Egypt’s Investors’ Guide 2016: Challenges and Opportunities

Growing Business through Regulation

N Gage Consulting
Public Strategy and Government Relations Specialists
Egypt managed to achieve an economic turnaround in 2014 linked to the new central government’s ability to relatively improve the security situation, lifting real GDP growth rates from a record breaking 1.8% in 2010-2011, to a slight improvement in 2013-2014 reaching 2.2%. However, the major turnaround is credited to fiscal year 2014-2015 hitting a high 4.2%. In the same year, total investments in Egypt increased to 26%, and budget deficit lowered from 12.8% to 11.5%. The political roadmap, that started with a new constitution, presidential elections, and ended with the an elected parliament, helped shape a more stable Egypt.

In 2015-2016, slight hiccups took place, mainly connecting to the Russian Plane crash that has impacted efforts to revive tourism, which is one of the main sources of foreign currency. Slow arrival of tourists, and a decline in oil prices which impacted revenues of the Suez Canal, forced Egypt to go through crippling foreign currency shortages in 2015-2016.

Egypt’s cabinet presented its program to Parliament for approval. The program outlines a multi-sector strategy with defined KPIs and action-plan. The program includes measures and policies to direct the economy back on the right track, supported by regulatory reforms that shall improve investment’s sentiment. The program also includes some key national initiatives and projects that should work as a springboard for growth, through infrastructure upgrade.

The government is also embarking on making the best use of its Free Trade Agreements (FTAs) through upgrading trans-African road-networks, sea port infrastructure, and promoting the Suez Canal for global investors.

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Section 1: Egypt’s Credentials and Overview
Egypt has one of the largest populations in the Middle East and Africa, with 49% below the age of 25 years.

**Egypt Population | ‘000,000**

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2009</td>
<td>545</td>
</tr>
<tr>
<td>2010</td>
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</tr>
<tr>
<td>2011</td>
<td>372</td>
</tr>
<tr>
<td>2012</td>
<td>385</td>
</tr>
</tbody>
</table>

**Age Structure | % of Population**

- 0-14: 32%
- 15-24: 38%
- 25-54: 18%
- 55-64: 7%
- 65 and over: 5%

**Marriages | ‘000**

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2011</td>
<td>898</td>
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<td>2012</td>
<td>953</td>
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<td>2013</td>
<td>372</td>
</tr>
<tr>
<td>2014</td>
<td>385</td>
</tr>
</tbody>
</table>

**Standard of Living | USD**

- GNI per Capita
- GNI per Capita, PPP

This gap indicates the improved standard of living.

Source: CAPMAS
Egypt Key Economic Indicators: Economic turnaround from 2013-2014 with slight setbacks in 2015-2016

Real GDP Growth | %

Contributors to GDP | % GDP

Budget Deficit | % GDP

Budget Expenditure (FY15/16)

External Support | USD Bn

Total Investments | EGP Bn, %

Net Intl’ Reserves | USD Bn

Sources of USD | USD Bn

Tourism Receipts
Net FDIs
Suez Canal revenues

Source: CAPMAS, Ministry of Planning, CBE, World Bank
Section 2: Overview 2011-2015
The Political Roadmap: Started in 2013 with a new constitution, finalized in 2015 with formation of Parliament

Political Overview

- Since January 25th 2011, a state of political uncertainty and security void created a hostile environment for business.
- Egypt saw 4 different political leaderships and 6 different governments in the period 2011-2013.
- In July 2013, Egypt’s Political Roadmap was announced to steer the country back to political certainty.
- A significant decline in protests and public unrest was visible since then.
- The Roadmap started by appointing an interim President, Adly Mansour, as of July 2013, followed by holding the Constitutional Referendum in January 2014 and the Presidential Elections in May 2014.
- The finalization of the Parliamentary Elections in December 2015 marked the conclusion of the Political Roadmap.
- The security situation improved in parallel with Egypt’s steady strides towards political stability.
- Egypt witnessed considerably lower crime rates and terrorist attacks in 2014 as compared to 2013.
- The aggressive terrorism wave that engulfed the world in 2015 hit Egypt impacted investor’s confidence in Egypt, mainly for the Russian Metro-Jet plane crash in Sinai in late 2015.
After 3 years of subdued economic activity, Egypt achieved a remarkable turnaround in FY14/15...

**Real GDP Growth | %**

- FY2010/11: 1.8%
- FY2011/12: 2.2%
- FY2012/13: 2.1%
- FY2013/14: 2.2%
- FY2014/15: 4.2%
- FY2015/16F: 4.0%
- FY2016/17F: 4.4%

**Budget Deficit | EGP Bn**

- FY2010/11: 9.8
- FY2011/12: 10.6
- FY2012/13: 13.7
- FY2013/14: 12.8
- FY2014/15: 11.5
- FY2015/16F: 12.1
- FY2016/17F: 11.6
- FY2017/18F: 10.8

**Total Investments | EGP Bn**

- FY2010/11: -1.2%
- FY2011/12: 1%
- FY2012/13: -1.6%
- FY2013/14: 9.5%
- FY2014/15: 26.0%

**Commentary**

- The Government of Egypt adopted a brave reform agenda in FY14/15 resulting in a remarkable economic turnaround.
- After stagnating at 2% for 4 years, real GDP growth rebounded in FY14/15 to 4.2%, with a targeted 5% in FY15/16.
- Brave fiscal consolidation measures paid off in FY14/15 to cut the deficit to 11.5% of the GDP, with 8.9% targeted in FY15/16.
- The business community welcomed the new developments, with total investments growing by 26% in FY14/15.

Source: CBE, Ministry of Planning
Egypt's external sector represents a challenge as lower FX receipts resulted in shrinking net international reserves.

