

The Regulations and Economic Monthly Bulletin provides insight on the direction of the Government and policy related matters such as stakeholder updates, government initiatives, and news highlights. The report highlights important topics that have an impact on different business sectors. It also features a 'Special Focus' section that sheds light on a key topic of the month.

REGULATORY WATCH

- Amendments to Penal Code
- Law No. 184 of 2023: Amendments to Law 9 No. 152 of 2020 on Development of the Micro, Small and Medium Enterprises and Development Action
- Amendments: Law No.12 of 1996 on Child Law
- Amendments: Law of Reconciliation of Building Violations
- Amendments to the Medical Emergency Law No. 139 of 2021
- Law on the Incentives of Green Hydrogen Projects
- Law on the Establishment of an Egyptian Syndicate of Technologists
- Amendments: Law No. 121 of 1982 Importers Register Law
- General Unified Economic Planning Law
- Economic Courts Act
- Mineral Resources Law
- Public Enterprises Law
- Amendments: Bankruptcy Law
- Eminent Domain Law
- Senate Bylaws
- Law on Providing Insurance for Egypt Air's Russia Flights
- Civil Status Law Amendments
- Law to Establish the Suez Canal Authority Fund
- Amendments: Electricity Law
- Universal Health Insurance Law
- Central Agency for Organization and Administration (CAOA) Law
- Unified Insurance Law
- Local Administration Law
- Medical Tourism Law
- Regulating Old Rents
- Unified Tax Procedures Law
- Reconciliation of Building Violations
- Green Hydrogen Projects Production Incentives Law
- Establishment of Technology
- Unified Technical Education Law
- FRA Operational Autonomy Law
- Intellectual Property Act
- Egyptian Commodity Exchange
- Unified Economic Operators Registry Act
- Law to Establish the Digital Egypt Fund
- 2008 Unified Building Law
- Construction and Operating Dabaa Law
- Amendments to Anti-Cyber and IT Crimes Law
- Foreign Investors Importers Registry
- Industrial Zones Law

■ Ratified by President ■ President's Approval Phase
 ■ Parliament's Approval Phase ■ Pre- Parliament Approval Phase ■ Ministerial Drafting Phase

HIGHLIGHTS

Egypt Launches Golden License Portal

Egypt's General Authority for Investments and Free Zone (GAFI) announced launching the first phase of the single-window approval "Golden License" online portal in English and Arabic, according to a Cabinet statement on the 27th of November. The Golden License allows investors to acquire or lease land and operate enterprises on it without additional government approvals.

CBE Study on Digital EGP

The Central Bank of Egypt is working in cooperation with the IMF to develop a study on the launch of the 'Digital EGP'. This comes in alignment with efforts to move towards a digital economy and expand the scope of instant electronic payments between individuals and companies whilst removing the need for intermediaries.

Green Hydrogen Strategy

According to a Cabinet statement, the National Green Hydrogen Council approved the National Strategy for Green Hydrogen and will be passing it to the Supreme Council of Energy. The Strategy aims to provide a regulatory framework that includes tax breaks and incentives for the local production of green hydrogen. In light of said strategy, the government signed several framework agreements for green hydrogen projects over the past year. As a background, the Strategy was formulated by the government in cooperation with the European Bank for Reconstruction and Development and was set to be unveiled during the COP27 Summit but faced several delays.

Private Sector Minimum Wage

Starting in 2024, the private-sector minimum wage will increase by 17%, reaching EGP 3.5 K a month, as published in the Official Gazette. The increase was previously announced in October by the National Council for Wages (NCW), which decided to raise the threshold for the third time, marking a 46% increase over a year. The previous minimum wage stood at EGP 3K before tax and social insurance deductions.

Mandatory Carbon Market

As per reported insights, the government is planning on launching a pilot phase for a proposed mandatory carbon market in the first quarter of 2024, with the World Bank as an advisor. The mandatory carbon market would legally require companies to participate in order to offset their carbon emissions by purchasing carbon credits to meet government-imposed targets or international targets. The pilot phase would be non-compulsory before it goes live following approval from EGX and the Financial Regulatory Authority (FRA).

LEGISLATIVE UPDATES

President Abdel Fattah El Sisi's Victory in the 2024 Presidential Election

The National Electoral Authority has issued Decree No. 39 of 2023, officially announcing the results of the 2024 presidential election for the Arab Republic of Egypt. The election took place on 1st, 2nd, and 3rd December 2023 outside the Arab Republic of Egypt, and on 10th, 11th, and 12th December 2023 within the Arab Republic. The Decree announces the reelection of Abdel Fattah El Sisi as President of the Arab Republic of Egypt in the 2024 presidential election.

Updates on Green Certificates

As per insights gathered from the Egyptian Electric Utility Regulatory Agency and Consumer Protection (EgyptERA), a new regulation will be issued for Green Certificates at the end of 2023 or the beginning of 2024. The certificates, which the authority shall issue, are meant to be internationally recognized and compliant with the European Union's standards. The timeframe for the launch of the certificates is yet to be determined; however, a public consultation session will be held before the promulgation of the certificates.

