the upcoming period, following the major reforms.

He expects the Egyptian economy to attract direct foreign investments worth $8bn-$10bn by the end of this fiscal year, with expectations for the amount to exceed $10bn during the upcoming fiscal year with the continuation of the economic reforms.

Ghallab said that the decision made by Central Bank of Egypt to increase the interest rate by 2% raises the cost of takin loans from banks, negatively affecting direct investment indices.

The decision by the CBE to increase the basic interest rate on the tools of the monetary policy by 2% took it to 18.75% on deposits, 19.75% on loans, and 19.25% for credit, discount, and main operation prices in the CBE.

The decision was extremely difficult and took place during a short period after the decision to increase the interest rate by 2% in May. It has severely impacted the market, but the fact that the decision is temporary is reassuring. With the activation of the investment law and its regulations, the interest rate must decline.

The CBE's intervention was traditional in order to deal with the inflation indicators which went above 30%. This does not mean that there was no coordination between the fiscal and monetary policies, because there is actually great coordination between the government and the CBE, according to Ghallab.

Ghallab called upon the government to help the CBE face inflation, adding that the government can do this through opening new outlets and delivering goods directly, as well as tightening control and activating the role of civil society. He noted that some civil society organisations are already offering help in this regard.

He expects the control over markets to increase following the discussion of the consumer protection law put forward by the government. It will be discussed in the upcoming legislative term.

There is already an increase in the prices in the market due to the lack of control. "This is something we must admit," he said, adding that the government is deficient in its control role, so there must be strict procedures against all merchants who manipulate prices.

There is a parallel market in Egypt that is hard to control in terms of prices. Control is only carried out over the official market only. The parallel market must be merged into the official market so we do not remain in a pointless cycle where we keep blaming one another, according to him.

Switching to monetary support instead of in-kind support—which does not deliver subsidised goods to those who deserve it—will create a more efficient system. "I support the recent decision made by the Minister of Supply to issue ration cards to social security pensioners, migrant workers, and individuals with chronic diseases, in addition to those with low-income in the private and public sectors," he added, saying he completely approves reviewing the in-kind support entirely.

ITDA offers 8-16 investment opportunities in 2017

Investments on lands worth EGP 26bn offered last year, says Ashmawei

By Basma Tharwat

The Internal Trade Development Authority (ITDA) of the Ministry of Supply intends to offer between eight and 16 opportunities for investors during the current fiscal year in several governorates, as well as develop and link the commercial registry offices across Egypt.

In an interview with Al-Borsa, chairman of the ITDA Ibrahim Ashmawei stated the ITDA is negotiating with several governorates to provide lands for commercial chains and logistics centres.

In addition to that, Ashmawei stated that the ITDA managed to provide 254.5 feddans to be used for the establishment of logistical centres in seven governorates, which will be launched by the end of 2017.

Twenty-six of these feddans are in Luxor, 50 in Beni Suef, 16.5 in Qena, 15 in Fayoum, 17 in Assiut, 30 in Suez, and 100 in Ismailia.

Ashmawei estimated the total value of all investments that are being carried out by private companies to obtain lands from the public financial system last year at about EGP 26bn, including EGP 6bn for 80 feddans in the Gharbia governorate and EGP 20bn in 86 feddans in the Beheira governorate.

The ITDA promotes domestic trade, stimulates and encourages investment in wholesale and retail sectors, develops the legislative environment, and regulates and develops internal markets to become more competitive and balanced among producers, traders, and consumers.

Moreover, the ITDA aims to increase the contribution of the domestic trade sector in the gross domestic product (GDP) to 25%, instead of the current 17.5%, especially since it is a labour-intensive sector and absorbs about 6 million workers directly and indirectly, according to Ashmawei.

Ibrahim Ashmawei

He also added that the ITDA held meetings during the last period with a number of foreign and local investors, in addition to commercial chains, such as Carrefour, Spence, Al-Othaim, and Metro Market.

The ITDA aims to expand development areas in Upper Egypt, Sinai, North Coast, and Marsa Matruh, along with the Delta region and Suez cities. The agency obtained land in the Luxor, Beni Suef, Fayoum, and Qena governorates, as well as other areas in Ismailia, for which the cabinet's privatisation decision is underway and expected during the coming period.

"We are currently negotiating with Marsa Matrouh to allocate land to the ITDA, given that the area lies on the borders with Libya – an area which is currently being reconstructed and needs a variety of furniture, building materials, and food commodities," Ashmawi said.

The ITDA is currently working with local and foreign investors to promote investment opportunities to be launched during the Euromoney Conference from 18-19 September.

Furthermore, the ITDA aims to finalise linking 88 commercial registry offices across Egypt, in addition to linking commercial records to facilitate their extraction from any governorate instead of committing to the governorate issued by the registry.

The project of automating and developing the commercial registry was halted, although four consortiums won the public-private partnership (PPP) tender.

Inflation prepares for decline, suffering continues

The end of the difficult situation for citizens is linked to an improved purchasing power, says El-Swaify

The government and analysts know when inflation will slow down, expectedly during the last quarter of 2017. However, they do not know when the purchasing power of consumers is expected to improve.
The main reason behind the expected decline in October and November is the end of the basic year of the current rates which resulted from implementing the value-added tax (VAT) and liberalising the Egyptian pound's exchange rate, which took the basic inflation rate from 15% in October 2016 to 35.3% in July 2017.

By Ahmed Farahat and Amany Radwan

This means that the new numbers will not result in the direct improvement of the consumers' behaviour who need more time until their real incomes improve.

Radwa El-Swaify, head of the research department at Pharos Holding for Financial Investments, said that the improvement of the inflation rate does not mean a decline in prices, but rather a decline in the rate of price increases compared to the past.

The consumer price index increased from 20.2% in November 2016 to 34.2% by the end of July 2017, recording the highest inflation rate in 31 years.

She added that the improvement in the purchasing power of individuals can only happen in line with an increase of income and the availability of jobs, as well as decreasing unemployment rates. During the first half (H1) of 2018, the annual increase in incomes is supposed to take place in both the private and public sectors.

El-Swaify noted that implementing the tax deduction system, as well as raises and pension increases, will contribute to increasing the purchasing power as a result of being an indirect form of an income increase for individuals.

She pointed out that the lack of statistics by the relevant authorities makes it difficult to calculate the rate of individuals' incomes. In addition, the purchasing power may be calculated either through the inflation rates or the basket of goods for a family's purchasing power.

According to El-Swaify, a large number of companies have increased salaries by 15%-25% on average; however, this not enough to bring the purchasing power to its previous level as a result of an increase of inflation rates compared to incomes.

The Central Bank of Egypt (CBE) liberalised the exchange rate in November 2016 which caused the Egyptian pound to lose more than half of its value against the US dollar, reaching EGP 17.80 compared to EGP 8.78 before the decision.

A report issued by BNP Paribas said that the main reason for inflation in Egypt is the decline in the local currency's price; however, there are important explanatory elements to determine what affects inflation in Egypt and the prices over the past months.

The report used studies carried out by several members of the faculty of economy at Cairo University with several CBE members from 2003 to 2015. These studies noted that the direct impact of the increased prices of imported goods hardly contributes to the increase of inflation rates. However, the larger increase happens indirectly as a result of the increased prices of half-processed goods which impacts production inputs.

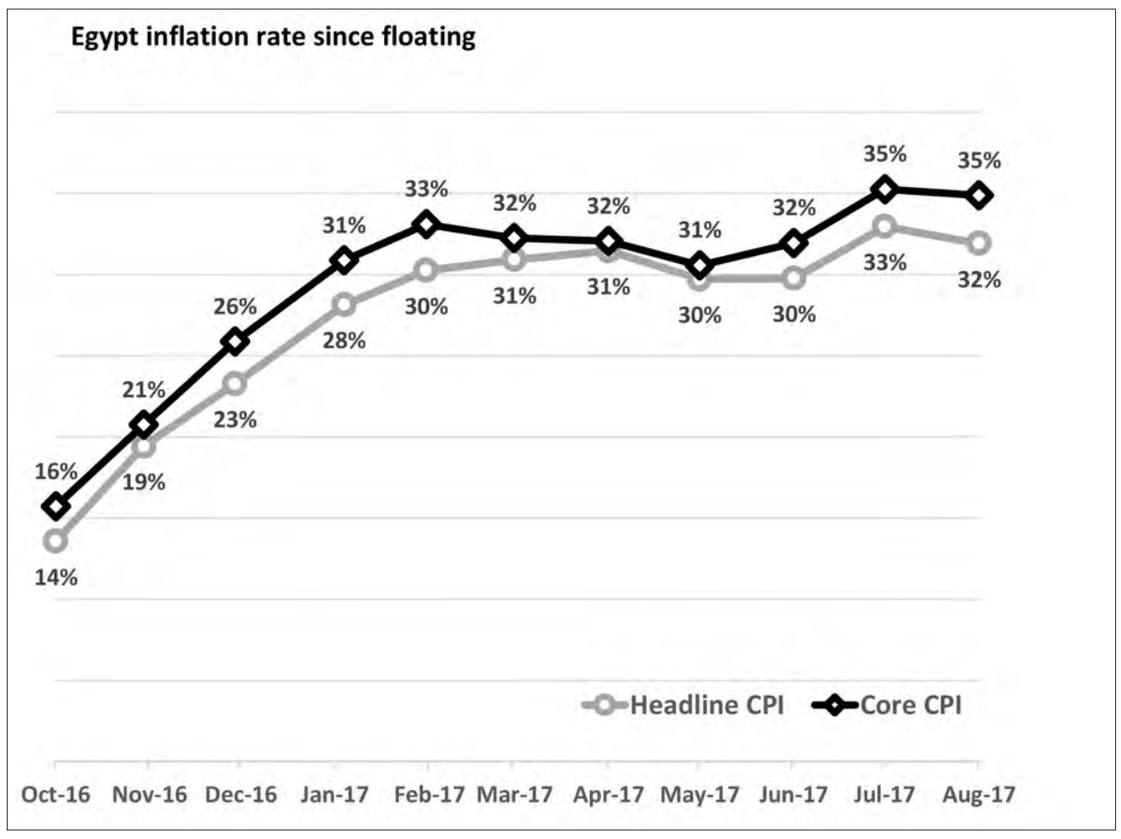
According to the study, this transition is not immediate and takes two or more years. In addition, the increase would not leave a full impact on prices as a result of the existence of many goods for which prices can be controlled due to a small number of local manufacturers in the consumer goods sectors.

"We find that another structural factor had an impact on inflation rates, which is organising the market, especially with the decline in the severity of the competition on the level of consumer goods," the report said.

The report added that there is strong evidence that some increases in the prices of certain products may exceed the coverage of the higher expenses of imported goods following the decline in the currency's value.

BNP Paribas added that the limited competition in the market of consumer goods, especially the trade of foodstuff, is the main engine of inflation. Food, except for seasonal fruits and vegetables, represents about 34% of the average spending of a family and 31% of inflation.

The report said that the control of distribution channels is considered a main factor for producers in terms of deciding their pricing strategies.



Lack of competition in markets and control of producers responsible for historical price hikes

It added that the products of companies can be found in supermarkets, but that those seek to reduce their supply to maintain their pricing, pointing out that the weakness of competitiveness in the local market enables producers to implement this strategy.

According to the most recent competitiveness report issued by the World Economic Forum, Egypt ranked 112th amongst 138 countries in terms of the efficiency of the market for goods, and 127th in terms of local competitiveness.

"The limited competition in the retail market explains the continued inflation over long periods of time, despite not entirely using the production capacity," the bank said.

The report added that the expansions of modern supermarkets in Egypt may improve competitiveness and reduce inflation; however, it threatens the margins of producers.

BNP Paribas said that the consumption rates, which are considered one of the engines of economic activity, have greatly shrunken, affected by the historical inflation rates which reached an average of more than 30% since last January.

It added that liberalising the exchange rate is a main reason behind the sharp increases in inflation after the reduction of the Egyptian pound's value by more than 50% against the US dollar.

Since November, the increase of consumer prices were rather gradual than immediate but came at high rates. The depreciation of the local currency was a major factor.

BNP Paribas compared the flotation of the pound in 2003 with the flotation in 2016. It said that after the first flotation in 2003, the pound's value against the dollar decreased by 13% after a year, and 25% after 20 months. However, in November 2016, it decreased by more than 50% immediately due to the increase in the ratio of imports to the GDP to 21% in 2016 compared to 14% in 2003.

It added that on the short-term, inflation will remain high and is expected to record an average of 25% during fiscal year 2017/2018, compared to 23.7% in FY16/17.

The report expected growth levels during this fiscal year to increase to 4.5%, compared to 3.8% in the fiscal year ending in June.

Pascal Devaux, a senior economic researcher in the bank, said that the reduction in energy subsidies, inflation resulting from high import expenses, and the potential recovery of local demand are all expected to cause a continuation of the increase in inflation rates.

He said that the ability of the government and the CBE to counter the increased inflation has become limited due to the minimal percentage of financial inclusion, since less than 15% of adults have bank accounts.

The CBE tried to face the increase in prices by increasing the interest rate by 7% in 10 months, making it reach its highest level in 25 years.

In a similar context, former minister of finance Momtaz El Saeed said that the improvement of individuals' purchasing power is linked to many factors, including the gradual improvement of the local currency and increasing productivity; hence, the GDP.

El Saeed added that the flotation decision in November has led to a noticeable increase in prices and a declining purchasing power.