Monetary Policy Overview

- Since 2011, Egypt has been facing a deteriorating foreign currency crunch due to:
  - Tourism receipts declined by 30%, from USD 10.6bn in FY10/11 to USD 7.4bn in FY14/15
  - Suez Canal revenues largely stagnated, declining in FY12/13 and registering USD 5.4bn in FY14/15
  - Egypt's trade deficit deteriorated by 47% USD 27bn in FY10/11 to USD 38.8bn in FY14/15
  - Net foreign direct investments averaged at a mere USD 3.5bn annually from FY10/11 to FY13/14, before rebounding mildly in FY14/15 to USD 5.4bn

- This trimmed Egypt’s net international reserves from more than USD 35bn in 2010 to USD 16.3bn as of Sept 2015

- Assumptions of a gloomy outlook is strengthened by:
  - the expected deterioration in tourism receipts due to the recent Russian plane crash in Sinai
  - the expected lower Suez Canal revenues due to lower international trade volume

Source: Ministry of Planning, CBE, World Bank
Monetary policy shifted constantly to balance between supporting economic growth on one side and containing inflation and propping the EGP on the other.

Headline and Core Inflation | %

- The external sector’s poor performance added to the pressures on the EGP, as it lost around 40% of its value from 2010 to 2015.
- Inflation fluctuated heavily, as the impact of the devalued EGP and reforms such as raising fuel prices increased inflationary pressures, but a reduction in global commodity price, as well as relatively high interest rates helped contain them.
- Since June 2013, the Central Bank of Egypt cut interest rates 3 times and raised them twice, as priorities shift between supporting growth on one side and containing inflation and propping the EGP on the other.

Source: Ministry of Finance, CBE
Regulatory Overview: Government embarked on a wave of regulatory reform to restore confidence

Key issued laws in 2014-2015

- **Micro-Finance Law** No.141/2014
- **New Mining Law** No.198/2014
- **New Electricity Law** No.87/2015
- **Feed-in Tariff Law** No.203/2014
- **Investment Law** No.17/2015
- Amendments No. 56/2014 to **Competition Protection Law** No.3/2005
- **Suez Canal Economic Zone Law** No.330/2015
- **Real-Estate Financing Law** No. 55/2014
- **Sinai Development Law** No. 142/2015
- **Law Granting Preference to Egyptian Products** No.5/2015

Government’s main reform priorities: focusing on General business and Tax related laws in 2015
Recap on the main legislations passed as part of the legislative reform program to revive investments

Amendments to the Investment Law No.17/2015
The original investment Law No.8/1997 was subject to amendments as a measure to ease doing business regulations. The measure came a day before the EEDC to capitalize upon the wide presence of potential and current investors in Egypt. The law promises a one-stop-shop for investors to ease incorporation in Egypt. Yet, there are still no signs of an actual application of such measures. Since the amendments saw the light, investors have been voicing their concerns regarding the slow application of the one-stop-shop.

Amendments to the Competition Protection Law No.56/2014
President Abdel Fattah Al-Sisi issued a Presidential Decree amending provisions of the competition protection law, in order to make the law in-line with Chapter 2 of the Egyptian constitution. This chapter of the constitution entails the importance of supporting competitiveness and prevents monopolistic practices.

New Micro Finance Law No.141/2014
The Egyptian Financial Supervisory Authority (EFSA) jointly with the Ministry of Social Solidarity prepared the Micro Finance Law. Before the passing of the law, Micro-finance activities were hardly recognized by the government. This law proposes a more regulated micro-finance sector, with a credible system outlining clear rules to mitigate risk and protect market players and clients.

Amendments to No.55/2014 for Real-estate Financing
Another important legislation, within the non-banking financial sector, is the Real-Estate Financing Law. Low income housing has been under the spotlight since 2014. The Presidential Decree implemented new amendments as part of Egypt’s social housing program, spending billions of EGP on developments and millions of low income housing units.

New Electricity Law No.87/2015
The new electricity law No. 87/2015, showing progressive signs for liberating the sector. The new law is set to deregulate the sector by splitting the Egyptian Electricity Transmission Company (EETC) from the Egyptian Electricity Holding Company. This measure will open up power transmission for private sector companies, yet to be felt on the long run. The executive regulation is expected to be issued within the coming weeks.

New Mining Law No.141/2014
The new Mining Law is setting guidelines for a sector that has not been touched since the 1950s. The law is applied on mining, quarries, salt beds, and ores. The new mining law does not cover petroleum and natural gas materials, for both materials are regulated by law No. 66/1953. The law allows a maximum of three months for companies to suspend their operations for externalities, however if exploration or production companies suspends their operations for more than six months, they can fall under
The first regulatory period 2015-2017 is to contract 4,300 MW of both solar and wind energy and its breakdown is as follows:

- 300 MW small PV installations (below 500 KW)
- 2,000 MW large PV installations (between 500 KW and 50 MW)
- 2,000 MW wind energy (between 20 MW and 50 MW)

allegations regarding the lack of seriousness and legal action shall proceed.

The terms and regulations of the new mining law show the government’s willingness to grant licenses to companies who are willing to operate for growth under a compliant framework. The laws of the mining resources have not been renovated for decades, and the actions taken by the government in December show the government's modernized intentions to open up different opportunities for extracting minerals.