Updates on the Green Hydrogen Production Projects Incentives Law

Egypt is strategically positioning itself to become a global center for green hydrogen projects and their derivatives, making the government actively work to boost the green hydrogen market in the country. In line with this initiative, the House of Representatives in Egypt recently gave its final approval to a proposed law, presented by the government, that introduces a range of incentives to foster the development of green hydrogen projects. The legislation aims to establish an attractive investment environment, not only to retain existing investors who have already committed to green hydrogen projects but also to attract additional foreign investments, both direct and indirect. The bill, which gained approval from the Cabinet in May, is now awaiting the final approval from President Abdel Fattah El Sisi.

If enacted, the law will provide companies with significant tax benefits, offering a reduction of 33-55% on the taxes associated with a project. Additionally, the bill includes value-added tax (VAT) exemptions on various aspects such as equipment, tools, machines, raw materials, and transport (excluding passenger cars) that are utilized in the development of green hydrogen projects. Ultimately, these incentives will enable a favorable landscape for sustainable investment and further propel Egypt's aspirations in the global green hydrogen arena. The non-tax incentives include extended grace periods on payments, the ability to import and export without being on either register, a 25% reduction on usufruct fees collected on land plots, a 20% reduction on storage unit fees, and a 30% reduction on port charges.

For eligibility, companies must have their projects up and running within five years and obtain at least 70% of their funding from foreign lenders. These incentives align with the government's direction to promote green hydrogen through the National Green Hydrogen Strategy, with the President holding a meeting with the Prime Minister, the Minister of Petroleum and Mineral Resources, and the Minister of Electricity and Renewable Energy to discuss the next phase of its implementation.

Medical Emergency Law Amendments

The House of Representatives gave its final approval to a proposed legislative amendment, put forth by the government, aimed at revising certain provisions of Law No. 139 of 2021 concerning the establishment of a fund to address medical emergencies.

The primary objective of the amended law is to augment financial resources allocated for the treatment of individuals grappling with genetic and rare diseases. This initiative aligns with presidential directives to provide free medical care for Egyptians, financed by the state.

Second Phase of National Strategy for AI

According to a statement issued by the Ministry of Communications and Information Technology, the National Council for Artificial Intelligence (NCAI) held a meeting to review the second phase of its National Strategy for Artificial Intelligence (AI). The Strategy aims to use AI technologies to support Egypt's sustainable development goals and prioritize initiatives that enhance the investment scope. The duration of the second phase is three years, and the efforts taken to prepare for it have already contributed to moving Egypt 7 places up in the Global Index of AI. Other aspects were reviewed for the Global Index of AI regarding the use of large data models in government services, industry, ICT, and tourism amongst other industries aiming to increase GDP through AI technologies.

Egypt's Strategic Privatization Plan

The government, in cooperation with the International Finance Cooperation (IFC), has been looking into 50 more state-owned companies to determine which sectors are more attractive for investment. The IFC identified potential in telecommunications, banking, airports, and insurance. According to reported government insights, infrastructure and financial service offerings would be added to the State Privatization Program in Q1 2024.

Egypt is reinforcing its restructuring efforts by offering ChillOut fuel stations to the private sector, aligning with the nation's Initial Public Offering (IPO) program. The forthcoming offering of ChillOut is anticipated following the finalization of a transaction involving the sale of state-owned petrochemical companies and Wataniya fuel stations. As part of the government's commitment to offering stakes to strategic investors by the end of June 2024, as articulated in the State Ownership Policy Document, this privatization initiative constitutes a pivotal undertaking for Egypt in the fulfillment of its obligations under the \$3 billion loan program with the International Monetary Fund (IMF).

Between March 2022 and July 2023, the government has successfully collected around \$5 billion from offering stakes in multiple companies, aiming to extend the offering stake in 35 state-owned companies to strategic investors by the end of June 2024. In addition, Prime Minister Mostafa Madbouly stated in a press conference on December 20th that Egypt has secured \$5.6 billion from the partial and full sale of stakes in 14 state-owned companies.

Law on the Establishment of an Egyptian Syndicate of Technologists

The House of Representatives officially gave its final approval to a government-submitted bill paving the way for the establishment of an Egyptian Syndicate of Technologists, equipped with independent legal status. The Syndicate's primary location is designated at Cairo, with the provision for potential branches in various governorates, subject to approval by the Syndicate's General Assembly.

The bill meticulously defines technological activity as one that encompasses efforts undertaken by individuals possessing technology qualifications, including bachelor's degrees from universities, colleges, and technological institutes. Alternatively, equivalent qualifications determined by the Higher Council of Universities under the Executive Regulations of the Law will also be considered.

