# Strat_EGY

## EGYPT'S FIVE YEAR MACROECONOMIC FRAMEWORK AND STRATEGY

FY14/15 - FY18/19

EEDC

EGYPT ECONOMIC DEVELOPMENT CONFERENCE

مؤتمر دعم و تنمية الإقتصاد المصري

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EGYPT ECONOMIC DEVELOPMENT CONFERENCE
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| | |
|---|---|
| CBE | Central Bank of Egypt |
| CDS | Credit Default Swap |
| EBRD | European Bank for Reconstruction and Development |
| EEDC | Egypt Economic Development Conference |
| EFSA | Egyptian Financial Supervisory Authority |
| EGPC | Egyptian General Petroleum Company |
| ETA | Egyptian Tax Authority |
| FDI | Foreign Direct Investment |
| GAFI | General Authority for Investments |
| GASC | General Authority for Supply Commodities |
| GCC | Gulf Cooperation Council |
| GDP | Gross Domestic Product |
| GFMIS | Government Financial Management Information System |
| GST | General Sales Tax |
| G2G | Government to Government |
| IFC | International Finance Corporation |
| IFIs | International Financial Institutions |
| MPC | Monetary Policy Committee |
| NPL | Non-performing Loans |
| PFI | Private Finance Initiative |
| PPP | Public Private Partnership |
| SME | Small and Medium-sized Enterprises |
| UNR | Unified National Registry |
| VAT | Value Added Tax |

# I. THE VISION: TRANSFORMING EGYPT'S ECONOMIC PLATFORM

***Egypt is progressing with a well structured program to restore macroeconomic imbalances, address social inclusion priorities, and achieve high, sustainable and well-diversified growth. The government has made clear strides toward regaining confidence in the economy through serious and comprehensive reforms while moving steadily on advancing its political agenda.***

The first two milestones of the political roadmap adopted in July 2013 – the ratification of the new Constitution in January 2014 and presidential elections in May 2014 – have been completed. This has returned Egypt to political stability, providing the government with the right opportunity to tackle anew the country's economic constraints and to launch far-reaching structural reforms. The government has lost no time in making the most of the opportunity with vigor and a fresh sense of purpose – indeed, it has been very active during its short tenor in office to date in working across multiple policy fronts to strengthen the fundamental underpinnings of the economy and to improve the future prospects of the country's young and aspiring population.

Among the boldest moves so far has been the government's decision to slash wasteful energy subsidies by 30% in July 2014, signaling its political will to confront even the most difficult issues – including longstanding taboos – in its quest to reinvigorate the economy. Other decisive steps have included measures to improve tax buoyancy and widen the tax base, to reform the foreign exchange market dynamics, and to begin the process of liberalizing generation, transmission and distribution activities in the power sector and eventually restricting the role of the state to that of regulator and supervisor.

Renewed confidence and the resumption of stronger economic activity seen over recent quarters are setting the stage for the next group of reforms needed to support and accelerate the growth momentum. The government has also begun to improve public service delivery and taken several steps to enhance the domestic investment environment and re-attract significant FDI inflows.

The government's key objective is to create a productive, efficient and ultimately more dynamic economy and to ensure that future growth is high, sustainable and inclusive. Many ambitious projects are being planned and executed to expand Egypt's production frontier and thereby transform the country's entire economic landscape over the longer-term; meanwhile, pragmatic and focused fiscal, monetary, and regulatory policies and reforms are being formulated and implemented to address in the short-to-medium term Egypt's fiscal and other macroeconomic imbalances, infrastructure deficits, human resource challenges, poor living standards and the various bureaucratic, legal and regulatory impediments to investment. While several elements of the reform agenda have already been put into effect, the government recognizes that much more must still be done in the coming years to fully restore the economy to health.

In effect, the government is reengineering the Egyptian economy through a comprehensive set of coherent policies, programs and projects. The macroeconomic policy framework and structural reform program rest on three fundamental principles:

- First, prudent macroeconomic policies will progress alongside long-term economically viable developmental projects with high labor intensity and concrete efforts to improve the quality and accessibility of services offered to the public.

- Second, the growth model will be based on a constructive partnership between the government and the private sector. The government is committed to pursuing a prudent macroeconomic policy framework, reforming its legal apparatus, and investing in basic infrastructure in order to create a stable and predictable business environment, while the private sector is being increasingly empowered and encouraged to resume its leading role in driving economic growth. This may take time as confidence continues to rebuild, but early signs of the return of confidence are promising;

- Third, the approach will strike a balance between fiscal consolidation and social justice objectives. The government will ensure that growth is inclusive as well as sustainable, with the savings generated by austerity measures being partially redistributed to fund social protection programs and to invest in Egypt's abundant and young human capital.

On the basis of this comprehensive program, the government will transform its vision for Egypt's future into reality – leading to a dynamic and resilient economic platform that will deliver significant returns to private sector investors while fulfilling the aspirations of Egyptian citizens for dignified, decent and productive lives. Achieving this outcome is critical not only for Egypt, but also for the well-being, stability and safety of the regional and international community of which the country is a vital part.

The government is under no illusion that the path ahead will be easy. The reform agenda is heavy and will require continued vigilance and an adroit balancing of interests and priorities, within a broader context that will continue to be dynamic. There still are a number of domestic challenges and administrative hurdles that must be managed in order to complete both the planned medium-term program as well as to enforce measures that have been implemented. The government is aware of the issues that concern the general public along with domestic and foreign investors alike. Questions have also arisen about the impact that the forthcoming parliamentary election will have on the pace and direction of reforms.

The parliamentary elections constitute the last leg of the political roadmap and formally mark the end of Egypt's political transition period. With stability and political institutions restored, the government intends to intensify its efforts to engage all stakeholders and firm up the consensus behind reforms. While there will undoubtedly be trade-offs in terms of the sequencing or timing of the measures that must still be taken over several years to strengthen the economic platform, the underlying commitment of Egypt's political leadership and government to fulfilling the reform agenda will not waver.

The government is also monitoring and evaluating the potential impact of shocks that may stem from regional and global developments. Its focus on achieving fiscal consolidation and implementing the necessary structural reforms will help safeguard Egypt's economic resilience and bolster the policy capacity to respond flexibly to adverse conditions as they arise.

This document has been prepared in the spirit of reinforcing the government's on-going public outreach efforts and fostering its accountability and transparency. It describes the framework for Egypt's medium-term economic vision and outlines the concrete policies, programs and projects that will guide and operationalize the growth strategy. The government hopes that this document as well as the regular material and action plans published by the various line ministries will prove useful to both domestic and foreign stakeholders in understanding the medium-term priorities and targets, and serve as a reference for economic actors and the broader public as they engage with the government in building Egypt's new era of economic opportunity and prosperity.

# II. EGYPT'S MEDIUM-TERM STRATEGY AND OUTLOOK

***The medium-term macroeconomic framework and strategic plan encompasses concrete policies, programs and projects to realize the government's vision: a productive and efficient economy that generates high, sustainable and inclusive growth.***

The government continues to work steadily on achieving sound public finances and macroeconomic stability in order to provide the foundation on which sustainable growth will be built. Prudent fiscal and monetary policies constitute the core of the medium-term reform program and are geared toward correcting the country's large fiscal and current account deficits, dampening inflationary pressures and reassuring stakeholders that financing gaps are manageable. This policy framework will preserve confidence and encourage economic actors to expand investment activities and consequently consumption, thereby propelling growth.

To ensure that growth is sustainable, inclusive and high quality (i.e., investment-led), the macroeconomic policies are being complemented by measures to modernize the business environment, a large hike in public spending on human capital formation, a focus on revamping and expanding physical infrastructure both in Cairo as well as throughout the country, and a big-picture push to develop and launch several megaprojects over time.

By design, the government's medium term strategy is ambitious and comprehensive. It requires a range of mutually reinforcing and well-designed policy interventions to remove existing distortions and create a strong new economic platform.

### THE FIVE-YEAR PLAN (FY14/15 – FY18/19) WILL DELIVER THE FOLLOWING BROAD TARGETS:

#### BOX (1): EGYPT'S MACROECONOMIC TARGETS FY14/15 – FY18/19

- Sustainable real GDP growth reaching at least 6% by the end of the period;
- A faster pace of job creation in order to bring the unemployment rate below 10% and in particular to address the high rate of youth unemployment;
- Greater efficiency in government spending in parallel with a planned reduction of the fiscal deficit to 8 - 8.5% of GDP, and the government debt to within a range of 80 - 85% of GDP;
- Headline Inflation within a 6 - 8% range;
- Higher rates of domestic investment;
- Improved export performance;
- The development of the country's human resources supported by increased spending on health, education and Research and Development (up to at least 10% of GDP) as mandated by the Constitution;
- Enhanced productivity on the national level and continued investment in and upgrading of infrastructure.

Egypt has experienced an episode of high growth in its recent path: the earlier reform push spanning mid-2004 through mid-2008 succeeded in quickly pushing up the growth rate to ~7% and sustaining it at that level for three consecutive years. The government succeeded in significantly slashing the fiscal deficit and reduced its debt burden during this period, but not enough was done to equitably distribute the fruits of the rapid burst of growth. Although unemployment fell from over 13% to less than 8%, high inflation and rising inequality eroded social gains. Moreover, while the reforms helped Egypt to withstand the impact of the 2008-2009 global financial crisis better than most countries, with growth hovering around 5% (rather than the average of 7% during the boom years), this did not alleviate rising social and political pressures primarily due to the lack of tailored programs to protect the people's quality of life.

Lessons learned from that experience are now shaping the government's new reform agenda that combines pro-growth and pro-private sector policies with social protection and jobs-focused priorities.

## CHECKLIST OF IMPLEMENTED, PENDING AND PLANNED REFORMS

### THE GOVERNMENT IS COMMITTED TO FULFILLING A COMPREHENSIVE FISCAL AND STRUCTURAL REFORM AGENDA

### … WHICH REDUCES THE DEFICIT AND DEBT BURDEN,

| Implemented | Date (initiated) | In the Pipeline | Date (expected) |
|---|---|---|---|
| **Public Spending Reforms** | | | |
| First phase of energy price reform | Jul-14 | Subsequent phases of fuel and electricity price reform | H1-FY15/16 |
| Declaring a five-year electricity pricing reform plan | Jul-14 | | |
| First phase of electricity price reform | Jul-14 | | |
| Wage-bill reforms to control new recruitment and wage increases in government sector | Jul-14 | | |
| **Tax Reforms** | | | |
| 10% Capital gains tax on Mergers& Acquisitions and Dividends | Jul-14 | Moving to a fully fledged VAT system on goods and services | 2015 |
| Temporary 5% income tax bracket for profits exceeding LE 1 million | Jul-14 | | |
| Excises tax increase on alcoholic beverages from 100% to 200% | Jul-14 | | |
| Amendment of the property tax law (threshold at 2 million) | Jul-14 | | |

### …FOSTERS ECONOMIC AND FINANCIAL INCLUSIVENESS,

| | | | |
|---|---|---|---|
| Overhaul of food subsidy scheme from in-kind to semi-cash transfers | Jul-14 | | |
| Roll-out of new bread subsidy scheme in 17 governorates | Jul-14 | Nation-wide roll-out of new bread subsidy scheme | Jun-15 |
| Piloting of cash transfer programs: Takaful and Karama | Jan-15 | | |
| Initiation of a new framework for SME lending by the Central Bank of Egypt | Sep-14 | | |
| Expansion of network of bank branches in remote areas, with lower capital requirements to focus on SME lending | Jul-14 | | |
| Introduction of a mortgage finance initiative, providing a LE 20bn in support of bank lending for low and middle income groups. This tranche is renewable upon the exhaustion of the allocated fund. | Feb-14 | | |

### … GUARANTEES EFFECTIVE MANAGEMENT OF PUBLIC FINANCES,

| Implemented | Date (initiated) | In the Pipeline | Date (expected) |
|---|---|---|---|
| Establishment of electronic tax payment collection | Jan-14 | Establishment of a Single Treasury Management Department at the Ministry of Finance | FY15/16 |
| Automation of 19 ports nationwide to fight smuggling and increase the efficiency of customs collection | Sep-14 | Moving forward with the implementation of the Government Financial Management Information System (GFMIS). | FY15/16 |
| Dashboard testing of an automated central monitoring system for ongoing investment projects using planning indicators, sectoral indicators and other KPIs to enhance the efficiency of public capital spending. | FY14/15 | Initialization of Program-based-budgeting in selected sectors | FY15/16 |
| | | Automation of government pay-roll system across all government entities (first stage) | FY15/16 |
| | | Application of band-roll system on all cigarette packs and alcoholic beverages to help limit tax avoidance | FY15/16 |





### … PROVIDES FOR SUSTAINABLE POWER SUPPLY,

| Implemented | Date (initiated) | In the Pipeline | Date (expected) |
|---|---|---|---|
| Repayment of arrears to foreign partners to decrease the outstanding stock from to 5.9 in Jul 2014 to 3.1 in Dec 2014 | H1-FY14/15 | Continued repayment of arrears to foreign partners | H2-FY15/16 |
| Phasing in the smart card system for distribution of subsidized gasoline (issuance of 2.8 million cards) | Q1-FY14/15 | Completion of smart card system distribution (3-3.5 remaining cards) | Q2-FY14/15 |
| Announcement of a competitive renewable energy feed-in tariff | Sep-14 | | |
| | | Gradual liberalization of electricity production, distribution and transmission | FY18/19 |

### AND CREATES A COMPETITIVE INVESTMENT CLIMATE.

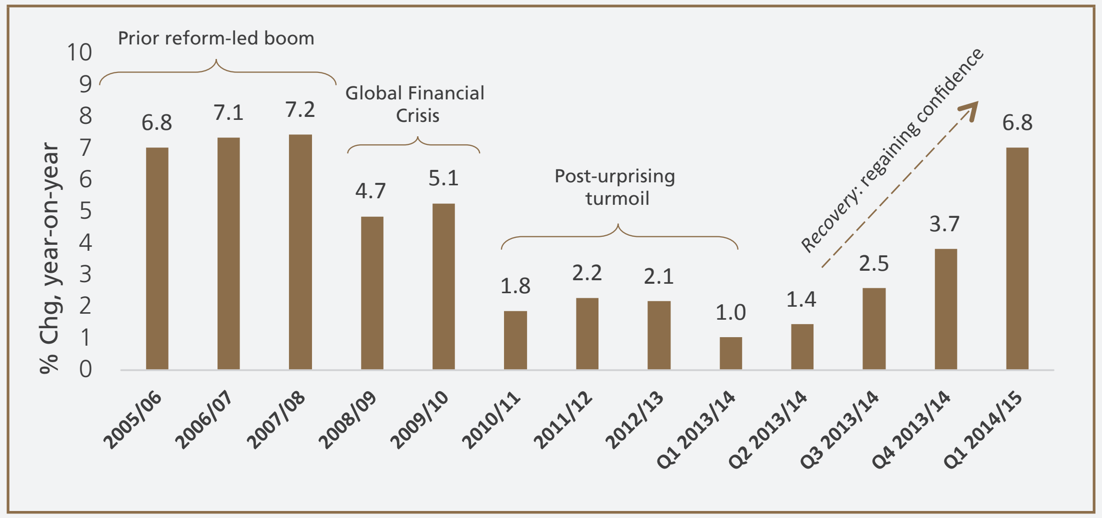
| Achieved/ Passed | Date (initiated) | In the Pipeline | Date (expected) |
|---|---|---|---|
| Competition Law | May-14 | Amended Investment Law | Mar-15 |
| Microfinance Law | Nov-14 | Commercial Register Law | 2015 |
| Third Party Contract Appeal Law | Apr-14 | Bankruptcy Law | |
| Mining Law | Dec-14 | Customs Law | |
| | | Amended Sukuk Law | |
| | | Government Procurement Law | |
| | | Labor Law | |
| | | Companies' Law | |
| Settlement of 275 investor disputes | H1-FY14/15 | Accelerating the settlement of 115 remaining investor cases | FY15/16 |

## PROMISING SIGNS THAT EGYPT IS ON THE RIGHT TRACK

***A front-loaded fiscal adjustment and the first stage of structural reforms in the context of the government's medium-term macroeconomic strategy are already yielding positive results as economic activity gathers pace***

The early reforms undertaken as part of the FY14/15 - FY18/19 medium-term plan – including a frontloaded fiscal adjustment launched in mid-2014 and initial legislative measures to enhance the investment environment – have been instrumental in boosting confidence. This is already yielding favorable results, reflected in a rapid pick-up in economic activity since the political roadmap was put into motion and the new reform plan adopted. The recovery is a welcome turnaround following more than three years of stalled growth.

### CHART (1): EGYPT'S REAL GDP GROWTH IS RECOVERING




*Source: Ministry of Planning*

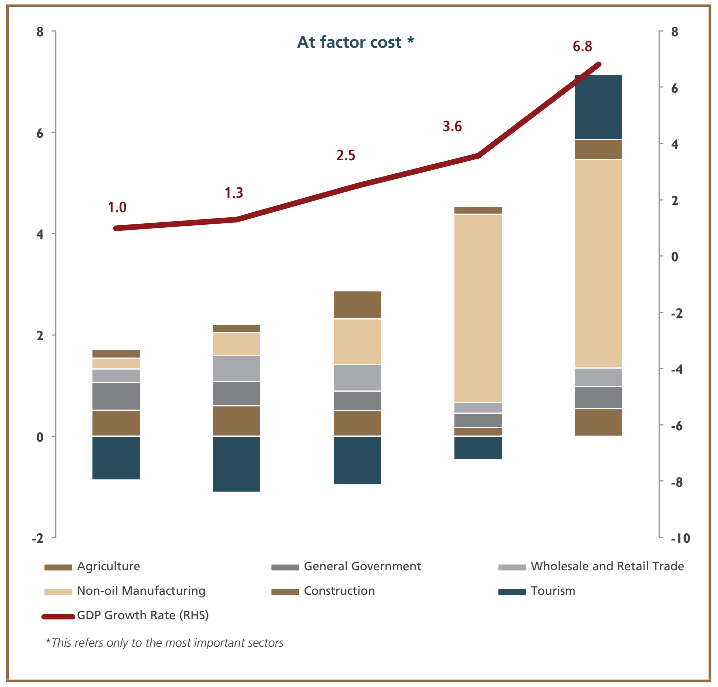
The trend of continuous and accelerating momentum in growth from 1% year-on-year in the first quarter of FY13/14 (July to September 2013) to 3.7% in the final quarter (April to June 2014) is worth highlighting because it illustrates the economy's quick responsiveness to improving political circumstances and the right policy signals. The first quarter of the current fiscal year registered growth of 6.8%, further underscoring the capacity of the economy to perform well when political and policy conditions stabilize and afford the basis for an economic take-off.

