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EXERCISE WISDOM
April 2024

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April 2024
NOT FOR SALE

EXERCISE WISDOM

in the land of opportunities: **'RAS EL HEKMA'**

Bloomfields

Life Starts At The Top

TATWEER MISR | 16094

Innovo Group is on a mission to become one of the world's most innovative and responsible developers. Smart, rapidly evolving technology is the key to achieving those goals. According to Innovo CEO Bishoy Azmy, "The Built environment creates over 40% of the globe's carbon footprint. Innovative technology is advancing so fast, especially Artificial Intelligence (AI), that it has become the quickest and surest way to create productive, safe, and sustainable outcomes." With this global mandate, all Innovo businesses are enthusiastically embracing technology. And Innovo Egypt is at the forefront of this technology revolution.

We collaborate closely with global venture capital companies, embassies, and our customers to uncover the latest technologies and integrate them into every aspect of our projects. According to Roger Wahl, Innovo's Chief Technology Officer, "We are leaving no stone unturned in our search for the most innovative technologies that help us decarbonise, improve efficiency, and increase safety across the entire Built lifecycle. We assess thousands of tech startups each year, shortlisting and implementing those that create the biggest impact."

When leveraged properly, technologies build upon each other to achieve optimal outcomes. Advancements in Quantum Computing hardware, AI intuitive software, 5G communications, the Internet of Things (IoT), and sensors to process the information at the end points have resulted in unprecedented capabilities.

During a typical project lifecycle, we leverage multiple state-of-the-art technologies to improve outcomes. AI reduces design cycle time and creates optimal results. 3D Building Information Modelling (BIM) creates a virtual picture of the asset down to the smallest level of detail. While building, Digital Twin captures the build reality via Light Detection and Ranging (LiDAR) scans, comparing the actual build to the BIM design, which enables us to eliminate defects before they occur. Digital Twin also passes crucial asset information to the maintainers like expected wear-and-tear, predictive maintenance schedules and optimal environmental factors resulting in increased quality of life for residents.

To ensure sustainability is at the centre of all our projects, we are creating a platform that integrates a sophisticated array of leading technologies to meticulously track and analyse every facet of our carbon footprint. Utilising AI algorithms, IoT sensors, and the high-speed connectivity of 5G, we monitor the entirety of our supply chain, construction processes, crane operations, personnel commuting, generator usage and energy consumption. This comprehensive approach enables us to gather real-time data, identify areas of inefficiency and implement targeted strategies for minimising our environmental impact at every stage of project development. Following COP 28, global governments are imposing stricter, and quicker, carbon controls. Technology is the path to compliance.

For Innovo Build Egypt innovative technology will be the key to creating the best possible outcomes. According to Mohamad Gamal, Managing Director of Innovo Egypt, "Emerging and innovative technologies are enabling us to successfully navigate challenging economic times by adding certainty and continuous improvement to the project lifecycle. We are 100% confident that we will exceed customer expectations."

Innovo is leading the way by leveraging new, smart technologies wherever possible. We are confident that our customers, employees, and communities will reap the benefits for years to come.

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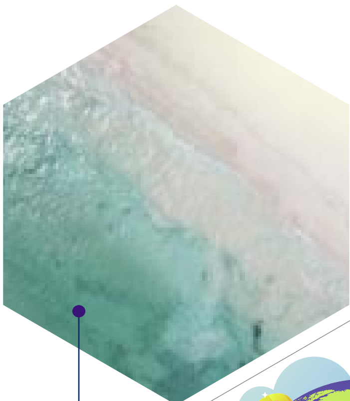

REGIONAL CHANGE

Technology, societal norms, population dynamics, economic reform imperatives, and geopolitics in the MENA region have massive, both positive and negative, impacts on MENA economies.

This month's issue tackles significant regional changes, focusing on Egypt.

Incumbent sectors like banking services face pressure from non-bank financial services companies (fintechs) that are successfully attracting the next generation of borrowers. In Egypt, a significant part of those fintechs' success is due to increasing government support.

Meanwhile, artificial intelligence will upend the financial services landscape, and financing institutions that use such technology first are poised for long-term success in MENA.

Climate change and the need for new projects to be sustainable and eco-friendly are also forcing many industries to rethink their business models. The government's 2052 plan to develop the North Coast into an all-year destination with industry, logistics hubs and citizens making a living there all year long raises questions about how the construction work there will be sustainable and protect the Mediterranean Sea.

Moving away from globalization in favor of regionalization could cause problems. The straightforward solution is to increase trade ties with neighboring nations even if the products cost more than those made in other regions. That makes reinvigorating inter-Arab trade more significant than ever before.

Accordingly, such changes will require legislation updates to address MENA investors' anxieties. Conflict resolution and business-friendly bankruptcy laws are essential for existing and potential investors, as they need to see a way out if the local business climate becomes unfavorable.

The proverbial "elephant in the room" concerns governance and transparency regarding what will happen next. As a 2002 OECD report stated, "Transparency, first and foremost, guarantees that investors will know what is expected of them and the rules of the game."

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EGYPT IN THE LIMELIGHT

I write this after a successful visit to Washington D.C. with a select group of AmCham leaders. We were advised to go in March, even though it was the middle of Ramadan, because right now Egypt is centerstage in the regional political arena.

That advice did not fail us. After a week of intensive and deeply engaged meetings, I can share that the mood in D.C. is, for a change, very much in favor of Egypt being in the limelight. Egypt won kudos from every circle: Congress, think tanks, and even media leaders. The country is perceived as the one honest broker mediating the conflict between Hamas and Israel, and D.C. leaders are relying on us to help them get out of this political quagmire, especially in a presidential election year.

It's no wonder our economic bailout fell into place so swiftly, bolstering Egypt's economy from three different benefactors: international financial institutions (aka the USA), the European Union for their own immigration concerns, and the UAE who tied the bow.

What is the price? In reality, the price is what I just mentioned. We heard time and again from all different circles that there will be no influx of Palestinians to Sinai. That is a sigh of relief.

So now it's time to put aside the conspiracy theories and focus on the economy.

As we heard from our distinguished panelists during our pre-Annual General Meeting, the float of the pound went remarkably well, to the extent that the international financial institutions were pleasantly surprised. They mentioned that the Egyptian government was even aggressively forthcoming with several control measures on a timely basis. In their words, what was expected to take months materialized in weeks. In fact, one of our panelists reported that the supply of foreign currency is intermittently exceeding the demand.

