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December 2023
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INVESTING SMARTLY IN THE THRIVING HOSPITALITY SECTOR

THE GATEWAY TO SUSTAINABLE LIVING

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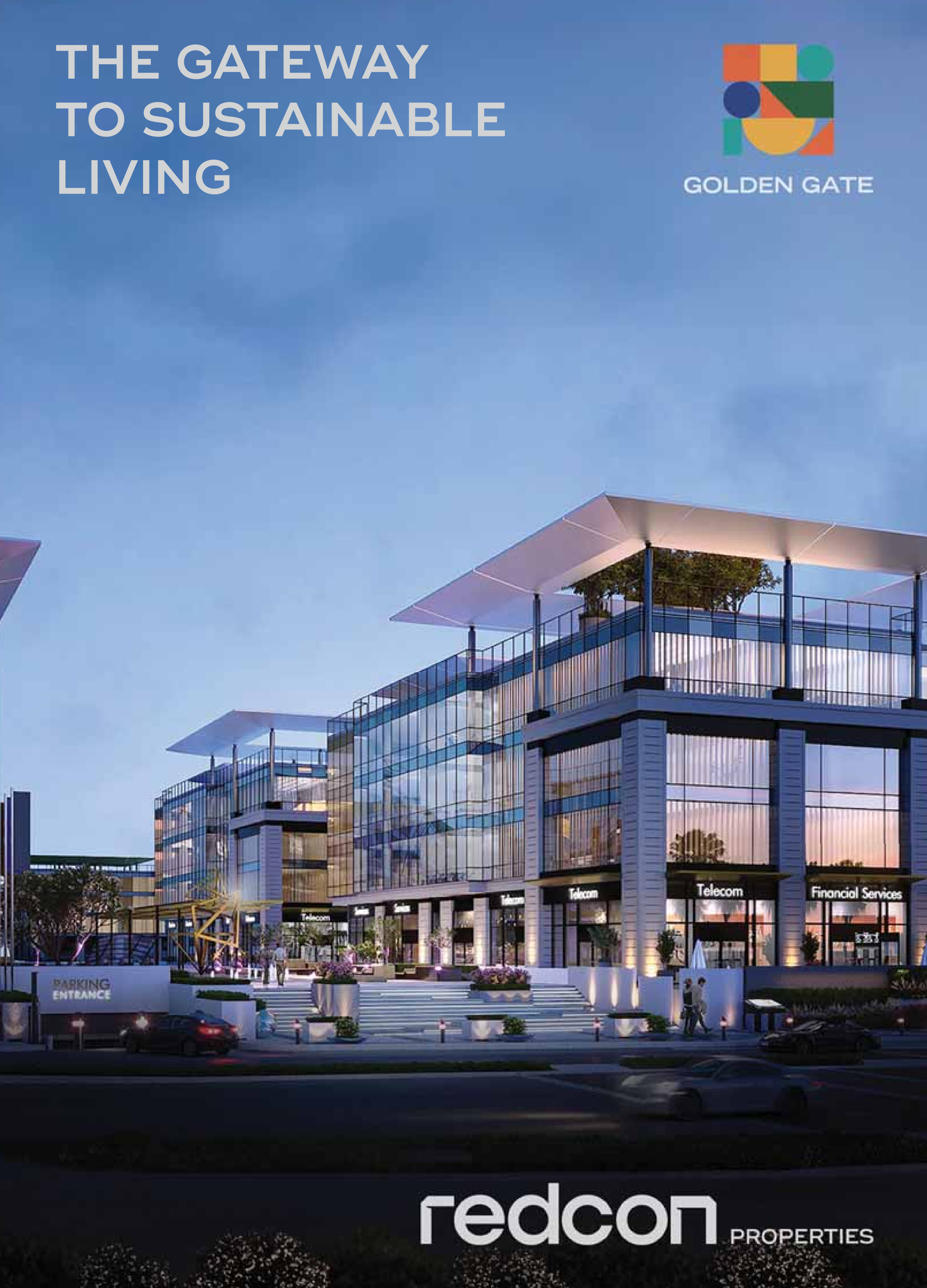

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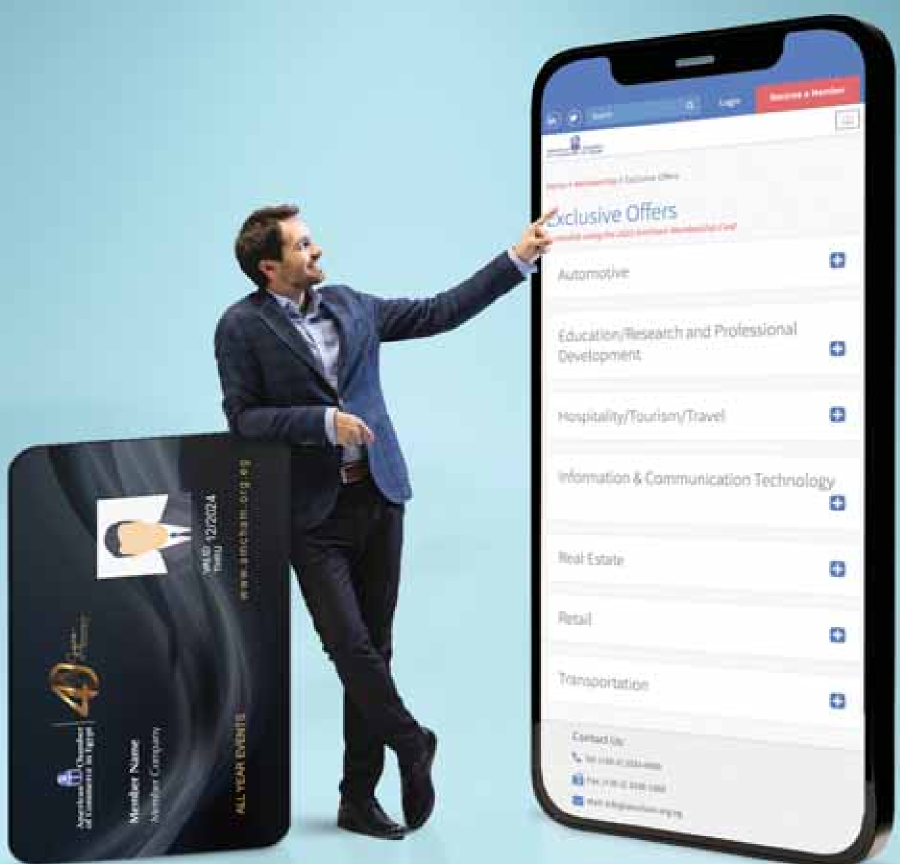

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2023

As we enter the last month of 2023, it's hard not to look back at what this year has dished up for each of us and the economy at large.

The dominant issue throughout this year has been rising prices, which have caused spending on non-essentials to dwindle, as priority and essential goods take up an ever-increasing portion of incomes and savings. In return, households have been trying to maintain living standards, cutting spending as little as possible.

Producers were hit by a perfect storm this year. First, costs increased due to increasingly scarce foreign currency supply from banks to import needed parts. That made some importers, such as auto dealerships, exploit a legal loophole to secure foreign currency by keeping imported products inside "free zones," releasing them only when buyers pay in foreign currency. In 2017, the Central Bank of Egypt explicitly banned using foreign currency in transactions inside the country. However, the law didn't include free zones, as they follow separate rules to attract investors.

The other challenge facing almost all local producers is import restrictions from the government and Central Bank. In a nutshell, getting approval to buy from abroad is now more challenging than ever, even if a company has dollars to pay for those goods.

Making matters worse for local businesses is ongoing boycotts (fueled by social media) of enterprises affiliated with some foreign brands over the conflict in the Gaza Strip. Since early October, it has been hard not to notice how empty most international fast food chains have become.

The partial upside is that Prime Minister Mostafa Madbouly said in late November the "currency crunch will end soon." The downside is it is unclear how or when that could happen.

The increasing amount of baggage the Egyptian economy has accumulated since 2020, and increased significantly in 2023, will surely spill over to 2024.

The question is: Will next year be kinder to businesses and consumers, allowing them to offload some of that baggage, or will it be another year of increased baggage to carry over to 2025?

Tamer Hafez
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Business monthly

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A CRITICAL CHOICE AHEAD

The Gaza crisis is still casting a shadow on our region. There is no clarity on what the end game will be, nor any clarity for the day after. All of this just adds to the uncertainty of where Egypt is heading economically.

Still, there are potential signs of relief. The International Monetary Fund's narrative has shifted to a more accommodating program, with the focus on combating inflation and not on the float as a primary goal. In other words, currency convertibility should be a tool rather than a target in itself. Confusing? I have to admit yes.

The caveat here could be that year-on-year inflation will by default subside, which would ultimately give us room to float the currency without a sudden inflationary impact. It is a balancing act that requires timely and skillful navigation through the process, and we will need an adept economic team at the helm of it.

Rumor has it that an updated IMF program could be inked by January to increase our facility from $3 billion up to $5-6 billion. Again, the anticipated Cabinet reshuffle after the presidential election could be in theory done in a timely fashion to correspond with the implementation of the new IMF deal.

Still, I must say this is all pure speculation, given the fact that this period is marred by a lack of clarity. The choice of the Cabinet team after the elections should give us direction on where the country will be heading economically. Will it be the same team or a major reshuffle with a new mandate? There is no crystal ball, but our dire economic situation, exacerbated by the Gaza War, should provoke a change of course with a mindset fit for managing the post-election period.

In other news, I just returned from a brief visit to COP28. For the first time, the United Arab Emirates as a country has committed to a $30 billion fund to invest in energy transition globally. Last year in its entirety, a sum of $12 billion was pledged by various stakeholders as opposed to a commitment by the UAE. This is considered a big success in many ways.

Egypt's ambitions and efforts to become a green energy hub qualifies us as a promising recipient for such investments. However, this requires agility and transparency on our part. It also requires close coordination between three ministries – electricity, oil & gas, and environment – to capture the moment, which is not always an easy process given the different priorities for each one. Now might be the time to consider consolidating these portfolios into a new energy ministry to streamline the process, a desire that has been voiced by different stakeholders for some time.

Again, the tools are there to navigate this crisis, and the skills are abundant. It is the choice of team that is of the essence, more now so than at any other time.

TAREK TAWFIK
President, AmCham Egypt

Opus Talent Analytics

In the future of work, people data will lead the way

There are extraordinary solutions hiding in plain sight. Every performance review, payroll stub, and employee survey is thick with powerful data. Increasingly, companies are using AI-backed technology to turn these mundane data points into highly profitable insights, in order to build stronger companies and more satisfied employees. Companies that ignore the trend risk doing so at their own peril.

The world's best firms have known this for a while. Credit Suisse famously devised an algorithm to predict who would quit in order to retain top talent. Companies such as Xerox, Southwest Airlines, and Proctor & Gamble all use employee feedback to devise career development programs, reducing costly turnover. In each case, key insights came from the company's own records.

Smart use of data is no longer a luxury. Today, it's a mark of companies that can read the future. The nature of work is rapidly changing – artificial intelligence, automation, and remote work have forged a "future of work" with vastly different expectations and norms. Employees now demand more meaning, flexibility and personal development from their employers—otherwise, they quit. New tools are needed to retain talent.

About 60 percent of business spending goes to payroll. Hiring and skilling are the two largest cost buckets. There's sound business logic to this: if employees are not kept skilled and happy, customers take notice. Sales go down. And when employees quit, it puts a hole in the balance sheet: firms fritter away months of salary just headhunting and onboarding new recruits. Poor retention can swing a profit to a loss.

The future of work has set off a global war for talent. As technology rapidly improves, jobs are becoming more complex. Unfortunately, the skills required to do them aren't keeping up. Top consultancy firms, like McKinsey and others, have identified an inevitable and costly skill gap headed for the workforce. As a result, companies are stepping up training and capacity-building budgets.

These dual challenges – retention and upskilling – have put HR data analytics at the center of corporate strategy. Leaps in technology have elevated HR from a cost center to a driver of business performance. It's no surprise then that companies are investing more than ever in HR tech. Fortune Business Insights projects HR tech spending to reach $35 billion in 2028 from $24 billion in 2021.

Opus Talent Analytics offers a particularly powerful toolset. Its predictive analytics leverages data to tell a company who and when to re-skill. It spots untapped talents in the workforce, and it motivates employees to up their skills by recognizing their improvement. It simplifies job matching and creates a workplace conducive to creativity, growth and collaboration. Its AI-powered technology and unique, built-in libraries make it incredibly easy to turn the dense fog of data into streamlined, high-impact decisions.

Opus' suite of products are ideal for companies of all sizes. Small businesses can start their data journey with our SaaS product. Middle and large-size enterprises will benefit immensely from our talent intelligence, skills insights and organizational KPI capabilities.

Opus believes that better people drive better businesses. In the future of work, people data analytics are essential for both.

