The Egyptian Cabinet
Information and Decision Support Center

Unlocking Potential:
A Comprehensive Review of Egypt's Economic Development

April 2025

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Information and Decision Support Center

About IDSC

IDSC is a prominent internationally classified think tank affiliated to the Prime Minister. Since its establishment in 1985, IDSC has undergone many facelifts in the nature of its missions and roles to suit the requirements and needs of decision-makers and cope with the changes in Egyptian society. In its first phase, IDSC dedicated its efforts to establishing an information infrastructure and contributing to the technological advancements in Egypt. Then, its role witnessed a quantum shift to be more specialized in decision support and focused on creating a knowledge community. Later, IDSC progressed steadily to become the Egyptian Cabinet's think tank. Its key mission is reinforcing the decision-makers efforts in various developmental issues and suggesting supportive alternatives, recommendations, and scenarios. At present, IDSC undertakes multiple and diverse missions and roles in conjunction with His Excellency the Prime Minister's Decree No. 2085 of 2023 on restructuring IDSC. This decision declares a new era for IDSC, one in which its scope expands.

IDSC has made numerous accomplishments and launched distinguished projects and initiatives, bolstering its role in developing the digital and information infrastructure and supporting the decision-making process in Egypt across various levels. For instance, IDSC played a pioneering role in setting up the citizen's ID project, introducing the Internet to Egypt, and establishing both the Strategic Documents Center and the Public Opinion Poll Center. Moreover, it contributed to the development and establishment of information centers in governorates and ministries, the launch of the Governmental Complaint Portal, and the development of a crisis management system covering the national and local levels. It founded several specialized observatories: The Egyptian Household Observatory, the Egyptian Observatory for Education, Training, and Employment, and the Egyptian Food Observatory. IDSC additionally produced the State Ownership Policy for Assets and the Egyptian Economy's Most Prominent Strategic Directions (2024-2030) Document.

Along its journey, IDSC has long adopted a vision implying that it should be distinguished in the field of decision support in various comprehensive development issues, conduct constructive social dialogue, and enhance communication with Egyptian citizens, who are the ultimate goal of development. Thus, IDSC has assumed a greater role in the public policymaking process and has been responsible for entrenching the knowledge community.

IDSC is continuously striving to become one of the best think tanks at the local, regional, and international levels. IDSC's vital role as a think tank was crowned by regional and international acknowledgment: The results of the Think Tanks and Civil Societies Program (TTCSP) of the University of Pennsylvania announced in February 2021 were substantial evidence. They revealed that IDSC:

- Was chosen among the best 20 think tanks in the world responding to the COVID-19 pandemic in 2020.
- Ranked 21st out of 64 think tanks globally as the owner of the best new idea or paradigm developed in 2020.
- Ranked 14th out of 101 think tanks in Africa and the Middle East for 2020.

In the last 5 years, IDSC won 18 international awards in all its work fields. In June 2022, it was awarded the USA's SAG Award for the digital publication of Egypt's Description by Information; it was chosen out of nearly 100,000 international institutions around the world.

In May 2023, it was awarded 6 awards in the 16th Digital Government Awards held in Dubai. It excelled in the following categories: government innovation, social and governmental responsibility, remote work, government websites, government social media accounts, and smart applications.

In September 2023, IDSC was granted three Globee Business Awards, which are based in the USA. The awards are given to the best organizations in the world in recognition of their achievements in various business and technology-related categories.

Lastly, it won eight trophies from the Middle East and North Africa Stevie Awards. In April 2022, IDSC had been awarded five trophies, including one gold, after competing with over 700 teams from 17 countries in the Middle East and North Africa. In January 2024, it was granted another three trophies, including two golds.

Report team

Dr. Osama El Gohary

Assistant to the Prime Minister and IDSC Chairman

Editorial Board

Dr. Mai Mohsen

Head of the Central Department of Chairman’s Technical Office Affairs

Mr. Ahmed Ali

Executive Manager of the Technical Office Department

Aliaa Omar Sayed

Section Head at the Technical Office Department for the Financial and Monetary Policy Team

Marianne Youssef Saad

Economic Expert and Team Leader at Technical Office Department

Publication Team

Farah Karim Hussien
Economic researcher at Technical Office Department

Doha Ayman Abdelwahab
Economic researcher at Technical Office Department

Marwa Harb
Section head at Technical Office Department

Marez Hany Sabry
Economic Researcher at Technical Office Department

Sara Hossam Ahmed
Political Researcher at Technical Office

Ahmed Mamdouh El-Marassy
Economic Researcher at Technical Office

Dr. Farag Abdallah
Economic Expert at Technical Office Department

Fatima Hamdon
Economic Expert at Technical Office Department

Safaa El Sisi
Section Head at Technical Office Department

Alaa AlSsayed
Economic Researcher at Technical Office

Kareem Emil Anwar
Economic Researcher at Technical Office

Sarah Samir Ibrahim
Economic researcher at Technical Office Department

Sohaila Sherif Fathy
Political researcher at Technical Office Department

Yasmine Tamer Ashmawy
Political researcher at Technical Office Department

Ahmed Ebrahim
Economic researcher at Technical Office Department

Quality Department

Maha Abdelfattah
Economic Researcher and Reviewer

Aida Ashraf
Economic Researcher and Reviewer

Nada Elmogy
Team Leader of the Translation Division

Eman Khaled
Translator and Editor

Graphic Team

EN. Ayman El Sherif
Director of General Department of Graphic Design

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Head of the Graphic Design Department

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Graphic Designer

EN. Nesma Ayman
Graphic Designer

MS. Asmaa Salah
Graphic Designer

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On The Radar

Advancing Human Development and Health: Egypt's Progress and Vision for the Global Congress on Population, Health and Human Development PHDC'24

Egypt hosted the second consecutive edition of the Global Congress on Population, Health, and Human Development under the theme **"Human Development for a Sustainable Future"** on October 21, 2024, in the New Administrative Capital. The five days conference served as a crucial platform for fostering collaboration among experts, policymakers, researchers, and practitioners from around the world.

The **PHDC'24** achieved remarkable milestones, attracting over 38,000 attendees and featuring over 1,000 speakers participating in 165 scientific sessions and discussions. The event also includes contributions from 112 organizations, 80 exhibitors, and 4,000 trainees, making it the largest and most ambitious edition.

The conference was organized by the **Ministerial Group for Human Development**, with a central focus on human development, in collaboration with several esteemed organizations, including **United Nations Egypt, UNDP, UNFPA, the World Health Organization, UNESCO, UNICEF, UNHCR, UNODC, ILO, UN Women, WFP, IOM - UN Migration, United Nations Information Center, USAID**, and **The World Bank.**

2.0 GLOBAL CONGRESS ON POPULATION, HEALTH AND HUMAN DEVELOPMENT
21-25 October 2024 - Cairo, Egypt

Objectives of PHDC'24:

The main objectives of the second edition of the Global Conference included:

- **Catalyzing Human Flourishing:** Promoting equitable and sustainable growth through inclusive governance and active participation, ensuring every voice is heard.
- **Investing in People and Sparking Innovation:** Empowering human potential by harnessing cutting-edge technology and fostering innovation to overcome global challenges and accelerate progress.
- **Championing Health, Well-being, and Equity:** Advancing universal health coverage, promoting fairness, and equipping communities to thrive by fostering well-being and social justice.
- **Building a Resilient and Sustainable Future:** Adapting to demographic shifts, tackling climate challenges, and mitigating risks while nurturing sustainable livelihoods and strong communities.
- **Translating Knowledge into Impact:** Turning evidence into action by delivering data-driven solutions that empower individuals and communities, driving long-term change and resilience.

Furthermore, it was announced that the third edition of the Global Congress on Population, Health, and Human Development will be held in Egypt from **November 10 to 13, 2025**, building on the momentum of **PHDC'23** and **PHDC'24.**

Egypt's Expanding Global Role: Strengthening Ties with BRICS and the European Union

Egypt has increasingly positioned itself as a pivotal player on the global stage through strategic collaborations with key international groups and partners. Two major focus areas include its proactive engagement with the BRICS coalition and its evolving comprehensive strategic partnership with the European Union (EU).

1 - Egypt's Cooperation with BRICS Nations

Egypt's collaboration within the BRICS+ bloc reflects its strategic objectives to advance economic reform, attract investment, and strengthen its position as a regional economic hub. Key goals and objectives of this collaboration include:

Promoting Economic Growth Through Investment and Trade: BRICS membership provides Egypt with access to a network of emerging economies, facilitating trade partnerships and attracting foreign direct investment. This aligns with Egypt's economic reform agenda aimed at revitalizing the private sector and expanding market opportunities.

Leveraging Sustainable Development: By focusing on renewable energy, including green hydrogen, Egypt aligns with BRICS' emphasis on eco-friendly growth. This commitment supports global sustainability goals while diversifying Egypt's energy portfolio.

Enhancing Technological and Knowledge Transfer: Collaboration within BRICS offers Egypt access to technological advancements and expertise in areas like communications, manufacturing, and agriculture, which are essential for driving innovation and improving competitiveness.

Expanding Market Access: The bloc presents new avenues for Egyptian businesses to connect with global markets and enhance exports and economic diversification.

Strengthening Diplomatic Influence: Egypt's participation underscores its aspiration to play a more prominent role in global economic governance, aligning with like-minded emerging economies to advocate for shared interests in a multipolar world.

Boosting Private Sector Engagement: Through the IPO programme under the State Ownership Policy Document, Egypt seeks to create a conducive environment for private enterprise, further bolstered by its integration into the BRICS economic framework.

By aligning its national priorities with the BRICS agenda, Egypt seeks to catalyze economic transformation, build resilience, and strengthen its influence in shaping global economic dynamics.

2 - Strategic Partnership with the European Union

Egypt's partnership with the European Union (EU) entered a new phase in March 2024 by signing a joint political declaration, elevating bilateral ties to a comprehensive strategic partnership. President Abdel Fattah El-Sisi emphasized the deep political, economic, and cultural connections between Egypt and the EU. The collaboration has yielded significant outcomes, including:

- Hosting the Egypt-EU Investment Conference in June 2024 resulted in signing 29 agreements and memorandums of understanding (MOUs) worth €49 billion. These agreements were signed either at the private sector level or between the private sector and official Egyptian entities, achieving significant targets in various sectors. Among these are green hydrogen projects, infrastructure, sustainable transportation projects, communications, information technology, and other important and pioneering sectors identified in Egypt's Vision 2030 document.
- The development of a green hydrogen international hub and the bolstering of clean energy projects, on the sidelines of the Egypt-EU Investment Conference, reflect Egypt's commitment to environmental sustainability and innovation.
- The EU's announcement of €7.4 billion in financial and investment packages underscores its recognition of Egypt's pivotal regional role, in March 2024.
- Activation of the Macro-Financial Assistance (MFA) mechanism to support Egypt's fiscal reforms and economic resilience.

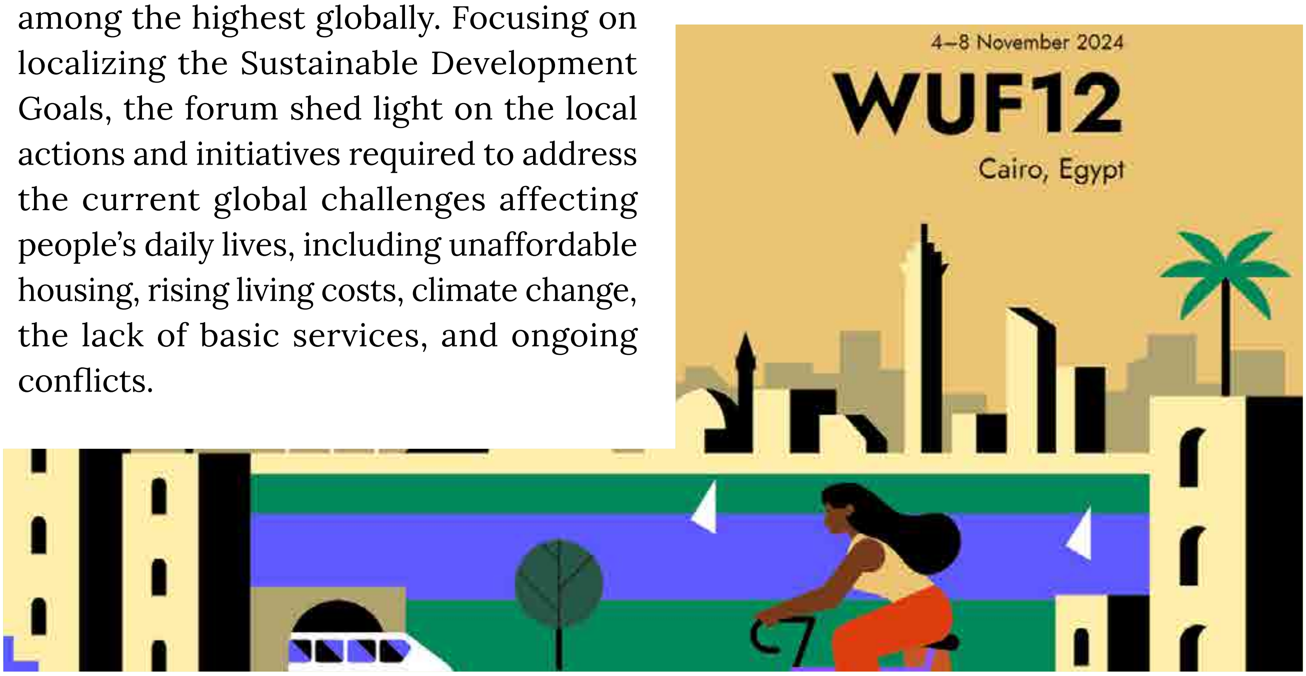
World Urban Forum in Cairo WUF12

The World Urban Forum WUF12, an international conference dedicated to urban issues, is held every two years and ranks as the second most important forum on the United Nations agenda after the Climate Summit. It serves as a high-level, open, and inclusive platform for addressing the challenges of sustainable urbanization.

The twelfth Session, convened by the United Nations Human Settlements Programme (UN-Habitat) and co-organized with the Government of the Arab Republic of Egypt, took place in Cairo from November 4 to 8, 2024. This marked a historic milestone as Egypt became the first African country in over two decades to host this prestigious global event. The forum reaffirmed Cairo's position as a leading hub for addressing critical urban challenges, particularly within the African context, where urban growth rates are among the highest globally. Focusing on localizing the Sustainable Development Goals, the forum shed light on the local actions and initiatives required to address the current global challenges affecting people's daily lives, including unaffordable housing, rising living costs, climate change, the lack of basic services, and ongoing conflicts.

Held under the theme, "It all starts at home: Local actions for sustainable cities and communities", the forum welcomed more than 37,000 participants from over 182 countries. Attendees included national and local government officials, urban planners, business leaders, academics, and civil society organizations. Cairo's unique role as a host city brought special attention to Africa's urbanization needs, catalyzing partnerships and commitments aimed at advancing sustainable urban solutions.

At the conclusion of the WUF12, the Cairo Call to Action was issued, outlining commitments and strategies for sustainable urbanization. The newly established WUF Advisory Group, comprising global stakeholders and local leaders, will guide the creation of outcome documents aimed at amplifying WUF's lasting impact on cities worldwide.



Egypt's Rising Global Standing: Achievements in Global Rankings

1 - Egypt's Startup Ecosystem: Leading Northern Africa and Advancing in the MENA Region

Egypt has solidified its position as one of the top destinations for startup investments in the MENA region, alongside the UAE and Saudi Arabia. These three markets collectively accounted for 98% of total investments in the region and 75.6% of all transactions in 2023. This achievement highlights Egypt's growing role as a regional hub for entrepreneurship, supported by a dynamic ecosystem and innovative solutions that continue to attract significant attention from investors.

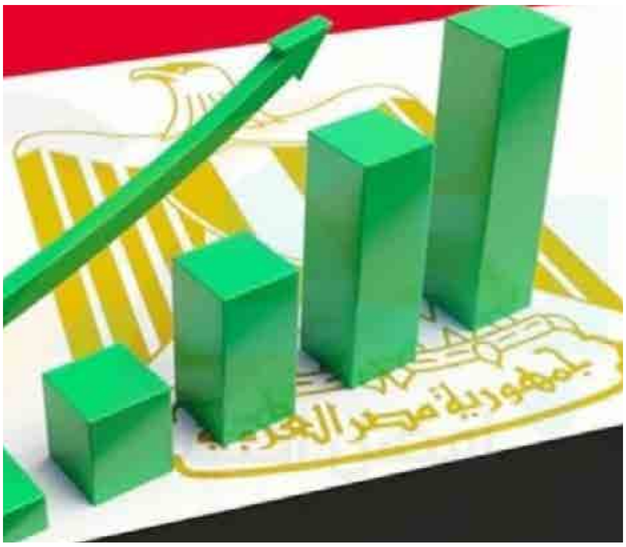
According to the Global Startup Ecosystem Index report published by "StartupBlink" in 2024, Egypt ranks among the top supportive environments for startups, ranking 66th globally and first in the North Africa region. Additionally, Egypt boasts two cities listed among the world's top 1,000 cities: Cairo and Alexandria. Cairo has joined the list of the top 100 cities globally, with a significant leap of 27 spots compared to the 2023 report, and remains the second-ranked city in Africa. Furthermore, Cairo ranks first in Africa in the fields of food technology, transportation, software and data, and marketing and sales.

2 - Egypt's ranking in the Global Innovation Index 2024

The World Intellectual Property Organization (WIPO), compared to 89th in 2022. The GII index ranks world economies according to their innovation capabilities, consisting of roughly 80 indicators grouped into innovation inputs and outputs. Accordingly, the GII aims to capture the multi-dimensional facets of innovation.

Egypt made notable progress in global innovation, ranking 86th out of 133 economies in the Global Innovation Index (GII) 2024, issued by

This improvement reflects the country's continuous efforts to enhance its innovation landscape and foster a supportive environment for startups and entrepreneurship, aligning with its broader development goals.



Emerging Growth Industries in Egypt: Driving Innovation and Sustainability

Egypt is rapidly embracing transformative opportunities in key growth sectors, positioning itself as a leader in innovation and sustainable development. By capitalizing on its unique resources, strategic location, and progressive policies, Egypt is fostering industries aligned with global trends and its Vision 2030 goals. These sectors are shaping the country's economic future while addressing global challenges, emphasizing renewable energy, digital transformation, and financial technology.

1 - Egypt's Strategic Push for Renewable Energy and Green Hydrogen Leadership by 2040

Egypt is demonstrating a strong commitment to transitioning to sustainable energy sources by leveraging its abundant renewable resources, particularly solar and wind resources. At the BRICS Energy Ministers Conference, Minister of Electricity and Renewable Energy Mahmoud Esmat outlined ambitious targets, including renewable energy comprising over 42% of Egypt's energy mix by 2040. Egypt also aims to capture 5-8% of the global trade for green hydrogen by the same year.

The National Low-Carbon Hydrogen Strategy and the establishment of the National Green Hydrogen Council further underscore Egypt's commitment to this emerging sector. Key partnerships with BRICS countries, including collaborations with Russia on the El Dabaa nuclear power plant and with China and India on green hydrogen initiatives, emphasize the country's focus on sustainable energy solutions. Additionally, the agreements signed during the European Investment Conference, among those are green hydrogen projects, as well as those related to electric vehicles, infrastructure, sustainable transportation projects, communications and information technology, and other important and leading fields and sectors outlined in the Egypt 2030 Vision document. These projects also align with the European Union's goals to support the green economy in the coming phase.

2 - Egypt's ICT Sector: A Catalyst for Sustainable Development and Digital Transformation:

Egypt's Information and Communication Technology (ICT) sector, developed under the Ministry of Communications and Information Technology (MCIT) since 1999, plays a pivotal role in advancing the nation's sustainable development goals. Guided by the ICT 2030 strategy, a key component of Egypt's Vision 2030, the country is transforming into a digital society through the "Digital Egypt Initiative." This initiative focuses on three main pillars: digital transformation, digital skills and jobs, and digital innovation, all supported by robust digital infrastructure and a progressive legislative framework.

Despite challenges from regional and global economic developments, the ICT sector has remained Egypt's fastest-growing industry for the sixth consecutive year (from 2018/19 to 2023/24). In the fiscal year 2023/2024, the sector achieved a remarkable growth rate of 14.4%, contributing 5.8% to GDP, up from 5% in fiscal year 2022/2023. ICT sector's revenues soared to EGP 315 billion during the fiscal year 2023/2024, marking a growth of 75%. Projections indicate the sector's contribution will reach 8% of GDP by 2030.

The ICT sector is also a key driver of change in employment, particularly in building capacities and preparing youth for future jobs. Currently, the Ministry of Communications and Information Technology highlights the increase in the number of trainees from 4,000 in the fiscal year 2018/2019 to 400,000 in the fiscal year 2023/2024, with a target of reaching 500,000 trainees in the fiscal year 2024/2025 and one million trainees by the fiscal year 2029/2030. Additionally, the growth of digital exports, which reached USD 6.2 billion in 2023 (up 26% from USD 4.9 billion in 2022), underscores Egypt's rising prominence as a global ICT hub. The government plans to increase digital exports further to USD 9 billion by 2026.

Egypt's progress in digital legislation, including the Personal Data Protection Law and Anti-Cyber and Information Technology Crimes Law, reflects its commitment to aligning with international standards such as the EU's General Data Protection Regulation (GDPR). These initiatives foster a secure, inclusive, and competitive digital ecosystem, driving economic growth, enhancing governance, and solidifying Egypt's regional and global standing in the ICT sector.

3 - Expanding Horizons in the Fintech Sector

The fintech sector is central to Egypt's efforts to modernize its banking and financial sectors, aligning with the country's National Vision 2030 to promote a less-cash economy. With the rapid emergence of innovative fintech startups and a supportive regulatory environment, Egypt is positioning itself as a key player in the digital financial space. Government initiatives, along with support from venture capital firms, payment service providers, and other stakeholders, have created a thriving ecosystem that fosters financial inclusion and economic diversification. As part of its Sustainable Development Strategy, Egypt is leveraging fintech to enhance access to financial services, promote digital literacy, and attract investment, making the sector a vital component of the country's long-term growth and development goals.

Egypt has witnessed unprecedented growth in the fintech sector in recent years. Investments in fintech and its supporting industries have experienced a tremendous leap, reaching over USD 796.5 million in 2022, compared to approximately USD 1 million in 2017. Additionally, the number of fintech startups has grown from two in 2014 to 177 by the end of 2022, operating in more than 14 innovative fintech sub-sectors, including lending and alternative financing, payment and remittance companies, business marketplaces, and others.

In the context of the "Arab Digital Economy Vision" project, the Arab Federation for the Digital Economy has been publishing the Arab Digital Economy Index biennially since 2018. The index was first announced in Abu Dhabi in December 2018, with the support and sponsorship of the United Arab Emirates, and was adopted during the Arab Leaders' Summit held in Algeria in 2022. This index serves as a strategic tool to support national policymakers in promoting the digital economy. In 2024, Egypt ranked eighth, advancing two positions compared to 2022, thereby surpassing both Morocco and Tunisia.

Egypt's fintech sector has experienced rapid development, driven by a convergence of several factors that have created a conducive environment for the growth of fintech companies, attracted investments, and established Egypt as a promising market for fintech services. Among these factors is the increasing demand for fintech services; the average age of the population in Egypt is approximately 24.2 years. Data from fintech users, as per Egypt's FinTech Landscape Report 2023, issued by the Central Bank of Egypt, indicates that more than 60% of fintech service users are aged between 20 and 40 years, with the age group of 31 to 40 years being dominant at 36%. This growing demand for fintech services reflects the readiness of the Egyptian market to accommodate more startups. The number of internet banking users has reached 14.4 million, while mobile banking users are 13.2 million. Furthermore, 88% of customers have used at least one payment method.

The number of fintech startup customers in Egypt reached nearly 100 million individuals and business in 2022, with 54.7 million active users accounting for 55%. The rising demand for fintech services in Egypt is driven by the increasing penetration of mobile phones and internet usage across the country, creating an ideal environment for digital finance solutions. Egypt's mobile penetration rate stands at approximately 94.16% of the population (October-December 2022), while internet usage has reached 72.2% (2021/2022).

Fintech services have contributed to developing Egypt's banking and financial system, supporting and enhancing financial inclusion. The government remains committed to promoting financial inclusion as a means to achieve social justice and economic growth. By the end of 2023, 70.7% of those aged 16 years and above were financially included, making a remarkable 174% growth rate between 2016 and 2023. This growth is due to the participation of banks in numerous initiatives and projects targeting the inclusion of various customer segments in the banking sector. Financial inclusion among women rose to 62.7%, with 20.3 million women financially included out of a total of 32.3 million in 2023. Meanwhile, financial inclusion among youth aged 16 to 35 years reached 51.5%, with 18.8 million young people financially included out of 36.6 million in 2023.

Egypt also topped Forbes Middle East's 2023 list of the strongest 30 fintech companies in the region, with a total of 8 Egyptian startups. These companies were recognized as the most funded in the fintech sector in Egypt. Following Egypt, Saudi Arabia ranked second with 6 companies, while Kuwait and the UAE each had 5 companies on the list. The companies include Fawry, MNT-Halan, AMAN Holding, Paymob, valu, Money Fellows, PaySky and Thndr.

Egypt's Nexus of Water, Food and Energy (NWFE) Platform: Pioneering Climate Action and Green Investment for Sustainable Development

In 2022, Egypt launched the NWFE platform as part of its national climate change strategy, positioning Egypt as a regional model for accessible financing solutions to support mitigation, adaptation, and resilience efforts. With a long-term vision extending to 2050, Egypt's climate strategy emphasizes sustainable development through green initiatives in three key interconnected sectors: energy, food, and water. By focusing on a just transition to a green economy, NWFE offers an integrated approach to mitigating climate impacts while advancing sustainable development goals.

NWFE's unique funding mechanism bridges energy, water, and food security through environmentally friendly projects. It collaborates with international partners, development organizations, and the private sector to attract investments, mobilize financial resources, and foster technical innovation. This approach not only supports Egypt's climate goals but also provides a replicable framework for other developing countries and emerging economies, particularly in Africa, to achieve sustainable, low-carbon development paths.

Since its inception, the NWFE Program has mobilized over USD 4.5 billion in concessional financing, adding 4.7 gigawatts of renewable energy capacity. This program is projected to reduce annual carbon dioxide emissions by 17 million tons annually and save USD 1.2 billion in fuel costs each year by replacing thermal power plants with clean energy sources.

A key milestone under the NWFE program is Egypt's plan to establish 10 gigawatts of renewable energy capacity by 2028, a commitment highlighted by the inauguration of the Abydos 1 Solar Power Plant in Aswan. Projects like Abydos and the Amounet Wind Farm in Ras Ghareb exemplify Egypt's commitment to transitioning to a low-carbon economy and fostering international collaboration.

The NWFE platform has earned international recognition, with 12 multilateral development banks issuing a joint statement at COP29 to commend its success in driving climate action and promoting sustainable development. By linking green investment with climate goals, NWFE cements Egypt's leadership in creating impactful, scalable solutions for a sustainable future.

Entrepreneurship Empowerment: Ministerial Group for Entrepreneurship's Role in Egypt's Economic Growth

The Ministerial Group for Entrepreneurship, chaired by Dr. Rania El-Mashat, Egypt's Minister of Planning, Economic Development and International Cooperation, has announced the organizational framework of the group and its affiliated working groups. After thorough discussions and consultations with various ministries and stakeholders, the framework aims to meet the market requirements and enhance Egypt's position as a regional leader in innovation and entrepreneurship. The group includes representatives from various sectors, including investment, communications, and finance, to align the efforts toward fostering entrepreneurship.