The government does not expect the unusual robustness of the first quarter of FY14/15 to be sustained for the remainder of the current fiscal year, as the elevated rate of growth was partially due to a base effect arising from the weakness of the corresponding quarter of the prior fiscal year. Nonetheless, the underlying data reflect a strong pick-up in the non-oil manufacturing sector, which expanded by 29% compared to the corresponding quarter of the prior fiscal year, alongside a boost to construction with the commencement of the first phase of the Suez Canal project as well as of a large nation-wide roads project, plus the beginnings of a revival in the tourism industry. Save for the extractive industries, all the other sectors of the economy are also making a positive contribution to growth.





### CHART (2): NON-OIL MANUFACTURING IS THE BIGGEST CONTRIBUTOR TO THE REBOUND IN GROWTH




*Source: Ministry of Planning*

As the non-oil manufacturing sector was one of the key engines of the economic boom in the years leading up to the 2008 global financial crisis, its return to growth is an important indicator for the economy's near- and medium-term prospects. Moreover, with capacity utilization rates in the manufacturing sector still substantially below capacity, there is room for continued growth without triggering inflationary pressures. The construction sector will continue to expand as the various infrastructure projects in housing, transport, power and agricultural reclamation progress over the coming period. With regard to tourism, the industry's performance remains well below its peak prior to 2011, but the first quarter of FY14/15 saw a 70% year-on-year jump in the number of tourist arrivals, while average stay and spending per night have both improved.

Multiplier effects and the linkages of these three key sectors to the rest of the economy herald a broader and faster pace of recovery going forward. To ensure that this nascent recovery proves durable, the government has taken proactive steps to implement a contingency plan to address the economy's immediate power needs (for details on this plan, please see the EEDC Sectoral Action Plan for the energy sector).

Since the key sectors currently leading the recovery are highly labor-intensive, their continued expansion will help to absorb job-seekers and to gradually reduce the high unemployment rate. By the last quarter of calendar year 2014, it was clear that the rising rate of growth was already being translated into job gains: the unemployment rate edged down to 12.9% compared to 13.4% in the first quarter.

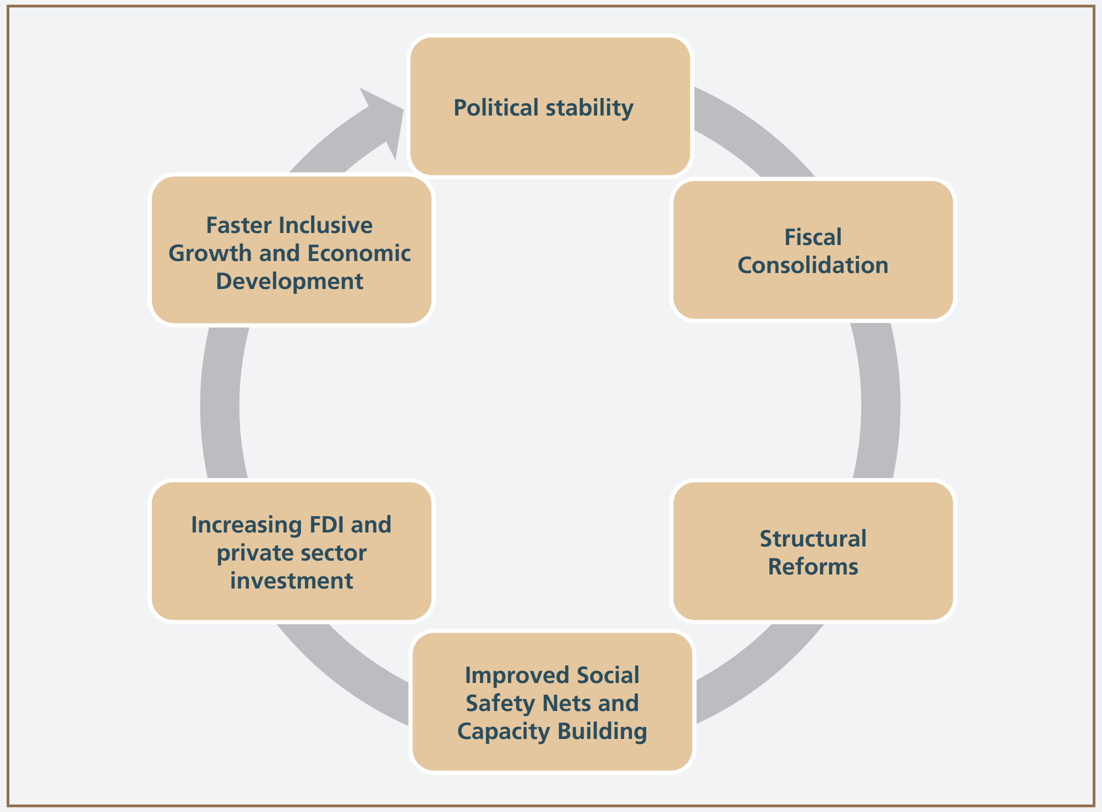
**Several other key indicators demonstrate that Egypt is on the right course:**

- Egypt's five year credit default swap (CDS) spreads have fallen from 925 basis points in July 2013 to below 285 by February 2014.
- The Egyptian stock market was the world's best performer in 2014, with total returns above 30% and the benchmark EGX-70 index rising past its earlier peak prior to the 2008 global financial crisis.
- Sovereign creditworthiness has improved, reflected in upgrades from Standard and Poor's (from CCC+ to B-) and Fitch (from B- to B) in November 2013 and December 2014, respectively; Moody's Investors Service raised Egypt's rating outlook to stable from negative in October 2014.
- Inflation has trended down sharply since mid-2014, with core inflation dropping to 7.7% in December 2014.
- Foreign exchange reserves have remained stable at 2.5-3 months of import cover for the last several months in spite of external debt payments in October and November 2014.

**The promising economic signals and market developments provide evidence that the government's medium-term policy framework is credible and already having a positive impact: the outcomes so far represent the early harvest of the reform program. The pick up in economic activity on the back of gathering confidence also suggest that growth is likely to exceed 4% in FY14/15, its fastest pace of expansion in four years.**

The current dynamics furthermore signal that Egypt is poised to shift into a new virtuous cycle. Political stability, sound macroeconomic policies and structural reforms have lifted confidence and are already sparking a strong economic recovery. Continued reform will drive higher rates of investment and capital inflows, expand the role of the private sector and generate jobs for the well-being of the majority of the population. Rising growth will buttress political stability and produce higher revenues to create more policy space to deepen the fiscal and other structural reforms. The government's goal is to steer the Egyptian economy into such a virtuous cycle and to sustain it such that it remains self-reinforcing.

FIGURE (1): EGYPT'S PATH INTO A VIRTUOUS CIRCLE






# III. RESTORING MACROECONOMIC SUSTAINABILITY AND SUPPORTING GROWTH

***The government's policies revolve around three main channels in order to ensure longer-term macroeconomic stability and to create and institutionalize a stable, equitable and predictable platform for sustained growth. These three channels are: fiscal policy, monetary policy, and legislative reforms to strengthen the investment climate.***

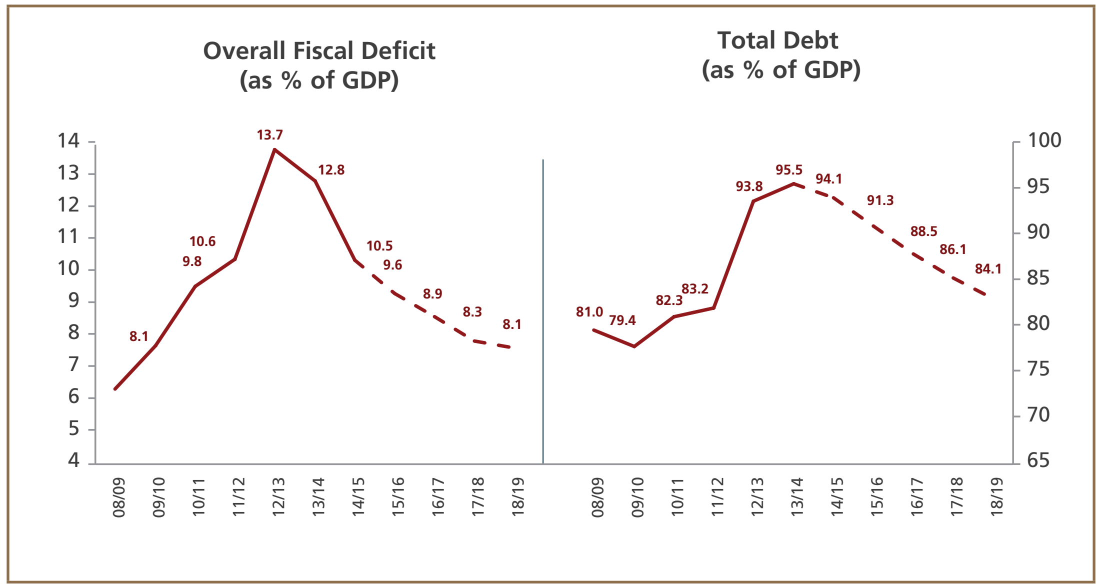
## Fiscal Consolidation Goals

**Fiscal consolidation will narrow the deficit and reduce debt while creating room to shift spending to better serve public needs and to foster productive investment**

The fiscal consolidation program is geared toward narrowing the deficit while improving the structure of spending and putting government debt on a firm downward path. The plan aims to create sustainable fiscal room to shift spending to education, health and R&D in line with the new constitutional mandate to increase outlays on these three areas up to 10% of GDP by FY16/17 as part of achieving inclusive growth. Achieving these objectives will in tandem rebuild confidence in the economy and crowd in private sector investment.

Early in FY14/15, the government frontloaded the consolidation program with several tough revenue and expenditure measures, bringing the deficit down to a projected ranged within 10.5-11% of GDP. Within the context of the above-mentioned constitutional mandate, the government is targeting a further 2 - 3% decline in the deficit over the four years up to and including FY18/19. By the end of the plan, the budget deficit will fall to 8 - 8.5% of GDP and government debt will fall to 80 - 85% of GDP.

CHART (3): RESTORING FISCAL IMBALANCES, WHILE REPRIORITIZING EXPENDITURES [1]




1 Projections starting 2015/2016 reflect government targets.

Source: Ministry of Finance

The medium-term fiscal program is more ambitious than may appear from an initial view of the targets. First, it is a purposefully comprehensive program intended not merely to narrow the deficit and reduce the debt (although these are critical primary goals) but also to bring about a more efficient, well-functioning economy. As the list of achieved and pending reforms shown below illustrates, there are multiple policy interventions to achieve this broader strategic objective. Moreover, due to its design, the fiscal consolidation is not expected to negatively impact the economy's growth prospects as it will primarily rely on phasing out inefficient spending and widening the revenue base.

Second, the drop in the headline fiscal deficit from 12.8% in FY13/14 to about 10.5-11% of GDP in FY14/15 obscures the role of grants from the Gulf Cooperation Council (GCC). In FY13/14, such grants amounted to about 5% of GDP but fell to only 1% of GDP in FY14/15. Taking this into consideration, the fiscal effort in the first year of the consolidation plan is therefore closer to 7% of GDP. Of course, the pickup in economic growth during this year, which may exceed 4 % (compared to 2.1% in the last fiscal year) complements the fiscal effort, through enhanced revenue performance. (Please refer to the Ministry of Finance's Mid-Term Review for further details on the current performance of this year's budget and projected result).

FIGURE (2): A COMPREHENSIVE FISCAL AGENDA

| ACHIEVED REFORMS | . . . IN THE PIPELINE |
|---|---|
| ✔ 10% tax on all forms of net realized capital gains, including mergers, acquisitions and trade in the capital market<br>✔ 10% tax on dividends<br>✔ A temporary 5% tax on profits made by individuals and companies on revenues exceeding LE 1 million for three consecutive years<br>✔ Criminalizing non-issuance of tax invoices to professionals<br>✔ Annually increasing the fixed tax rate on cigarette packs (proportionally to price of cigarette pack)<br>✔ Increase excises tax on alcoholic beverages from 100% to 200%<br>✔ Amendment of property tax law to exempt one residence up to LE 2 million and implementing the tax for the first time since its issuance in 2008<br>✔ First phase of energy and electricity pricing reforms<br>✔ Phasing in the smart card system for distribution of subsidized gasoline<br>✔ Approval of five-year-electricity pricing reform<br>✔ Issuance of new mining law which will maximize beneficial receipts | • Moving to a fully-fledged Value Added Tax regime.<br>• Issuance of Telecom license bill<br>• Subsequent phases of fuel and electricity price adjustment<br>• A new Customs Law to help facilitate trade and combat unlawful trade practices<br>• Amending Sukuk law to attract new sources of funding<br>• Changing the government procurement law to align with world best practices<br>• Changing the government procurement specifications to more green and energy-saving materials<br>• Advancing tax audit systems to alleviate tax avoidance practices |

MUCH OF THE GOVERNMENT'S FISCAL PROGRAM HAS ALREADY BEEN IMPLEMENTED OR IS IN PROCESS

Third, the program is not built on expectations of continued exceptional aid from the GCC countries. The grants are projected to fall to negligible levels for the remainder of the medium-term plan, with Egypt expecting most GCC support to flow to the country in the form of investments in projects rather than as direct budgetary support.

**Fourth, the various measures that are driving the consolidation effort would reduce the budget deficit to below 5% of GDP by FY18/19 were it not for the Constitutional mandate.** However, the Constitutionally-mandated spending comprises precisely the type of investment that Egypt needs in order to improve the quality of its human resources and boost productivity. To ensure that this additional spending is well-targeted and will produce the intended results, the government is in the process of developing programs to channel the spending appropriately and effectively (please see the following section on "Social Programs" below).





Finally, the government's comprehensive reform program is self-reinforcing by setting up a virtuous cycle of fiscal consolidation and growth. As the government phases out inefficient spending, it not only frees up room for more productive uses of spending but also crowds in the private sector. This will drive growth, supported by the legislative reforms. In turn, the pickup in growth will enhance fiscal revenue performance and further reinforce the fiscal consolidation effort.

## Tax Policy and Revenue Reforms

**Tax policy aims to widen the tax base to create a fairer and more equitable system, with the planned Value Added Tax intended to promote investment and SMEs.**

The government is pursuing a fiscal consolidation program designed to improve revenue buoyancy and reprioritize its expenditure program. The fiscal reforms will gradually improve the structure of the budget, while allowing the redirection of part of the savings achieved to finance a number of essential social programs.

Moreover, the government is committed to implementing a fair, equitable, transparent and pro-growth policy for both its direct and indirect taxation, in accordance to the best international practices.

BOX (2): EGYPT'S TAX POLICY - KEY PRINCIPLES

- Enhancing a fair, competitive and efficient system in conformity with best international practices.
- Constant implementation of anti-double-taxation treaties (current 59 treaties) to protect investor interests.
- Allowing tax and non-tax incentives that promote capital formation and expansion of the capital base to support deleveraging and competitiveness. Examples include low tariffs, fast refunds, tax rule deferrals for unrealized capital gains, easing depreciation rules, cheaper land in remote areas, etc.
- Reduction of the top tax rate to below 25% and no future increase in income tax rates in the coming ten years.
- Accelerate tax refund procedures and improve efficiency of tax systems through full automation of payment and filing procedures.
- Moving towards a fully-fledged VAT that will strengthen the tax system and improve doing business in Egypt.
- Combating harmful tax planning and tax evasion practices to ensure fair and equitable application of taxation.
- No new income tax holidays or tax breaks will be offered.

Reflecting the goal to distribute the tax burden more fairly and to pursue progressivity, the government has begun to broaden the tax base by capturing economic activities and sources of income that had previously been exempt. A temporary bracket of 5% for personal and corporate incomes above LE 1 million was introduced in 2014, but is intended to have a life of only three years until the revenue base is broadened in order to achieve a more equitable tax system. A new 10% tax on capital gains and dividends was implemented in 2014.

In addition, a property tax that was first passed in 2008 was finally put into effect in August 2014. The new property tax applies only to residential and commercial units with values of LE 2 million and above, thereby excluding some 85% of property owners (other exemptions apply, for example in the case of landlords whose units are subject to rent freezes). In keeping with the policy imperative to balance the medium-term fiscal adjustment with social justice priorities, 50% of the proceeds from the property tax will be rechanneled toward the improvement of living conditions in urban and rural slum areas.

Other measures that were passed in 2014 include increased excises on cigarettes and alcoholic beverages, and a new mining law that will increase fees and royalties due to the government while incentivizing new investment in the mining sector.  The government is also in the process of issuing telecom licenses for universal services and high-speed internet that will serve to boost the telecoms industry, support growth and contribute to the fiscal consolidation effort.

Moving to a fully-fledged Value Added Tax (VAT) regime and advancing tax efficiency has been a longstanding demand from the business community.  The government is committed to fulfilling this demand while overcoming the deficiencies in the existing General Sales Tax (GST) system (see Box (3)).

### BOX (3): THE SHIFT TO THE VAT WILL BENEFIT BOTH THE BUDGET AND THE ECONOMY

The government's objectives in transitioning to a fully-fledged VAT are to broaden the tax base and promote a fairer and more equitable tax regime that departs from the distortions embedded in the current GST regime. The VAT will assure a better investment environment by providing incentives to investors and producers, with its tax refund mechanism for capital inputs serving to improve firm cash flow while reducing the need to resort to debt to finance normal operations.

These benefits of the VAT will encourage informal economic actors to join the formal sector, and help small enterprises to become larger and more competitive. Equally important, the new VAT law is being carefully designed to mitigate adverse impacts on the poor by maintaining exemptions on the goods and services that they consume.

**The main features of the VAT law will include:**

- a unified tax rate for all goods and services;
- a fully-fledged tax credit system for direct and indirect inputs that will allow more cash liquidity to producers;
- a bullet tax rebate of equipment and machinery;
- a low number of commodities subject to excises in line with international norms;
- a higher registration threshold to deliver more management efficiency and protect the poor;
- a broader tax base to cover more services;
- the maintenance of a broad list of exempted basic products with social importance, including (but not limited to) staple foods, public health and education services, and water and electricity services;
- the streamlining of administrative procedures in compliance with those applied in the income tax;
- the unification of many procedural codes, including the appeal and penalties system as applied in the income tax.