THE NEWSROOM

CENTRAL BANK EXPANDS INSTAPAY

The digital payment application Instapay will be able to handle remittances from UAE, Saudi Arabia, and Jordan starting next year. The Central Bank of Egypt (CBE) has reached initial agreements with the central banks of the UAE and Jordan to allow Instapay users to transfer money to Egyptian bank accounts with low transaction fees.

That comes as an attempt to increase remittances from Egyptians working abroad that fell by 30.8% to $22.1 billion during the fiscal year ending in June. At press time, the CBE has not announced whether the transfers will be credited to Egyptian accounts in local or foreign currency.

With over 4 million users, Instapay offers money transfers with limits set at EGP 70,000 ($2,262) per transaction, EGP 120,000 per day, and EGP 400,000 monthly. Instapay services are free until Dec. 31.

EGYPT TO BUILD ELECTRIC CARS

The government has signed an agreement to launch a car assembly project in Egypt with Global Auto Group, the authorized importer of BMW, BMW i (The German carmaker's electric vehicle brand), and MINI cars.

The agreement is part of the Egyptian Automotive Industry Development Program, said Prime Minister Mostafa Madbouly. The program aims to encourage automotive industry localization in Egypt, particularly for environmentally friendly cars.

Previous agreements made by the government involve Ezz Elsewedy Car Factories, the International Trade Agencies and Marketing Co. (Itamco), and Ghabour Egypt. Chinese put $15.6 billion into SCZone projects.

CHINESE INVESTS $15.6 BILLION IN SCZONE

The Suez Canal Economic Zone (SCZone) signed a $15.6 billion deal with Chinese investors to fund 11 manufacturing and green hydrogen projects. The projects will cover 4.9 million square meters on land and are expected to create 9,000 jobs

As part of the agreements, Xinxing Cathay International Group, a logistics and supply chain company, intends to spend nearly $1 billion to build two factories in the SCZone.

The new projects should help reduce carbon emissions and promote the use of renewable energy sources.

EGYPT LOWERS GDP PROJECTIONS TO 3.5% FOR FY 23/24

Hala El-Said, Minister of Planning and Economic Development, said Egypt has lowered growth projections for the fiscal year (FY) 2023/2024 to 3.5% from 4.2% in November.

The downward revision is because of various external shocks, including geopolitical tensions and global crises. El-Said added that the COVID-19 pandemic and the Russia-Ukraine war led to a decline in Egypt's economic growth rate during FY 2022/2023 to 3.8%, down from the targeted 5.2%.

The downgrade comes in line with the forecasts of the S&P Global, IMF, and the World Bank in recent weeks. Their forecast expects GDP growth rates to reach 3.5%, 3.6%, and 3.7% growth, respectively, by the end of this fiscal year.

WORTH FOLLOWING

QATAR, SAUDI ARABIA TALK INVESTMENTS IN EGYPT

On the sidelines of the Egyptian-Saudi Business Forum, Saudi Arabia's Fawaz Abdulaziz Alhokair Co. announced plans to invest $1.5 billion in Egypt's energy, real estate, and infrastructure in 2024.

The Saudi company FAS Finance, which Alhokair partially owns, has investments worth $5 million in Egypt. Alhokair also owns Marakez, the real estate and mall developer that owns District 5 along the Cairo-Ain Sokhna highway and the Mall of Arabia in Sixth October City.

Meanwhile, local media said Qatar-based businesses plan to invest almost $1.5 billion in the Egyptian industrial sector in 2024, according to Yahya Al-Wathiq Billah, head of the Egyptian Commercial Service, in an interview with Asharq Bloomberg during the November Egyptian-Qatari Economic Investment Forum.

This investment is part of Qatar's broader strategy, announced in March, to invest $5 billion in the Egyptian economy. Previous Qatari investments in Egypt focused on financial services, tourism, and real estate. "However, the focus has now shifted to the industrial sector, reflecting Qatar's evolving investment priorities," said El-Wathiq Billah.

THROUGH-THE-ROOF BUILDING COSTS

With Egypt planning to start building 44 new cities as per Egypt Vision 2030, the cost of construction materials in 2024 and beyond will significantly affect completion schedules and affordability.

by **Tamer Hafez**

Driving into the New Administrative Capital (NAC), it's hard to miss the massive structures on the horizon comprising the government's new headquarters and the business district with the Iconic Tower, Africa's tallest building, at the center. A broader look shows swaths of desert separating those two complexes with mostly completed, lightly inhabited residential neighborhoods. They dot phase one's 40,000 acres, which should house 6.5 million to 7 million residents.

That bird's-eye view highlights how much construction remains for the city to attract its targeted "18 [million] to 40 million people by 2050," according to NAC's website.

The new city is one of the 44 metropolises the government wants to start building before 2030 to increase Egypt's livable area by 55% compared to 2019. GlobalData, a think tank, said in a September report that from 2024 to 2027, Egypt's construction market will grow an average of 9% annually.

Construction material price movements will be a huge factor in determining how fast those developments progress and the affordability of finished units. Andrew Reynolds, global chair at Rider Levett Bucknall, a construction and property consultancy, told Construction Dive, a specialized portal, in June, "The cost of construction materials and the impact on the viability of projects are discussions we are having daily with our clients."

Predicting material prices for the coming few years may prove tricky. Al Syed Construction, a Pakistan-based developer, said in a June paper, "It is difficult to predict with certainty ... construction costs in 2024." It cited multiple factors, including raw material prices, demand for new projects and government policies.

Prices, so far

Prices of construction materials have been rising at a noticeable rate since the pandemic. About 82.5% of construction materials jumped an average jump of 19% since 2020, according to price aggregator Gordian in its 2023 Construction Cost Trends by the Numbers report.

In 2022, overall construction costs increased 9% to 12% compared to 2021, Micheal Harmand of Turner & Townsend, a construction consultancy, told Construction Dive.

Global events also have influenced construction material prices. "The ... cost of these materials is subject to market forces, including supply and demand dynamics, trade policies and global economic conditions," said Al Syed Construction's paper.

The builder stressed the significant negative impact of persistent global supply chain bottlenecks, first seen when the world was recovering from COVID-19. Ongoing trade wars and geopolitical disruptions threaten further supply disruptions and, in some cases, force buyers to switch vendors.

Those events amplified market concerns over the availability and cost of raw materials, such as steel, lumber, cement and copper, which significantly impact construction costs.

Those worries, plus shortages of several construction materials, caused prices to increase. According to Oxford Economics, steel saw the most significant jump at 22% in 2023 compared to 2022. The cost of insulation increased the least at 11%.

Further pushing up prices is that demand for new projects outstriped supply, particularly in emerging markets with fast-growing populations. "The construction industry has witnessed a surge in demand for residential, commercial and infrastructure projects," noted Al Syed Construction. "This high demand, coupled with limited capacity, has intensified competition among contractors, [making them] less likely to reduce prices, leading to sustained [high] construction costs."

Domestic strategy

Countries like Egypt with active construction sectors will invariably experience higher construction costs than global forecasts.

Also, a country's economic health plays a "significant role in construction costs," noted Al Syed Construction. "Economic conditions, such as inflation or recession, can influence the cost of materials and labor."

Government strategies, policies and regulations aiming to promote construction also have a "substantial impact on costs," the Pakistan-based developer noted. "Changes in zoning laws, building codes or environmental regulations can increase project expenses." It added that construction costs in countries that import building materials also are affected by "tariffs and trade policies."

In the local market, a paper from the Egyptian Research Forum in November 2022 said, "Land construction and licensing costs, government real estate and housing policies are all perceived as main determinants of housing prices in the Egyptian market."

Another local factor is that Egyptians perceive housing investment "as the safest form of investment during uncertainty shocks and a good hedge against inflation and other financial turbulence," the ERF report said. "Stockpiling" of unused residential units means lower supply for individual home-seekers, increasing prices further.

The ERF cited a "huge discrepancy in information and data on housing dynamics and expectations." That, coupled with the "stockpiling" problem, allows developers and real estate sellers to set random, often overblown, prices for home buyers.

Spillover effects

The Oxford Economics March report noted that economic decisions by some of the biggest economies affect emerging markets.

One example the report highlighted is the U.S. Inflation Reduction Act. Despite its name, its essence is to promote construction and infrastructure investments, increasing demand for (and, with it, prices of) construction materials worldwide. BDO USA, a law firm, said the act "is anticipated to have a significant impact on the real estate and construction industry."

However, the act would likely raise the prices of construction materials used in eco-friendly buildings more than conventional options. "The legislation could provide a significant financial boost for firms looking to utilize environmentally conscious building materials and practices," said BDO USA.

The second factor affecting international prices is China's plan to resurrect its stagnant real estate sector starting next year, resuming a more robust growth rate starting in 2025," said the Oxford Economics report.

Meanwhile, India, the world's most populous country since mid-2023, will likely see a real estate construction boom to cope with its population growth rates. GATN Capital, an India-based investment firm, said in a LinkedIn post in September that demand for construction in the country includes buildings to house tech companies, manufacturing facilities, and residential and commercial units and complexes.

Several macroeconomic factors sustain high prices by ensuring high, if not increasing, demand for real estate. GATN Capital said factors include low interest rates, government initiatives that promote buying property, accelerated infrastructure development and a favorable young demographic.

Projected growth in construction in those countries will likely last for a long time. Oxford Economics predicts the value of construction activity worldwide will increase from $9.7 trillion in 2022 to $13.9 trillion by 2037 -- driven by superpower markets China, the United States and India.

Another factor that will eventually push up material costs is rebuilding cities being destroyed by ongoing wars in Europe and the Middle East. Oxford Economics estimated the bill will exceed $1 trillion in Eastern Europe alone. "Ukraine may need as much as $1.1 trillion in outside assistance to repair the damages inflicted by Russia's invasion," European Investment Bank chief Werner Hoyer told Bloomberg in June 2022. Meanwhile, reconstruction estimates have yet to be calculated for Gaza.

Fuel for thought

Decisions from OPEC nations, a cartel of the world's biggest oil producers, to influence global oil prices also impact construction costs. In October, JLL's 2023 Construction Market Intelligence report noted that oil-exporting nations increase investments in construction if their foreign currency revenues increase.

In addition to elevated demand for new projects boosting prices of construction materials, they also would increase in tandem with the cost of oil. "Every aspect of construction jobs is affected in some way by increases in the price of fuel," explained Custom Truck One Source, a U.S.-based truck supplier, in a May 2021 blog. "The most direct effect of rising fuel prices is having to pay more to run equipment and transport people to construction job sites." The company added that fuel prices also affect the cost of transporting construction materials

However, those dynamics are evident only when there are no oil price shocks. "Stable oil prices [regardless of their price level] ideally create a favorable environment for construction projects," the JLL report said. "Oil price shocks can impact construction funding in economies heavily dependent on oil revenues."

According to a September 2021 report from Oxford Economics, the transition to green energy is another factor likely to increase construction prices in the coming years. Al Syed Construction's paper explained that compliance with environmental standards "often necessitates the use of specialized equipment, materials and labor."

Forecast: materials

Forecasting construction material costs is an increasingly complex task. The main reason is divergent views over which global factors (global supply chain disruptions, geopolitical tensions, economic recovery patterns, and government policies) will continue to influence the raw material market in 2024 and beyond.

Oxford Economics noted that even if construction material prices fall toward the end of 2023 and in 2024, they will "remain elevated compared to pre-pandemic levels." In August, Adam Sanford, an operations lead at Southern Construction Framework, a U.K. government joint venture, told The Construction Index, a specialized portal, "Contractors [were] expecting a 6% ... increase in building costs over the next year. [That] compares to this time last year, when contractors predicted a 10% increase."

Puttachard Lunkam, an analyst at Thailand-based Bank of Ayudhya Public Co. Ltd, said the "construction material industry will enjoy improved outlook [i.e., higher price jumps] from 2023 to 2025, thanks to better conditions [in the international] market."

Forecast: projects

Sam Giffin, director of data operations at Gordian, expects more demand for construction projects next year. "Although we're in the middle of a downswing from historic pricing peaks in 2022, it's likely that increasing demand for construction will sustain material ... prices through 2024 and 2025," he told Construction Dive in June.

Research by the Bank of Ayudhya Public Co. Ltd. published in July shows new projects will continue to rise until 2025, particularly in emerging markets. It cited continuing construction on national projects, recovery of real estate driven by the private sector alongside government-led construction, and maintenance needs of older buildings.

Lunkam also noted that more construction activity means fossil fuel prices will play a more prominent role in determining the costs of building materials.

Looking ahead, there is little chance construction costs will drop in the coming few years. "Increased demand, a shifting geopolitical landscape and the rise of near-shoring materials production make it unlikely that we'll see sustained pricing regressions," Adam Raimond, construction index manager at Gordian, told Construction Dive.