Hani Sarie-Eldin, an economic expert and chairperson of Sarie-Eldin & Partners law firm, said that the rise in purchasing power of consumers either happens through increasing the income of consumers, or the value of that income, and both are difficult to achieve on the medium-term unless an individual has more than one job.

He added that increasing individuals' share of income and consumption through reducing unemployment is the viable solution on the medium-term.

Sarie-Eldin explained that each percentage point in the GDP provides nearly 100,000 jobs. "In order to reach the whole operational level, we need to provide 1 million jobs every year. This means that growth rates of 8%-10% are required, which were the rates before 2011," he said.

He pointed out that the current economic growth rates and their success to bring unemployment to 11.98% are still weak.

The government took several procedures to enhance the social protection network and lessen the severity of economic reforms on consumers. This included increasing the monthly subsidy on ration cards to EGP 50 for an individual instead of EGP 21. It also applied tax deductions with rates ranging between 5%-80%.

The tax deduction is estimated at 80% on incomes of up to EGP 30,000 annually, while the tax deduction on incomes ranging from EGP 30,000 to EGP 45,000 is 40%, and 5% on incomes ranging between EGP 45,000 and EGP 200,000.

The incomes of government employees were increased by 20% for 6 million employees. The minimum pension was also increased to EGP 500.

Egyptians spend 40% of their income on food and beverages – goods whose prices increased by 40% on an annual basis over the past period.

Amr El Alfy, head of the research department at Mubasher Securities Trade, said that the culture of using credit cards or instalments must be encouraged in order to increase individuals' purchasing power with reconsiderations of the current consumption patterns based on families' priorities.

El Alfy added that the purchasing power has nothing to do with the declining inflation rates and a lot to do with salary increases and the ability to purchase.

He stressed the importance of increasing internal and foreign investment rates over the upcoming period with the aim of reducing unemployment and improving the purchasing power. The latter was recently affected by the increase in interest rates and the delay in many funding loans of companies due to a decline in profit rates and their inability to compensate for the high funding expenses.

El Alfy ruled out any signs of improvements in individuals' purchasing power before the H2-18 for several reasons, including the fact that two years will have passed since the flotation, and inflation will begin to decline, in addition to the presence of some liquidity with individuals as a result of the declining inflation.

Economic reforms prompt major US companies to invest in Egypt: EUSBC chairperson

Egypt went through difficult phase after flotation, solving the problem of repatriating funds, says Mohanna

Major American companies have expressed a real desire to invest in the Egyptian market during the coming period, according to Omar Mohanna, chairperson of the Egyptian-American Business Council (EUSBC).

By Ahmed Sabry

In an interview with Al-Borsa, Mohanna said that the economic measures taken by the government and the Central Bank of Egypt (CBE) in the last months, primarily the decision of liberalising the exchange rate, boosted the desire of American companies to enter the Egyptian market.

He stated: "The recent economic reform measures pushed Egypt to overcome the obstacles faced by American companies wishing to invest in the country during the past months, namely the instability of the exchange rate and the difficulty of converting profits."

Nevertheless, the EUSBC is preparing to hold an expanded meeting for a number of Egyptian and American companies next November to discuss the increase of American investments in Egypt, in addition to increasing the trade exchange.

Mutual trade between Egypt and the United States (US) reached $5bn by the end of 2016 – an increase of 6% compared to 2015, according to the Ministry of Trade and Industry.

The US is among the top 10 investing countries in the Egyptian market, with investments exceeding $23.7bn, through 1,221 companies operating in the industrial, service, construction, finance, agricultural, tourism, communications, and information technology sectors.

Mohanna called on the Egyptian government to quickly complete its plan to completely lift fuel subsidies, as stipulated by the government's economic reform programme.


Omar Mohanna

"Despite the negative impact of these government decisions on a large segment of the country's citizens, they have been necessary for years in order to put the Egyptian economy on the right track," he explained.

Additionally, Mohanna expects the economic climate to improve in the coming period, especially after the government's approval of the executive regulations of the investment and industrial licensing laws, which contribute to encourage both domestic and foreign investments.

"The new industrial licensing law will save Egypt from a large chunk of bureaucracy, which is one of the most important factors negatively impacting economic growth," he said.

The new industrial licensing law requires the Ministry of Trade and Industry to terminate the issuance of licences for industrial establishments within seven days for licensing and 30 days for pre-licensing, after these procedures have been in effect for about two years.

Mohanna pointed out that Egypt will take important steps towards achieving economic growth if the financial inclusion plan is implemented, which aims to migrate all buying and selling transactions to bank accounts, and integrating the informal sector into the formal economy.

Mohanna called on the Egyptian government to quickly take the executive measures to establish a free trade area with the US, especially after the improvement of relations between the two countries.

"The Egyptian side should look beyond the reduction of the Israeli component of the Qualifying Industrial Zones (QIZ) agreement to a free trade area between the two countries - Egypt and the US - which will contribute to enhancing trade cooperation," Mohanna said.

He also stated that the QIZ agreement is very necessary as it has saved the textile and apparel industry in Egypt over the past years. However, it is time to look at what will benefit Egypt even more, especially since it has a good investment potential and significant geographical location, in addition to trade agreements with African and Arab countries.

Government targets 16.2% growth of ICT sector next FY: El-Kady

Investment law includes section for Technological Parks, Beni Suef, Sadat parks to open end of the year

The Minister of Communications and Information Technology, Yasser El-Kady, estimated the target growth size of the ICT sector at 16.2% in the coming fiscal year, adding that the 4G mobile services will officially launch before the end of the current month.

Interview by Mohamed Fawzy

El-Kady told Al-Borsa in an interview that the new sanctions list on communication companies has been activated, stressing that the company will take all measures required to ensure governance in the relation between Telecom Egypt and Vodafone - Egypt.

Moreover, he said that the volume of foreign investments in the telecommunications sector is very high, and the amount invested in the 4G mobile licences exceeded EGP 32bn, next to investments in network modernisation and frequency transfer.

According to the minister, the target growth rate in the ICT sector will reach 16.2% in the coming fiscal year, including the electronics and design sectors, which have tremendous growth opportunities.

He considered that the adoption of the New Investment Law is one of the most important factors to motivate international companies to inject new capital into Egypt. The ministry had a separate section within the law for investment in technological parks, which counts as a great investment stimulant.

He predicted that the vision and strategy of the state and the ministry to spread technological parks at the level of the governorates is to provide an environment conducive to investment, not only in Cairo, but all parts of the country, and both Upper Egypt or Lower Egypt.

He said that the ministry plays an important role in the system of financial inclusion, which depends mainly on technology. "Without a strong technical environment and structure, financial inclusion could not be activated," he stressed.

El-Kady said that the ministry began the financial inclusion plan two years ago and is now continuing to promote it through post offices, where the services provided by Egypt Post will speed up the implementation of financial inclusion, thanks to the 4,000 post offices across Egypt and the automisation of 800 offices by the end of the year.

Financial inclusion is the provision of financial services, such as bank accounts, insurance and financing through banks and post offices, and providing services to different groups of society, whether institutions or individuals, and enable them to use these services.

El-Kady said that the presence of the ministry in the Supreme Council of Payments enhances its role as a key player in the system of financial inclusion, and that the ministry has made great efforts with the International Telecommunication Union and the United Nations, as well as the Bill Gates Foundation, to make Egypt one of the most important countries in the world to focus on financial inclusion, next to China and Mexico.

The minister added that the technological parks in Beni Suef and Sadat City will both be opened before the end of the year, and that the ministry will sign contracts with companies manufacturing electronics, computers, surveillance cameras, and fibre cables.

Yasser El-Kady

Activation of new list of sanctions imposed on telecommunications companies

He pointed to the availability of investment opportunities in the sector in the local market at the level of manufacturing and the level of service delivery in the sector as a whole, as well as significant opportunities in outsourcing, as Egypt emerged again for the second year in a row on the global outsourcing map to be one of the top nine countries in the world in this field.

The number of employees in the outsourcing business in Egypt increased by 26%. New companies have entered this field, which is witnessing a breakthrough and seeing growth opportunities.

El-Kady also said that Orange will have a centre in the Assiut technological park, while Vodafone will have a place in Borg El Arab, adding that the ministry is seeking to create job opportunities through companies investing in technological parks.

He highlighted investments in electronics, software, surveillance cameras, and devices associated with the Internet of Things and wireless internet communication, saying that China's ZTE will soon begin to manufacture those products in Borg El Arab.

He said that the investment opportunities available in the New Administrative Capital in the field of communications and information technology include the extension of fibre cables and the establishment of mobile towers and all the smart services to be provided in the project, in addition to the expected opportunities in eight new cities, which President Abdel Fattah Al-Sisi directed to be smart cities.

He said that the ministry is working on ending the procedures for handing over the land on which Knowledge City will be built in the New Administrative Capital. The designs were completed by an English house of expertise.

The city will be on 300 feddans and will be a closed area within the New Administrative Capital. It will include research centres for science, innovation, entrepreneurship, software, and computer applications, next to centres and institutes for the rehabilitation of young people, raising the efficiency of modern technology, and employ systems for the benefit of society.

Meanwhile, El-Kady said that the amendments to the Telecommunications Law had a high priority before the issuance of new licences for the 4G, but the licences themselves already included the sought amendments to the law, so that is no longer a priority.

The information crime law will be completed during the current parliamentary session, and the personal data protection and freedom of information act is also very important and will be completed soon, he explained.

He said that a large number of companies are seeking to be present in the technological areas for the manufacturing of phones, tablets, computers, and laptops, because Egypt's position is strategic and attractive to the electronics industry and its solutions.

Furthermore, El-Kady said that the ministry sees great importance in training and skills development within its strategic plan, which is closely related to innovation and entrepreneurship, and has expanded significantly in the training of graduates. The ministry used to train 500-600 graduates per year, but, through the presidential programme for the rehabilitation of young people for leadership and the technological parks, the number will jump to 3,500.

He added that the government will take all measures to ensure the governance of the relationship between Telecom Egypt and Vodafone Egypt, after the former obtained a licence to offer 4G services.

In addition, he said that Silicon Waha Company has a significant role in the development of technological parks, and that there are investors who want to contribute to it.

Silicon Waha for Technological Parks Company was founded as a joint stock company per law No. 159 of 1981 and its bylaws, based on a partnership between the Information Technology Industry Development Agency (ITIDA) and the New Urban Communities Authority (NUCA) to operate in the field of planning, design, implementation, and creation of buildings and technological parks specialised In the field of communications and information technology, and the provision of logistics services and the establishment of infrastructure and technology projects required for the development of these areas.

Egypt still attractive, EgyptAir to support direct flights: Tourism Minister

The completion of a large part of e-Visa procedures, liberalisation of exchange rate increased demand on Egypt

The Ministry of Tourism plans to provide support for direct and regular flights from European capitals and cities to Egyptian destinations through EgyptAir.
Minister of Tourism Yehia Rashed told Daily News Egypt that negotiations with the Ministry of Civil Aviation to provide support for direct flights through Egypt Air from the capitals of the world to Egyptian tourist destinations is part of the ministry's plan to increase incoming traffic, and eliminate the monopoly of charters companies.

By Ahmed Saad

The Ministry of Tourism's plan is part of the government's medium-term sustainable development plan and aims to encourage regular flights by operating direct flights from Paris, London, Barcelona, Madrid, and Amsterdam to Egyptian tourist destinations.

Tourist rates began to rise again after years of decline in light of the setbacks Egypt had experienced during the past years, and there are indicators to pull the sector out of the recession after the economic reforms approved by the government in the recent period.

"The tourism industry is affected by the economic decisions taken by the government, some of which had a positive effect, such as the liberalisation of the exchange rate, while others had a negative impact, such as the reduction of fuel subsidies and the rise in electricity prices," Rashed said.

He added that the decision to liberalise the exchange rate had a clear effect on the devaluation of the local currency, which contributed to the increased competitiveness of Egypt as a destination in the region, since cost is one of the most important elements affecting travel decisions.

He pointed out that the devaluation of the currency is strongly in favour of the purchase of goods, products, and services that are characteristic of tourism (Khan Al Khalili products, handicrafts, carpets and silver), especially those locally manufactured, which increases the value added by the Egyptian product.

He pointed out that the decline in the currency also increased the demand for tourists on safaris, diving, water sports, and entertainment.

The minister stressed that Egypt as a destination has not lost its attractiveness despite the successive crises in recent years, which decreased tourism movement. The decline of the tourism movement was due to the travel ban decisions taken by several countries, not due to the reluctance of the tourists themselves.

He continued: "The movement coming to Egypt began to automatically multiply immediately after the removal or easing of the embargo, in addition to the success of the programme to stimulate aviation in various forms."

He added that these reasons have led to increased traffic, in addition to traditional promotional campaigns and social networking sites, which have significantly reflected movement from the Gulf market and emerging markets in Asia and Eastern Europe.

He pointed to the increase in tourist traffic from Germany and Italy, with the encouragement of electronic booking in cooperation with global booking sites, such as Expedia, booking.com, and others.

He said that the return of tourism comes within the framework of the positive political movement of state institutions to support the tourism industry, counter terrorism, and establish the importance of achieving security and safety for citizens and tourists alike.

He added that the return of Italian tourism and the arrival of English and Spanish tourists are evidence of the positive results of the measures taken by the state at all levels.

"We aspire to restore the previous rates from those countries, as well as target new markets in Central Asia, and will focus on marketing campaigns in the coming period," Rashed stated.