**Feed-in Tariff Program No.203/2014**

The program was issued under Decree No.203/2014 to diversify Egypt’s energy mix through renewable energy sources. The program provides incentives for investors to own land based on the usufruct system, 20 years for wind and 25 for solar. The government will receive in return 2% of total production. The mechanism sets a standard price to be paid over the life of the project or a set time period providing developers with a predictable revenue stream. The feed-in tariff scheme will be applied on projects with a maximum capacity of 50 MW solar or wind energy. Egyptian Electricity Utility and Consumer Protection Regulatory Authority (EgyptEra) has set the required regulations and procedures for executing the renewable energy feed-in tariff.
Section 3: Sustainable Development Strategy
A Sustainable Development Strategy of 3 Pillars announced in 2016: Economic, Social, Environmental

Key Economic Targets by 2030

12% economic growth rate | 10% growth in industrial sector | 8% power transmission efficiency

Top 30 economies in macro-economic environment - WEF Global Competitiveness Index

Top 30 economies in Ease of Doing Business | EGP 0 for oil subsidies | 2.2% budget deficit (of GDP)

Economic Pillar

- The Economic pillar of the SDS2030 focuses on a number of fronts namely stabilizing the macro-economic situation, by minimizing public debt and budget deficit. In order to have a stable macro-economic system, the GoE pledges to contain price levels and regulate price hikes.
- Energy is a key front that the government is focusing on. The GoE's priorities are to ensure energy security, expanding the energy sector’s contribution to GDP, and maintaining efficient energy use with considerations to the environment.

- Learning from the mistakes of the past, the GoE sets inclusive and sustainable growth on top of its priority list, aiming for increasing the contribution of women and citizens with special needs to economic growth. Poverty rates are set to be lowered from 26% in 2013 to 15% in 2030.
- In order to improve the macro-economic structure, Egypt is focusing on diversification and expanding the contribution of knowledge based industries. Diversification strategy is divided into three main pillars, increasing exports, production services such maintenance services contribution to GDP.
- Enhancing value added is another important front that the government is set to tackle, by increasing Egypt’s local component and increasing its industrial capacities.
- Job creation is an issue, where unemployment rate rests at 12.8% as of 2015. The SDS2030 sets a push to minimize unemployment rates to 5% in 2030.
- The GoE’s ambition in 2030 is to have greater role in the global economy to reach 1%. In addition to that, SDS2030 states that Egypt’s plan is to become a member of the New Industrial Countries NIC within 5 years.
New Administrative Capital
The Capital Cairo is situated 45 km to the east of Cairo (between the Cairo-Suez and Cairo-Sokhna roads). It is located at 32 km from Cairo International Airport and 80 km from Suez. With a total area of 700 sq km, the development is estimated to require a capital investment of more than USD 75 billion. The project’s rationale is to ease traffic in downtown Cairo by creating state of the art administrative city.

Developing a 4 million Feddans Project
This project aims at developing a fully autonomous urban communities across Egypt. The project’s first phase started with developing 1.5 million feddans, for agricultural purposes. The project covers locations such as the western desert region, Siwa, Farafra, Ismailia, and Tor city in Sinai.

Sinai Company for Investment and Development
This program is relevant to the Suez Canal Development project which aspires to establish industrial zones in the Suez Canal region, in nearby cities like Port Said, Ismailia, Suez, and Tor. However, the program will mainly cover the cities located on the Sinai bank, managing investments and developments in Arish, Tor, and Ras Sudr, which will become hubs for additive industries services along the Suez Canal route. The joint stock company shall manage major projects in the fields of industrial fishing, raw salt, and industrials.

Developing Western North Coast Project
This project targets to enhance Egypt’s road network by establishing long highways connecting the western north coast region, mainly the governorate of Marsa Matruh with other governorates. The 220km long Cairo Alexandria highway is only the first step of the program. The National Authority for Roads Bridges and Land Transport managed to upgrade the highway to improve facilitation of citizens and trade between Cairo and Alexandria. The road network also aims at connecting Dabaa Nuclear facility with Ras Al-Hikma, and Al-Menia to Siwa Oasis. The project has a touristic aspect, which includes a touristic developments along the North Coast to Marsa Matruh.

Golden Triangle Project
The project aims to establish a new industrial city through assembling a global mining, commercial, agricultural, touristic, industrial, economic, and basic infrastructure zone. The Golden Triangle project is set on 840 acres, located between Quayr from the south, Safaga from the north, and Qina from the west. The site of the Golden Triangle offers plenty of advantages for Egypt. The location is on the world trade route and is linked to the Nile River, which qualifies it to be transformed into a key trade and logistical hub.
Macroeconomic Programs (Egypt SDS 2030)

30th of June Axis and New Galala City
The project aims at establishing a highway connecting South Port Said highway to Cairo-Ismailia Road, and to eventually intersect with Cairo Suez Road, and Cairo Ain Sokhna road to reach Al-Galala city. The project will include King Abdallah University, and a world-class medical city, and a number of real-estate and touristic developments.

1 million Housing Units Projects
The project aims to make 1 million housing units available as part of Egypt’s social housing program for low-income Egyptians. The project’s estimated value is EGP150bn, and to take five years to be finalized. For this project, the GoE issued the Social Housing Law, which opened the door for establishing a social housing fund to support the GoE’s fiscal capabilities to fund social housing developments.

Formalizing the Informal Economy Project
The program aims firstly to legally and institutionally define the parameters of informal and formal sector. The program will include methodologies of integration, by capitalizing on the new Micro-finance law issued in November 2014.

Businesses Environment Programs (Egypt SDS 2030)

Amlak Sovereign Wealth Fund
The sovereign wealth fund, Amlak, is entirely owned by the Egyptian state. The fund aims at making the best use of the country’s assets that were mismanaged for decades. The fund is to become the investment arm of the Egyptian State. Part of the fund’s strategy is to engage in PPP projects in the fields of infrastructure. In addition, Amlak aims at co-investing with other regional and global sovereign wealth funds for international mega-projects.