Policy balance

The Oxford Economics report stressed the role of central banks in shaping the future of construction material costs and project demand. Part of that is the effectiveness and suitability of the central bank's construction-related initiatives, incentives and programs.

The other impact on construction costs is the changing direction of each country's monetary policy, which central banks use to balance rising inflation rates with economic growth by adjusting interest rates. Higher rates would reduce economic activity, lowering demand for new properties, dropping construction material prices along with the number of projects, and vice versa.

Central banks, particularly in major economies such as the United States, India and China, where decisions influence smaller emerging economies, should exercise caution. "Central bank mismanagement of interest rates could cause a cumulative drop of $2 trillion globally for construction by 2027 relative to our baseline forecast," said the Oxford Economics report. That knocks off almost 1% from global growth." ■

SMART

URBAN DEVEOPMENT

The emphasis on smart urban development comes with the urge to adopt a human-centered approach that better serves the needs of the people.

by **Fatma Fouad**

Ranked 14th most populous country in the world with over 112 million people inhabiting only 13.7% of the total area of the country's 1 million square kilometers, pressure is rising on existing cities' infrastructures. Accordingly, the government is in the process of expanding its livable land by developing new urban areas. According to the World Bank, 70% of the global population will reside in cities by 2050, compared to 56% today.

This rapid urbanization will increase emissions and pressure on public services, such as healthcare, transportation, and education. Accordingly, governments are keen on utilizing smart solutions. "If cities are our best hope for a better future, smart technologies are the path to that better future," said Jesse Berst, founder of the Smart Cities Council, in 2015.

"Countries are turning to smart city technologies to overcome population challenges and maximize existing resources. Smart cities represent a bridge toward a practical future of urban development," according to a Deloitte 5G Smart Cities Whitepaper in June 2020.

Egypt plans to construct 38 fourth-generation smart cities to enhance infrastructure, improve public services, establish a sustainable urban environment, and attract foreign capital.

As they design these new spaces, developers need to strengthen cities' social infrastructure to best meet the needs of residents. "Cities are focused on people, first and foremost," said The Smart Cities Dive, a specialized news platform. Accordingly, countries should focus on humanizing tech-driven cities and mitigate the challenges dwellers may face.

Accelerated adoption

The pandemic and climate crisis have accelerated the need for technology adoption in cities to improve efficiency and reduce their environmental impact. "These global challenges are amplifying long-standing local issues around the quality of public services, environmental standards, and social inequalities," said Eric Woods, research director with Guidehouse Insights, a market intelligence and advisory firm covering the global energy transformation.

Technology, he said, is transforming the way cities work and how people experience them.

Since 2020, the global smart cities market has experienced significant growth. The "Smart Cities: Global Strategic Business Report, published in November, states the global market for smart cities, estimated at nearly $1 trillion in 2022, is projected to reach $5.2 trillion by 2030, an average annual growth rate of 22.9%.

Smart cities require significant investment in cutting-edge technologies, such as 5G and Internet of Things (IoT)-enabled infrastructure. A 2023 report by Guidehouse Insights estimated the global smart city technology market's annual revenue would increase from $121 billion in 2023 to $301 billion by 2032, reflecting an average annual growth of 10.7%. It also forecasts cumulative revenue between 2023 and 2032 will reach just under $2 trillion.

Smart urban development unlocks opportunities for real-estate stakeholders, particularly companies specializing in smart building and technology. According to the UAE's Ministry of Economy website, experts forecast that the global smart building market will almost triple in value to $229 billion by 2026, compared to $82.6 billion in 2020.

Balancing the equation

In practice, the emphasis on leveraging technological advancements minimizes the human side due to the public's lack of participation in the smart city's creation phase. Cocoflo, a software company based in Canada, advocates a citizen-centric approach to city planning that goes hand in hand with technology. "As cities continue their digital transformation journeys, placing citizens at the heart of these initiatives is crucial for building stronger cities for the future," Cocoflo said on its website. Accordingly, countries should balance deploying technological advancements in smart cities and serving human needs.

Implementing advanced building controls, green building design, and smart traffic management systems in fourth-generation cities should eliminate the traditional frustrations of city living and make the residents' lives easier with lower environmental costs. Jens Hörning, PwC Partner, CEE Industrial Manufacturing and Automotive Industry Leader, "Smart cities harness technology to improve quality of life and increase the efficiency of urban mobility and access to services."

That's how smart cities can be more attractive for people, especially the younger generations, in terms of housing options and the services available in contrast to traditional cities. Horning noted that focusing on easing traffic congestion, air pollution, maximizing road safety, and active mobility such as walking and cycling are crucial in improving the livability of smart cities' citizens.

A case in point is the 2026 Melbourne City Plan, which aims to create a smart city that promotes "health and well-being," "citizen participation," and "social justice." Melbourne's plan concentrates on creating public spaces that consume as little natural resources as possible, an integrated system of public transport (rail, tram, and bus services), a better system to collect citizen feedback, and enabling more participation in government decision-making.

However, training individuals to utilize innovative tools and available services effectively must come first. Alice Charles, Cities Lead on the Infrastructure and Urban Services Platform at the World Economic Forum, noted, "It is imperative that cities focus on enhancing the digital literacy skills and accessibility of the technology, too, if it is going to be of benefit to citizens and drive inclusion rather than exclusion."

Smart housing

The real estate market is one of the Egyptian economy's most dynamic and promising sectors. Its substantial growth, particularly during periods of currency devaluation, has attracted foreign investors.

According to Mordor Intelligence, a market research firm based in Hyderabad, India, Egypt's residential real estate market is expected to grow from $18 billion in 2023 to $30 billion by 2028.

New fourth-generation smart cities, including New Mansoura City in the Nile Delta region, Al Galala City in northeast Egypt, New Nasser City in West Assiut, and New Aswan City in Upper Egypt, feature digital solutions and green technology to optimize the use of existing resources in the cities and use low-energy lighting and infrastructure to reduce energy consumption.

According to Statista, a data aggregating portal, the Egyptian smart cities market size should grow annually by an average of 13% from 2023 to 2028.

During Egypt's Story of Homeland conference in October at the New Administrative Capital, Minister of Housing, Utilities, and Urban Communities Assem el-Gazzar said the construction of smart cities "aims to reduce congestion, generate job opportunities, and utilize technology and artificial intelligence for a better quality of life in line with Egypt's Vision 2030."

Sustainable and environmentally friendly solutions are necessary to drive the success of smart cities. Mahmoud Mohieldin, U.N. climate change high-level champion for Egypt and U.N. special envoy on financing the 2030 Sustainable Development Agenda, stressed the need to decarbonize the environment, depend more on sustainable transport, recycle more waste, and adhere to global environmental standards. Mohieldin said successful urban development hinges on several factors, including effective governance and active participation.

Egypt's dedication to boosting its real estate sector is due in part to the investment potential of new cities. Walid Abbas, deputy chairman of the New Urban Communities Authority, noted that "total investments in Egypt's new cities have reached EGP 705 billion, equivalent to $22.82 billion," reported Al-Ahram.

Upgrading Existing Cities

Constructing a smart city can take a long time and questions may arise concerning the affordability of relocating to one. In the meantime, the focus should shift toward incorporating smart technology into existing cities.

Mohieldin highlighted the necessity of transforming older cities into smart, green cities while preserving their character. He also said the government has to deal with "the crisis of slums and residential communities stuck between rural communities and advanced urban cities," Al-Ahram reported.

Cities account for 80% of global GDP and 70% of harmful emissions, according to Mohieldin, and therefore, all cities should adhere to environmental and climate standards.

Deploying smart technologies in existing cities could prove a better alternative for a middle-income country like Egypt. El-Gazzar highlighted that from 2014 to 2023, Egypt has invested EGP 1.3 trillion in cities. The ministry allocated 25% of the funds for existing cities, with the remainder going to develop new fourth-generation cities.

Leveraging professional expertise is crucial for improving the overall quality of existing cities. Abdel Khaleq Ibrahim, assistant minister of housing for technical affairs, discussed collaborative efforts with the Korean foundation KIND for Infrastructure and Urban Development. The meeting in October involved the proposal for a master plan to transform Badr City, built in 1982, into a smart city, Invest-Gate reported.

Targeting youth

Involving the young generations in designing and building smart cities is crucial for real estate stakeholders. According to a study published by Birmingham City University School of Engineering and the Built Environment in April, "Young people can help broaden the horizons of what the future city can be and allow alternative conversations to take place within the policy realm."

That is vital for Egypt, as UN-Habitat reports that 60% of urban populations will be under the age of 18 by 2030.

Mohamed Farghal, a 22-year-old engineering student at the German University in Cairo, said he would be interested in living in a smart city because of the healthy environment characterized by fewer carbon emissions and use of biodegradable materials. However, he said, "The cost of constructing a smart city is higher than a traditional city as a result of the added technology and facilities. Therefore, the cost of housing will also be higher."

To make the benefits of smart cities more affordable, Farghal believes governments should work on existing cities instead of building smart cities.

Mahmoud El-Shablangy, a 22-year-old mechanical engineering student at the American University in Cairo, said, "Smart cities are the future where we would aspire to have everything connected and monitored with automatic feedback, giving people a premium sort of comfort and convenience." He noted that smart technologies would improve safety, security, sustainability, and resource optimization but with higher living costs than traditional cities.

On another note, Shimaa Ahmed, 22, an engineering student at the German University in Cairo, noted that living in a smart city would make her life easier by saving time and effort. She expects to find technology seamlessly integrated into every aspect of daily life, from grocery shopping to traffic management. Hence, she emphasizes integrating the human dimension into smart city design to maximize its effectiveness and appeal.

The human-centered approach is a win for real estate stakeholders. As Guy Perry, an urban designer and developer, noted in an article for McKinsey & Company: "Cities that have succeeded in undertaking major projects with a focus on resident welfare have created enriching communities that yield a cycle of benefits for residents, investors, and society."

BUILDING NEW OPPORTUNITIES

Aside from commercial and residential developments, which are usually lucrative in countries with fast-growing populations, there are untapped types of real estate, such as data centers, hotels, and vertical farms. They are witnessing a boom in demand due to rapid digital transformation, increasing international travel, and the need for food security.

Local developers have yet to invest meaningfully in those three real estate classes. Now may be a good time to do so, as those three sectors become increasingly essential to stimulate GDP growth and increase foreign currency inflows.

By **Tamer Hafez**

DATA CENTERS ON THE HORIZON

The rapid transition to a digital economy means a greater need for specialized buildings to store data flowing across continents. Egypt is one of many countries in the region vying for those investors.

Increasing the digitization of government and company operations continues to be of unparalleled importance. A June report from IDC InfoBrief, a technology consultancy, found 82% of those surveyed said they "must invest in digital transformation or be left behind." Meanwhile, "49% say the ability to keep up with technological innovation compared to competitors will be one of the greatest threats to their organizations over the next 12 months."

Fearing a technological lag far outweighs rising inflation and recession risks, as only 20% of respondents said their biggest fear was rising prices.

The key to digital transformation is having "data centers" that can store massive amounts of information, as much as 1 million gigabytes, according to U.S. cloud server provider Raksmart.

Such data predominantly comes from "emerging technologies such as autonomous vehicles, augmented reality, virtual reality, and the internet of things," noted a 2023 report from JLL, a real estate think tank. "These technologies ... drive the need for specialized facilities tailored to their unique requirements. The real estate sector plays a pivotal role in enabling the expansion and optimization of data centers."

Egypt is one of the top destinations in the Middle East and Africa for building data centers. However, it faces stiff competition from GCC nations and several African countries courting some of the largest investors, including Microsoft., Oracle, and Google.

Ideal location?

Egypt's proximity to Africa, Asia, and Europe means the country is a standout destination for data center developers. "Egypt is one of the prime locations in Africa in terms of technology adoption, such as Big Data and IoT," said a report by Arizton, a business adviser, in July. "The market is aided by increased submarine cable connectivity ... strong digitization growth, adoption of advanced technologies, establishment of industrial parks and other factors."

In 2018 the government said it wants to turn Egypt into a "global data center hub." That aligns, he said, with the country's strategy to "lure more investments [by] attracting global data centers." According to Data Center Map, Egypt has 15 data centers owned by Telecom Egypt, GPX Global Systems, ECC Solutions, Raya Data Center, and Etisalat, among others.

More are under contract or construction. In June 2022, Raya Holding signed a deal with Huawei Egypt to develop "sustainable data centers in the country," said a press release in December. President Abdel Fattah El-Sisi announced the construction of a data center to serve New Mansoura smart city exclusively.

In February, the U.A.E.'s Gulf Data Hub agreed with Elsewedy Data Centers to "develop Africa's largest data center complex," the press release said. The complex will be able to accommodate three data centers, attracting $2.1 billion in investments.

The following month, Nokia, the Administrative Capital for Urban Development and Orange Egypt signed a deal to build a data center for the New Administrative Capital, also a smart city.