He pointed out that the application of the e-Visa is being executed through collective work between the ministries of interior, foreign affairs, and communications, and the Passport and Tourism Authority. A large part of the procedures for launching the application have been terminated, according to the minister.

He pointed out that the ministry, in cooperation with the Tourism Promotion Authority, is preparing the advertising campaigns and promotion of the electronic visa, as the launch will take place while the offline visa is still attainable. The launch will test the application of the overall visa system.

He said that an agreement was reached on a proposal to select Luxor as a pilot model to implement the minimum price of hotel rooms.

The ministry has also formed a working group comprising representatives of the private tourism and legal sector and the ministry to develop the appropriate mechanism and review the system of prices and tourist regulations in the framework of the classification of hotel establishments.

He added that this group has submitted an initial proposal for indicative prices that vary according to the nature of the destination, the type of accommodation, and the classification of the hotel.

The number of tourist arrivals in Egypt has reached 10.5 million during the current fiscal year, compared with 6.5 million tourists during the last fiscal year, with a growth of 61.5%, according to a report issued by the Ministry of Planning.

The projected revenue for the current fiscal year will reach $7.8bn, compared to $4.8bn last year - a growth of 62.5%, with revenues reaching $28.4bn in 2019-2020, the report said.

The government plan expects tourist arrivals to reach 20 million tourists during fiscal year 2019/2020 by increasing inflows from Arab countries and traditional or new European markets, whether in Europe or Central, East-, and South-Asia.

The government forecasts that the number of tourists coming from Europe will rise to 6 million, compared with 4.7 million in the previous fiscal year, while Arab tourism will rise to 2.6 million against 2 million tourists.


Yehia Rashed

Promotional campaigns launched in Central Asian countries; plan to restore influx rates from Italy, Spain, Britain

Expected improvement of tourism indicators next year, thanks to private sector promotion activity

Albatros plans to complete grand tourism projects annually

Albatros Investment Group is preparing to complete the construction and installation of a hotel and resort in Marsa Alam on the Red Sea coast with investments worth EGP 650m. Chairperson of Albatros Group for Tourism Investment Kamel Abo Ali told Al-Borsa in an interview that 40% of the 400-room hotel's construction and processing has been completed and is due to open by May 2018.

By Aisha Zidan

"The company is focusing on the completion of its projects in Soma Bay in 2019, because it plans to complete a huge project annually," Abo Ali said.

According to Abo Ali, Albatros does not deal with the government, represented by the Tourism Development Authority, when buying land because of the many conditions and obligations that it imposes and cannot achieve, as he put it, and turned to buy 75% of its portfolio of hotels and existing or unfinished hotels from troubled investors.

Abo Ali, who is also chairperson of the Red Sea Investors Association, criticised the method of offering government land. “The biggest mistake that the government is making is to put the land on auction to investors to ensure the highest bidder. However, this system generates one-time profits from selling land at reasonable prices and guaranteeing its entry as a partner with the investor, as well as the taxes that will be collected after the establishment of projects on the land.”

The auction system turned the government into a land dealer. On the other side, the buyers are not specialised in suitable projects for the land, so they put them on hold for a while and then resell them at double the price.

Abo Ali called on the government to put development as a strategic objective of the land to investors and ensure the establishment and termination of projects and employment. This would provide a large number of employment opportunities for young people, especially in tourism projects since they are considered to be the largest industry in terms of operating intensity.

He also said that an improvement in the tourism sector indicators will be seen in the coming year. However, this improvement depends on the government's plan and its desire to develop and promote the sector. In Egypt, the role and decisions of the government significantly affect the sector’s growth rates.

He pointed out that this year had already witnessed a clear improvement in the tourism sector, with the support of the private sector which is marketing Egypt as a destination by organising a public relations campaign with foreign tour operators, besides online marketing.

"The government sector has no role to play in improving tourism indicators this year," he said. It undermines all the plans implemented by the private sector in terms of non-compliance with contracts with tour operators and foreign companies, as had happened in the delay in the payment of corporate dues in the aviation incentive programme, whether casual or regular.

He added that the private sector in the coming period must increase promotional campaigns, which ensure increased numbers of expatriates. In return, the government must commit to paying the dues of foreign companies, and also to raise funds for investors suffering from a sharp decline in revenues since 2011. This was caused by the deterioration of 75% of hotel equipment, a lack of liquidity in parent companies, and their inability to currently conduct maintenance and development. Therefore, the hotels cannot receive tourists at the current status.

The president of the Association of Red Sea Investors expected the return of Russian tourism within four months from now, according to statements issued by Russian officials, as well as the implementation of the bulk of the requirements of Egyptian airports security, stressing that the return of Russian tourism will be an achievement of the President and not the Ministry of Tourism.

He pointed out that the East-Asian markets are also recovering in the current period, and highlighted the need to maximise them to increase the contracts with companies organizing.

He revealed that the Red Sea Investors Association will launch a promotional campaign in four European countries, namely Ukraine, the Czech Republic, Germany, and Italy, for four months, and agreed with the airlines to operate six flights a week for the four months.

Abo Ali considered the reform steps taken by the government and the Central Bank of Egypt (CBE) at the level of liberalising the exchange rate of the Egyptian pound, restructuring energy subsidies, and raising interest rates as a double-edged sword. The liberalisation of the pound’s exchange rate helped the tourism sector in terms of Egypt as a destination. Rising interest rates and energy prices have caused prices to rise and to increase the cost of bank financing.

He stressed the need for the government to understand the role of the private sector as an effective element in development, and that it must continuously meet with its representatives and the relevant bodies, and put his proposals into consideration when making influential decisions.

As for his production company, Abo Ali said that it is preparing to produce the series El Gamaa 3 at a budget of at least EGP 108m, and that it is currently producing three films, most notably Revolution of the People, starring Ahmed El-Sakka.


Kamel Abo Ali

Promotion campaign for Red Sea investors in 4 European countries, agreement on 6 flights per week

Marsa Alam resort at EGP 650m cost in mid-2018; hotel by Soma Bay next year

CITYSTARS®
- AL SAHEL -

ARCO
DEVELOPMENTS

16229 | www.arcoegypt.com

2 Aly Rashid St., Star Capital 1, 15th Floor,
Citystars, Heliopolis, Cairo, Egypt.
Sales Center : C10, Citystars Complex

Public companies IPOs: government enters test

Money market hopes to restore investors; government looking to collect dollars

The capital market is preparing to welcome two new initial public offerings (IPOs) in the coming months to start a programme of public companies' IPOs on the Egyptian Exchange (EGX). Experts in the securities industry expect that these proposals will attract new categories of investors to support the trading activity and increase its value.
The government also hopes to raise US dollar revenues from the companies' proposals in the EGX and raise the efficiency of its management, including reducing the budget deficit.

By Mahmoud Abu Bakr

The last of the government's proposals dates back to 2005, when three offerings attracted some 50,000 investors to the market—a figure higher than the total active traders currently in the market. At the time, they pushed the main index to rise during the following two years by over 100%, boosting the market to score 12,000 points in 2007.

According to official data, the government is working on the preparation of studies for listing and offering 11 government companies on the EGX. Those companies operate in the fields of petroleum and financial services. The first run will be Engineering for the Petroleum & Process Industries (Enppi).

Good pricing for securities to be offered was atop the requirements highlighted by money market experts for the success of the offerings. However, the independence of the management and their understanding of the interrelationship between the parties and the interests of the parties associated with the company, emphasizes the need for a strong system of governance away from the privatisation of the administration.

The term privatisation has been accompanied by bad reputation and has become a source of concern for the government and investors alike, ever since the transition plan in 1991, which targeted mainly large proceeds from selling companies, regardless of the value of their assets. Courts have seen many cases, some of which are still pending, to nullify the decisions of privatisation or selling companies, which also increased following the 25 January Revolution.

Economic expert Hany Tawfik said that the scenario of selling the public sector should not be repeated in the way it was done in the past, as in some cases they were sold cheaper than their worth. This led to the erosion of state ownership. Hence, he called on the government to categorise the potential companies into three segments.

Tawfik explained that the first category includes losing companies, which can no longer be restructured due to the floating or depreciation of equipment and capital assets, or lack of competitiveness with players in the market. These companies, he said, should be sold as assets to investors to use them in other activities they deem useful, or sell them and achieve returns from the transaction.

The second category includes government companies that make losses, but need technical expertise and exports to become profitable. Such companies should be handled by increasing the company's capital and inviting a strategic investor to contribute to their management alongside the state and participate in the necessary development and structuring.

The third category is government companies that have a profitable operating structure and need more horizontal expansions to penetrate new foreign markets or expand vertically through the introduction of new products. The capitals of these companies should be raised to increase their competitiveness and offer them on the EGX.

"I would rather have a small share of a big cake than a large share of a small cake," Tawfik said. "The government should focus on raising the capital of these companies rather than partially exit to finance their growth."

The latest public offering of Egyptian companies was in 2005 through Telecom Egypt, Alexandria Mineral Oils Co SAE (AMOC), and Sidi Kerir Petrochemicals Co SAE (Sidpec), in addition to the Egyptian Fertilizers Company (EFC).

EFG Hermes co-head of Investment Banking Mostafa Gad said that the most important factors for the success of government proposals is the availability of an investor's guarantee of professional management, independent from the political administration of the state, next to other determinants related to the attractiveness of the sector in which each company operates and reliance on strong business results spanning, at least, the past three years.

He stressed that the evaluation procedures of government companies should be subject to the same evaluation procedures for private sector companies to reassure the selling party, namely the state, with fair evaluation without exaggeration, since evaluation stems from the market and the institutions and funds operating in it.

He noted that studies and evaluations by the state would take time. Gad called that a normal thing to ensure that sales and placement decisions were supported, and to reach the nearest market price. "The financial results of the last three years before the IPO may not reflect a good price for the offering, prompting the concerned parties to postpone the sale until the financial situation improves," he explained.

Gad said that the current turnover on the market is weak, where most stocks are at low price levels. He predicted that the turnover could revive by the beginning of 2018 in conjunction with the start of the programme of government proposals, which would attract strategic investors and foreign funds.

He pointed out that the market needs new large-sized card sets that can be used as players in the market. "The market lacks blue chips," he stressed, adding that even the performing companies now are still smaller than the requirements targeted by foreign institutions and funds, in terms of volume and minimum liquidity injected.

Gad said that Hermes received many inquiries by foreign funds and institutions to participate in government proposals, offering investments between $250m and $400m per offering, but stipulating a good performance record of the companies and the privatisation of the administration, as well as abiding by governance rules.

Aly El-Tahry, managing partner and co-founder of Catalyst Partners, said that previous experiments confirmed that the enforcement of the rules of governance and changing management patterns can help companies subject to an IPO compete with private sector companies working in the same area, but the private equity ratio should be between 65% and 75%, next to focusing ownership in an institutional manner, to create the desired structural impact and to avoid fragmentation of private property.

He noted that Madinet Nasr for Housing & Development (MNHD) is the most successful privatisation example in Egypt, as its performance remained marginal since it was listed in 1996 until the government sold an additional share of 20% of the total capital in 2006. "Only then, the private sector owned 85%, making the new structure the u-turn in the history of the company, for which market value has been increasing over the past three years," he explained.

He added that relying on the quality of the sector to ensure the success of the offering is not a top priority for investors.

Furthermore, foreign direct investment (FDI) expert Amr El Kady said that choosing a good promoter for the IPOs and good pricing, as well as offering at least 50% of the shares to ensure privatisation of administration, are all main axes for the success of the propositions.

He noted that the main problem for public sector companies is the inefficiency of their boards of directors, given the nature of selection and the absence of related incentives, which undermine effective regulatory decisions and regulations.

He highlighted a number of factors that threaten the IPO operations, namely the tightening of the boards of directors of government companies in pricing, fearing to fall under the guillotine waste of public money, and the need to prepare the media for the appropriate atmosphere for the success of the process.

Radwa El-Swaify, head of research at Pharos Holding, said that the economic indicators suggest that low interest rates will benefit the investor and reduce the cost of alternative opportunity, which is borne by investors should they decide to invest in the coming government offerings.

Mohamed Fathallah, managing director of Al-Tawfik Brokerage Firm, said that the recovery in trading volumes depends on the seriousness of the offering and the good promotion of attracting new investors to the market from foreigners, Egyptians, and Arabs.

He pointed to the market's need for proposals at prices without valuation, the expansion of the base of dealers, and the recovery of capital that leaked out of the EGX. More important than the specific sizes of the proposals is to create the appropriate environment, which accommodates new companies, and the need to cancel the stamp duty which scaled down the market's turnover.

"Reducing interest rates and abolishing the stamp duty would be a message to investors of market readiness to receive capital and its ability to ensure strong returns on such funds," he explained.

"According to current conditions, subscribers in government offerings expect achieving a margin of 30%-40% to compensate for the high interest rates and channeling the liquidity in saving vessels into the capital market," he added.

Finally, Mostafa Nagaty from Arqaam Capital said that proposals would raise the competitiveness of the Egyptian market against many other emerging markets, attracting many foreign investors in these markets and possibly increasing investments from neighbouring regional markets.

Tawfik

Propositions must aim to secure liquidity for companies and strengthen governance

Gad

Hermes received inquiries from foreign funds, institutions to subscribe government IPOs

El-Tahry

Increasing offered share, focus of private ownership in institutional form ensure success of programme

Success of propositions requires enabling environment, pricing that will bring higher returns to subscribers compared to interest, says Fathallah

China's COSCO Shipping Lines expects 30% growth in Egypt business this year

The application of the consolidated invoice next month will solve the problem of double charge collection

By Fahad Omran

COSCO Shipping Lines began operating its logistics area in the industrial zone in Ain Sokhna for storage. The company aims to achieve 30% growth in the movement of inbound and outbound ships to Egypt, following its acquisition over the Orient Overseas Container Line (OOCL) recently.