POLICY WATCH

Decree Regulating Sugar Trading

The Egyptian Minister of Supply and Internal Trade, Dr. Ali Al Masilhi, has issued Ministerial Decree No. 179 of 2023, regulating sugar trading. This Decree imposes an obligation on sugar importers to submit a weekly statement to the Ministry, detailing specific information on their sugar sales.

Accordingly, sugar importers are now mandated to provide the Control and Distribution Sector in the Ministry of Supply and Internal Trade with a weekly statement encompassing imported quantities, electronic sales invoices reflecting the sale price, the balance at the time of notification, as well as a weekly report on the quantities of sugar delivered, those sold, and the remaining balance.

Disbursement of Cost-of-living Allowance for Civil Servants

In accordance with the directive from Dr. Mohamed Maait, the Minister of Finance, regarding the regulations governing the disbursement of the cost-of-living allowance for employees, the Ministry of Finance, through Decree No. 533 of 2023, outlined the implementation guidelines for the provisions of Law No. 172 of 2023. These guidelines addressed the increase of the exceptional living allowance for employees covered by the Civil Service Law.

SCA's Formation of New Yachts and Marine Units Company

Under Decree No. 4301 of 2023, the Suez Canal Authority (SCA) is granted the authorization to engage in the formation of a joint-stock company, representing the "Suez Canal Modern Boat Company". This company is anticipated to specialize in the manufacturing, maintenance, and exportation of yachts and marine units, in strict adherence to the stipulations outlined in the laws governing shareholding companies, limited liability companies, and the relevant investment laws. This entity is designated for the manufacturing, maintaining, and exporting of yachts and maritime units. A document released by the SCA indicates that seven companies are presently affiliated with the authority, with an aggregate valuation of EGP 519 million and an employment impact extending to approximately 8000 individuals.

Unification of Customs Procedures for Transit Trade at All Ports

According to a Cabinet statement, the Supreme Council of Ports and Logistics approved the proposed unification of customs procedures and implementation mechanisms for transit trade at all ports. In an effort to boost exports, the Ministry of Finance and the Ministry of Transportation also agreed on permanent coordination to overcome the obstacles facing direct and indirect trade.

Real Estate Partnership Offers

The Egyptian government is currently in the process of evaluating partnership proposals totalling EGP 8 billion (\$258 million) from investors in the real estate sector. These offers, including submissions from Saudi investors, are anticipated to be concluded in the first quarter of 2024. Within the framework of these proposed partnerships, entities associated with the Ministry of Public Business Sector will allocate land for the anticipated projects, with investors assuming responsibility for the execution of the development efforts.

A significant collaboration currently underway involves the Heliopolis Company for Housing and Development, a prominent government-affiliated housing entity. However, it is crucial to note that there is a clear directive indicating that there are no intentions to divest any shares in the company, with the primary focus remaining solely on the assessment of partnership proposals.

ITIDA Extends Collaboration with Siemens Digital Industries Operations

A Memorandum of Understanding (MoU) has been signed between Egypt's Information Technology Industry Development Agency (ITIDA) and Siemens Digital Industries Software. This MoU was concluded to strengthen collaboration and augment the company's research and development activities in advanced technologies within the country. The initiative targets the enhancement of Egypt's digital exports, elevating market competitiveness, and attracting investments from global advanced technology firms.

Under the MoU, ITIDA will extend logistics support to Siemens, particularly in electronics design, among other areas, facilitating the creation of employment opportunities for young Egyptians through training programs designed to cultivate local competence and enhance expertise. The agreement also encompasses the expansion of collaboration between the Siemens Academy of Excellence and notable academic institutions in Egypt, including the National Telecommunication Institute, Information Technology Institute, and the American University in Cairo.

Plans for Citrus Export in 2023/24 Market Season

On the 11th of December, the Egyptian Agricultural Export Council unveiled its strategic initiative to export an estimated 2.3 million tons of citrus fruits during the ongoing market season of 2023/24, which officially commenced on 5th December. The Chairman of the Council's citrus committee emphasized that this projected quantity marks a noteworthy 15% increase from the 2 million tons exported in the preceding market season.

New Anti-money Laundering Regulations

The Central Bank of Egypt issued a circular amending its money laundering and terrorism financing regulations and replacing those of 2008. To note, the new guidelines aim at increasing the monitoring of cash flow to keep track of the following client activities: large or frequent cash deposits inconsistent with client profile, deposits by different parties without a clear purpose, large or frequent FX transactions, large or frequent transfers involving high-risk countries, deposits immediately withdrawn, large or frequent transfers from foreign e-companies known for working with crypto-currencies. The CBE has given banks six months since the issuance of the regulations to comply with the updated anti-money laundering and terrorism financing regulations issued on 24 December. The new regulations were adopted amongst several measures taken to attract foreign currency amid the ongoing foreign currency shortage.