In May, the UAE's Khazana announced plans to build the first data center in Egypt to offer cloud storage solutions (hyperscale data center), costing $250 million in Maadi Technology Park. Meanwhile, Africa Data Centers, which operates in Nigeria and Ghana, said on its website in September 2020 that it planned to build data centers in Egypt and Morocco. At press time, there had been no additional details.

Competition: Africa

Egypt faces stiff competition from other African countries to attract data center developers, be it "enterprise data centers" that companies build for themselves, "managed services" centers that lease storage services to a few client companies, or "hyperscale" data centers offering cloud services operated by the likes of IBM, Microsoft, Apple, and Amazon Web Services (AWS).

Data Center Map said Africa has 69 third-party data centers in 13 countries. JLL said South Africa has the continent's only operational hyperscale data center, delivering AWS's cloud services. The Data Center Market in Africa report published by ReportLinker in August 2020 said Egypt, South Africa, Kenya, Morocco, and Nigeria were "driving this growth."

The JLL report forecasts data center investments in Africa should grow from $2.74 billion in 2022 to $4.92 billion by 2028. "South Africa is anticipated to dominate the market with the highest number of investments, followed by Nigeria and Kenya," noted JLL.

African real estate companies see data center construction as a lucrative opportunity. Real Estate Investment Trust bought three third-party data center companies in 2022. The latest was "Africa's largest vendor-neutral data center and interconnection platform providers ... Teraco Data Environment [announced in January] for $3.5 billion." The other two data centers are in Nigeria.

According to JLL, the "existing data center market [in Africa] is largely dominated by telecoms ... and governments." Meanwhile, specialized data center providers on the continent are cooperating to create bigger entities. In August, African Infrastructure Investment Managers and N+ONE Datacenters announced they would co-develop pan-African data centers and cloud service platforms in West Africa, starting with Morroco and later Senegal.

Foreign investors also see an opportunity in Africa. One of the top deals was ACTIS, a private equity firm, buying Rack Centre, a data center provider in Nigeria, in March 2020 for $250 million.

In April 2022, U.S.-based Equinix, a developer of data centers, acquired MainOne, a data center developer in West Africa, for $320 million. In November 2022, U.K. private equity firm Helios agreed to build cloud-service data centers in two undisclosed African locations.

Competition: Middle East

GCC nations are even more attractive for data center developers than African countries. They have more data centers (135 versus 69) in more nations (16 versus 13).

The JLL report noted investments in data centers in the Middle East in 2022 reached $4.86 billion, with forecasts it would reach $7.94 billion by 2028. "The U.A.E. and Saudi Arabia are expected to be the leading contributors to the growth of data centers," noted the report. "[It is] followed by [the rest of GCC nations], owing to the rapid deployment of 5G networks."

JLL said GCC countries rely on "collaborative partnerships between developers and sovereign wealth funds" to establish data centers. The latest was in May when DigitalBridge signed an agreement with Saudi Arabia's sovereign wealth fund to build an undisclosed number of data centers.

In July, Qatar's IT service provider, MEEZA, said it would add a fifth data center after successfully listing on Qatar's stock exchange. Also this year, Etisalat Group and Group 42 merged their UAE operations, creating Khazana Data Centers, "the largest data center provider" in the country.

GCC countries are better prepared than Egypt to host data centers offering cloud services. JLL says the "UAE stands out as the country with the largest presence of hyperscalers." Meanwhile, Saudi Arabia is a "promising market" endorsed by Oracle Cloud, Google Cloud and Microsoft.

Becoming a prime location for data centers opens the door for real estate developments catering to other cutting-edge technologies. That includes decentralized computing architecture (edge computing) and artificial intelligence and machine learning processing centers. The JLL report stressed such technologies, in turn, "play a vital role in supporting innovation," which has been a priority for Egypt and the region for the past decade.

HOTELS FOR THOUGHT

Egypt's tourism sector is booming, but government statistics signal further growth may not be possible without more hotels and other options.

Egypt has long been a destination well suited to holidaygoers. The country has the Mediterranean's soft white sand beaches, the Red Sea's aquatic life, history and culture spanning centuries from Alexandria in the far north to Aswan in the far south, and a reasonably cosmopolitan setting in major cities.

That has boded well for the country in the post-COVID-19 travel craze (known as "revenge travel"). In the first half of 2023, government figures show hotel occupancy rates nationwide reached 80% compared to 65% the year before. Research by AmCham Egypt shows the high point was during the European spring break in April, when occupancy rates in Hurghada (the biggest Red Sea coastal city) reached 100%, while Cairo was 80% to 85%.

Tourist numbers likely will continue increasing to unprecedented levels. In March, CNN Arabia reported the government estimates 15 million foreigners will visit Egypt by the end of this year, up 28% from 2022. Egypt's all-time high number of tourist arrivals was 14 million in 2010.

Such rapid growth poses a problem, as accommodations for those travelers are not growing fast enough. Fitch expects Egypt to have 1,700 hotels by 2027, up from 1,300 last year. In January, however, Tourism and Antiquities Minister Ahmed Issa said the country needs 2,500 hotels to meet the government's 2027 demand estimates.

Egypt has an opportunity to achieve that ambitious goal. For one, hotel FDI potential in Africa is high. "We continue to see opportunities to expand … across Africa," said Karim Cheltout, Marriott International's regional vice president for development in Africa, in November 2022, The 2023 Hotel Chain Development Pipelines in Africa report, published in March by W Hospitality Group, a think tank, said Egypt and Nigeria are the top two destinations witnessing new hotel investment on the continent.

However, in a September paper, Zurab Pololikashvilli, secretary-general of the U.N. World Tourism Organization (UNWTO), stressed the importance of first creating a business-friendly environment. "To ensure the long-term sustainability of the tourism value chain, concerted policy action is required to attract, promote and mobilize FDI in the sector," he said.

New landscape

UNWTO's September report said, "Both FDI project numbers and job creation rates in the tourism cluster grew by 23% [from 2021 to 2022]. Job creation [due to] tourism FDI also increased by 24% over the same period … Almost two-thirds of all [those] projects … were in hotels."

According to the UNWTO, the top 10 hotel FDI investors in the post-COVID-19 world were from North America, Europe and Asia, and they are accelerating their hotel construction plans. Jacopo Dentti, the editor of fDi Intelligence, a think tank, told the UNWTO in September that "with COVID-19 behind us, the sector has no time to waste."

One reason fueling that acceleration is overseas travel recovering from its 2020 slump. "International arrivals reached 80% of pre-pandemic levels in the first quarter of 2023," said the UNWTO. That is "more than double" the number of travelers during the first quarter of 2022.

The Middle East and Africa are two attractive regions. The former "saw the strongest performance as the only region exceeding 2019 arrivals," the UNWTO said. "The Middle East also was the first to recover [to] pre-pandemic numbers." Meanwhile, Africa reached 88% of pre-pandemic levels, ahead of the Americas and Asia-Pacific and just behind Europe (90% recovery).

Growth to all-time highs means more demand for hotel rooms. The UNWTO report said Greenfield hotel projects must accelerate in top tourist destinations because of "inadequate investment in the sector, which is vital for long-term sustainability and innovation."

Those new hotel FDI investors prioritize sustainability, including eco-friendly construction and infrastructure. "By prioritizing investments aligning with [SDGs], policymakers can accelerate the transition toward more environmentally friendly practices," the September UNWTO paper said. That "encompasses initiatives such as the development of green builds, retrofitting projects and the adoption of sustainable technologies."

Long-term challenges, today

One of the top factors affecting decisions of hotel investors is infrastructure. "Host countries often face limitations in terms of financial resources and expertise required for the creation of the necessary infrastructure to attract and accommodate tourists," according to research from the University of Rajshahi in Bangladesh.

The report says the least foreign hotel investors expect is "basic infrastructure, such as transport, utilities, and telecoms," to meet international standards of the hotel chain building and operating the facility.

Historically, having the required infrastructure has markedly transformed any country's tourism industry. "In Dubai … investors from various countries have made substantial investments in the construction of luxurious hotels [and] iconic structures," the paper said. "The resulting infrastructure has been critical in attracting millions of tourists annually."

The other challenge is to have enough sufficiently skilled workers to operate all those new facilities, which remain labor intensive. Their skills need to align with international standards. "[Upskilling would] ensure the growth and competitiveness of the sector," Pololikashavili of the UNWTO noted. Such training should target the "upskilling of the professional workforce and implementing vocational and technical programs."

He cited "rising interest rates and geopolitical tensions" as non-tourism-related factors directly hindering new hotel investment.

Government factor

The research paper from the University of Rajshahi stressed the importance of governments in attracting hotel FDI, "employing various strategies, policies and incentives … to create a conducive environment for FDI and make the host country an appealing destination for [hotel] investors."

Offering incentives is "one of the primary strategies," the paper said. That includes tax and customs exemptions or holidays and allowing hotel investors to quickly write off their hotel assets by allowing "accelerated depreciation" and "financial subsidies" or funding initiatives.

The other attractive factor for hotel FDI investors is having "simplified regulations," including allowing "single window clearance" to bypass bureaucracies; "transparent regulations," making it "easier for investors to understand the requirements;" and "minimizing unnecessary regulations."

Governments seeking those investors also need to have sufficient and effective communication channels. "Marketing and promoting the host country as an attractive destination for tourism-related FDI is another critical strategy," the university research said. That includes attending and organizing investment summits and conferences, advertising and promotion campaigns, opening dialogue via investor relations, and having an effective online presence.

Risky business?

Governments need to be wary of the negative "cultural and environmental impact" of building too many hotel facilities to maximize tourist visits. Problems that will likely arise include "overcrowding, pollution, and overdevelopment" that would ultimately harm the environment or heritage sites.

The government also needs to ensure no "leakage" of foreign currency revenue to foreign companies that divert that income before it enters the host country, according to the University of Rajahashi paper.

The research also warns against "overdependence on tourism" to generate most of a country's foreign currency inflows. "Over-reliance on tourism, especially when driven by FDI, can make a host country vulnerable to economic fluctuations and income disparities with the benefits concentrated in specific regions."

FARMS' NEW HOME

Constructing bespoke multistory structures or repurposing abandoned buildings to cultivate crops could prove lucrative for real estate developers. However, it would come at a cost.

The need to cultivate more crops using less natural resources to ensure food security is not new. "The technology and agricultural practices in the last 40 years have led to the degradation of productive land, large greenhouse gas emissions, and extensive water pollution," said the UN in 2011.

In 2023, food shortages have become a real threat for many countries, particularly in the MENA region, where more than 50% of food is imported, according to the Middle East Council on Global Affairs, a nonprofit think tank. "Food security [is] now a national security [issue] for most countries," Ciara O'Brien of Modern Farmer, a nonprofit initiative promoting advanced agricultural techniques, said in a July post.

Enter "vertical farming," where manmade, enclosed, climate-controlled, multistory structures are used to cultivate stacks of crops. O'Brien said its number one advantage is "providing fresh produce in areas that have little food product."

Real estate developers should take notice of that opportunity. John Levy, director of impact at Franklin Real Asset Advisors, stressed in a June 2022 paper, "Like clean energy infrastructure before it, vertical farming will mature into a defined real asset sector that will be part of well-diversified portfolios."

The future?

With climate change, population growth, and dwindling supplies of water and arable land worldwide, Levy noted, "demand for sustainable food products [that use] new farming technologies ... is growing."

That reality means agriculture "needs solutions that increase yield, use less water, chemicals, and land, and reduce our dependence on long wasteful and complex food supply chains," he said.

Vertical farming ticks all those boxes, garnering investor attention. "Private equity and venture capital investors have poured money into vertical farm operations," Levy said. It "promises to not only increase global food security but also to provide forward-thinking [real estate] investors with strong opportunities."

According to Pillar Real Estate Advisors, developers could integrate vertical farms into large cities or gated residential or commercial complexes. "Because the crops are growing indoors," he said, "there's no need for pesticides or herbicides, and water usage is greatly reduced." Secondly, because vertical farms are manmade, they can be built near consumers, which "helps reduce food transport costs and carbon emissions."

Cressy Commercial Real Estate, a management company that builds vertical farms, noted that "growing upward allows for the conservation of space; this results in a higher yield of crops per square foot of land used. An abundance of available green space is no longer required for efficient farming systems."

Research from CambridgeHOK, a U.K. vertical farm operator with an advisory arm, said vertical farms also could offer "reliable year-round crop production," eliminating the idea of "seasonal crops. [It also] reduces harvest times and improves volume." Additionally, crop yields aren't affected by unexpected adverse weather events, as they are grown in enclosed structures.

Vertical farms also use very little fossil fuel. CambridgeHOK says most vertical farm structures use clean energy sources such as solar and wind. Lastly, vertical farms have low labor costs, as most operations are automated.

Profit for developers?