The government plans to implement the VAT in 2015.  The original start date of January 2015 has been delayed in part due to the government's desire to address other priorities first, namely correcting imbalances in the foreign exchange market and combatting smuggling.  To facilitate the shift from the GST regime to the VAT, a public dialogue and outreach campaign to engage all key stakeholders and communicate the objectives and benefits of the VAT has begun.

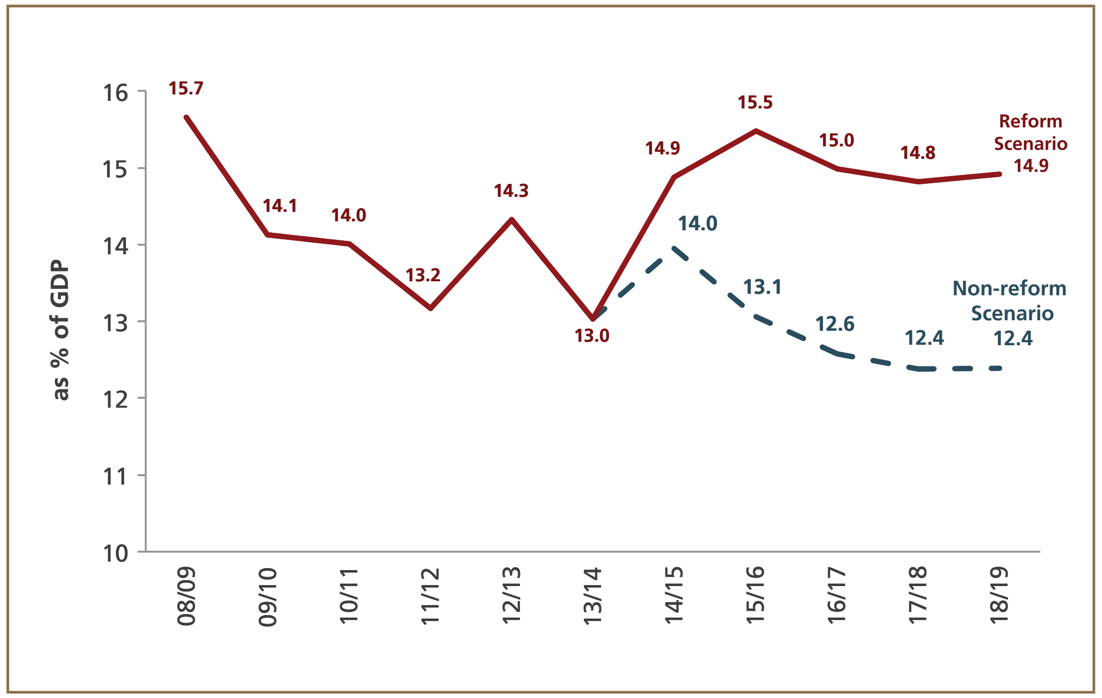
Beyond what has already been announced, the government does not plan any new taxes over the medium-term. While Egypt will maintain a stable tax system for the coming years and acknowledge all its obligations under the various bilateral tax treaties to which it is a signatory, the Egyptian Tax Authority (ETA) will continue to update the tax code and its operations in order to improve control over harmful tax planning and tax evasion practices.





The chart below shows the projected medium-term path of tax revenues as a percentage of GDP in light of the new tax policies, compared to the outlook in the absence of the reforms.  It is worth noting that the planned tax effort is projected to lift the current tax to GDP ratio from 13% to ~15% over the medium term.  Absent the tax reforms, the tax take would edge up slightly in FY14/15 on the back of the growing economy, but subsequently fall to 12.5%.  Moreover, even after the end of the period and assuming the full implementation of reforms (i.e., the red dashed line in the chart), Egypt's tax percentage to GDP will still be low even compared to other emerging market countries (whose tax take averages 23% of GDP). This situation indicates that there is significant potential to improve the revenue side of the budget as the tax base continues to broaden and as the government takes steps to bring informal economic actors into the formal sector. Egypt's situation should therefore be favorably contrasted to the case of countries where the tax take is high and yet that still run large fiscal deficits, constraining their capacity to remedy the problem.

### CHART (4): REFORM PATH TO MAINTAIN TAX BUOYANCY AND SUSTAINABILITY




Source: Ministry of Finance

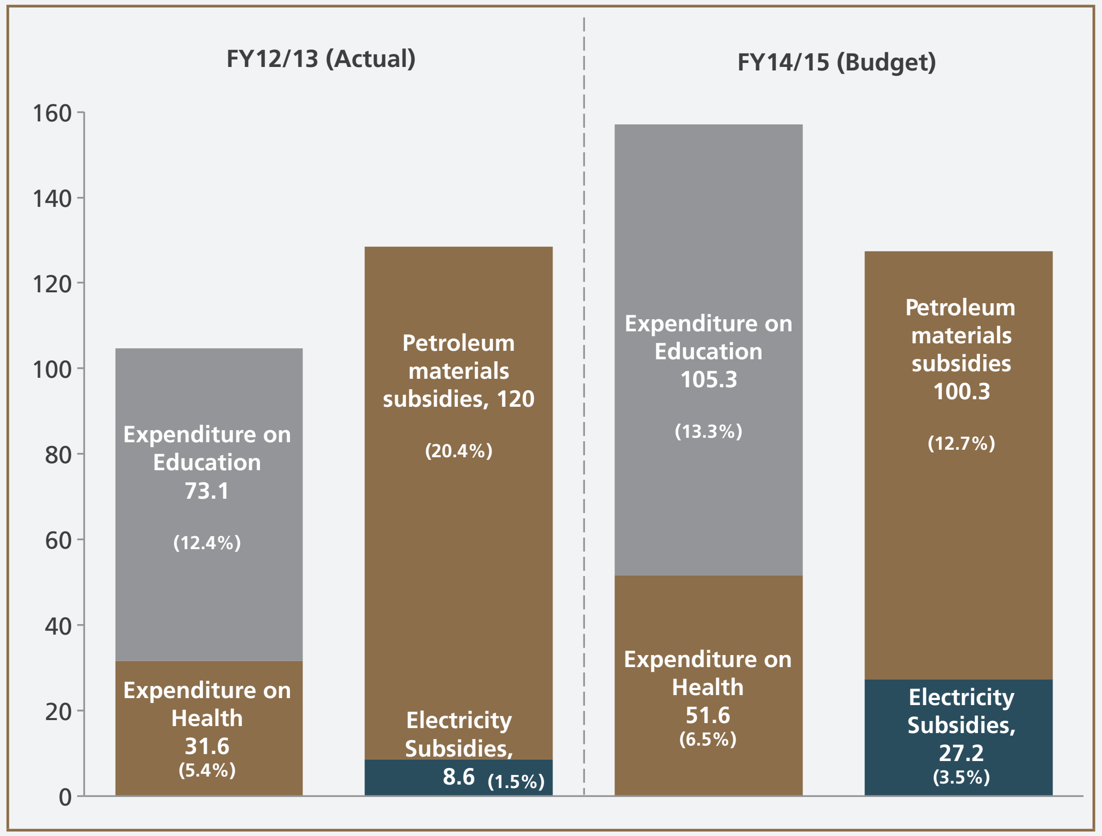
## Public Spending Priorities and Reform Measures

**Sweeping reforms to energy subsidies, the wage bill and public financial management are being implemented and will fundamentally transform the economy and unleash its productive capacity.**

The government recognizes that the national budget is challenged by an expenditure structure that is rigid and represents a serious misallocation of resources. In FY13/14, energy subsidies, wages and interest payments made up 22%, 26% and 25%, respectively, of total expenditures.  Such an expenditure structure leaves little left over for public investment in human or physical capital and constrains growth. Going forward, the government is committed to reprioritizing public spending, including through reducing the burden of energy subsidies and wages on the budget while focusing spending on pro-growth and social justice areas.

The bold reduction of energy subsidies by 30% in July 2014 – an adjustment that alone was equivalent to 2% of GDP – reflects the government's commitment to shifting spending towards priority areas which enhance inclusivity. The chart on the following page illustrates how the reform has already begun to reduce total spending on energy subsidies, creating room for a substantial hike in outlays for education and health.

CHART (5): IMPROVED QUALITY OF PUBLIC SPENDING (% OF TOTAL EXPENDITURE)




Source: Ministry of Finance

Energy subsidy reform is a core driver of the medium-term consolidation effort, but its importance is not limited to eliminating a major drain on budget resources. Energy subsidies have long been recognized as wasteful and regressive, with the lion's share of benefits going to the top quintile of the population. The artificially low cost of energy has also encouraged excess investment in capital intensive activity rather than in the labor intensive industries that Egypt needs. The intent of the reform will be to remove these distortions, as well as to support the overall plan to revive the energy sector itself by creating the right price signals for foreign oil and gas companies to re-invest in exploration and drilling operations. This renewed investment will in time reverse the decline in oil and natural gas production that has been witnessed in recent years (please refer to the EEDC Sectoral Action Plan for the medium-term energy sector).

The July 2014 energy subsidy reform entailed price moves of 40 - 78% for the different subsidized fuel products (gasoline, diesel, fuel oil and natural gas). The government also raised electricity tariffs by an average of 30% for all classes of residential, commercial and industrial consumers. These are the first steps of reform that will be carried out over the coming five years up to and including FY18/19. At the end of the plan period, energy subsidies are projected to fall to a targeted 0.5% of GDP from the pre-reform level of 6.3% of GDP in FY13/14. Of this, the fuel subsidies that remain will cover only LPG and electricity targeted to the poorest segment of the population.

Electricity subsidies are also going to be almost entirely phased out over the medium term, with tariffs continuing to increase according to a pre-announced schedule. However, the subsidy for the electricity sector is initially increasing for the current fiscal year and the next, subsequently falling from FY16/17 through FY18/19. This is to cover the costs of addressing the power shortage in the short term, as well as to bring about a shift toward subsidizing the final product (electricity) rather than fuels during the two-year transition period.

The reforms in the energy sector over the medium-term will encompass a multipronged strategy that includes further price adjustments, measures to rationalize consumption, the expansion of production while diversifying the energy mix, the promotion of energy efficiency, and steps to strengthen the governance and financial viability of the national oil company, the Egyptian General Petroleum Company (EGPC), and its subsidiaries:

- **Continued price reform:** price adjustments will gradually bring the prices of fuel products in the domestic market to full cost recovery and will be combined with other measures outlined below to produce a 1% of GDP savings for the budget annually starting in FY 2015/16 and up to and including FY 2018/19. The government has also set out a clear five year path for the gradual increase of electricity tariffs.

- **Raising the efficiency of energy use and diversifying the energy mix:** this track will include providing support to a number of sectors (such as tourism) to facilitate their transition from traditional energy sources to the use of clean and eco-friendly energy and smart lighting, combined with the phasing-out of diesel subsidies. Additional measures include: replacing fuel oil with coal as a source of energy for some industries, connecting households to the natural gas grid in order to reduce dependence on expensive LPG, and developing alternative energy sources such as solar and wind.

  Elements of this track have already started: the government has introduced a feed-in tariff to incentivize private sector investment in solar and wind energy, with 4.3 MW expected to be commissioned in 2-3 years; 10 million energy efficient LED light bulbs have been purchased and are planned to be installed in the near-term; and about 600-800,000 additional new households will be connected annually to the natural gas grid; the electricity grid is being upgraded to be compatible with the use of renewable energy; and a medium-term plan to fully introduce smart meters is currently being studied.

- **Adopting smart cards:** this track will entail the application of a smart cards system for the distribution of diesel and gasoline and building a consumption and distribution database without initially imposing quotas. The smart cards system will subsequently be used to improve targeting, prevent smuggling, and ensure access to subsidized fuel only to eligible consumers. To date, mechanizing the distribution of petroleum products has been successfully completed, including the successful mechanization of 2,900 stations, 64 energy storages and 3000 distribution points. In addition, 2.8 million smart cards for vehicles using diesel and gasoline have been already been issued. In October 2014, the fuel smartcard scheme was piloted in Port Said Governorate, with its nationwide roll-out planned for the fourth quarter of the current fiscal year and entailing the distribution of another 4 million cards. By the end of the medium-term, quantities outside the smart card quota for intended beneficiaries will be subject to the pump price: first to cover cost recovery, and subsequently the international price

- **Structural and financial reforms in the petroleum sector:** this arena of reform includes raising the efficiency of the use of petroleum resources, reforming the financial structures of EGPC and petroleum sector companies, and attracting foreign investment in research and production.

- **Combating smuggling of petroleum products:** this track entails a joint plan among the Egyptian Customs Authority, the EGPC and other relevant authorities to curtail leakages in the petroleum distribution system. The full application of the smartcard system combined with domestic shipping and handling at international prices will help to break the leakage.

**The government has also taken bold measures to control wages and avoid future wage creep.** This has become a pressing priority in light of the considerable increase in the wage bill post-2011, driven in part by the permanent hiring of temporary workers and two hikes in the minimum wage (the first hike brought the minimum wage in the civil service to 700 LE per month in FY11/12, while the second pushed the minimum wage up to 1,200 LE per month with effect over the second half of FY13/14). A shift in policy began in 2014 as the government adopted reforms to: abolish the tax exemption of the new bonus component of civil servants' compensation; discontinue the practice of adding the special bonus to the basic pay after five years; centralize all new hiring through the first chapter of the budget only (thereby closing the back doors of hiring through other expenditure chapters); and stopping public entities from using their own resources to grant additional rewards and benefits to their employees. These reforms are projected to reduce the wage bill by 1.5% of GDP to 7.4% of GDP in FY18/19. Moreover, this outlook also does not yet take into consideration the government's plans to implement a new Civil Service Code and to limit new appointments to the civil service as a fraction of those retiring going forward.

The government is furthermore in the process of advancing a comprehensive public financial management program, which includes developing the treasury function and strengthening both ex ante and ex post financial controls. A shift to program-based budgeting is in process and is anticipated to be completed in phases within 5-7 years. Nine ministries have already submitted their budgets to the Ministry of Finance on the basis of programs for the upcoming FY15/16 fiscal year. At a later stage, the government hopes to adopt a performance-based budgeting approach.

The main objectives of the public financial management program are to optimize resource allocation and to better ensure that public funds are used for intended priorities, both reaching designated beneficiaries and improving the quality of public services. This has become particularly critical in light of the government's plans to raise spending on health, education, housing and other social needs.

**The government has already scored an early success with respect to its efforts to rationalize spending and improve public service delivery with its roll-out of a new food subsidy system – which is now a semi-cash transfer scheme (and may be transitioned to a fully-fledged cash transfer program): the new system has not only reduced leakages but also improved the quality and choice of basic commodities offered to the public** (please see Table (1) on page 29 for an overview of the improvements in the new system).



## Public Debt Management and Financing Strategy

***Adroit and careful public debt management has improved the structure of the domestic debt and reduced its cost in spite of challenging political and economic circumstances. The government is focusing on fiscal consolidation to reduce the debt burden and manage rollover risk over the medium-term, alongside policies to develop the primary and secondary markets and diversify sources of funding***

The government's fiscal consolidation plan targets the reduction of the total government debt burden from 95.5% of GDP in FY13/14 to within a range of 80-85% of GDP in FY18/19. Concurrently, the government will continue to manage its domestic debt (nearly 90% of the total in FY 13/14) by pursuing policies designed to lengthen the average maturity, reduce rollover risk and diversify funding sources. The government also aims to develop reliable benchmarks in the domestic securities market in order to lower the liquidity premium and reduce the cost of debt.

The government has succeeded in achieving its key debt management strategy objectives over the past several years, notwithstanding the challenging political and economic conditions that prevailed during that timeframe. As the chart at the bottom left shows, there has been a modest improvement in the debt structure since 2010 with outstanding treasury bills having fallen to about half of the total debt stock, while the share of treasury bonds – particularly those with a maturity of 5 years and above – has increased. The average life of the total debt stock has been restored to where it stood prior to the January 2011 political events: it is now 1.83 years, compared to 1.33 years in mid-2013 (before the new political roadmap was launched) and 1.78 years in December 2010. Moreover, while the average cost of debt is higher today than in 2010, it has trended down markedly over the past 18 months as seen in the chart below right.

### CREDIBLE DEBT MANAGEMENT HAS IMPROVED EGYPT'S DEBT PROFILE

CHART (6): IMPROVED MATURITY STRUCTURE (% OF TOTAL)

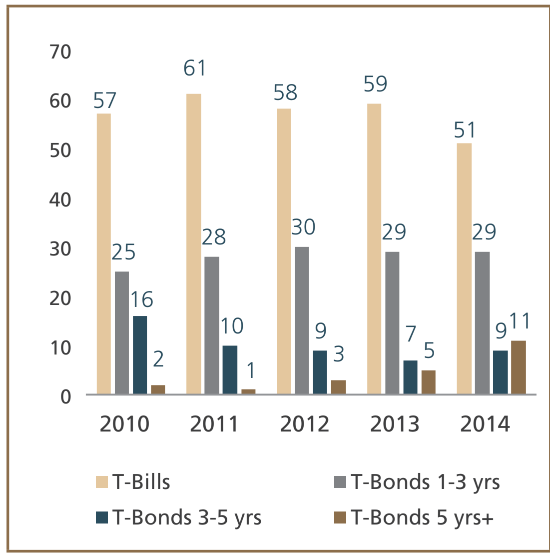
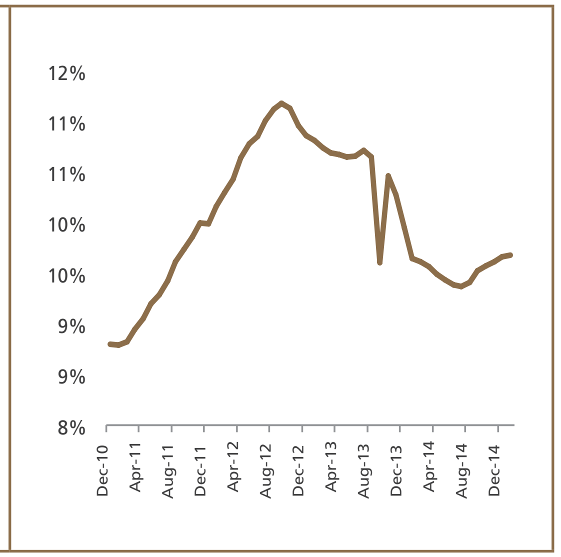



CHART (7) AVERAGE COST OF DEBT (%) TRENDED DOWN SINCE MID-2012




Source: Ministry of Finance

It is also worth noting that the average cost of the debt remained relatively stable over the period spanning from December 2013 to December 2014 – edging down slightly by 20 basis points from 9.88% to 9.68% – notwithstanding the Central Bank of Egypt's decision in July 2014 to increase interest rates by 100 basis points in order to curb potential second round inflationary effects stemming from the energy price adjustments. The debt's maturity structure also continued to improve at the same time due to adroit liquidity management, aided by the growing confidence in the government's policy framework.