We have received a kiss of life when we were on the verge of an economic cataclysm. Now we are starting to build trust among our stakeholders, which I believe will take some more time.

The big question now is the way forward. There is a political lull right now, with no word of a highly anticipated Cabinet shuffle, not even credible rumors. Is it the same team carrying over, or will there be a new start with fresh names to carry out a serious reform agenda? No one knows. As I mentioned before, the choice of Cabinet will signal the direction the country is heading.

We cannot afford another economic fumble, and we cannot afford yes men anymore. True, Egypt is too big to fail, unless we insist on making it fail with wrong policies and poor choices. We need a clear economic strategy that defines our path and the shared roles of government and private sector, creating a level playing field that allows the private sector to exploit the full potential of our economy,

Without that strategy, we will once again be shooting ourselves in the foot, as we have done so often over the years. We have been blessed this time by geopolitics, but we can't count on it every time.

TAREK TAWFIK
President, AmCham Egypt

THE **NEWSROOM**

WORLD BANK OFFERS $6 BILLION IN FINANCING

The World Bank Group (WBG) announced it will pledge more than $6 billion in new financing to Egypt over the next three years to boost economic development and increase opportunities for private sector engagement.

The package includes $3 billion for government programs and an additional $3 billion for the private sector.

Through the government's asset monetization program, the WBG aid aims to foster private sector participation in the economy and enhance the management of state-owned enterprises. It also targets improving the efficiency and effectiveness of public resource management.

In addition, the statement noted that the World Bank is discussing the Development Policy Financing (DPF) program, which is anchored on three main pillars: enhancing competitiveness and improving the business environment, building macroeconomic resilience, and supporting the green transition.

According to the World Bank's statement, the WBG's current Egypt portfolio of over $8 billion includes $6 billion from the International Bank for Reconstruction and Development, $1.9 billion from the International Finance Corporation, and $500 million from the Multilateral Investment Guarantee Agency.

MAGIC LAND AL-HOKAIR LAUNCHES $23,6 MILLION PROJECT

In a partnership with the Egyptian Media Production City (EMPC), the Saudi Magic Land Al-Hokair, owned by Abdul-Mohsen Al-Hokair Holding Group, launched the Tanza project.

With investments totaling EGP 1.1 billion, the Tanza project in Six of October City, which covers 250,000 square meters, will be Egypt's first integrated entertainment destination.

Mahmoud Gaber, CEO of the Tanza project, noted it "boasts a team of top specialists in the Middle East to rival the world's leading integrated entertainment projects in precision and standards."

Gaber added the project would include seven entertainment zones: the Continents Zone, Acceleration Zone, Sports Zone, Forest Zone, Cinema and Theatre Zone, Children's Zone, and Dolphinarium.

EU TO PROVIDE $8 BILLION AID, INVESTMENT PACKAGE

The EU pledged an aid and investment package worth EUR 7.4 billion for Egypt. European Commission President Ursula von der Leyen announced the decision on the sidelines of the signing ceremony of the Joint Declaration on the Strategic Comprehensive Partnership between Egypt and the EU.

Leyen said the grants and loans would be disbursed over three years. The package includes EUR 600 million in grants, EUR 5 billion in soft loans, and EUR 1.8 billion in additional investments within the economic and investment plan framework for the Southern Neighborhood nations. Additionally, the grants will include EUR 200 million for migration management.

The EU showed interest in investing in critical projects in Egypt, including energy transformation, security, and the Water-Food-Energy Nexus initiative. The EU will earmark EUR 35 million to support renewable energy and energy efficiency in Egypt.

Leyen noted that the EU will also provide EUR 100 million to address food security concerns, "expand grain storage capacity and production, and assist in mitigating the impact of the Russian-Ukrainian war."

MOODY'S RAISES EGYPT'S OUTLOOK TO POSITIVE

In March, the credit rating agency Moody's Ratings revised Egypt's outlook from negative to positive, affirming the Caa1 long-term foreign and local currency issuer ratings.

According to the State Information Service, the new outlook comes amid transformative economic measures, including the flotation of the Egyptian pound and an increase in interest rates.

According to Moody's Ratings, upholding these factors will support the country in maintaining an expanded International Monetary Fund (IMF) program, preventing the accumulation of external imbalances and enhancing the economy's resilience to withstand shocks over time.

"The affirmation of the Caa1 rating reflects the government of Egypt's high debt ratio and very weak debt affordability compared to peers that increase fiscal accounts' shock exposure and which Moody's expects will improve only gradually," said the agency.

Moody's expects that by the end of fiscal year 2024, interest payments will account for 65% of revenue, a ratio that may temporarily worsen due to the recent official currency devaluation.

FRENCH INVESTMENTS IN A NEW GLASS FACTORY

French construction materials group Saint-Gobain laid the foundation for its third glass factory in Egypt's Al-Ain Al-Sokhna Industrial Zone, northwest of the Gulf of Suez.

According to a statement by SCZone, the company plans to allocate approximately EUR 175 million to the project, which covers 200,000 square meters.

Walid Gamal El-Din, chairman of SCZone, said the factory would strive to "export 60% of its production," aligning with Egypt's goal of reaching $100 billion in exports.

In addition, Saint-Gobain established the groundwork for a solar power plant to produce 10 megawatts of electricity. The solar plant, which will power the facility, will work on reducing approximately 6,000 tons of carbon emissions, according to the SCZone.

A SEA OF OPPORTUNITY

The extensive construction activity expected in Ras El Hikma, a 170 million square meter plot about 250 kilometers west of Alexandria along the North Coast Highway, calls for eco-friendly investments to protect the Mediterranean Sea's ecosystem.

by **Tamer Hafez**

Despite governments' attempts to combat climate change by promoting eco-friendly and sustainable industries, a few vital sectors remain unsustainable.

UK-based construction firm Woodhard Group says the sector "exhausts natural resources ... consuming 40% of the world's usage of raw stones, gravel and sand." It also, "as of early 2021, ... accounts for more particulate air pollution, water pollution and noise complaints than any other industry." Lastly, disposing of construction waste is "one of the biggest problems we face in our battle for a sustainable future," Woodhart Group's note said.