Real estate companies that build residential and commercial properties likely see the value of their developments increase if they construct vertical farms that grow vegetables and other edible crops. "This technology [is] becoming increasingly relevant in the world of commercial real estate, [adding] value to ... properties and attracting."

One way of increasing the value of properties with vertical farms is to market them as eco-friendly to appeal to environmentally conscious buyers. Also, vertical farms are an "additional amenity" where residents and tenants "have access to fresh, locally grown produce." Those factors mean sellers and leasers would be open to paying a premium when buying and leasing units in those developments.

Another advantage for real estate companies is that they can build vertical farms on non-attractive parts of the development or parts they don't want to use.

However, vertical farm builders and operations usually have to take the risk of building their facilities without support from potential customers or partners. "Not all vertical farms begin with a defined offtake partner, whether ... a wholesale, grocery, or hospitality partner," Rick Drescher, Corporate Managing Director for Technical Services at Savills US, a commercial real estate developer, told Vertical Farm Daily in September. "Without these deals in place beforehand, it can be challenging to address the distribution [and] consumer piece of the puzzle."

To overcome that challenge, Drescher stressed that vertical farm builders and operators should invest in building hype around the facility. That should attract partners and financiers and raise consumer awareness of the advantages of vertical farms and the pros of living close to one.

Another issue vertical farm developers need to tackle is choosing the right balance between training workers, contracting a specialized company to run the facility, and automating the facility's operations.

Developers of vertical farms could also face an inescapable risk -- energy supply. "When you don't have clarity on the 10 [to] 15-year outlook for energy policies, [vertical farm builders and operators face] take a lot of long-term risks."

Cressy Commercial Real Estate said the solution is to be clean energy self-sufficient to ensure the reliability of supply and that the farm is more sustainable than the conventional ones.

Scouting locations

ISIFarmer, a vertical farm developer and operator, stressed the "accessibility" of the vertical farm by "staff and customers." It should also be close to transport routes to quickly serve customers further afield.

The other plot characteristic is that the vertical farm should be in a place that "can be outfitted with artificial lighting." Additionally, to save on the cost of regulating temperatures, the facility should be in an area with ambient temperatures suited to the cultivated crops for most of the year.

Lastly, the location should be close to a reliable source of clean freshwater and power. "Make sure the location ... has access to both, or that you can easily install these systems," ISIFarmer said. "Water quality is also important, as plants are sensitive to impurities."

O'Brian of Modern Farmer said vertical farm developers could repurpose abandoned buildings and structures in ideal locations instead of scouting new plots to build a dedicated facility or tearing down an existing building to construct a bespoke vertical farm. "Modifying ... existing buildings is less expensive," he said.

Cressy Commercial Real Estate noted that empty "industrial property" could prove ideal, given it has "plenty of space for large vertical farms." Additionally, it almost always has direct access to roads and markets.

Others, including Drescher, believe building a bespoke facility makes more sense. "Selecting an existing building for a vertical farm is often impractical," he said. "It was not designed for that use."

However, he stressed that if a setup fails in one location today, it could succeed in another or if the project is postponed. "There may be stories of failures," he said. "But these are the growing pains of the industry," adding that "vertical farming [is] a long-term endeavor that we need to get right, and I am optimistic [we] can figure it out."

TRADING REAL ESTATE

Government plans to launch a specialized exchange to trade properties should prove a boon for those looking to buy real estate as an investment.

Buying property in Egypt has always been one of the most reliable ways of increasing wealth severalfold in a handful of years. Ladislas Maurice, founder of The Wandering Investor, an investment consultancy, said in an August blog this is mainly because home prices in Egypt "generally track the [U.S. dollar] over time." In the past 20 years, the exchange rate went from EGP 6.11 to the dollar to around EGP 30.9, with forecasts of more devaluations in the short term.

The robust price growth trajectory has been due to unwavering baseline demand. Real estate services company Jones Lang LaSalle, in their October JLL MENA report, noted that "despite the significant price increases [in Egypt], the residential market has been gaining momentum." Maurice attributed that to the poor condition of buildings in old neighborhoods, which pushes wealthy longtime dwellers to new developments, and Egypt's predominantly young population seeking homes to start families.

Starting next year, Egypt's "property as an investment" landscape should get even better. In November, the government announced the creation of the country's first real estate exchange, slated for the first quarter of 2024. According to media outlets, citing an unnamed government source, phase one of Egypt's public real estate exchange will accept commercial and other nonresidential properties.

Having such an exchange "will encourage small investors [who buy and hold to sell for a profit] to get involved more in the market as it does not require a large amount of investment," Fathallah Fawzy, chairperson of the construction committee of the Egyptian Businessmen's Association, told Asharq Business in October. "Also, the real estate exchange will be a secure means of investment as it depends on properties that are already registered."

The chances of success of that new exchange are high, as local real estate construction from the private sector and state has been accelerating in the past few years, promising more diverse properties to be ready for listing in the short and long terms.

New exchange

Listing properties on a real estate exchange requires dividing a compound or building into standard units (shares). The real estate company could then go public with the entire development or part of it on the exchange at a nominal value. Buying and selling activity thereafter would determine the property's price based on investor perception and sentiment.

Most listed real estate developments will likely be registered commercial, nonresidential, or residential units that developers and unit owners rent to third parties. The listing party would receive a bulk payment from going public and has the option to pay shareholder dividends from renting the property on their behalf. That income plus the development's rate of appreciation would invariably determine the share price on the exchange.

Meanwhile, investors who buy listed shares cannot live in the unit, have authority over it, or be held legally liable for any violations.

Many seeking real estate as an investment prefer trading on a real estate exchange because it allows them to enter and exit the market quickly. They also could easily diversify their portfolios by buying shares in multiple properties. Additionally, if the listed units are not rented and therefore don't yield periodic income, investors could still make money as the listed property can appreciate yearly, similar to unlisted developments.

Tarek Eid, a board member at El Riyad Castle, a real estate developer, told Al Ahram in October that real estate exchanges accommodate large real estate investors seeking more liquidity, high volumes, and diverse offerings.

A diverse and efficient real estate exchange also opens the door to multiple investment tools, such as specialized funds. Their job is to ensure their investors always receive rent income and that the properties the fund owns are high-profile and trendy developments that command the highest rent values and would likely appreciate the most over time.

In December 2022, Banque Misr, Banque du Caire, Misr Insurance Holding Group, and Allianz Egypt launched Egypt's first, and so far only, real estate fund. The fund purchases property from the market and divides it into standard-sized shares sold and bought from the founding banks' branches nationwide. A fund-developed index tracks share prices using fund-developed metrics. However, it is not yet open to the public.

Making it work

The most significant change a stock exchange imposes on the real estate sector is unprecedented "transparency in property transactions," noted Eid. That means all listed properties must be notarized. To facilitate that, Ahmed El Sheikh, the EGX chairperson overseeing the real estate exchange, said EGX offices would have a public notary unit to register units before listing.

In August, the Cabinet approved a draft law to create a unique national ID for each property in Egypt. It would ensure the country's residential, nonresidential, and commercial units are registered digitally in state records. The government said that ID would apply retroactively to existing properties, those under construction, and developments pending approvals.

The government also needs investment-friendly trading regulations and oversight in this newly created exchange to ensure it is credible, transparent, and safe for traders. Eid said there must be strong regulations to protect investor rights and minimize fluctuations in the exchange market."

Benefiting from the boom

The introduction of the real estate exchange comes at a critical time for Egypt, as the fast pace of construction ensures a large and sustainable stream of new properties in the short and long terms.

JLL said Egypt is tied for second place with the U.A.E. in the number of projects under construction in the first half of 2023. Along with first-place Saudi Arabia, the three countries accounted for 60% of total projects under construction in the MENA region during that period.

In the short term, the JLL MENA report said, "the next two to three years, the office market [which is almost always rented] is expected to see the completion of several grade-A projects to meet rising demand."

Meanwhile, "despite the wave of inflation, the retail sector [which also rents out its units] has not been severely affected and is projected to make a recovery in the coming period." Between 2024 and 2027, JLL predicts nonresidential property value will grow by an average of 9% annually.

Listing those developments on the newly created real estate exchange should mean "first movers" would find a diverse range of listed properties to invest in, as phase one of Egypt's real estate exchange will list only nonresidential property.

Mordor Intelligence, a think tank, says, "Egypt's residential real estate market size is expected to grow from $18.04 billion in 2023 to $30.34 billion in 2028." By then, the government should have entered phase two of the real estate exchange, which should include residential properties.

GREEN CLUB

Increasing public awareness of the importance of protecting the environment is pushing companies to prove their green credentials. The most essential factor? Choose the certifications based on the nature of the business.

By **Rania Hassan**

With increasingly severe weather episodes worldwide and the increasing visibility of environmentalists on social media and mainstream news portals, sustainability has evolved from a concept into a lifestyle. "There has never been a better time for a sustainable brand to enter the market and build a relationship with a climate-conscious audience," according to Thooja, a platform that sells only eco-friendly products.

Demand for such products has grown over the past five years. In 2018, research from Shelton Group, Futerra and IBM found 84% to 88% of respondents want such products.

Shelton Group said respondents "expect companies to take a stand on social and environmental issues." Futerra's research showed "consumers want brands to help them be more environmentally friendly in their everyday lives." Reputation plays a vital role in attracting eco-conscious consumers. IBM's survey says: "Brand trust, established through verifiable, transparent practices, is important."

Bill Zujewski, co-founder of Green Business Bureau, a sustainability accreditation center, wrote in April 2022 that getting that right means employees and consumers "flock to companies that care about the environment."

He warned that some companies try to falsify their eco-credentials, saying, "False claims about their positive impact on the environment [is] just to drive sales and profits."

That practice is called greenwashing, and Thooja said it is most evident in "labeling a product or brand as sustainable without proof."

The e-commerce platform added, "Sustainability certification is a fast and easy way of showing customers your product" is eco-friendly. That can improve a brand's public perception, sales and loyalty. Some sustainability certificates cover entire businesses regardless of sector and size, while others focus on certifying specific sectors, sizes, parts of operations or individual products.

"Each certifying body will have a different set of requirements," said Thooja. "The first thing to think about is which certification offers the best combination of appealing to your customers and aligning with your brand values." However, choosing too many is expensive and could backfire.

Establishing trust

Regardless of which certifications it chooses, a company needs to consider essential criteria.

The first is certification should avoid conflict of interest issues. "Certifications granted by a third-party organization -- like a nonprofit, government or industry association -- ensure there is no financial conflict of interest that could dampen the certification's credibility," Karen Yarussi-King, president of Global Regulatory Associates, an SME business advisory, told Oracle's education resources platform NetSuite in January 2020.

Yarussi-King also noted the certificate needs to be "recognizable and relevant to your audience, ... have expert-developed and science-backed standards and guidelines ... a clear and transparent certification process, [and] provide support to certified businesses, including expert guidance during and after the certification process."

General certificates

Nonprofit B Corp Certification targets companies seeking to "balance profits and purpose, and have a positive impact on employees, communities and the environment." Fees are based on the business's annual sales, ranging from $1,000 for up to $150,000 in sales to $50,000 for sales exceeding $1 billion. Companies certified by B Corp publish the details online.

Zujewski of Green Business Bureau said, "Companies considering B Corp certification can complete the assessment as the first step to see if they qualify and to better understand their compliance gap."

He noted certification focuses on "day-to-day activities and business models, which must be designed to create additional positive value." Its scope includes governance, workers' community, the environment and customers.

The International Organization for Standardization (ISO) is another accreditation option. Zujewski noted the ISO 14000 series is "an environmental management certification [that] maps out a framework that ... an organization can follow to set up an effective environmental management system."

The downside is that while it is "well respected and understood in the industry," it is a significant undertaking, typically taken on only by large, mature, well-funded organizations, said Zujewski. The U.S. Chamber of Commerce says the ISO 14000 series has certified more than 300,000 companies in 171 countries.

Green Seal is another nonprofit that certifies products in 500 categories that meet 27 standards. The categories include household cleaning products, adhesives for commercial use, restaurants, and food services. Zujewski noted they have "various qualifications and labels ... from fragrance-free products to safe chemical products." Green Seal also has "different standards for different industries."

Another emissions-related certificate is the CarbonFree Certified Verification, which "measures carbon emissions and involves a commitment to further reduce and offset existing output," Zujewski said. Meanwhile, SMaRT Consensus Sustainable Product Standards cover "about 80% of the world's products," noted Zujewski.

There is also Cradle-to-Cradle Certified for safe products with zero waste and are responsibly made. Meanwhile, the Global Reporting Initiative "offers a comprehensive set of standards ... from anti-corruption to water, biodiversity, ... to a tax [on] emissions."

Other niche certifications include Green Guides, published by the U.S. Federal Trade Commission, which targets marketers to ensure they don't make false claims when communicating with customers. Meanwhile, the 1% for the Planet Certificate is only given to companies that spend 1% or more of profits on eco-friendly and sustainability projects.