The Ministerial Group for Entrepreneurship oversees four working groups, each focused on a distinct objective. The first group focuses on drafting policies and legislative frameworks. It studies assignments, provides advice, and submits recommendations and proposals to ensure government policies and create legislative frameworks align with the requirements for supporting the growth of startups and enhancing entrepreneurship. The second group is responsible for coordinating initiatives and projects related to startups, to enhance the entrepreneurial ecosystem by aligning government efforts and optimizing available resources. The third group focuses on supporting access to global markets while retaining local talent, enabling startups to expand internationally and reach global markets. The fourth group focuses on linking startups with pressing developmental challenges to enhance their contribution to promising sectors of the Egyptian economy. It also provides incentives and programs to encourage startups to enter tourism, agriculture, and industry sectors.

Section Two:

Formulating Supportive Economic Policies for Macroeconomic Stability

Main Macroeconomic Indicators at a Glance

3.5%
Real GDP Growth

The first quarter of 2024/2025 compared to 2.7% in the first quarter of the previous fiscal year.

Source: Ministry of Planning, Economic Development and International Cooperation.

23.2%
Core inflation rate

in December 2024, compared to 23.7% in November 2024.

Source: Central Bank of Egypt.

9.7 USD billion
Balance of payments surplus

2023/2024 compared to USD 882.4 million in the previous fiscal year.

Source: Central Bank of Egypt.

The current account deficit is expected to fall to around

4.2% of GDP
2024/2025

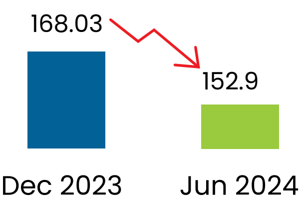
Source: Egypt Country Risk Report Q4 2024.

50.5 EGP/USD
Exchange rate

in December 2024, compared to 30.84 in early 2024.

Source: Central Bank of Egypt.

External debt
(USD Billion)



Source: Central Bank of Egypt.

170 EGP billion

Primary surplus

July-November FY 2024/2025
compared to EGP 60.8 billion during the same period of the previous fiscal year.

Source: Financial Monthly Report of December 2024- The Ministry of Finance.

46.1 USD billion

Foreign Direct Investment FY 2023/2024

compared to 10 USD billion during the previous fiscal year.

Source: Central Bank of Egypt.

-3.28% of GDP

total fiscal deficit

July-November FY 2024/2025
compared to -4.66% during the same period of the previous fiscal year.

Source: Financial Monthly Report of December 2024- The Ministry of Finance.

828.1 EGP billion

Total public revenues

July-November FY 2024/2025
compared to EGP 608.96 billion during the same period of the previous fiscal year.

Source: Financial Monthly Report of December 2024- The Ministry of Finance.

14.5 USD billion

portfolio investments net inflow

FY 2023/2024
compared to USD 3.8 billion net outflow during the previous fiscal year.

Source: Central Bank of Egypt.

7.0%

Unemployment rate

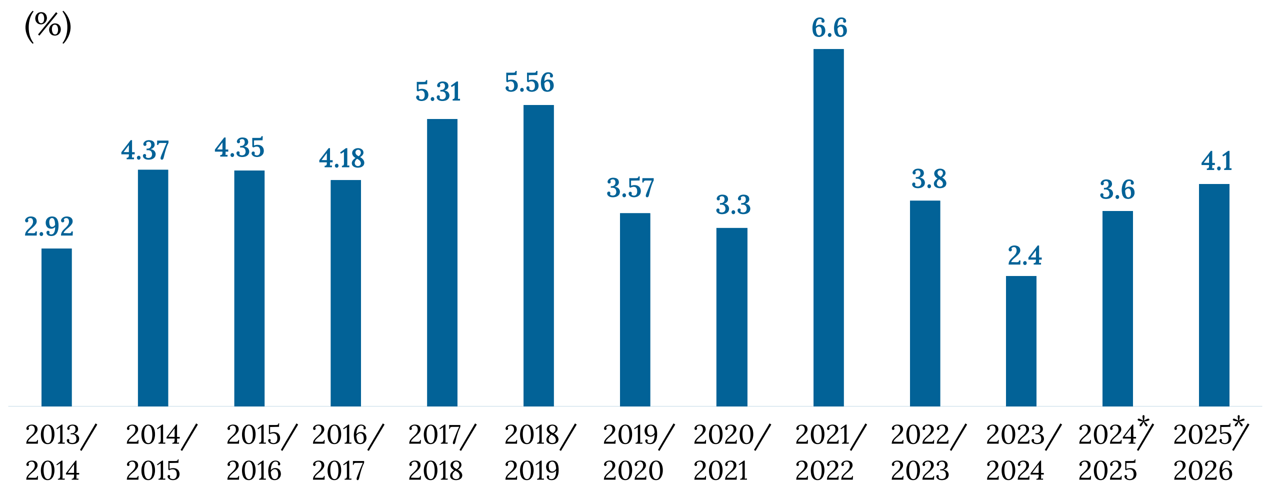
in **2023**
compared to 7.2% in 2022 and 13.2% in 2013.

Source: Central Agency for Public Mobilization and Statistics (CAPMAS).

Navigating Recovery: Egypt's Economic Indicators

1 - GDP Growth at Constant Prices

Real GDP growth rate at constant prices during the period (2013/2014 - 2025/ 2026*)



Source: Ministry of Planning, Economic Development & International Cooperation
*: IMF predictions

The real GDP growth rate declined to 2.4% during FY 2023/2024, compared to 3.8% in FY 2022/2023, due to external shocks and geopolitical tensions in Gaza and Red Sea disruptions.

The IMF anticipates the recovery is expected to begin as real GDP growth rate is expected to rise to 3.6 % in FY 2024/2025 and will continue to accelerate to 4.1 % in FY 2025/2026.

3.6%

Real GDP Growth

FY 2024/2025

Source: World Economic Outlook Update -IMF- January 2025.

Furthermore, Fitch Solutions expects Egypt's GDP Growth at Current Prices to reach approximately EGP 16.94 trillion by 2025, driven by the following factors:

- **Private consumption growth** is expected to significantly contribute to GDP growth, supported by increased remittances from abroad. Forecasts indicate that private consumption levels will rise from EGP 12.3 trillion in 2024 to approximately EGP 15 trillion by 2025.
- **Investment activities are expected to recover** in the second half of FY 2024/2025, contributing to economic growth. Fixed investments are projected to rise from EGP 1.7 trillion in 2024 to approximately EGP 2 trillion by 2025.
- **The industrial and export sectors** are expected to benefit from the availability of foreign exchange and the competitive advantages arising from the devaluation of the local currency, exports are expected to grow by 2.8% in FY 2024/2025.

352.1
USD Billion

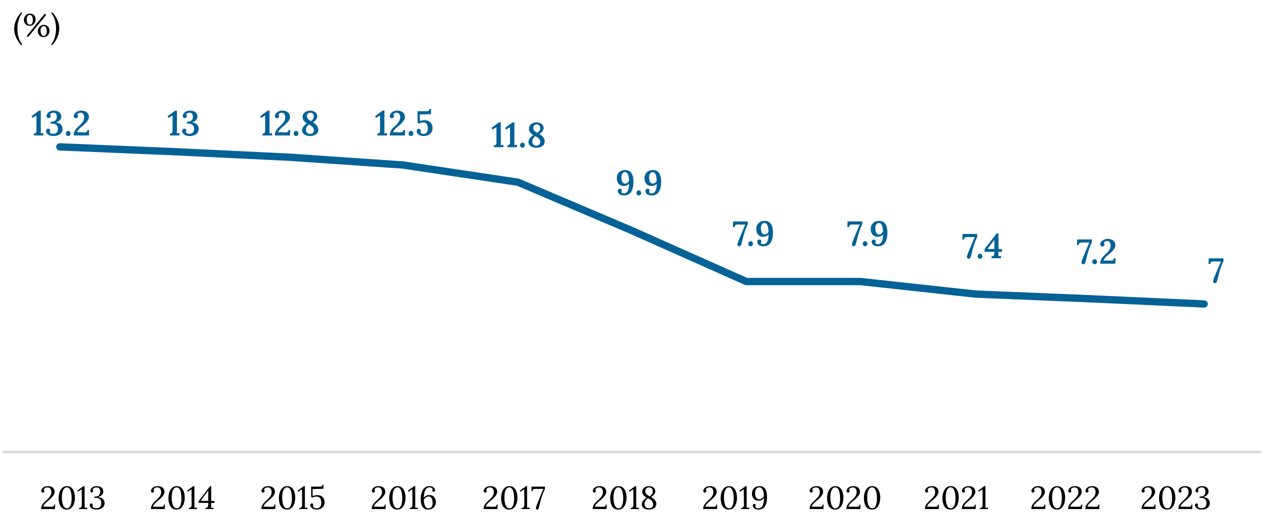
GDP at current prices

In 2024/2025 compared to USD 293.8 billion in 2023/2024.

Source: Goldman Sachs, October 2024


2 - Steady Drop-in Unemployment Rate:

Unemployment rate during the period (2013- 2023)



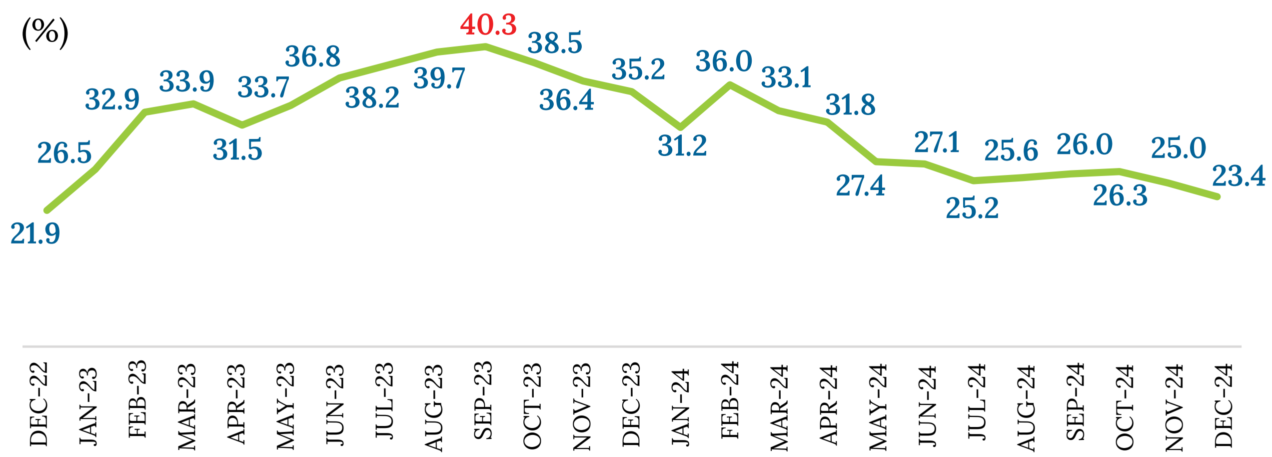
Source: Central Agency for Public Mobilization and Statistics (CAPMAS).

Since 2014, Egypt has undertaken significant reforms to strengthen the private sector, streamline laws and procedures to attract investments and enhance the overall business environment. These efforts have led to a notable decline in unemployment rates, dropping from 13.2% in 2013 to 7.2% in 2022, with recent data indicating a further reduction to 7.0% in 2023. Alongside these achievements, Egypt has been actively managing population growth and creating new opportunities, signaling a strong potential for continued economic expansion. These reforms were implemented despite regional challenges and a population increase of 25 million during the same period. Current economic initiatives, such as the State Ownership Policy document, emphasize expanding the role of the private sector and generating more employment opportunities.

The Egyptian government has taken several measures, most notably focusing on supporting medium, small, and micro enterprises as key economic growth and employment drivers. This support includes facilitating access to necessary financing for these projects. The Central Bank of Egypt (CBE) has issued directives to banks to increase the proportion of funding allocated to small and medium enterprises to 25% of their credit portfolios. Additionally, the government has implemented other policies, such as postponing loan repayments for business owners to assist the sectors most affected by economic challenges.

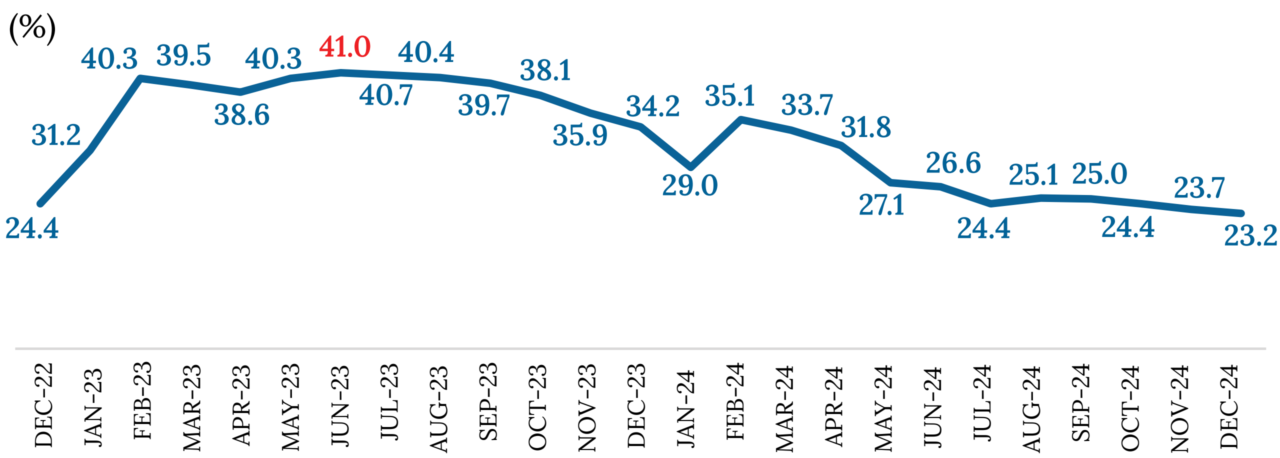
3 - Downward Trend in Inflation

Headline Inflation during the period (December 2022 - December 2024)



Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

Core Inflation during the period (December 2022 - December 2024)



Source: Central Bank of Egypt (CBE)

***Core inflation is published by the Central Bank of Egypt. It is a variant of the headline CPI that aims at excluding the impact of temporary price shocks on inflation.**

The Egyptian economy has faced significant challenges in light of the Russian-Ukrainian crisis and rising global inflation waves, followed by contractionary monetary policies in the United States, Europe, and several other countries, which have primarily impacted the Egyptian economy. The country has encountered three main monetary challenges: a shortage of foreign currency, a decline in the value of the local currency, and a high inflation rate. Additionally, the economy has been affected by a substantial outflow of hot money, which continued during the first nine months of the fiscal year 2022/2023.

The government's decision to float its currency may have been a macroeconomic necessity, as it has experienced significant fluctuations in its rates, reaching a peak in June 2023 at around 41%. In addition, a rapid rise in consumer price inflation negatively affected household consumption and business growth, prompting the CBE to tighten its monetary policy.

Starting in March 2024, the Central Bank of Egypt (CBE) implemented corrective measures to restore macroeconomic stability. These measures helped contain inflationary pressures and reduce headline inflation. Among the most notable actions the CBE took were adopting a contractionary monetary policy and unifying the foreign exchange market, which contributed to solidifying inflation expectations and attracting more foreign currency inflows.

Forecasts indicate that inflation is expected to decline significantly starting in the first quarter of 2025 as the cumulative effects of monetary tightening decisions take hold and the positive impact of the base period is realized. By the second half of 2026, inflation is projected to approach single-digit figures.

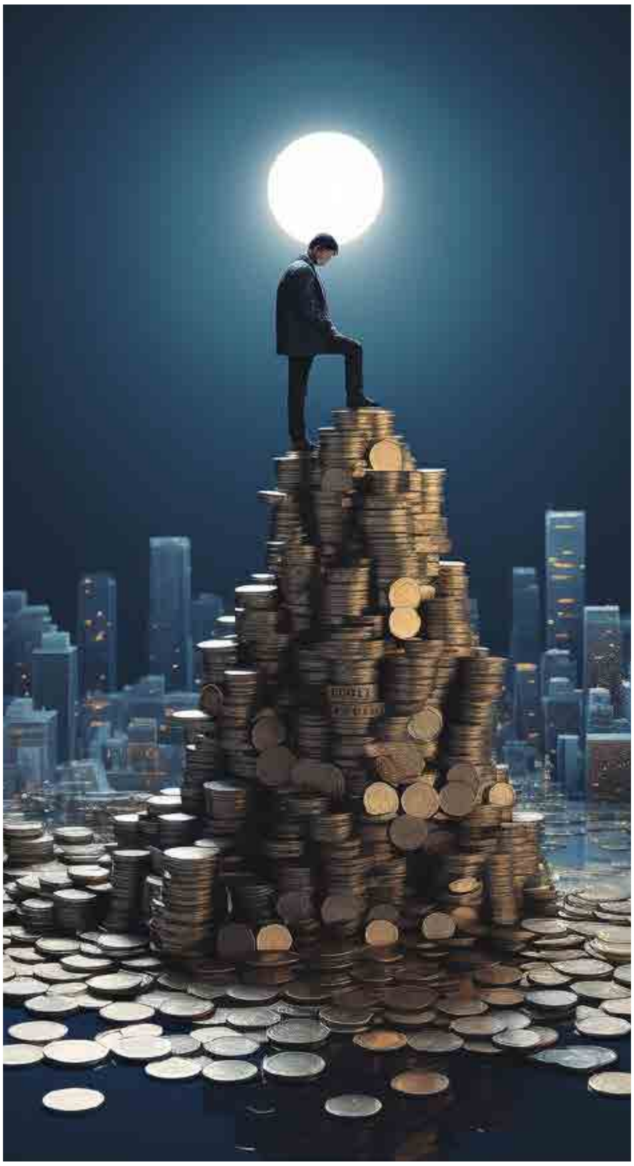
As a result, several efforts have been exerted to limit and curb high inflation rates that affect people's living standards. Recent trends indicate a relative decline in inflationary pressures. According to data from the Central Agency for Public Mobilization and Statistics (CAPMAS), the annual nationwide headline inflation slowed down to 23.4% in December 2024, down from 25.0% in November 2024.

Despite some price increases in essential commodities like fruits, bread, and cooking oil, the overall trend indicates a gradual economic recovery.

The core inflation rate, excluding volatile items, also declined, reaching 23.2% in December 2024.

During its meeting in December 2024, the Central Bank of Egypt's Monetary Policy Committee (MPC) decided to maintain the CBE's overnight deposit rate, overnight lending rate, and the main operation rate at 27.25%, 28.25%, and 27.75% respectively. The discount rate was also left unchanged at 27.75%. Additionally, the MPC extended the inflation target horizons to Q4 2026 and Q4 2028, setting targets of 7% (± 2 percentage points) and 5% (± 2 percentage points) on average, respectively. This adjustment aligns with the CBE's gradual progress toward adopting a fully-fledged inflation-targeting framework.

These measures are supported by positive forecasts from international organizations, suggesting a more optimistic economic outlook for the country.



consumer price inflation

17.7%

in 2025

Source: UN, World Economic Situation and Prospects 2025 – January 2025.

consumer price inflation

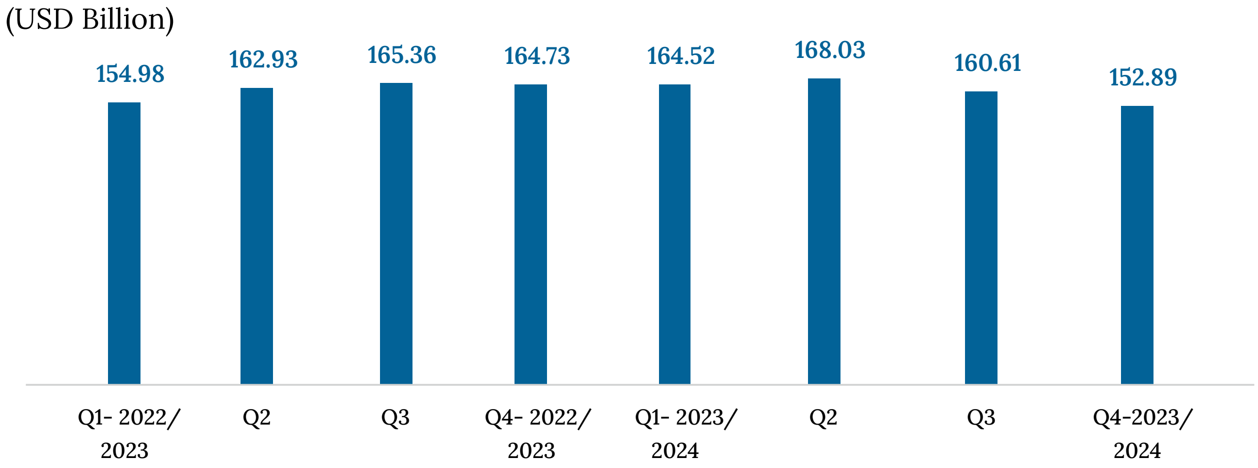
below 20%

in 2025

Source: Egypt Country Risk Report | Q4 2024.

4 - External Debt

External debt during the period (Q1 2022/ 2023 - Q4 2023/ 2024)



Source: Central Bank of Egypt (CBE).

The global increase in interest rates has led to a rise in the cost of external borrowing, prompting the Egyptian government to reduce reliance on international financing. Consequently, this move has increased pressure on the domestic market to provide the necessary funding to cover the budget deficit, resulting in higher yields on Egyptian treasury bills and bonds, making them attractive to local and foreign investors.

External debt registered USD 152.9 billion at the end of June 2024, a significant reduction from USD 168 billion recorded in December 2023. Such a decline highlights the effectiveness of the government's strategic debt management efforts throughout the fiscal year. It resulted from converting UAE deposits at the CBE (about USD 11.0 billion) into investments for developing the Ras El Hekma project and the depreciation of the exchange rate of most borrowing currencies like US dollar.

Egypt continued diversifying the type of debt instruments used in its portfolio. It became the first country in the Middle East and North Africa region to issue a three-year Panda bond worth 3.5 billion yuan. Panda bonds are issued in the Chinese bond market by nonresidents of the economy and are denominated in Chinese renminbi. Egypt was the first country in the region to issue a green bond in 2020 and to issue it in Asia's capital markets. It accessed the Japanese bond market for a Samurai bond in 2022 worth 60 billion Japanese yen.

International Debt Report, 2024 – World Bank Group

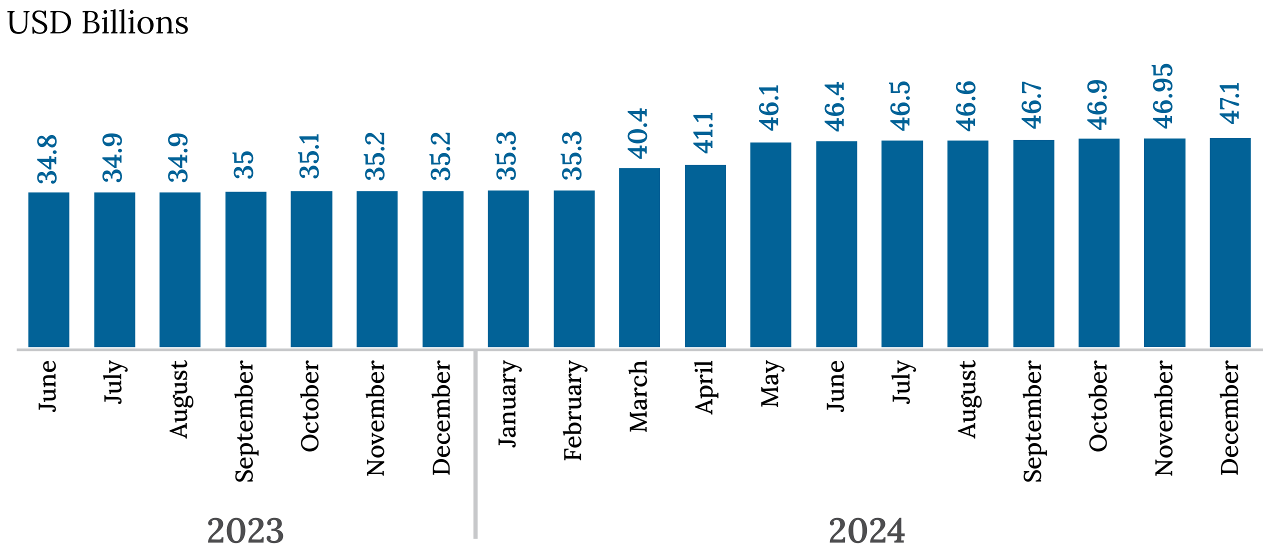
Dr. Mostafa Madbouly announced that Egypt has successfully repaid around USD 39 billion of its outstanding debts in 2024.

He reaffirmed Egypt's commitment to fulfilling its fiscal obligations, emphasizing the government's strategic focus on maintaining fiscal discipline and stability.

Prime Minister Mostafa Madbouly, press conference with investors and businessmen, December 25, 2024

5 - Net International Reserves (NIR)

Net International Reserves of Egypt during the period (June 2023-December 2024)



Source: Central Bank of Egypt

Egypt had a significant increase in its Net International Reserves over the last few years, reflecting positive economic trends and effective financial management. The Net International Reserves recorded USD 47.1 bn at the end of December 2024, marking a steady increase from USD 46.95 bn at the end of November 2021. Egypt's reserves have shown resilience despite external economic pressures, with significant increases noted since June 2023. The rise indicates the improvement of economic stability & investor confidence in Egypt's financial system, contributing to a more favorable environment for foreign investment.

USD 58 Billion By 2027

Central Bank of Egypt gross reserves

S&P Global

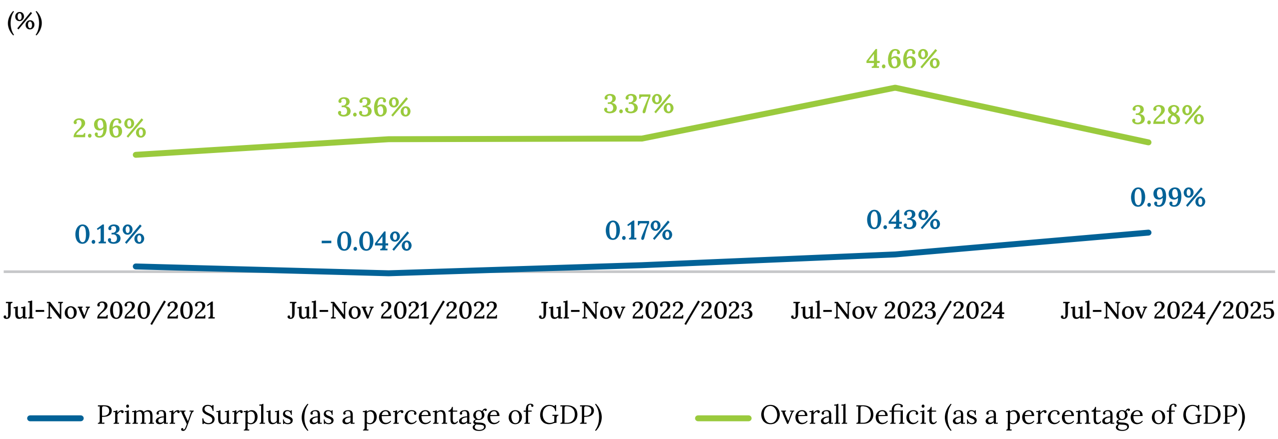
Source: S&P Global – October 2024.

An increase in Egypt's Net International Reserves boosts confidence in the real economy. It contributes to raising confidence in the economy's ability to fulfil obligations towards external debt, which leads to a decrease in lending risks from lenders' perspective, and consequently a decrease in interest rates on external loans. Although resources from hard currency-generating sectors such as exports, tourism, and the Suez Canal were affected by the circumstances in the region, other sources, such as remittances from Egyptians abroad and tourism revenues, contributed to supporting the net reserves. Moreover, this increase is expected to positively impact the confidence of creditors and international financial institutions, encouraging credit rating agencies to assign favorable ratings.