Unsustainable construction in coastal areas causes even more damage. "Coastal communities face increased expenditures on beach cleaning, public health and waste disposal," the UN Environmental Programme said. "The shipping industry is impacted by higher costs associated with fouled propellers, damaged engines and managing waste in harbors. The fishing industry faces damaged gear, and reduced and contaminated catch."

Egypt has ambitious long-term construction plans to convert the Mediterranean Sea shoreline from Alexandria to the Libyan border (North Coast) from a holiday destination primarily targeting locals to a year-round residential, commercial and economic area. "The 2052 Urban Development Plan [along the North Coast] includes developing the cities of Ras El Hikma, El Alamein, El Negila, Sidi Barrani, Jarjoub, Matrouh and Sallum," Mostafa Madbouly, Egypt's prime minister, told the media in March.

Such extensive construction means Egypt needs to be mindful of the impact on the Mediterranean's marine life and biodiversity. "The natural riches of the Mediterranean Sea [need] to remain the source of wellbeing and prosperity for future generations," said a blurb by the World Wildlife Fund's Mediterranean Marine Initiative (MMI).

That requires the government to build "a sustainable blue economy [to] ensure development doesn't come at the expense of the marine and coastal environment," MMI's blurb noted. That requires changing how local developers build those new North Coast cities and the government being selective about foreign investments targeting this region.

Central, vulnerable sea

According to MMI, "If the Mediterranean Sea itself were an economy, it would be the fifth largest in the region (after France, Italy, Spain and Turkey)." That "economy" is fueled by human activity along its densely populated shorelines. It also comes from the high number of endemic species and high biodiversity, which attracts a lot of fishing activities.

The Mediterranean also sees heavy maritime traffic that connects Europe with Southeast Asia and Africa, in addition to an increasing number of natural gas and oil field discoveries, particularly in the eastern part of the sea's basin.

That large-scale economic activity exposes the Mediterranean to almost all types of pollution and threatens aquatic biodiversity. A study commissioned by the European Parliament and published in March 2023 found the Mediterranean Sea is "one of the most sensitive regions in the world to pollution. [It] is globally recognized as a major basin for [accumulation] of marine litter and plastic pollution."

MMI estimates the Mediterranean Sea is "losing its marine biodiversity at an alarming rate and is warming .. 20% faster than the rest of the planet." That is partly because, while 10% of the Mediterranean is designated for protection, "in reality only 1.27% of its area is effectively protected, leaving the rest open for exploitation."

A December paper from the European Bank for Reconstruction and Development (EBRD) said most environmental risks plaguing the Mediterranean Sea come from its southern coast. Reasons "include over-exploitation of marine resources, destruction of marine habitats, pollution and unsustainable fishing." The study commissioned by the European Parliament added, "Most of the marine pollution is caused by waste production and its lack of appropriate management."

$150 billion city

In Egypt, the first new city to be built along the Mediterranean Sea coast will be Ras El Hikma, a 170-million-square-meter plot nearly 250 kilometers west of Alexandria with a shoreline stretching almost 50 kilometers. "The project will encompass residential districts, prestigious international hotels, tourist resorts, expansive entertainment venues, and service facilities, such as hospitals, schools, and universities," Madbouly told the media.

The Ras El Hikma project will also have a "large marina for tourist yachts and ships," said the prime minister. "We expect the new city to attract 8 million tourists to Egypt upon completion." Its inland portion will have "administrative and service buildings, a free economic zone for information technology industries, a logistics hub and a central business district that would house global companies," Madbouly said.

The finished city should be eco-friendly. In 2020, UN-Habitat published a press release saying they have "conceptualized the Ras El Hikma Waterfront New City ... to achieve a new level of sustainable environmental-based development principles."

At the time, Rania Hedeya, UN-Habitat country director, said, "The vision includes social sustainability, environmental sustainability, sustainable urban planning, and economic sustainability." The release also added that the project will "align with the UN-Habitat Sustainable Neighbourhood Planning Principles."

Blue metropolis?

The development of Ras El Hikma and other Mediterranean Sea coastal cities under the government's 2052 Urban Development Plan should attract "blue economy" investments. That economy's primary aim is to direct governments to "develop policies ... that simultaneously promote ocean health and economic growth in a socially equitable manner," said a July report from the Euro-Mediterranean Economists Association (EMEA)

The UN Conference on Sustainable Development coined the term "blue economy' in 2012. It "refers to economic activities that are based on the sustainable use of [maritime] resources," explained the EMEA report. "Blue economy develops when economic activity is in balance with the long-term capacity of [maritime] ecosystems to support this activity and remain resilient and healthy." It addresses the UN's 14th Sustainable Development Goal: "Life below water."

Egypt showed interest in the concept last May when it announced it would formulate the National Strategy for the Blue Economy. Minister of Irrigation and Water Resources Hani Sewilam told the media the strategy responds to "increasing pressure from climate change on all aspects of life, especially the water sector."

The committee tasked with formulating that strategy is headed by a representative from the Suez Canal Authority. It comprises representatives from the environment, transport, and the Egyptian Public Authority for Shore Protection. Sewilam said the strategy "will focus on nature-based solutions and ecosystem services for biodiversity in the North Coast."

In December, Egypt signed a "letter of intent" to join the Blue Mediterranean Partnership Agreement (BMPA), a platform for countries and international financing agencies to discuss technical and financing aspects of blue economy projects.

Joining that platform gives Egypt access to blue economy financing from the EBRD and other Europe-based international institutions. The way it works is the government "will lead on identifying strategic blue economy projects ... while the Union for the Mediterranean [an intergovernmental organization of EU and African countries] will act as a facilitator of the political and regulatory dialogue," the EBRD's statement said.

During the signing, Rania El Mashat, the Minister of International Cooperation, said the BMPA coalition would help Egypt achieve three blue economy goals. The first is "supporting sustainable blue economy investments in partnership between the government and private sectors."

The second is "improving sustainable blue economy practices in project design and implementation," Al Mashat said. Lastly, "create and enhance environments that stimulate sustainable investments through the development of strategies, policies, and regulatory frameworks."

In February, Environment Minister Yasmine Fouad; the Centre for Environment and Development for the Arab Region and Europe, an intergovernmental organization; the UN's Development Programme; and the EU launched Egypt's "Blue Economy Roadmap." It is part of an EU-funded program called SwitchMed, which promotes sustainable economic practices, like zero-waste (circular) economies.