Sector focused

For agricultural companies and farmers, Rainforest Alliance Certified is a nonprofit dedicated to "environmental protection and promotion of workers' rights," NetSuite noted. The certificate applies to individual farms and groups of farms growing fruits, herbs, and spices. It also includes tourist businesses recognized by the Global Sustainable Tourism Council, said Zujewski, adding the seal means products or ingredients were produced using methods that support social, economic, and environmental sustainability.

Textile producers can be certified by the Global Organic Textile Standard, which is exclusive to the industry. The U.S. Chamber of Commerce says this "third-party certifying body is working toward a 100% organic textile future."

The STANDARD 100 by OEKO-TEX certification also is exclusive to textiles. It ensures products are free of harmful substances that could affect human and ecological health. The U.S. Chamber of Commerce says it includes "zippers, buttons, threads, paints and linings," which is uncommon among textile-exclusive sustainability certificates.

Luxury goods also have an exclusive certification: Positive Luxury. The U.S. Chamber of Commerce says, "It is one of the more exclusive third-party sustainability certificates ... only awarded to luxury brands that demonstrate ethical and sustainable behavior in almost all areas."

For pharmaceutical companies that research and develop new chemical-based products, Leaping Bunny certifies "100% animal-testing-free cosmetics and personal-care products."

Local companies targeting the U.S. market may also need the NPA Natural Seal that ensures the "use of at least 95% natural ingredients approved by the National Products Association, excluding water." Fair Trade Certified "shows customers that a company uses equitable trade practices at every level of the supply chain, ensuring fair treatment, prices, and environmental impact."

Food products sold abroad by Egyptian companies also need to be certified. Non-GMO Certification provides its seal for foods that are not genetically modified. "They have been the pioneer and established market leader for GMO avoidance since 2010," Zujewski noted.

There also is the Organic Certification (Rodale Institute), which "sets the standards for organic certification... backed by the National Organic Standards Board."

SIP Certified is a niche certification in Egypt, which covers wines, wineries, and vineyards to ensure "they use practices that protect the people and planet."

Building certification

The Leadership in Energy and Environmental Design (LEED) certification is the "most widely recognized green building rating system in the world," said NetSuite. "It certified in 165 countries ... and more than 90,000 ... projects as of 2019. It's a gold standard for how to build consumer awareness and trust and deliver real cost and environmental benefits."

"We are talking reductions of 34% in [carbon] emissions, 25% in energy consumption and 11% in water use, and the diversion of more than 80 million tons of waste from landfills," said Daniele Horton, founder and president of Verdani Partners, a sustainable real estate consulting firm,

LEED's focus measures a building's performance in energy, water, waste disposal, transportation, and site selection.

The Building Research Establishment Environmental Assessment Method (BREEAM) is "the oldest method of assessing, rating, and certifying a building's environmental sustainability," said Zujewski. "BREEAM is now administered by a for-profit organization [resulting in] higher fees."

However, NetSuite says that compared with LEED, BREEAM "has a more adaptive approach to allow for regional conditions."

Fitwel focuses on "buildings that promote healthier workplace environments," NetSuite said. The U.S. Chamber of Commerce noted it is "one of the world's leading certification systems, with over 1,000 projects certified or pending certification in over 40 countries."

For companies getting started, using the rating tools published by the World Green Building Council is ideal. They are voluntary, "recognizing and rewarding companies and organizations that build and operate greener buildings." Meanwhile, Green Building Standards "lists some of the major model codes or rating systems that communities can use to develop green building programs."

Certification hubs

For companies to identify which certifications and tools would benefit them most, the Green Business Bureau (GBB) offers online tools EcoAssessment and EcoPlanner. Companies receive points for each activity they complete, with a key to assess their sustainability gap. "GBB includes 400 green initiatives and EcoPlans to consider and choose from," NetSuite said. "It is the most automated and guided certification available."

A primary focus for GBB is climate. "It promotes responsible land management methods that increase carbon storage," said Zujewski. It offers climate-smart practices to help farmers build resilience to droughts, flooding, and erosion, he said, adding it also improves sustainable livelihood opportunities for small farmers. According to the U.S. Chamber of Commerce, it is "ideal for SMEs that want recognition for their sustainability efforts and guidance on how to be more sustainable."

Before setting out to obtain a sustainability certification, NetSuite noted, companies need to "consider the cost and whether they are prepared to be transparent and continue renewing year after year. And make sure your market recognizes the certification."

After getting certifications, companies need to invest heavily in marketing. "Display your certifications with pride on packaging and websites along with information about how exactly your product or brand is benefiting the planet," said the U.S. Chamber of Commerce. "The more detailed information you have, the more legitimate your product will seem."

Market Watch

Stock Analysis

Surprise, surprise!

Who would have thought the Egyptian stock market would rally this much this fast? Even the most optimistic investor could not have considered the EGX 30 index would hit 25,000 this year, five weeks before the end of the year.

The index surpassed that 25,000 level intraday during trading on Nov. 20. But the period from Oct. 15 through Nov. 15 also was momentous, with the EGX 30 ending on a very positive note, up 18.8% to extend its year-to-date gain to 65.4%. Similarly, the EGX 70 EWI hit another all-time high, ending the period up 28.5% to extend its year-to-date gain to 72%.

With both leading market indices hitting all-time highs, a couple of stocks posted triple-digit returns: ASEC Mining (up 107%) and Wadi Kom Ombo Reclamation (up 105%). Year-to-date the list was close to 50 stocks, led by Misr Fertilizers Production Co. "MOPCO" (MFPC, up 305.5%) and General Co. for Ceramic Porcelain "Sheeni" (PRCL, up 266.5%).

In the prior period, the EGX 30 performance was led by MFPC and Abu Qir Fertilizers (ABUK). Meanwhile, CIB (COMI), the index heavyweight, was lagging. TMG Holding (TMGH, up 87.5% for the period) was by far the top performer, followed by Ezz Steel (ESRS, up 34%), Eastern Co. (EAST, up 30%), and Telecom Egypt (ETEL, up 25%). COMI, meanwhile, started to catch up, rising 20% in the period.

Elsewhere, it seems that the leading market's surprise recovery enticed other companies to go public, albeit on the SME market, previously known as Nilex. Indeed, two companies went public recently. Digitize for Investment & Technology (DGTZ) floated 1.2 million shares or 10% of its issued shares for EGP 4.26 a share, valuing the company at EGP 51 million. The stock's debut was on Oct. 22; it ended that day up 64%. By Nov. 15, DGTZ was up 73% off its IPO price. The company, which provides ICT solutions and engineering services, saw its nine-month earnings fall 32% to EGP 5 million.

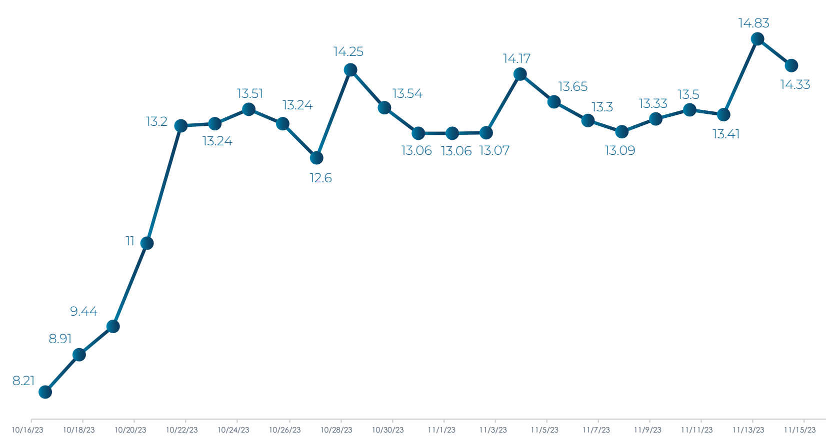
More recently, Fitness Prime Health Clubs (FTNS), another SME, went public on Nov. 20 with 26.5 million shares floated or 20% of its issued shares for EGP 1.20 a share, valuing the company at EGP 159 million. The stock ended its first trading day up about 66%.

The CBE decided to keep interest rates unchanged. Now, investors have one last meeting to speculate on whether the CBE will choose to reset the counter to unify the exchange rate in the market. Regardless, the market has already priced in a steep Egyptian pound devaluation.

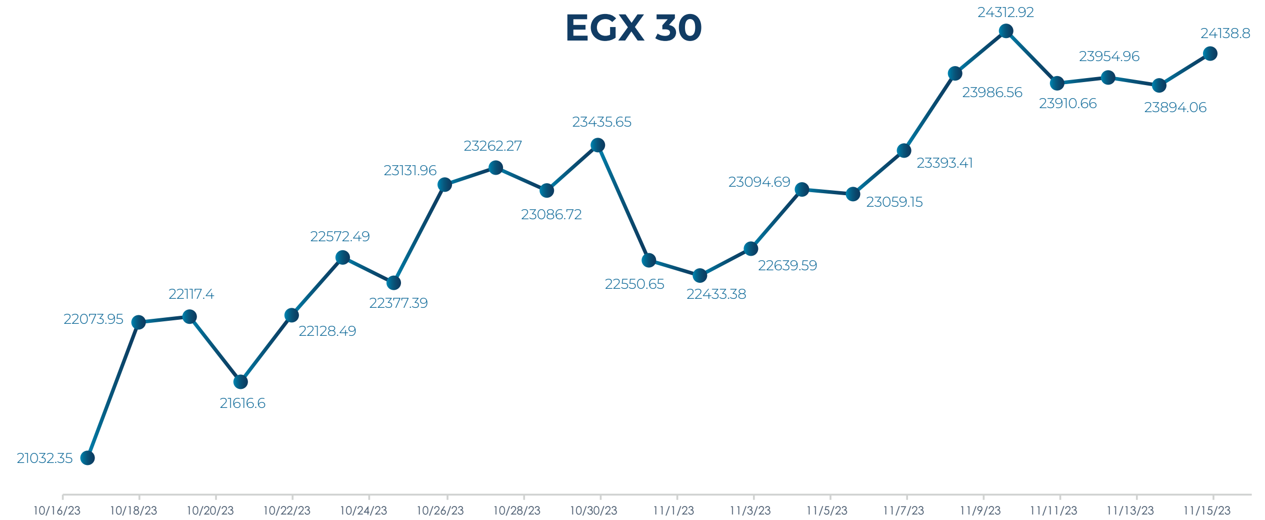
General Co. for Ceramic Porcelain 'Sheeni' (PRCL)

General Co. for Ceramic Porcelain (Sheeni) continues to report gross loss. Shareholders (led by state-owned Holding Co. for Metallurgical Industries, 57% stake) dedcied keep it open despite retained losses surpassing half its book equity.. Midfert Misr, has raised its stake in the company to 12.3%.

Last full-year earnings were saved by capital gains from a land sale. That led PRCL's stock to rise 91% and extending its year-to-date gain to 266.5%. Rumor has it there is interest in acquiring the company, which management denied.