The government will continue to pursue its key debt management objectives over the medium-term, focusing on further lengthening the average maturity of the domestic debt, smoothing the maturity structure and reducing the average cost. Fiscal consolidation to reduce the deficit to 8-8.5% of GDP by FY18/19 will be the main tool to sustain confidence and support the debt management policy, in addition to enhancements to the government's treasury function. Moreover, the government will seek to expand its sources of financing both domestically and internationally as well as to develop new instruments. With the combination of these various strategies, the government is targeting to steadily expand the average life of the tradeable domestic debt to 3-4 years by FY18/19

The government has already diversified funding beyond the pool of domestic banks that are its traditional sources. Banks now hold 75% of the domestic debt, with the remainder held by mutual funds, pension funds and insurance companies (i.e., entities that are also likely to invest in longer tenors). This compares favorably to the end of 2010, when the split was 88%/12%. Deepening the development of the primary and secondary markets will further boost liquidity and generate additional new sources of funding.

The introduction of Floating Rate Notes (in 2012) and of Zero Coupon Notes (1.5 and 3 year tenors in September 2013) have proven effective in catering to the needs of different investor classes. Building on this positive experience, the government is seeking to attract new savings (particularly from the informal sector) by issuing other new instruments such as project bonds and sukuk to finance development and infrastructure mega-projects.

The successful effort to generate financing for the first phase of the Suez Canal project, by which LE 64 billion was raised through the offer of investment certificates to the Egyptian public in only 8 days, demonstrates that considerable domestic capacity to provide funding exists; notably, about LE 27 billion – or more than 40% – of the funds attracted to the project came from outside the banking sector. The government is currently working on revamping legislation to activate sukuk in order to tap new investors domestically as well as within the region.

Growing confidence is also expected to re-attract portfolio inflows to the domestic debt market over the medium term. At its height, the foreign holding of domestic debt reached 25% of the total, but those flows reversed following the January 2011 events and have yet to recover. Nonetheless, there are already signs of a slow return of foreign investment to the domestic debt market: by mid February 2015, the foreign purchases of treasury bills and bonds had reached US$ 600 million (0.4% of the total), compared to only US$208 million at the end of January 2014.

Egypt's modest external debt burden and its favorable structure gives the government room to resort to external sources of financing, including the international capital markets. This will enable the government to reduce its dependence on the domestic market, although the lion's share of deficit financing will continue to be derived from domestic sources. A sovereign bond issuance of US$1-1.5 billion is planned for the second quarter of 2015, with Egypt likely to return periodically to the international capital markets as its funding needs evolve and as market conditions warrant.





## Monetary Policy

***Sound monetary policy successfully helped maintain price stability and kept the Egyptian economy afloat during the recent economic turbulence. Monetary policy will seek to control and gradually reduce inflation towards the CBE's target of 6-8% in the medium term to improve real incomes and enhance external competitiveness, while maintaining an active and orderly foreign exchange market that reflects supply and demand, thereby facilitating the resumption of capital inflows and easing pressure on international reserves.***

The Central Bank of Egypt (CBE) is conducting an independent monetary policy aiming to achieve price stability while supporting growth and employment. At the same time, the CBE continues to closely monitor and regulate the banking system to ensure its soundness and resilience in the face of various domestic and international shocks.

During the previous four years, the CBE maintained a monetary policy that sought to stimulate the economy amidst slack investment and growth, without jeopardizing price stability. In July 2014, the CBE raised policy rates by 100 basis points, in tandem with the fiscal policy action of raising energy and cigarette prices, in order to combat potential second round inflationary effects. However, in January 2015, the Monetary Policy Committee (MPC) decided to cut policy rates by 50 basis points to encourage investment amid expectations of contained imported inflation on the back of lower global oil and commodity prices.

The CBE has also adopted initiatives that complement its conventional monetary policy in achieving its macroeconomic and social goals. The CBE launched an initiative, in December 2008, to encourage banks to extend loans and credit facilities to SMEs by exempting these loans from the reserve ratio requirement (currently standing at 10%). Moreover, in consideration of the banking sector's significant role in supporting mortgage finance, the CBE introduced, in February 2014, the mortgage finance initiative by providing long term mortgage financing of LE 20 billion, in tranches, to banks to be lent to low and middle income borrowers at below market rates. The first tranche was issued in the amount of LE 10 billion over a period of 20 years.

**The CBE's goal is to guide inflation to 6-8% by the end of the medium-term horizon, with this goal serving as an important lever to promote growth and enhance export competitiveness while contributing to the government's social justice objectives by protecting the public's earning power.**

Ongoing fiscal reforms will help boost the effectiveness of monetary policy in containing inflation and allow more room for private sector credit growth. In addition, tackling supply-side bottlenecks by investing in and upgrading the supply chain network will contribute to dampening inflationary pressures by avoiding spikes in the prices of commodities arising from supply shortages.

Indeed, inflation has been on a declining path recently following last July's spike due to the adjustment of energy and tobacco prices. Headline inflation averaged 10.4% y-o-y during Q2 FY14/15, down from an average of 11.2% during the first quarter and 11.7% in the corresponding quarter of the previous year. The slowdown in inflation is even more visible in the core inflation trend, which excludes administratively regulated items as well as highly price- volatile food items: core inflation trended downwards to an average of 8.0% during Q2 FY14/15, down from 9.6% in the first quarter and 11.7% in the same quarter of FY13/14. This slowdown, in spite of newly levied and increased taxes and the energy and tobacco price adjustments, reassures the government to press ahead with the next stage of reforms without fearing spillovers to inflation.

CHART (8): DESPITE FISCAL REFORMS, INFLATION REMAINED IN CHECK (% ANNUAL CHG.)

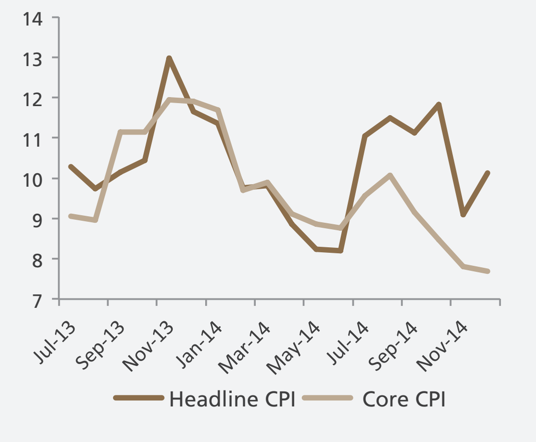
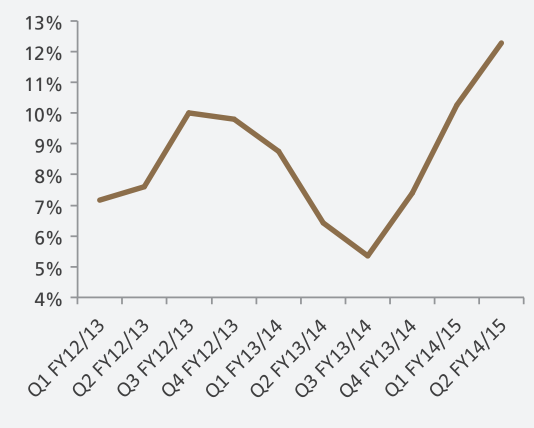



CHART (9): RECENT PICK-UP IN PRIVATE CREDIT GROWTH WITH FISCAL REFORMS (% ANNUAL CHG.)




Source: Ministry of Finance

Meanwhile, private credit growth has accelerated for the fourth consecutive quarter, driven by both private business and household credit, highlighting a sustained pickup in tandem with growth in investment and consumption. The stock of private credit expanded by 11.2% in Q2 FY14/15, the fastest pace in five years. Newly issued private credit amounted to LE 42.1 billion in Q2 FY14/15 up from a mere LE 1.4 billion in the same quarter of the previous year. Of this, new household credit was LE 21.4 billion while new private business credit amounted at LE 20.7 billion.

Egypt maintains a strong and sound banking system. Thanks to a well-structured reform program that was implemented in 2004 involving the consolidation and privatization of banking units and the gradual provisioning of non-performing loans (NPLs), the sector stood solid amid two consecutive global and domestic economic crises (the 2008-09 global financial crisis and the post-2011 domestic political turmoil). Despite the economic turbulence generated by these events, the banking sector continued to enjoy abundant liquidity and solid credit quality; dollarization and FX exposure remained limited. The CBE plans to continue enhancing the banking system regulatory environment through the finalization of the second phase of BASEL II and the implementation of BASEL III as per the internationally agreed schedule. In addition, the CBE is working on strengthening the macro-prudential supervision framework through regular stress testing to ensure the safety and stability of the banking system in the face of shocks.



## External Sector

***Despite external pressures during the past period, Egypt successfully fulfilled all its external commitments and is adopting various policies to ensure a stable exchange rate and a well-functioning FX market and to encourage FX inflows through export promotion and by attracting foreign direct investment.***

Egypt's external performance had been a source of strength prior to 2011. Rising tourism and Suez Canal revenues in addition to strong capital inflows helped build up the stock of net international reserves to US$36 billion by the end of December 2010 (covering 8.8 months of imports). This strong buffer, along with support from the Gulf, enabled Egypt to withstand the capital flight that took place after January 2011.

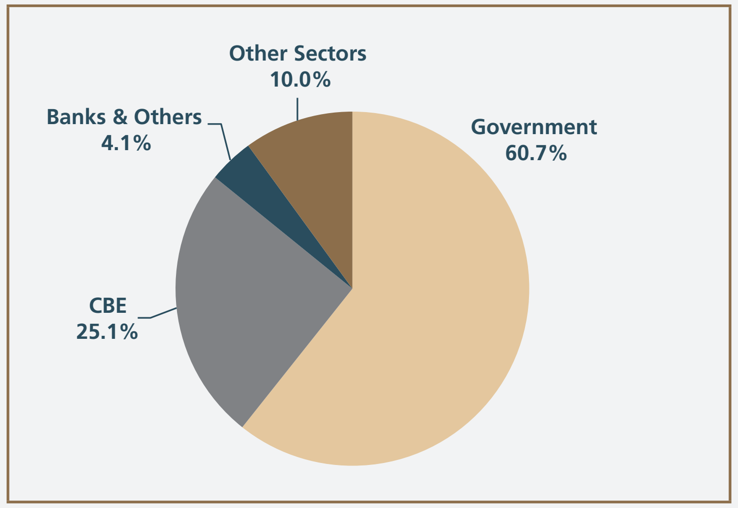
Despite the sharp pressures on net international reserves since 2011, Egypt has been successful in managing its external commitments. During 2011 and 2012, Egypt withstood the exodus of capital outflows and used international reserves to ensure the repatriation of foreign capital, the timely service of its debt, the partial settlement of foreign oil company arrears and the import of strategic goods. However, the level of international reserves remained within safe levels recognized internationally. Out of this fall in the reserves, US$ 12.8 billion reflected foreign capital flight from the Government's treasury bill market, the stock market and the banking system. Furthermore, US$ 8.5 billion were used in debt repayment and US$9.3 billion by EGPC in repayments to foreign oil companies and oil imports. An additional US$5.4 billion were allocated to the General Authority for Supply Commodities (GASC) to ensure supply of strategic food commodities. As a result, net international reserves dropped to US$15 billion by December 2012 (covering 3.1 months of imports).

Since then, reserves have largely maintained stability covering around 3 months of imports, recording US$ 15.4 billion in January 2015. Funding from the GCC over FY13/14 amounted to US$ 20 billion, which helped repay US $4 billion in foreign oil companies' arrears, as well as accrued deposits worth US$ 6 billion. Still, with reserves at such levels, Egypt is committed to the settlement of further US$ 3.1 billion in arrears to foreign oil companies.

The CBE has been working to ensure a properly functioning FX market. It introduced FX auctions in December 2012, in which it auctions foreign currency to domestic banks on a weekly and exceptional basis to stabilize the FX market amid strong speculation. Recent auctions in January 2015 show more flexibility in the exchange rate's movement, closing the gap between the official and the parallel markets and allowing for more flexibility in the exchange rate. Going forward, the expected recovery in tourism, FDI and portfolio investments on the back of returning stability and strengthening confidence will provide support to the balance of payments and help to rebuild international reserves to at least a level of 3.5 months of imports over the course of the medium term.

Egypt's external debt position is very solid and compares favorably to its peers. Egypt's external debt amounted to US$ 41.3 billion at the end of December 2014, representing 13.3 % of GDP (compared to 17.3% in December 2013). External debt is dominated by the government which represents 60.7% of the stock, followed by CBE liabilities at 25.1%. Banks and other sectors debt amounts to 14.2% The favorable external debt position is further supported by the dominance of medium and long maturity debt, which represented US$ 38.0 billion or 92.0 % of the total debt stock. Short maturity debt accounted for the smallest portion of US$ 3.3 billion, or 8.0 % as of the end of December 2014.

CHART (10): EGYPT'S EXTERNAL DEBT BREAKDOWN [1]




1 as of 31-Dec-2014

Source: Central Bank of Egypt

The Egyptian government is adopting an export promotion strategy going forward to mend the trade deficit, ensure external sector stability and sustainability, benefit from economies of scale and achieve higher integration in the global economy. In order to achieve that, Egyptian industry must first become competitive by improving its efficiency and quality, raising skills and technology levels and moving into higher value products and functions. This requires building capabilities in human capital, technology, finance and information and communication technology infrastructure along with positive and dynamic integration in the global economy.

The strategy comprises a three dimensional approach:

- FDI promotion for specific industrial projects with high technological content and human investment potential;
- The enlarging of the scope of free trade agreements to include the South American Free Trade Area (Mercosur), and the Eurasian Economic Union in addition to the existing agreements with Arab Countries, the partnership agreement with the E.U., the EFTA and the agreement with Turkey.
- Achieving structural transformation in exports composition and market structure by shifting towards higher value added exports and leveraging competitive advantage while expanding in technological industries.





## Policies for Structural Reforms: Strengthening the Investment Environment

***The government is committed to creating an attractive, predictable, fair and internationally competitive business environment governed by the rule of law***

### Strengthening the Investment Environment

The government is committed to enhancing the domestic investment environment as part of its broader macroeconomic strategy prioritizing private investment-led growth. To that end, it has engaged in an active and wide-ranging process of legal and regulatory reforms in order to cut red tape and streamline procedures for doing business, to foster transparency, and to ensure a level playing field. Over the past few months, the government has amended the competition law, as well as issued microfinance and mining laws; it is currently drafting major revisions to the investment, bankruptcy, land access, and labor laws. Corporate laws, regulations and governance are also being overhauled and modernized. These various reforms should result in a significant improvement in Egypt's ranking on the World Bank's "Doing Business Report" and the World Economic Forum's "Global Competiveness Report" in the near term.

In addition, the government has been solving outstanding investor disputes to demonstrate its commitment to a strong investment environment. In fact, 275 investor disputes out of a total of 390 have been successfully resolved since September 2014 alone. The government has prioritized the settlement of the remaining 115 cases during 2015. In addition, the Prime Minister is heading a committee that was formed to settle major investment disputes and that has already settled 15 out of 25 pending cases.

Furthermore, the government has been determined to repay outstanding arrears to foreign oil companies and to take measures to prevent further arrear accumulation in the future. The outstanding arrears balance was brought down significantly over the past 6 months to US$ 3.1 billion at the end of December 2014, down from US$ 5.9 billion at the end of June 2014 (and a peak of US$ 6.3 billion in June of the preceding year). In addition, the petroleum and electricity subsidy reform plan will enhance the financial position of the national oil company, EGPC, and prevent the recurrence of arrears. In turn, this reform will re-incentivize international partners of EGPC to re-invest in oil and gas exploration and drilling activity.

Efforts are also in process to further develop the financial sector and enhance financial inclusion. Revisions are taking place to the regulatory framework pertaining to mortgage finance and insurance. Capital markets are also being modernized along with plans to activate the secondary market for government securities.

Adequate and reliable infrastructure and steady power supply are also essential factors in supporting a good business environment. A number of projects are underway to upgrade and expand physical infrastructure, such as roads and ports, and to address power needs. For further details, please see the EEDC Sectoral Action Plans.

Below are highlights of recently passed as well as pending legislations:

### Competition Law (passed):

The main purpose of the amendments to the competition law is to create a more competitive marketplace for investors by enhancing the role of the Competition Authority in regulating markets and ensuring competitive practices. The law ensures the Authority's independence by allowing it to file lawsuits and settle cases against violators independently. In addition, the law strengthens the Authority by granting it judicial enforcement power and the ability to take action accordingly. Further, the credibility of the Authority is enhanced in the new law by applying stricter confidentiality clauses governing its employees.

### Microfinance Law (passed):

The law allows licensed entities to offer microfinance loans up to LE 100,000 to individuals or small companies engaged in production, services or trading. The law grants the Egyptian Financial Supervisory Authority (EFSA) the authority to supervise the microfinance entities to ensure their financial soundness, transparency and credibility.

By providing significant support to SMEs which are unable to obtain other forms of financing, the law's benefits extend to the entire economy by creating a channel through which microfinance can grow and support this strategic sector. Moreover, the availability of microfinance to help the SMEs grow will also generate employment and reduce poverty.

### Mining Law (passed):

Within an ambitious national plan to increase the contribution of the mining industry to the national economy and maximize the return to the state, the new mining law aims to incentivize the optimal exploitation of mineral wealth. The law has replaced the outdated 1956 framework with a more effective tax and royalty structure with the objective of ensuring a swift allocation of mineral concessions to domestic and foreign firms. It has also simplified the prior complex and time-consuming administrative procedures required to start the exploration and exploitation of mineral concessions.