Requirements for Entities Permitted to Issue Halal Certificates

The General Authority for Veterinary Services (GOVS) issued Decree No.1 of 2023 concerning the organization of registration procedures for companies that issue international certificates in the field of halal food conformity. This Decree puts in place the procedures and requirements for entities to be granted permission to issue Halal certificates; thus, enabling the possibility of having new Halal issuing entities other than ISEG Halal. As per the Decree, companies wishing to register will need to do so through GOVS, which will be the mandated body for accrediting the entities in line with both local and international standards.

SCA Extends Transit Fee Reductions

The Suez Canal Authority (SCA) extended transit fee reductions granted to LNG tankers, dry bulk vessels, and oil tankers amongst others, to encourage transit through the Red Sea. Accordingly, vessels operating between a number of regions, including India, the US Gulf, and the Caribbean, will receive rebates ranging from 25-75%. It is important to note that there have been some attacks on shipping by Houthi Groups in Yemen in light of Israel's aggression on Gaza, which subsequently led to four major shipping firms namely MSC, Maersk, CMA CGM, and Hapag-Lloyd, announcing that they will be pausing transit through the Red Sea.

Sugar Export Ban Extension

The Ministry of Supply and Internal Trade has extended the ban on the export of sugar for three months, as per a Decree published in the Official Gazette. The ban should continue until the end of March 2024; however, surplus quantities that fall beyond local market needs would be exempted from the decision. This comes in line with the government's recent efforts to regulate the strategic commodity market amidst price surges.

Onion Export Ban Extension

During a meeting with the relevant ministers, Prime Minister Mostafa Madbouly announced the extension of the onion export ban until the 30th of March 2024, as a means to control the prices of commodities. This is an extension to the ban that was imposed in October of 2023 which was supposed to expire by the end of December 2023. However, due to sharp increases in onion prices, the export ban was extended.

Amendments to the Executive Regulations of the Unified Tax Procedures Law

The Minister of Finance issued Decree No. 528 of 2023 amending some provisions of the Executive Regulations of the Unified Tax Procedures Law. The Decree removes the second part of Article No. 52 from the ER of the Law, which previously granted businesses some flexibility as it allowed them to settle their foreign-currency VAT dues in local currency if they present evidence that they've exchanged FX worth the same amount or more than the value of the VAT within a month of the sale in any of the CBE registered banks. The specific implementation of the Decree's stipulations, including confirmation on whether it will be implemented on import activities, is yet to be confirmed as the Ministry of Finance is expected to issue directives or guidelines.

In the 2022/23 season, in terms of quantity, Egypt sustained its status as the world's leading exporter of citrus fruits for the fifth consecutive year. Furthermore, in terms of value, the country secured the third position, achieving approximately \$650 million.

New Financing and Technical Platform for Private Companies

On the 17th of December, the Ministry of International Cooperation inaugurated 'Hafiz,' a new financial and technical support platform designed for the private sector. This platform serves as a channel, fostering connectivity among development partners, governmental agencies, and the local business community. Its primary objective is to facilitate communication and collaboration among diverse private sector entities, encompassing both large corporations and small, medium, and micro enterprises (MSMEs). Furthermore, Hafiz addresses the information gap by mitigating language barriers that hinder companies from accessing various services offered by development partners. It also aims to provide comprehensive information about the most suitable financial and non-financial solutions available.

The platform further facilitates the synergy of development partners' efforts, aiming to empower the private sector, recognizing its pivotal role in promoting comprehensive and sustainable growth. With approximately 3.4 million private sector establishments in Egypt, Hafiz plays a crucial role in enhancing the competitiveness of companies of all sizes. It achieves this by improving its access to international markets, facilitating innovative financing, and optimizing partnerships. Hafiz bridges the information gap by granting the private sector access to a comprehensive list of advisory services, technical support, and financing opportunities provided by development partners.

New Agreement between the SCZone and Chinese Company for the Construction of Bag Manufacturing Facility

The Suez Canal Economic Zone (SCZone) has formalized an agreement with a Chinese travel bags manufacturer, Henneway, to establish a manufacturing facility entailing investments of up to \$50 million within the West Qantara Industrial Zone (WQIZ). This newly anticipated factory is planned to occupy a total area of 120,000 square meters, contributing to the creation of 2,000 employment opportunities, with the commencement of production being anticipated in the first quarter of 2025.

Amendments to Decree No. 113 of 2018

On the 27th of December, Prime Minister Mostafa Madbouly issued a Decree amending Minister of Investment Decree No. 113 of 2018, which governs the operations of private equity firms. The modifications introduced specify that a management contract must be formally executed between the company and the managing partner, outlining their respective powers as well as those vested in the board of directors.

Notably, certain clauses from the original 113/2018 decree remain unchanged. These include the provision reserving a minimum of 0.5 percent share for the managing partner, and the directive to offer the total capital (excluding the managing partner's stake) to qualified investors, who are defined to encompass individuals, legal entities, as well as banking and non-banking financial institutions. Furthermore, the mandate of private equity firms to channel their investments into securities, whether listed or non-listed, on the Egyptian Exchange remained unaltered in the Decree.