EGX 30



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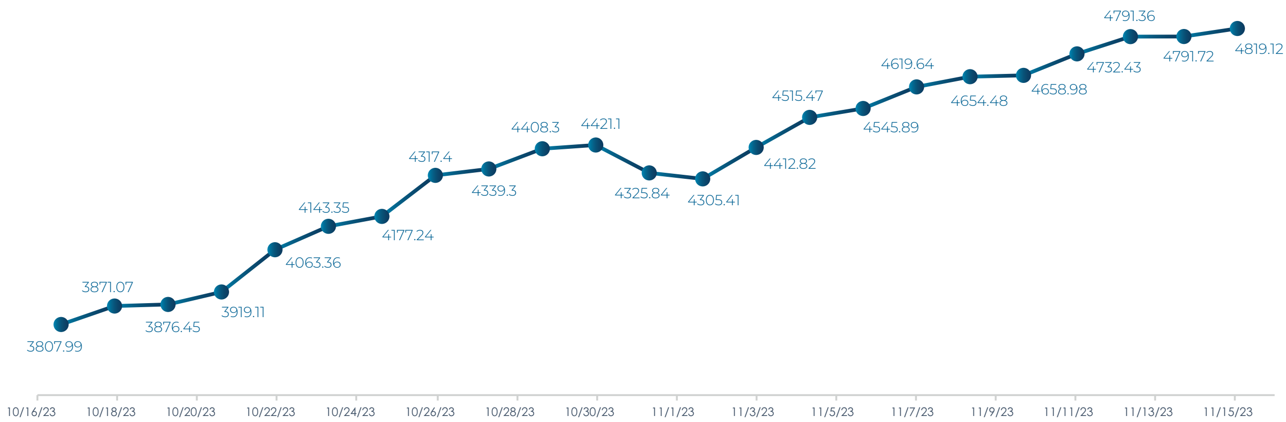
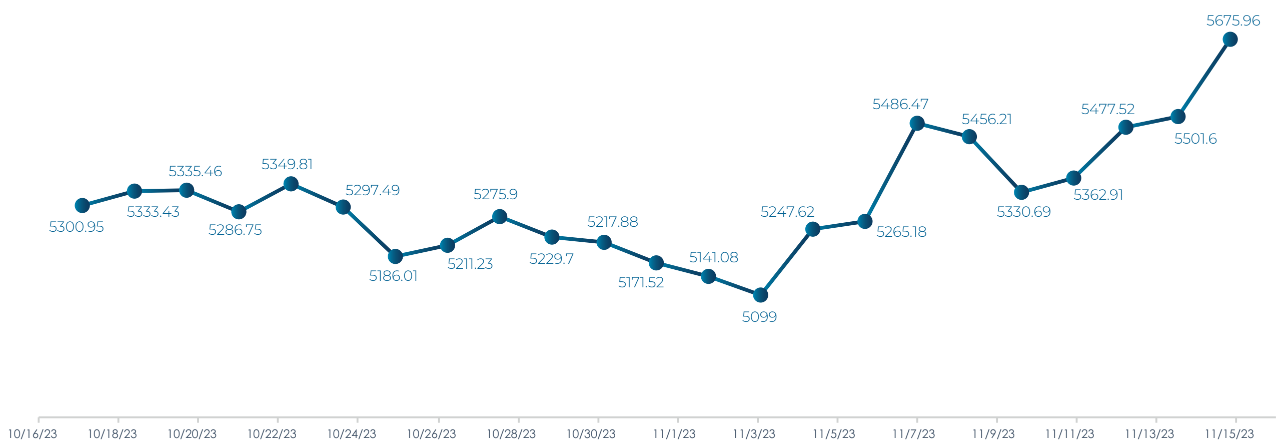


Tamayuz



Tamayuz index is an all-new weighted index, launched on June 23rd. It comprises companies with high free cash flows from operations. EGX stresses that this is not an endorsement of those stocks.

A SOLID MIDDLE

Companies seeking growth while ensuring a harmonious and productive work environment need to motivate their middle managers. Hint: Don't promote them to top management.

by **Rania Hassan**

As startups grow into small and medium enterprises, owners and top executives must create layers of middle managers to oversee day-to-day operations, entry-level and front-end employees, and lower-level middle managers.

Those employees, who must lead their teams and follow explicit instructions from superiors, are under the most pressure in any organization. "Managers face pressures from above and below," noted a March report from McKinsey. "They tend to be underdeveloped and unempowered, and they face growing pressure to deliver flatter, faster and leaner organizational structure. All of [that] leads to being underutilized and unappreciated."

That puts the entire organization at significant risk. "Middle managers ... are essential to helping businesses navigate rapid, complex change," said the Harvard Business Review in its July-August issue. "Organizational transformation can occur only with their involvement. They're the glue that holds teams and enterprise together, fostering the inclusion and psychological safety individuals and groups need to thrive."

"Without [middle managers'] ability ... to connect and integrate people and tasks, an organization can cease to function," according to Emily Field, a partner at McKinsey in Seattle, in July.

Motivating them is tricky. On the one hand, the company would lose middle managers' expertise in their current roles if they were promoted. On the other, keeping them in their current roles could make them more likely to quit.

Who's in the middle?

According to Indeed, an online recruitment platform, middle managers include "all management positions in a hierarchical company structure underneath the top management positions and above non-management workers." The portal defines "top management" as anyone with an executive title, such as CEO or CFO.

Despite having "manager" in their titles, middle managers deal with customers if there is an escalation, unlike their superiors. "They serve as a buffer between top-level management and everyone else," said Indeed. Middle managers are likely "branch managers, store managers, regional directors, or department managers."

The online recruitment platform said they usually handle "issues that come up at a specific business site or in a specific department within the organization." That includes "developing and implementing routines, monitoring employee performance, assigning and supervising tasks, [ensuring] compliance with ... organization guidelines, [and] inspiring and encouraging employees to perform their best."

Senior executives expect middle managers to "come up with ideas to improve productivity at a specific ... location or in [their] department." Middle managers also are responsible for hiring and retaining team members, and converting the strategic objectives passed from their superiors into everyday policies. They must also allocate resources to subordinates and report potential problems to senior managers.

Middle managers can come from either outside or inside an organization. According to Indeed, hiring from within requires executives to "prepare potential management candidates with increasing responsibilities before [promoting them to] the new management role." That preparation process could require creating a new position such as "assistant" manager.

Promotion transparency and a clear career path for all job levels must be a priority, even if everyone agrees the promoted employee is the best for the job. The recruitment platform stressed, "Establishing a clear path for moving within your company keeps lower-level employees happy."

Middle management positions could increase or decrease based on how top executives want to lead the organization and its growth prospects. "This might mean creating new departments ... such as HR, sales or facilities maintenance, which were previously overseen by a single individual," noted Indeed. "It could also be planning for future expansion by setting up a structure for regional or divisional managers once you've opened [new] physical locations."

Middle manager struggles

Citing their hierarchical position in the middle of the organizations, the McKinsey Global Survey published in March found that top executives "treat middle management as a catchall." Middle managers "spend much of their time handling nonmanagerial work and navigating organizational bureaucracy, rather than allow middle managers to focus on the most important role at an organization: fostering talent."

That survey shows middle managers spend "almost" 75% of their time on tasks other than managing talent. A breakdown shows that "nearly half of [that] time is devoted to nonmanagerial work." Several respondents said they spend nearly "one full day out of every week on administrative work." The rest of that time is taken up by work that middle managers must perform themselves. That includes analysis, forecasting, and communicating department needs to other parts of the organization.

The share of time allocated to developing talent is decreasing. In 2020, a McKinsey survey noted that middle managers "spend less than [33%] of their time on talent and people management." Three years later, McKinsey reported that figure at only 25%. During those increasingly limited periods, the focus is on training, coaching, and supporting employees' development rather than recruiting and performance appraisals.

Further findings from McKinsey's March report show that "42% ... of surveyed managers ... either disagree or are unsure that their organizations set them up to be successful." They cite organizational bureaucracy evident in excessive meetings, emails, and approval processes as their biggest day-to-day hindrances. Nearly 25% said their problems revolve around "underperforming employees, senior leaders who have a negative impact on their teams and departures of valuable employees."

Motivating system

Field noted that promoting non-management employees to management positions is relatively straightforward and likely results in higher job satisfaction. However, the story is different when moving middle managers up the corporate hierarchy. "Senior leadership feels a magnetic pull to promote top middle managers into positions where they no longer do what they love," said Field. They "persist in promoting their best individual contributors [in middle management] without considering their fitness for [the new] role."

Middle managers also push for such promotions, not knowing whether or not the new post would play to the strengths that make them a valuable asset to the company. One of the biggest reasons fueling the desire to move into the C-suite is the perception that "the word 'middle' implies that the person in that spot is on the way to somewhere else -- ideally, the top," said Field. "That thinking is misguided."

Finding alternatives to giving promotions to motivate middle managers is tricky. "Much of the corporate world is still in the dark about how to promote stars within the same role," said Field.

A McKinsey report in July cited how one restaurant promoted grill operators by giving them fancy titles like "master of the grill" and "Elvis of the grill." The higher the title, the more responsibilities they get in the kitchen. They also get a bonus and salary bump when changing titles and eventually get to train novice employees in addition to their work on the grill. "The goal is to keep [grill operators] doing what they do best," the report said. "Without quality grill operators, the restaurant couldn't maintain its trademark dishes."

Other companies have created alternative recognition tracks, particularly for technical jobs, to keep accomplished engineers, factory workers and programmers away from administrative work, which becomes more prevalent the higher the position in the hierarchy.

Field noted that companies could also offer the best middle managers stock options, which typically go to top executives. Bigger salaries are always critical. "When appropriate, pay the best middle managers even more than your senior leaders," said Field.

Another option to motivate middle managers without promoting them out of their current roles is to move them to bigger or more important locations in the same capacity.

Top executives also could increase middle managers' teams, give them increasingly challenging assignments and allow them more flexibility in office and work hours, plus other non-financial benefits.

McKinsey's survey also noted that top executives should ask individual middle managers what they want. "Some may appreciate a bump in salary, others may value more time off… others may want a converted assignment or a travel opportunity," the report said. "Tailor your rewards to the priorities of your managers."

New attitudes, policies

Harvard Business Review noted that top executives' attitudes toward their middle managers play a significant role in motivating them. "Too many top executives fail to empower people to do the work they're uniquely suited to," it said. "Middle managers, in particular, have suffered the most."

The Harvard Business Review report recommends "removing the tasks that weigh [middle managers] down." That could be done by increasing automation, reassigning those tasks to other low-level employees, or eliminating them. "That means prioritizing trust over bureaucracy. [It also means] discarding the 'player-coach' model, that has managers balancing two jobs instead of focusing on one."

The other way of showing trust in a middle management team is by involving "the most influential … and high value … managers" in top executives' meetings and decision-making processes. "You'll want to bring them into the tent when making important decisions," the Harvard Business Review report said.

That gives senior management better insights when evaluating strategy options "because middle managers have the best understanding on how [relevant] data is gathered and applies to day-to-day work," noted Harvard Business Review. Middle managers "are essential to ensuring that data-based activities don't perpetuate bias or impede performance."

Top executives could use middle managers as "megaphones" to provide credibility when introducing new plans and strategies among low-level employees. Additionally, top executives could temporarily assign innovative middle managers to "join networks [to] generate and share ideas and execute resulting plans."

Additionally, top management could give middle managers "critical projects or connect them with more influential colleagues [to] motivate [them] to shine." Receiving high-level training to improve those managers' weak points should also keep them energized and motivated.

Culture change

A conducive ecosystem and corporate culture are essential for middle managers to thrive. According to Field, organizations must ensure a clear statement of purpose that aligns with managers' goals.

Senior executives also should "communicate that [middle management positions] are desirable roles … not a waystation." Thirdly, they need to encourage middle managers across the organization to meet and share best practices.

Top management must ensure middle managers "feel free to speak up," said Field. "They're often the first to identify systemic problems and see solutions." Lastly, senior executives must show middle managers compassion, "just as [they] expect them to show compassion to their [subordinates]," noted Field.

Lastly, the recruitment platform Indeed stressed that getting the most out of middle managers requires the C-suite to "understand the power dynamics within [their] company. [They must also be] willing to delegate." ■

Chamber News

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Customs and Taxation

23 October

Members briefed on payroll tax e-filing updates

On Oct. 23, AmCham's Customs and Taxation Committee and the Human Resources (Talent Management) Committee hosted a joint session titled "Payroll Tax E-Filing: Egyptian Tax Authority's Latest Updates and Developments." Rasha Abdel Aal, deputy head of the authority, was the featured speaker.

Abdel Aal discussed the significance of the payroll tax e-filing system in line with the national strategy for digital transformation. This system, designed to standardize wage and salary calculations, aims to enhance tax liability by automating procedures.

Abdel Aal emphasized the benefits of the payroll tax system for investors, noting that several multinational companies have voluntarily adopted it to leverage its advantages ahead of its compliance date. Key benefits include comprehensive management of employment cases at the corporate level, real-time tracking of recruitment cases, and accurate calculation of individual taxes and deductions. The system considers all exemptions outlined in the Income Tax Act and other applicable laws.

Addressing potential concerns, Abdel Aal acknowledged the new payroll tax system might generate complaints and recommendations. However, she assured attendees that a dedicated team is working to support the system.

Investment and Capital Markets

7 November

Competition Policy and Neutrality Outlook

The AmCham Investment and Capital Markets Committee organized a session on Nov. 7 titled "Egyptian Competition Policy and Competitive Neutrality Outlook" with guest speaker Mahmoud Momtaz, Chairman of the Egyptian Competition Authority (ECA).

He stressed the Authority's commitment to maintaining competition neutrality by constantly updating regulatory frameworks. He also noted the ECA is actively fostering a culture of competition and promoting public awareness about legal provisions.

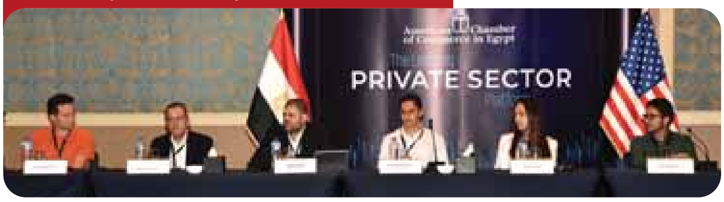
The Authority also works with various regulatory bodies in multiple sectors and cooperates with national and international organizations to share perspectives and experiences related to competition.

The Authority has made efforts in various directions, particularly in light of its new five-year strategy, which covers the provisions of the competition law and policy updates, including proposed amendments to Egyptian Competition Law (ECL) that aim to establish a merger control regime.