### Third Party Contract Appeal Law (passed):

Law No. (32) for the year 2014 was established to organize appeal procedures and to prohibit any third party interference in contracts between the state and the investor. In addition, the law grants the Cabinet the right to approve the initiation of the appeal.

### Investment Law:

The new investment law being drafted by the Ministry of Investment addresses the obstacles that face investors and significantly enhances the investment environment in accordance to international standards. By enabling the General Authority for Investments (GAFI) to go through all the procedures and to obtain all needed licenses from other government entities on behalf of the investor, the law simplifies investment procedures for investors and significantly reduces the time needed for issuing investment licenses, procuring land, and obtaining utilities services for investors. In addition, the law sets a legal framework for dispute resolution as well as standard procedures for solving investor disputes that may arise in the future.

### Companies Law:

As an integral part of enhancing the investor environment, the government has embarked on amending the companies law to: (1) ease procedures for establishing and expanding companies; (2) protect minority shareholder rights; and (3) facilitate voluntary liquidation and market exit. In addition, the proposed legislation introduces sole shareholder limited liability companies as a company form that promotes SME formation and growth.

The law amendments go a long way towards easing procedures regulating company formation and growth. The new draft grants the company its legal personality once it is registered in the commercial register, instead of fifteen days later in the current version. It also significantly facilitates capital increase by waiving regulatory approvals for raising capital through cash injection and eliminating the need to hold an extraordinary general meeting to increase issued capital within the bounds of authorized capital. Additionally, the new version will enable companies to amend their articles of incorporation to issue preferred shares (preferred shares are currently allowed only if originally included in the articles of incorporation).

The proposed draft ensures protection of minority shareholder rights by enabling fair representation in general assemblies and board of directors. The law introduces cumulative voting and proportional representation as means to guarantee that minority shareholders participate in electing board members. The new version also significantly facilitates voluntary liquidation and market exit. First, the maximum time period for liquidation has been capped at 3 years, instead of being open in the current version. Secondly, the amendments oblige government agencies to report their claims to the liquidator within a maximum time frame to accelerate the liquidation process. Additionally, the law grants the shareholders the right to audit the liquidator and increases the frequency of liquidator reports to quarterly from semiannually.





### Commercial Register Law

The government is working on updating the commercial register law in accordance with international standards and in line with the government's orientation towards enhancing the investment environment and encouraging foreign investments. The law will enable the modernization of the commercial register's services and the application of the unified code system to prevent any conflicts arising from multiple registrations and to include all the updates pertaining to any one company in a single register. Furthermore, the law will be amended to regulate the registration of foreign companies' branches as well as allow the participation of foreign individual traders.

### Bankruptcy Law

A new bankruptcy law is under preparation in order to encourage investors, specifically in SMEs, to resume economic activity in case of bankruptcy. The proposed law is drafted in favor of bankruptcy settlement protection by better informing and empowering bankruptcy judges in facilitating the settlement. The law stipulates the importance of establishing an independent entity to develop the appropriate criteria for the selection of bankruptcy trustees and to design training programs, while putting in place strict regulations to ensure the integrity, transparency and efficiency of the judicial process.

### Customs Law

The Ministry of Finance is drafting a new customs law to match the fundamental shift that has taken place in the Egyptian economy towards market fundamentals and free trade. The law is being prepared in accordance with the best international practices ensuring transparency and applicability in order to contribute to enhancing the investment environment while guaranteeing the state's rights. For comprehensiveness, the new draft incorporates any existing custom exemptions as well as treats any loopholes in the earlier version arising from trade agreements signed after the law's issuance.

In line with the government's orientation of enhancing the business environment, the new law aims at clearing and simplifying customs procedures to ensure timely release of goods from the customs zone, which will contribute to reducing the overall cost of goods as well as encourage investments. A new article is introduced that allows investors to inquire about applicable customs rates and procedures pertaining to specific imports before importation, thereby enabling investors to accurately judge feasibility.

In addition, the law formally legalizes the practice of finalizing customs clearance before the arrival of the goods to cut cost and time needed for the goods to enter the local market. Furthermore, the law promotes investment by lowering the unified custom rate on capital goods to 2 % from 5 %, while allowing the settlement of due customs and fees on these goods in installments.

Furthermore, a number of sector-specific as well as general laws and regulations are being updated and modernized to support private-sector led investment and growth.

# IV. EGYPT'S SOCIAL POLICY FRAMEWORK: PROGRAMS TO FOSTER SOCIAL JUSTICE

***The government is expanding social safety nets as part of its mandate to foster inclusive growth, with a new approach geared to reaching the most vulnerable segments of the population through better targeting mechanisms. Early success has been achieved with the successful roll-out of a new food subsidy system that has reduced leakages while improving the quality of products provided to beneficiaries***

Against the backdrop of persistently high poverty rates and widening income gaps, the overall objective of the government's social policy framework has been gradually shifting to addressing the structural underpinnings of inter-generational development challenges. Accordingly, social welfare provision will aim at being more inclusive, efficient and productivity-enhancing, thereby bringing about a material and sustained improvement in the living conditions of Egyptian citizens.

The rethink of social policy is two-fold. In terms of the sources of financing for social spending, these will increasingly rely on the re-channeling of fiscal resources from current inefficient uses to the support of the most vulnerable segments of the population. Among others, resources include the rationalization of energy subsidies as well as receipts from progressive tax reforms such as property and income taxes. The design of social welfare programs will shift strategically away from targeting programs or goods to targeting the most deserving households, thereby reflecting a stronger orientation towards increased citizen agency and empowerment. Together, these new features pave the way for a rights-based, participatory, more effective and well-integrated social safety network.

While the focus on social justice and inclusive growth will entail a slower pace of fiscal adjustment over the medium-term than could otherwise be obtained, the government is aware that the various programs both individually and when taken together are critical instruments to help bring about enhanced prospects for effective human capital formation. In addition, this balanced approach will ensure the durability of the reform effort by mobilizing the support of the public and avoiding pressures that would cause backtracking on parts of the comprehensive reform agenda.

Equally important, the government is keen to ensure improvement in the quality and accessibility of services provided to the population. Espousing the values of solidarity and sustainability – and in line with the constitutional mandate – the government has prioritized the upgrade of Egypt's physical and human capital. Within the available fiscal space, programs will demonstrate a more equitable geographic and demographic scope of implementation.



## Targeting Mechanisms

Egypt's social protection programs have a long history of targeting inefficiencies. Accordingly, the government is cognizant that objective targeting will be a sine qua non change that will produce better outcomes in the current context of subsidy reform. Within its available fiscal space, the government is committed to increase coverage while adopting objective targeting mechanisms to minimize errors of exclusion. To accomplish this goal, the government is designing strategic tools that will be adopted and deployed on a national basis.

To maximize the efficiency of social spending, the government will increasingly rely on two mutually re-enforcing targeting tools: geographic and proxy-means testing. In the spirit of inclusive and equitable growth, the policy focus has shifted to the least developed geographic areas – such as the southern part of the country, which has previously been neglected. Within these areas, the most deserving households will be identified and targeted. To do so, proxy-means testing mechanisms are currently being used to update extensive databases that determine eligibility against a predetermined cut-off. Going forward, periodic field visits will be conducted to rotating samples of households to verify the accuracy of information collected.



In fact, all relevant line ministries are participating in a concerted effort to develop a unified national database of poor households to be targeted in social protection programs. This horizontal "Government to Government" (G2G) approach is an attempt to apply a mechanism of the "Unified National Registry" (UNR). The Ministry of Administrative Development is in the process of creating a G2G platform, which is expected to enable the materialization of the UNR in the near future. In addition and within the umbrella of the "Social Justice Committee" headed by the Prime Minister, a set of "Collaboration Protocols" were signed among all relevant line ministries to facilitate synergies and establish a clear chain of accountability. To avoid duplication and the wastage of resources, the government is also moving forward with the harmonization of vertical linkages on the administrative level of the Ministry of Social Solidarity. That is, the government is intensifying its efforts to ensure coordination among all administrative levels, such as the Central, Directorate, and District levels as well as the level of the social unit.

Furthermore, the government is collaborating with local NGOs, charitable societies, academic institutions and the private sector to make mutual use of their databases and ensure the accuracy of targeting.

## Government Interventions/ Programs

In line with overall objectives of the government's social policy framework, the channels of intervention are categorized as:

- Short-term social protection: to alleviate economic hardships and offset the impact of the fiscal consolidation measures on the poorest and most vulnerable sectors of the population;
- Longer-term human capital formation: to help empower the poor and enable them to directly benefit from economic growth, breaking the recurrence of inter-generational poverty cycles.

## Social Protection

To overcome the key efficiency, targeting and coordination challenges arising from existing forms of social protection, the government has embarked upon a gradual shift from in-kind towards cash and semi-cash transfer programs, which have globally proven to be have a higher poverty reduction impact. Going forward, inefficient targeting is expected to be rectified as new programs are rolled out.

### Cash and Semi-Cash Transfer Programs:

**(a) Cash Transfer Programs:** Focusing on individual economic agency, the budget will gradually step up allocations to cash transfers programs, including the expansion of old programs and the introduction of new ones.

- ***Social Solidarity cash transfer scheme (Old):*** Currently covering 1.5 million families with a total annual allocation of LE 6.3 billion, the scheme primarily targets marginalized segments of society, such as the divorced or widowed, orphans and senior citizens.

- ***Takaful and Karama cash transfer schemes (New):*** In collaboration with the World Bank and a number of line ministries, the Ministry of Social Solidarity is preparing the implementation of new cash transfer programs which would serve as a platform for an integrated, well-targeted, social safety net scheme for Egypt (see Box (4)) . While the two programs comprise direct income support, their outcomes are expected to be cross-cutting to include both short-term relief and sustainable human development. Therefore, they represent a new pact between the State and the citizen with mutual rights and responsibilities.

**BOX (4): TAKAFUL AND KARAMA CASH TRANSFER SCHEMES**

Drawing on the successful international experience with cash transfers, the Takaful and Karama cash transfer schemes form a joint project among the Ministry of Social Solidarity, the Ministry of Finance and the World Bank. The first stage of the scheme will start with 0.5 million self-targeted and geographically-targeted households in the poorest six governorates, gradually reaching 1.5 million extreme poor and disadvantaged households. To boost shared prosperity, target groups include the senior population and disabled citizens as well as needy households. Program design will include both conditional and unconditional components, with graduation plans, grievance mechanisms and conditionality tracking. As of January 2015, the program is at the registration stage for beneficiaries in Upper Egypt.

**(b) Semi Cash Transfer Programs: Food subsidy Reforms**
Budget allocations to the food and bread subsidy schemes have more than doubled from LE 17.7 billion in FY09/10 to LE 36.1 billion in FY13/14 with limited translation to improved living standards. To address this, the Ministry of Supply has overhauled the bread subsidy scheme and shifted it towards a points-based system that is strongly integrated with ration cards. The government no longer rations specific quantities of chosen products (such as cooking oil and sugar) but provides direct, semi-cash transfers for each ration card in the worth of LE 15 per person per month. Within this system, beneficiaries may decide their own consumption patterns by choosing among 54 products. With regards to bread, the subsidy is now provided at the final stage of the production, ending the dual pricing of wheat and other inputs. The new scheme, which has so far been applied to 17 (out of 27) governorates, is expected to suppress leakage and save 20-30% of wheat purchases.

Preliminary indicators point to positive public reception due to uninterrupted service provision, improved quality of bread and enhanced consumer flexibility. The program is a constituent element of a broader strategy to improve supply distribution networks and is planned to be nationally rolled-out by the last quarter of the current fiscal year.

### TABLE (1): HOW DOES THE NEW FOOD SUBSIDY SCHEME TACKLE INEFFICIENCIES?

| | OLD SCHEME | NEW SCHEME | REFORM OUTCOME |
|---|---|---|---|
| BREAD | Government intervenes at each stage of production and subsidizes inputs (e.g. wheat, flour) | Subsidy is provided at the final stage of production. Baladi bread is sold to consumers at 0.05 LE/loaf, versus an actual coast of 0.36 LE. Accordingly, prices for inputs are liberalized and bakers are reimbursed for the total cost of production. | Curbs smuggling and controls the leakage of public resources resulting from the dual-pricing of inputs. |
| | Subsidy is provided for an unlimited quantity of bread consumption | Each beneficiary is entitled to 5 loaves/day. Unused quantities could be exchanged for commodities at grocery stores through an integrated points-based-system. | Other than reducing public outlays on wheat imports, the new scheme incentivizes efficient consumption and has already been reflected in the improved availability of bread and disappearance of extended bread queues. |
| RATION CARDS | Fixed ration of products; namely cooking oil, rice, sugar and tea at specific government outlets | Entitlement of 15 LE per ration card holder to purchase a wide range of commodities, including poultry, fish and meat at government and other grocery stores. Products are sold at the market price, but consumers are ensured competitive prices, as the Ministry of Supply undertakes collective bargaining with wholesalers on their behalf. | Enhanced flexibility which empowers and enables consumers as economic agents. In addition, commodities are accessible at more outlets. |

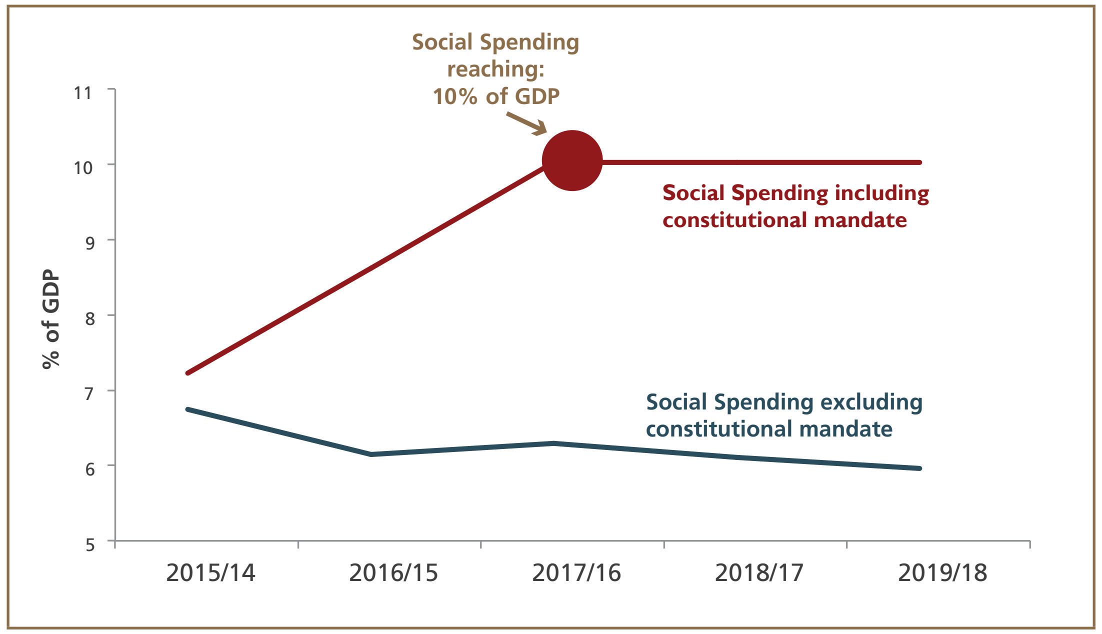




## Human Capital Formation
While direct interventions to overcome monetary poverty could help alleviate hardships, achieving sustained improvement in living conditions requires a multi-pronged approach to promote human capital. Towards this end, the government has increased its social spending targets for the current fiscal year as well as over the medium term to gradually reach global standards (see Chart (11)). To illustrate how increased social spending will help unlock human capabilities and foster economic growth, this section will discuss two key programs in the healthcare sector.

**(a) Increasing expenditures on health, education and scientific research to 3, 6 and 1% of GDP respectively by FY16/17:**
The government is committed to ensuring that the constitutionally mandated increase in social spending on healthcare, education and scientific research will translate into productivity growth with tangible development outcomes for the Egyptian public. Above all, there is a broad consensus on the strategic prioritization of these sectors to support a sustainable economic recovery. To facilitate the successful and efficient delivery of the Constitutional mandate, efforts are underway to initiate program-based budgeting in nine ministries providing key social services, namely: health; education; higher education; scientific research; urban development; telecommunications; transportation; social solidarity; urban development and housing. The compliance with the constitutional mandate will accordingly be tied with public financial management reforms, which would both track as well as gradually improve performance indicators.

### CHART (11): FULFILLING THE MANDATE TO RAISE SPENDING ON HEALTH, EDUCATION AND R&D




Source: Ministry of Finance

### Healthcare reforms
In light of increased spending and as an essential cornerstone to achieving social justice, the government has prioritized two objectives for the achievement of social justice in healthcare provision. Together, these are expected to overcome major inequities in the healthcare sector:

The fair and progressive implementation of Universal Healthcare Coverage: An important pillar for the development of a modern, effective and socially just healthcare system rests on achieving universal health coverage. At least in language, the January 2014 Constitution, cements this policy direction and recognizes the universal "right to health" with quality criteria.

Equally important for the materialization of this target will be expanding family health services pertaining to Egypt's burden of diseases, including maternal health, reproductive health, mental and child health, and nutrition. Securing universal access to this package is targeted for 2030 and will necessitate its integration into all levels of care.

### BOX (5): HOSPITAL ACCREDITATION PROGRAM

The government aims at implementing a comprehensive health unit accreditation program. By correcting for supply side deficiencies, the program will assist primary healthcare facilities in Egypt's poorest 1,000 villages in meeting national healthcare quality standards. Around 250,000 residents of these villages in the ten poorest governorates (out of 27) are targeted by this project. The government is building on the World Bank's experience to identify Disbursement Linked Indicators, which will help ensure the sustainability and effectiveness of the program.

### Universal Social Health Insurance:

The government is aware of the predominantly high rates of out-of-pocket spending on healthcare and has put forward a new health insurance scheme which is more comprehensive, inclusive and will help increase financial protection for the most vulnerable (see Box (6)).

### BOX (6): NEW HEALTH INSURANCE SCHEME (IN THE PIPELINE)

The new scheme reflects a paradigmatic shift in design and financing. The most distinct features of the new scheme are summarized below:

- Coverage: It covers all Egyptians under one umbrella, dealing with insured families, rather than individuals.
- Separation of functions: Contributors are split from service providers and the scheme establishes an Economic Authority for Universal Health Insurance,
- Freedom and Flexibility: The program creates a more competitive environment and hence maximizes quality by including both private and public healthcare providers. The budget will finance public sector hospitals for the first five years following the passing of the law to allow for a just competition with private hospitals.
- The scheme ensures fiscal and actuarial sustainability.