6 - Overall Deficit and Primary Surplus of the Budget

- The budget recorded an overall deficit of EGP 505 billion during the fiscal year 2023/2024, compared to approximately EGP 610 billion in the previous fiscal year. It also achieved a significant primary surplus of EGP 856.8 billion, compared to EGP 164 billion (including the proceeds from the Ras El-Hekma deal).
- For the first quarter of FY 2024/2025, the overall budget deficit decreased by approximately 20%, reaching EGP 361.8 billion compared to EGP 455.9 billion at the same period of the previous fiscal year, while the primary surplus increased by approximately 316.7% reaching EGP 90 billion, compared to EGP 21.6 billion at the same period of the previous fiscal year.

Overall deficit and primary surplus (as a percentage of GDP) during the period Jul-Nov (2021/2022 - 2024/2025)



Source: Ministry of Finance

- During the period of July–November 2024/2025, the overall deficit decreased by approximately EGP 92 billion, reaching around EGP 560.6 billion (3.28% of GDP), compared to about EGP 652.7 billion (4.66% of GDP) in the same period of 2023/2024. Additionally, the primary surplus reached approximately EGP 170 billion (0.99% of GDP) during the period of July–November 2024/2025, compared to around EGP 60.8 billion (0.43% of GDP) in the same period of 2023/2024.

- Egypt's fiscal deficit significantly narrowed in FY2023/2024 due revenues from the Ras El-Hekma deal. In FY2024/2025, Fitch Solutions expect the fiscal deficit will widen to 6.4% of GDP due to the normalization of revenue.

FitchSolutions

Q4,2024

Egypt's fiscal deficit

around

6.4%

of GDP

FY 2024/2025

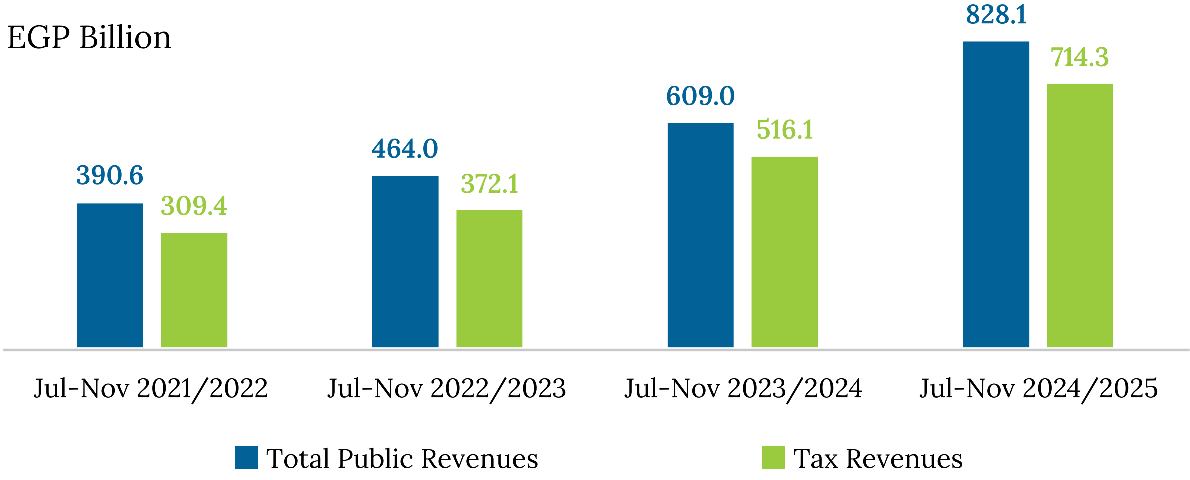
Source: Egypt Country Risk Report | Q4 2024

- Over the medium term, Fitch Solutions expects the deficit to gradually narrow but to remain around 4.5% of GDP. Fitch Solutions assumes that eliminating fuel and electricity subsidies will take longer than the government's plan. The authorities plan to eliminate the fuel subsidy by 2025 and the electricity subsidy by 2026 and shift to a targeted subsidy system by FY2025/2026.

7 - Public Revenue Performance

- Total public revenues increased by approximately 36% during the period Jul-Nov 2023/2024 compared to the same period of 2022/2023, reaching around EGP 828.1 billion, compared to about EGP 609 billion in the same period of 2023/2024. Additionally, the tax revenues reached approximately EGP 714.3 billion increased by 38.4% during the period of July–November 2024/2025, compared to around EGP 516.1 billion in the same period of 2023/2024.

Total Public Revenues and Tax Revenues during the period Jul-Nov (2021/2022 - 2024/2025)

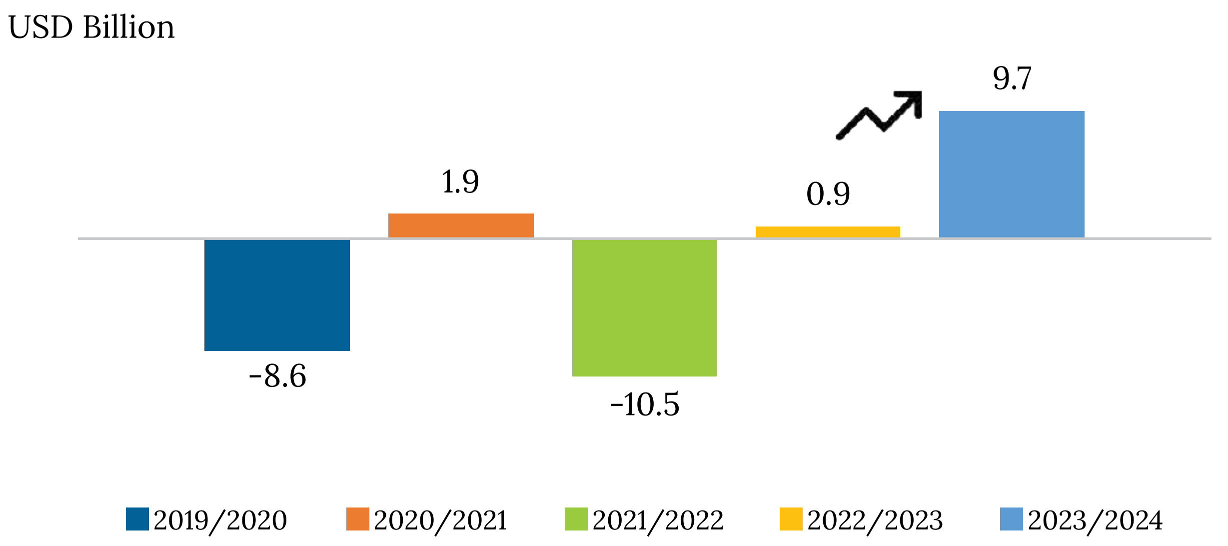


Source: Ministry of Finance

8 - Balance of Payments

Despite the current economic and political challenges on the global front, the transactions of the Egyptian economy with the external world achieved an overall BoP surplus of USD 9.7 billion during FY 2023/2024. The overall surplus was mainly concentrated in the second half of the year (January/June 2024), recording USD 10.1 billion due to the structural reforms of the Egyptian economy implemented on March 6, 2024, which was positively reflected on the capital and financial account to record a net inflow of USD 29.9 billion during the reporting year, on the back of the unprecedented hike in net FDI to reach USD 46.1 billion in FY 2023/2024 (of which, USD 40.5 billion was achieved in H2 of FY 2023/2024).

Overall balance during the period (2019/2020- 2023/ 2024)



Source: Central Bank of Egypt.

Concurrently, portfolio investments recorded a net inflow of approximately USD 14.5 billion in FY 2023/2024, a sharp reversal from a net outflow of USD 3.8 billion in FY 2022/2023. This reversal was attributed to foreign investors' growing confidence in the Egyptian economy, driven by key economic decisions announced on March 6, 2024. These reforms, introduced by the Central Bank of Egypt towards the end of Q3 2024, included the liberalization of the Egyptian pound's exchange rate and a substantial 600 basis point interest rate hike. These measures have enhanced the flexibility of capital flows into and out of the Egyptian economy. These developments indicate a complex interplay between external economic pressures and domestic policy responses aimed at stabilizing Egypt's financial landscape while navigating challenges posed by hot money dynamics and inflationary pressures.

The current account deficit is expected to fall to around

4.2% **of GDP**

2024/2025

Source: Egypt Country Risk Report | Q4 2024

Furthermore, in light of the government's ongoing efforts to implement comprehensive economic reforms and strengthen macroeconomic stability, Fitch Solutions projects that Egypt's current account deficit will decline to approximately 4.2% of GDP in the fiscal year 2024/2025.

Paving the Way for Further Economic Reforms: Egypt's Economic Progress according to International Monetary Fund (IMF)

Egypt's economic reform journey has undergone significant transformations to stabilize the economy and promote sustainable growth. The initial phase of these reforms commenced in November 2016 and continued until April 2021. Following this, the Government initiated the second phase in April 2021, focusing on structural reforms designed to enhance productivity and resilience against external shocks and boost the private sector's economic role.

Over the past two decades, Egypt has collaborated with the International Monetary Fund (IMF) through three significant agreements to tackle economic challenges and implement structural reforms. The key agreements took place in 2016 and 2020 in addition to the current agreement. They reflect a commitment to addressing economic issues through collaborative efforts, as follows:

- **In November 2016, Egypt entered into a three-year Extended Fund Facility (EFF) with the IMF, securing approximately USD 12 billion.** This program aimed to restore macroeconomic stability through measures such as subsidy reforms, tax increases, and a shift to a flexible exchange rate. These reforms were designed to reduce fiscal deficits and stimulate economic growth, concentrating on monetary and fiscal policies to address longstanding economic imbalances.
- **By the end of June 2020, amid the global economic downturn caused by the COVID-19 pandemic, the IMF approved a 12-month Stand-by Arrangement for Egypt worth USD 5.2 billion.** Egypt also issued dollar-denominated bonds valued at USD 5 billion in three tranches of 4 years, 12 years, and 30 years.

- Reviews and Augmentation in 2024

1 - First and Second Reviews

- **In March 2024, the IMF staff and the Egyptian authorities reached a staff-level agreement on a set of comprehensive policies and reforms needed to complete the first and second reviews under the Extended Fund Facility (EFF) arrangement. This agreement included an augmentation of IMF support from USD 3 billion to around USD 8 billion.** It also highlighted the authority's commitment to addressing all the critical reforms supported by the IMF.

Egypt's most prominent efforts reflect its commitment to restoring macroeconomic stability and aligning with IMF guidelines:

- **The Government adopted a flexible exchange rate system.** The announcement of the flotation of the Egyptian pound on 6 March 2024 amid a significant rise in the value of the dollar in the parallel market has contributed to greater acceptance among Egyptians regarding the flotation decision. This was further supported by the Government's adoption of several measures to stabilize the currency's value, including campaigns launched by Egyptian authorities against money traders and speculators. Additionally, the announcement of a series of recent investment deals has bolstered the value of the Egyptian pound in the parallel market, decreasing from approximately EGP 75 per US dollar in January 2024 to around EGP 50 per US dollar.
- **Additional tightening of monetary policy** was implemented by Central Bank of Egypt (CBE) to combat inflation and reverse trends of dollarization. This step involved a significant increase in the policy interest rate by 600 basis points, in addition to the 200 basis points undertaken in February 2024.
- **On March 22, 2024,** Egypt's Fuel Automatic Pricing Committee announced adjustments to fuel prices in order to address the widening gap between production costs and selling prices, which has been exacerbated by various factors, such as the liberalization of the exchange rate and increased transportation and shipping costs for imported petroleum products.

A jumbo rate hike with a 600bp hike to 27.25%, which follows the 200bp hike on 1 February 2024, and was the largest-ever hike the CBE has delivered in a single step. The Monetary Policy Committee (MPC) stated a commitment to transition to a flexible inflation targeting regime and gave an explicit signal on. adjusting the official foreign exchange rate (FX) in a way to close its spread with the parallel market rate.

The CBE sees this as important to facilitate removal of FX backlogs, dampen inflation expectations and eventually put headline inflation on a downward trend.

Morgan Stanley, 7 March 2024

- **The Government decided to cut back public investment by 15%,** with a Prime Minister's decree canceling any new investment projects until the end of June 2024 except for critical sectors such as healthcare to save around EGP 150 to 200 billion.
- Egypt has committed to increasing social spending to protect vulnerable groups, in addition to the expansion of the Takaful and Karama cash transfer program in 2023, they recently announced an additional EGP 180 billion social protection package for FY2024/25.
- The Egyptian authorities are committed to implementing the State Ownership Policy and adopting reforms, which will be the key to encourage private sector growth.

2 - Third Review

- **In July 2024, The IMF Executive Board completed the third review of Egypt's Extended Fund Facility (EFF) arrangement, enabling an immediate disbursement of about USD 820 million.** This review follows the approval of Egypt's 46-month EFF program, which was initially sanctioned in December 2022. Since the first and second reviews in March, Egypt has witnessed notable improvements in macroeconomic conditions. Inflationary pressures have begun to ease, foreign exchange shortages have been resolved, and fiscal targets, including those related to infrastructure spending, have been met. The key priorities for Egypt's reform program, as outlined in the IMF's third review, include:
  - Maintaining a flexible exchange rate regime, sustaining fiscal consolidation efforts to reduce public debt, and ensuring adequate social spending on health, education, and support for vulnerable populations.
  - Structural reforms, such as implementing the State Ownership Policy (SOP), pursuing reforms to streamline business regulations to set up new firms, and enhancing competition in the banking sector, are crucial to fostering private sector-led growth.
  - The allocation of a portion of the financing from the Ras El-Hekma deal to reserve accumulation and debt reduction provides an additional cushion against shocks
  - Policy settings are expected to help maintain macroeconomic stability. A sustained shift to a flexible exchange rate regime and a liberalized foreign exchange system, continued implementation of a tight monetary policy stance, and further fiscal consolidation coupled with proper implementation of the framework to monitor and control public investment should support internal and external balance.
  - Enhancing the governance of state-owned banks, advancing the State-ownership policy, increasing fiscal transparency, and leveling the economic playing field are critical to securing greater private investment.
  - A committee was formed per the Prime Minister's Decree to review the feasibility of government projects and set a cap for public sector investments in June 2024, with an upper limit of EGP 1 trillion for the FY 2024/2025 budget.
  - The IMF emphasized the importance of restoring energy prices to cost-recovery levels by December 2025 and advancing fiscal transparency and governance reforms

3 - Fourth Review

- **In December 2024, IMF staff and the Egyptian authorities reached a staff-level agreement on the fourth review under the Extended Fund Facility (EFF) arrangement. Subject to approval by the Executive Board, Egypt will have access to about USD 1.2 billion.** Despite challenges such as regional tensions and a decline in Suez Canal receipts, Egypt has continued implementing key policies to maintain macroeconomic stability. The key priorities for Egypt's economic reform program, as outlined in the IMF's fourth review, are summarized as follows:
  - The International Monetary Fund (IMF) praised the tax relief package announced by the government in recent months, highlighting its significant importance in terms of introducing more facilitation to the investment climate and its potential to generate additional revenue by broadening the tax base. The package aims to improve the tax system and enhance trust between the Government and investors. It includes issuing guidelines for 4 investors, improving VAT refund processes, allowing late submission of tax returns without penalties, and simplifying tax declarations. It also seeks to promote voluntary compliance and expand the tax base.
  - The IMF emphasized the need for continued fiscal consolidation to reduce debt and large interest costs, particularly by addressing fiscal risks from State-Owned Enterprises (SOEs) in the energy sector. Particular attention will be needed to enforce the strict implementation of the public investment ceiling, which includes capital expenditures associated with public entities that operate outside the general government budget.
  - Further reforms are required to enhance domestic revenue mobilization, focusing on eliminating tax exemptions rather than increasing tax rates. Additionally, efforts to improve the business environment and attract private investment are critical, with a stronger emphasis on the IPO program to reduce the debt burden.
  - The Central Bank of Egypt (CBE) has committed to maintaining a flexible exchange rate, tightening monetary conditions to control inflation, and gradually transitioning to an inflation targeting regime, alongside strengthening financial sector resilience and competition in banking sector.

- It has been deemed critical to ensure the availability of petroleum products and regulate market performance according to pricing mechanisms. Thus, the prices of petroleum products were adjusted during the Fuel Automatic Pricing Committee's meeting in October 2024 to reduce the gap between the selling prices of petroleum products and their high production and import costs. The committee decided to postpone its next meeting for six months. The price adjustments included an increase in the price of 95 octane gasoline to EGP 17 per liter, 92 octane gasoline to EGP 15.25 per liter, 80 octane gasoline to EGP 13.75 per liter, and diesel to EGP 13.50 per liter.

Despite the success of many economic and financial reforms, Egypt still needs to address pressing challenges. Egypt is positioned to continue its reform trajectory with the IMF's support, focusing on enhancing economic resilience and addressing social disparities. The journey from 2021 to 2024 illustrates a commitment to reform that aims not only for economic recovery but also for long-term stability and growth.

On November 21, 2024, the CBE's Monetary Policy Committee maintained the overnight deposit rate at a record high of 27.25%, along with the overnight lending rate at 28.25%, and both the main operation and discount rates at 27.75%. This decision marked the fifth consecutive month of unchanged rates, influenced by slower declines in headline and core inflation due to subsidy withdrawals as part of an IMF deal, faster economic expansion in July-September 2024, and commitments to low inflation for sustained investment and growth.

Fitch, Egypt Autos Report, Q1 2025

Egypt's Banking Sector: A Pillar of Economic Resilience and Stability

The Egyptian financial system has maintained its essential financial intermediation function in recent years despite facing significant global challenges such as persistent inflation, high interest rates, and geopolitical tensions affecting global shipping. This stability can be attributed to the strong fundamentals of the Egyptian economy and its diverse sectors, along with the banking sector's resilience and continued confidence from stakeholders. The commitment to implementing structural reforms under the economic reform program, supported by the International Monetary Fund (IMF), has also played a crucial role. These reforms include upholding a flexible exchange rate regime and enforcing a strict monetary policy to manage inflation and attract foreign investments.

Additionally, the government has pursued fiscal consolidation by improving public spending efficiency, increasing revenues, and reducing public debt. Efforts have also been made to enhance the business environment, enabling the private sector to contribute to sustainable growth.

Moreover, the Egyptian banking sector is marked by its financial resilience, showcasing its capacity to endure global shocks while supporting the domestic economy during various phases of economic reform.

> The Egyptian banking sector is expected to maintain a solid performance, supported by strong capital ratios and profitability from government bond holdings. Pressure on loan quality from an economic slowdown and currency sell-off will remain contained.
>
> **Fitch- Egypt banking report Q1 2025**

This resilience is reflected in the sector's strong financial soundness indicators and effective risk management practices. The Central Bank of Egypt (CBE) has proactively monitored the banking sector's performance, implemented the latest international standards, and ensured adequate financing for all economic activities.

This vigilance has bolstered confidence among stakeholders and attracted stable funding sources, resulting in high domestic liquidity and strong profitability. Additionally, the sector maintains low levels of non-performing loans, which further enhances its resilience and enables it to fulfill its role in financial intermediation, thereby contributing to overall financial stability.

Furthermore, **the Financial Soundness Indicators have highlighted the resilience and robustness of the banking sector** as a key pillar, supporting the State's efforts to achieve economic, financial, and monetary stability. This resilience is reflected in the banking sector's ability to provide finance for various economic sectors, which contributed to an increase in the Gross Domestic Product (GDP), achieving high growth and investment rates and creating job opportunities for all citizens. **As of the end of FY 2023, the assets of the Egyptian banking sector accounted for 116.9% of nominal GDP and 92.3% of the total assets within the financial system, amounting to approximately EGP 14 trillion.** This amount represents a growth rate of 24.2%, although it is a decrease from the 34.2% growth achieved at the end of the previous FY. In addition, the capital adequacy ratio reached 19.1% by the end of Q3 2024, marking an increase of 0.5%, compared to a minimum regulatory requirement of 12.5%.

Regarding the asset quality, the ratio of non-performing loans (NPLs) declined to 2.4% of total loans, with the provisions' coverage ratio for NPLs reaching 87.4%. Moreover, the indicators reflected the maintenance of high and stabilized liquidity rates in both local and foreign currencies, which recorded 32.1% and 77.7%, respectively, compared to the minimum regulatory requirement of 20% and 25%, respectively. As for the loan-to-deposit ratio, it marked 61.3% by the end of Q3 2024.

> Egypt's financial sector has a long history and is well established in the Middle East and North Africa region. It provides a solid base for growth and attracts regional and international investments.
>
> **Fitch solutions- Egypt banking report Q1 2025**

These indicators confirmed the preservation of high profit margins, with a return on equity of 32.2% by the end of FY 2023.

Accordingly, it is worth mentioning that introducing several key regulatory changes resulted in enhancing the stability and resilience of the banking sector. The most prominent efforts taken in 2024 to enhance its robustness are as follows:

- **Implementation of Fixed-Rate Operations:** As of April 23, 2024, the CBE shifted its main operation (7-day) to a fixed-rate operation with full allotment at the mid-corridor rate. This change is designed to enhance liquidity management within the banking sector.

- **Clarification on Banking Services for Non-Resident Foreign Clients:** On August 7, 2024, the CBE issued a circular stating that there are no restrictions on opening bank accounts for non-resident foreign clients. This move aims at enhancing access to banking services for foreign investors, thereby promoting financial inclusion and supporting economic activity.
- **Promoting Financial Inclusion:**
  - In collaboration with the banking sector, the CBE has driven substantial progress in Egypt's financial inclusion rates, marking an 181% increase from December 2016 to June 2024. The number of citizens owning transactional accounts—whether bank accounts, Egypt Post accounts, mobile wallets, or prepaid cards—has reached 48.1 million out of 67.3 million eligible citizens (16 years and above), with a financial inclusion rate reaching 71.5% in June 2024.

Digital banking is growing in Egypt, encouraging banks to invest in new technologies. This move can improve customer experience, increase profits, and expand market share. The rise in mobile money transactions will boost financial inclusion and drive banks to stay competitive and innovative.

Fitch- Egypt banking report Q1 2025

  - On December 24, 2024, the CBE launched a new financial literacy campaign aimed at enhancing public understanding of financial concepts and promoting financial inclusion. This initiative is a collaborative effort involving the European Union (EU), GIZ Egypt (on behalf of the German Government), and the Egyptian Banking Institute (EBI). The campaign is part of the technical assistance project "Strengthening Financial Inclusion and Banking Supervision in Egypt" launched in November 2018.

These developments have been reflected in the Financial Stability Index issued by the Central Bank of Egypt in the Financial Stability Report. The index increased to a record 0.44 in March 2024, compared to 0.34 in March 2023. This progress was a result of the significant improvement in the performance of the banking sector and financial markets sub-indices and the relative improvement in the domestic macroeconomic and global economic climate sub-indices.

In light of the evolving economic landscape and the increasing complexity of operational risks, the Central Bank of Egypt (CBE) has prioritized robust risk management strategies to bolster the banking sector's resilience. These initiatives are critical for safeguarding financial stability and ensuring banks can effectively navigate potential challenges.

Despite the increasing significance of operational risks within the banking sector in recent years, these risks accounted for only 4.2% of total assets and risk-weighted contingent liabilities as of March 2024. The CBE has proactively enhanced cybersecurity and financial stability by implementing an integrated strategic vision to effectively address potential cyberattacks. This step includes establishing electronic connectivity with the three largest government-owned banks in 2021 and the three largest commercial banks in 2024.

In addition, three specialized technical laboratories were established in 2022 to monitor unaddressed security vulnerabilities and necessary security updates for programs and systems utilized in the banking sector.

The CBE consistently monitors the dark web to detect potential security threats, promptly alerting banks to any risks. A dedicated security platform has been introduced, featuring indicators of compromise (IOCs) related to identified cyberattacks, thereby enhancing proactive measures against threats targeting the financial and banking sectors.

Furthermore, the CBE launched the 'Mastering Cybersecurity in the Banking Sector' initiative to train and graduate cybersecurity professionals. The introduction of the first edition of the EG-Financial Cybersecurity Framework has established a comprehensive benchmark for assessing the readiness of cybersecurity methods and technologies across all supervised institutions, thereby contributing to enhance cybersecurity in the financial sector overall.

Updates have also been made to the unified system for reviewing requests from banks and financial institutions, aligning with recent advancements in cybersecurity technology. Within its efforts to enhance financial technology and innovation within the Egyptian market, the CBE completed the third cohort of regulatory sandbox FinTech applications, where five companies were preliminarily accepted into the next stage.

The ‘FinTekrs’ initiative was finalized in August 2023 in Mansoura Governorate and surrounding areas. Additionally, as part of the ‘FinYology’ initiative, a new course titled ‘Fundamentals of FinTech’ will be introduced into educational curricula at three universities starting in the academic year 2024/2025. The ‘Arab FinTech Challenge-AFTC’ competition was also launched under the ‘FinYology’ initiative to encourage innovative FinTech projects among university students’ graduation projects across Egypt and other Arab nations. Lastly, Egypt inaugurated its first digital academy to equip professionals in the banking and financial sectors with essential skills in FinTech and related areas. An event called ‘Women for Women in FinTech’ was launched in February 2024 to promote awareness about technological solutions for partnerships between female entrepreneurs and participating banks.

In conclusion, Egypt’s banking sector remains critical for sustaining financial stability and driving economic progress despite global challenges. Its strong fundamentals, proactive regulatory measures, and focus on financial inclusion ensure its continued contribution to national development.

Economic Progress and Its Positive Impact on Egypt's Credit Ratings

Egypt's economy has faced significant challenges over the past few years, particularly the high inflation rate. In June 2023, the core inflation rate peaked at 41.00%, primarily driven by successive external shocks, supply shortages, and escalating production costs.

Egypt's external debt reached a record high of USD 168 billion by the end of December 2023, intensifying pressure on foreign currency reserves. Then, the situation deteriorated significantly, with net international reserves dropping to USD 35.22 billion by December 2023. This decline was attributed to high inflation rates and external pressures impacting trade and investment flows.

The official data highlighted the urgent necessity for significant economic reforms to avert further financial instability, the key measures of the implemented reform program included:

- **In March 2024**, Egypt floated the exchange rate of the Egyptian pound to address the significant gap between the official and parallel market exchange rates. Prior to the flotation, the US dollar was valued at EGP 30.82 in the official market, while it soared to higher rates in the parallel market, leading to a shortage of dollars in the official market. The flotation of the Egyptian pound contributed to unifying the exchange rate, with the dollar rising to EGP 49 in the official market after March 7, 2024, thus closing the gap between the official and parallel market exchange rates.
- **Over recent years**, the Central Bank of Egypt (CBE) has implemented a cumulative increase in interest rates of 1,900 basis points since it began its monetary tightening policy in 2022. This cumulative increase in interest rates included an 800 basis points hike in 2022, 300 basis points in 2023, and a further 800 basis points in 2024. In its latest meeting on February 20, 2025, the Monetary Policy Committee (MPC) decided to hold interest rates steady, maintaining the overnight deposit rate at 27.25%, the overnight lending rate at 28.25%, and the main operation rate at 27.75%.
- **Setting New Inflation Targets**: In December 26, 2024, the Monetary Policy Committee decided to extend the timeline for the targeted inflation rates. The inflation target is set at 7% (± 2 percentage points) by the fourth quarter of 2026 and 5% (± 2 percentage points) by the fourth quarter of 2028, as part of progress toward adopting an integrated framework for inflation targeting.

- **Egypt undertook steps to deregulate gasoline prices as part of its economic reform measures**. In a statement issued on **March 22, 2024**, the Ministry of Petroleum and Mineral Resources announced that the Fuel Automatic Pricing Committee had decided to adjust the selling prices of petroleum products, including gasoline, with the new prices coming into effect on that date. Later in the year, on **October 18, 2024**, the committee announced an additional increase in gasoline prices, reaffirming the continued implementation of subsidy removal policies and linking fuel prices to global market changes and the exchange rate of the Egyptian pound against foreign currencies.

The rebound in 2024 indicates a potential recovery trajectory supported by the aforementioned reform policies, which aimed at restoring macroeconomic stability.