Mohamed El-Ashry, general manager of COSCO Shipping, said the company has started to use a new logistics area of 600 sqm in the industrial zone in Ain Sokhna.

He noted that operating the new storage area will save the company between 60% and 70% of annual storage cost.

He added that the company is working to use the logistics area for the storage activity of COSCO lines, and ruled out the intention to contract with other shipping lines to offer them storage spaces, especially after the acquisition of OOCL, which added 96 new ships to COSCO fleet.

COSCO had acquired OOCL in a $6bn deal, making it the third largest container carrier in the world.

El-Ashry said that the business of the company and the movement of its ships will double in the coming period.

Moreover, he predicted a 30% increase in the company's incoming, outgoing, and transit traffic over the next few months of 2017, with the possibility of doubling growth over the coming years.

He ruled out expanding in Egypt in 2017, especially after operating the storage area in Ain Sokhna.

Yet, he said that the company could expand in the coming year after reaching an agreement regarding the utilisation of a quay in East Port Said port with the Suez Canal Economic Zone.

The Suez Canal Economic Zone and the armed forces are developing 5 km of new berths in East Port Said, as part of expansions aimed at transforming the port into a global hub for navigation.

COSCO Shipping Lines is one of the largest shipping and logistics companies in Egypt, and the agent of China's COSCO that provides shipping and integrated logistics services.

Operating the Sokhna logistics area saves 70% of annual storage allocations

El-Ashry said that there is nothing to prevent the company from increasing its stake in the Suez Canal Container Terminal up from 20% when both companies are competing for container transit trading activity in the Mediterranean, through the Greek port of Piraeus.

He downplayed the feasibility of the Suez Canal Authority's decision to grant new discounts on port services fees, such as guidance fees, and considered them insufficient, as these fees do not represent a major burden on shipping lines, but the problem is the double collection of the fees.

He said that the introduction of the consolidated bill next month will significantly contribute to solving the problem suffered by shipping lines.

He called for the granting of new cuts on the transit fees of ships in the Suez Canal, taking into account changes in oil prices to enhance competitiveness with the route of Cape of Good Hope, benefitting long-distance vessels.

Will government succeed in depending on long-term external debts?

Low interest rates, foreign currency availability, openness to the world are most important features of the plan

By Husseini Hassan

The government's expansion in foreign borrowing over the last three years has raised many concerns about Egypt's ability to repay its foreign debts in light of its regular foreign exchange flows.

Egypt has doubled its foreign loans since 2011, jumping from $35bn to $74bn today. Most of the increase occurred in the last two years as the total external debt recorded $48bn at the end of 2015.

Since 2015, the government has expanded in obtaining foreign loans and bilateral funding from international financial institutions. It has agreed with the World Bank and the African Development Bank (AFDB) to obtain $4.5bn in loans over a three-year period, with the latest tranche of $1.5bn to be delivered by the end of the year.

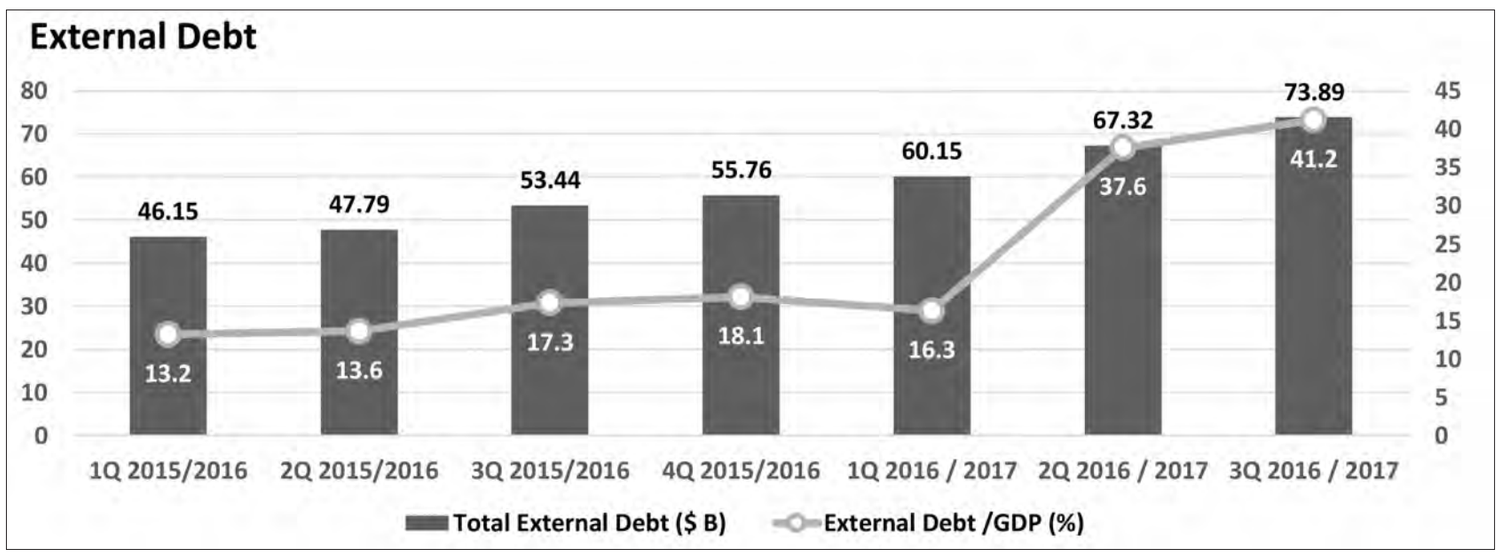
Egypt has already received about $4bn from the International Monetary Fund (IMF), representing the first and second tranches of a loan worth $12bn approved by the IMF in August 2016 within an economic reform programme. This includes the liberalisation of the Egyptian pound's exchange rate, the application of value-added tax (VAT), the reduction of energy subsidies, and the issuance of new laws on investment and the business environment.

The government has also successfully raised US dollar-dominated bonds in international markets since the beginning of this year, offering $7bn in bonds on the Luxembourg Stock Exchange and received subscription applications of $24bn.

According to the IMF-supported governmental economic reform programme, the external debt of Egypt will reach $82bn in this fiscal year and $102.4bn by FY20/21.

Egypt's economic reform programme estimated that Egypt's foreign debt may reach $66bn and a debt service of about $5.8bn in this fiscal year. However, the actual borrowing levels exceeded those expectations to reach $73.8bn at the end of March.

Egypt is currently working on replacing its short-term foreign debt with a long-term one through issuances on international markets with maturity periods of 5-30 years, in addition to the IMF loan which lasts about 10 years, an official in the Central Bank of Egypt (CBE) said.



We are structuring the country's external debt to be long-term, says source at CBE

The CBE and the government mainly relied on borrowing to rebuild the country's foreign exchange reserves, which recorded $36.036bn at the end of July.

Credit ratings agency Moody's commented on the rise in Egypt's foreign exchange reserves, saying that despite the significant improvement in Egypt's external liquidity position over the past 12 months, the increase in foreign reserves was mainly driven by debt flows, which led to an increase in the external debt level.

Egypt is required to repay more than $10bn during the current fiscal year, which are mostly deposits from the Arab Gulf countries in 2013, 2014, and 2015, a senior assistant of the CBE governor said.

The CBE can repay all these commitments as a result of the economic reforms undertaken by the government and the bank, which have led to the increase in foreign currency reserves.

Analysts say that Egypt has the ability to meet its external obligations and pay the debt service in the coming period, pointing out that the country had not delayed the repayment of external dues in the past years.

The central government and local government units account for the highest value in foreign debt by $32.2bn, followed by the monetary authority by $29.9nn, other sectors by $7.7bn, and the banks by about $4bn.

Fakhri Al-Fekki, a professor of economics and a former executive director of the IMF, said Egypt has the ability to meet its foreign commitments, whether loans secured by the government or loans obtained by the government.

He added that the external debt currently accounts for 30% of the GDP, and that the repayment of instalments depends on foreign reserves and the foreign exchange in the banking sector.

Al-Fekki pointed out that the balance of payments surplus is directly added to the reserves, adding that the ability to repay dues is not only linked to the regular resources of foreign currency, as Egypt has some Gulf deposits that are owned by it until they mature.

The balance of payments surplus between July and March during the last fiscal year reached $11bn, of which $9bn was collected in the period following the liberalisation of the exchange rate in early November 2016, against a total deficit of $3.6bn in the same period in the previous fiscal year.

Al-Fekki said that most of the debts that Egypt has recently received are long-term debts, as some of the international bonds last about 30 years.

Long- and medium-term debts account for 83% of the foreign debts reaching $61.3bn, while short-term financing represents $12.6bn, according to the CBE.

Al-Fekki attributed Egypt's reliance on foreign borrowing during the past years to its low interest rates compared to local debt, as well as providing foreign exchange to the market.

The CBE said that more than half of Egypt's external debt is not government-related, since the government's share of external debt is about 18% of the GDP, while the total external debt is about 41% of the GDP.

Foreign debt servicing rates reached 15.6% of commodity exports, up from 12.3% in December 2015.

The liberalisation of the exchange rate in last November and the raising of deposit and borrowing interest rates by about 700 basis points contributed to an increase in foreign subscriptions to government debt instruments, which exceeded 20%.

Al-Fekki said that the regular sources of foreign currency in Egypt are the oil sector and the Suez Canal, pointing out that Egypt will secure $5bn after the start of production in newly discovered gas fields.

Minister of Petroleum and Mineral Resources Tarek El-Mulla recently stated that the first stages of production of the Zohr gas field will start before the end of this year, while the rest of the stages will be completed during 2018. The new gas field's total production is estimated at $2.7bn cubic feet per day, equivalent to half of Egypt's current natural gas production.

The Suez Canal and tourism services are among the most important regular sources of foreign currency in the Egyptian economy.

Amr Hassanein, chairperson of Middle East Rating and Investor Services (MERIS), said that Egypt has the ability to serve external debt in the coming period. He pointed out that Egypt has not postponed paying international obligations in the last 40 years.

Hassanein added that Egypt has different sources of foreign currency, including external support and bilateral funds received from countries and international institutions.

Despite Egypt's high debt rates and increasing risks, the government would be able to repay those debts, he asserted.

Hassanein noted that the rise in Egypt's external debt balances does not represent any problem, but more importantly that the government should have a plan for the repayment of debt and debt services.

He said that the institutional construction of foreign exchange sources is in need of restructuring to increase revenues, by supporting institutions that increase the volume of Egyptian exports.

According to data provided by the IMF programme with Egypt, the debt service will record about $3.5bn in the current fiscal year, $3.4bn in FY18/19, and $3.6bn in FY19/20.

Healthcare sector investments expected to revive following drop in 2017

Acquisitions decreased due to overpricing and increasing offerings, says Samir

By Mustafa Fahmy and Mohamed Mustafa

A number of investors agreed that acquisitions, mergers, and expansions in the health sector have declined significantly during the past eight months. They attributed the decline to high prices required by corporates wishing to exit health projects, the scarcity of investment-attractive public hospitals, high costs of construction, rise of land prices, and fluctuating foreign exchange rate.

Khalid Samir, a board member of the Healthcare Chamber at the Federation of Egyptian Industries (FEI) and managing director of Dar El Oyoun Hospitals and Centers, said that the acquisitions in the health sector have significantly declined over the past months due to the scarcity of eligible corporates for acquisition and merging.

Samir added that the last two years witnessed the conclusion of many acquisition deals of major hospitals, but that currently the number of corporations qualified for acquisition is very limited.

During the past years, major acquisitions have taken place in the health sector. The Cleopatra Hospital of Abraaj Group had acquired Cairo Specialized, Nile Badrawi, Al Shorouk, and Cleopatra hospitals. The Andalusia Group for Medical Services also acquired two hospitals in Cairo and Alexandria. Additionally, the Saudi Health Investment Company (SHIC) purchased a controlling interest of Ibn Sina Specialized Hospital in Giza.

"The health sector is divided into three segments: large hospitals (more than 100 beds), medium hospitals (less than 50 beds) and small medical centres (15 beds). Most of the last acquisitions targeted large hospitals that provide public services," Samir said.

He attributed the decline in acquisitions in the health sector to the high prices asked for by corporates wishing to exit health projects, an increase of hospitals offered for sale, and the recent tendency of major hospitals to establish management companies rather than purchase hospitals.

He pointed out that the last period witnessed the emergence of new kinds of investment in hospitals, including management, and finance and management, in which the management company owns a share of the hospital's capital. These new types of investment will reduce the acquisitions of hospitals that provide public services.

Samir expects that investors will purchase specialised hospitals, particularly for eyes, urology, microscopy, and obstetrics, while mergers will decline.

He called on the government to provide land at low prices for investors to implement health projects in the new cities. In return, those hospitals would provide 10% of their services free of charge. Samir noted that encouraging local investors to expand in medical services protects the market from the control of foreign companies.

He suggested that the government should launch projects to build health cities using healthcare development companies, just like industrial cities.

He explained that these cities would attract major investments in the fields of pharmacy, specialised and general hospitals, and medical centres. They would also significantly contribute to maximise the proceeds of medical tourism targeted by the state.