ERRADA
Since its re-establishment in 2014, ERRADA is set to play a key role in legislative reform agenda. ERRADA has a significant role to play in the SDS2030, as it is mandated to propose, draft, advice, and review on all economic legislations and regulations that impact Egypt’s business environment. ERRADA is to suggest alternatives for business legislations, offer case-studies, and to support law-makers in drafting the best law fit. It is also responsible for societal dialog and debates between lawmakers and private sector. ERRADA is an advisory body for the cabinet on draft laws, and has a role to play when Parliament sends comments to cabinet on a draft law before being issued. ERRADA is an entity governed by the Ministry of Trade and Industry.
### Sector specific reform plans (SDS2030)

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<tr>
<th>Industrial Sector Reform 2030</th>
<th>Transport Reform Policy</th>
<th>ICT Reform policy 2030</th>
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| The Egyptian government is focusing on resolving issues facing investors, mainly in regards to the licensing procedures, allocation of land for investments, access to funds and loans, and giving adequate support for SMEs to have greater participation in the economy. As part of resolving impediments to investment, cabinet has made clear sector specific reform. | - Nation-wide investments in developing ports infrastructure  
- Developing the river transport sector through projects such as the Nile Taxi/Nile Ferry, and developing Nile ports in cities like Suhag, Qena, and Assiut  
- Improving the rail network by upgrading 2,500 wagons at a cost of EGP 2.5bn, and importing locomotives at a cost of EGP 3bn, and spending 1.7bn in upgrading 1,760 of Egypt’s rail. | - Strategy is to expand the sector to become a USD 4.5bn industry by spending EGP 10bn on upgrading telecommunications infrastructure over the next 3 years  
- Developing 7 tech zones nationwide, with special focus on upper Egypt and Suez Canal Axis. |
| Agri-business reform policy 2030 | Tourism Reform policy 2030 | Trade Reform Policy 2030 |
| - Activating the new smart card system for farmers to stop the crippling leakage of subsidized crops.  
- Expand the production capacity of crops such as wheat to 11mn TPA by increasing total available agricultural land.  
- Increase production of meat, chicken, fish, and dairy by 80-100% by 2018 | - The main target is to attract 9mn tourists by the end of 2017m to defend the numbers of 2015 (9.3mn tourists)  
- Allocating 13.8mn sqm of land for tourism projects, and initiating private sector tourism projects in 2018 worth EGP 1.7bn  
- Developing transport and other infrastructure in tourism hotspots.  
- Strengthen security at airports | - increase industrial exports growth to 5%/year annually by 2017/18 and SMEs exports to 10%/year  
- Rationalizing imports to cut the trade deficit by 3-5% by 2017/18 through encouraging investments in feeding industries |
Challenges and Setbacks

Civil Service Law
The new Civil Service Law was issued in March 2015, under the sponsorship of the Ministry of Planning. During the absence of parliament, President Abdel Fattah Al-Sisi had legislative authority to issue legislations until the formation of Parliament. Upon its initiation, Parliament refused the new civil service law that essentially packaged as a measure for administrative reform. However, unions within the Egyptian bureaucracy well fought for this bill since its passing. Parliament issued the final verdict by disproving the law. The disproving of the civil service law is seen by some as setback given that the law was promoted to investors in last year’s EEDC as a measure to solve the “shaky hands” issue of public servants. Currently, Parliament has finalized a draft amendment for the civil service law and should see the light by the end of H2 2016.

Foreign Currency Shortage
Since 2011, Egypt has been facing a deteriorating foreign currency crunch due to:

- Tourism receipts declined by 30%, from USD 10.6bn in FY10/11 to USD 7.4bn in FY14/15
- Suez Canal revenues largely stagnated, declining in FY12/13 and registering USD 5.4bn in FY14/15
- Egypt’s trade deficit deteriorated by 47% USD 27bn in FY10/11 to USD 38.8bn in FY14/15
- Net foreign direct investments averaged at a mere USD 3.5bn annually from FY10/11 to FY13/14, before rebounding mildly in FY14/15 to USD 5.4bn

The reduction in foreign currency receipts and increase in the import bill (increased demand and reduced supply of USD) have added pressure to the value of EGP and created a very resilient dollar parallel market.

The situation deteriorated even further in FY15/16 due to:

- Expected further decline in tourism receipts in the aftermath of Russian plane crash. In H1 of FY15/16, number of tourists declined by around 20%.
- Expected USD 350mn decline in Suez Canal revenues due to global economic slowdown.
- Reduced inflows from remittances due to economic slowdown in Gulf Countries.
Challenges and Setbacks: administrative reform, tax transparency, foreign currency shortages, and tourism

VAT application and Ambiguity in Tax policy

Applying VAT in Egypt is meant to fix the distortions created by current GST, including multiple tax rates, the exclusions of several services, the very low registration threshold and the pervasive tax evasion. The VAT law unifies the rate for all goods and service (except exemptions on 52 products and services), raises the registration threshold and, if implemented successfully, would eliminate a common form of evading the consumption tax. Additionally, VAT will give the GoE some visibility and invaluable information on the huge informal sector.

On the other hand, skeptics fear that the time is not right to shift to the VAT. They cite reasons such as soaring inflation, unprecedented pressures on the Egyptian Pound, underdeveloped Tax Authority and an unclear VAT law as obstacles to successfully adopting the VAT. Some fear that rushing the shift will result in an underwhelming tax toll, while incurring all the side-effects of the VAT (including inflation). With the VAT being one of the main requirements of disbursing the recently-signed World Bank loan and with the poor fiscal performance in FY2015/16, the shift to the VAT will most likely happen in FY2016/17. The VAT was publicized as a measure for fiscal reform during the EEDC conference, yet the prolonged process of issuing the law and applying the new tax policy is sending wrong signals to investors regarding Egypt’s ability to implement fiscal reforms.