PRESIDENTIAL DIRECTIVES

I President Sisi Announces New Formation of Sovereign Fund's General Assembly

On the 4th of December 2023, President Abdel-Fattah El-Sisi issued a new directive, marking the reconstitution of the General Assembly of the Sovereign Fund of Egypt (SFE) with Prime Minister Mostafa Madbouly as the Chairman. The newly restructured assembly comprises the following permanent members:

- I Dr. Hala El-Said, the Minister of Planning and Economic Development
- I Mohamed Maait, the Minister of Finance
- I Rami Aboul Naga, the Deputy Governor of the Central Bank of Egypt

As for the non-permanent members, they will be serving a tenure of four years encompassing the economic expert Sadeq Murad Wahba, the former Governor of the CBE Farouk Abdel-Baqi El-Oqda, and the Chairman of HC Securities and Investment Company Hussein Hassan Shukri. The assembly also includes Hisham Mahmoud Okasha, the Chairman of the National Bank of Egypt (NBE); Ziad Bahaa El-Din, the former Minister of International Cooperation; and Tariq Qabil Abdel Aziz, the former Minister of Industry.

President Sisi Directs the Enhancement of Foreign Investments and Empowerment of the Private Sector

On the 31st of December, President Abdel-Fattah El-Sisi issued directives to intensify efforts aimed at attracting increased foreign investments and bolstering the role of the private sector in the national economy. This strategic focus involves allocating necessary resources for the development process, with a particular emphasis on priority sectors. These directives align with the government's comprehensive agenda to enhance overall economic indicators, diversify the production structure, and foster attractive investment opportunities, as delineated in the official statement. These directives were articulated during a meeting convened with Prime Minister Mostafa Madbouly and Hassan Abdullah, the acting Governor of the Central Bank of Egypt (CBE). The meeting was convened to discuss global and local economic indicators, along with an assessment of Egypt's banking sector performance.

Within the course of the meeting, Governor Abdullah presented a comprehensive overview of several new decisions enacted by the CBE, set to be effective from January 1, 2024. One notable decision entails exempting customers from all fees and commissions associated with electronic bank transfer services in Egyptian pounds for individuals. According to the statement, these decisions were designed to incentivize citizens to embrace digital financial services, facilitating expedited and more flexible financial transactions, which aligns seamlessly with Egypt's overarching strategy for digital transformation and financial inclusion.

New Green Hydrogen Project

Egypt signed an agreement with Saudi Arabia's utility developer ACWA Power to develop a green hydrogen project in the Suez Canal Economic Zone (SCZone) with investments exceeding \$4 billion, according to a Cabinet statement. The agreement was inked by the Sovereign Fund of Egypt (SFE), the Suez Canal Authority (SCA), the Egyptian Electricity Transmission Company (EETC), the state-run New and Renewable Energy Authority (NREA), and the Saudi company ACWA Power. The project's first phase will have a production capacity of 600,000 tons of green ammonia annually, Minister of Electricity and Renewable Energy Mohamed Shaker revealed, with the second phase expanding that number to two million tons per year.

Largest Food Industries Complex in Egypt

On December 27th, MAFI For Agricultural Produce Industries formalized agreements with international agricultural companies to establish a \$300 million food production complex in Sadat City, announced as the largest of its kind in the Middle East. This expansive complex will manufacture a range of products, including orange concentrates, tomatoes, assorted fruits, and essential oils. Furthermore, it will house one of the world's largest freeze-drying facilities, alongside a plant dedicated to the freezing of fruits and vegetables.

This strategic initiative aligns with the Egyptian government's concerted efforts to enhance the nation's industrial capabilities and enhance exports. The envisioned complex, spanning 154,000 square meters of industrial land in Sadat City, comprises five distinct plants. In its initial stage, the complex is anticipated to yield up to 100,000 tons of food products annually, underscoring its significant contribution to the country's economic landscape. Furthermore, this transformative project is poised to generate over 7,000 direct and indirect employment opportunities, symbolizing a significant step toward economic growth and diversification.

MoU Signed between Egypt and Chinese Company for a Solar Energy Project

On December 27th, the Egyptian government formalized a Memorandum of Understanding (MoU) with the China Electric Power Equipment and Technology Company to embark on the development of a significant 10-gigawatt solar energy project.

This MoU constitutes a pivotal element of Egypt's comprehensive strategy to augment the utilization of renewable energy sources, concurrently diminishing reliance on fossil fuels in alignment with its sustainable development agenda. Projections for this ambitious project estimate an annual production of approximately 29,784 gigawatt-hours of clean energy, contributing significantly to the reduction of approximately 14 million tons of carbon dioxide emissions. Upon successful completion, the solar energy efforts are anticipated to yield substantial economic benefits, with an estimated annual savings exceeding \$1 billion in natural gas costs, underscoring its potential as a catalyst for sustainable and cost-effective energy solutions.