### (b) Enhancing the availability and quality of public services

In addition to the upgrade of Egypt's human capital, the government continues to prioritize the enhancements of physical capital. Improved public service delivery therefore comes as an integral part of the adopted needs-based approach.

Given a tight fiscal space, this upgrade will be gradually implemented. Nevertheless, the government has already identified and actually implemented the first phases of key projects which will help fill the gaps in public service delivery. Information about the low and middle-income housing projects as well as transportation projects are available in sector-specific action plans.





# V. SECTORAL GROWTH PROSPECTS AND PROJECTS

***Several sectors are poised to grow rapidly and produce jobs based on the enforcement of legal and regulatory reforms and the implementation of action plans that will foster the private sector's role as the engine of economic activity.***

Egypt boasts a diversified economic base, a large domestic market and an enviable geographic location that will enable the country to serve as a trading and logistical hub connecting Europe, Asia and Africa – and in particular, to become the gateway to the fast-growing and resource-rich economies of Sub-Saharan Africa. The structural reforms underway are designed to unleash the productive potential of the Egypt's own abundant human and natural resources and over time restore growth to its full potential.

Indeed, given the right policies, prices and incentives – including adequate infrastructure and a well-functioning labor market – the outlook for Egypt's future growth and for significant returns to investors is promising. Investors will find no limit of opportunity to participate in myriad sectors and to target their products and services to tap the domestic, regional and international markets.

Achieving a high rate of sustainable, job creating and socially inclusive growth is one of the principal goals of the government's medium-term macroeconomic strategy.

To that end, the government has adopted a broad policy orientation that fosters private sector growth through legislative and structural reforms while complementing that track with investments in essential infrastructure as well as in major megaprojects. At the same time, the government is removing distortions that hinder labor-intensive growth by lifting energy subsidies, investing in education and taking steps to reduce the mismatch between job seekers and available jobs, and strengthening the social safety net.

**Moreover, planned reforms over the coming five years of the oil and gas and power sectors represent a game-changing development that will help transform the entire Egyptian economy into a more effective and competitive platform.**

Looking ahead, the government is targeting a growth path that climbs steadily from about 4% in the current fiscal year to at least 6% in five years and takes unemployment down to single digits within the same period.

This is a realistic and feasible medium-term outlook, built on the government's consistent implementation of its reform agenda which will in turn continue to boost confidence, cement macroeconomic stability, encourage more capital inflows, and push up the rate of domestic investment. The fiscal consolidation plan will gradually shift spending from wasteful to productive uses and create room for further private sector credit growth as the deficit narrows. Sound monetary policy will balance between fostering growth and employment and containing inflationary pressures.

Below is an overview of Egypt's key sectoral strategies. For complete sector-specific action plans, please refer to Ministry of Planning 2030 Vision Paper and the EEDC Sectoral Action Plans.

TABLE (2): OVERVIEW OF EGYPT'S KEY SECTORAL STRATEGIES

| SECTOR | |
|---|---|
| HOUSING & UTILITIES | • Launch housing projects for low and middle income households<br>• Develop the mortgage sector to stimulate financing of housing construction<br>• Foster market dynamics in the medium and high income segments through streamlined land and property registration system and a unified Building Code<br>• Improve water-related services to be developed under PPP schemes in collaboration with development partners |
| AGRICULTURE | • Increase production per unit of land by improving water management systems and irrigation networks<br>• Expand reclaimable land through heavy investment in land preparation and water resources development from aquifers<br>• Minimize waste through strategically located modern storage facilities<br>• Develop the food processing industry in efficiently located agro-industrial parks<br>• Restructure Principal Bank for Development and Agricultural Credit (PBDAC) |
| TOURISM | • Implement a proactive campaign to reposition Egypt as a major touristic destination<br>• Diversify Egypt's tourist base and achieve greater accessibility to the country<br>• Develop cultural tourism destinations by linking them to other touristic destinations<br>• Improve quality of the labor force through extensive training programs.<br>• Support the creation of tourism related SMEs to raise tourists' spending per night<br>• Simplify land and permit allocation processes for new touristic development projects |
| TRANSPORTATION AND LOGISTICS | • Develop an updated comprehensive and prioritized transport strategy to include all transport modes over a staged planning horizon with dedicated financing schemes<br>• Accomplish the New Suez Canal Project and the National Project for Roads<br>• Rehabilitate and expand the railway network according to an ambitious US$10 billion 10-year investment plan<br>• Invite the private sector to develop key strategic projects either under its sole stewardship or in conjunction with the public sector, including container and cargo terminals, river transport, railway projects, dry ports, bus rapid transit and light rail |
| ICT | • Expand basic infrastructure including the broadband network, submarine cables and cloud computing infrastructure<br>• Promote the outsourcing industries via the creation of technology parks<br>• Introduce innovative approaches to foster private involvement in public-led projects<br>• Undertake regulatory reform to ensure transparency and data security including a new Cyber Security Law, an Access to Information Law and an e-Commerce Law |
| MANUFACTURING AND SMES | • Achieve structural transformation of the manufacturing sector by prioritizing industries that maximize value added and job creation<br>• Promote the sector's export potential by fostering export-oriented investment<br>• Support the development of a healthy SME ecosystem with strong linkages to large corporate players |
| OIL AND GAS | • Accelerate gas production from existing fields and incentivize new exploration and development through subsidy phase-out and full arrear settlement to oil companies<br>• Reorient the sector to operate on economic basis with increased private sector participation through restructuring EGPC, establishing an independent regulator for oil and gas and reviewing the joint venture model governing extractive industries.<br>• Direct US$10 billion of investments to the downstream industry to upgrade and build new refinery capacities |
| POWER | • Eliminate power outages in the short term through 3,600 MW in additional capacity.<br>• Secure additional fuel to operate power plants via agreements to import LNG cargoes<br>• Expand installed capacity by 16 GWh and 26 GWh over the periods 2012-2017 and 2017-2022, respectively.<br>• Foster private sector participation and liberalize the electricity market<br>• Promote investments in renewable energy via the adoption of the feed-in tariff system |
| MINING | • Announce new mining bid rounds for gold and other minerals in the first half of 2015<br>• Prepare a master plan for the development of mineral processing zones including the Golden Triangle area<br>• Encourage the maximization of the sector's domestic value added and the export<br>• potential of processed minerals via the development of enabling infrastructure |

# VI. PUBLIC PRIVATE PARTNERSHIPS

***The PPP is an effective mechanism to narrow the infrastructure gap between Egypt's needs and the government's ability to finance an adequate supply, while capitalizing on the private sector's efficiency in managing projects and delivering good quality services to the public. Egypt's PPP program plans to tender at least 7 projects in 2015 worth LE 8.2 billion, and 11-13 projetcts in 2016 with an initial investment capital of LE 16-20 billion.***

The Public Private Partnership (PPP) initiative commenced in Egypt in late 2006 following the successful Private Finance Initiative (PFI) model of the UK. The PPP mechanism provides an effective way to bring the private sector with its efficiency and technological know-how into the arena of infrastructure development while relieving the budget of much of the financial burden.

However, Egypt's program did not become fully active until the issuance of the PPP Law in May 2010 (which was recognized as the best PPP Law in the world in that year by the World Bank). This new law established the institutional setup of the PPP Program by forming the PPP Supreme Committee (the regulator), the PPP Central unit and the Satellite Units. The PPP Law also emphasized the selection transparency procedures and the securing of balanced contract terms with the private sector by capturing the lessons learned from international best practices. This garnered the trust of local and international banks and other private sector players, demonstrated in their strong participation in three projects tendered in 2012, i.e., even during a time of continuing uncertainty.

The PPP Central Unit responsible for managing the PPP program is housed in the Ministry of Finance and has developed a world class PPP development and implementation capacity. Following the amendment of the Procurement Law, the PPP Central Unit issued its first successful project in 2008 (the New Cairo Waste Water Treatment plant). This was followed by the three above-referenced projects in the health, roads and waste water sectors, two of which have been awarded and signed.

Since taking office, the current government has emphasized the PPP mechanism as one of the main tools in the economic reform strategy. The PPP program is currently boosted by a high level of political support in addition to the efforts being exerted to improve the investment climate and to enhance cooperation among the line ministries.

The PPP Central Unit started the process of establishing PPP satellite units in line ministries in order to build more PPP capacity in different sectors and to better manage the PPP long term contracts with private sector partners. This also enables the PPP Central Unit to build the PPP Projects pipeline for the following years, starting with a PPP pre-feasibility study for each project.

## The PPP Projects Plan

Under the regulation and monitoring of the "PPP Supreme Committee" chaired by the Prime minister according to the PPP law, the PPP Central Unit has finalized the preparatory phase for 7 PPP projects to be tendered in 2015 with total investment capital of LE 8.5 Billion. The PPP Central Unit has also set the plan for 11-13 projects to be tendered in 2016 with initially estimated investment capital amounting to LE 16-20 Billion.

It is also working closely with the Ministry of Planning and the line ministries to build the pipeline of PPP projects to be tendered in 2017, including planning for the preparation and commencement of the feasibility studies, project structures and project financing.





TABLE (3): PPP PROJECTS UNDER TENDERING 2014

In Millions

| | SECTOR / PROJECTS | PROJECT DETAILS | TENDERING AUTHORITY | INVESTMENT CAPITAL (L.E) | STATUS |
|---|---|---|---|---|---|
| A- UTILITIES | | | | | |
| 1 | Abu Rawash Wastewater plant | Design, financing, raising capacity of plant from 1.2 million m3/day to 1.6 million m3/day and construction of an advance secondary treatment stage for the Abu Rawash Wastewater Treatment Plant , and the operation and maintenance of the whole plant m3/day. | The Ministry of Communications and Information Technology (MCIT). | 1620 | Start Tendering March 2015 |
| Total Capital Investments for Projects to be Tendered in 2015 | | | | 4,500 | |

The government has managed the project finance-related challenges that initially faced the PPP long-term contracts by bearing the interest rate change risk calculated every three years; signing Off Take Agreements to offload the demand risk borne by the private sector and banks; and providing a sovereign guarantee to comfort the private sector and lenders to facilitate the project financing.

The first 3 projects were fully financed by a syndication of local banks. However, International Financial Institutions (IFIs) have shown a strong interest in financing the PPP projects after examining the transparent selection procedure, the balanced contracts, the professional tendering documents and the competence of the government's PPP institutions and legal framework. After signing with the CBE in order to finance projects, the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) submitted term sheets to finance the LE 4.5 billion investment capital of the Abu Rawash Waste Water Treatment plant in local currency. The European Investment Bank is also submitting a term sheet to provide financing in hard currency for the same project.

It is worth mentioning that the EBRD extended its interest in the PPP Projects by buying 20% of the project company of Egypt's first operating PPP Project, reflecting the trust of such IFIs in the investment future and opportunities in the country.

## PPP Projects to be tendered in 2015 and beyond

The 7 PPP Projects being prepared to be tendered in 2015 comprise infrastructure projects, public utilities and public services (see Tables (4) and (5)). The first project starting the tendering process (mid-February 2015) is in the Telecommunications and Information Technology sector.

## TABLE (4): PPP PROJECTS TO BE TENDERED IN 2015

In Millions

| | SECTOR / PROJECTS | PROJECT DETAILS | TENDERING AUTHORITY | INVESTMENT CAPITAL (L.E) | STATUS |
|---|---|---|---|---|---|
| **B- COMMUNICATIONS** | | | | | |
| 2 | Cairo Contact Centers Park | Construction of 27 buildings of **Cairo Contact Centers Park** in Maadi which is designed and implemented to fulfill the needs and the increasing demand of the domestic and international offshore outsourcing Call Centers, and Business Process Outsourcing (BPO) companies. | The Ministry of Communications and Information Technology (MCIT). | 1620 | Start Tendering March 2015 |
| 3 | Rollout & Automation of the Notarization Offices in Egypt Project | • Rollout & AutomaLon of the **Notarization Offices for 400 offices** around the country through upgrading the current offices and perform necessary civil works to bring all notary offices. | Ministry of Justice - Ministry of Comm. & IT | 650 | Start Tendering March. 2015 |
| **C- RIVER PASSANGERS TRANSPORTATION** | | | | | |
| 4 | Nile River Bus Ferry | **The Nile River** Bus Ferry: The required services are as follow: 1. Purchase, finance and operate the River Transport Fleets (41 boats). 2. Develop 16 current terminals and add 12 new terminals including : Design, Build, Finance, Operate and Maintain | General Transportation Authorization in Cairo / Cairo Governorate | 600 | Start Tendering Apr., 2015 |
| **D- INDUSTRIAL PORTS** | | | | | |
| 5 | Safaga Industrial Port | Development & Upgrade of **Safaga mining port** that includes2 phases: 1st Phase: includes the establishment of the infrastructure needed for the industry and export of liquid bulk (phosphoric acid), - Livestock with meat processing, Grain storage and milling (silos). 2nd Phase: reserved for Activities of golden triangle Master Plan. | The Executive Organization For Industrial & Mining Projects / Ministry of Industry & Foreign Trade | **4000** (Phase 1500 Industrial Activities 2500) | Start Tendering Jun., 2015 |
| **E- UTILITIES** | | | | | |
| 6 | Hurghada DesalinaWon Plant | Construction of Hurghada **Desalination** Plant with total capacity of **40,000 M3/day** to provide Hurghada with the 3/day necessary Water | National Authority For Potable Water and Sewage | 400 | Complete Pre-Feasibility Study Q1. 2015 to be tendered in Aug., 2015 |
| 7 | Sharm El Sheikh Desalination Plant | Construct of Sharm El sheikh **Desalination** Plant With total capacity of **20,000 m3/ day** | National Authority For Potable Water and Sewage | 230 | |
| 8 | Helwan Waste Water | Design, financing, Build Operate **Waste Water** Plant capacity of **250,000 m3/day** | Ministry of Housing, Utilities & Urban Development - CAPW | 1,000 | Start Tendering Sep., 2015 |
| Total Capital Investments for Projects to be Tendered in **2015** | | | | 8,500 | |

## TABLE (5): PPP PIPELINE PROJECTS UNDER FEASIBILITY STUDIES TO BE TENDERED 2016

In Millions

| | SECTOR / PROJECTS | PROJECT DETAILS | TENDERING AUTHORITY | INVESTMENT CAPITAL (L.E) | STATUS |
|---|---|---|---|---|---|
| **G- TRANSPORTATION (RIVER TRANSPORT)** | | | | | |
| 9 | River Transport (Freight) | Construction of **4 river transport ports** The first proposed 4 pilot locations are Meet ghamr (Delta) and Qennah, Sohag, Assuit (upper Egypt) | Ministry of Transportation – River Transport Authority (RTA) | TBD | Start Pre-feasibility Study Q1. 2015 tendering in Q1 2016 |
| 10 | Dry Ports | Design, Finance,Build, Operate and Maintain **2 Dry Ports** In 6th of October City and 10th of ramadan City. | Ministry of Transportation – Dry Ports Authority | TBD | Start Pre-feasibility Study Q2. 2015 tendering in Q1 2016 |
| **H- SPORTS** | | | | | |
| 11 | Construction of 4 Stadiums World Cup Standards | Design, Finance,Build, Operate and Maintain **4 stadiums** In Sharm El Sheihk, Hurgada (40,000 seats), Matrouh and Luxor.(25,000seats) | Ministry of Sports and Youth | TBD | Start Pre-feasibility Study Q1 2015 tendering Q4 2015 |
| **I- WASTE RECYCLING CITIES** | | | | | |
| 12 | Building2 Recycling Cities in the outer skirtes of Greater Cairo | Design, Finance,Build, Operate and Maintain **2 big Recycling Cites** treating Solid waste, Agreculture waste, hazardiuos waste, Petrochemical waste and Medical waste. | Ministry of Environment - and relevent Governorates | TBD | Start Pre-feasibility Study Q1. 2015 tendering in Q1 2016 |
| **J - UTILITIES** | | | | | |
| 13 | Design, Finance,Build, Operate and Maintain **2 Desalination Projects** | | Ministry Of Housing | TBD | Start Pre-feasibility Study Q1 + Q2 2015 |
| 14 | Buildinig 1 **Waste water** Treatment Plants | | Ministry Of Housing | TBD | Start Pre-feasibility Study Q1 + Q2 2015 |
| 15 | Underground Car Park Multi levels in Downtown Cairo - Abbasyia | | Cairo Governorate | TBD | Start Pre-feasibility Study Q2 2015 |
| Total Capital Investments for Projects to be Tendered in 2016 | | | | 16,000 to 20,000 | |

## VII. CONCLUDING STATEMENT

Egypt's economic revival is underway under strong and committed leadership. The current juncture presents a historic opportunity for the country, setting the stage for a new virtuous cycle of inclusive growth and socio-political stability. Sensible macroeconomic policies and structural reforms will create the firm foundations for higher growth, higher investment, rising FDI inflows, growing job opportunities and greater productivity. These policies and reforms will be self-reinforcing to put Egypt on a path leading ultimately to a material and long overdue improvement in social conditions and the transformation of its economic landscape.

The government is fully aware of the challenges and risks that lie ahead. Its commitment to reform is complete, and its track record to date demonstrates its capacity and willingness to transform challenges to opportunities through proactive and far-reaching policies. The Egyptian government stands behind its pledge to renew the Egyptian economy and recognizes that fulfilling the strategic vision is important not only for the people of Egypt, but also for the entire region as well as for the broader international community. The government is prepared to do what it takes. And it welcomes the private sector to seize the opportunity and to engage in Egypt's renewal.