Samir predicted that 2018 will see the entrance of new European companies in the local market, and the expansion of projects by domestic investors.


Khalid Samir


Mustafa El-Asmar

Major entities move to establish management companies; new players to emerge in 2018

The Saudi German Hospital is planning to establish four new hospitals in Giza, Ismailia, Assiut, and New Cairo. Andalusia will also establish two new hospitals in 6th of October City and the Fifth Settlement with EGP 750m investments. Moreover, Cleopatra Hospitals Group allocated more than EGP 1bn to acquire two hospitals and manage a third one, as well as the establishment of a number of specialised clinics.

However, Samir expressed his concerns over the Ministry of Health's probable imposition of fixed pricing for health services provided by the private sector by the next year.

"Fixed pricing violates the free market rules and the government will not be able to invite anyone to invest in the sector if it imposed fixed prices for health services," Samir warned.

He added: "There are four main factors that determine the pricing of health services in Egypt, namely the prices of land, the US dollar price, the philosophy of the free market itself, and the need for continuous development of healthcare service."

Mustafa El-Asmar, a member of the Healthcare Chamber at the FEI, upheld those concerns and said that the chamber had not received any suggestions regarding the fixed pricing to be imposed on hospitals and private clinics from the Ministry of Health.

"It is not that easy, and the Ministry of Health has to put it up for community discussion," El-Asmar said. He added that the Healthcare Chamber will hold a meeting to discuss the matter.

The Ministry of Health's Central Administration of Free Treatment plans to impose a fixed pricing rate for health services provided by private hospitals and clinics in the next year, according to Ali Mahrous, head of the administration.

The Egyptian market includes 2,020 private hospitals, 380,000 clinics, 40 transplant centres, and 582 dialysis centres. All of them will follow the government's fixed pricing.

El-Asmar said that the healthcare sector in Egypt is still attractive for investment, in light of the increase of population and the market's need for quality medical services.

He pointed out that the specialised medical centres, which play a main role in the healthcare system, require more investment.

El-Asmar attributed the decline in acquisitions during the past eight months to the delay in the issuance of the executive regulations of the New Investment Law, which will show the incentives and facilities to be provided for the sector.

He expected that new Arab and foreign investments will be injected into the Egyptian market during the coming period, stressing that the government should obligate new investors to provide high quality medical services.

The Central Bank of Egypt's (CBE) decision to float the Egyptian pound last November has contributed to the decline of Egyptian hospitals' value which makes them more attractive to foreign investors, said Ghada Ganzouri, representative of the Healthcare Chamber of the FEI.

She pointed out that there is a strong demand from Gulf investors to invest in the healthcare sector in Egypt, since it still retains the lead of the most attractive sectors in the country.

Economic analyst Sharif Abdel Moati said that the next year will be better in terms of expansions and new acquisitions in the healthcare sector.

He added that the sector was affected by a delay in the issuance of some legislation, especially the New Investment Law and its executive regulations, as well as the fluctuation of the foreign exchange rate after the flotation of the Egyptian pound.

"Investments have generally declined in the past eight months, and the implemented investments were allocated to certain sectors that are able to achieve significant export returns," he said.

Abdel Moati said that the CBE's decision to increase interest rates by 7% gradually from last November to September has greatly affected the investment.

"Who can guarantee achieving higher yields than the banks' interest rate on deposit which amounts to 18.75%?" he wondered.

Despite these concerns, Abdel Moati expressed his optimism for the approaching issuance of the new health insurance law that will be submitted for discussion to the House of Representatives in the next month.

"The new law will have a positive impact on the sector, but it depends on the implementation mechanisms on the ground and the pricing of services," Abdul Moati stressed.

NUCA embarks on new phase of partnership with real estate developers: Abbas

Agency issued a special bulletin for producer prices in June in order to protect the rights of investors, says El-Guindy

The New Urban Communities Authority (NUCA) is planning to expand its partnership projects with the private sector. The planning and projects sector has completed preparing 50 distinguished plots in a number of new cities, including 13 plots announced in the last offering two months ago.

Walid Abbas, aide to the Housing Minister for Urban Communities Affairs, said that the lands are in a number of new cities, including New Cairo, 6th of October, New Damietta, and New Aswan.

By Mohamed Darwish

The second phase of the partnership projects includes 13 plots with areas ranging between 58 and 2,800 feddans, including six plots in New Cairo; one plot in 6th of October City; five plots in Sheikh Zayed; and one plot in South Marina. The activities of the plots include integrated urban to mixed tourist activities.

Abbas pointed out that NUCA sold over 120 conditions booklets for the partnership projects since the booking was opened on 30 July.

The companies that bought the booklets includes Emaar Misr, Madinet Nasr Housing & Development, Sixth of October Development & Investment (SODIC), Palm Hills, Rooya Group, Orascom, Heliopolis For Housing & Development, Maadi for Development & Reconstruction, Tatweer Misr, Capital Group Properties, ARDIC for Real Estate Development, Al Ahly for Real Estate Development, Hassan Allam, and Mabany Real Estate.

Abbas said that selling the plots is done through sharing with in-kind or cash shares or a mix of both with the leading development companies, which have prior expertise in developing projects of no less than the total area and according to the previous experience and solvency appropriate to the plot of land.

He explained that the companies will begin to submit their offers from 24 to 28 September. The down-payment is set at 2% of the total value of the plot, which differs depending on the area and location.

He pointed out that the NUCA received 60 offers from Egyptian and Arab companies to develop projects in partnership. The authority called for companies to resubmit their offers at the official announcement of the tender to compete in giving the state the biggest share in the project and the least implementation time.

The list of companies that made a previous bid for the partnership with the NUCA includes a number of Saudi companies such as Dar Al-Maaly, Aqary, a subsidiary of Salman Abdullah bin Saedan Group, Marakez, an Egyptian subsidiary of Saudi Arabia's Fawaz Al Hokair Group, and a number of big Egyptian companies.

Abbas expects that the second phase of the partnership projects to witness a turnout of Egyptian and Arab companies, after the success of the first phase and the signing of four contracts of projects on 1,927 feddans in New Cairo and 6th of October City with investments of EGP 150bn.

He said that the companies that won the land of the first phase of the partnership projects have obtained the ministerial decisions on their projects, and a number of them began to implement projects.

The NUCA signed a contract with Palm Hills to develop 500 feddans in New Cairo, along with two contracts with Sisban — Mountain View for a project of 500 feddans in New Cairo and another in 6th of October City on 479 feddans. The last contract was signed with Arabia Group For Real Estate Investment to develop 557 feddans in 6th of October City.

Abbas estimated the expected proceeds from selling 14 plots through a closed-envelope tender at EGP 12bn.

The offering includes 14 plots for urban activity ranging from 10 to 105 feddans in 6th of October, Obour, Shorouk, Sheikh Zayed, New Aswan, and New Damietta cities. The NUCA sold about 100 booklets of conditions.

The NUCA will sell to the company that offers the highest price per sqm with accepted technical conditions. The insurance for entering the tender ranges between EGP 750,000 and EGP 9m according to the location, area, and activity of each piece.

Expected proceeds for offering 24,000 plots for individuals in distinguished, most distinguished, and social housing axes amount to EGP 20bn, next to EGP 12bn from selling 14 plots through a closed-envelope tender.

Abbas said that the NUCA sold over 200,000 booklets since the booking was opened on 30 July and that about 120,000 paid down-payments.

He added that the NUCA will present architectural models of all the necessary executive drawings to obtain licences, so that the winner of the tender can obtain permits right after receiving the land.

He added that the expansion in offering lands to individuals aims to counter land trading by providing the largest number of pieces with complete facilities, and contribute to the development of new cities, as well as provide employment opportunities through these projects.

He described the popularity of the recent offering of Beit al Watan project for Egyptians working abroad as big, noting that the NUCA sold all plots offered in New Cairo, New Damietta, Obour, Badr, Sadat, and 6th of October cities. He added that the NUCA also received extra requests to obtain lands and is currently studying presenting the offers to the Cabinet to supply applicants with lands.

The latest Beit Al Watan offering included 3,795 plots.

Abbas said that the introduction of Dar Misr units for middle housing has seen a moderate turnout from Egyptians abroad and will be put the remaining units in the new announcements of the project.

The NUCA offered 3,906 units in Dar Misr projects for Egyptians abroad in 6th of October, 15 May, 10th of Ramadan, Sadat, Borg El Arab, Badr, Obour, and New Damietta cities.

He added that the NUCA sold 2,311 units offered to Egyptians abroad from its in-kind share in Rehab and Madinaty in New Cairo, including 1,161 units in Rehab and 1,150 units in Madinaty.

The NUCA estimated the price per sqm in Rehab units at EGP 8,835 ($490) and $402 per sqm in Madinaty units, while the exchange rate is calculated at EGP 18.1 to the US dollar.

Abbas explained that the NUCA is preparing to launch a new phase of its in-kind share in Madinaty and will announce early 2018.

The NUCA targets implementing 100,000 units within the Sakan Misr project for distinguished housing, as it has offered 40,000 units in the first phase to measure demand and sold 50,000 booklets since booking started on 15 August.

Each of the units offered is 115 sqm. A down-payment of 10% is required to prove seriousness, another 10% is paid after winning the draw, and the third tranche of 10% is paid after receiving the unit. The remaining amount is paid over five years with no interest or with an interest of 8.5% over 15 years through mortgage finance.

14

plots offered to companies through closed envelopes expected to proceed EGP 12bn

Walid Abbas

We are preparing 50 plots to offer for partnership with private sector

Abbas said that the NUCA is preparing to offer the third phase of the Dar Misr project for middle-income housing this year and has put forward tenders to implement 15,000 units in a number of cities.

He added that the units are being priced through the relevant committees to determine the value of the square metre, after the recent increases in the cost of implementation. He, however, noted that the prices will be lower than their counterpart in the private sector.

He explained that the NUCA will deliver 31,000 units in eight cities in the first phase of Dar Misr this year, except for Koronfel area in New Cairo, which will be delivered in 2018.

The second phase of the Dar Misr project includes 25,000 units distributed over 12 cities and will be delivered within the second half of 2018.

Abbas also said that the NUCA issued 34 ministerial decisions for development projects in the past four months, including 11 decisions in May, nine decisions in June, four decisions in July, and 10 in August.

He explained that the most prominent companies that received ministerial decisions for their projects include Talaat Moustafa Group which obtained a ministerial decision for developing 1,465 feddans in Madinaty and 895 feddans in Rehab Extension in New Cairo.

Moreover, Hyde Park received a ministerial decision for the development of 1,447 feddans in its projects in New Cairo, while Mountain View received decisions for 479 feddans in 6th of October City, and Palm Hills for 117 feddans of a total 500 feddans in New Cairo.

This is in addition to a ministerial decision for Zayed Edge for 13 feddans in Sheikh Zayed, two decisions for Raslan Real Estate Investment for 10 and 60 feddans in New Cairo, a ministerial decision for Lake View for 77 feddans, another decision for Egy Gap for 23 feddans in Shorouk, and a ministerial decision for Cairo University for 575 feddans in 6th of October City to establish a new branch.

According to Abbas, the projects launched by the NUCA will attract foreign investments, especially Gulf investments, including Emirati and Saudi. He added that the projects will provide over 250,000 direct and indirect job opportunities.

He stressed that the NUCA is keen to speed up the issuance of ministerial decisions and solve the problems that can face investment projects, in addition to offering plots of land for investors to establish housing and service activities to meet all needs.

The NUCA introduced amendments to the new real estate bylaws to ensure the speed of issuance of ministerial decisions and accelerate the development process of new projects.

Abbas said that the NUCA has started activating the system of extracting building permits in the new cities, in cooperation with the consulting offices, so that the officials of the licences of the city authorities will review the structural requirements only, and if they match, the building licence is taken on the responsibility of a consultant accredited by the union.

He added that between 2 May and 31 July, the number of permit requests reached 1,900 in 10th of Ramadan, Sheikh Zayed, 6th of October, New Cairo, Obour, Shorouk, and Badr cities, including 1,500 permits granted already.

Abbas said that the number of NUCA cities will reach 40 after establishing a number of new ones, including New Al-Alamein, East Port Said, New Mansoura, New Obour, New Luxor, West Qena, West Assiut, Al-Fashn Al-Jadida, and New Mallawi, as well as the New Administrative Capital.

He added that the NUCA began developing Nasser and West Qena to implement the urgent phase in two cities. The New Luxor area is estimated at 8,900 feddans and New Mansoura at 5,000 feddans.

He explained that the NUCA is preparing the detailed plans for the expansion of New Cairo, 6th of October, and Sheikh Zayed in preparation to offer lands for individuals and investors, as well as projects for social and average housing.

He pointed out that the NUCA plans to add 71,000 feddans to 6th of October City and 15,000 feddans to New Cairo, next to 9,300 feddans to Sheikh Zayed.

Abbas said that 6th of October City was divided into three cities after adding the current expansion to become 6th of October, October Gardens, and New October.

The NUCA established two new authorities for October Gardens and New October to improve the services provided to citizens, after large expansions to city to become twice as big as Cairo.

Abbas explained that the planning and projects department in the NUCA completed planning 6,000 feddans in a number of new cities, including 6th of October, New Cairo, New Assiut, New Beni Suef, Obour, New Sohag, 15 May, and New Qena.

Abbas said some of the cities had been fully developed, so the unexploited spaces are being planned.

In addition, he said that NUCA's strategy is based on developing existing first and second generation cities, as well as completing the development of the third generation cities, and begin developing fourth generation cities.