TMG Concludes \$882 mn Agreement to Acquire Seven State-Owned Historic Hotels

Egypt's prominent real estate developer, Talaat Mostafa Group (TMG), officially declared on December 20th that its hotel subsidiary, ICON, concluded an \$882 million agreement to acquire a 39% stake in Legacy Hotels, the owner of seven historically significant state-owned hotels. TMG emphasized that this strategic initiative targets generating \$800 million in revenue for the government, earmarked for the enhancement of the acquired hotels and the optimization of their profitability.

Legacy Hotels operates as a collaborative venture between the Sovereign Fund of Egypt (SFE) and the Egyptian General Company for Tourism and Hotels (EGOTH). The portfolio of acquired hotels includes Sofitel Legend Old Cataract Aswan, Mövenpick Resort Aswan, Sofitel Winter Palace Luxor, Steigenberger Hotel Tahrir, Steigenberger Cecil Hotel Alexandria, Marriott Mena House Cairo, and Marriott Omar Khayyam Zamalek.

Egypt and India Negotiate for the Commencements of Rupee-denominated Bonds

Egypt has commenced discussions with India to assess the feasibility of issuing rupee-denominated bonds in the Indian markets. This initiative underscores Egypt's dedication to diversifying its external debt portfolio by exploring opportunities in various international markets. This strategic approach involves expanding beyond conventional bonds, with Egypt having previously issued green bonds, Chinese Panda bonds, Japanese Samurai bonds, and sovereign bonds.

EBRD's Interest in Ownership Shares in United Bank and Banque du Caire

The European Bank for Reconstruction and Development (EBRD) has expressed interest in acquiring minority stakes in several state-owned financial institutions designated for privatization under the government's Initial Public Offering. Banque du Caire has previously planned an IPO but encountered delays in executing the share sale due to current market conditions. Banque du Caire is not the sole potential financial institution identified for listing as part of the IPO program, which further encompasses the United Bank and Arab African International Bank.

Egypt and UAE Sign MoU for the Construction of Data Centers

A memorandum of understanding (MoU) has been signed between the Egyptian Ministry of Communications and Information Technology and the Ministry of Investment of the United Arab Emirates to facilitate the establishment of substantial data centers. This signed agreement sets the stage for the construction of data facilities in Egypt, commencing with an initial capacity of 100 megawatts and an ultimate targeted capacity of 1,000 megawatts. This strategic initiative aligns with Egypt's ongoing efforts to enhance its technological infrastructure and elevate internet speed.

STAKEHOLDER UPDATES

| On the 14th of December, the Minister of Trade and Industry issued Decree No. 460 of 2023 stipulating that the Board of Directors of the Industrial Zones Support Fund shall be established under the chairmanship of the Chairman of the General Authority for Industrial Development.

The membership of the Fund's Governing Council shall include:

Eng. Hazem Samir Hafez Anan - Head of the Central Department of Branches of the General Authority for Industrial Development. - He is in charge of running the work of the post of Vice President of the Authority for the Development and Management of Industrial Areas (Vice Chairman of the Board of Directors of the Fund), replacing Engineer Ashraf Raafat

General Yasser Salah Eldin Abdelrahman Al Wagih - Vice President of the General Authority for Industrial Development for Central Services (Vice-Chairman of the Board of Directors of the Fund), replacing Engineer Ahmed Abdul Raouf

Eng. Mohamed Mohamed Anwar Ahmed - Advisor to the President of the General Authority for Industrial Development for Strategic Planning, replacing Engineer Emad Abd Elhadi Abd Elhadi

| On the 28th of December, Dr. Mohamed Maait, Minister of Finance, issued a Decree mandating Rasha Abdelaal to take the post of Head of the Egyptian Tax Authority until the position is filled.