The press announcement said the Blue Economy Roadmap "signals Egypt's commitment to advancing sustainable marine conservation and ecotourism practices." It added the roadmap is "tailored to Egypt's priorities and strategic objectives, [serving] as a guiding document for promoting sustainable coastal and marine practices."

New economy

Adopting an economic concept that emerged only 14 years ago comes with some fundamental risks. The first is "a lack of capacity to harness the job creation and growth potential of the blue economy and an undervaluation of natural capital," the EMEA report said.

The other challenge is insufficient research about the blue economy's various dimensions. That has resulted in "isolated sectoral management of maritime activities, disparities in research and development, and the impact of invasive species [to the Mediterranean Sea] such as lionfish."

Meanwhile, significant economic activity along the basin's coastline in fully fledged cities, logistics hubs and holiday destinations "adds additional complexities," the EMEA report said. It also noted that in countries like Egypt, where the coastline is underdeveloped, investors "pursue short-term profits, [which] can lead to unsustainable practices and contribute to the degradation of the marine ecosystem."

A third problem is "limited awareness among investors and financial institutions of the opportunities and risks associated with the blue economy in the Mediterranean Sea, in spite of the numerous opportunities for regional growth and development in the blue economy."

The EMEA report also noted the "absence of a standard metric to measure the impact of blue investments. This is a critical matter that needs to be addressed ... to attract more investment in the blue economy and ensure that it contributes to sustainable development."

Required transition

In a paper published in March 2023, the OECD stressed, "Local governments play a fundamental role in the blue economy. Their policy competencies (for example, waste management) and investment responsibilities (for example, infrastructure) make them a strategic level for policy implementation and action."

That "fundamental role" would require significant changes in the inner workings of government to tackle "governance rather than ... technical challenges," the OECD paper said. "Governance frameworks for water and blue economy are fragmented across institutions, sectors and places. Continuing to work in silos and ignoring upstream-downstream links means that economic development in one part of the source-to-sea system may occur at the detriment of [other parts]."

For the Egyptian government, building a blue economy along the Mediterranean can also help it in 2025 when reporting on its Nationally Determined Contribution (NDC) to the UN. NDC reports are a country's "climate action plan to cut emissions and adapt to climate impacts," the U.N. explained. "Each Party to the Paris Agreement is required to establish an NDC and update it every five years." The OECD paper says the blue economy covers the most SDGs, with six related to water, 11 to cities and 14 to marine life.

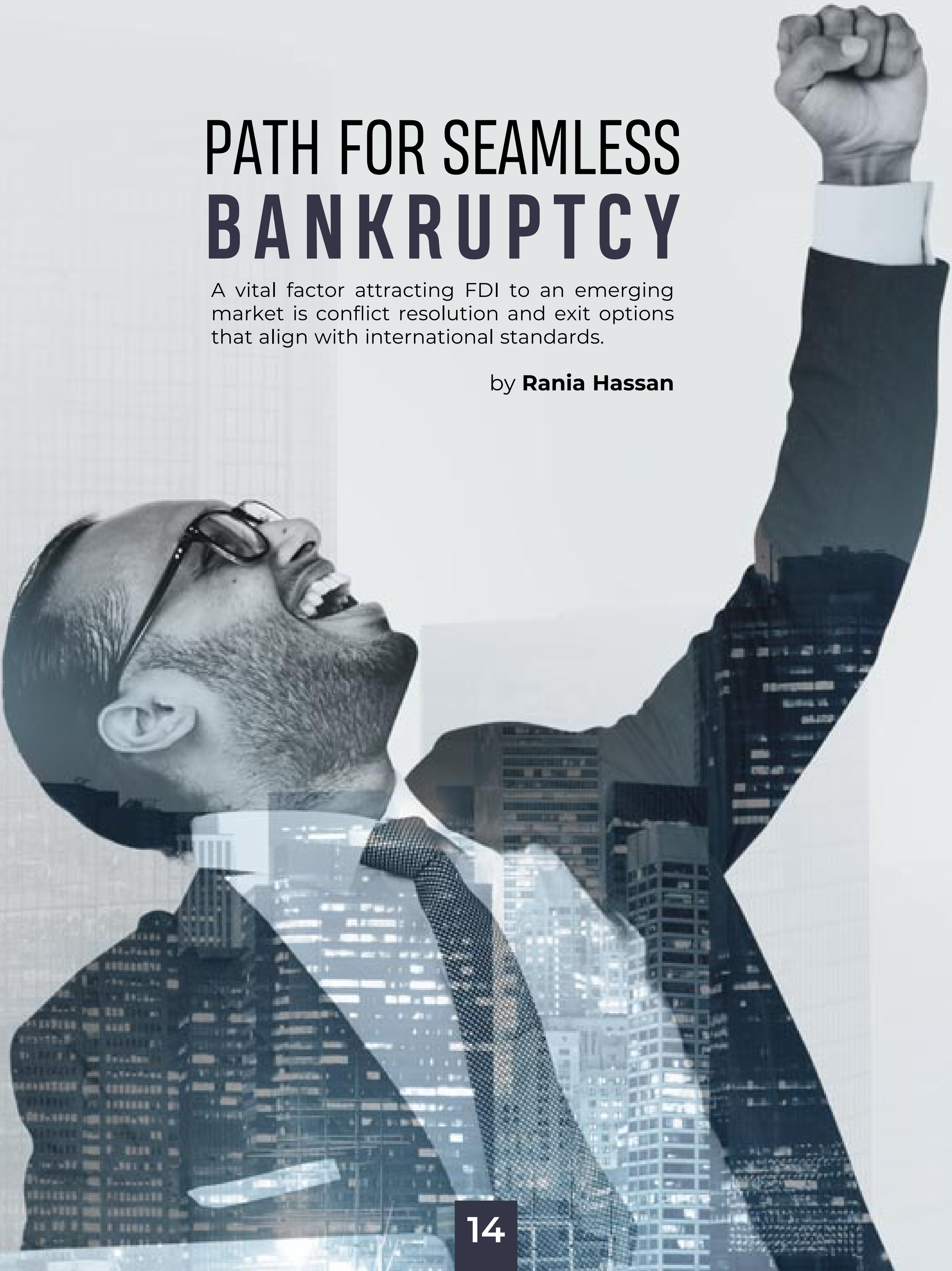
To capitalize on those benefits, governments need to "review regulatory frameworks and economic incentives for circular and nature-based solutions," the OECD report said. The aim is to ensure that if governments want to utilize their coastlines to grow their economies, the increase in human activity in those coastal cities doesn't damage the basin's ecosystem.