- Inflation began to decline gradually, reaching **23.95% in January 2024.**
- Net international reserves experienced substantial growth throughout 2024, rising from USD 35.219 billion in December 2023 to USD 47.265 billion by January 2025, marking an increase of approximately USD 12 billion.
- The balance of payments recorded a significant surplus of approximately USD 9.7 billion in FY 2023/2024, compared to just USD 882.4 million in FY 2022/2023.
- Egypt's external debt declined to USD 152.9 billion by the end of June 2024, down from USD 168.034 billion at the end of December 2023.
- Foreign direct investment (FDI) reached a historic net inflow of approximately USD 46.1 billion in FY 2023/2024, a sharp increase from USD 10 billion in FY 2022/2023.

Based on the Egyptian Government's determined efforts and comprehensive reform policies, credit rating agencies have positively adjusted their outlooks and ratings for Egypt, signaling increased confidence in the country's economic trajectory.

1 - Moody's Ratings:

Moody's maintained a positive outlook for Egypt's credit rating on 19 February 2025, this outlook reflects Egypt's progress in fiscal and external rebalancing, particularly following the currency floatation, which has strengthened foreign exchange reserves and reduced borrowing costs. Enhanced monetary policy credibility and adherence to a flexible exchange rate regime have improved investor confidence and facilitated steady foreign currency inflows. The government is also working towards achieving a 3.5% primary surplus of GDP through fiscal and tax reforms, including subsidy reductions and revenue expansion, while maintaining social safety programs for vulnerable populations.

2 - S&P Global Ratings:

On October 18, 2024, S&P Global Rating revised Egypt's economic reforms have included liberalizing its exchange rate regime, significant increase in foreign direct investment, and tight monetary policies. The economic outlook remains positive, supported by robust donor programs and potential improvements in fiscal and external positions. However, challenges such as maintaining budget surpluses and managing geopolitical risks in key sectors like tourism and the Suez Canal remain.

Egypt's commitment to economic reforms has been strengthened by international support, including substantial funding from the IMF and the EU. This support aims to stabilize the economy and fuel growth through increased flexibility in exchange rate and fiscal consolidation efforts. The ongoing reforms are expected to drive GDP growth and help Egypt manage its high debt service costs effectively, despite the potential vulnerabilities to regional geopolitical tensions and global economic conditions.

3 - Fitch Ratings:

In November 2024, Fitch Ratings upgraded Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) to **'B' from 'B-'** with a stable outlook. This upgrade reflects substantial improvements in Egypt's external finances, supported by the Government's efforts to curb off-budget spending, widen the tax base, and enhance fiscal management, which is expected to reduce public debt ratios over the medium term.

After the improvement in Egypt's sovereign credit rating, Fitch raised the ratings of four major Egyptian banks—National Bank of Egypt (NBE), Banque Misr (BM), Commercial International Bank (CIB), and Banque Du Caire (BDC)—to 'B'/Stable from 'B-'/Positive. According to Fitch, the creditworthiness of these banks is closely linked to the financial stability of the Egyptian government, with their financial ties to governmental activities accounting for 53% of their assets. Enhancements in foreign currency liquidity and a net surplus of foreign assets have been bolstered by robust capital inflows and international financing. The operating environment of the banking sector has been upgraded, supported by expectations of a stronger economic recovery. Real GDP growth is anticipated to rise to 4.2% in 2025 and further accelerate to 5.4% in 2026, while inflation is expected to continue its downward trend, contributing to enhanced macroeconomic stability.

Profitability remains a key strength for Egyptian banks, driven by higher yields on government securities, revaluation gains, and increased client activity. According to Fitch estimates, the banking sector's Common Equity Tier 1 (CET1) ratio improved to 12.3% by the first half of 2024, supported by internal capital generation and exchange rate stability, these upgrades indicate increasing confidence in Egypt's ability to maintain economic stability and improve its financial position through continued structural reforms and international partnerships.

Egypt's Efforts to Strengthen Its Fiscal Instruments and Public Finances

Egypt has undertaken significant reforms to enhance its fiscal management and public financial system, ensuring economic stability and sustainable growth. These efforts are guided by a comprehensive strategy focusing on three key pillars: improving public expenditure efficiency, increasing revenue streams, and enforcing fiscal discipline. The government has introduced key measures, including integrating economic entities into a unified budget framework, which strengthens oversight mechanisms, integrates economic entities into a unified financial structure, and sets a debt ceiling to maintain fiscal stability. The government's measures also include simplifying tax compliance to encourage voluntary compliance and enhance tax administration transparency and optimizing resource allocation through the FY 2024/2025 budget that focuses on human development, economic expansion, and social protection while maintaining a sustainable debt-to-GDP ratio. These efforts reflect Egypt's commitment to fostering economic growth, ensuring transparency, and improving overall financial governance.

FIRST: RAISING EFFICIENCY OF PUBLIC EXPENDITURE:

The Unified Public Finance Law

- **In its meeting, No. (19) On November 14, 2024, the Cabinet approved activating the Unified Public Finance Law to set an annual ceiling for the general government debt, including the 59 economic authorities**, through the establishment of dedicated units at the Ministry of Finance and dedicated accounting units in all economic authorities, as part of the following framework:

(1) **In its meeting, No. (276) held on February 8, 2024, the Cabinet approved a draft law amending certain provisions of the Unified Public Finance Law (Law No. 6 of 2022)**, with the aim of improving public finance indicators to align with international standards. The draft law has been referred to the House of Representatives for discussion. The law introduces the concept of the General Government Budget, which aligns with the principle of budget comprehensiveness, incorporating the State's general budget and the budgets of 59 economic authorities starting from FY 2024/2025.

(2) **On February 26, 2024, the executive regulations for the Unified Public Finance Law were issued** as part of the Ministry of Finance's ongoing efforts to establish fiscal discipline. These regulations include:

- The requirements and procedures for preparing and implementing the State's general budget and the budgets of economic authorities based on program and performance budgeting, which the administrative entities are required to follow.
- The procedures and rules for preparing the medium-term budget framework, which the Unified Public Finance Law introduced. This framework requires each ministry to prepare a plan for its budget and needs for the next three years, based on strategic objectives.
- Governance controls for special funds and accounts stipulate that no new special funds or accounts can be created after the law's implementation unless approved by the House of Representatives, following a proposal and presentation from the government.

(3) **On March 9, 2024, the Minister of Finance announced the approval of the amendment to the Unified Public Finance Law by the House of Representatives**. This approval will lead to restructuring the State's public finances to improve financial and economic performance indicators.

(4) **In April 2024, President Abdel Fattah Al-Sisi approved the latest amendments to the Unified Public Finance Law**, which included:

- The calculation of official public finance indicators based on the revenues and expenditures of the newly introduced General Government Budget. This budget now includes the budgets of all public economic, service, and administrative entities, as well as local authorities.
- A reduction in the general government's debt and its burdens, targeting a debt-to-GDP ratio of 80% by June 2027. It sets a maximum limit for the general government debt and its ratio to GDP, which cannot be exceeded without approval from the President of the republic, Cabinet, and the House of Representatives. Additionally, half of the revenues from the "offerings" program will be used to directly reduce government debt while extending the debt maturity in the future.

- Administrative entities are prohibited from issuing or amending any laws, regulations, decisions, or signing contracts, agreements, or initiatives that result in financial burdens not included in the general budget.

(5) **In September 2024, the Ministry of Finance took executive measures to implement the concept of the General Government Budget**, which includes:

- Incorporating the financial data of all economic entities, in line with the amendments to the Unified Public Finance Law. A new organizational unit was established within the State's general budget sector to monitor and analyze the financial performance of economic entities, track the government's financial targets, and improve the preparation and execution of the economic authorities' budgets.
- The current fiscal year budget approved by the House of Representatives reflects the financial data of 59 economic entities within the general government. The Ministry of Finance is committed to preparing periodic (semi-annual) reports and final accounts for the general government, including all public economic entities.

- In October 2024, the Ministry of Planning, Economic Development & International Cooperation announced **the preparation of a guidance document to be circulated to executive ministries. This document aims at defining new criteria for evaluating public investment projects**, to improve the efficiency of public investment allocation by establishing clear standards for project evaluation and enhancing the effectiveness of investment spending.

- **On March 6, 2024, the Prime Minister's Decree No. 739 of 2024 was issued, establishing a committee for the governance of the State's public investments, chaired by the Central Auditing Organization. The decree set a ceiling for total public investments at EGP 1 trillion for the FY 2024/2025**. All state entities, including economic entities, public business sector companies, and companies wholly owned by the State, or any of the State's ministries, agencies, or institutions, or which contribute more than 50% of its capital, are committed to submitting their investment plans for the specified fiscal year to the committee. It will be responsible for collecting the data on these plans and ensuring that total public investments do not exceed the financial ceiling set. Additionally, In May 2024, it was agreed to establish a technical secretariat for the committee, consisting of the Central Auditing Organization and the Ministry of Planning, Economic Development & International Cooperation and the Ministry of Finance, to facilitate prompt decision-making.
- In meeting No. 275 held on January 31, 2024, the Cabinet approved the draft decision of the Prime Minister regarding the rationalization of investment spending in the Economic Development Plan for the FY 2023/2024 for entities included in the State's general budget and public economic authorities, in light of the current economic crisis. The accompanying regulations included:

(1) Reducing the Public Treasury's funding in the investment plan for the FY 2023/2024 by 15% of the target allocations for entities under section 6 of the State budget, according to the executive procedures taken by the Ministry of Planning, Economic Development & International Cooperation, following the Cabinet's Decree issued in meeting No. 265 on November 22, 2023. Some exceptions apply, such as for entities where the allocation rate exceeds 50%.

(2) Postponing the execution of newly included projects in the plan, whether from the previous year or the current one, with a ban on entering into any contracts for those projects, whether by direct order or public tenders, until June 30, 2024.

(3) Prohibiting the purchase of passenger cars until June 30, 2024.

(4) Not to start any new projects in the current year, prioritizing the completion of projects that are near completion (70% or more) and are expected to be implemented during the FY 2023/2024.

(5) Focusing on essential and urgent investment needs only while adhering to guidelines for rationalizing spending, reducing the foreign debt ceiling, and encouraging local production and national industry.

(6) Prohibiting contracting for any foreign financing or starting any project that would result in a loan or an additional foreign component.

- The government contracts should prioritize Egyptian products, even if their price exceeds that of foreign counterparts within 15%, in line with the State's efforts to increase local production and promote industrialization. This step is achieved by encouraging the private sector to invest more in various sectors, especially those with developmental priority and global competitiveness. This approach aims at opening promising opportunities for export and access to international markets.

SECOND: INCREASING REVENUES

Tax Facilitation Package Initiative:

- **In September 2024, the Ministry of Finance and The Egyptian Tax Authority (ETA) launched the Tax Facilitation Package Initiative to remove tax obstacles to economic activities.** The 'first launch' of the tax facilities initiative is part of the process of adjusting and improving the relationship between investors and the taxpayers. The initiative consists of 20 main decisions as follows:

(1) A comprehensive system has been introduced for taxpayers with an annual turnover not exceeding EGP 15 million, covering all tax categories (Income Tax, Value Added Tax, Stamp Duty, and State Resources Development Fee). This system includes a set of incentives, exemptions, and facilitation measures to clarify rights and obligations, making it easier for taxpayers to join the integrated tax system.

(2) A central cleaning system has been introduced to ease the settlement procedures for taxpayers and registrants, ensuring the liquidity needed to conduct their business activities.

(3) A cap has been set on late payment penalties, limiting them to a maximum of 100% of the principal tax due. This is designed to prevent taxpayers or registrants from bearing excessive tax burdens caused by delays in the Tax Authority's inspection procedures.

(4) Non-registered individuals (natural or legal persons) are encouraged to register with the Egyptian Tax Authority with no tax liabilities for periods before their registration.

(5) Taxpayers who were unable to submit their tax returns on time between 2020 and 2023 are allowed to submit them within a specified period without facing the usual legal penalties. This step provides an opportunity for voluntary compliance and the correction of tax records.

(6) Taxpayers are also allowed to submit amended tax returns for the years 2020 through 2023 if the original tax returns contained omissions, errors, or unreported data without facing penalties. This is an opportunity to rectify their situation before undergoing an audit.

(7) The threshold for submitting a transfer pricing study of related parties has been raised to EGP 30 million, up from EGP 15 million annually. This adjustment aims at reducing the burden on a larger group of taxpayers, enabling them to expand and grow their businesses.

(8) The VAT refund system has been developed to allow for up to five times the usual refund amount, increasing the number of beneficiaries and reducing the time required for processing refunds.

(9) An advisory council has been established for tax rulings to standardize the opinions issued by the Tax Research Sector of the Tax Authority. This council will prepare and publish guides on settled principles via the Tax Authority's website.

(10) The role of the advanced ruling system has been strengthened, granting it the

authority to issue binding decisions regarding transactions that taxpayers or registrants wish to complete, which may have future tax implications. The aim is to clarify the tax treatment of such transactions and assist investors in preparing feasibility studies for their projects with clarity, transparency, and an understanding of tax laws.

(11) The effectiveness of the Investor Support Unit, which operates under the office of the Egyptian Tax Authority's head, has been increased. This unit responds to all inquiries from investors regarding obstacles and issues they encounter in applying tax and related legislation. It also takes necessary actions in coordination with relevant sectors within the Authority to resolve execution challenges, prioritizing compliant taxpayers.

(12) Tax return forms have been simplified, and the number of pages has been reduced to ease the burden on taxpayers and registrants, taking advantage of the data already available through the Tax Authority's electronic systems.

(13) Non-supported tax returns have been phased out to ensure that all taxpayers submitting returns are included in the sampling audit system.

(14) The tax sampling audit system has been expanded to include tax centers, ensuring that taxpayers are not subjected to annual audits but instead undergo audits based on criteria for selecting the annual sample.

(15) The pre-publication of required documents for tax audits saves time and effort, allowing taxpayers and registrants sufficient time to prepare for the audit process.

(16) A survey system has been established to measure taxpayer satisfaction with the services the Tax Authority provides, using neutral third parties to conduct the surveys.

(17) The Egyptian Tax Authority's website has been updated. It is regularly updated with all publications, including instructions, decisions, and laws, to ensure easy access to information for all stakeholders in the tax community.

(18) Guides for tax audits have been developed based on activity type to standardize auditing practices across all Tax Authority offices.

(19) Guides outlining investors' rights and duties, as well as all the incentives and benefits provided under tax and related laws, have been issued.

(20) A dedicated complaints portal has been created under the head of the Tax Authority to handle taxpayer complaints quickly and efficiently.

- **In its meeting no. 2 on July 17, 2024, the Cabinet approved the draft law to extend the application of Law No. 79 of 2016** concerning the resolution of tax disputes until the end of January 2025:

(1) In June 2024, the Ministry of Finance submitted the draft law to the Cabinet to extend the implementation of the Tax Dispute Resolution Law and allow taxpayers to submit requests for resolving disputes until the end of January 2025. This move follows two prior extensions over the past two years. The extension is part of the efforts to create simplified mechanisms for the swift resolution of tax disputes outside of court, easing the process for taxpayers, stimulating production, and increasing investments.

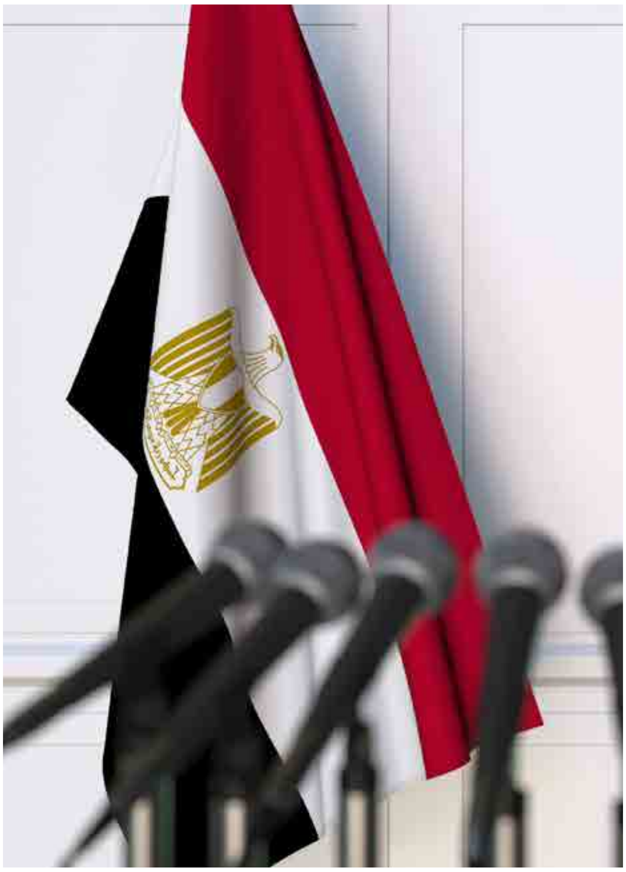
(2) Since the implementation of Law No. 153 of 2023, more than 17,000 tax disputes have been resolved with an agreed-upon tax amount exceeding EGP 15 billion and 485 million. This took place over a period of 10 months, from August 2023 to the end of May 2024.

(3) Over the past six years, until June 2024, the tax appeal committees have resolved more than 403,000 disputes between the Tax Authority and taxpayers concerning due taxes amounting to over EGP 309 billion. Additionally, the tax dispute resolution committees have closed more than 58,000 cases with an agreed-upon tax value exceeding EGP 53.5 billion.

(4) The draft law stipulates the extension of the provisions and procedures of Law No. 79 of 2016 concerning the resolution of tax disputes, as amended by Laws No. 14 of 2018, No. 174 of 2018, No. 16 of 2020, No. 173 of 2020, and No. 153 of 2022, until the end of January 2025.

- In May 2024, a project was launched to **develop and automate the real estate tax system in collaboration with the e-Tax technology solutions company owned by the Ministry of Finance and the e-Finance Group for Digital and Financial Investments**. This initiative aims at making services more accessible to citizens by providing real estate tax system services electronically for the first time through the launch of an advanced electronic platform. This platform facilitates services and raises awareness about real estate tax laws and procedures. The system will gradually begin with the ability to inquire about tax dues on real estate, pay outstanding debts, and review accounts online. This system is part of the Ministry of Finance's strategy to maximize the use of digital transformation across various sectors and agencies, contributing to improving service quality and promoting equal opportunities and transparency.

- **The Ministry of Finance is in the process of finalizing, studying, and issuing the Tax Policy Strategy Document for Egypt until 2030, which will be open for public dialogue**. Notably, in April 2024, the Minister of Finance and the Prime Minister reviewed the proposed Tax Policy Strategy Document for Egypt (2024-2030), emphasizing that the main goal of any tax policy is to achieve fairness, efficiency, and tax adequacy through planned and balanced reforms, agreed upon through community dialogue to ensure stability in the business environment and ease of implementation. The document aims at providing investors with a clear vision of future tax policies, enhancing their ability to plan future investments in Egypt and developing better forecasting models, financial models, and feasibility studies for projects with a high level of tax certainty.
- **In its meeting No. 275, held on January 31, 2024, the Cabinet approved the Prime Minister's draft decree regarding the executive regulations of Law No. 159 of 2023, which abolishes exemptions from taxes and fees granted to State entities in investment and economic activities.** The draft decree stipulates that the abolition of tax and fee exemptions applies to all investment or economic activities carried out by state entities (including units of the State's administrative apparatus, local administration units, public national, service, and economic authorities, entities with special budgets, and companies owned by any of the aforementioned entities, whether directly or indirectly, and regardless of their legal form, as well as entities and companies in which any of these entities hold shares, either directly or indirectly). The aim is to eliminate preferential treatment for these government entities, ensuring equality and promoting fair competition between them and others while being subject to the laws regulating these activities.



THIRD: ENSURING FISCAL DISCIPLINE

The Financial Budget for FY 2024/2025

In June 2024, Egypt's House of Representatives approved the FY 2024/2025 budget plan. The budget focuses on enhancing human development efforts in the fields of health and education, completing the strategy of building the Egyptian citizens, supporting and promoting economic activity, especially in productive sectors such as industry, agriculture, and exports, providing social protection for the neediest groups, and improving the living standards of middle-income earners.

It also aims at improving the private sector to achieve economic development, dealing with the inflationary effects to alleviate citizens' burdens, controlling the State's public finance situation, and achieving financial security for Egypt within the comprehensive development of economic performance.

Financial Highlights of the Budget Plan for FY 2024/2025:

- Targeting **a primary surplus** of EGP 591.4 billion (3.5% of estimated GDP) and **a total budget deficit** for the FY 2024/2025 of about EGP 1.2 trillion (7.3% of GDP)
- Increasing **public spending** in FY 2024/2025 by about 29%, reaching EGP 3.87 trillion, representing 22.6% of the expected GDP for FY 2024/2025.

- It was noted that the constitutional entitlement percentages for **health and education** were met, with allocations for health reaching EGP 496 billion, pre-university education EGP 565 billion, higher education and universities EGP 293 billion, and scientific research EGP 140.1 billion.
- Increasing **wage allocations** to EGP 575 billion, compared to EGP 494 billion in the FY 2023/2024 estimates, to accommodate the latest package for State employees, which includes raising the minimum wage by 50% to EGP 6,000 per month and increasing wages for State employees and economic authorities by a minimum of EGP 1,000 to 1,200, depending on the job grade.
- EGP 635.9 billion has been allocated for **subsidies, grants, and social benefits**, including EGP 154.5 billion for fuel subsidies, up from EGP 119.4 billion in the budget of FY 2023/2024. Additionally, EGP 134.2 billion has been allocated for food subsidies, EGP 40 billion for the social pension program and "Takaful and Karama", which is an increase of over EGP 9 billion compared to the Budget for the fiscal year 2023/2024, as well as supporting homes with natural gas connections (EGP 3.5 billion)

- Additionally, EGP 214.2 billion has been allocated to **the National Organization for Social Insurance (NOSI)** to cover the Treasury's pensioner subsidies. By the end of June 2025, the total amount transferred to the NOSI will reach EGP 1.116 trillion.
- EGP 18.4 billion has been allocated for **health insurance, medicines, and treatment of the underprivileged at the State's expense**, EGP 2.4 billion for a comprehensive health insurance system in the governorates where it is implemented and assist those in need, and EGP 15.4 billion for Egypt Healthcare Authority, of which the Public Treasury provides EGP 8.4 billion.
- Supporting and promoting health initiatives and increasing allocations for medicines and medical supplies to EGP 26.7 billion.

▸ **Funding programs to stimulate economic activity, particularly supporting the industrial sector, export activities, and various initiatives, have been allocated a total of EGP 40.5 billion**, including:

- EGP 23 billion for expediting the export burden rebate program and EGP 6 billion annually to cover the financial burden of reducing electricity prices for the industrial sector.

- EGP 8 billion to subsidize interest rates under the financing facilities initiative for productive sectors, including industry and agriculture.
- EGP 1.5 billion in cash incentives for small, medium, and micro enterprises and EGP 500 million to support the automotive industry strategy.
- EGP 1.5 billion to be borne by the Public Treasury to continue covering real estate taxes on buildings used for industrial activities, benefiting manufacturers and investors.
- EGP 657 million to support farmers and EGP 300 million for interest subsidies on modern irrigation systems.

- **Increasing investment allocations to EGP 496 billion**, 44% of which is self-funded and has no impact on increasing the budget deficit.
- **The total public revenues in the State's budget for the FY 2024/2025 are projected to reach EGP 2.6 trillion**, representing 15.4% of GDP. Tax revenues are targeted to grow by approximately 30.5% compared to the FY 2023/2024, exceeding EGP 2 trillion. This increase reflects ongoing efforts to digitize and enhance the efficiency of tax administration, expand the tax base, and improve the collection of due taxes on e-commerce, particularly from global platforms operating outside Egypt, as well as international taxes on multinational corporations. Additionally, the government aims at collecting non-tax revenues from various sources amounting to approximately EGP 599.6 billion.
- A targeted strategy is being implemented to accelerate **the reduction of the public budget debt-to-GDP ratio to below 80% by June 2027.** The Cabinet has set a ceiling for public budget debt at EGP 15.1 trillion for the FY 2024/2025, representing 88.2% of GDP, compared to 96% in the FY 2022/2023.
- The government aims at improving public financial indicators by introducing a **General Government Budget, which consolidates the revenues and expenditures of all 59 economic public entities**, along with the resources and uses of the State's general budget, including the administrative apparatus, local administrations, and public service authorities. The total expenditures of the General Government Budget for the FY 2024/2025 are projected at EGP 6.6 trillion. In contrast, total revenues are estimated at EGP 5.3 trillion, after excluding all inter-budgetary transactions between the State's general budget and the budgets of the 59 economic public entities. Tax revenues represent 38.2% of total government revenues and 11.8% of GDP, while non-tax revenues account for 61.8% of total government revenues and 19.2% of GDP.

In conclusion, Egypt's efforts to strengthen its fiscal policies and public finances have laid the foundation for a more sustainable and resilient economy. The government continues to drive economic stability and long-term growth through structured financial reforms, improved budget management, and enhanced revenue strategies. These measures not only support current financial needs but also create a framework for future development, ensuring transparency, efficiency, and fiscal discipline. As Egypt moves forward, maintaining these reforms will foster economic progress, long-term fiscal sustainability, and social well-being.

Diversifying for Resilience... Policies to Enhance Foreign Currency Resources

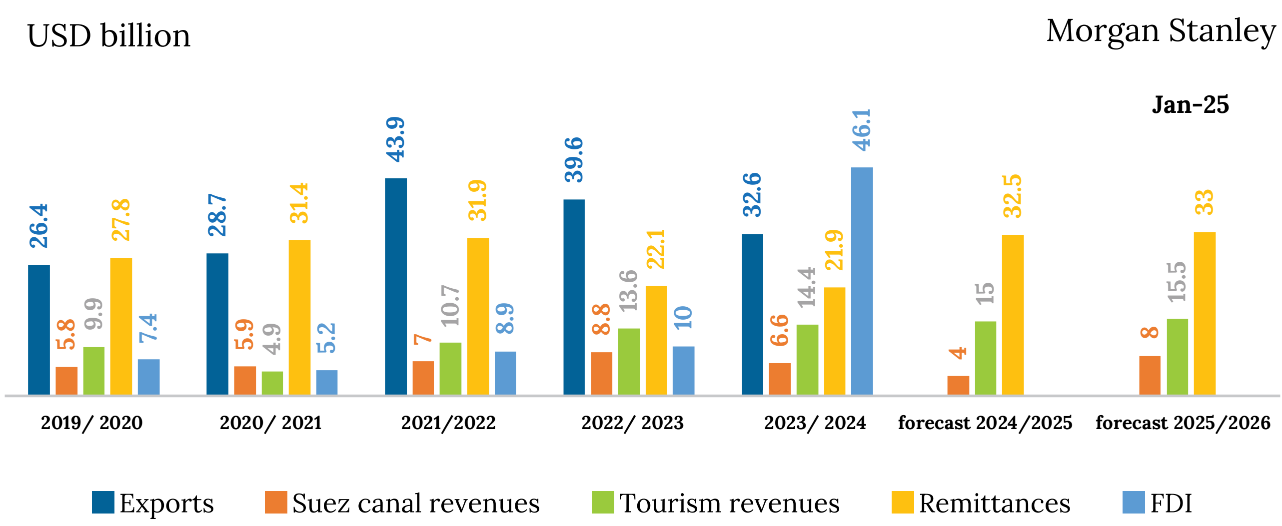
Egypt's economic stability is heavily reliant on its foreign currency resources, which have been strained by challenges such as a shortage of foreign exchange, high inflation, and a substantial external debt burden. To address these issues, the government focuses on five key sources: Foreign Direct Investment (FDI), exports, remittances, Suez Canal revenues, and tourism revenues. However, recent global and regional conflicts have disrupted some of these revenue streams, emphasizing the need to diversify foreign exchange sources to enhance economic stability.