Investment Law amendments and the One-Stop-Shop reform policy

Amendments to the investment law was seen as the center of the GoE’s reform plan in early 2015 when it was released hours before the launch of the EEDC. However, months after it was released, the business community began to voice their concern regarding the slow application of the new amendments. The amendment’s main feature, an effective one-stop-shop, is still inactive. Critics to the law see that the law is flawed, and has made investment procedures more difficult. Now, new amendments are being studies by Parliament to address issues of land allocation. Yet, so far, signs are dim for actual reform in this front.

N Gage Consulting offers business intelligence services on tax policy, including VAT and its implications on business. Our tax policy professionals work closely with clients to prepare them for tomorrow’s regulatory changes.

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Section 4: Investments and Projects Landscape
Infrastructure projects were a driving force in 2011
Reviving March 2015 momentum is needed in 2016

Graph shows increase in the General’s budget spending on public services I EGP bn

Infrastructure projects is expected to play larger role in Egypt’s GDP. (as % of GDP)

Set budget allocated for projects in the pipeline, where construction and power lead the way

Project Pipeline in USD bn. Projects on-hold hike 6 months post EEDC summit as momentum relaxes

Source: MEED Projects, Ministry of Finance
Since 2014, we see a steady pickup in the investment landscape, with the government investing in nuclear energy, petrochemicals, oil and gas, and real estate.

The Dabaa Nuclear Power Plant, awarded to Russia's Rosatom, is perhaps the largest contract of the year, followed by Emirati based Emaar Misr for the development of one of the largest real estate projects in the country.

Construction leads in the terms of the number of projects awarded for 2015.

2015 marks an offshoot for investments in Egypt

Source: MEED Projects
PPP as a springboard for Investments: the Central Unit is offering opportunities worth USD 45bn in 2016 & 2017

What is the PPP Law No.68/2010?

• The Public Private Partnership **Law No. 67 of 2010** (hereinafter “PPP Law”) was promulgated on May 18, 2010 as part of the government’s strategy to reform the country’s economy and increase energy and infrastructure development by leveraging private sector know-how, experience and efficiency to facilitate the timely and cost effective procurement of public utility services.

• The law was publicized in the summer of 2010 and its Executive Regulations were issued by a Prime Minister’s Decree **No.238 of 2011**

The PPP Central Unit’s main roles are to

• Provide technical, financial and legal expertise to the Supreme Committee for PPP and to the PPP satellite within the Administrative Authority. The unit is part of the Ministry of Finance.

• Lay out and monitor the procedures to tender and conclude PPP contracts and their execution

• Prepare and publish studies, information and statistics related to PPP projects both locally and internationally.

• Select advisors for PPP tender projects

**Distribution of PPP projects at 2015 EEDC**

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<thead>
<tr>
<th>Category</th>
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<tr>
<td>ICT</td>
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<tr>
<td>Housing and Utilities (Desalination and water Treatment)</td>
<td>3</td>
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<tr>
<td>Transportation and Logistics</td>
<td>2</td>
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**PPP planned projects in 2016-2017**

Source: Ministry of Finance
MENA Region Overview: Egypt is a key market in MENA for mega-projects and large national developments…

In 2015, Egypt takes on a leading position in terms of the value of projects in the design/study phase. Regional Projects in pre-execution phase, where 96% are still under study or in design stage, seen not to materialize in 2016.

Egypt’s Dabaa projects is at fourth place in terms of value compared to nuclear power projects in the MENA region. Yet, Dabaa is the only project with a short-timeline (an expected due date by 2022)

MENA region’s projects outlook shows focus on road infrastructure. Egypt launched the National Road Network mega-project with an estimated value of USD 8bn to improve its road infrastructure and is set to be finalized within 5-10 years.

The project includes new highways from Ras Sudr to Sharm Al-Sheikh, with an estimated cost of USD71mn. Safaga to Qusait to Marsa Alam Road (USD85mn) is to ease traffic of freight as this area shall become a mining hub. In addition, a new road will connect Alexandria to Abu-Simbel (640mn).

Source: BMI Research
Yet further reform is required to become a destination for projects of different scales.

Number of Procedures for incorporations and contractual arrangement hasn’t changed since 2009.

Hours Spent to pay taxes: 400 hours to pay taxes in Egypt where it only takes 20 hours in the UAE.

Number of tax payments to be made showing a prolonged bureaucratic process.

Access to Financial Services: Number of Banks per 100,000 Adults.

Source: BMI Research, World Bank
Section 5: Becoming an International Hub
Egypt is set to enhance its trade structure by capitalizing on its FTAs and playing a lead role in enforcing new ones.

Composition of Egypt’s Export Basket

- Crude oils and Mineral Products: 36%
- Textiles: 16%
- Chemical Products: 12%
- Vegetable Products: 11%
- Metals: 9%
- Machines: 7%
- Rubbers and Plastics: 9%

- International trade presents a substantial proportion of national GDP, with exports and imports accounting for 21% and 25% of GDP respectively. Openness to trade between 2000 and 2007 significantly improved as the ratio of imports to exports rose from 39% to 71.7%. Despite the important role that this sector plays in the economy, the country’s external position has drastically weakened as a result of reductions in the size of exports.

- During the past 10 years, the majority of direct exports from Egypt have been confined to a small set of trading partners. While the EU stands out as Egypt’s number one destination for exports, its share has fallen from 41% to 29% between 2000 and 2015. India comes in second place as Egypt’s trading partner, followed by Saudi Arabia, Turkey and Germany.