States also need to "catalyze investments in innovation and capacity for sustainable, inclusive, resilient and circular blue economies," the OECD report said. One way to fund such projects is by creating Resilient Community Impact Funds that gather public and private partners to support blue economy funds and scale them in preparation for more significant financing. ■

PATH FOR SEAMLESS BANKRUPTCY

A vital factor attracting FDI to an emerging market is conflict resolution and exit options that align with international standards.

by **Rania Hassan**



Emerging markets have always sought to attract foreigners to invest in manufacturing, construction, agriculture, and services to grow their economies. "FDI provides many benefits, including efficient capital allocation, access to financial markets and new technology, [and] increasing total factor productivity and growth," said a note from the Economic Research Forum, a local think tank, in January 2023.

However, FDI is increasingly challenging to secure. A January report from the UN Conference on Trade and Development (UNCTAD) said, "FDI to developing countries fell by 9% ... in 2023."

Egypt faces a tougher time than most. The conflict in the neighboring Gaza Strip, attacks on ships at the southern entrance to the Red Sea, calls for boycotting Western brands and the need for structural reforms significantly increase the risk for multinationals.

To instill some confidence in foreign investors, governments need creditor and debtor-friendly bankruptcy laws. "The benefits of competition and innovation are largely ensured by both market entry and exit," said a 2019 OECD report. "Market entry helps drive competition ... market exit is considered a key instrument to sanction unprofitable product and service ideas, thereby renewing the industry population through a process of creative destruction."

Governments also need reliable, fast and transparent business conflict resolution frameworks to reaffirm foreign investor confidence. "Disputes are an inevitable part of business dealings," UN Legal Group, an Indian law firm, said in a September LinkedIn blog post. "What sets successful agreements apart from troubled ones is often the presence of well-crafted dispute resolution clauses."

In the past several years, the Egyptian government has improved its conflict resolution frameworks and bankruptcy laws. However, more updates might be needed as GCC countries are changing their bankruptcy and conflict resolution legislation to seek investment diversification away from oil.

Resolve and exit

Having multiple options to resolve business conflicts has always been vital for multinational companies looking to invest abroad, particularly in emerging markets. "An increasingly important question for lawyers is: "Where and according to which law would I choose to have the mediation of my client's matter conducted?" Nadja Alexander, director of the Singapore International Dispute Resolution Academy, wrote in a blog on the site of Wolters Kluwer, a consultancy.

She stressed that fair and transparent dispute-resolution frameworks "allow a win/win scenario, fast procedures and parties to control the process," thus enabling the "preservation of business relationships." That "secures future investments by avoiding risks typically associated with classical dispute resolution mechanisms," Alexander said.

Laws allowing fast and safe market exits also are vital for investor confidence. They are particularly important to international venture capitalists seeking profitable startup investments. "Exits are important for generating returns to investors and reinvesting in new startups," Abdelrahman Soliman, a senior investment analyst at Multiples Startup Advisory, wrote in a September blog on LinkedIn.

He added that having low exit barriers "could help close the $55 billion funding gap [in MENA] and unlock more of the region's potential. With the right momentum, the MENA startup funding scene has the opportunity for robust growth over the coming decade."

Going to court

Egypt's "litigation system was historically the only method of dispute settlement, whether for local business disputes or international ones," Chambers and Partners, a think tank, said in a paper. That means "the caseload in local courts became overburdened."

As a result, conflict resolution in Egypt was a "time-consuming mechanism that ... failed to keep up with the requirements of modern international commercial transactions," the research paper added.

To expedite and improve the process, the government established Egypt Economic Courts (EEC) in 2008 to settle "specific types of disputes before well-suited judges based on specific business knowledge and expertise," said the Chamber and Partners note.

The courts handle cases that violate local laws governing capital markets, investment, intellectual property, financial leasing, technology transfer, unfair competition, commercial agency, insolvency and banking laws.

The government amended EEC law in 2018, giving it "exclusive jurisdiction over all bankruptcy ... cases and proceedings related to restructuring, preventive composition and [other] bankruptcy matters," Adsero Ragy Soliman & Partners, a law firm, said in a 2021 note. "To that end, a bankruptcy department was established in each economic court and headed by a Court of Appeal judge."

The following year, EEC gained more legal jurisdiction, "creating a specialized department ... to supervise the enforcement of judgments," noted Adsero Ragy Soliman & Partners.

EEC also would handle economic "criminal and non-criminal matters." The former include crimes committed under money laundering, moveable collateral, microfinance, cybercrime and bankruptcy laws.

Meanwhile, the additional non-criminal economic jurisdictions cover disputes under EGP 10 million arising from violations of local maritime, civil aviation, consumer protection, moveable collateral, specialized economic zones, microfinance and cybersecurity laws.

The 2019 amendments also recognized the legality of electronic submissions.

Digitization further increased in 2020, with a ministerial decree that "creates a unified electronic registry to record the chosen email addresses for individuals and entities willing to receive the electronic litigation services [and get] notified electronically of all case proceedings," said Adsero Ragy Soliman & Partners.

Those changes aim to "encourage local and foreign investments while guaranteeing a well-established judicial order," noted the paper from Adsero Ragy Soliman & Partners. They also were intended to "result in quick settlement [by] integrating full electronic services."

Meanwhile, commercial courts continue to have a role in economic dispute resolution. A legal note from Badawy Law, a local law firm, noted those courts still deal with "commercial contract disputes [and] real estate and construction."

Administrative courts also tackle conflicts involving government agencies or civil servants that "arise from various areas such as permits, licenses, tenders, public contracts, and regulatory decisions," the Badawy Law note said. They also handle tax and customs disputes, environmental protection, and land planning and zoning conflicts.

Dispute centers

In 1979, the government established the Cairo Regional Centre for International Commercial Arbitration (CRCICA), allowing foreign companies and investors to settle local conflicts according to international laws and standards. It acts as an impartial party that settles disputes between the state and the foreign investor away from the courts.

In January, CRCICA updated its rules to better regulate the electronic filing of documents and online hearings. The amendments also state that "the applicable law pertaining to the arbitration agreement ... defaults to the law of the place of arbitration ... unless otherwise specified and explicitly agreed on in writing between the parties."