Moreover, maintaining sufficient foreign exchange reserves is crucial for supporting the local currency, but the decline in traditional sources like Suez Canal revenues has intensified these challenges. Despite these challenges, Egypt has made progress in implementing strategic reforms to boost foreign exchange earnings. the government has successfully preserved adequate reserves, with net international foreign currency reserves increasing to USD 47,265.3 million by the end of January 2025, up from USD 35,249.5 million in January 2024.

Egypt has already strengthened its economic outlook through strategic policies to boost foreign currency resources. These efforts include attracting greater foreign investment, advancing infrastructure projects, and promoting sustainable practices. The tourism sector, particularly, has demonstrated resilience and is expected to continue expanding in 2025. Additionally, remittance inflows through official channels have been recovering steadily since the unification of exchange rates on March 6, 2024.

Over the last five years, Egypt's foreign currency resources have shown varied trends across different categories. **Exports** have generally increased, driven by a rise in global demand for Egyptian products, particularly agricultural and industrial goods. However, fluctuations in global commodity prices have sometimes impacted export earnings. **Suez Canal revenues** have been a stable source of foreign exchange, with occasional increases due to higher global shipping traffic, but recent geopolitical tensions have led to some disruptions. **Tourism** revenues have faced significant challenges, especially during the COVID-19 pandemic, **but have shown signs of recovery as travel restrictions eased**. **Remittances** from Egyptians abroad have remained a consistent and vital source of foreign currency, with steady growth over the years. **Foreign Direct Investment (FDI)** has been more stable, influenced by global economic conditions and investor confidence in Egypt's economic reforms.

Foreign Currency Resources FY(2019/2020-2025/2026e)



Source: Central Bank of Egypt and Morgan Stanley's January 2025 report.

During the period (2019/2020 - 2023/2024), Egypt had made efforts to diversify its foreign currency sources, focusing on enhancing exports and attracting more FDI through infrastructure projects and economic reforms. Despite challenges, the government has managed to maintain a stable level of foreign exchange reserves, which is crucial for supporting the Egyptian pound and ensuring economic stability.

In FY 2023/2024, these sources collectively amounted to USD 121.6 billion, strengthening economic resilience by diversifying foreign exchange inflows. **Key observations include:**

(1) **FDI:** Foreign direct investment remained stable initially but saw a sharp rise from USD 10 billion in 2022/2023 to USD 46.1 billion in 2023/2024, indicating improved investor confidence. Foreign direct investment net inflows increased in the first quarter of FY 2024/2025, reaching USD 2.7 billion, compared to USD 2.3 billion in the first quarter of FY 2023/2024.

(2) **Exports:** Export revenues have a consistent upward trend, rising significantly from USD 26.4 billion in 2019/2020 to USD 32.6 billion in 2023/2024. Exports increased in the first quarter of FY 2024/2025 to USD 9.1 billion, compared to USD 8.3 billion in the first quarter of FY 2023/2024.

(3) **Remittances:** They showed consistent growth until 2021/2022, when they peaked at USD 31.9 billion, followed by a decline to USD 22.1 billion in 2022/2023, and further to USD 21.9 billion in 2023/2024. Remittances increased in the first quarter of FY 2024/2025, reaching USD 8.3 billion, compared to USD 4.5 billion in the first quarter of FY 2023/2024.Remittances are expected to reach USD 32.5 billion in 2024/2025, according to Morgan Stanley's January 2025 report.

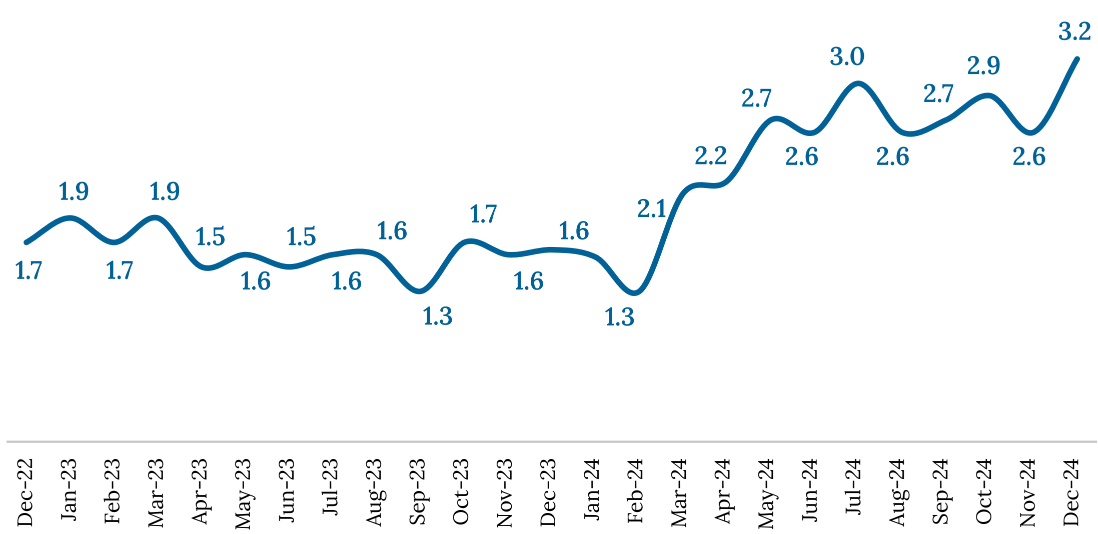
(4) **Suez Canal Revenues:** They have steadily increased from USD 5.8 billion in 2019/2020 to USD 7 billion in 2021/2022, and further to USD 8.8 billion in 2022/2023.However, there was a notable drop to USD 6.6 billion in 2023/2024, which may reflect disruptions in global trade and geopolitical tensions. Suez Canal revenues in the first quarter of FY 2024/2025 amounted to USD 931.2 million, compared to USD 2.4 billion in the first quarter of FY 2023/2024.Suez Canal revenues are expected to rise by 21.2%, reaching approximately USD 8 billion in FY 2025/2026, according to Morgan Stanley's January 2025 report.

(5) **Tourism Revenues:** After a dip to USD 4.9 billion in 2020/2021 (likely due to the COVID-19 pandemic), tourism rebounded, reaching USD 10.7 billion in 2021/2022 and continuing to grow, with USD 14.4 billion in 2023/2024. Tourism revenues increased in the first quarter of FY 2024/2025, reaching USD 4.8 billion, compared to USD 4.4 billion in the first quarter of FY 2023/2024.

In this regard, focusing on remittances and Suez Canal revenues is crucial for enhancing Egypt's foreign exchange revenues in the future, as indicated by forecasts of international organizations. According to Fitch's Country Risk Report for Q1 of FY 2025, the current account deficit is projected to narrow to 3.0% of GDP (USD 11.1 billion) in FY 2025/26. This improvement will be driven by a sustained rise in remittances, albeit more moderate compared to FY 2024/25, as distribution patterns stabilize. Furthermore, Suez Canal revenues are expected to double as resolving conflicts in the Levant allows transit through the Canal to return to normal.

1. Unlocking the Potential of Remittances

The Development of Remittances from Egyptians Working Abroad During the Period (December 2022 - December 2024)



Source: Central Bank of Egypt

Remittances from Egyptians working abroad recorded USD 21.9 billion in 2023/2024. Notably, in the fourth quarter of FY 2023/2024, remittances from Egyptians working abroad surged by 61.4%, reaching about USD 7.5 billion (compared to around USD 4.6 billion during the same period in 2023). The value increased by 84.4% in the first quarter of FY 2024/2025, reaching approximately USD 8.3 billion compared to USD 4.5 billion for the same period of the previous year. This improvement is attributed to the key initiatives launched by the State, **including discounted air tickets, offering premium land and housing units, and high-return dollar savings certificates. Additionally, a range of initiatives has been introduced. The most notable are:**

1- Key Financial Initiatives:

- **"Beit Al-Watan" Initiative:** A total of 2,974 residential plots have been offered in 13 new cities as part of the 10th phase "Lands" of the "Beit Al Watan" project for Egyptians abroad. This is part of the Ministry's of Housing, Utilities and Urban Communities efforts to provide land and housing units for Egyptians abroad. The project's website is being updated in coordination with Ministry of Communications and Information Technology to include available plots in the following cities: New Cairo, 6th of October, Sheikh Zayed, 10th of Ramadan, Sadat, 15th of May, New Damietta, New Obour, New October, Capital Gardens, New Minya, New Qena, and New Aswan.
- **"Beitk fe Misr" (Your Home in Egypt) Initiative:** This initiative targets Egyptians living and working abroad, aiming to facilitate homeownership while supporting Egypt's urban development. The first phase of the initiative offers approximately 5,055 residential units and villas across nine new cities, including prominent locations such as New Alamein City and the New Administrative Capital. The official website has been launched, outlining the executive steps for participation. The initiative provides exclusive benefits and multiple facilities for Egyptians abroad to reserve and purchase residential units in 12 projects across these nine cities.
- **Regularization of Military Status Initiative:** Ministry of Emigration and Egyptian Expatriate's Affairs have announced the opening of applications for settling military service statuses for Egyptians abroad from May 1 to October 31, 2024, to facilitate their situations and ensure their stability. The initiative includes those who have reached conscription age (18-30 years) or exceeded 30 years, with mandatory settlement required for passport renewal. A payment of USD 7,000 (or euros) must be made via Banque Misr (Cairo - Abu Dhabi), and transfers must be made from outside Egypt. Residents in France can make payments through the Egyptian Consulate in Paris.
- **Car Import Initiative for Egyptians Abroad:** This initiative allows Egyptians residing abroad (or family members aged 16 years and above with foreign residence) to import cars into Egypt with exceptional tax and customs exemptions. By June 2024, over 250,000 import permits were issued and around 35,000 vehicles had been released for Egyptians abroad.
- **Adahi Sukuk:** In June 2024, the Ministry of Emigration and Egyptian Expatriate's Affairs, in cooperation with the Ministry of Religious Endowments (Awqaf), made Adahi Sukuk available to Egyptian communities abroad.

- **Discounts on air tickets:** EgyptAir offered discounts for Egyptians abroad, up to 25% for the wife and 33% for two children up to 15 years old.
- **The "Your Farm in Egypt" Initiative:** It aims at providing opportunities for Egyptians abroad to purchase agricultural land in new areas, in collaboration between the Ministry of Foreign Affairs and the Egyptian Countryside Development Company. The initiative includes land reclamation, building water wells, rest houses, and equipment for agricultural and livestock activities, with the possibility of repaying installments from agricultural returns. The goal is to attract investments from Egyptians abroad and enhance their remittances to Egypt.

2 - Banking Initiatives:

- **Investment Certificates for Egyptians Abroad:** In collaboration with the Central Bank of Egypt and national banks, high-yield USD investment certificates such as "Al-Qimma" and "Elite" by Banque Misr were introduced. "Al-Qimma" certificate offers an 8% annual return to be paid in advance for the three-year period, amounting to a cumulative 24% in Egyptian pounds. While "Elite" certificate provides a 6% annual yield paid quarterly (in US dollars.).
- **Banque Misr has launched a service** for instant money transfers in EGP to all bank accounts, cards, and electronic wallets in Egypt through its instant transfer network. This service facilitates money transfers for Egyptians working abroad, allowing them to send funds quickly and easily around the clock. With a wide network of money transfer institutions and banks, the bank ensures the service is available to the largest number of Egyptians abroad. This initiative is part of enhancing innovation in digital banking services, supporting the country's efforts in digital transformation, and aligning with Egypt's Vision 2030. It also aims at promoting financial inclusion and expediting financial transfers.

3 - Insurance Initiatives:

- **"Maash Bokra in USD" (Future Pension in USD)**, issued by Misr Life Insurance, is designed for Egyptians abroad and offers a monthly pension in USD. The plan combines insurance protection with savings features to ensure financial security post-retirement. It is available to individuals aged 18-59 and requires a minimum commitment of five years. No medical exams are necessary to apply. The benefits are paid as a lump sum or in the form of guaranteed monthly pension payments for 10-15 years, either upon retirement age or in cases of death or total disability. The payment structure allows for a minimum single installment of USD 500 and a maximum of USD 10,000 per certificate annually.

- **Launching the First Electronic Application and Emergency Fund for Egyptians Abroad:** Work is underway to launch the first electronic application for Egyptians abroad in collaboration between the Ministry of Emigration and Egyptian Expatriate's Affairs and the Ministry of Communications and Information Technology, incorporating investment incentives and digital services available to them, with the ability to register using the national ID number. Additionally, the Protection and Insurance Fund for Egyptians Abroad is going to be launched to provide a social and insurance safety net against emergencies as part of the Ministry of Emigration and Egyptian Expatriate's Affairs' efforts to enhance communication with Egyptians abroad and offer them the necessary support.

4 - Service Initiatives:

- **The new passport issuance system:** A new system for issuing and renewing passports for Egyptians abroad has been implemented, significantly reducing processing time to just a few days. The system, which started in January 2025 in 36 diplomatic missions, and applied in all embassies and consulates by February 2025.

- **InstaPay Application:** This application, enabled by the Central Bank of Egypt, supports real-time electronic financial transfers for Egyptians abroad. It ensures instant deposits to bank accounts across Egypt via the Instant Payment Network, operating 24/7. This initiative simplifies and accelerates foreign remittances to meet customer demands instantly. **International institutions expect an improvement in worker remittances in 2025, emphasizing their vital role in reducing Egypt's current account deficit and highlighting them as an important source of foreign currency.**

FitchSolutions
Q1,2025

Fitch expects Egypt's current account deficit to narrow from 6.8% of GDP in FY 2023/24 to 4.8% in FY 2024/25, driven by a significant recovery in remittance inflows. This recovery will help offset a wider trade deficit. The narrowing of deficit is driven by the growth in remittance inflows from 1.4% in 2024 to 4.2% in 2025. After two years of contraction, remittance inflows to Egypt are forecasted to rise from USD 21.9 billion in FY 2023/24 to USD 28.7 billion in 2024/2025, contributing significantly to the country's economic recovery.

Workers' remittances have made a strong comeback post-FX adjustment: Morgan Stanley forecasts USD 32 billion inflows from workers abroad in FY 2024/2025 (around USD 8 billion each quarter), exceeding pre-2022 levels.

Morgan Stanley

2. Enhancing Suez Canal Revenues:

The Suez Canal is one of Egypt's key sources of foreign currency, with revenues amounting to approximately USD 6.6 billion in 2023/2024.

Despite a recent decline, international institutions anticipate a recovery in these revenues, highlighting their critical role in reducing Egypt's current account deficit and serving as a significant source of foreign currency.

A gradual recovery in Suez Canal receipts from January 2025 onwards as the Israel-Hamas war comes to an end, which would put total receipts in FY 2024/2025 on par with FY 2023/2024 at about USD 11.7 billion.

FitchSolutions
Q4,2024

Fitch expects that in FY 2025/26, Suez Canal receipts will recover as resolving conflicts in the Levant restores normal transit through the Canal.

FitchSolutions
Q1,2025

The growth in Canal's revenues is attributed to key measures and initiatives aimed at increasing the Canal's revenues:

(1) **Promotion and Investment Attraction Efforts: In the context of its promotional efforts until the middle of the FY 2024/2025**, the Suez Canal Authority successfully attracted 66 new projects with a total investment of USD 1.755 billion, which is expected to create 1,600 additional job opportunities. These investments include 54 new projects brought in through promotional efforts and 12 expansion projects for existing ventures, reflecting the continued successful partnership between the authority and investors.

(2) **Establishment of the Largest Integrated Metal Industries Complex in Sokhna: The Xin Feng Egypt** project has been approved as the largest integrated metal industries complex in the **Sokhna** area, serving the **automotive and home appliance industries**, along with **research & development centers and waste recycling facilities**. The total investment in the project is **USD 1.65 billion**, covering an area of **3.75 km²**, and it will be executed in two phases:

- **Phase One:** The first phase involves an investment of **USD 813 million** over **2 million m²**, creating **4,419 direct jobs**. This phase includes the establishment of **four factories** dedicated to manufacturing **automotive components, home appliances**, **and standard fasteners** Until the middle of the current fiscal year 2024/2025.
- **Phase Two:** The second phase will require an investment of **USD 835 million**, covering **1.75 million m²** and generating **3,575 direct jobs**. It will feature five factories for producing **auto parts, rolled steel, and steel structures,** with an **annual production capacity of 100,000 tons**.

(3) **The signing of a Cooperation Agreement for Marine Oil Pollution Control:** As part of the Suez Canal Authority's commitment to complying with environmental standards and international agreements, an agreement has been signed with PetroSafe for marine oil pollution control in the ports of Adabiya, Ain Sokhna, and Tor. This initiative falls within the framework of national emergency plan for marine oil pollution control, reflecting the authority's dedication to environmental sustainability in its operations.

(4) **Port and Industrial Zone Projects:** Seven port projects have been implemented for USD 1.359 billion in FY 2024/2023, compared to only two projects in FY 2022/2023. Additionally, new industrial zones covering 6.3 million m² have been established in Ain Sokhna by Orascom and TEDA Egypt. The Suez Canal Economic Zone has also attracted foreign investments, most of them coming from China, India, Turkey, the UAE, Germany, and other countries.

(5) **Green Hydrogen and Clean Energy Transition Projects:** The Suez Canal Authority signed 29 memorandums of understanding (MoUs) with a number of global companies, including 15 framework agreements with expected investments of USD 133 billion. **Additionally**, an agreement was reached with the port of Amsterdam to create a green hydrogen transport corridor. Moreover, OCI Global has been granted a permit to operate the green fuel bunkering business at East Port Said, with the first green methanol refueling operation successfully carried out at East Port Said Port.

Section Three:

Business Environment

Breaking Records: Egypt's Historic Surge in Foreign Direct Investments (FDI)

Egypt achieved a historic milestone in Foreign Direct Investment (FDI) during the FY 2023/2024, with net FDI inflow soaring to approximately USD 46.1 billion, the highest in the country's history. This progress represents a staggering 361% increase when compared to USD 10 billion recorded in FY 2022/2023. This impressive growth underscores Egypt's rising appeal to foreign investors.

The highlights of this remarkable achievement are as follows:

- Non-Oil Sectors' FDI: Net FDI inflows to Egypt's non-oil sectors experienced substantial growth, reaching approximately USD 46.4 billion in FY 2023/2024 compared to USD 11 billion in FY 2022/2023, marking a significant rise of 322%.

  The landmark Ras El-Hekma land deal, valued at USD 35 billion, is a major contributor to this surge. This deal represents the largest foreign investment in Egypt's history and has played a crucial role in elevating the country's overall FDI figures.

- Oil Sector's FDI: The data demonstrated a significant improvement in the performance of the net FDI outflows in the oil sector during the FY 2023/2024. Net FDI outflows in the sector amounted to only USD 351.6 million, reflecting a considerable reduction from the USD 982.5 million recorded in the previous fiscal year 2022/2023.

For the first time, the contribution of FDI to Egypt's total foreign currency reserves experienced a significant increase of 38% from the total foreign currency reserves during the year 2023/2024, compared to only 10.6% in the previous fiscal year, 2022/2023, marking a remarkable increase in its share of the country's foreign exchange resources.

FDI inflows into Egypt are heavily dominated by contributions from Arab countries, with the United Arab Emirates (UAE) accounting for an impressive 95.3% of the net FDI from Arab countries in FY 2023/2024. In contrast, investments from Asian and European countries remain relatively modest, highlighting the strong focus of Arab countries on expanding their investment presence in Egypt.

Invest in Egypt: Faster, Easier, and More Secure with GAFI's Digital Revolution to Unleash Your Business Potential in Egypt

The General Authority for Investment and Free Zones (GAFI) offers various investment electronic services through its website, streamlining communication with investors, expediting procedures, and enhancing accessibility.

GAFI's Key Services Include:

- Golden License at your fingertips: Applying and tracking the Golden License application easily through the GAFI bilingual platform (Arabic & English) simplifies the process with all relevant authorities (www.goldenlicense.gov.eg). The license requires 20 to 30 working days from completing the required documents.

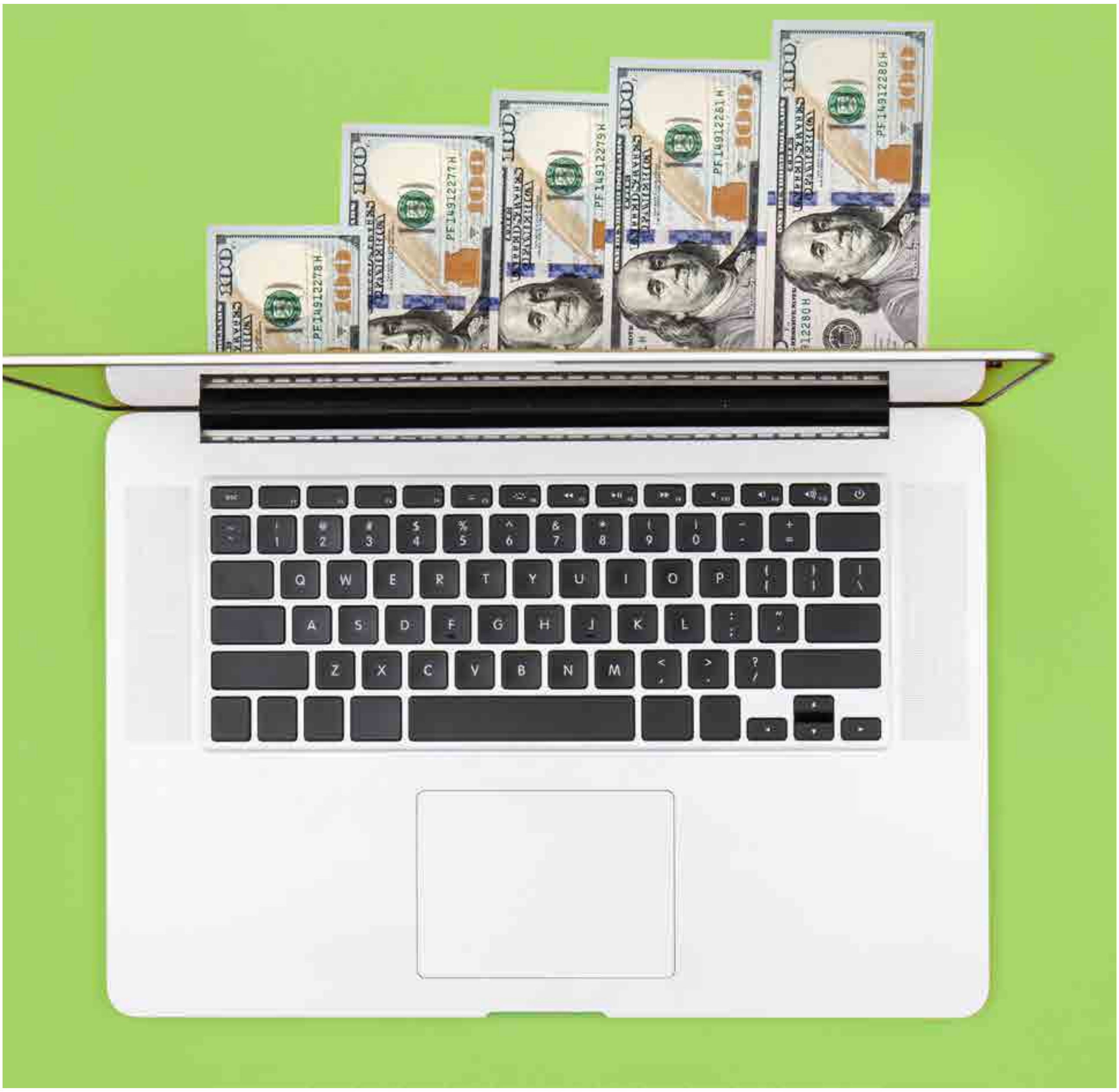
  The Golden License is a unified approval consolidating all required permits for project establishment, operation, and management. It includes construction permits, property allocations, and other necessary authorizations. The license is granted to eligible companies through a Cabinet's decree, significantly simplifying the investment process and enhancing investor confidence by reducing procedural hurdles.

  The Golden License may be granted to the following companies:

  - Companies established to implement strategic or national projects that contribute to achieving sustainable development by the State's economic development plan.
  - Companies established to implement partnership projects between the private sector and the State, the public sector, or the public business sector in activities such as (public utilities and infrastructure - renewable energy - roads and transportation - ports - communications, and information technology).

- Company Setup Made Easy: Establishing the company online in a few clicks by submitting requests, paying fees electronically, and using e-signatures on GAFI's official portal (www.gafi.gov.eg).
- Effortless Licensing: Tracking and managing licenses efficiently through the dedicated portal (https://tracklicence.gafi.gov.eg). Transparent and timely approvals from the relevant authorities.

- Digital Investment Gazette: Accessing «E-Investment Gazette» electronically anytime, anywhere (https://publishonline.gafi.gov.eg). This document serves as the official company history for dealings with banks and government agencies.
- Investment Opportunities Map: It assists investors in identifying potential projects. GAFI has developed this interactive digital tool to provide insights into opportunities across various sectors in the State's governorates, encouraging investment in strategic areas and helping stakeholders make informed decisions.



Boosting Egypt's Investment Climate: 22 Key Decrees by the Supreme Council for Investment

On May 16, 2023, the newly formed Supreme Council for Investment, established by Presidential Decree No. 141 of 2023, held its first meeting chaired by H.E. President Abdel-Fattah El-Sis. This effort aligns with the Egyptian government's comprehensive reform agenda, stimulating domestic and foreign investment, promoting industrial growth and production, and strengthening the role of the private sector in driving economic development, particularly amid ongoing global economic challenges.

A clear timeframe has been established to ensure the effective implementation of the council's 22 decrees, assigning specific responsibilities to relevant entities. This framework enables the council to monitor progress closely, activate necessary reforms, and evaluate outcomes efficiently.

- **In this context, a total of 16 main decrees have been successfully implemented**, including Decrees No. **1, 2, 3, 4, 5, 6, 8, 10, 11, 12, 13,14, 16, 17, 18** and 21. Additionally, 8 sub-decrees under Decree No. 22 have also been executed as follows:
  - **Facilitating the Process of Establishing Companies**
  - **Land Allocation**
  - **Set Up & Operation Permits**
  - **Operation**
  - **Promotion Strategies and Attraction**
  - **Approval of Incentive Package at the Sectoral Level**

1 - Facilitating the Process of Establishing Companies:

- **Decree No. 1**: Amending some articles of the Investment Law's Executive Regulations (Articles 4 & 76).

→ According to the Prime Minister's Decree No. 2140 of 2023, certain provisions of the Executive Regulations of the Egyptian Investment Law issued in 2017 were amended, including Articles (4 & 76) of the Executive Regulations

- **Decree No. 2**: Amending Article No. 34 of Investment Law No. 72 of 2017 to allow licensing for projects based on natural gas.

→ According to Prime Ministerial Decree No. 160 of 2023, the text of Article 34 of the Investment Law has been amended to allow licensing of natural gas-based projects.

- **Decree No. 3**: Limiting the time for issuing all approvals and permits to (10) working days and for each approval to be issued only once upon establishment.

→ The Prime Minister's Decree No. 1889 of 2023 was issued, setting the time limit for issuing all approvals and permits for investors to 10 working days.

→ The Egyptian Cabinet has also approved an amendment to the Executive Regulations of the Investment Law that allows new foreign investors to obtain a one-year temporary stay for «non-tourism» during the establishment period. This step enables them to engage with banks and open a bank account. Based on GAFI's vision, the temporary stay can be renewed for six months or a year until all procedures related to establishing their economic enterprise are completed.

- **Decree No. 4**: Establishing a «unified electronic platform for the establishment, operation, and liquidation of projects», in addition to approving the amendments to the Electronic Signature Law.

→ On July 5, 2023, during its session No. 246, the Egyptian Cabinet agreed that the current provisions of the Electronic Signature Law (No. 15 of 2004) and its executive regulations are sufficient to achieve all objectives. All entities were directed to use the electronic signature system and adopt electronic documents in their transactions.

2 - Land Allocation:

- **Decree No. 5**: Issuing a set of legislative amendments to ease down the restrictions related to land and real estate foreign ownership.