Composition of Egypt’s Import Basket

- Crude oils and Mineral Products: 19%
- Machinery: 18%
- Metals: 15%
- Vegetable Products and Wheat: 15%
- Chemicals: 10%
- Transportation: 7%
- Textiles: 7%
- Plastics and Rubbers: 9%

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Egypt's Trade with its Free Trade Agreements

Egypt Global trade Profile

Egypt's Trade with EFTA

Egypt’s trade with Arab countries

Egypt’s Trade with COMESA

Egypt’s Trade with the EU

Egypt Trade with Aghadir

Egypt’s trade with Turkey

Tripartite Free Trade Area

Source: World Bank
Egypt has 8 trade agreements signed giving Egyptian products preferential access …

**COMESA**

Access to 450 billion consumers, the second largest trade agreement in terms of consumer base after the EU Partnership Agreement

COMSA is composed of 19 member states. 15 of them enjoy 100% tariff reduction including Egypt, Libya, Djibouti, Kenya, Sudan, Madagascar, Comoros, Congo, Burundi, Zambia, Eritrea, Ethiopia, Mauritius, Seychelles, Swaziland, Uganda, Zimbabwe and Malawi

**EU Partnership**

The partnership is between the EU and Egypt aiming to establish a FTA in 12 years

**The objectives of the partnership:**

1. Paving the way for continuous liberalization of trade in goods, services and capital.
2. Developing balanced economic and social relations through mutual cooperation.
3. Contributing to the process of economic and social development in Egypt.

Provides access to more than 500 million consumers.

**European Free Trade Agreement**

This treaty covers European countries that are not part of the EU Partnership

The Agreement includes eliminating of trade barriers as well as trade-related disciplines including rules of competition, state monopolies and subsidies.

Members of the EFTA agreement: Iceland, Norway, Switzerland and Liechtenstein

Provides access to around 14 million consumers.
A treaty to harmonize Mediterranean trade, as a first step towards a Euro-Med FTA

Egypt, Jordan, Morocco, and Tunisia

Provides access to more than 50 million consumers.

Aghadir Trade Agreement

A treaty aims to establish a Free Trade Agreement between the two countries after a 12 year transitional period, and to remove restrictions on all goods including agricultural goods

Members of the agreement: Egypt and Turkey

Provides access to approximately 77 million consumers.

Turkey Trade Agreement

Goods produced in specially designated areas, called the qualified industrial zones, are granted preferential access to the US market. The products have to have a 35% local component and a 10.5% Israeli component to benefit from the QIZ.

U.S. tariffs on textile and apparel goods are relatively high, which makes production of these goods in QIZs especially attractive

Members of the agreement: Egypt, Israel and Jordan

QIZ
The most recent development in Egypt’s initiative to enhance its trade agreements is the launching of the TFTA. On the 10th of June 2015, the three major African trade blocs, Common Market for Eastern and Southern Africa (COMESA), South Africa Development Community (SADC), and East African Community (EAC), met to launch the new TFTA agreement.

Provides access to almost 1 billion consumers.

The GAFTA is a free trade agreement between Arab countries that facilitates Arab trade through preferential treatment and full exemptions on all products. The agreement has 18 members including Egypt, Kuwait, Bahrain, Tunisia, Saudi Arabia, UAE, Qatar, Syria, Iraq, Sudan, and Algeria.

Provides access to approximately 400 million consumers.
Update on Trade Regulation: the impact of Ministerial Decree No.43/2016 for factory registration

- The Ministerial decree No. 43/2016 amendment of 992/2015 was issued to create a record of the General Organization of Export and Import Control (GOEIC) to register foreign factories that export to Egypt. The decree allows company owners of trade marks to register their firm along with foreign factories as well. After the implementation of this decree, only products that come from companies registered at the GOEIC will be allowed to enter the domestic market.

- Decree 991 added an additional list of products under Article 5 of Annex 3, which requires importers to have a pre shipment inspection so they can be imported into Egypt. It’s worth noting here that manufactured goods and processed foods have different treatments.

  - Manufactured products: importers have either the option of registering in the manufacturer’s registry under article 94 of the import export regulation or issuing a pre shipment inspection certification.
  - Processed foods: firms importing these types of products only have the option of issuing a pre shipment inspection.

The certificates should be issued from laboratories that are approved by ILAC. The certificate shall include the details that are in the invoice and the packing list (Value, Volume, etc). It also states that shipments must comply with the Egyptian national standards (if they are mandatory) while if there is no national mandatory standard for these products so the international/European standards can be followed as long as they are identified by the importer. The implementation of this decree resulted in a vast array of demonstrations that took place in front of the ministry of Trade and Industry especially among small sized importers, who argued that the acting by this decree only stands in favor of larger companies.

N Gage Consulting supports factories to prepare and fulfill all the required documentation for factory registration, to ensure compliance for our clients. N Gage Consulting can also follow up on the registration procedure to ensure it is accomplished within the determined time frame.

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One of the key highlights of 2015 is the inauguration of the Suez Canal. The project, finalized within 1 year, has become the flagship project for the current government. It was planned by the Suez Canal Authority, which administers vessel movement and navigation of the canal. Within a couple of days, the GoE managed to collect EGP 61bn through investment certificates to fund the project.

The goal of the project is to maximize earnings by increasing the canal’s capacity from 49 ships/day to 97 ships/day, and increasing the canal’s returns from around USD 5.5bn to USD 13bn by 2023.

The new canal is set to attract more ships to utilize one of the world’s most important maritime trade routes. It shall maximize the transit time for ships from 18 hours to 11 hours for the southbound convoy. The minimum waiting time for vessels is lowered from 8-11 hours to 3 hours, cutting down the cost of trips for carriers. The canal is expected to play an integral role in supporting Egypt’s foreign currency shortage.

President Al-Sisi issued a Presidential Decree No.330/2015 to establish the Suez Canal Economic Zone, that includes cities along the Suez Canal and expected to host a number of mega-projects as support for what the Suez Canal is offering.

The area of the Suez Canal Economic Zone spans over 461 sqm and includes 6 maritime ports. According to the initial master plan defined Dar Al-Handasa, the area is to become a world-class center for logistics and industrial processing that shall serve and facilitate trade for European, Asian, African, and GCC markets.