The modified laws also make it easier to quickly dismiss baseless claims and expedite the process of appointing emergency arbitrators and arbitration. The modifications also simplified the filing fees system and reduced the number of tiers.

According to Robert Li, a senior reporter at Global Legal Group, a specialized news portal, "The changes ... bring CRCICA substantially up to date with the practices and policies of leading modern arbitral institutions and position it well to compete in the region."

In 2009, the General Authority for Investment and Free Zones (GAFI) added a second option to handle business disagreements outside the courts. The Dispute Settlement Center "settles disputes that may arise between investors through mediation," said GAFI. Its rules align with "recommendations by the UN Commission on International Trade Law."

According to GAFI, the Center aims to "reach an expedited solution that originates from the parties in dispute in a manner that fulfills their interest and spares them litigations' complicated, lengthy procedures and unpredictable outcomes."

In 2019, the government created a specialized conflict resolution center: the Egyptian Center for Arbitration and Settlement of Non-Banking Financial Disputes. According to its blurb, the Center focuses on resolving conflicts "through arbitration, mediation and conciliation."

Sectors that can try cases in the arbitration center are capital market, insurance, non-bank financial technology and non-bank financial activities, including mortgages, leasing, factoring, and consumer finance.

Second chance law

In 2018, Egypt passed an all-new bankruptcy law "to create an atmosphere [to] attract foreign and national investments," according to the official Restructuring, Preventive Composition and Bankruptcy (RPCB) law document.

Prior to that law, any organization facing financial distress was "regulated under Chapter 5 of the Egyptian Commercial Law ... of 1999," Riad & Riad Law Firm said in its RPCB law explainer note. The old law did not differentiate between negligent bankruptcy from unexpected difficulties and those who willfully committed fraud. "Both would get jail time."

The 2018 law corrects that and "complements the [2017] Investment Law in enhancing sustainable economic development and provides [a] safety valve for financial failures."

It has clauses very close to the U.S. bankruptcy law, which allows debt restructuring and continued operation after filing. "The [local] law enhances a new culture of creditor cooperation in debt restructuring to avoid the closure of businesses as well as promotes distribution and use of assets of failing businesses more efficiently and equitably."

Another feature of the RPCB law is that a local "branch office or an agency ... can be declared bankrupt in Egypt even if not declared bankrupt in [other] countries" where it operates.

Those provisions only apply to companies in Egypt that can prove "non-fraudulent" practices led to their demise. Additionally, the 2018 law only applies to companies with a minimum of EGP 1 million in assets. Also, companies that have applied for liquidation or preventive conciliation before 2018 cannot apply for bankruptcy under the 2018 law.

To investigate each bankruptcy case, the EEC appoints an expert committee from its Bankruptcy Expert Schedule list. The committee regulates the restructuring of the company's finances and has up to five years to execute its plan. "The applicant will continue to run [the] business during … implementation," the Riad & Riad Law Firm noted. They will also be responsible for obligations and contracts signed before and after the plan's ratification.

The 2018 law also allows mediation "to preserve the bankrupt's reputation," noted Riad & Riad Law Firm. "A mediation system is introduced to help resolve disputes in an approachable way that could fulfill a compromise for all the parties."

In 2020, the Cabinet approved changes to the bankruptcy law to more clearly differentiate between various types of creditors. These changes also give creditors more power to decide the fate of the bankrupt company, as they can vote on whether to put it into administration or liquidate it. However, the 2020 amendments also allow debtors to apply to the EEC for protection from liquidation.

Competition from GCC?

GCC nations have been updating bankruptcy and conflict resolutions laws as they seek non-oil investors to diversify their economies.

The UAE leads the way, with changes to both its local reforms and additional resolution options offered by the Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market. The DIFC reforms offer additional "debtor rehabilitation procedures akin to [US bankruptcy law] Chapter 11 and recognize insolvency proceedings in its courts," Yaser Dajani, managing director of Quantuma Middle East, an advisory firm, said in a March blog post.

Saudi Arabia, Oman, Bahrain and Kuwait updated their conflict resolution and bankruptcy laws between 2018 and 2020. "Their direction of travel is broadly similar to the UAE," said Dajani. "But important differences remain in both legislation and application, underlining the need for local expertise."

However, those reforms are "not being used as widely or as effectively as many would have hoped," noted Dajani. "There are still questions over whether these reforms are meeting their key aims."

He added that the "good news" is that MENA countries can develop effective and investor-friendly business conflict resolution and bankruptcy legislation with the "right expertise, approach, and support."

BANK'S **NEW FUTURE**

Technology, innovation, and catering to an increasingly younger audience are putting commercial banks under pressure to remain relevant. Meanwhile, non-bank financial services companies and fintechs are getting an extra boost from government incentives and favorable regulations.

In the short term, the entire financial sector will reach an inflection point as artificial intelligence brings the next wave of innovation, promising to make non-adapters redundant.

By **Tamer Hafez**

PROMISED LAND

Local private sector fintech startups and the state see a lucrative opportunity to cater to Egypt's increasingly digital-savvy users.

Egypt has always been the land where entrepreneurs find success in MENA. The potential is huge — on the service sector specifically — Egypt can deliver beyond expectations," EFG Hermes Head of Research Ahmed Shams El Din told Enterprise, an online media outlet, in April. "We tick all the boxes that are needed to continue to grow and continue shifting our economy into a more innovative, knowledge-based economy, which comes with service and technology."

Companies offering financial services that sidestep traditional commercial banks have been growing fast. According to the Central Bank of Egypt (CBE) Fintech Landscape Report 2023, published in July, the number of fintech startups and those offering online payment services increased from 32 in 2017 to 177 in 2022, with 95% local companies.

More than 27% of local startups have offices abroad, mainly in the UAE, Saudi Arabia and United States. Meanwhile, nearly 31% serve customers outside Egypt but don't have international offices. According to the survey accompanying the CBE report, over 39% plan to expand globally in the next 12 months, mainly in the MENA region, Turkey, Pakistan and Africa.

Despite that favorable landscape, the Egyptian Financial Regulatory Authority (FRA) introduced new laws and regulations last year to entice more local fintech startups. "Egypt is crafting a narrative that positions it not just as a participant but as a leader in the global fintech arena," said a legal note from Andersen Egypt law firm.