He added that the growth rates in the real estate sector during the current period is very good in conjunction with the increase of investment land proposals for different uses.

He highlighted a NUCA study that showed that each 1,000 sqm can accommodate 36 temporary workers for 18 months.

He said that the number of customers with the NUCA has increased significantly during the last period, adding that it allocated lands for individuals according to different income levels, besides issuing ministerial decisions to implement investment projects in the new cities.

Finally, he said that the NUCA aims to provide various products in the real estate sector and plan proposals and announce them every 3-4 months throughout the year, including lands and units suitable for different segments of income.

Economic reform programme part of Al-Sisi's bold decision to put Egypt back on global investment map: Abou El-Enein

Businessman Mohammed Abou El-Enein knows the demands of European investors and the incentives to attract them to the local market, given his current stature and long experience as chairperson of the Egyptian-European Business Council, as well as the head of the Arab Investors Union. This vilifies his assertions that there is a great potential European demand for investments in Egypt, which proves the validity of economic measures taken by the state.

"The economic reform programme boosted confidence in the domestic economy and put Egypt back on the global investment map," Abou El-Enein said. "We are already reaping the fruits of the reform: we received huge investment demands from local and foreign investors to implement projects in Egypt."

BY Hussein Abd Rabo and Mostafa Fahmy

Mohammed Abou El-Enein

In an interview with Al-Borsa, Abou El-Enein said that investors are keeping a close eye on the reforms in Egypt, expecting a great deal of European investments inflow to the local market in the near future.

He added that the meetings organised by the council with European investors showed the conviction of European companies that the efforts of President Abdel Fattah El-Sisi and the government put Egypt on track and restored confidence in the economy and in the investment climate.

He pointed out that the council had put forward ideas to European investors to promote joint investment and export, including the establishment of a comprehensive and deep free trade zone.

"We presented a package of available investment opportunities in the market to many European companies, and we stressed the importance of restoring European tourism to its previous levels, as well as requested to cooperate to address the campaign launched in Egypt in the wake of the 30 June Uprising to distort the facts," he noted.

Abou El-Enein said that the council is in constant contact with investors to inform them of the reforms that are taking place and the new laws and investment opportunities available, aiming to create stable channels of communication between the business community and officials in Egypt and Europe.

He added that Europeans are the main investors in Egypt, acquiring 60% of all foreign direct investment (FDI) in the country, next to being the biggest trade partner to Egypt and the largest source of incoming tourism.

He said that Egypt and the European Union (EU) are linked by the unity of destiny and the common challenges that affect their collective security, such as terrorism and illegal immigration. Therefore, investing in Egypt enhances the security and stability of both sides.

He added that the council presents Egypt to investors in Europe as the largest market in the region for European companies and as the gateway to Africa and the Arab region.

He pointed out that the economic decisions taken by the government and the Central Bank of Egypt (CBE) in the past few months encourage investment substantially, and that the current period is witnessing a huge demand for investment in Egypt from local and foreign investors.

Abou El-Enein described the economic reform programme implemented by the government as bold and courageous decisions taken by El- Sisi, and said the plan was inevitable to correct the path of the economy and restore confidence in solving chronic problems and make Egypt more attractive to investors.

He stressed that the country is already reaping the fruits of the programme by restoring confidence in the economy, adding that there are many investment demands from local and foreign investors, in addition to the restoration of indirect foreign investment in the Egyptian Exchange (EGX) and government debt instruments.

"The foreign exchange reserves reached $36bn, which is similar to the level before 2011. We also have seen the abolition of restrictions on foreign exchange transfers abroad, the growth of non-oil exports, the decline in the balance of the trade deficit, and the gradual increase in FDI, especially in sectors such as oil and energy, and improved macroeconomic indicators," he highlighted.

He said that the economic reform programme has a large tax that will be borne by the consumers, investors, producers, and the general budget of the state, especially since it raised the costs of investment and production, as well as the prices on the consumer.

Yet, he said that all these burdens are accepted by the public—being the path needed for the recovery of the economy.

"The Egyptian people have exemplified the awareness and confidence in their leadership and its decisions. We all have to work to reduce the duration of this transitional period and to address the negative effects. This is mainly related to reducing costs and encouraging investment to achieve the main objective of these reforms, which is realising the vision of Egypt 2030, surging growth rates, doubling the income of Egyptians, and improving the quality of lives in Egypt," he said.

He added that improving the Egyptian economy to become one of the top 30 economies in the world requires improving the investment climate in general, including facilitating entry of capital and operation procedures at low cost, next to providing a safe exit for investments.

He pointed out that the priority now must be to complete the programme of improving the investment climate by issuing a stable package of legislation and clear, consistent and attractive policies that guarantee the ease and speed of dispute settlement and implementation of decisions. They should also ensure balanced work relations and advanced infrastructure, and complete the institutional reform which deals with investment in all governorates and regions, to eliminate bureaucracy and provide land at affordable prices. The legislation package will be complete through issuing the bankruptcy law, the unified corporate law, the labour law, and amending the social insurance and local administration laws.

He asserted that Al-Sisi is the main promoter of investment in Egypt. "He addresses problems radically and exerts efforts, with the Minister of Investment and International Cooperation, to solve problems," he added.

Moreover, Abou El-Enein said that the economic reform programme has led to restoring confidence in the Egyptian economy, re-placing Egypt on the global investment map, and solving many of the major problems facing investment, especially the availability of foreign exchange, the possibility of repatriating profits, the stability of the exchange rate, and the abolition of the black market.

He added that the recent package of legislation issued by the government, particularly the new investment law and industrial licences, had made significant progress in improving the investment climate.

"For the first time in 15 years, Egypt established an economic zone of a second special nature after the Suez Canal: the Golden Triangle," he noted, adding that Egypt has a strong investment portfolio in the agricultural and industrial sectors in the canal region, the golden triangle, and the New Administrative Capital, as well as 15 new cities.

He pointed out that the economic reform programme had major effects on the cost of investment and production.

He called on the Minister of Investment and International Cooperation, Sahar Nasr, to prepare a comprehensive study on the cost of investment in Egypt compared to the competing countries and submit her recommendations to the Cabinet for discussion so that Egypt can gain a good competitive position in attracting investments.

Abou El-Enein explained that Egypt is in a global market where countries strongly wrestle to attract investment, and therefore, we must adopt bold and unconventional measures that can put the country on top of the investment-attractive list and prove it has the intention, the will, and the determination to attract investment.

There is great potential European demand on investment in Egypt; massive capital to flow in soon

"Investors look at the world and put their money on the stable countries that provide incentives, guarantees, and high profitability," he added.

He suggested following a new method for promoting investment, namely offering 100 investment opportunities in all sectors and regions, including high-tech and renewable energy projects, basic industries, and pharmaceutical industries combined with a package of financial and non-financial non-traditional incentives and advantages for each opportunity. These opportunities, in his opinion, should also come with pre-obtained permits and licences so that investors can immediately begin operation and production. He described the plan as "a sale for opportunities".

He added that the investors at this phase can be considered pioneers, which gives them advantages, as their success will bring in further investments in the sectors and the areas they work in.

He said that the reform of the investment system requires the good and honest implementation of the package of legislation issued in the past period, adding that the point is not the clear text or the good formulation, but rather understanding it correctly and implementing it correctly, along with the speed of procedures and respect for contracts and liabilities. "With good promotion for these laws and explaining their philosophy and importance, Egypt will become a better place," he noted.

He pointed out that an investment map is needed based on specialisation, whether sectoral or geographical, and that these lands and investment opportunities should be free of problems and with prior licences to prompt investors to begin working and producing immediately.

Furthermore, Abou El-Enein said that attracting foreign investors and matching them to sectors and areas of priority to the state and encouraging them to re-invest their profits and increase their exports, requires the state to provide an attractive environment by providing a specialised economic zone in which feeding industries are complementary and services are available from schools, universities, specialised markets, accommodation, hotels, and banks.

He noted that such zones attracted brands to China, India, Malaysia, and Vietnam to produce at lower costs and export products to the rest of the world.

"It is this thought that will double FDI in Egypt to tens of billions, which will make Egypt part of the new fast-growing countries or what they call the new BRICS, such as Indonesia, Vietnam, and Turkey," he noted.

He called for the need to set off the development potential in all provinces and to provide an industrial development centre in each of them, which should include the agriculture and commercial sectors. He noted that this will require the law to provide governors with the authority to compete in attracting investments, while at the same time put new criteria for performance appraisal based on the size of the investments that each governorate is successful in attracting.

He also stressed the importance of addressing the "shaky hands". "All bodies should be as strong and responsible as Al-Sisi," he explained.

He urged to solve all problems of local investors and implement the decision of the ministerial arbitration committees since the comfort and success of local investors will attract foreign investors.

He called for the provision of land to the industrial sector at competitive prices, addressing the multiple jurisdictions and authorities of the land, creating structured channels of dialogue between the government and investors, especially foreigners, and establishing an advisory board for foreign investment to be a continuous channel of dialogue between the government and investors to solve any problems and clarify the vision of the state.

He praised the new investment law and stressed it has been anticipated for years.

He added that the law has many unprecedented advantages in terms of procedures or incentives, but it will not solve all the problems alone and must be accompanied by a package of other legislations, as well as have a final solution to the arbitration problems.

He noted that investment promotion in Upper Egypt is not only dependent on tax incentives, but it is important to develop good infrastructure and link its provinces with the Red Sea.

He stressed the need to coordinate investment policies and procedures so that they all go in the same direction of encouraging investment, and that no action affecting investments should be taken without discussing it with the Ministry of Investment and International Cooperation.

He called for encouraging investment in services such as high quality education and health services, targeting countries such as Japan, Italy, China, Germany, and the United States (US) to encourage them to set up specialised industrial zones for their companies in the Suez Canal region – not only for production in the local market but for export to markets with which Egypt has trade agreements.

As for the flotation of the Egyptian poung, Abou El-Enein described the decision as inevitable, despite its contribution to raising the cost of importing production input. He explained that it had a positive impact on investment through providing US dollars and eliminating the informal market, as well as increasing foreign exchange reserves and facilitating the repatriation of revenues in hard cash, which brought back direct and indirect investments.

At the same time, he criticised the decision to hike interest rates, saying it harmed new investment and the expansion of existing enterprises. He hopes that the decision will be reversed soon so that these deflationary policies do not lead to further restricting demand and thus, reduce the ability to grow.

He asked banks to provide the largest part of their funds to encourage the private sector credit, not financing the budget deficit, and to set the goal of fiscal and monetary policies towards encouraging more work and investment.

He urged the importance of involving the armed forces in the Egyptian economy, saying that Al-Sisi made them the main contributors due to his keenness to develop the economy at the lowest possible cost and in the shortest time.

He noted that the armed forces do not compete with private investors on investment opportunities, and that their presence is necessary to help the government achieve development.

The reform plan solved the most important foreign exchange, revenue repatriation crises

Egyptian sovereign debt attractive, but to what extent?

Gradual improvement in pound value guarantees continuity of foreigners' investments for longer periods, says Beshay

The inflated Egyptian debt was one of the most important factors making Egypt's economy attractive once again, following the beginning of difficult reforms at the end of last summer.
Suddenly, the debt became attractive to investors from around the world, not only because of its interest rate – which has become the highest in the world after Argentina – but because of the decline in the exchange rate risk that prevented foreign debt investment between 2011 and the end of 2016.

By Ahmed Farahat

However, the increase in debt attractiveness has led an outcry warning against excessive reliance on foreigners to cover almost daily government bills and bonds offerings, due to the rising risks of hot money.

Despite the strong return of foreigners, whose investments exceeded a record of $15bn, almost all of them were concentrating on the short-term treasury bills of a one-year maturity at most. This requires caution from a collective exit that could once again cause a currency shortage crisis, which could happen in case of any kind of market disturbances.

Some fear that the presence of foreigners in the Egyptian debt market is currently linked to the high interest rates and that they will leave the market once it becomes quiet again following the inflation storm, which was triggered by the value-added tax (VAT) and the flotation of the Egyptian pound.

Vice minister of finance for fiscal policies and institutional reform Ahmed Kouchouk said that the Egyptian debt attractiveness is not related to interest rates alone, but also to risks. "An interest rate of 12% could be more attractive to investors than 17% due to low risk," he added.

Kouchouk told Al-Borsa that the risk factor, in the view of foreign investors, relies on the credit rating of the sovereign state and the return on exported debt instruments in international markets, as well as the reform programme with the International Monetary Fund (IMF) and the development of new foreign investment and economic indicators.

He noted that hot money is inherently volatile and variable in the short-term, but at the same time, it is economically important because it represents an external inflow on one hand and indicates the presence of 20-30 investors interested in assessing and analysing the market on the other. He explained that those investors also have investments in the stock market or in other debt instruments, while others are even involved in financing some economic projects.

However, the economic situation of Egypt says that cooling hot money to keep it longer in the market requires action by the government.

Kouchouk stated that the procedures for cooling and keeping hot money will happen soon by cultivating Egypt's credit rating, improving economic indicators, and ending the disbursement procedures of the new tranche of the IMF loan, which will reflect positively in the form of continued foreign flows in debt instruments even at an interest rate ranging between 14% and 15%.

Treasury bills and bonds are currently being sold bearing interest rates between 17% and 18.5%. The successive increase in interest rates to counter inflation has kept interest rates high despite the improvement of a number of economic indicators. The government has allocated about a third of its expenditures during the current fiscal year to repay its debt, equivalent to EGP 380bn.