The report will also outline the Authority's strategy from 2021 to 2025, its Compliance Toolkit, and the Public Procurement Guidelines. Momtaz also provided details on ECA's enforcement efforts, including information on the Authority's current merger notification regime.

Additionally, Momtaz highlighted the Authority's advocacy and awareness efforts, which target the general public, the business community, academic institutions, judicial authorities, and public entities. Finally, the report also covers the improvements in the Authority's resources, such as information technology, human resources, and financial resources.

Entrepreneurship and Innovation



9 November

Technology unleashing innovation in Africa

On Nov. 9, AmCham's Entrepreneurship and Innovation Committee hosted a panel discussion and networking reception in honor of the visiting MIT's Foundry Fellows Delegation. The discussion addressed "Deep-tech in Africa: Unleashing Innovation and Transforming Industries" with guest speakers Ahmed Zahran, CEO and co-founder of Karm Solar; Mousa Salem, co-founder and CTO of inCurA; Mohamed Ebeid, co-founder and head of corporate strategy at Proteinea; Mohamed Fahmy, managing partner of Sequence Ventures; Nour Taher, co-founder and CEO of Intella.

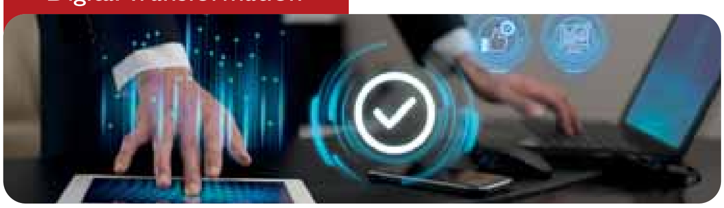
During the panel discussion, guest speakers shared their insights, experiences, and perspectives on the potential of deep tech in Egypt. They explored how deep-tech solutions can revolutionize various sectors and industries, such as renewable energy, healthcare, biotechnology, venture capital, and artificial intelligence.

The deep-tech sector in Egypt is rapidly evolving, driven by government support, entrepreneurial talent and an expanding innovation ecosystem. With a focus on AI, IoT, renewable energy and blockchain, deep-tech startups are poised to bring transformative solutions to various sectors. Continued development of deep tech in Egypt has the potential to unlock innovation, drive economic growth and position the country as a regional hub for technological advances. "The percentage of deep-tech startups compared to the total startups in Egypt is lower than the global average," said Fahmy. "The average globally is 15% to 20%, and Egypt is at 6%."

Commercializing deep-tech startups involves transforming innovative and advanced technologies into viable businesses that can generate revenue and significantly impact the market. Investors are more receptive to the idea of investing in deep-tech and an understanding of what it entails.

Speakers emphasized investing in science and research to address Egypt's challenges. They added that the government should fund university grants and provide infrastructure to support these startups.

Digital Transformation



13 November

Business opportunities in tech

On Nov. 13, the Digital Transformation Committee hosted a "Business Opportunities in the Tech Sector" session featuring presentations by leading IT Latvian companies and special guest speaker, Andris Razāns, Latvia's Ambassador to Egypt.

ICT in Latvia has always been a priority sector, transforming the economy and citizens' lives.

Razāns explained that ICT players in Latvia are rapidly advancing emerging technologies like industrial robots, artificial intelligence, and machine learning. The Ambassador further emphasized that Latvia is prioritizing technology research and development as a core pillar in the country's economic growth strategy.

The ICT sector in Latvia has contributed significantly to the country's economic growth, boosting its global competitiveness by promoting connectivity and facilitating international trade.

Currently, 49% of ICT services offered by Lativa-based companies are exporters, generating €400 billion in revenue from abroad. Latvia also has a growing number of ICT enterprises, with approximately 7,500 national ICT companies.

Latvia's ICT sector constitutes nearly 6% of the country's GDP, experiencing an annual growth of almost 25%.

Positioned as a 5G pioneer in Europe, Latvia boasts one of the world's fastest internet services. The sector's expansion is thanks to promoting innovation, its well-educated workforce, and top-notch infrastructure.

Human Resources (Talent Management)

15 November

Executives share insights on salaries, economy

The Human Resources (Talent Management)Committee held a session on Nov. 15 titled "Egypt's Macroeconomic Outlook and Insights on Salaries and Rewards: Preparing for 2024." Guest speakers were Mohamed Youssef, CEO of Dcode Economic and Financial Consulting, and Mohamed Faisal Al Nizami, principal consultant and Egypt country manager of Mercer.

Youssef discussed the impact of external shocks on Egypt, such as the war in Ukraine. He addressed the effect of specific domestic fiscal and monetary policies and country downgrades from Moody's, Fitch, and S&P.

Youssef also highlighted inflation, which reached 41.3% in October. Food, beverages, and education saw the highest price jumps. Youssef noted three scenarios: maintain the current exchange rate; a drastic devaluation to prioritize the currency's stability; and radical progressive monetary changes with a clear and new economic mandate.

Faisal talked about salary increases in 2024, which should be about 18%. However, he cautioned companies to avoid multiple significant increases in salary as it could fuel more inflation.

Inflation has outpaced salary increases, making wages in Egypt the lowest in the region. That caused a spike in top-tier and highly skilled talent leaving the country, forcing companies to consider even more attractive incentives and employment packages.

Salary studies have shown lump sum payments are not effective in alleviating employees' total salary needs, with most companies reporting employees still inquire about additional financial assistance and salary increases throughout the year.

One strategy companies can implement is to offer employees transportation packages, education payments and subsidies for family members.

Customs and taxation

20 November

Meeting with heads of Large Taxpayer Center

On Nov. 20, AmCham's Customs and Taxation Committee organized a meeting with Ashraf El Zayat, the Head of Large Tax Payer Center One at the Egyptian Tax Authority (ETA), and his counterpart at the Large Tax Payer Center Two, Mostafa Hakim, to discuss their recent developments and plans to automate their respective centers fully.

El Zayat said automating ETA's operations and procedures started at the Large Tax Payer Centers in 2021. He noted that they worked with local taxpayers to ensure the digitization greatly simplifies their filing process, expedites audits, and makes the appeal process more accessible and transparent. "We see ourselves as partners to the private sector, not as working in two separate tracks," stressed El Zayat.

He added that they are "nearly 100%" finished with the automation of the Large Taxpayer One Center. "Starting the first quarter of 2024, all our operations will be automated, except for a tiny fraction that still requires physical documents."

Hakim highlighted the massive difficulty workers in the Large Tax Payers Center Two faced when digitizing their operations. "We had thousands of paper documents transferred to use from several ETA departments, such as VAT and income tax," he said. "We have already photographed them all and are not in the process of digitizing their content into our system."

Hakim added that their vision is that taxpayers would receive a notification from us to confirm whether they approve our audit findings. "If yes, they would digitally pay the due amount online, using a payment card or bank transfer," he said. "If they don't, they would submit reasons for the appeal and file the documents proving their grievance."

Membership Type:
Associate Resident

CONSTRUCTION ENGINEERING SERVICES

ROWAD Modern Engineering
Mohamed Mahlab
Chief Executive Officer
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INFORMATION & COMMUNICATION TECHNOLOGY

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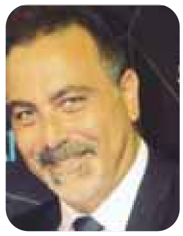

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Associate Resident

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Comin Insurance Brokerage
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CEO

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Membership Type:
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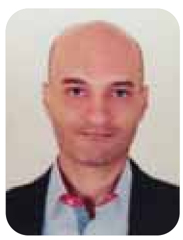

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Associate Resident

MARKETING, ADVERTISING SERVICES

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Amr Nada
Managing Partner

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Public & Diplomatic

NON-GOVERNMENTAL ORGANIZATIONS (NGOS)

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NEW MEMBERS

Membership Type:
Associate Resident

PHARMACEUTICALS

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Chairman

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Membership Type:
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SERVICE PROVIDERS

iSON Xperiences Ltd
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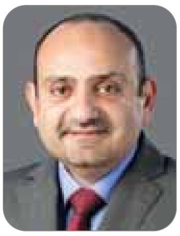

Membership Type:
Associate Resident

SERVICE PROVIDERS

SoluGrowth Egypt
Hany Moneim
Egypt Country Head

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For any change to contact information, please contact the Membership Services Department at the Chamber's office

Tel: (20-2) 3333-6900, ext. 0016
Fax: (20-2) 3336-1050
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Board Member, Bayt El Khebra Holding

Mohamed Khaled Sallam
Board Member, Bayt El Khebra Holding

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Vice Chairman, ALFAFROST S.A.E

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Managing Director, ZINAD for Information Technology

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Founder & Managing Director, Leap Media

Mining/Minerals and Precious Metals

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Company Representative, Geodrill for Leasing and Specialized Services Free Zone

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Hany Abdulmonem
Global Director, Scouting Development, World Organization of the Scout Movement

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Kamel El Kholy
Decarbonization Business Development Manager, Schlumberger

Pharmaceuticals

Donia Fady
Regulatory and Government Affairs Head, Takeda Pharmaceuticals Egypt

Public & Governmental Organizations

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Manager, American Region File, General Authority for Investment & Free Zones (GAFI)

Service Providers

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Chief Growth Officer, iSON Xperiences Ltd

Jan Hendri
Associate Director, SoluGrowth Egypt

Transportation

Hussein A. El Akkad
Coporate Support Manager, Mahoney Shipping & Marine Services

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President of the Board of Trustees, Schutz American School

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CEO Retail, AXA Egypt

Category: Affiliate
Sector: Insurance

Zaher Ibrahim
Vice president EMEA Region, Baker Hughes

Category: General
Sector: Petroleum

Hesham El Gazzar
East Mediterranean IT Manager, ExxonMobil Egypt, SAE

Category: Affiliate
Sector: Petroleum

Dave Hughes
Country Manager, L'Oreal Egypt LLC

Category: Multinational
Sector: Pharmaceuticals

Change in Membership Category

Hesham Gohar
Group CEO, CI Capital Holding Co.

Category: General
Sector: Financial Sector

A Glance At The Press

There is no cash to withdraw, man!
You owe us money

Al Masry Al Youm, Nov. 11

Media Lite collates a selection of some the most entertaining offbeat and lighthearted news items published in the local press. All opinions and allegations belong solely to the original source publications and no attempt has been made to ascertain their veracity.

AUC team wins Arab FinTech Challenge

The American University in Cairo team won first place in the Arab FinTech Challenge for universities at GITEX Dubai 2023. The win came after fierce competition with teams from other universities from several Arabic-speaking countries, including the UAE, Lebanon, and Jordan.

The October competition took place in Dubai on the sidelines of the Expand North Star. GITEX North Star encourages financial technology by boosting new innovative projects, qualifying and supporting university youth to launch their ideas.

GITEX North Star was organized in Dubai and targeted uniting founders, venture capitalists, ecosystem enablers, and tech leaders from around the globe. Its mission is to secure business and investment agreements, expand partner networks and facilitate knowledge-sharing.

Ahram Online, Oct. 29

Czech mission finds Giza tomb of royal scribe

A November archaeological mission from the Czech Institute of Egyptology at Charles University discovered the tomb of a Late Period royal scribe in the Abusir Necropolis in Giza.

The tomb belongs to the high official Djehutyemnakht, who lived during the sixth and fifth centuries BC. "The first evidence of Djehutyemnakht's tomb was uncovered in May in the cemetery for high-ranking officials and military commanders from the 26th and 27th Dynasties," said Mostafa Waziri, secretary-general of the Supreme Council of Antiquities.

Waziri said the tombs resemble the tomb of King Djoser, founder of the Old Kingdom, during the third millennium BC.

Mission Director Miroslav Verner said the upper part of the tomb above ground had been destroyed already in antiquity, while the burial chamber is located 14 meters underground with texts and paintings on its walls.

"This new find, together with our previous discoveries from this excavation site, such as the large-scale shaft tomb of general Wahibrameryneith, will shed more light on historical changes taking place in Egypt in the turbulent sixth-fifth centuries BC," said Ladislav Bareš, Czech excavation coordinator.

Ahram Online, Nov. 3

Asteroid named after Egyptian professor

The International Astronomical Union (IAU) named an asteroid after Mohamed Ramy El-Maarry, a Space and Planetary Science Centre director at Khalifa University of Science and Technology in Abu Dhabi.

That comes in honor of El-Maarry's contributions to planetary science and comet geology. Asteroid 2002 CZ is now called El-Maarry (357148), "I hope this award can be an inspiration to the next generation of Arab scientists," El-Maarry noted.

El-Maarry conducts research using modeling, data analysis, and comparative planetology through fieldwork to gain deeper insights into planetary geology and its underlying physical processes. He will participate in the United Arab Emirates' scheduled 2028 space mission by investigating seven bodies in the asteroid belt between Mars and Jupiter.

Egyptian Streets, Nov. 3

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