Ismailia is essentially planned to focus on light industries. Renewable energy plans shall be developed in this city based on studies of Dar Al-Handasa. Ismailia will also host of ICT projects, mainly in New Ismailia city’s Egyptian Tech Valley.

Suez and Ain Sokhna will cater the domestic and international markets. According to the master plan, a number of light/intermediate and heavy industrial developments are allocated in the region of Ain Sokhna and Suez including petrochemicals, building materials, automotive assembly, manufacturing of energy components, etc.

Port Said is a logistical center to be established in the city to capitalize upon its strategic location along the Mediterranean Sea. An upgrade to Port Said Port (both West and East) is essential to enhance its logistical performance. An industrial zone will be established in East Port Said for light and intermediate industries such as textiles, agri-business, automotive assembly, pharmaceuticals, etc.
Suez Canal Forecasts and Land bank distribution

Suez Canal Development Axis’ master plan sets diversified roles for selected areas

- **Zone A**: Agriculture
- **Zone B**: Logistics, Industry, Maritime, Renewable Energy and Agriculture
- **Zone C**: Mining and extractive industries, Tourism, Renewable Energy and Agriculture
- **Zone D**: Mining, Tourism and Renewable Energy
- **Zone E**: Tourism and Renewable Energy

Benefits of the Suez Canal

- Location
- Market Access
- Bureaucracy-Free
- One-Stop-Shop
- Tax and Customs Benefits
- Skilled Labor

Source: Suez Canal Authority
Trade related infrastructure investments to escalate regional and international trade and logistics

Upgrading Egyptian ports has become a necessity to meet the targets of the Suez Canal and the Sustainable Development Goals, which aims to push the Egyptian economy’s share to 1% of the global economy. The Suez Canal came as an offshoot, opening new doors for infrastructure investment and upgrade. The following are key infrastructure projects that are set to support the ambitious plans of the Suez Canal. Projects listed include sea ports, airports, and road networks to facilitate the traffic of goods inside Egypt or outside to new untapped markets.

National Road Network
- **Investment Cost:** USD 8bn
- **Description:** improving and expanding network. The project is implemented on a timeframe of 5-10 years. It includes new highways from Ras Sudr to Sharm Al-Sheikh, with an estimated cost of USD71mn, Safaga to Qusait to Marsa Alam Road (USD85mn) is to ease traffic of freight as this area shall become a mining hub. In addition, a new road will connect Alexandria to Abu-Simbel (640mn).
- **Initiation Date:** 2014 (Ph1)
- **Projected Date of Completion:** 2025

Tunnels in Port Said
- **Description:** connecting East and West Port Said, servicing the transport of goods and enhancing logistics for Eastern Port Said.
- **Two tunnels for cars, 1 for Rail**
- **Initiation Date:** 2015
- **Projected Date of Completion:** 2017

Egypt-Saudi Bridge
- **Investment Cost:** USD 4bn
- **Description:** a 32km bridge connecting Egypt and Saudi Arabia through the strait of Tiran. Initially the project was proposed in 2008. Project received spotlight back again during President Al-Sisi’s term.
- **Initiation Date:** To Be Decided
- **Projected Date of Completion:** once feasibility studies and environmental impact studies are finalized, bridge is expected to take 3-4 years for construction.

Ras Sudr Airport
- **Investment Cost:** USD 127.7mn
- **Description:** The BOT project is the building and management of a greenfield airport in Ras Sudr as part of the GoE’s plan for tourism development in Sinai. A 7681 feddans were allocated for the project by a Presidential Decree No. 63/2015.
- **Initiation Date:** 2015
Other trade related and logistical projects to escalate regional and international trade and logistics (Cont)

**Cairo International Airport**
- **Investment Cost:** USD 500mn
- **Description:** The project aims at doubling the capacity of Cairo International Airport, through expanding terminal 2, adding 200,000sqm of space, 23 new gates, to eventually host 7.5 million travelers/year.
- **Initiation Date:** January 2012
- **Projected Date of Completion:** H1 2016

**Borg Al-Arab Airport**
- **Investment Cost:** USD167.7 mn
- **Description:** new terminal for Borg Al-Arab Airport to upgrade its capacity to 4.5mn passengers/year. The project financing is set by JICA as a soft. This airport is to become the first environment firmly terminal in Egypt as it will be completely powered by solar energy.
- **Initiation Date:** 2014
- **Projected Date of Completion:** 2018

**Sharm Al-Sheikh International Airport**
- **Investment Cost:** USD 370mn
- **Description:** The government plan presented by Prime Minister Sherif Ismail to the House of Representatives states EGP 300 mn have been allocated to increasing the airport’s capacity to 9.5 mn passengers annually. The airport is seen as the fastest growing airport in Egypt and the third largest in Africa, according to AfDB.
  - **Initiation Date:** 2013
  - **Projected Date of Completion:** 2018

**Ain Sokhna Port**
- **Investment Cost:** USD 500mn
- **Description:** The upgrade of Ain Sokhna port include expansion includes container terminal, liquefied bulk terminal and cargo center of 7.15mn sqm. First phase of development 1300 meter channel extension to support container and general cargo/dry bulk terminal. A new LNG import terminal will also be established. A logistical Center is included in the master plan.

**Safaga Industrial Port**
- **Investment Cost:** USD 510mn
- **Description:** a vital port in proximity to touristic city of Hurghada. The port is expected to have vessel capacity of 60,000 tons. Ph1 of the project is the construction of the infrastructure necessary to expand the port and its activities. Ph2 will involve the operational aspect of the port. Ph2 is crucial because the port will cater for a larger mega-project, the Golden Triangle Project. The port will play a major role in the mining industry.
  - **Initiation Date:** April 2014
Section 6: Doing Business in Egypt
Doing Business in Egypt: Registering an LLC, 7 steps away...