→ On July 5, 2023, the Egyptian Cabinet approved a legislative amendment to Article 2 of Law No. 230 of 1996 during its session No. 246, which regulates non-Egyptians' ownership of real estate and lands.

3 - Set Up and Operation Permits:

- **Decree No. 6:** Expanding the issuance of the Golden License and not limiting its approval to companies establishing strategic or national projects only by amending Articles No. (40), (41), (42) of the Investment Law's Executive Regulations.

→ As part of the expansion in granting the golden license, the number of companies that obtained the golden license reached about 44 till February 2025, such as «Beko Egypt» for the manufacture of home appliances, Samsung Electronics Egypt, Haier Electric Egypt Limited, Yazaki Electrical Distribution Systems, and others.

→ The GAFI launched a website dedicated to the golden license in Arabic and English, which includes the registration steps, the terms and conditions that must be met by those applying for it, and the fields and activities for which the golden license is granted

4 - Operation:

- **Decree No. 8:** Amending some legal articles that grant preferential treatment to state-owned companies and entities.

→ The Cabinet approved the draft decision of the Prime Minister regarding the executive regulations of Law No. 159 of 2023, which addresses the cancellation of exemptions from taxes and fees granted to state entities in investment and economic activities. The aim is to cancel preferential treatment for these entities to ensure equality and strengthen the rules of fair competition between these entities and others.

- **Decree No. 10:** Publishing several reports to enhance governance and transparency.

→ Enhancing governance and transparency through the publication of several periodic reports, as the Ministry of Finance **publishes a series of regular reports on tax benefits and exemptions, guarantees and obligations, and profit distribution of state-owned enterprises.**

- **Decree No. 11**: Amending Law No. 7 of 2017 to allow foreign investors to be registered in the Importers Register, even if he/she has not held Egyptian nationality for 10 years.

→ The Cabinet approved a draft bill amending certain provisions of Law No. 121 of 1982 on the Importers Register to enable foreign investors to register as importers in the Importers Register, provided that the other conditions under Law 121/1982 on Importers Registry are fulfilled.

→ Such registration will be allowed for joint-stock companies, companies of a partnership limited by shares, limited liability companies, and partnerships in which the partner shares or stakes are not fully owned by Egyptians or are owned by them by less than 51%. The total registration period in the Importer's Register does not exceed 10 years from the date of enforcement of the new bill (extendable for one period only).

- **Decree No. 12:** Not issuing general regulatory decisions that add financial or procedural burdens related to the establishment or operation of projects, or the imposition of fees or charges for services, or their modification, except after obtaining the opinion and the approval of the Board of Directors of GAFI and the approval of the Egyptian Cabinet and the Supreme Council for Investment.

→ The Supreme Investment Council, in its session held on May 16, 2023 with the presence of His Excellency the President of the Republic, approved the issuance of a directive to all administrative authorities, reaffirming that no entity shall impose any financial or procedural obligations related to the establishment or operation of projects governed by the provisions of the Investment Law No. (72) of 2017. Additionally, no fees, charges, or amendments shall be imposed on these projects except by the procedures prescribed in the aforementioned Investment Law.

- **Decree No. 13:** Issuing a binding regulatory decision regarding cases of imposing improvement fees in accordance with the regulating laws, as well as the principles of calculating each case, and considering making classifications of the required values according to the purpose of investment, and such decree will be disseminated to all administrative entities.

→ On July 9, 2023, Dr. Mostafa Madbouly, Prime Minister, held a meeting to review several governance controls for the procedures followed in collecting improvement fees. This meeting was part of the follow-up on the Supreme Council for Investment's decision to resolve issues related to the collection of improvement fees on properties. It was agreed to issue a circular outlining several controls aimed at governing the procedures for collecting improvement fees on properties that undergo improvement due to public benefit, pending the issuance of the proposed new law.

- **Decree No. 14:** Establishing a system of offsetting between the investors' dues and their tax liabilities to the benefit of government entities

→ On April 18, 2024, during its session No. (286), The Egyptian Cabinet approved the Ministry of Finance's contract with a company to provide clearing and financial settlement services for investors' dues for three years.

- **Decree No. 16:** Finalizing the amendments of the Profit Transfer Law to ease down tax burdens and lessen the cases of double taxation.

→ Law No. 30 of 2023 was issued to introduce amendments to certain provisions of the Income Tax Law issued by Law No. 91 of 2005 and Law No. 182 of 2020.

- **Decree No. 17:** Amending the Civil and Commercial Procedures Law No. 13 of 1968 to raise the value of commercial cases assigned to the economic and partial courts, expand the scope of their substantive jurisdiction to resolve commercial disputes, and raise the quorum for non-appeal.

→ In June 2024, the Egyptian Parliament approved a draft law amending some provisions of the Civil and Commercial Litigation Law issued by Law No. 13 of 1968.

- **Decree No. 18:** Issuing a binding regulatory decree to limit the time taken to disburse investors' compensation in cases of expropriation to 3 months while obligating the administrative authorities to intensify negotiations with investors on the appropriate compensation amount.

5 - Promotion Strategies and Attraction:

- **Decree No. 21:** Establishing a permanent unit affiliated with the Egyptian Cabinet, specialized in setting appropriate policies, Laws, and regulations for the growth and prosperity of startups in Egypt.

→ A permanent unit affiliated with the Egyptian Cabinet has been established to propose appropriate policies, Laws, and regulations aiming at fostering the growth and prosperity of emerging companies and startups in Egypt per the Prime Minister's Decree No. 2136 of 2023.

6 - Approval of Incentive Package at the Sectoral Level:

- **Decree No. 22:**
- **Agriculture Sector**

→ Expanding the use of contract farming mechanisms to include all strategic and important crops.

- **Housing and Real Estate Development**

→ Granting real estate developers and projects in other fields (real estate, agriculture, industry, tourism, etc.) operating in the new cities the following:

- Applying an interest of 10% on installments instead of the interest declared by the Central Bank of Egypt
- Extending the time period for the implementation of all projects by 20%
- Reducing the percentage of project completion from 90% to 85%

- **Industrial Sector**

→ Defining the list of projects for «targeted industries» as the General Authority for Industrial Development has announced 152 investment opportunities in the industrial sector. These opportunities include products and supplies across the engineering, chemical, building materials, food, and pharmaceutical sectors.

→ Extending the term of the operating license to five years, similar to the industrial register.

→ Obliging the relevant authorities to complete the issuance of the required licenses within 20 working days.

- **Green Hydrogen**

→ The Council of Ministers approved, in its 240th session on May 17, 2023, a draft law on the green hydrogen incentive package, this includes:

- Announcing cash incentives of not less than 33% and not more than 55% of the incurred tax value to be disbursed within a maximum of 45 days.
- Exempting equipment, machinery, and raw materials required for the project from value-added tax.
- Exempting the project's exports and derivatives from value-added tax.

- **Transport sector**

→ Activating the whitelist and the authorized economic operator system completely within the new customs system.

→ Amending the executive regulations of the Customs Law in accordance with the accurate definitions and concepts of transit trade, thus, reducing transportation costs and allowing the movement of goods.

Unlocking Egypt’s Potential: Investment Guarantees and Incentives for Growth

Egypt is committed to attracting more regional and international investments to drive robust economic growth. The government aims at creating a more favorable investment climate that appeals to investors worldwide, which encourages investment across various sectors.

The investment guarantees and incentives outlined in Investment Law No. 72 of 2017 bolster investor confidence. The Law provides a range of enhanced guarantees and diverse tax incentives for key sectors and regions. An amendment under Law No. 160 of 2023 has extended these benefits to all investment projects, excluding those in Free Zones while introducing additional incentives.

Egypt is dedicated to attracting increased domestic, regional, and international investments to fuel sustainable economic growth. The government is actively working to cultivate a more favorable investment climate that appeals to investors globally, fostering opportunities across diverse sectors.

A- Investment Guarantees:

- The Law guarantees fair treatment for both domestic and foreign investors, with foreign investors eligible for preferential treatment by decree of the Cabinet.
- Invested assets are protected from arbitrary measures or discriminatory decisions, and investment projects cannot be nationalized or have their funds seized except by a court ruling.
- Non-Egyptian investors are granted residency in Egypt for the duration of their investment projects.
- The State pledges to honor and enforce contracts entered into by investors.
- Investment project assets cannot be expropriated except for public utility purposes, and fair compensation must be paid in advance.
- Administrative bodies are prohibited from imposing additional financial or procedural burdens on investment projects without approval from the GAFI Board, Cabinet, and the Supreme Council of Investment.

- Licenses for investment projects cannot be revoked or suspended without prior notice of violations and an opportunity for rectification.
- Investors are granted the right to establish, operate, and expand investment projects from and to finance it abroad without restrictions. They may own, manage, use, and dispose of the projects and transfer profits and proceeds from liquidation abroad.
- The State allows free and prompt transfer of foreign investment funds both into and out of its territory.
- In case of liquidation, administrative bodies must complete the process within 120 days; otherwise, the company will be discharged from liabilities.
- Investment projects have the right to import raw materials, production supplies, machinery, spare parts, and means of transportation without the need to be registered in the importers' registry.
- Investment projects may export their products without requiring a license or registration in the Exporters' Register.
- Investment projects can employ up to 10% of the workforce of foreign workers, which can increase to 20% if qualified national workers are unavailable.
- Foreign workers employed in investment projects have the right to transfer their financial dues abroad.

B- Investment Incentives:

Investment Law No. 72 of 2017, along with its amendments introduced under Law No. 160 of 2023, provides investment incentives categorized into three types: general, special, and additional incentives, as outlined below:

(1) **General Incentives:**

According to Article 9, all investment projects subject to the provisions of this Law, whether established before or after its enactment and regardless of the legal framework under which they operate, are eligible for general incentives. However, an exception applies to investment projects established under the Free Zone Regime. These incentives include:

- Articles of incorporation for companies and establishments and credit facility and pledge contracts related to their operations are exempt from stamp duty and notarization/publicity fees for five (5) years from registering in the Commercial Register.
- Contracts related to the registration of lands required for establishing companies and establishments are also exempt from the aforementioned duties and fees.

- Without prejudice to the provisions of temporary release stipulated in Customs Law No. 66 of 1963, investment projects of industrial nature governed by the provisions of this Law may import casts, molds, and other similar production requirements without incurring customs fees. However, these imported items must be used temporarily and must be reexported afterward.

- **A unified customs duty of 2% shall be collected on:**

» All machinery, equipment, and devices imported by companies necessary for their establishment.

» All machinery, equipment, and devices imported by companies and establishments that operate on public utility projects are required for their formation or completion thereof.

(2) **Private Incentives:**

Investment projects established after the enactment of Investment Law No. 72 of 2017, in accordance with the investment map, are granted an investment incentive in the form of a deduction from the net profits subject to tax, as follows:

- **Fifty-percent (50%) discount off the investment costs of Sector (A):** This sector includes the geographic areas designated as the most in need of development, based on the investment map and supported by data and statistics issued by the Central Agency for Public Mobilization and Statistics (CAPMAS). The distribution of investment activities within these areas is specified by the Executive Regulations of the Investment Law.

- **Thirty-percent (30%) discount off the investment costs of Sector (B):** This sector covers specific projects located in the remaining geographic areas of the Arab Republic of Egypt:
    - Labor-intensive projects as per the criteria outlined in the Executive Regulations of this Law.
    - Medium and small-sized enterprises (SMEs).
    - Projects that utilize or generate renewable energy.
    - National and strategic projects to be listed under a resolution of the Supreme Council for Investment.
    - Tourism projects to be listed under a resolution of the Supreme Council for Investment.
    - Electricity generation and distribution projects to be listed under a decree of the Prime Minister based on a joint proposal from the relevant minister, the Minister of Electricity and Renewable Energy, and the Minister of Finance.

- Projects exporting their production outside the geographic region of the Arab Republic of Egypt.
- Automotive manufacturing and its supporting industries.
- Wood, furniture, printing, packaging, and chemical industries.
- Antibiotics, tumor drugs and cosmetics industries.
- Food industries, agricultural products, and agricultural waste recycling industries.
- Engineering, metal, textile, and leather industries.
- Industries related to communications and information technology.
- Research centers and accreditation laboratories related to the automotive industry.

- A percentage ranging from **35% to 55%** is granted to investment projects engaged in industrial activities, as identified in Article (11) bis of Law No. (72) of 2017, as follows:

» Investment projects engaged in industrial activities specified under this article shall be granted a cash incentive ranging from **35% to 55%** of the value of the tax paid as declared in the income tax return.

(3) **Additional Incentives:**

- Permission to establish special customs ports of entry for the importation or exportation needs of an investment project in agreement with the Minister of Finance.
- Once the investment project becomes operational, the State may cover, in whole or in part, the expenses incurred by the investor for providing utilities to the premises of the investment project.
- The State may contribute to covering part of the expenses incurred for providing personnel technical training.
- A refund of fifty percent (50%) of the value of the land allocated for industrial projects, provided production starts within two (2) years from the date of land handover.
- Allocation of lands free of charge for certain strategic activities, according to the legally prescribed rules.
- Exemption from usufruct fees imposed against the lands allocated to set Investment Project for a period up to ten (10) years as of operations start date.
- Exemption not exceeding (50%) to Projects from contributing to the costs of establishing infrastructure, and public services and utilities, in accordance with the rules to be set by the Supreme Council of Investment Decree.

Egypt's Path to Economic Growth through the IPO Program and Private Sector Empowerment

Egypt is implementing a comprehensive set of economic reforms to foster growth, create job opportunities, enhance competitiveness, and increase resilience to shocks. A core component of these reforms is promoting private sector participation through the State Ownership Policy. This Policy outlines the State's economic philosophy and approach, underscoring a commitment to a more dynamic role for the private sector in economic activities.

The World Bank has recognized the State Ownership Policy as the first of its kind in the Middle East and North Africa, aiming to boost private sector contributions to investment, employment, and exports. «Endorsed by President Abdel Fattah El-Sisi in late 2022, the Policy reflects the State's strategy to provide greater opportunities for private sector engagement. The Policy is accompanied by supportive reforms designed to enhance Egypt's business environment, foster competition, and improve the governance of state-owned assets in alignment with OECD standards.

The Government of Egypt (GoE) has unveiled an ambitious Initial Public Offering (IPO) Program for 2025, a key component of the State Ownership Policy, facilitating a gradual withdrawal from select state-owned enterprises to boost private sector participation. From March 2022 to June 2024, the program achieved a remarkable implementation rate of 288.5%, generating revenues nearing USD 30 billion. Mechanisms for these offerings included full or partial sales to local or foreign investors, sales on the Egyptian Exchange (EGX), and capital increases for some enterprises.

Key Achievements Across Phases:

- **Phase One:** The initial phase involved partial exits from six state-owned enterprises, generating USD 3.11 billion. Transactions included shares in entities such as the Commercial International Bank, Fawry, and Abu Qir Fertilizers.
- **Phase Two:** This phase targeted total/ partial exit from seven enterprises, generating USD 1.99 billion, including Pachin Paints and Chemical Industries and Al Ezz Dekheila Steel Company.
- **Phase Three**: This phase, currently in progress, aims to divest additional enterprises with a targeted yield of USD 5 billion. Notable transactions include the Eastern Company's share offering and initiatives such as the Ras El-Hikma

development project.

In addition to the IPO Program, the State has implemented measures to foster private-sector partnerships. From May 2022 to June 2024, approximately 293 reform measures were introduced to boost investment, improve the business environment, and support industrial growth.

To ensure transparency and accountability, the government regularly publishes reports tracking the progress of the State Ownership Policy. These reports highlight the reforms' impact on private sector contributions to Gross Domestic Product (GDP), employment, and exports, as follows:

Private Sector Contribution to Employment:

The private sector's contribution to employment rose to an average of 81.3% from Q1 2023 to Q1 2024, up from 78.9% during the period from Q1 2019 to Q4 2022. This growth reflects the influence of large national projects and alignment with the Policy's objectives, reducing unemployment rates to approximately 7%, the lowest level in the past 20 years.

Private Sector Contribution to Investments:

The government's efforts to govern investment spending and cap public investments at EGP 1 trillion have encouraged private sector investments. Private investments increased to EGP 133.1 billion at constant prices in Q1 2024/2025, accounting for approximately 63.5% of total investments. This increase marks a 30% growth compared to Q1 of the previous fiscal year. These initiatives are part of the government's structural reforms aimed at creating a favorable investment environment and enhancing the governance of public investments.

Private Sector Contribution to Exports:

The private sector's average contribution to exports rose to 94% from Q1 2023 to Q4 2023, up from 87% during the period from Q1 2019 to Q4 2022. Programs such as the Export-IT Program and the Immediate Cash Payment Initiative significantly supported this growth. Additionally, merchandise exports increased to USD 42.1 billion in 2023, with around EGP 65 billion provided in support to exporters between October 2019 and mid-August 2024.

Impact of the State Ownership Policy on EGX Performance:

The average market capitalization of the Egyptian Exchange (EGX) surged to EGP 1.72 trillion in 2023, marking a 78.9% increase compared to 2022. This growth raised the stock market capitalization to GDP ratio to approximately 17% in 2023, up from 12.3% in 2022, steadily approaching previous record levels.

Through these reforms and initiatives, Egypt reaffirms its commitment to achieving sustainable economic growth by empowering the private sector and enhancing the efficiency of state-owned assets.

New Tax Reforms: Increased Exemptions and Simplified Rates

- In February 2024, President Abdel Fattah El-Sisi approved **Law No. 7 of 2024**, which amends certain provisions of **the Income Tax Law (Law No. 91 of 2005).** These amendments aim to increase the tax exemption threshold by 33%, from 45,000 EGP to 60,000 EGP. The amendments replace the text of Articles 8 and 13 of the Income Tax Law (Law No. 91 of 2005) with the following:

Article 8 now defines the income tax rates as follows:

- 0% tax rate on net income ranging from 1 EGP to 40,000 EGP.
- 10% tax rate on net income between 40,000 EGP and 55,000 EGP.
- 15% tax rate on net income between 55,000 EGP and 70,000 EGP.
- 20% tax rate on net income between 70,000 EGP and 200,000 EGP.
- 22.5% tax rate on net income between 200,000 EGP and 400,000 EGP.
- 25% tax rate on net income exceeding 400,000 EGP.

Article 13 establishes an annual personal exemption of 20,000 EGP for taxpayers.

- Aligned with the State's commitment to fostering a more investment-friendly tax system while regulating investor-state relations, enhancing tax administration efficiency, and promoting tax neutrality, President Abdel Fattah El-Sisi issued a decree in March 2024 to establish the Supreme Council for Taxation. This move aligns with Egypt's broader economic reform agenda, aimed at empowering the private sector and stimulating investment.

Tax Facilitation Package Initiative:

In September 2024, the Ministry of Finance and the Tax Authority launched the Tax Facilitation Package Initiative in response to requests from various sectors of the tax community. The initiative focuses on simplifying procedures and resolving tax disputes.

Key Measures and Reforms

- **Integrated Tax System for Small Businesses:** A comprehensive system will be introduced for taxpayers with an annual turnover not exceeding EGP 15 million, covering all tax categories (Income Tax, Value Added Tax, Stamp Duty, and State Resources Development Fee). The system provides incentives, exemptions, and facilitation measures to clarify rights and obligations, encouraging taxpayers to join the integrated tax system.
- **Centralized clearing System:** This system will be implemented to simplify settlement procedures for taxpayers and registrants, ensuring adequate liquidity to support business operations.
- **Cap on Late Payment Penalties:** Late payment penalties will be set at a maximum of 100% of the original tax amount, preventing excessive burdens on taxpayers caused by delays in Tax Authority inspections.
- **Encouragement for Non-Registered Individuals:** Non-registered individuals (both natural and legal) are encouraged to register with the Egyptian Tax Authority, with no tax liabilities imposed for periods before registration.
- **Voluntary Compliance and Corrections:** Taxpayers who could not submit their tax returns on time between 2020 and 2023 are allowed to file them within a specified period without facing legal penalties. Additionally, taxpayers may submit amended returns for the same years to correct errors, omissions, or unreported data without penalties, provided the corrections are made before an audit is conducted.
- **Transfer Pricing Threshold Adjustment:** The threshold for requiring a transfer pricing study will be raised from EGP 15 million to EGP 30 million annually, reducing compliance burdens on taxpayers and facilitating business growth.
- **Enhanced VAT Refund System:** The VAT refund process will be restructured, to multiply the number of refund cases by five times.
- **Advisory Council for Tax Rulings:** An advisory council will be established to standardize opinions issued by tax researchers. The council publishes guides on settled principles through the Egyptian Tax Authority's website.
- **Strengthened Advanced Ruling System:** The Advanced Ruling System will be empowered to issue binding decisions regarding the status of transactions that taxpayers and registrants wish to complete and which have future tax implications. This helps investors prepare feasibility studies with clarity and transparency.

- **Investor Support Unit:** The effectiveness of the Investor Support Unit, operating under the head of the Egyptian Tax Authority, will be enhanced to address investor inquiries, resolve issues, and coordinate with relevant sectors to ensure smooth implementation of tax regulations.

Additional Measures

- Simplified Tax Return Forms: Tax return forms will be reduced in size and complexity, leveraging electronic systems to ease taxpayer compliance.
- Phasing Out Unsupported Returns: Unsupported returns will be eliminated, ensuring all taxpayers are included in the sampling audit system.
- Expanded Sampling Audit System: Tax audits will be conducted based on sampling criteria, reducing the frequency of annual audits.
- Pre-Publication of Audit Requirements: A list of required documents for tax audits shall be published in advance, allowing taxpayers sufficient time to prepare for the audit process in advance.
- Taxpayer Satisfaction Surveys: Neutral third parties shall conduct surveys to gauge taxpayer satisfaction with Tax Authority services.
- Updated Tax Authority Website: The Egyptian Tax Authority's website will be regularly updated with publications, including instructions, decisions, and laws, ensuring accessibility for all stakeholders.
- Standardized Audit Guides: Guides tailored to specific activity types will be developed to harmonize audit practices across offices.
- Investor Rights and Duties Guides: Comprehensive guides detailing investor rights, obligations, incentives, and benefits under tax laws will be issued.
- Complaints Portal: A dedicated portal will be launched by the Egyptian Tax Authority to handle taxpayer complaints swiftly and effectively.

Empowering Growth: Unlocking Private Sector Potential

- **Private Sector Driving Investment Growth**

As part of the Egyptian government's ongoing efforts to create more opportunities for private sector investments and in light of the structural reforms aimed at fostering a favorable investment environment and enhancing the governance of public investments, private investments reached EGP 700 billion in FY2023/2024, with a growth rate of 5.3%, contributing 43% of total investments.

In the first quarter of FY2024/2025, private sector investments surged to EGP 133.1 billion, constituting 63.5% of total investments and marking a 30% growth compared to Q1 of the previous fiscal year. In contrast, public investments experience a significant decline, dropping by 60.5% to EGP 57 billion, down from EGP 144.4 billion in the same quarter of FY2023/2024.

These developments reflect Egypt's strategic goal of increasing private sector investments to 50% of total investments by the end of FY2024/2025. This objective aligns with Egypt's Vision 2030, the State Ownership Policy, and the ongoing economic reform agenda, all prioritizing the private sector as a catalyst for economic progress.

- **Hafiz platform**

In December 2023, the Ministry of International Cooperation launched the «Hafiz» platform, designed to provide financial and technical support to the private sector. This integrated platform connects development partners, agencies, the government, and the local business community. It aims to foster communication and collaboration among various private sector companies, including large corporations, small and medium-sized enterprises (SMEs), micro-enterprises, startups, investment funds, and local financial institutions.

The platform facilitates access to developmental funding, technical support, and advisory services. It offers comprehensive information on available technical assistance and various training programs. With over 85 financial and technical services provided by 32 development partners, the platform also features hundreds of local and international tenders and initiatives funded by development partners, along with detailed instructions on how to participate. Ultimately, the platform contributes to enhancing competitiveness in international markets.

- **Enhancing innovative financing tools**

To enhance innovative financing tools and encourage private sector investments, Egypt has strengthened its relationships with international financing institutions, particularly the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), both part of the World Bank Group, as well as with the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB).

These efforts have contributed to an increase in concessional development financing for the local and foreign private sectors in Egypt, projected to reach USD 4.2 billion by the end of 2024, compared to USD 2.9 billion in 2023. This growth reflects Egypt's private sector attractiveness and the success of structural reforms implemented by the government, which have significantly boosted concessional financing for the private sector in the country.

In November 2024, international institutions injected USD 890 million into Egypt's private sector, targeting several key sectors, including climate finance, small and medium-sized enterprises (SMEs), and micro-enterprises, supporting green transformation in the tourism sector, and expanding renewable energy projects under the «NWFE» program.

- In June 2023, the Prime Minister issued a decree to establish a permanent unit within the Cabinet. This unit is dedicated to proposing policies, laws, and regulations aimed at fostering the growth and prosperity of startups in Egypt.
- A five-year tax exemption has been granted to startups, along with exemptions from stamp duty and notarization fees for the incorporation contracts of companies and establishments, credit facility agreements, mortgage contracts, and land registration contracts, in accordance to SME's Law No. (152) of 2020.
- The Egyptian Financial Regulatory Authority (FRA) has issued Decision No. 163 of 2024, launching the first regulatory sandbox for fintech applications. This initiative allows participants in non-bank financial activities to use financial technology. It provides a registration opportunity for entities wishing to be listed in the outsourcing register for fintech activities in non-bank financial sectors with the Authority.

The regulatory sandbox aims to support and facilitate the entry of startups offering innovative digital solutions into the market, enhance regulatory understanding of fintech, and improve regulatory practices to promote sustainable and inclusive financial growth. Additionally, it aims to boost innovation in the non-bank financial sector by creating a supportive regulatory environment that provides financial, investment, and insurance solutions for individuals and businesses.

- **Launching the MSME Platform**

The **MSME Platform** is the first and only interactive electronic platform designed to provide integrated services for entrepreneurs, startups, and existing businesses. It also connects them with professional service providers to help them start or grow their projects effectively.

The platform offers a wide range of services through certified and trusted service providers, assisting businesses at every stage—from identifying project ideas aligned with available resources, conducting feasibility studies and market analyses, and developing strategies to securing suitable financing and expanding into international markets.

The platform's services encompass all aspects of project creation and development, including:

(1) **Establishment Services**: The platform connects entrepreneurs with service providers to assist in completing the necessary administrative and legal procedures for establishing and operating their projects.

(2) **Training**: Through service providers, the platform offers training opportunities led by experts and specialists in entrepreneurship.

(3) **Financing**: The platform facilitates access to financial support, marketing assistance, process development, and performance improvement through certified service providers.

(4) **Support and Guidance**: It connects users with technical and technological support entities to help them leverage modern tools and technology to enhance efficiency and develop their projects.

(5) **Marketing**: The platform collaborates with marketing agencies to assist businesses in promoting their products or services and increasing public awareness through effective marketing strategies and advice.

- As part of its ongoing efforts to minimize company documentation requirements, the General Authority for Investment and Free Zones (GAFI) has taken a significant step in streamlining administrative procedures. This initiative is part of a broader plan to adopt international best practices aimed at improving the investment climate. In line with the principles of governance and transparency under the State's administrative reform plan and Egypt Vision 2030, GAFI has issued a decision to reduce the required documentation for two key services by 62%. These services include the formation of committees to assess the executive status and the commencement of activities, which evaluate the seriousness of companies in terms of investment inflows and operational activities. This step paves the way for companies to obtain guarantees, incentives, and investment privileges in Egypt.

- **The National Intellectual Property Strategy**

On September 21, 2022, the Egyptian Prime Minister announced the launch of the National Intellectual Property Strategy, recognizing the critical role intellectual property (IP) systems play in driving the Egyptian economy and achieving the Sustainable Development Goals across social and economic dimensions.

The strategy aims to:

(1) Enhance the governance of the institutional framework for intellectual property.

(2) Create a supportive legislative environment for intellectual property rights.

(3) Activate the economic impact of intellectual property.

(4) Raise awareness among all segments of Egyptian society about intellectual property.