However, private sector fintechs face increasing competition from the CBE and Egypt Post, which have their own digital platforms that offer easy access to financial services and transactions.

Regulating innovation

Egypt's fintech landscape is regulated by several laws "designed to foster innovation while ensuring stability and consumer protection," said Andersen Egypt.

The oldest regulation is the anti-money laundering law passed in 2002 and amended several times. The latest change was in December when the CBE modified the law's executive regulatory document to align with the latest changes in local banking laws.

The electronic signature law took effect in 2004. "It ensures the legal validity of electronic records and signatures, thus facilitating online financial services and transactions," Andersen Egypt said.

In 2019, the government passed a law to "regulate the use of non-cash payment methods to promote the use of electronic bank transfers, mobile money transfers, payment cards (credit and debit) and apps that offer financial services online."

Also that year, the CBE created Egypt's "first FinTech Regulatory Sandbox." Shalakany Law Firm said the sandbox aims to encourage new fintech solutions, help the CBE identify the industry's regulatory challenges, bolster investments in local fintechs, and help the government make more effective and sound policies.

In 2020, the CBE issued regulations "enabling [it] to license and oversee fintech companies, especially those offering digital payments and electronic money services," said Andersen Egypt.

Now, compliance with banking regulations and record-keeping has become the CBE's responsibility.

The FRA regulates the sector and non-bank related laws, including incentives and the size and scope of fintechs.

Also in 2020, the government published the first data protection law. "The law prohibits the processing of personal data without the explicit consent of individuals," PricewaterhouseCoopers said. "It gives them multiple rights such as restricting access to their data, reversing prior consent, and being informed in case of any data breach."

Busy 2023

In June, Prime Minister Mostafa Madbouly announced new startups could be exempt from taxes for five years. He also noted the creation of a "central unit" under the Cabinet to offer relevant government services to startups via a dedicated digital platform.

The following month, the FRA announced new requirements for "authentication of digital identity, including user names, passwords, identity documents, emails, mobile phone numbers, e-payment accounts, digital signatures and biometrics." The authority's press release also said the modifications would "support the capabilities of the non-banking financial sector to achieve insurance, investment and financing inclusions."

In August, the FRA issued new regulations to improve startups' financial evaluation from pre-profitability to post-investor exit strategies. FRA Chair Mohamed Farid said the authority will use methods similar to those of venture capital firms. "The new rules cater to startups' need for securing financing through different means," he said.

Two months later, the FRA allowed fintech companies to work with non-tech, non-bank financial services firms. Farid told the media the decision "covers the requirements for equipment, technological infrastructure, information systems, security and insurance, digital identity, digital contracts and records, and outsourcing service providers."

At the start of 2024, the FRA announced restrictive laws affecting finance mortgages, SMEs, microfinance, consumer finance, financial leasing, and factoring fintechs. The regulations set a minimum capital of EGP 15 million, require fintechs to own at least 25% of any joint project they enter, and set bespoke procedures, conditions, and timelines for obtaining the required license.

"This [law] marks a significant step for startups in the Egyptian market, providing needed clarity in the form of a unified framework for entry into such markets," said a February note by international law firm Baker McKenzie.

Sharia models

Offering Sharia-compliant fintech services is potentially lucrative. The Global Islamic Fintech Report 2023/2024, published in February, predicted Sharia-compliant funding will triple from 2023 to 2027, outpacing conventional fintech growth by 40% annually during that period.

The report's "heat map" shows the GCC will have the most significant growth, with Egypt expected to be the fastest-growing country in Africa.

Ahmed El-Sherbiny, COO of Agel, Egypt's only Sharia-compliant fintech company, said in a June press release that such funding will have a firm footing in Egypt, as it is "culturally relevant to the MSME sector in Egypt." Agel uses the Murabaha model, which fixes prices for products and services clients want and includes a predetermined profit amount.

In its pre-seed funding, which occurs before a startup is operational, Agel secured investments from UAE-based Plus Venture Capital (+VC), Swiss-based Seedstars International Venture, Flat6Labs in Egypt, Saudi-based SEEDRA Ventures, Banque Misr Acceleration and "prominent angel investors," the press release said.

Government players

The state also has entered the local fintech universe. In 2020, the CBE announced the creation of a new category of fintech-like financing institutions -- digital banks. They comply with the 2020 Banking Law. However, they can't lend to companies the CBE classifies as large; they need a brick-and-mortar headquarters; single accounts are limited to no more than 1% of the digital bank's total deposits, capped at EGP 200 million; and a single loan can't exceed 20% of the bank's capital.

Only Misr Digital Innovation, a Banque Misr subsidiary, has received a license. Local fintechs Fawry and e-Finance for Financial and Digital Investments, and Nigeria's Opay have all expressed interest.

In 2022, Egypt Post and CBE launched their fintech apps, Yalla and Instapay, respectively. Steven Gilmore, a journalist for Euromoney, reported in March 2022 that "some fintech executives" believe those state-owned platforms "could spell the end for existing [private-sector] payment startups."

However, he believes "a regulatory focus on interoperability together with widespread access to mobile platforms will ultimately benefit fintechs focused on lending and other products." He added the CBE already is achieving that as it "continues down the road of reform, a playing field long tilted in banks' favor and is becoming increasingly level."

BUY NOW, PAY LATER

In Egypt, the growth of non-bank consumer lending outpaces that of commercial banks. Such a rapid rise could eventually hurt those seeking such financing.

As prices of essentials and non-essentials increase (annual inflation was above 30% in 2023, dipping to 29.8% in January but jumping to 35% in February), many consumers will start to consider how they can maintain their lifestyles by paying for goods and services in installments.

An October report from the Egyptian Financial Regulatory Authority (FRA) said that during the first half of last year, the number of individuals seeking "buy now, pay later (BNPL) schemes when making large or small purchases [increased] 27% ... compared to the same period in 2022."

By contrast, central bank data shows that commercial banks loan-to-deposit ratio in local currency increased from 45% in June 2022 to 45.6% in June 2023. That small growth percentage could hide a decline in consumer lending, as CBE-regulated banks can finance sectors that BNPL can't, including real estate construction, property purchases, and companies CBE classifies as "large enterprises."

However, the fast growth of non-bank consumer financing funding has its risks. BNPL plans may increase people's purchasing power without a corresponding income increase, reported Amira Hisham, a journalist for Ahram Online, in October. "That can have undesirable outcomes."