Foreigners bid $3bn to buy Egyptian debt instruments in July 2017, to which Kouchouk commented that July was exceptional for Egypt and the monthly prospects for the offerings could not be based on it.

He added that the government is a borrower with financing needs and that it is looking at multiple goals rather than a single target. First, it aims at improving the structure of debt by prolonging its time, which has recently begun through increasing the debt from less than two years to 32-33 months, with aims of reaching 36 months, next to reducing the cost of borrowing and easing the pressure on the local market.

Senior banker at BNP Paribas Youssef Beshay said that the pace of foreign investments in government debt instruments will rise even if interest rates fall due to two reasons; first of which is global, related to the decision to postpone the decision to raise the US interest rate to 2018.

"Our expectations for the increase in US interest rates throughout the year revolves around 75 basis points in batches, and currently the index lies between 1% and 1.25%," he added.

Beshay also noted that keeping the interest rate in the US unchanged guarantees that foreign investment funds will be interested in debt on high-yield emerging markets.

He added that the other reason is local, namely the rise in the domestic interest rate becoming the second highest after Argentina according to international reports. Even if prices fell by one or two percentage points in the coming period, they will have no impact.


Ahmed Kouchouk

Interest rates are not only attraction; risks are under the microscope, says Kouchouk

Egypt is currently one of the top 10 emerging markets in the global debt markets.

Beshay said that the other local variable is the expectations of the appreciation of the Egyptian pound against the US dollar by the end of the year, and the presence of near-consensus within the Egyptian market on that, in light of the improved balance of payments.

He added that the channel through which foreign investments portfolio enter the Egyptian market is the private foreign transfers fund of the Central Bank of Egypt (CBE), while the CBE's adherence to this mechanism prevents volatility in the exchange rate, which excludes the potential volatility in the exchange rate, noting that the changes only ranged between 5 and 10 piasters.

The US dollar fell by 34 piasters in Egypt between July 2017 and September 2017, which is equivalent to about 1.8% – marking the greatest depreciation of the dollar against the pound in Egypt since February.

Beshay said that the trade deficit decrease would accelerate the pace of the improvement of the local currency, as well as higher foreign exchange revenue sources, such as tourism and remittances from Egyptians abroad.

He predicted that foreigners would turn to buy long-term debt instruments, such as bonds, at the expense of short-term debt, with the start of interest rate cuts to maintain high returns in portfolios.

Moreover, he pointed out that the interest rate curve reversed its trend in the current period, due to the increase in demand for short-term over the long-term instruments, which was considered temporary due to the liberalisation of the pound's exchange rate and the CBE's deflationary policy to absorb liquidity.

With the start of the CBE's monetary easing cycle, part of the foreign investment will be shifted from bills to bonds.

He said that the investments of foreigners in governmental debt instruments cuts the cost of borrowing and thus, reduces the budget deficit, because the bids they offer are lower than the local banks, putting pressure on pricing processes. This is what happened during the previous period, which saw a decline in average interest rates at a rate of between 2% and 3%.

He noted that the disadvantage of this type of investments is that it is subject to exit the market at any point based on local and international political events, which happened in 2011 when foreign investors sold their debt instruments during February to June of the same year.

The gradual improvement in the pound's value ensures the continuity of foreigners in debt instruments for longer periods of time and the stability of their subscriptions depends on the existence of rapid financial reforms in the subsidy system and the growth of tax revenues, especially the VAT.

Beshay pointed out that foreign investments in local debt are common in emerging markets, with investments accounting for 47% of the debt in Peru, 22% in Colombia, and more than 20% in Turkey, against 13% in Brazil, while all emerging countries rely on portfolio investments in the balance of payments financing.

For his part, Mahmoud Najla, executive director of fixed income instruments at Al Ahly Fund & Portfolio Management Company, suggested that government banks play the role of the market maker in the bonds to stimulate foreign subscriptions during these maturity periods and create available liquidity in these instruments.

He said that foreigners fear that there is no liquidity market in bonds, which makes their subscription rate in bills much higher.

He suggested that banks announce daily bond buying and selling rates, such as exchange rates, which would reassure investors of the term and increase their rates of continuation.

For example, the CBE raised the interest rate by 4% during the previous period, yet the prices of treasury bills, which represent the largest slice of debt, decreased despite the interest rate and slipped below the level before raising the interest rate.

He ruled out the presence of a link between the interest rates announced by the CBE and the price of treasury bills, since the announced interest rates at the CBE rely on several considerations, including inflation, growth, and employment, while the prices of treasury bills are linked to supply and demand, as is any commodity.

Currently, debt instruments see a large demand, and therefore, the returns are falling on them and their prices are increasing, which led Egyptians to refrain from subscribing to them, making foreigners the main buyers, according to Najla.

He added that foreigners subscribe to debt instruments to take advantage of the difference between the interest rate on the Egyptian pound and the interest on the US dollar, while keeping the exchange rate in mind.

"As long as the exchange rate is stable or decreasing, foreigners will continue to buy until the interest rates reach 10%, but if the exchange rate hikes to EGP 20 to the US dollar, foreign investors will leave the market, even at an interest rate of 30%," he explained.

Egypt's commitment to the economic reform programme with the IMF is expected to be a decisive factor in the attractiveness of Egyptian debt. He said that foreign investments in the period between April and June 2017 fluctuated due to fears that the second tranche of the IMF loan will not arrive; however, the subscriptions increased in July after the second tranche of the loan was disbursed.

Expected Italian investments in infrastructure, logistics, mining, energy

The return of diplomatic relations between Cairo and Rome supports the Egyptian Italian plans to attract new companies to the market

By Mostafa Fahmy and El Hussieny Hassan

According to the chairperson of the Egyptian Italian Business Council, Khaled Abo Bakr, Italian companies have shown an interest in implementing new investments in the infrastructure, mining, logistics, ports, power, and electricity transmission sectors in the Egyptian market during the coming period.

Abo Bakr stated that even during the political and diplomatic tensions that were between both Egypt and Italy after the murder of Italian researcher Giulio Regeni in early 2016, trade relations between both countries never stopped.

He pointed out that not only did the trade relations continue between the two countries, but they also increased by 15% compared to 2015. Additionally, the Egyptian commercial offices in Rome and Milan witnessed new investment requests.

"Italy has major investments in the Egyptian market and is a strategic investor in the energy, engineering, small, and medium-sized industries and is constantly looking to pump more investments into Egypt," said Abo Bakr.

Nevertheless, Abo Bakr expected that the return of the diplomatic ties between both countries will affect the trade and economic relations positively.

"The return of the ambassadors will improve the situation and will give a strong impetus to the joint business council to attract new companies to the market," said Abo Bakr.

Last week, Italian Ambassador Giampaolo Cantini took office in Cairo after diplomatic rounds by the Egyptian and Italian governments for the return of relations after the killing of Regeni. Egyptian Ambassador Hisham Badr will start his work this week from Rome.

Abo Bakr added, saying, "we provide Ambassador Hisham Badr with all the support during his tenure to support investment and trade relations between the two countries, and we will discuss with him and the Italian ambassador in Cairo the organisation of several trade missions to stimulate economic relations."

According to a report issued by the Central Agency for Public Mobilization and Statistics (CAPMAS), Egyptian exports to Italy rose to about $244.4m in the period from January to May 2017, compared with $156m during the same period last year, an increase of $68m.


Khaled Abo Bakr

Egyptian imports from Italy fell by $184.9m during the same period, reaching $291m compared with $476m during the same period last year, according to the report.

Italy leads the list of European countries in the volume of trade with Egypt, which exceeds €5bn, ranking fifth in the list of largest investors in Egypt.

The number of Italian companies operating in Egypt are 1,052 with capital of $1.7bn, of which 359 companies are operating in the service sector, 310 companies in the industrial, and 13 companies in the sector of communications and information technology.

Abo Bakr said the legislative and administrative measures taken by the Egyptian government and the Central Bank of Egypt (CBE) during the past nine months should encourage foreign and local companies to inject more investments into the market.

"We have clear policies that allow any investor who wants to enter the market to prepare his accounts well without fear of any emergency changes," he said. "The state's fiscal and monetary policies are clear. Discussions can be held about their impact, but we can not overlook that they are much better and have a greater impact on investment."

He added that the economic reform plan implemented by the Egyptian state—including a government, a presidency, and a parliament—has managed to pull the Egyptian economy out of the bottleneck and address the problems suffered by the investment in 50 years.

Abo Bakr said that the government has taken several measures that contributed to the creation of the legislative environment for investment, including the issuance of a new Investment Law and work on the draft Bankruptcy Law.

He quickly called for the Bankruptcy Law, which he described as protecting the serious investor from the risk of criminal penalties if he does not reconcile his work, as is the practice in all countries of the world.

He said that the current government has an open a line of communication with investors and be transparent with them to prepare economic decisions affecting investment, unlike what has happened in the past.

Surge on demand for administrative buildings promises strong investment flows

Requests from Egyptian and foreign investors to provide headquarters

The real estate sector witnessed a noticeable increase in the demand of Egyptian and foreign companies to obtain administrative buildings in several areas, including New Cairo and 6th October City. This shows that new investments are flowing into the market after solving the crisis of pricing rents in US dollars after the liberalisation of the exchange rate in November and the US dollar reaching EGP 18 compared to EGP 8.88 before the flotation.

By Mohamed Darwish

Nehad Adel, the chairperson of B2B for Marketing and Real Estate investment, said that demand on the purchase of administrative buildings has increased over the past period compared to the previous years, where renting took over the expansions of companies.

He added that a large number of Egyptian and foreign companies have purchased administrative headquarters. Moreover, there are investment companies with plans to be present in the Egyptian market and other companies plan to expand their already-existing companies.

The idea of purchasing administrative headquarters is taking over the orientations of companies as opposed to renting, as they seek to have permanent locations that could be used in the future through reselling, especially with the continuous increase in the prices of real estate, according to B2B's chairperson.

He expects the demand on the purchasing of headquarters to increase over the upcoming period, especially in terms of under-construction projects.

Adel said that purchases will contribute by 50% to the expected growth in sales, in addition to a similar value for renting until units are available.

He added that 80% of the companies' tendencies are leaning towards obtaining administrative headquarters in New Cairo, compared to 20% in 6th of October City. Generally, administrative buildings in new cities reach 60% compared to 40% of them being inside Cairo.

According to Adel, the selling price of the sqm of administrative buildings ranges between EGP 30,000 and EGP 35,000 for finished units. Delivery periods from developers take up to three years.

The prices of rents range from $25-$30 per sqm. Several companies resorted to obtaining an equivalent of the value of the rent in Egyptian pounds due to the crisis of the non-availability of the US dollar.

He said that the rent periods of fully-finished administrative buildings range between two and three years. When tenants get unfinished headquarters, the renting period goes up to five years, and seven years in some cases.

He added that the demand on administrative buildings in the New Administrative Capital is based on the locations of the projects and their proximity to New Cairo, especially since the capital will be carefully planned.

As a result of the New Administrative Capital's extension on an area of 170,000 acres, five times the size of Paris, the demand on headquarters will be focused on the first phases of the projects, especially those close to Cairo, according to Adel.

Adel pointed out that several projects include administrative buildings, including Sidewalk and East Hill, of areas between 150 sqm and 1,000 sqm in New Cairo and the administrative buildings in 90 street, in addition to several future projects, such as the smart village and Al Burooj in Shorouk.

Capital Group Properties announced that it will allocate new areas for multiple uses in the eastern smart village in Al Burooj. The project is decided to include residential units and retail outlets, in addition to administrative units and offices.

The chairperson of B2B said that the areas available in the market range from 300 sqm to 500 sqm without finishing. The total area of the administrative building is estimated at 10,000 sqm.

Jones Lang Lasalle (JLL), the real estate consultancy company, has recently issued a report about the performance of the Egyptian real estate sector during the first half (H1) of this year. It expected the new investment law to encourage the market over the upcoming period.

Real estate, oil, banks most prominent activities

The report said that the sector of administrative units has witnessed a decline in demand with the tenant bearing the financial burdens resulting from the depreciation of the Egyptian pound.

The supply of class-A administrative buildings was fixed at 958,000 sqm, while the second quarter (Q2) of 2017 did not witness the achievement of any projects in the sector of administrative buildings. The majority of the new anticipated projects are located in New Cairo on areas of 60,000 sqm in Cairo Festival City's administrative offices.

El Futtaim Group started the marketing phase for The Podium project. It comprises six buildings, and the project is expected to add 35,000 sqm of small- and medium-sized administrative areas in the northern part of Cairo Festival City.

The report said that the devaluation of the Egyptian pound is tangible, especially in the sector of administrative buildings, which turned negotiations in favour of tenants as occupancy rates increased during Q2-17 with expectations of more stock entering the market later this year.

Banks remain the most active tenants and seek to increase their coverage and market share with the improved performance of the banking sector. The activity of petroleum and gas companies is expected to increase during Q2-17 given the major expansion plans.

Ayman Samy, head of JLL's office in Egypt, said that the sector of administrative headquarters has started stabilising during H2-17, bypassing the changes that have been taking place since the liberalisation of the exchange rate.

He told Al-Borsa that the first half of the year witnessed a slowdown in the market because of the US dollar's value jumping to EGP 18, and an increase of the value of rents in US dollar.

Samy explained that the increase in the exchange rate led several companies to purchasing administrative headquarters or negotiate to reduce prices.