- **Tax and Non-Tax Incentives to Support SMEs.**

(1) **Investment Incentives:**

- Land for free or for a nominal fee.
- The State bears part of the cost of training workers.
- Exemption from providing guarantees until the start of the activity.
- Exemption from patent registration fees

(2) **Tax Incentives:**

- SME projects are exempted from capital gains tax for the purpose of purchasing assets or equipment.
- The tax ranges between (0.50%) to (1%) of its turnover on an annual basis.

Section Four:

Sectoral Highlights


EGYPT
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Deepening Local Manufacturing for Import Substitution and Enhancing the Competitiveness of Egyptian Exports

The Egyptian Government is actively prioritizing enhancing local industry and fostering increased investments in the industrial sector. **This strategic focus** aligns with a broader vision to position Egypt as a competitive player in the global economy by deepening its industrial capabilities and expanding its manufacturing base.

Consequently, the first quarter of fiscal year 2024/2025 has marked a significant turning point for Egypt's industrial sector, showcasing a robust recovery. This resurgence is further complemented by an upward trend in the Purchasing Managers' Index (PMI) issued by S&P Global, particularly in the export sub-index, which has consistently recorded increases in new export orders for seven consecutive months—an encouraging sign of the sector's revival. Worth mentioning that, PMI data are indicators of global economic health, derived from monthly surveys of business executives. This data are widely used to predict economic and market trends, giving insight as a measure of economic performance and business environments.

According to the Central Agency for Public Mobilization and Statistics (CAPMAS), the index for manufacturing and extractive industries (excluding crude oil and petroleum products) rose to 112.32 in October 2024 (preliminary), compared to 106.73 in September 2024 (final), reflecting a 5.24% increase. Driven by market demand, the tobacco products manufacturing index and the paper and paper products manufacturing index saw growths of 7.95% and 6.96%, respectively. In contrast, the textiles manufacturing index declined by 8.21%, primarily due to market conditions, while the leather and leather products manufacturing index dropped by 12.41%.

Additionally, Egypt's exports surged to **USD 40.8 billion** in 2024, reflecting a **14% increase** and underscoring the robust recovery of the industrial landscape. This revitalization is pivotal for the economy and signals a broader commitment to fostering sustainable growth and resilience in the face of challenges.

Furthermore, the Business Barometer Index published by the Egyptian Center for Economic Studies, reflects companies' assessment and expectations regarding the level of overall economic activity and business sector performance through conducting a survey, has risen to **51 points**, indicating improvements across critical areas such as production, sales, exports, and the utilization of production capacity. The non-petroleum manufacturing sector has also excelled, achieving a growth of **7.1%** in the first quarter of fiscal year 2024/2025, continuing a positive trajectory observed over recent months. This growth can be attributed to ongoing economic reforms initiated in March 2024 and enhanced customs procedures that have facilitated easier access to essential production inputs. **The Egyptian Government has adopted a strong approach towards deepening the Egyptian industry to address the import gap through multiple paths focused in two directions as follows:**

(1) **Stimulate the Production Sector, Especially the Industrial Sector:**

- **Issuance of the Prime Minister's Decision to Establish the Ministerial Group for Industrial Development:**

The Prime Minister, Mostafa Madbouly, issued Decision No. 2227 on July 8, 2024, to form the Ministerial Group for Industrial Development, chaired by the Vice Prime Minister for Industrial Development, the Minister of Ministries of Industry and Transport, with the membership of the following ministries: Minister of Environment; the Minister of State for Military Production; the Minister of Electricity and Renewable Energy; the Minister of Local Development; the Minister of Housing, Utilities, and Urban Communities; the Minister of Public Business Sector; the Minister of Petroleum and Mineral Resources; the Minister of Investment and Foreign Trade; the Chairman of the Board of Directors of the Arab Organization for Industrialization, and representatives of the Ministries of Defense and Interior.

The Industrial Development Ministerial Group is responsible for developing and implementing the national strategy for industrial development, focusing on attracting direct private investment in the industrial sector. It will also develop a comprehensive plan with clear, time-bound objectives to enhance the local component of the national industry. This plan includes 152 identified investment opportunities aimed at achieving self-sufficiency. Additionally, the group is responsible for establishing a unified mechanism for developing industrial lands and simplifying the procedures for industrial projects.

Furthermore, the group will create an action plan to boost industrial exports in collaboration with the Federation of Egyptian Industries (FEI) and specialized industrial chambers. The group will meet weekly or as necessary and provide regular reports to the Prime Minister, outlining progress, key recommendations, and implementation details. A technical secretariat will be appointed to support its functions, with specific duties determined by a decision of its chairman.

- **Struggling Factories Support:**

Egypt has implemented a series of measures to support struggling and closed factories, recognizing their vital role in driving industrial activity, increasing production capacity, and preserving employment opportunities. These efforts reflect the Government's commitment to revitalizing the industrial sector and ensuring sustainable growth.

The Government has also facilitated dialogue with factory owners to understand their unique challenges and provide swift solutions. Weekly meetings have been held with representatives from various industrial sectors to address sector-specific obstacles and explore recovery pathways, including pharmaceuticals, food processing, chemicals, textiles, and furniture. These consultations ensure that the Government remains responsive to the needs of investors and industrialists.

In July 2024, the Ministry of Industry announced a series of key initiatives to assist struggling factories, including granting extensions for construction and operation timelines.

The Government expanded its support framework to provide more comprehensive measures. Factories that had completed more than 50% of their construction progress were granted a maximum six-month extension with full exemption from delay penalties. Those with less than 50% progress were allowed a maximum 12-month extension with a 50% penalty exemption. Additionally, factories that had yet to obtain building licenses or start construction were offered an 18-month extension with a 30% reduction in penalties. In cases where extensions had expired, investors were offered the opportunity to reclaim land at its original price, subjected to repayment of penalties, contingent upon demonstrating a genuine commitment to advancing their projects. The initiative has yielded tangible results, with 99 requests submitted to the Industrial Development Authority for time extensions. These requests included 38 factories with over 50% construction progress, 25 factories with less than 50% progress, and 34 plots of undeveloped land. The Government has emphasized the importance of resolving these cases to ensure projects are completed and operational as soon as possible.

Beyond providing extensions, financial support has been a cornerstone of the Government's efforts. The Central Bank of Egypt is developing a new initiative to establish a financial fund to assist struggling factories. This initiative builds upon earlier efforts to finance stalled industrial projects, although companies that have already benefited from earlier funding programs will be excluded to ensure equitable distribution of resources.

Moreover, the Ministry of Industry launched the national program, Your Factory Always Works, inviting struggling factories to present their challenges to the Government for tailored solutions. As part of this initiative, additional support has been provided to help factories obtain international compliance certifications, train and upskill their workforce, and access technical expertise to improve production quality. These efforts aim to boost the competitiveness of Egyptian products in global markets, fostering foreign exchange inflows through exports.

One notable success story is the reopening of El-Nasr Castings Company, a key player in Egypt's industrial landscape. The Government prioritized its revival as part of a broader effort to support strategic industries, underlining the critical role of such projects in achieving sustainable economic growth.

- **Launching the National Industrial Strategy and Preparing an Urgent Plan to Promote Egyptian Industry:**

On August 7, 2024, President Abdel Fattah El-Sisi approved the National Industrial Strategy, which aims to increase the industrial sector's contribution to the national GDP from 14% to 20% annually by 2030. The strategy also seeks to raise the green economy's share in the GDP to 5%, focusing on green industries. Furthermore, it aims to double the workforce in the industrial sector from 3.5 million to 7 million workers, enhancing skills and reducing unemployment rates. The strategy identifies nine priority industrial sectors to strengthen local manufacturing in Egypt, including engineering industries, chemical industries, furniture, food, textile, medical, leather, agricultural products, and printing and packaging. The strategy will be implemented over six years (2024-2030) and divided into three stages, each comprising a specific number of activities and executive programs.

As part of the National Industrial Strategy, an urgent plan has been developed to promote the industrial sector in Egypt. This plan is based on several key pillars, including the deepening of industrialization by establishing new factories to partially meet local market demands, reduce imports, and expand the industrial base to boost exports, particularly in industries that utilize locally available raw materials.

Additionally, the plan prioritizes the revival and support of closed or inactive factories, as well as assisting factories under construction in completing their setup, equipping them with the necessary machinery, and commencing operations. These efforts aim to increase industrial activity and production capacity while also improving the quality of Egyptian products to ensure their competitiveness in both local and global markets. The plan also emphasizes the training and development of the workforce, especially technical and skilled labor, which will improve the workforce's capabilities.

- **Launching the First Phase of the New Initiative to Support Companies in Priority Industrial Sectors**:

On December 29, 2024, the Government announced the launch of a new initiative to provide EGP 30 billion in financing for the private sector to purchase machinery, equipment, and production lines in seven key industrial sectors. These sectors include pharmaceuticals, engineering industries, chemicals, food industries, textile industries, mining, and construction materials. The initiative prioritizes facilities located in regions with higher development needs and labor intensive, such as border governorates, Upper Egypt, South Giza, and the Suez Canal area. The program is financed by the state's public treasury, which will cover the interest rate differential to boost production capacity and economic growth.

Companies enrolling in this initiative benefit from the subsidized return rate from the State Treasury of 15% for a period of 5 years starting from the date of the initiative's start, with the maximum financing for a single customer being EGP 75 million, and related parties EGP 100 million. These companies also receive an additional 1% reduction in interest rates when the local added value in their products increases from 7% to 10% over the previous fiscal year, and the additional reduction increases to 1.5% when the local added value increases by more than 10%. The additional reduction in interest rates also increases to 2% for newly established industrial activities that have not previously been produced locally and whose import volume is large.

- **Formation of a Committee for The Inspection and Periodic Review of Industrial Facilities**:

Pursuant to Decision No. 397 of 2024, issued by the Deputy Prime Minister for Industrial Development, the Minister of Ministries of Industry and Transport, which was subsequently amended by Decision No. 460 of 2024, a joint committee has been established. This committee is chaired by the General Authority for Industrial Development and includes representatives from the following entities: the Ministry of Interior (General Administration for Civil Protection), the Ministry of Environment, the Ministry of Labor

(Central Administration for Occupational Safety and Health), the Ministry of Local Development, the Ministry of Agriculture and Land Reclamation, the Ministry of Health and Population, the Ministry of Petroleum and Mineral Resources, and the National Food Safety Authority (NFSA). The committee is responsible for conducting inspections and periodic reviews of industrial establishments according to the inspection plan developed by the General Authority for Industrial Development.

The objective is to ensure that these establishments adhere to the licensing requirements concerning civil defense, environment, occupational safety and health, and others, as stipulated by Law No. 15 of 2017, which facilitates the procedures for granting industrial licenses.

The decision prohibits any related licensing authority or its representatives from conducting individual inspections or visits to industrial facilities. It also prohibits the closure of any industrial facility unless a closure decision is issued by the relevant minister responsible for industry affairs following submission to the Prime Minister for approval.

Furthermore, the committee has been expanded to include representatives from the Ministry of Water Resources and Irrigation to oversee factories utilizing groundwater, the Ministry of Supply and Internal Trade to address issues related to dyeing processes and food safety in factories, and the Ministry of Agriculture and Land Reclamation to monitor feed factories.

The decision also introduces a unified inspection plan form for industrial establishments, customized according to the nature of their activities. The joint committee began conducting collective inspections on August 25, 2024, and inspections have been carried out at 1,707 factories across 25 governorates.

- **Launching Egypt's Digital Industrial Platform**

The Egyptian Digital Industrial Platform was officially launched on September 1, 2024, to provide all industrial services electronically, simplify procedures, and facilitate investors in obtaining land services and industrial licenses through a unified platform. The platform aims to simplify processes and enhance accessibility by enabling the payment of all required fees via an electronic payment system, thus making transactions more convenient for investors. The first phase of the platform includes the following services: industrial land allocation through the industrial investment map, issuance of operation licenses via notification, and annual follow-up. Additional services are gradually added, including issuing pre-approval operation licenses, building permits, and industrial registration certificates. The remaining services will be launched in due course.

A total of 1,124 plots of land, covering an area of 8.5 million square meters, were offered in 14 governorates. 1,633 investors paid a 10% reservation fee, and 267 plots were allocated, totaling approximately 0.8 million m2. Notifications were sent to applicants via SMS and email to inform them of the results. The results of the land offering were announced on the platform on September 22, 2024. Notably, the platform has witnessed significant engagement, creating 5,502 new user accounts and over 37,300 website visits recorded throughout September 2024.

Establishing a Department to Serve and Support the Investors in The Ministry of Industry:

The department receives requests and complaints from investors and factory owners. It is responsible for studying each case and referring them to the relevant authorities for resolution while following up on each complaint until it is fully addressed and the investor receives a response. Additionally, a mobile application is being finalized to receive complaints and respond to inquiries, making it easier for investors. During the implementation of the urgent industrial development plan over a period of 130 days until November 2024, approximately 873 complaints were received, including 440 complaints regarding the allocation of industrial land, 68 complaints regarding obtaining operation licenses, building permits, and industrial registration, 63 complaints regarding the lack of utilities (electricity/gas/water), 46 financial-related complaints, and 256 miscellaneous complaints. 162 of these complaints were finally resolved, and the remaining complaints are being addressed progressively.

- **Establishing an Investors' Association for Each Industrial Zone:**

On September 30, 2024, governors were directed to establish an Investors' Association for each industrial zone. This association, formed by the zone's investors, will be responsible for managing the industrial zone and overseeing all its internal affairs. The association will provide services such as security, cleanliness, and maintenance for the zone, manage and maintain all internal utilities in coordination with the relevant authorities, and collect maintenance fees and service charges from the investors to fund these services. Additionally, the association will create a set of regulations for managing the industrial zone, outlining the rights and obligations of the investors and the fees charged for the services provided. The regulations will be approved by the Industrial Development Authority (IDA). The association will also offer recommendations and proposals to the IDA to improve the efficiency of the industrial zone and ease operations for investors.

- **Launching the First Phase of the "Proudly Made in Egypt" Brand Platform:**

In February 2024, the Industrial Modernisation Center launched the first phase of the «Proudly Made in Egypt» platform, which is awarded to industrial establishments and includes products from over 300 factories. The center also introduced industrial design services, enhancing the competitiveness of Egyptian products both regionally and internationally. Additionally, the center began collaborating with the Academy of Scientific Research and Technology (ASRT) through the Egyptian innovation bank. It launched several «industrial challenges» to make the initiative a gateway for research projects that can be implemented industrially. By November 2024, 404 establishments had been awarded the «Proudly Made in Egypt» label.

- **Weekly Discussions with Investors and Factory Owners to Address and Solve Issues Immediately:**

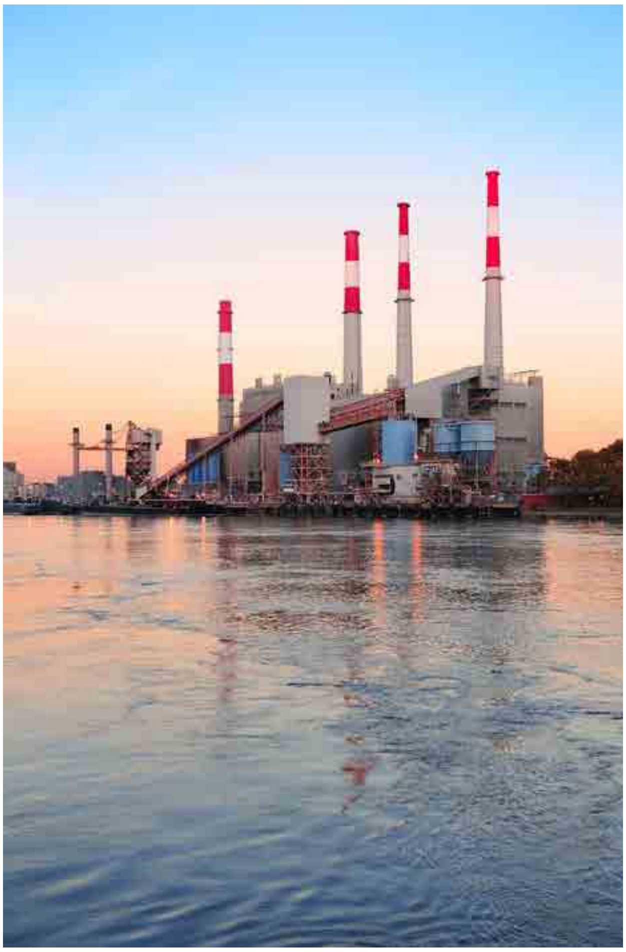
A weekly meeting is held in selected governorates to meet with regional industrial zone investors. These meetings are attended by the governor and relevant local authorities, aiming to identify and address the challenges faced by investors. The primary focus is on resolving obstacles within industrial zones, particularly those related to incomplete utilities and infrastructure. This has been done for the governorates of (Minya, Beni Suef, Dakahlia, Sohag, Qena, and Faiyum), and the remaining governorates will be addressed progressively.

- **Formed a Committee to Develop a Future Vision to Maximize the Benefits of Phosphate Ore in Egypt:**

A specialized committee has been established to develop a strategic vision aimed at maximizing the benefits of phosphate ore in Egypt, studying the possibility of halting exports, regulating the extraction process, and accurately assessing the confirmed reserves of phosphate ore in preparation for presentation to the ministerial group. The committee comprises representatives from key ministries, including the Ministry of Industry (represented by the General Authority for Industrial Development and the Industrial Modernization Center), the Ministry of Petroleum and Mineral Resources (represented by the Mineral Resources Authority and the Holding Company for Metallurgical Industries), In addition to, the Ministry of Public Business Sector.

- **Clear And Strict Criteria and Conditions for Industrial Land Auctions:**

A set of clear and strict criteria has been established to evaluate applicants for industrial land, ensuring that land is allocated to investors rather than industrial land traders. The bidding booklet also includes a commitment from all relevant authorities to prohibit any transfer of ownership of industrial land until the allocated party has fully paid for the land, demonstrated seriousness, obtained an operating license, completed the industrial registration, and commenced actual operations for a minimum of three years.



(2) Government Initiatives for Enhancing Exports:

- **New Export Subsidy Program:**

The export subsidy program for 2024/2025 was designed to direct greater support to higher value-added products and allocate a specific budget share for each export sector. Additionally, through this program, the minimum percentage of local inputs of production required for exports benefiting from the program was raised to 35%, with plans for further gradual increases in the future. It is worth mentioning that the main pillars of the export subsidy program include:

- Deepening industrialization by increasing the percentage of local inputs of production in exports
- Strengthening the development of Upper Egypt, border regions, Damietta Furniture City, and the Robbiki Leather City.
- Providing additional incentives for exports carrying Egyptian trademarks
- Offering transportation subsidies to access markets in Africa
- Additional incentives for export infrastructure, such as exhibitions and air freight, should be provided.

Both Ministries, Finance and Investment and Foreign Trade are working on finalizing the new export subsidy program within the first three months of 2025, aiming to estimate the subsidy required to be included in the fiscal year 2025/2026 budget. They continuously direct support towards high-value-added products. Additionally, they link cash and non-cash export incentives—such as land allocation, workforce training, tax exemptions, and international exhibitions—to the budget allocated for the 2025/2026 fiscal year program.

The Government has successfully launched seven phases to pay outstanding late receivables for exporters' support, under the Instant Cash Payment Initiative. With the seventh phase alone resulting in the disbursement of EGP 16.2 billion since the opening of applications in March 2024. A key feature of the initiative is its flexibility, allowing exporters to offset their subsidies against any outstanding debts owed to the government, including taxes and fees. Furthermore, it ensures that subsidy payments are processed and disbursed within a maximum period of three months from the date of submission. Through the export support program, the Egyptian Government has successfully settled EGP 70 billion in overdue payments for over 2,800 exporting companies between 2019 and 2024.

In August 2024, the digitization of the export subsidy program took action with the launch of the first phase of the Exporters' reimbursement automation project. This project also allowed exporting companies to register and submit subsidy disbursement requests electronically, automatically reducing the time required to review documentation and accelerating the disbursement of payments efficiently.

Furthermore, a new mechanism will be implemented in 2025 to settle the Export Development Fund's remaining overdue payments owed to exporters, with a total value of EGP 60 billion. Payments for the current fiscal year 2024/2025 will be settled within the same year, as the Government aims to disburse 50% of exporters' dues in cash over four consecutive fiscal years, starting from the current year with an allocation of EGP 8 billion. This will ensure complete transparency and clarity to the allocated subsidy in light of periodic evaluations of the sectors requiring support.

- **Enhancing Trade Connectivity: The Egypt-Italy Ro-Ro Maritime Line:**

The launch of the «RO-RO» maritime transport line between Damietta Port in Egypt and Trieste Port in Italy marks a transformative milestone in strengthening trade relations between the two nations. This line facilitates the exchange of goods, especially agricultural products, between Egypt and Italy and extends its impact to broader European markets. The initiative offers a competitive advantage to Egyptian exports by reducing transit time and costs, particularly fresh produce such as fruits and vegetables.

The project is a testament to Egypt's commitment to becoming a regional hub for logistics and trade. Supported by directives from President Abdel Fattah El-Sisi, the RO-RO line aligns with broader efforts to enhance Egypt's logistics infrastructure. It also reflects the strong bilateral ties between Egypt and Italy, emphasizing cooperation in maritime transport, customs clearance, and logistics. The line allows refrigerated and dry trucks to transport goods efficiently, with shipments reaching their destinations in as little as two and a half days compared to the six days required by traditional routes.

Egypt's Ministry of Transport and other governmental bodies have worked extensively to ensure the project's success by addressing operational challenges and offering substantial incentives. These include an 88% reduction in port fees and a significant decrease in road transit costs, from USD 300–350 per truck to just USD 100. Legal frameworks, such as cooperation agreements with Italian counterparts, have been established to guarantee smooth operations. Moreover, a customs committee was created at Damietta Port to expedite clearance processes, further facilitating the flow of goods.

Promoting this project internationally has been a key focus. Collaborative efforts led by the Egyptian Commercial Service, the Agricultural Export Council, and the Egyptian-Italian Business Council have enhanced awareness of the RORO line's benefits. Egypt's participation in major global trade fairs such as Fruit Logistica in Berlin and Macfrut in Italy has also played a pivotal role in introducing the initiative to the European market.

The Ro-Ro line supports Egypt's agricultural exports and strengthens its position as a strategic gateway to Africa. It offers Italian and European businesses a reliable transit route for their goods to reach African markets. Additionally, by addressing seasonal export challenges, the line ensures the timely delivery of fresh products like strawberries and grapes during peak periods from November to January of each year, maintaining product quality while minimizing logistics costs.

The line's operational efficiency is evident from its pilot phase, which commenced on November 29, 2024, with weekly voyages carrying up to 140 refrigerated and dry trucks per trip. Over the coming years, it is expected to boost container traffic in Mediterranean ports by 3.5% annually. Furthermore, the initiative contributes to job creation, generating direct and indirect job opportunities for administrative employees of transportation companies, shipping companies, and shipping agents and providing more than 2,000 job opportunities for Egyptian drivers.

As Egypt continues to advance its economic reform agenda, projects like the RoRo line demonstrate the country's ability to leverage its strategic location and robust infrastructure to enhance its global trade standing. By bridging markets, reducing costs, and increasing export competitiveness, the initiative reflects a broader vision of sustainable economic growth, attracting foreign investment and fostering partnerships with global businesses.

- **Accelerating Customs Clearance in Egypt:**

In recent years, Egypt has undertaken transformative reforms to modernize its customs clearance system. These efforts align with the Government's overarching strategy to enhance trade facilitation, support local industries, and strengthen the nation's position in global trade.

At the core of recent reforms is the adoption of the Advance Cargo Information (ACI) system, a flagship digital transformation initiative. The ACI, introduced to streamline import processes, requires the pre-registration of shipments, effectively reducing paperwork and minimizing the risk of unauthorized goods entering the country. This pivotal shift has resulted in faster, more secure customs clearance procedures. Various compliance measures have been introduced to ensure the success of the ACI system. For example, Advance Cargo Information Declaration (ACID) numbers for shipments exceeding six months are now canceled, a policy designed to promote accountability and timely processing.

Egyptian ports extended their operational hours to seven days a week, recognizing the urgent need to improve efficiency, including Fridays and official holidays. This measure was implemented to enhance the flow of imports and exports, stabilize commodity prices, and address long-standing clearance delays. In parallel, Egypt's National Trade Facilitation Committee (NTFC) has adopted a comprehensive National Trade Facilitation Strategy. Developed in collaboration with the International Finance Corporation (IFC) and the World Bank, the strategy aims to align Egyptian customs procedures with international standards.

The Government has also prioritized the clearance of strategic goods, such as food, pharmaceuticals, and industrial inputs. By coordinating with the Central Bank of Egypt, authorities have ensured the availability of foreign currency to finance high-priority imports, further stabilizing supply chains and meeting market demands.

Efforts to accelerate customs processes are already yielding significant results. Between May and July 2024, Egyptian ports processed goods worth USD 13.7 billion, with USD 12 billion cleared, including USD 3.4 billion in strategic goods, USD 5.4 billion in production inputs, and more than 39 thousand cars imported at about USD 364 million. These efforts have ensured the steady flow of raw materials to manufacturers and maintained the stockpile of essential goods. Clearance times have been significantly reduced, with the average time dropping from eight days to six days. The Government aims to reduce this further to two days. Complementary measures have streamlined operations and reduced business logistical costs, such as extending holiday bank payment hours.

Through these strategic initiatives, Egypt is paving the way for an efficient and innovative customs system, laying a strong foundation for sustained economic growth and increased competitiveness in global markets.

- **Efforts To Adjust to The Carbon Border Adjustment Mechanism:**

Regarding the Carbon Border Adjustment Mechanism (CBAM), which the European Union will implement on imports starting in January 2026, Egypt has accelerated its efforts to align local industries with global environmental standards. The CBAM's implementation will directly affect key productive industries in the Egyptian economy, including several industrial sectors, most notably iron, steel, cement, aluminum Ceramics, Glass, and fertilizers.

November 2024 marked the approval of the CBAM urgent executive plan that was formulated by The Technical Secretariat of the Ministerial Group for Industrial Development. This executive plan is developed in coordination with various ministries and relevant entities within the group to establish a mechanism for adjusting CBAM within Egypt's industrial sector while addressing export penetration challenges arising from CBAM implementation. It also outlines the specific roles of each member within its framework, along with exact timelines for execution.

Additionally, Egypt witnessed the establishment of the first Carbon Footprint Verification and Validation Unit within The Egyptian Organization for Standards and Quality (EOS), which the Egyptian Accreditation Council (EGAC) has internationally accredited as a provider of verification and validation services to all industrial sectors.

Other efforts regarding CBAM compliance include establishing a specialized unit within the General Organization for Export and Import Control responsible for the verification and certification services of the greenhouse gas reports by international standards, as well as the launch of a laboratory specializing in measuring carbon emissions from biodegradation products. These efforts aim to strengthen the competitiveness of Egyptian exports in global markets, particularly in Europe.

- **Access to Global Markets:**

Significant efforts have been made to expand the base of Egyptian exporters and enhance access to global markets. These efforts included organizing numerous training sessions and providing over 1,000 market studies and reports on international markets. Additionally, challenges related to customs and non-tariff barriers that hinder Egyptian exports were addressed, along with resolving trade disputes between Egyptian and foreign companies. Furthermore, 59 investment projects were facilitated in various sectors, including energy, food industries, engineering, medical supplies, IT, banking, real estate, telecommunications, ready-made garments, and textiles.

- **Egyptian Export Portal:**

The Egyptian Export Portal has been pivotal in promoting Egyptian products, with 276 products promoted via its online platform. Additionally, 2,261 direct trade opportunities were distributed to Egyptian companies registered on the platform, and 320 international tenders were announced through the portal. Technical support was provided to six Egyptian companies in the food and furniture industries.