## VII. APPENDIX: EGYPT'S ECONOMY IN TABLES

### OVERVIEW OF EGYPT'S ECONOMY

| | FY11/12 | FY12/13 | FY13/14 | FY14/15e | FY15/16f | FY16/17f | FY17/18f | FY18/19f |
|---|---|---|---|---|---|---|---|---|
| Real Sector (real growth, %, unless indicated otherwise) | | | | | | | | |
| Real GDP Growth | 2.2 | 2.1 | 2.2 | 3.8 | 4.3 | 4.7 | 5.7 | 6.0 |
| Consumption | 6.0 | 2.7 | 4.3 | 3.0 | 3.2 | 5.1 | 4.7 | 4.5 |
| Public | 3.1 | 3.5 | 5.8 | 6.4 | 3.2 | 2.0 | 1.8 | 0.8 |
| Private | 6.5 | 2.6 | 4.1 | 2.5 | 3.2 | 5.6 | 5.1 | 5.0 |
| Investments | 5.8 | -9.6 | 4.6 | 11.0 | 10.3 | 9.0 | 13.3 | 15.6 |
| Exports | -2.3 | 5.9 | -12.6 | 3.5 | 6.4 | 6.7 | 7.2 | 7.7 |
| Imports | 10.8 | -0.6 | 0.9 | 5.0 | 5.3 | 10.4 | 8.1 | 8.7 |
| Unemployment Rate (%) | 12.6 | 13.0 | 13.3 | 12.9 | 11.9 | 11.3 | 10.7 | 9.8 |
| **Monetary Sector** | | | | | | | | |
| Consumer Prices (Period Average, %) | 8.6 | 6.9 | 10.1 | 11.8 | 11.3 | 10.2 | 8.1 | 7.4 |
| M2 Growth (%) | 8.4 | 18.4 | 17.0 | 16.0 | 16.1 | 15.4 | 14.2 | 13.8 |
| Credit Growth to Private Sector (%) | 7.3 | 9.8 | 7.4 | 10.1 | 12.3 | 14.3 | 16.2 | 17.5 |
| **External Sector (% of GDP, unless indicated otherwise)** | | | | | | | | |
| Trade Balance | -13.0 | -11.4 | -11.9 | -12.0 | -12.9 | -12.0 | -11.8 | -11.4 |
| Suez Canal | 2.0 | 1.9 | 1.9 | 2.0 | 1.9 | 1.8 | 1.7 | 1.6 |
| Tourism | 3.6 | 3.6 | 1.8 | 2.5 | 2.7 | 2.7 | 2.7 | 2.5 |
| Current Account Balance | -3.9 | -2.4 | -0.8 | -3.7 | -5.4 | -5.0 | -5.1 | -5.2 |
| Foreign Direct Investment | 1.5 | 1.4 | 1.5 | 2.3 | 2.4 | 2.5 | 2.4 | 2.9 |
| Capital Account Balance | 0.4 | 3.6 | 1.7 | 3.0 | 2.1 | 2.4 | 3.1 | 2.7 |
| Net International Reserves (US$ billion) | 15.5 | 14.9 | 16.7 | 22.9 | 24.1 | 26.3 | 28.6 | 30.0 |
| Import Coverage Ratio (months) | 3.1 | 3.1 | 3.3 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| External Debt | 13.2 | 17.2 | 16.5 | 14.6 | 15.5 | 15.5 | 15.5 | 14.9 |
| **Fiscal Sector (% of GDP, unless indicated otherwise)** | | | | | | | | |
| Overall Fiscal Deficit (LE Billion) | 167 | 240 | 255 | 245 | 258 | 278 | 293 | 325 |
| Overall Fiscal Deficit (%) | 10.6 | 13.7 | 12.8 | 10.5 | 9.6 | 8.9 | 8.3 | 8.1 |
| Budget Sector Debt/GDP (%) | 83.2 | 93.8 | 95.5 | 94.1 | 91.3 | 88.5 | 86.1 | 84.1 |
| Budget Sector Domestic Debt/GDP (%) | 73.3 | 82.4 | 85.1 | 85.5 | 81.2 | 77.6 | 74.5 | 71.5 |
| Budget Sector External Debt/GDP (%) | 9.8 | 11.4 | 10.4 | 8.6 | 10.0 | 10.9 | 11.6 | 12.6 |

Source: Ministry of Finance Projections

## GROSS DOMESTIC PRODUCT BY EXPENDITURE

| | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | Q1-FY13/14 | Q1-FY14/15 |
|---|---|---|---|---|---|---|---|---|
| Nominal (EGP Billion) | | | | | | | | |
| GDP at market price | 1042 | 1207 | 1371 | 1576 | 1753 | 1998 | 518 | 604 |
| Consumption | 911 | 1035 | 1193 | 1450 | 1623 | 1894 | 505 | 578 |
| Private | 793 | 900 | 1036 | 1271 | 1418 | 1654 | 448 | 512 |
| Public | 118 | 135 | 157 | 179 | 205 | 240 | 57 | 66 |
| Investment | 200 | 235 | 235 | 258 | 249 | 281 | 55 | 68 |
| Exports of goods and services | 260 | 258 | 282 | 275 | 317 | 303 | 70 | 92 |
| Imports of goods and services | 329 | 321 | 339 | 407 | 435 | 481 | 112 | 133 |
| **Real Growth (%)** | | | | | | | | |
| GDP at market price | 4.7 | 5.1 | 1.8 | 2.2 | 2.1 | 2.2 | 1.0 | 6.8 |
| Consumption | 5.7 | 4.2 | 5.3 | 6.0 | 2.7 | 4.3 | 4.4 | 5.3 |
| Private | 5.7 | 4.1 | 5.5 | 6.5 | 2.6 | 4.1 | 4.2 | 4.9 |
| Public | 5.6 | 4.5 | 3.8 | 3.1 | 3.5 | 5.8 | 5.9 | 8.8 |
| Investment | -9.1 | 8.0 | -2.2 | 5.8 | -9.6 | 4.6 | -7.3 | 14.0 |
| Exports of goods and services | -14.5 | -3.0 | 1.2 | -2.3 | 5.9 | -12.6 | -11.3 | 15.0 |
| Imports of goods and services | -17.9 | -3.2 | 8.4 | 10.8 | -0.6 | 0.9 | 2.1 | 8.8 |

Source: Ministry of Planning

## GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY

| | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | Q1-FY13/14 | Q1-FY14/15 |
|---|---|---|---|---|---|---|---|---|
| Nominal (LE Billion) | | | | | | | | |
| GDP at Factor Cost | 994 | 1151 | 1310 | 1509 | 1677 | 1911 | 497 | 580 |
| Agriculture, Irrigation and fishing | 135 | 161 | 190 | 218 | 243 | 277 | 88 | 102 |
| Extractions (quarrying) | 148 | 166 | 195 | 262 | 291 | 330 | 89 | 79 |
| Manufacturing Industries | 165 | 194 | 216 | 238 | 263 | 314 | 73 | 100 |
| Construction & Building | 44 | 53 | 60 | 67 | 77 | 89 | 20 | 25 |
| Suez Canal | 27 | 26 | 29 | 31 | 32 | 37 | 9 | 11 |
| Services | 342 | 396 | 444 | 492 | 544 | 618 | 157 | 182 |
| Restaurants & Hotels | 34 | 40 | 42 | 46 | 53 | 42 | 11 | 18 |
| General Government | 99 | 115 | 134 | 154 | 175 | 203 | 51 | 63 |
| **Real Growth (%)** | | | | | | | | |
| GDP at Factor Cost | 4.7 | 5.1 | 1.9 | 2.2 | 2.1 | 2.1 | 1.0 | 6.8 |
| Agriculture, Irrigation and fishing | 3.2 | 3.5 | 2.7 | 2.9 | 3.0 | 3.0 | 2.9 | 3.0 |
| Extractions (quarrying) | 5.9 | 0.9 | 0.6 | 0.1 | -2.7 | -5.5 | -3.5 | -8.2 |
| Manufacturing Industries | 3.7 | 5.1 | -0.9 | 0.7 | 2.3 | 8.3 | 1.6 | 26.5 |
| Construction & Building | 11.4 | 13.2 | 3.7 | 3.3 | 5.9 | 5.6 | 4.5 | 9.9 |
| Suez Canal | -7.2 | -2.9 | 11.5 | 3.9 | -3.8 | 2.7 | -0.4 | 9.1 |
| Services | 6.3 | 6.6 | 2.9 | 2.9 | 3.2 | 4.1 | 2.9 | 3.6 |
| Restaurants & Hotels | 1.3 | 12.0 | -5.9 | 2.3 | 6.6 | -26.8 | -28.3 | 59.1 |
| General Government | 3.1 | 4.2 | 3.7 | 2.9 | 3.0 | 4.1 | 5.9 | 4.5 |

Source: Ministry of Planning

## IMPLEMENTED INVESTMENTS

| LE MILLION | FY11/12 | | | FY12/13 | | | FY13/14 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Public | Private | Total | Public | Private | Total | Public | Private | Total |
| Total Investments | 92,546 | 153,523 | 246,068 | 95,900 | 145,712 | 241,612 | 110,474 | 154,618 | 265,091 |
| Agriculture, Irrigation & Reclamation | 2,673 | 2,698 | 5,371 | 2,950 | 5,434 | 8,384 | 4,146 | 7,481 | 11,627 |
| Crude Oil | 4,537 | 3,538 | 8,075 | 23,073 | 3,800 | 26,873 | 21,686 | 1,900 | 23,586 |
| Natural Gas | 14,779 | 39,512 | 54,291 | 3,623 | 33,000 | 36,623 | 3,609 | 21,900 | 25,509 |
| Other Extractions | 4 | - | 4 | - | - | - | - | 10,800 | 10,800 |
| Oil Refining | 297 | 9,972 | 10,269 | 608 | 8,000 | 8,608 | 905 | - | 905 |
| Other Manufacturing | 2,752 | 9,505 | 12,257 | 3,415 | 13,088 | 16,503 | 5,205 | 33,437 | 38,642 |
| Electricity | 18,401 | - | 18,401 | 15,663 | - | 15,663 | 12,140 | 1,500 | 13,640 |
| Water | 5,103 | - | 5,103 | 4,684 | - | 4,684 | 5,400 | - | 5,400 |
| Construction & Building | 810 | 890 | 1,700 | 867 | 2,400 | 3,267 | 811 | 1,840 | 2,651 |
| Transportation & Storage | 17,860 | 13,034 | 30,894 | 14,443 | 7,455 | 21,898 | 16,258 | 10,202 | 26,460 |
| Communications | 1,024 | 15,279 | 16,302 | 932 | 16,770 | 17,702 | 748 | 20,767 | 21,515 |
| Suez Canal | 291 | - | 291 | 353 | - | 353 | 435 | - | 435 |
| Wholesale & Retail Trade | 270 | 8,520 | 8,790 | 495 | 7,400 | 7,895 | 639 | 7,700 | 8,339 |
| Financial Intermediaries | 1,438 | - | 1,438 | 1,060 | - | 1,060 | 973 | - | 973 |
| Insurance & Social Solidarity | 71 | - | 71 | - | - | - | - | - | - |
| Tourism | 571 | 5,000 | 5,571 | 331 | 6,300 | 6,631 | 1,338 | 1,530 | 2,868 |
| Real Estate | 1,145 | 39,000 | 40,145 | 627 | 31,200 | 31,827 | 6,101 | 23,520 | 29,621 |
| Educational Services | 4,513 | 2,100 | 6,613 | 4,889 | 2,800 | 7,689 | 6,551 | 4,000 | 10,551 |
| Health Services | 2,897 | 1,850 | 4,747 | 2,740 | 2,400 | 5,140 | 3,688 | 3,000 | 6,688 |
| Drainage | 5,290 | - | 5,290 | 5,421 | - | 5,421 | 6,687 | - | 6,687 |
| Others | 7,824 | 2,625 | 10,449 | 9,726 | 5,665 | 15,391 | 13,153 | 5,041 | 18,194 |

Source: Ministry of Planning





## BUDGET SECTOR - REVENUES

| LE BILLION | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | FY13/14* (JUL-JAN) | FY14/15* (JUL-JAN) |
|---|---|---|---|---|---|---|---|---|
| Total Revenues | 282.5 | 268.1 | 265.3 | 303.6 | 350.3 | 456.8 | 217.9 | 186.7 |
| Tax Revenues | 163.2 | 170.5 | 192.1 | 207.4 | 251.1 | 260.3 | 133.9 | 131.8 |
| Income Tax | 80.3 | 76.6 | 89.6 | 91.2 | 117.8 | 120.9 | 63.8 | 44.4 |
| Property Taxes | 2.8 | 8.8 | 9.5 | 13.1 | 16.5 | 18.8 | 11.1 | 11.5 |
| Taxes on Goods and Services | 62.6 | 67.1 | 76.1 | 84.6 | 92.9 | 91.9 | 48.8 | 64.8 |
| Taxes on International Trade | 14.1 | 14.7 | 13.9 | 14.8 | 16.8 | 17.7 | 9.9 | 11.0 |
| Other Taxes | 3.5 | 3.3 | 3.1 | 3.7 | 7.2 | 11.1 | 0.2 | 0.03 |
| Non-Tax Revenue | 119.3 | 97.6 | 73.2 | 96.2 | 99.2 | 196.5 | 84.1 | 54.9 |
| Grants | 8.0 | 4.3 | 2.3 | 10.1 | 5.2 | 95.9 | 37.3 | 7.9 |
| Other Revenues | 111.3 | 93.3 | 70.9 | 86.1 | 94.0 | 100.6 | 46.8 | 47.0 |
| Property Income | 53.4 | 54.6 | 41.2 | 56.0 | 56.5 | 57.0 | 29.2 | 28.8 |
| Proceeds from Sales of Goods and Services | 16.2 | 17.2 | 17.4 | 17.8 | 22.7 | 28.5 | 12.7 | 10.3 |
| Other | 41.7 | 21.5 | 12.3 | 12.3 | 14.8 | 15.2 | 4.9 | 8.0 |

* Preliminary

Source: Ministry of Finance

## BUDGET SECTOR - EXPENDITURE

| LE BILLION | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | 2013/14 (JUL-JAN) | 2014/15* (JUL-JAN) |
|---|---|---|---|---|---|---|---|---|
| Total Expenditures | 351.5 | 366.0 | 401.9 | 471.0 | 588.2 | 701.5 | 333.5 | 337.1 |
| Compensation of Employees | 76.1 | 85.4 | 96.3 | 122.8 | 143.0 | 178.6 | 95.2 | 111.7 |
| Purchases of Goods and Services | 25.1 | 28.1 | 26.1 | 26.8 | 26.7 | 27.2 | 11.8 | 13.5 |
| Interest Payments | 52.8 | 72.3 | 85.1 | 104.4 | 147.0 | 173.1 | 85.5 | 92.9 |
| Subsidies, Grants and Social benefits | 127.0 | 103.0 | 123.1 | 150.2 | 197.1 | 228.6 | 101.0 | 67.8 |
| Other Expenditures | 27.0 | 28.9 | 31.4 | 30.8 | 35.0 | 41.1 | 21.4 | 26.3 |
| Purchases of Non-Financial assets | 43.4 | 48.3 | 39.9 | 35.9 | 39.5 | 52.9 | 18.7 | 24.9 |
| Total Cash Deficit | 69.0 | 97.9 | 136.6 | 167.4 | 237.9 | 244.7 | 115.6 | 150.4 |
| Net Acquisition of Financial assets | 2.8 | 0.2 | (2.1) | (0.7) | 1.9 | 10.7 | 4.0 | 8.6 |
| Overall Fiscal Deficit | 71.8 | 98.0 | 134.5 | 166.7 | 239.7 | 255.4 | 119.6 | 159.1 |

| **Indicators** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Overall Deficit/ GDP (%) | 6.9 | 8.1 | 9.8 | 10.6 | 13.7 | 12.8 | 6.0 | 6.9 |
| Primary Deficit / GDP (%) | 1.8 | 2.1 | 3.6 | 4.0 | 5.3 | 4.1 | 1.7 | 2.9 |
| Revenues/ GDP (%) | 27.1 | 22.2 | 19.3 | 19.3 | 20.0 | 22.9 | 10.9 | 8.0 |
| Expenditure/ (%) GDP | 33.7 | 30.3 | 29.3 | 29.9 | 33.5 | 35.1 | 16.7 | 14.5 |

* Preliminary

Source: Ministry of Finance

## SOURCES OF FINANCING

| LE BILLION | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | Q1-FY14/15 |
|---|---|---|---|---|---|---|---|
| Overall Fiscal Deficit | 71.8 | 98.0 | 134.5 | 166.7 | 239.7 | 255.4 | 65.8 |
| Sources of Finance | 71.8 | 98.0 | 134.5 | 166.7 | 239.7 | 255.4 | 65.8 |
| Net Privatization Proceeds | 0.2 | 0.4 | 0.02 | 0.0 | 0.01 | -0.3 | 0.0 |
| Domestic Sources | 83.6 | 101.5 | 144.3 | 182.2 | 270.6 | 277.3 | 76.2 |
| Non-Banks | -15.2 | 61.2 | 34.7 | 35.8 | 49.3 | 33.0 | 73.2 |
| Banks | 98.8 | 40.3 | 109.6 | 146.4 | 221.3 | 244.4 | 3.1 |
| Foreign Sources | -1.8 | 2.5 | 5.0 | -9.1 | 20.3 | 4.0 | 8.4 |
| Blocked Accounts Used in Amortization of CBE Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payments of Outstanding Arrears | -0.004 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | -0.6 | 0.3 | 3.6 | -0.4 | -13.1 | -25.4 | -3.7 |
| Exchange Rate Revaluation | 3.4 | 1.3 | 3.9 | 1.5 | 11.4 | 1.2 | 0.0 |
| Difference between T-Bills face value and present value | -10.9 | -0.2 | -7.4 | -11.4 | -6.8 | -1.1 | -1.0 |
| Undistributed | -2.0 | -7.8 | -14.9 | 3.8 | -42.6 | -0.4 | 2.6 |