**Step 1: Certificate of non-confusion**

Companies must reserve the company name at the General Authority for Free Zones and Investments (GAFI). Recently, amendments to the investment law in 2015 promised to enhance business procedures, by upsizing the One-Stop-Shop at GAFI. This is where the company will have to reserve its name. If the name is already in use, then investor will have to go to the commercial register deck (in GAFI) to obtain a certificate on non-confusion.

**Timeframe:** 1 Day

**Cost:** EGP 25

**Step 2: Bank Certificate**

At GAFI, a branch of the Bank of Alexandria is there to ease the procedures for the investor. However, investor is allowed to bring the bank certificate from any bank on the authorized banks list.

**Timeframe:** 1 Day

**Cost:** EGP 300-500

**Step 3: Documentation**

The following documents are to be submitted and reviewed by GAFI representative:

- Original certificate of non-confusion (in Step 1)
- Bank certificate
- Copy of Power of Attorney
- Copy of founder’s ID/Passport
- Certificate showing company’s auditor is approved by the Registry of Accountants and Auditors.

**Timeframe:** 1 Day

**Cost:**

- Notary Public fees (0.25% of capital – with a minimum of EGP 10 and a maximum of EGP 1000)
- Establishment Fees: 0.1% of capital (minimum of EGP 100 and a maximum of EGP 1000)
- Commercial Syndicate fees: EGP 125 for companies with a capital less than or equal to EGP 500,000 and EGP 300 for companies with a capital more than EGP 500,000.
- Chamber of Commerce Fees: EGP 56
- Issuance of operations Certificate: EGP 29
Doing Business in Egypt: Registering an LLC, 7 steps away (cont)...

**Step 4: Notarization**

Articles of Association registration at GAFI, in addition to depositing the original copies of the Power of Attorney and Articles of Association in GAFI’s One stop Shop.

**Timeframe: 1 Day**

**Cost: EGP 0**

**Step 5: Certificate of Incorporation**

Within 24 hours after the competent authority will approve the company’s certificate of incorporation. Investors have to collect it from the Chamber of Commerce’s office. Applicants must submit an application at the Commercial Register (will be provided by the Commercial Register).

**Timeframe: 1 Day**

**Cost: EGP 0**

**Step 6: Registering for Taxation**

At GAFI’s One Stop Shop, investors can receive a tax card. However, the Tax card is printed outside of GAFI, so if applicants submit documents before noon, a tax card will be made on the same day.

If not, then applicants will have to receive the card on the next day. When companies receive the card, they are only capable of registering for a sales tax, only if they started their production process. Companies do not have to register for sales tax unless they reach total sales of EGP 45,000 for industrial activities, and 150,000 for commercial activity. Documents required: Power of Attorney, bank signature authentication, tax card, extract from the commercial register.

**Timeframe: 1 Day**

**Cost: EGP 0**

**Step 7: Social Insurance**

National Authority for Social Insurance will require the following: company tax card, company articles of incorporation, employer to fill form#2, employer’s bank signature certificate, employer’s graduation certificate.

**Timeframe: 2 Days**

**Cost: EGP 0**
Annex: About N Gage Consulting
N Gage Consulting is an Egypt based consulting firm specialized in providing public strategy advice, government relations assistance and lobbying for sustainable and sensible regulations in the Middle East and North Africa. The firm's scope of work covers tax, customs, specifications and regulations prediction and management, bids, and tenders processing, public strategy positioning CSR & CSI platform support as well as stakeholders classification, mapping and relationship build up and management.

The firm was capable of launching its strategy, securing deals and delivering results for 15 of the most prominent businesses worldwide, building a solid team of 23 highly qualified individuals as well as reaching an accumulated net turnover of over USD 1.3mn.

The firm was able to secure solid partnerships with key operators in the oil and gas, cement, tobacco, education, telecommunications, information management, FMCG, and defense industries. N Gage consulting is becoming a trusted advisor to its partners as well as one of the partners of choice for a number of key governmental entities. The firm's plan in the near future include the expansion of its footprint in key strategic sites across the MENA region.
N Gage Consulting Portfolio

Sister companies and entities:

N Gage Investments

N Gage Investments, is a local investment firm which currently focusing on the Energy and Infrastructure sectors. N Gage Investments provides its overseas partners with the opportunity to commence business and investment in Egypt without needing the hire of a full team on ground.

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TRAIN

Incorporated since January 2015, TRAIN company S.A.E (Trade Relations and International Negotiations) aims to establish a leading platform of experts, trainers and instructors with vision of up-scaling and fostering performance of Egyptian business corporations and entrepreneurs across all segments

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The N Gage Debates

Committed to continuously act as an interface between business, industries, and governments policy maker, the launch of the “N Gage Debates” comes as a logical progression of our services to offer a well-founded platform for dialogue to contribute to the assessment and advancement of business related regulations and policy.

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The N Gage Debates

All you need to know

N Gage Consulting

Public Strategy and Government Relations Specialists
About N Gage Investments

Our sister company, N Gage Investments, is a local investment firm which currently focusing on the Energy and Infrastructure sectors. N Gage Investments provides its overseas partners with the opportunity to commence business and investment in Egypt without needing the hire of a full team on ground.

Our Management Support service is a flexible service that can be tailored to the business needs, budget and scope of work. N Gage Investments offers its partners market and feasibility studies, Business Development and Business Planning, Agency and Management Support and bids and tenders preparation processes in Egypt. We exclusively representing in Egypt a number of international companies and provide them with full support for analyzing and penetrating the Egyptian market.

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Clients and Partnerships

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