A memorandum of understanding was signed between the General Organization for Export and Import Control in Egypt and the Public Authority for Industry in Kuwait to foster industrial export development. Furthermore, seven sectoral export studies were prepared and added to the portal at « http://expoegypt.gov.eg/», along with nine country profiles covering Italy, Iraq, the UAE, Spain, Libya, Rwanda, Algeria, Tanzania, and Bahrain. These resources aim to assist exporters in better understanding target markets.

Additionally, 72 companies were engaged to explain the authority's services and target markets, while workshops in Damietta further highlighted export readiness and registration processes on the Export Portal.

- **Export Promotion through International Exhibitions**:

Efforts to promote Egyptian exports through international exhibitions included organizing Egyptian participation in approximately 70 international exhibitions and arranging 370 trade missions, both inbound and outbound. Egyptian pavilions were established at 36 international exhibitions, while licenses were issued for 59 domestic and 12 international exhibitions.

Support was provided for 448 companies participating individually in international exhibitions, with decisions issued to support these companies financially. Furthermore, a training program titled «Participation in International Trade Exhibitions» was implemented for 30 participants, covering the importance of exhibitions in export marketing, identifying key trade exhibitions, and the procedures for participation in international and regional markets.

- **Quality Certifications**:

The General Organization for Export and Import Control (GOEIC) has taken several steps to update its services to support exporters and investors in meeting environmental standards, enhancing the competitiveness of Egyptian exports in global markets. These measures include establishing integrated laboratories at all major ports, with 310 laboratories and 3,300 internationally accredited tests under the auspices of the Egyptian Accreditation Council (EGAC) by ISO 17025 standards.

A unit for validating and certifying greenhouse gas emissions was also established, enabling the issuance of environmental certifications for carbon reduction and providing a competitive advantage for eco-friendly Egyptian exports. EGAC accredits this unit and complies with international standards:

- ISO/IEC 14065/2020.
- ISO/IEC 17029/2019.
- ISO/IEC 14064.

Moreover, a specialized lab was established to test the biodegradability of exported products (detergents, textiles, and leather goods), aligning with global legislation (OECD/OCDE TG310). This initiative positively impacts the reputation of national industries while reducing emissions and supporting the green economy.

Additionally, a unit for product inspection was created to issue conformity certificates for exported products by ISO/IEC 17020 standards. A product conformity certification unit was also developed under ISO/IEC 17065 standards, enabling registration on Saudi Arabia's SABER platform to enhance access to Arab markets. Various technical regulations were supported, covering textiles, food contact materials, biodegradable plastics, leather goods, footwear, detergents, paper, and more.

Finally, the issuance of the Free Sale Certificate (FSC) was initiated. Some countries require this for the release of certain industrial products, chemicals, and goods, ensuring their compliance with international standards.

To conclude, the Egyptian government's efforts to boost local manufacturing for import substitution and improve the competitiveness of Egyptian exports have made noticeable progress, although challenges remain. Through various policies and investments, there has been a clear push to reduce dependency on imports and encourage domestic production. These initiatives are gradually helping to improve the quality of local goods and making Egyptian exports more competitive in international markets. However, for these goals to be **fully** realized, continued attention to improving infrastructure, developing skills, and streamlining regulations will be essential.

Egypt’s Tourism Milestones of 2024: A Year of Success

The tourism sector is one of the main pillars of the Egyptian economy and is considered a driving force for building and revitalizing the economy. As a vital sector, it significantly boosts economic growth, creates job opportunities, diversifies income sources, and substantially contributes to foreign currency revenues.

Based on the abovementioned importance, the Egyptian government has undertaken many strategic steps and made substantial efforts to improve the tourism sector. Those efforts have been reflected in the improvement of the tourism indicators, with Egypt's inbound tourism experiencing significant growth during 2024 despite ongoing regional geopolitical challenges. According to governmental estimates, the number of tourists arriving in Egypt reached 15.7 million by the end of the year 2024. Between January and November 2024, overnight stays recorded a remarkable rise, reaching 151.3 million, up by 7.8% year-on-year. Furthermore, tourism revenue surged to USD14.1 billion, representing a 7.8% increase compared to the same period in 2023.

The Egyptian government has set an ambitious target to attract 30 million tourists annually by 2031, underpinned by a clear vision titled «Egypt: The World's Most Diverse Tourist Destination.» This vision is embodied in a comprehensive strategy focused on seven key pillars to strengthen and advance Egypt's tourism and antiquities sectors. These pillars are:

(1) Encouraging and fostering investment in the tourism and antiquities sectors

(2) Highlighting tourism diversity through an integrated plan to diversify tourism products

(3) Developing a comprehensive marketing plan for destinations and tourism products

(4) Ensuring the sustainability of tourism and archaeological activities

(5) Improving the tourist experience

(6) Governance and oversight

(7) Capacity building

In this regard, the Egyptian government has launched a series of parallel initiatives across various areas to strengthen the tourism sector. These initiatives include key regulatory reforms in the tourism and antiquities sectors, financial support measures, significant advancement in digitizing the sector, and extensive marketing campaigns to promote Egypt's tourism offerings. Additionally, the government has prioritized human resources development by enhancing training programs alongside ongoing efforts to inaugurate archaeological projects and discover new sites.

The following sections will highlight the most prominent efforts undertaken by the government to advance the tourism and antiquities sectors.

1 - Key Regulatory Reforms in the Tourism and Antiquities Sectors:

Several key decisions have been made to regulate and advance these sectors. A notable initiative includes signing a cooperation protocol with the General Authority for Tourism Development to develop a strategic plan for the area between Sphinx International Airport and the Saqqara Pyramid Zone. The Minister of Tourism and Antiquities also issued the executive regulations of Law No. 27 of 2023, governing the establishment of tourism chambers and the organization of their union.

As part of ongoing efforts to promote sustainable tourism, the Ministry of Tourism and antiquities has required all hotels, diving centers, and marine activity establishments in the Red Sea Governorate to obtain certification from accredited international or local entities, verifying their adherence to green practices and environmentally friendly standards.

In another significant step, the aviation incentive program has been extended until October 29, 2024, with modifications introduced to optimize its framework. The program was initially scheduled to conclude in April 2024 but now covers the winter season during the fiscal year 2024/2025. Additionally, the issuance of free 96-hour transit visas for travelers has been extended across all Egyptian airports until the end of April 2025. This initiative has also been expanded to include additional Egyptian airlines alongside EgyptAir.

2 - The Most Significant Financial Support Measures

Financial support measures are essential for ensuring the tourism sector's growth, stability, and resilience. In this context, the Egyptian government has launched a comprehensive initiative, providing EGP 50 billion financial facilities to tourism companies with flexible installment terms. This initiative aims to enhance hotel room capacity, with priority allocated to the governorates, including Luxor, Aswan, Greater Cairo, the Red Sea, and South Sinai.

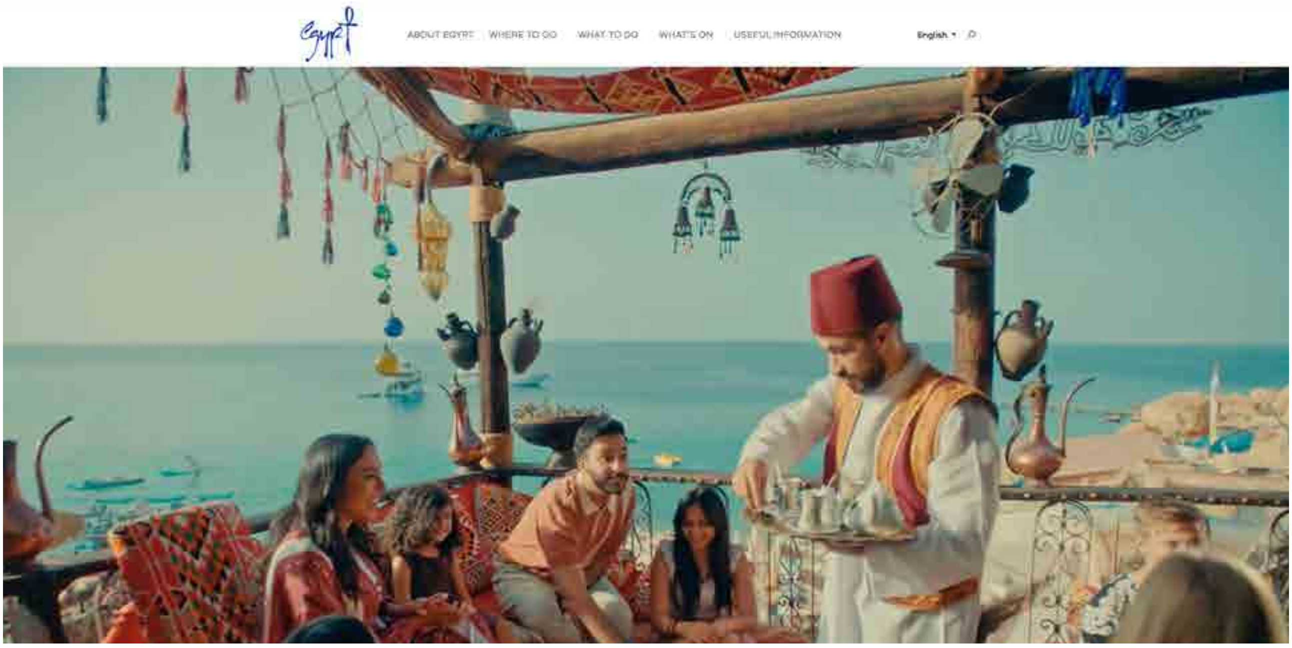
Moreover, the government has approved the disbursement of six additional payments from the Emergency Aid Fund to support workers in hotel establishments in Taba, Dahab, and Nuweiba. This measure ensures their stability until tourism activity returns to normal levels.

3 - Significant Advancements in Digitizing the Sector

Digitization has emerged as a key driver of growth and innovation in the tourism sector, revolutionizing service delivery, enhancing visitor experiences, and optimizing business operations. In line with this digital transformation, the government has implemented an electronic ticket booking system and digital entry gates at 107 archaeological sites and museums across various governorates, including Cairo, Giza, Ismailia, Alexandria, Beni Suef, Minya, Sohag, Qena, Luxor, Aswan, the Red Sea, and South Sinai.

Notably, the adoption of digital payment systems has been highly effective. From the beginning of 2024 to the end of October, non-cash payments accounted for 99.54% of transactions at museums and archaeological sites equipped with these systems, compared to only 0.46% for cash payments.

The «Project Revival» initiative has also been launched to bring ancient Egyptian history to life through an interactive augmented reality experience on Instagram. This innovative project is being implemented with the Ministry of Tourism and Antiquities and Meta (formerly Facebook) at the Egyptian Museum in Tahrir and the National Museum of Egyptian Civilization.



4 - Extensive Marketing Campaigns to Promote Egypt's Tourism

Marketing campaigns are integral to the growth and success of the tourism sector, playing a critical role in promoting destinations, attracting visitors, and enhancing a country's global reputation. As part of these efforts, the government has executed a series of promotional advertisements in collaboration with National Geographic Traveler, featuring articles published in the tourism supplements of three major English national newspapers, both in print and digital formats. The campaign highlighted the greatest Transfiguration area in Sinai and Egypt's religious tourist attractions, with additional editorial content showcasing various destinations, including Nile tourism.

To enhance Egypt's global tourism presence, the promotional website of the Egyptian General Authority for Tourism Activation, Experience Egypt, has been expanded to include additional languages, making it more accessible to a broader international audience.

In the summer of 2024, a two-month «Egypt Alive 365» campaign was launched to position Egypt as a premier tourist destination in the Arab market. Complementing this initiative, the Peace from Egypt campaign targeted key tourism markets through the Ministry's and Authority's social media platforms, emphasizing themes of peace, cultural exchange, and social harmony.

To strengthen promotional activities, the government hosted a group of influencers from Spain, Italy, Germany, and Mexico alongside the CEO of Raj Rani Travel & Globe Hoppers, a renowned Indian film production company. These guests were invited to visit several tourist and archaeological sites in Cairo, as well as Media Production City, which aimed to bolster Egypt's appeal as a diverse and vibrant tourism destination.

Additionally, the Ministry of Tourism and Antiquities had sought to participate in several international archeological exhibitions to promote Egypt's cultural heritage on a global stage. Among these, the temporary archaeological exhibition Byzantine Africa was showcased at the Cleveland Museum of Art in Ohio, USA, following its successful display at the Metropolitan Museum in New York City. Another notable exhibition, the «Ramses and the Gold of the Pharaohs,» achieved remarkable success at its fourth stop in Sydney, Australia, where it attracted 500,000 visitors and set a new attendance record for the Australian Museum. It later moved to Cologne, Germany in July 2024, for its fifth stop. In China, the exhibition The Summit of the Pyramid: The Civilization of Ancient Egypt opened at the Shanghai National Museum, drawing extraordinary interest from 136,000 visitors in its first two weeks. This led the museum to extend its visiting hours to accommodate demand.

5 - Training and Enhancing the Capabilities of Human Resources

Human resources form the cornerstone of the tourism industry, where the skills, knowledge, and professionalism of the workforce directly influences the quality of services and visitor satisfaction. Recognizing this, the Ministry of Tourism and Antiquities has implemented comprehensive training programs to enhance the capabilities of personnel in the tourism and antiquities sectors. These initiatives include numerous training sessions on diverse topics, some conducted in collaboration with esteemed global organizations such as USAID, UNESCO, and the German University in Cairo.

In 2024, more than 20,000 individuals from the private sector participated in training programs covering a wide range of areas, including food safety and hygiene, culinary and project skills development, internal supervision, preparation and cooking techniques, front desk operations, hotel trainer certification, and cultural awareness. These efforts establish a robust framework for continuous skill enhancement across the sector.

To further support professional development, the Ministry is developing an electronic training platform, known as the Learning Management System (LMS), designed to upskill employees in the Ministry and the broader tourism sector and job seekers. The platform will offer in-person and online training options, offering opportunities to earn certificates and professional diplomas. This initiative will improve the quality of education in tourism and ensure the workforce remains competitive and well-equipped to meet the industry's evolving demands.

6 - Raising Tourism and Antiquities Awareness

Raising awareness about tourism and antiquities is essential for fostering appreciation, engagement, and responsible behavior among both local communities and international visitors. Accordingly, the Ministry of Tourism and Antiquities has organized over 513 events as part of the presidential initiative A New Beginning for Building the Human. These events have engaged more than 30,376 citizens across all Egyptian governorates, including youth, women, and people with disabilities, promoting a deeper understanding of Egypt’s rich heritage. These initiatives aim to enhance tourism and cultural awareness, contributing to the overarching goal of elevating the nation’s tourism experience.

7 - Inauguration of Archaeological Projects and Museums

The Grand Egyptian Museum has reached approximately 99.75% completion, achieving significant milestones such as the transfer of over 56,000 artifacts. The museum has also gained international acclaim, earning the prestigious Versailles Award in 2024 as one of the world's most beautiful museums.

In parallel, the Ministry of Tourism and Antiquities has made substantial progress in the restoration and preservation of Egypt's historical landmarks. Notable achievements include the restoration of the Ramlah and Al-Haddad Towers at the Citadel of Saladin in Cairo and the completion of the restoration and documentation of the Psalms manuscript, now proudly displayed at the Coptic Museum. Additionally, specialized research laboratories for precise analysis were inaugurated at the National Museum of Egyptian Civilization in Fustat.

Efforts to restore religious sites have also been noteworthy. The Ali Al-Mahali Mosque and Sheikh Taqi Mosque in Rashid were reopened following comprehensive restoration work, while the second phase of restoration for the Tanbga Al-Maridani Mosque in Darb Al-Ahmar has been completed.

The year 2024 also witnessed extraordinary archaeological discoveries across Egypt, showcasing the nation's rich heritage. Highlights include the discovery of the first Middle Kingdom tomb with unopened burial chambers in Asasif, a fully intact Ptolemaic temple in Sohag, and a vast ancient celestial observatory dating back to the 6th century BCE in Buto Temple, Kafr El-Sheikh. Moreover, tombs from the Ptolemaic and Roman periods were uncovered in the Bahnasa area of Minya, along with significant finds from various historical eras and regions.

These achievements underscore the state's commitment to ensuring the sustainability of tourism and antiquities activities. By unveiling Egypt's hidden treasures, these efforts deepen historical understanding and attract global interest in the country's unparalleled cultural legacy.

In conclusion, Egypt's tourism sector achieved a record-breaking milestone in 2024, highlighting the strategic efforts undertaken by the Egyptian government to enhance this vital pillar of the national economy. Furthermore, the highly anticipated opening of the Grand Egyptian Museum in 2025 is poised to mark a pivotal moment on the global stage, reaffirming Egypt's enduring status as a land of treasures.

The Grand Egyptian Museum project won the FIDIC Project of the Year Award, recognizing its excellence in utilizing FIDIC contracts, among the most widely used set of international model contracts for global construction and engineering projects.

The Grand Egyptian Museum won the Versailles World Award **as one of the seven most beautiful museums in the world in 2024. The award highlights recently opened or renovated museums, emphasizing creativity, local heritage reflection, environmental efficiency, and their positive impact on surrounding communities.**

The American magazine Travel + Leisure, **specializing in tourism and travel, has chosen Luxor as one of the top 50 travel destinations in the world for 2025.**

The Telegraph **has chosen the Grand Egyptian Museum as one of the top 50 tourist destinations in the world for 2024. This recognition highlights the museum's significance as a key cultural and historical site.**

Egypt's Renewable Energy Growth

Government Driving the Shift

Egypt firmly believes that renewable energy is the way to achieve sustainable development, protect the environment, and ensure a better future for future generations. This vision aligns with the Sustainable Development Goals, particularly Goal 7, which focuses on providing clean, affordable, and modern energy for all.

Currently, the country is advancing some of the largest renewable energy projects in the Middle East, which are implemented entirely by the private sector. By the end of 2025, it is expected to have approximately **10,000 megawatts of renewable energy** from solar, wind, and hydropower sources connected to the electricity grid and approximately **2,850 megawatts of storage batteries**.

Regarding the status of renewable energy projects in Egypt, wind energy projects with a total capacity of 3,450 MW are currently being implemented. These projects include the Red Sea project by the Orascom—Engie—Toyota consortium, the Amont "Al-Nawais" project, the ACWA Power project, and the "Masdar" project.

Furthermore, solar energy projects with a total capacity of 3,700 MW are planned. These include the Abydos 1 and 2 projects, Scatec, and Masdar. Negotiations have also taken place with solar project developers to introduce battery storage systems to utilize the energy generated by solar plants during peak hours, aiming to improve the performance and stability of the national electricity grid. These negotiations have resulted in developers implementing battery storage systems with a total capacity of 2,840 MWh, which will be integrated into the ongoing projects.

Egypt has advanced by 5 positions in the Renewable Energy Attractiveness Index issued by "Ernst & Young", moving from 39th place in March 2015 to 34th place in June 2024. It has also advanced by 31 positions in the World Energy Index, issued by the World Energy Council, ranking 54th in 2023, compared to 85th in 2014. This index evaluates countries based on their potential to provide a stable, affordable, and environmentally friendly energy system.

Government's Efforts to Enhance the Renewable Energy Sector:

The Egyptian government has prioritized the optimal utilization of renewable energy sources as part of its Integrated and Sustainable Energy Strategy. This strategy aims to boost Egypt's regional and international position in the renewable energy sector through a comprehensive plan focused on diversifying energy sources and increasing reliance on renewable energy, particularly in national projects. The government's plan emphasizes reducing dependence on conventional fuels by harnessing Egypt's vast potential in wind and solar energy, which contributes to reduce carbon emissions and ensuring the sustainability of energy supplies. Additionally, the government is expanding training and research programs to cultivate a skilled workforce in the renewable energy sector, positioning Egypt as an attractive investment destination in this field. These efforts have strengthened international confidence in Egypt's efforts in this area.

The following presents an overview of the government's efforts in this regard:

1 - Incentives and Support for Renewable Energy Investment in Egypt:

Land has been allocated to the New and Renewable Energy Authority (NREA) to establish renewable energy projects, including green hydrogen production projects, covering approximately **42,600 square kilometers**. Moreover, the Authority has conducted an environmental impact assessment, including a bird migration study. The government has also guaranteed that the Egyptian Electricity Transmission Company will cover the cost of electricity purchased from investor projects. Long-term power purchase agreements have been signed, with terms extending up to 25 years.

The incentives offered for renewable energy investment in Egypt include granting land for project development in exchange for 2% of the annual electricity produced, reducing customs duties on renewable energy system components and spare parts to 2% (down from 5%), lowering the value-added tax to 5% (down from 14%), allowing investors to obtain electricity generation licenses from The Egyptian Electric Utility Regulatory Agency and Consumer Protection, and approving an increase in the maximum height of wind turbine towers to 220 meters on all lands allocated for wind power generation projects. These incentives and regulatory measures significantly enhance the economic feasibility of the projects.

2 - The Updated National Energy Strategy for 2040:

The Integrated and Sustainable Energy Strategy for 2040 is currently being updated to reflect domestic and international changes in the energy sector, global economic shifts, and the emergence of new technologies, such as green hydrogen. Additionally, with the exclusion of coal from the energy mix in the strategy and the consideration of replacing coal capacities with renewable energy, it has become essential to assess the potential to increase the share of renewable energy in Egypt's energy mix and incorporate green hydrogen into the country's energy framework.

Egypt has made significant progress in the renewable energy sector, which aligns with its ambitious, updated national energy strategy. The strategy aims to increase the share of renewable energy to 42% of total electricity generation by 2030 and more than 60% by 2040. This progress is supported by political leadership and by Egypt's unique geographical location and abundant natural resources, which provide vast opportunities for developing renewable energy projects from various sources to achieve clean and sustainable energy.

Moreover, Egypt has undergone a complete overhaul of its infrastructure and strengthened the legislative framework to encourage private sector involvement and attract international financing for renewable energy projects. As a result, Egypt has become one of the most attractive countries for investment in this sector.

The country has significantly increased its solar and wind energy capacity, relying on local and foreign private-sector investments. By the end of 2026, renewable energy capacity is expected to reach approximately 12,000 megawatts, in addition to 3,350 megawatts of storage batteries. By the end of 2029, the country aims to reach 20,000 megawatts of renewable energy, along with 3,600 megawatts of clean nuclear energy and 2,400 megawatts of pumped storage.

These projects contribute to reduce carbon emissions, create new job opportunities, boost economic growth, and advance the country's goals of reducing reliance on fossil fuels. They also support the achievement of Egypt's Vision 2030 and the updated National Energy Strategy for 2040, reflecting the nation's commitment to renewable energy and sustainability.

3 - Egypt's Efforts to Combat Climate Change through Renewable Energy Initiatives:

Egypt fully recognizes the severity of climate change and its impacts on the world, especially in developing countries, which are particularly vulnerable to the effects of climate change such as rising temperatures and water scarcity. In this regard, Egypt is committed to reducing its carbon footprint by expanding renewable energy projects and adopting sustainable development strategies. Therefore, renewable energy projects have been integrated into national plans and climate policies, with a focus on improving energy efficiency to ensure a sustainable and inclusive transition to clean energy.

A key part of these efforts is the ambitious (NWFE) program, which aims to decommission 5,000 megawatts of conventional energy sources and facilitate investments estimated at about 10 billion dollars from the private sector to support the production of 10,000 megawatts of renewable energy. This initiative is expected to reduce carbon dioxide emissions by around 17 million tons. Egypt has already begun implementing the program, with two conventional plants decommissioned, and is utilizing program funding to strengthen the electricity transmission network, a critical component to absorb the targeted renewable energy capacities.

Since the launch of the NWFE program in November 2022, the total concessional development financing received by the private sector from development partners has reached USD 3.9 billion by the end of 2024. These funds will be directed towards implementing renewable energy projects with a capacity of 4.2 GW. This reflects the country's steps towards becoming a regional hub for renewable energy.

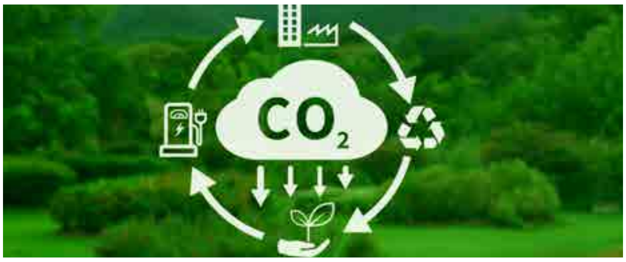
4 - The Egyptian Government's Efforts to Localize Renewable Energy Industries:

As part of its recent efforts to localize industries supporting renewable energy production, the Egyptian government has signed a memorandum of understanding with Chinese and Emirati companies to establish two factories for the production of solar cells and panels, with an expected investment of USD 213 milion. Additionally, a joint industrial project for solar panels has been signed with a Swedish company. Furthermore, the government laid the foundation stone for the Elite Solar solar energy factory, a Chinese company, with an investment cost of USD 150 milion.

5 - Renewable Energy Legislation in Egypt:

Egypt's shift towards renewable energy has opened new investment opportunities, particularly in the solar and wind energy sectors. **The liberalization of the energy market has made it more accessible to both local and international private investors**. Successful renewable energy projects in Egypt serve as proof of the sector's potential, offering valuable insights into market dynamics and future growth paths.

The legal framework governing renewable energy in Egypt is based on several key legislations. **The Electricity Law No. 87 of 2015 and its amendments** form the core legal structure for the production, distribution, and regulation of electricity, including renewable energy. This law defines the roles of various government entities, such as The Egyptian Electric Utility Regulatory Agency and Consumer Protection (ERA), which oversees the sector. It paves the way for private sector participation and includes regulatory mechanisms, such as feed-in tariffs, which have been effective in attracting investment.



The Renewable Energy Law and the Investment Law are crucial parts of Egypt's strategy to develop the renewable energy sector. **The Renewable Energy Law No. 203 of 2014** specifically addresses the development, promotion, and use of renewable energy sources like solar, wind, and hydroelectric power. It provides a legal framework for renewable energy initiatives and outlines the responsibilities of both public and private entities involved in renewable energy production and distribution. This law plays a vital role in establishing regulatory mechanisms, including feed-in tariffs, designed to offer attractive pricing for renewable energy fed into the national grid, thereby encouraging private investment.

The Investment Law No. 72 of 2017, complements the Renewable Energy Law by offering a range of financial incentives to boost investment in the renewable energy sector. These incentives include tax exemptions, where new investments in renewable energy projects can be exempt from certain taxes for a specified period. Additionally, the law reduces tax rates on profits generated from renewable energy projects, making these ventures more financially appealing. Other benefits under the Investment Law include exemptions from customs duties and other fees on equipment and machinery imported for use in renewable energy projects.

Together, these laws aim to create a supportive and financially viable environment for renewable energy projects, encouraging both local and international investors to participate in Egypt's renewable energy sector. The government's focus, through these laws, is not only to increase renewable energy production but also to ensure that these projects contribute to sustainable economic growth and environmental preservation. These legislative frameworks play a crucial role in Egypt’s transition to a more diversified and sustainable energy portfolio.

In conclusion, Egypt's commitment to renewable energy is a cornerstone of its sustainable development strategy and an essential part of its vision for a cleaner, more resilient future. The Government’s efforts to expand renewable energy projects—ranging from solar and wind to green hydrogen—are not only driving the country’s energy transition but also positioning Egypt as a regional leader in renewable energy production. With a comprehensive approach that encompasses investment incentives, strong legislative frameworks, and international collaborations, Egypt is making significant strides toward meeting its ambitious goals of reducing carbon emissions, fostering economic growth, and creating job opportunities. The ongoing initiatives, backed by both public and private sector investments, demonstrate the country’s determination to harness its vast renewable energy potential, ensuring a sustainable, clean energy future that aligns with both national and global environmental objectives.

The Egyptian Cabinet
Information and Decision Support Center

Government District, New Administrative Capital, Egypt
Postal Code: 4829902 PO BOX:191- R3 District
Telephone: (+202) 20546600-1-2-3-4 Fax: (+202) 20532115
www.idsc.gov.eg info@idsc.gov.eg