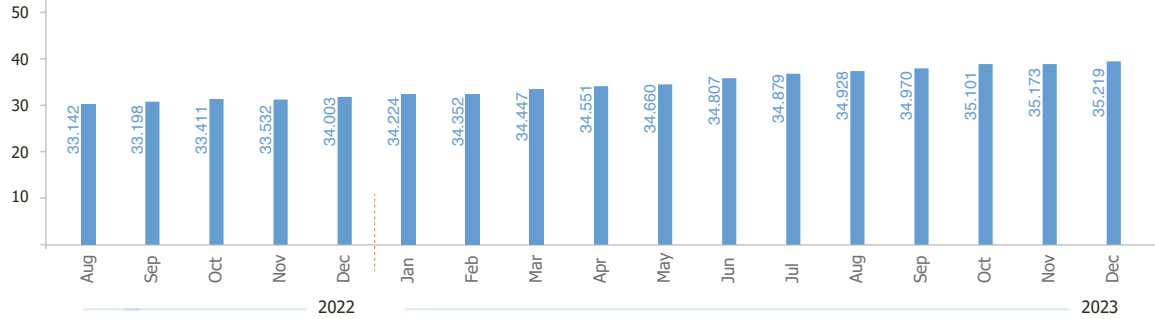


Rasha Abdelaal
Head of the Egyptian Tax Authority

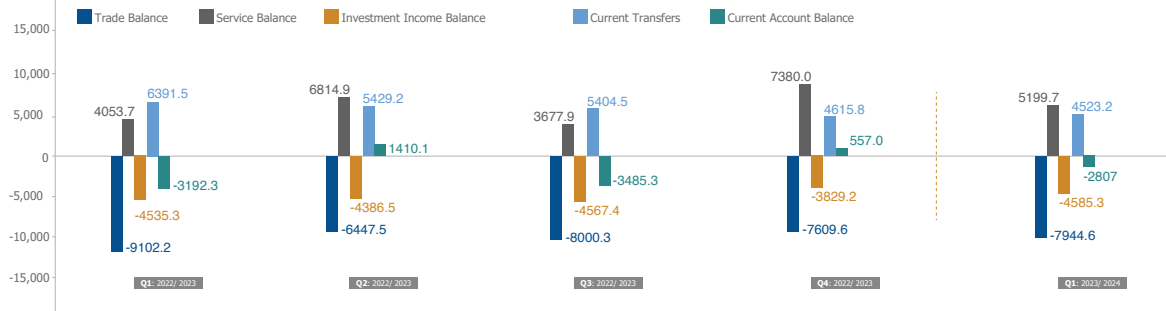
Rasha Abdelaal

ECONOMIC UPDATES

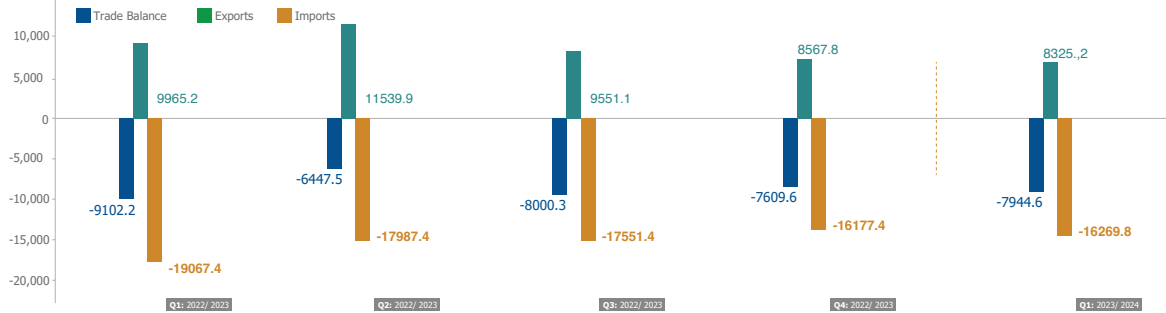
International Reserves | USD bn



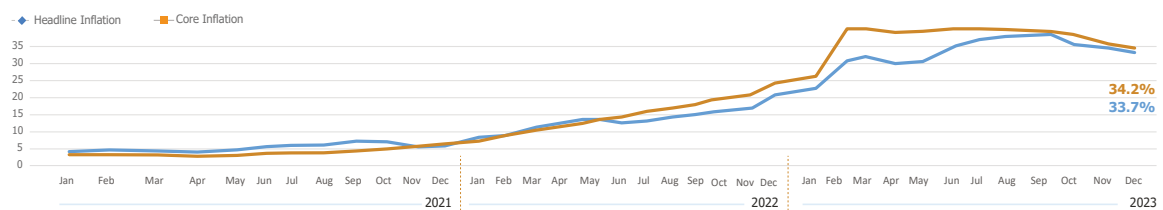
Current Account Balance | USD mn



Trade Balance | USD mn



Headline and Core Inflation | %



Source: Central Bank of Egypt

COMMENTARY

| Prime Minister Mostafa Madbouly revealed in a press conference that the government is in talks with the International Monetary Fund (IMF) for a new timeline for the loan deal, stressing that the government is fully coordinating with the Fund on the economic reform program.

| In the first quarter (July/September 2023) of FY 2023/2024, the Egyptian economy's transactions with the rest of the world resulted in an overall Balance of Payments (BOP) surplus of USD 228.8 million. This contrasts with the surplus of USD 523.5 million during the same period the previous year. The current account deficit saw a 12.1% improvement, narrowing to USD 2.8 billion from the previous USD 3.2 billion. This positive shift was primarily attributed to a 12.7% reduction in the trade deficit to just USD 7.9 billion and an increase in the services surplus to USD 5.2 billion. This surge in services surplus was fueled by a rise in both Suez Canal transit receipts and tourism revenues. Additionally, the capital and financial account recorded a net inflow of USD 1.8 billion, wherein foreign direct investment in Egypt amounted to a net inflow of USD 2.3 billion. However, portfolio investments in Egypt continued to experience a net outflow of USD 523.4 million.