The rent value ranges between $20 and $35 per sqm in class-A headquarters. Companies resorted to evaluating the US dollar from EGP 12 to EGP 15 so tenants would not bear a high cost and be able to receive rent in Egyptian pound. Other companies resorted to reducing the value while continuing to pay in US dollars.

Samy added that the demand for administrative headquarters is witnessing a growth during this period. Sales are expected to grow during the last quarter of this year and early 2018.

The value of selling the sqm ranges between EGP 35,000 and EGP 50,000 without finishing, especially in Fifth Settlement in New Cairo.

The supply of administrative buildings is expected to increase over the upcoming period, especially with the development of the New Administrative Capital and other projects, such as Mivida and Al Burooj.

JLL has requests from Arab and foreign companies to obtain headquarters in New Cairo, including American and German companies working in the field of medical supplies.

He explained that sale and renting will witness growth with the increase in supply, including the 60,000 sqm in Cairo Festival City.

Ahmed El-Menshawy, the chairperson of Diarna Real Estate Marketing, said that several companies have recently expanded their headquarters, especially in New Cairo and the smart village in 6th of October City and Sheraton due to the latter's proximity to Cairo International airport.

Companies are working in several investment fields, with the majority in the activities of contracting and real estate investment, given that several real estate projects are being developed, whether through the government or the private sector.

"The current season does not witness an activity in administrative headquarters; however, the company received requests from investors in the fields of petroleum, contracting, and IT to look for headquarters. Sales are expected to increase this month and following the summer season," El-Menshawy said.

He explained that Emaar Misr, Palm Hills, Capital Group Properties, Misr Italia, Tatweer Misr, and Madar are some of the most prominent companies that obtained new administrative headquarters over the past few months.

He pointed out that renting took over the requests of companies, but that there is also a trend towards purchasing, especially by companies that are still being established.

He said that the areas of the supply of headquarters range from 120 sqm to 3,000 sqm, with an average price of EGP 30,000 per metre without finishing.

The areas ranging from 200 sqm to 1,000 sqm are witnessing great demand from investment companies and Egyptian and foreign banks working in the Egyptian market.

The value of rents declined from $25 per sqm before the flotation of the Egyptian pound to $18-$10 per month. The value is paid in Egyptian pounds, according to El-Menshawy.

Companies did not reject the reduction in the rent's value in US dollars, especially since the value increased in Egyptian pounds.

El-Menshawy said that the reduction of the pound's value against the dollar made many companies look for opportunities to expand in the local market and benefit from the currency difference.

He added that the upcoming period will witness a trend towards rents to benefit from the payment offers made by real estate companies.

Mortgage companies seek to overcome interest rate fluctuations

Usufruct, rent, and Murabaha mechanisms can be used to overcome the crisis regarding the registration of units in new cities

Ahmed Abdel Salam, an accountant at a car company in Egypt, had recently gone through a troublesome experience when the Central Bank of Egypt (CBE) increased the interest rates, prompting his mortgage company to extend the repayment period for two years. This pushed him back down to ground zero.

Since the start of the mortgage activity in Egypt in 2004, the companies operating in the field have faced a number of challenges that have affected their growth rate in the sector. The CBE's initiative to activate the sector has contributed to resolving some of those problems.

However, mortgage companies have been unable to greatly benefit from the CBE's initiative, despite the reduction of interest rates. This is mainly attributed to targeting the low- and middle-income segments, while the maximum value of the units that can be financed can reach EGP 950,000.

The CBE had launched an EGP 10m initiative to activate the mortgage sector in the first quarter (Q1) of 2014 with an interest rate of 7% for the low- and 8% for the middle-income segments, targeting units worth EGP 500,000. The initiative was amended by raising the maximum funding to EGP 950,000 with an interest rate of 10.5%. The second phase of the initiative is expected to include more than EGP 10bn.

Recently, the CBE has decided to raise the maximum monthly income for the low-income segment from EGP 1,400 to EGP 2,100, with an interest rate of 5%. The maximum monthly income for the middle-income segment is EGP 10,000 rather EGP 8,000 for single persons, while families' monthly income should be EGP 14,000 rather EGP 10,000. The bank also increased the maximum price of units to EGP 700,000 instead of EGP 500,000.

"Mortgage companies aim to expand under the CBE's initiative and finance low- and middle-income housing units to overcome high interest rates," Maha Abdel Razzak, managing director of Al Oula - El Taamir For Mortgage Finance, said.

The CBE has raised its benchmark interest rates by 700 basis points since it has floated the Egyptian pound against all foreign currencies in November 2016. The Monetary Policy Committee (MPC), led by CBE governor Tarek Amer, raised the overnight deposit rate to 18.75%, and the lending rate to 19.75%.

Abdel Razzak told Al-Borsa that the residential units are financed under the CBE's initiative, whether for low- or middle-income segments, in accordance with the maximum value of funding.

She explained that high interest rates have a greater impact on the financing provided to administrative and commercial units, whether for companies or individuals.

Abdel Razzak also pointed out that a number of companies that are engaged in various investment activities seek to acquire administrative headquarters under the mortgage mechanism with the interest rates set by banks, in addition to a margin determined by the company.

She warned against the competition taking form in real estate developers lending luxury housing customers, as they have resorted to increasing the repayment periods of instalments to 12 years, while the mortgage repayment period is 15 years.

Abdel Razzak added that customers prefer to deal with real estate investment companies to avoid mortgage guarantees, which require a number of procedures, including proof of income and registration of the unit documents. On the other hand, real estate developers provide more facilities, including a reduction in the in-advance payment, and a prolongation of the repayment period, even if the final selling price of the unit goes up.

The mortgage companies have overcome the problems plaguing the registration of units through obtaining a power of attorney for real estate transactions by the client who receives the financing as guarantee for the company's money.

Al Oula aims to expand in contracting with real estate developers to provide residential units in line with the CBE's initiative for middle-income housing, with an interest rate ranging from 8% to 10.5% for up to 20 years.

Al Oula plans to provide grants of EGP 350m within the CBE's initiative in cooperation with the Egyptian Mortgage Refinance Company (EMRC).

According to data by the Egyptian Financial Supervisory Authority (EFSA), the real estate finance activity increased by 77% during the first half (H1) of 2017 to reach EGP 956m from companies, compared to EGP 540m during the same period of 2016.

The volume of mortgage since the beginning of the activity until May 2017 amounted to EGP 7.8bn with a total of 43,000 contracts, compared to EGP 6.2bn at the end of May 2016 distributed over 41,000 contracts – an increase of 24.9%.

Mohamed Samir, head of the mortgage sector at the United Bank of Egypt, proposed expanding the base of customers by increasing the maximum value of the unit to EGP 1.5m over 10 years, with the interest rates set by the CBE.

He told Al-Borsa that the segments that can benefit from the increase in the volume of funds are those with a monthly income of up to EGP 30,000 for families, while the current maximum income stands at EGP 14,000 for families.

Samir added that the contribution of mortgages to the gross national product (GDP) is still low, but it has significant growth opportunities following the recent amendments to the CBE's initiative, along with other measures.

Mortgage companies will focus on the CBE's initiative

He pointed out that real estate registration helps the state to benefit from the large real estate wealth, which amounts to $230tn, while registered units do not exceed 10%.

He stressed the need to change the real estate registration system, solve the problem of multiple jurisdictions, and activate an in-kind registry in all new cities, such as the one already implemented in Sheikh Zayed and Shorouk cities.

He said that the Ministry of Housing should cooperate with the Ministry of Justice and the Real Estate Registration Office to activate the one-stop shop for managing lands belonging to the state, especially since the real estate investment sector affects 90 other industries.

Samir explained that the continuing rise in property prices will limit the impact of the increase in the interest rate on the mortgage sector, as the value of the unit by the end of the financing period will exceed the value of the total interest by the CBE.

Mortgage expert Ashraf Ramzy said that the high interest rate represents a crisis for mortgage companies in the case of lending luxury housing customers, which accounts for about 23% of companies. The loan will be doubled at the end of the repayment period of 15 years.

He added that the only opportunity for companies to expand in housing finance lies within the CBE's initiative to benefit from the interest rate and slowing lending rates outside the initiative.

He advised mortgage companies to lend companies and individuals which will buy shops and management offices, because those are the ones that achieve a return on investment that can contribute to covering the high interest rate.

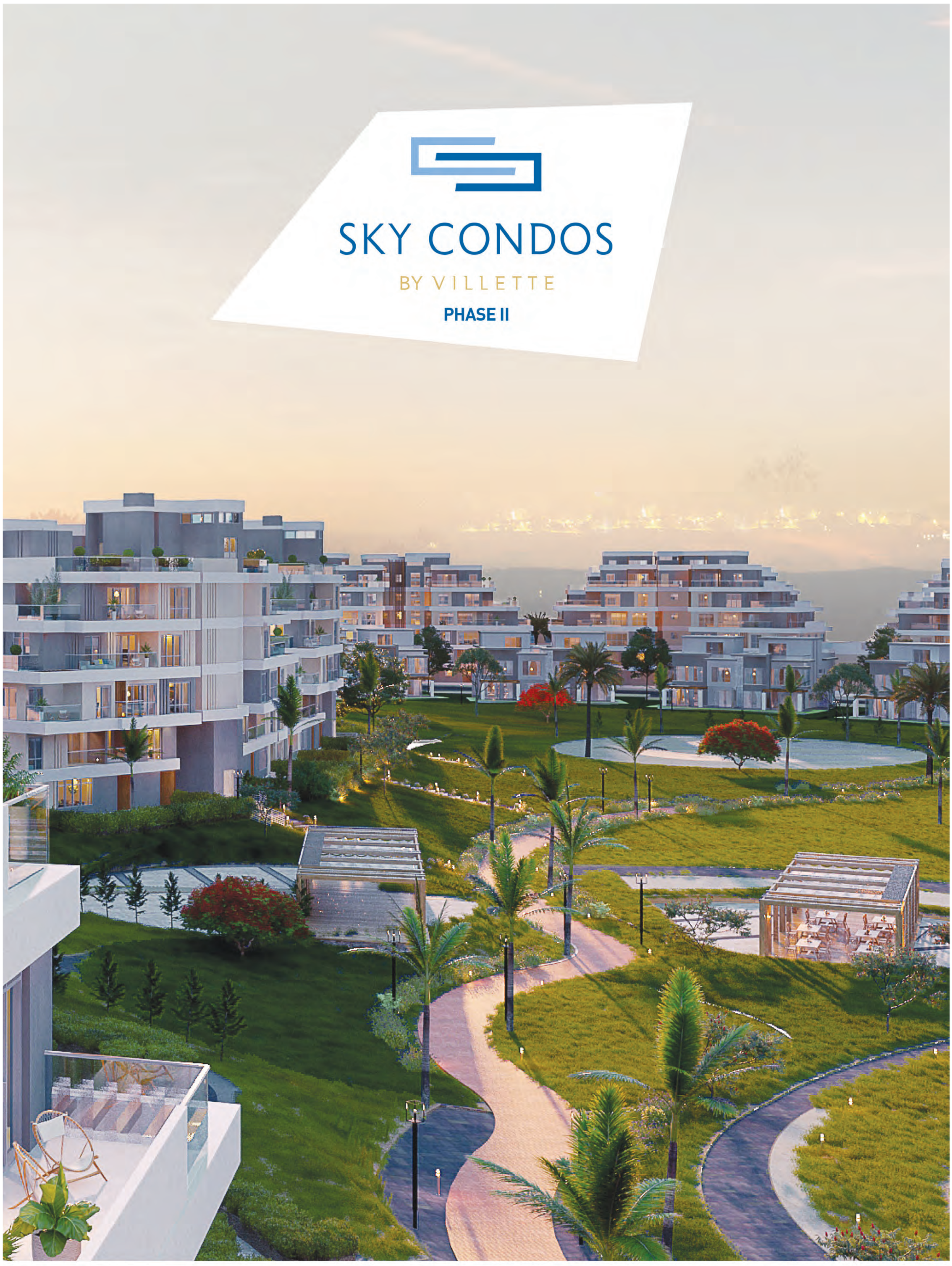
According to Ramzy, solving the problem of real estate registration will increase the guarantees of financing and enable companies to accept a larger number of customers in different income segments.

He added that the high prices of housing units resulting from the rise in prices of land and building materials makes mortgage the only solution to obtain housing, especially since Egyptians lack the culture of saving in order to buy a unit at once.

"High interest rates are forcing mortgage companies to work under the umbrella of the CBE's initiative," said mortgage expert Ayman Abdel Hamid.

He pointed out that the registration of units does not represent a major crisis for companies after the amendments of the Real Estate Financing Law, which allowed the mechanisms of rent, usufruct, and Murabaha.

Abdel Hamid called on the state to work to solve the problems facing real estate registration, especially since 95% of the units are situated in new cities, for which an ownership transfer from the New Urban Communities Authority (NUCA) to real estate developers takes time.



Sky Condos by Villette introduces new and exclusive apartments and duplexes to the market, with unique cascading architectural designs that are sure to be a sight to behold for residents and visitors. The building designs are indicative of a strong persona, its waving silhouettes along with exclusive open space compositions give each unit its own private sky roof. Sky Condos also overlooks Villette's entertainment park, The Hive, one of four featured pocket parks in the development.

16220

For more information, please call the SODIC hotline or visit the Sales Centres:
Headquarters:Km. 38 Cairo-Alexandria Desert Road
Heliopolis: 46 El Thawra Street, ground floor
SODIC @SODICRealEstate @SODICRealEstate www.sodic.com

SODIC