Source: Ministry of Finance

## DOMESTIC DEBT

| LE BILLION (UNLESS (OTHERWISE INDICATED | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | Q1-FY14/15 |
|---|---|---|---|---|---|---|---|
| Gross Domestic Budget Sector Debt | 700 | 808 | 967 | 1,155 | 1,444 | 1,700 | 1,796 |
| Budget Sector Deposits | 137 | 145 | 159 | 165 | 183 | 161 | 181 |
| Net Domestic Budget Sector Debt | 562 | 664 | 808 | 991 | 1,261 | 1,538 | 1,615 |
| | | | | | | | |
| Gross Consolidated General Government Domestic Debt | 616 | 733 | 889 | 1,088 | 1,364 | 1,598 | 1,686 |
| General Government Deposits | 149 | 159 | 167 | 173 | 191 | 173 | 198 |
| Net Consolidated General Government Domestic Debt | 467 | 575 | 723 | 915 | 1,172 | 1,425 | 1,488 |
| | | | | | | | |
| Gross Consolidated Public Domestic Debt | 644 | 770 | 932 | 1,129 | 1,411 | 1,649 | 1,669 |
| Public Sector Deposits | 168 | 170 | 191 | 198 | 220 | 208 | 218 |
| Net Consolidated Public Domestic Debt | 476 | 600 | 741 | 931 | 1,191 | 1,441 | 1,451 |
| | | | | | | | |
| **Indicators** | | | | | | | |
| Gross Domestic Budget Sector Debt/GDP (%) | 67.1 | 67.0 | 70.5 | 73.3 | 82.4 | 85.1 | 77.4 |
| Net Domestic Budget Sector Debt/GDP (%) | 54.0 | 55.0 | 58.9 | 62.9 | 71.9 | 77.0 | 69.6 |
| Gross Consolidated General Government Domestic Debt/ GDP (%) | 59.1 | 60.8 | 64.8 | 69.1 | 77.8 | 80.0 | 72.6 |
| Net Consolidated General Government Domestic Debt/ GDP (%) | 44.8 | 47.6 | 52.7 | 58.1 | 66.9 | 71.4 | 64.1 |
| Gross Consolidated Public Domestic Debt/GDP (%) | 61.8 | 63.8 | 68.0 | 71.7 | 80.5 | 82.6 | 71.9 |
| Net Consolidated Public Domestic Debt/GDP (%) | 45.7 | 49.7 | 54.1 | 59.1 | 67.9 | 72.2 | 62.5 |

Source: Ministry of Finance



## DOMESTIC DEBT SERVICE

| LE BILLION UNLESS OTHERWISE) (INDICATED | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | FY14/15 (JUL-JAN) |
|---|---|---|---|---|---|---|---|
| Total Government Debt Service | 71,123 | 98,856 | 117,251 | 140,916 | 218,257 | 280,697 | 213,854 |
| | | | | | | | |
| Interest Payments | 52,810 | 72,333 | 85,077 | 104,441 | 146,995 | 173,150 | 92,868 |
| Domestic Debt | 49,212 | 69,493 | 81,661 | 101,023 | 143,099 | 168,154 | 89,541 |
| Foreign Debt | 3,598 | 2,840 | 3,416 | 3,418 | 3,896 | 4,996 | 3,327 |
| | | | | | | | |
| Principal Payments | 18,313 | 26,523 | 32,174 | 36,475 | 71,262 | 107,547 | 120,987 |
| Domestic Debt | 10,365 | 18,067 | 22,964 | 21,299 | 60,074 | 93,931 | 90,942 |
| Foreign Debt | 7,948 | 8,455 | 9,211 | 15,176 | 11,188 | 13,617 | 30,045 |
| | | | | | | | |
| **Indicators** | | | | | | | |
| Total Interest Payments/GDP (%) | 5.1 | 6.0 | 6.2 | 6.6 | 8.4 | 8.7 | 4.0 |
| Total Principal Payments/GDP (%) | 1.8 | 2.2 | 2.3 | 2.3 | 4.1 | 5.4 | 5.2 |

Source: Ministry of Finance

## BALANCE OF PAYMENTS

| US$ BILLION (UNLESS OTHERWISE INDICATED) | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13* | FY13/14* | Q1-FY13/14* | Q1-FY14/15* |
|---|---|---|---|---|---|---|---|---|
| Trade Balance | -25.2 | -25.1 | -27.1 | -34.1 | -30.7 | -33.7 | -7.5 | -9.7 |
| Exports | 25.2 | 23.9 | 27.0 | 25.1 | 27.0 | 26.1 | 6.2 | 6.5 |
| Petroleum | 11.0 | 10.3 | 12.1 | 11.2 | 13.0 | 12.5 | 3.1 | 2.9 |
| Other Exports | 14.2 | 13.6 | 14.9 | 13.8 | 14.0 | 13.7 | 3.2 | 3.6 |
| Imports | -50.3 | -49.0 | -54.1 | -59.2 | -57.7 | -59.8 | -13.7 | -16.2 |
| Petroleum | -7.0 | -5.2 | -9.3 | -11.8 | -12.1 | -13.2 | -3.1 | -4.0 |
| Other Imports | -43.3 | -43.8 | -44.8 | -47.4 | -45.6 | -46.6 | -10.7 | -12.2 |
| Services (net) | 12.5 | 10.3 | 7.9 | 5.6 | 5.0 | 1.0 | -0.2 | 2.1 |
| Receipts , of which | 23.8 | 23.6 | 21.9 | 20.9 | 22.2 | 17.6 | 4.0 | 6.4 |
| Suez Canal | 4.7 | 4.5 | 5.1 | 5.2 | 5.0 | 5.4 | 1.4 | 1.5 |
| Travel | 10.5 | 11.6 | 10.6 | 9.4 | 9.8 | 5.1 | 0.9 | 2.1 |
| Payments , of which | 11.3 | 13.2 | 14.0 | 15.3 | 17.2 | 16.7 | 4.2 | 4.3 |
| Investment Income of which, | 1.8 | 5.2 | 6.5 | 6.7 | 7.6 | 7.5 | 1.8 | 1.9 |
| Balance of Goods & Services | -12.7 | -14.8 | -19.2 | -28.6 | -25.7 | -32.7 | -7.8 | -7.6 |
| Transfers | 8.2 | 10.5 | 13.1 | 18.4 | 19.3 | 30.4 | 8.4 | 6.2 |
| Private Transfers (net) | 7.6 | 9.5 | 12.4 | 17.8 | 18.4 | 18.4 | 4.0 | 4.7 |
| Official Transfers (net) | 0.6 | 1.0 | 0.8 | 0.6 | 0.8 | 11.9 | 4.3 | 1.5 |
| Current Account Balance | -4.4 | -4.3 | -6.1 | -10.1 | -6.4 | -2.4 | 0.6 | -1.4 |
| | | | | | | | | |
| Capital & Financial Account | 2.3 | 9.0 | -4.2 | 1.0 | 9.8 | 4.9 | 4.6 | 0.8 |
| Capital Account | -0.003 | -0.04 | -0.03 | -0.1 | -0.1 | 0.2 | -0.03 | -0.02 |
| Financial Account | 2.3 | 9.0 | -4.2 | 1.1 | 9.9 | 4.7 | 4.6 | 0.8 |
| Direct Investment Abroad | -1.3 | -1.0 | -1.0 | -0.2 | -0.2 | -0.3 | -0.1 | -0.1 |
| Direct Investment In Egypt (net) | 8.1 | 6.8 | 2.2 | 4.0 | 3.8 | 4.1 | 0.7 | 1.8 |
| Portfolio Investment Abroad | -0.4 | -0.5 | -0.1 | -0.1 | 0.02 | 0.1 | 0.03 | -0.03 |
| Portfolio Investment in Egypt (net) | -9.2 | 7.9 | -2.6 | -5.0 | 1.5 | 1.2 | 1.3 | 0.3 |
| Bonds | -1.0 | 1.4 | 0.2 | 0.1 | 2.3 | 0.9 | 1.0 | 0.0 |
| Other Investment (net) | 5.1 | -4.1 | -2.7 | 2.6 | 4.8 | -0.4 | 2.7 | -1.2 |
| Net Borrowing | 1.3 | 3.0 | 1.5 | 0.2 | 1.2 | -0.6 | -0.9 | 0.5 |
| Other Assets | 3.7 | -9.7 | -3.4 | 1.2 | -2.1 | -1.6 | 0.5 | -2.1 |
| Other Liabilities | 0.1 | 2.5 | -0.8 | 1.2 | 5.7 | 1.9 | 3.1 | 0.4 |
| Overall Balance | -3.4 | 3.4 | -9.8 | -11.3 | 0.2 | 1.5 | 3.7 | 0.4 |
| | | | | | | | | |
| Net International Reserves | 31.3 | 35.2 | 26.6 | 15.5 | 14.9 | 16.7 | 18.7 | 16.9 |

* Preliminary

Source: CBE



## EXTERNAL DEBT

| US$ BILLION (UNLESS (OTHERWISE INDICATED | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13* | FY13/14* | Q1-FY14/15 |
|---|---|---|---|---|---|---|---|
| Total External Debt | 31.5 | 33.7 | 34.9 | 34.4 | 43.2 | 46.1 | 44.9 |
| Rescheduled bilateral debt + | 14.1 | 12.6 | 12.9 | 11.0 | 9.5 | 8.4 | 7.4 |
| Other bilateral debt | 4.8 | 4.7 | 5.2 | 5.1 | 6.0 | 6.1 | 5.8 |
| International Institutions | 8.2 | 10.0 | 10.8 | 11.1 | 12.0 | 12.2 | 12.1 |
| Suppliers & buyers credits | 0.3 | 0.3 | 0.4 | 0.4 | 0.6 | 0.5 | 0.5 |
| Egyptian bonds and notes | 1.9 | 3.1 | 2.8 | 2.9 | 5.2 | 6.1 | 6.1 |
| Long-term deposits ++ | 0.0 | 0.0 | 0.0 | 1.0 | 3.0 | 9.0 | 9.0 |
| Short term debt | 2.1 | 3.0 | 2.8 | 2.9 | 7.0 | 3.7 | 3.9 |
| Private sector (non guaranteed) | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| | | | | | | | |
| Debt Service | 3.1 | 2.6 | 2.8 | 2.9 | 3.1 | 3.2 | 1.1 |
| | | | | | | | |
| **Indicators** | | | | | | | |
| External debt / GDP (%) | 16.9 | 15.9 | 15.2 | 13.2 | 17.3 | 16.4 | 13.3 |
| Short-term Debt / External Debt (%) | 6.8 | 8.8 | 7.9 | 8.5 | 16.3 | 7.9 | 8.7 |
| Debt service / Exports (goods & services) (%) | 6.4 | 5.5 | 5.7 | 6.3 | 6.4 | 7.3 | 6.9 |
| Debt service / Current receipts (%) | 5.4 | 4.5 | 4.5 | 4.5 | 4.6 | 4.3 | 4.3 |
| Interest / Exports (goods & services) (%) | 1.5 | 1.4 | 1.3 | 1.4 | 1.3 | 1.6 | 1.6 |

* Preliminary

Source: CBE

## MONETARY SURVEY

| LE BILLION | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | H1-FY13/14 |
|---|---|---|---|---|---|---|---|
| Net foreign assets | 254 | 282 | 254 | 158 | 123 | 119 | 82 |
| Central bank | 172 | 190 | 147 | 76 | 38 | 37 | 32 |
| Commercial banks | 82 | 92 | 106 | 82 | 85 | 82 | 50 |
| | | | | | | | |
| Net domestic assets | 577 | 635 | 756 | 937 | 1,173 | 1,397 | 1,524 |
| Net claims on government | 273 | 326 | 437 | 579 | 803 | 1,045 | 1,127 |
| Claims on public sector companies | 33 | 30 | 33 | 41 | 43 | 45 | 59 |
| Claims on private sector | 389 | 419 | 422 | 453 | 498 | 535 | 556 |
| Net other items | -118 | -140 | -137 | -136 | -170 | -228 | -218 |
| | | | | | | | |
| (Broad money (M2 | 831 | 917 | 1,009 | 1,094 | 1,296 | 1,517 | 1,606 |
| | | | | | | | |
| Money Supply | 183 | 214 | 249 | 275 | 344 | 411 | 446 |
| Currency outside banks | 118 | 135 | 168 | 194 | 241 | 271 | 277 |
| Demand deposits in local currency | 65 | 79 | 81 | 80 | 103 | 140 | 169 |
| | | | | | | | |
| Quasi-Money | 648 | 703 | 761 | 820 | 952 | 1,106 | 1,161 |
| Time &saving deposits in local currency | 481 | 545 | 584 | 634 | 728 | 870 | 928 |
| Demand, time & saving deposits in foreign currencies | 167 | 158 | 177 | 186 | 224 | 236 | 232 |
| | | | | | | | |
| Reserve money | 175 | 203 | 251 | 264 | 318 | 364 | 363 |
| | | | | | | | |
| **Change %** | | | | | | | |
| Headline Inflation | 16.2 | 11.7 | 11.1 | 8.6 | 6.9 | 10.1 | 10.8 |
| Core Inflation | 16.4 | 6.7 | 8.7 | 7.6 | 6.1 | 10.2 | 8.8 |

Source: CBE

## TOURISM SECTOR

| THOUSANDS | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | H1-FY13/14 | H1-FY14/15 |
|---|---|---|---|---|---|---|---|---|
| Number of Tourist Arrivals | 12,293 | 13,758 | 11,931 | 10,953 | 12,213 | 7,968 | 3,539 | 5,451 |
| European Countries | 9,120 | 10,439 | 8,791 | 8,101 | 8,925 | 6,059 | 2,646 | 4,165 |
| Middle East Countries | 1,666 | 1,635 | 1,636 | 1,739 | 2,094 | 1,071 | 502 | 799 |
| African Countries | 428 | 462 | 482 | 434 | 438 | 365 | 172 | 180 |
| The Americas | 476 | 531 | 436 | 283 | 288 | 211 | 100 | 135 |
| Asian & Pacific Countries | 561 | 652 | 560 | 374 | 441 | 243 | 111 | 158 |
| Others | 42 | 39 | 26 | 22 | 27 | 19 | 9 | 14 |
| | | | | | | | | |
| Number of Tourist Nights | 123,383 | 136,370 | 124,571 | 131,769 | 142,432 | 72,919 | 29,350 | 53,389 |
| European Countries | 85,599 | 97,305 | 83,934 | 86,805 | 97,827 | 51,562 | 19,529 | 41,554 |
| Middle East Countries | 21,463 | 21,514 | 23,737 | 30,121 | 31,615 | 14,560 | 6,825 | 8,161 |
| African Countries | 5,144 | 5,538 | 5,920 | 6,289 | 5,277 | 3,167 | 1,281 | 1,347 |
| The Americas | 5,718 | 6,219 | 5,581 | 4,337 | 3,662 | 1,931 | 1,024 | 1,434 |
| Asian & Pacific Countries | 4,801 | 5,462 | 5,136 | 3,893 | 3,893 | 1,613 | 650 | 851 |
| Others | 658 | 332 | 263 | 324 | 158 | 86 | 42 | 41 |

Source: CAPMAS and Ministry of Tourism

## OIL & GAS SECTOR

| | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 |
|---|---|---|---|---|---|---|
| Production | | | | | | |
| Natural Gas (million tons) | 45.8 | 46.7 | 46.4 | 46.1 | 44.2 | 39.2 |
| Crude & products (million tons) | 34.7 | 34 | 34.7 | 34.9 | 34.4 | 34.5 |
| **Consumption** | | | | | | |
| Natural Gas (million tons) | 31.3 | 33.0 | 35.2 | 39.1 | 39.2 | 37.6 |
| Petroleum products (million tons) | 31.5 | 33.6 | 33.0 | 32.5 | 34.6 | 29.7 |
| **Confirmed Reserves** | | | | | | |
| Natural Gas (trillion cubic feet) | 77.2 | 78 | 77.5 | 77.2 | … | … |
| Crude (billion barrels) | 4.4 | 4.5 | 4.3 | 4.3 | … | … |
| New Discoveries | 64 | 63 | 62 | 78 | 86 | 55 |
| Signed Petroleum agreements | 8 | 17 | 5 | 2 | 22 | 31 |

Source: IDSC and Ministry of Petroleum

## ELECTRICITY SECTOR

| MILLION KILOWATT HOUR | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 (JUL-AUG) |
|---|---|---|---|---|---|---|
| Total Generated and Purchased Power | 129,783 | 137,776 | 145,481 | 156,328 | 163,374 | 62,019 |
| Generated Power | 116,336 | 124,191 | 131,365 | 142,210 | 148,417 | 56,430 |
| Purchased Power | 13,447 | 13,585 | 14,116 | 14,118 | 14,957 | 5,589 |
| Industrial Companies | 19 | 26 | 29 | 29 | 31 | 14 |
| New and renewable (Winds + solar energy) | 931 | 1,133 | 1,561 | 2,004 | 1,498 | 470 |
| BOOT | 12,497 | 12,426 | 12,526 | 12,085 | 13,428 | 5,105 |
| Total Uses | 112,404 | 119,636 | 126,822 | 135,783 | 140,869 | 50,167 |
| Industrial | 37,247 | 38,875 | 40,727 | 42,173 | 42,725 | 12,554 |
| Business | 3,270 | 3,360 | 3,446 | 3,726 | 3,964 | 2,874 |
| Household | 43,463 | 47,282 | 51,292 | 56,478 | 59,838 | 22,080 |
| Other | 27,513 | 29,103 | 29,633 | 31,537 | 33,682 | 12,452 |
| Power Sold to: | 911 | 1,016 | 1,724 | 1,869 | 660 | 207 |
| International Electrical Interconnection Countries | 908 | 1,010 | 1,721 | 1,864 | 656 | 207 |
| Private sector (BOOT) | 3 | 6 | 3 | 5 | 4 | - |

Source: IDSC and Ministry of Agriculture





## AGRICULTURE SECTOR

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Cropped area (million feddans) | 15.2 | 15.5 | 15.3 | 15.3 | 15.5 | 16.0 |
| Total Agriculture land area (million feddans) | 8.4 | 8.8 | 8.7 | 8.6 | 8.8 | 8.7 |
| Value of livestock Production (EGP million) | 65,060 | 69,120 | 77,382 | 84,669 | 88,970 | 93,418 |

Source: IDSC and Ministry of Agriculture

## TRAFFIC IN SUEZ CANAL

| | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 |
|---|---|---|---|---|---|---|
| Oil Tankers Crossing the Canal | | | | | | |
| Number | 3,772 | 3,438 | 3,566 | 3,616 | 3,560 | 3,825 |
| Net tonnage (million tons) | 129 | 111 | 113 | 131 | 142 | 152 |
| **Other Vessels Crossing the Canal** | | | | | | |
| Number | 15,582 | 14,066 | 14,484 | 14,048 | 13,104 | 12,919 |
| Net tonnage (million tons) | 683 | 677 | 784 | 807 | 770 | 779 |
| **Total** | | | | | | |
| Number | 19,354 | 17,504 | 18,050 | 17,664 | 16,664 | 16,744 |
| Net tonnage (million tons) | 811 | 787 | 897 | 939 | 912 | 931 |

Source: Suez Canal Authority

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