| The CBE announced that the net International Reserves reached USD 35,219.5 mn at the end of December 2023

| The CBE released data indicating that the monthly urban Consumer Price Index (CPI) inflation rate for December 2023 was 1.4%. This marked a decline from the 2.1% observed in the same month of the previous year and the 1.3% recorded in November 2023. Consequently, the annual headline inflation rate for December 2023 was reported at 33.7 percent, reflecting a slight improvement from the 34.6 percent recorded in November 2023.

| As per the CBE, the monthly core CPI inflation for December 2023 stood at 1.3%, showing a notable decrease from the 2.6% observed in the corresponding month of the previous year and the 1.0% recorded in November 2023. Consequently, the annual core inflation rate for December 2023 was reported at 34.2%, indicating a slight improvement from the 35.9% recorded in November 2023.

| The CBE reported that in Q1 FY 2023/24 the FDI in Egypt registered a net inflow of USD 2.3 billion (against USD 3.3 billion in the previous year), with the non-oil sector FDI achieving a net inflow of USD 2.6 billion (against USD 3.6 billion in the previous year), and the oil sector FDI stabilizing at USD 1.4 billion (representing new investments of foreign oil companies).

| Egypt's exports to Africa surged 13% year-on-year (YoY) to USD 6 billion between January and October, Minister of Trade and Industry Ahmed Samir stated, adding that the top Egyptian exports to Africa were marble, cement, polyethylene, and phosphate fertilizers.

SPECIAL FOCUS

POTENTIAL PRICE CONTROLS

ON STRATEGIC COMMODITIES



In December, a shortage in strategic commodities was perceived, especially sugar, leading to a nationwide surge in its prices. The Ministry of Supply and Internal Trade reported that Egypt's annual sugar production is 2.8 million tons, while the consumption is around 3.2 million tons. This deficit, coupled with a concerning rise in sugar prices, has promoted households, vendors, and food and beverage companies to stockpile inventory.

Responding to this, the government has undertaken various measures, including injecting additional sugar into the markets and mobilizing regulatory authorities to control the prices. Moreover, the Ministry of Supply and Internal Trade increased the amounts of sugar allocated to ration cards, allocating one kilogram more for cards used by up to three individuals and two kilograms increase for cards used by four individuals or more. Furthermore, the Holding Company for Food Industries (HCFI), affiliated with the Supply Ministry, is responsible for distributing 30,000 tons of unsubsidized sugar and around 65,000 tons of subsidized sugar through 40,000 outlets. Notably, the HCFI daily supplies up to 10,000 tons of sugar.

In response to the soaring sugar prices, the Minister of Supply and Internal Trade stated that sugar merchants have a period of 10 days to regulate prices before the Ministry requests from the Cabinet to explore introducing price controls. The increase in sugar prices to EGP 50 per kilo is attributed to a supply gap that has prompted the Ministry to resort to its reserves.

As part of the ongoing efforts to stabilize sugar prices, the Ministry of Supply and Internal Trade has supplied 50k tons of sugar to the local market, with a price of EGP 27 per kilo. This measure was a result of sharp increases in the price of sugar, which has reached EGP 50 per kilo due to heightened demand and low scarcity. Thus, to bridge the gap between supply and demand, the Ministry purchased around 150k tons of sugar from private sector players at USD 750-780 per ton to be re-supplied to the market. Additionally, Egypt's General Authority for Supply Commodities (GASC) imported 50,000 tons of raw sugar to be delivered in February 2024 amid an alarming price increase in the local market.

Recent discussions on market regulation and commodity prices suggest the potential requirement for manufacturers to print the price on the packaging of products to control the price surges of strategic food commodities. It was unclear what products would be included and whether this would be exclusive to F&B products or strategic commodities. The potential Decree would only cover strategic commodities. Accordingly, the Cabinet issued a list of items categorized as strategic commodities for a specific period, under the Consumer Protection Law, on 7 foods, including sugar, as strategic commodities, setting market controls to regulate the market in cooperation with the private sector. Additionally, Egypt's Prime Minister Mostafa Madbouly has called for regular reports on sugar prices in the market, and the Minister of Trade and Industry issued a Decree stipulating the extension of a sugar export ban, a precautionary measure to secure sufficient sugar supplies for domestic consumption. In a statement by the Minister of Supply and Internal Trade in a press conference, he stipulated that Egypt's strategic sugar reserves can cover local consumption needs for nearly 7.8 months.

Regarding wheat, Egypt is projected to import 12 million tons of wheat during the current FY2023/24, which commenced on the 1st of July, maintaining its status as the world's top wheat importer. Annual wheat consumption is 18 million tons, mostly imported from Russia and Ukraine. The country's strategic wheat reserves are deemed sufficient for approximately 4.8 months, according to the Minister of Supply. Beyond the sugar market, Egypt has been facing challenges with rising prices affecting essential commodities such as rice, onions, and eggs throughout 2023.