Rapid growth

The government began regulating non-bank consumer financing companies in 2009 when it passed a new law giving the FRA full regulatory authority over BNPL companies, instruments, and the overall market.

Local buyers took to the BNPL idea quickly. A note by Shehata & Partners Law Firm in August cited increasing demand for consumer credit by Egypt's growing middle class. Further fueling that demand are government efforts to promote financial inclusion, expanded access to credit, and rising funding availability for non-banking financial institutions.

Shehata & Partners expects BNPL lending to reach EGP 50 billion by 2025, up from EGP 40.3 billion in March 2023. The law firm said that will be due to the "introduction of credit bureaus and credit scoring systems to determine the worthiness of borrowers, the continued emergence of digital platforms and fintech companies, and financial literacy and awareness programs, which "play a crucial role in promoting financial inclusion and responsible borrowing."

Further boosting demand for lending in Egypt is the persistently high inflation rate, which is making many products unattainable via traditional payment methods. FRA data shows BNPL enterprises lent EGP 43.32 billion to 3.128 million people in the first 11 months of 2023. That compares to EGP 26.84 billion lent to 2.546 million consumers a year earlier.

Throughout 2023, more people became dependent on consumer financing with every passing month. The FRA's data showed consumer lending in November was 69% higher than it was a year earlier. That is higher than the 12-month increase of 61.4% from November 2022 to November 2023.

Such factors helped entice mobile operator Orange Egypt to sign a deal in May 2023 with Contact Creditech, a BNPL company, to allow "extended installment programs without down payment or interest" when paying with Orange Cash, the company's mobile money transfer app.

In December, Vodafone Egypt signed a deal with electronics retailer B.TECH that allows the latter's customers to use Vodafone Cash to pay for purchases in installments.

Regulating lenders

The Shehata & Partners note stressed the underlying target of the FRA laws is to ensure "transparency and safeguard the interest of consumers in the non-banking sector."

The key law governing BNPL offers is the Consumer Finance Law, passed in 2020. Its most prominent provisions are that non-bank consumer financiers can't offer savings options for their clients, and the repayment duration must be six months or longer. Also, they can't provide leasing or lending to micro enterprises (microfinancing).

The law allows FRA to audit non-bank lenders' digital infrastructure and technical (back-office) operations. Those companies must also submit "separate accounts and financial statements for consumer finance activities."

The 2020 law distinguishes between two types of consumer finance firms. "The law differentiates between 'consumer finance companies' established to undertake consumer finance activity and 'consumer finance providers' who are manufacturers or distributors of goods and undertake consumer finance activity as well," said a note from Shalakany Law Office.

For consumer finance companies, the 2020 law requires a minimum capitalization of EGP 75 million. "This is a significant amount ... designed to protect consumers and ensure the financial stability of the consumer finance companies," said the Shehata & Partners note.

Providers must allocate at least EGP 25 million to finance their usual operations and a separate EGP 10 million to fund consumer finance activities. Regulatory differences also extend to corporate structures and obligations, as well as their ownership, capital and management structures.

In May 2023, the FRA capped consumer finance companies' loan portfolios to nine times the company's capital to protect them and the sector from over-lending to meet increasing demand.

Three months later, the FRA amended the executive regulations to prevent BNPL companies and providers from giving each other or third parties "powers of attorney or authorizations" to lend money on their behalf. The modification closed a loophole in the May amendments that would allow BNPL companies to circumvent the loan portfolio limit.

Danger zone?

The main risk of non-bank consumer financing is it entices people to buy goods they can't otherwise afford. "BNPL users tend to have a riskier credit profile than those of traditional consumer credit products," said the Bank of International Settlements (BIS) in December. "BNPL users are typically younger with less education, higher debt burdens and lower credit scores."

That means they are more likely to delay payments or default. The BIS noted that in some cases, "late payments and losses for BNPL ... are higher than in the case of credit cards [which are backed by savings or payroll accounts]." That is part of why BNPL companies usually charge late payment fees that can exceed those of credit cards, BIS added.

Protecting consumers from taking on too much BNPL debt requires government legislation. "It's crucial to recognize potential risks and establish a regulatory framework to protect customers from over-indebtedness and ensure transparency," noted a research paper from the Arab Academy for Science, Technology and Maritime Transport (AASTM) in September. "Requiring BNPLs to report to credit bureaus and share data with other lenders could increase consumer credit awareness and encourage responsible borrowing."

Those laws should be tailored to consumer finance. "[There is a] need for dedicated BNPL regulations to fill gaps in disclosure, affordability assessments, and credit bureau reporting," the AASTM paper added. "Specific frameworks can address emerging risks like over-indebtedness and ensure consumer protections evolve with new financial services."

Raising awareness is essential. "BNPL regulatory efforts should incorporate consumer education programs to increase awareness and empower responsible usage," the report said.

Regulations also need to be practical and adaptable. "Implementing the practical and policy implications will benefit financial institutions, retailers and consumers, and foster a healthy and sustainable BNPL market in Egypt," AASTM said. Meanwhile, "as BNPL services evolve, policymakers must remain proactive in adapting regulations to protect consumers while fostering innovation and access to affordable credit options."

NEXT-GEN BANKING

Generation Z, people born from 1997 to 2012, is the next generation of customers banks must cater to, and they are noticeably different from the last two generations of customers.

Generation Z (Gen Z) — those aged 12 to 27 — will be vital to every company's long-term success. "As Gen Z's spending power increases in the coming years, it is essential that banks understand what makes this generation tick and how best to meet its needs," Giesecke+Devrient, a cybersecurity company focusing on banks, said in an undated research paper.

Many Gen Zers are unsatisfied with most of the financial services on offer. The survey accompanying the Giesecke+Devrient research paper shows "34% believe their banks meet their needs, 47% are stressed about their long-term financial futures [and] 73% believe banks should provide more advice on budgeting, spending habits, paying off debt and loans."

Non-bank financing institutions also need to appeal to that generation's values. "64% [of Gen Z] would change banks if they felt their provider fell short on ethics and environmental sustainability."

Catering to Gen Zers is further complicated by their "attitudes toward money and finances [which] are sometimes aligned with and sometimes starkly different from those of older generations," Bob Wigley of the Qatar Financial Center wrote in a November blog published by the World Economic Forum. "Financial institutions must understand their motivations and values to take a share of this fast-growing market."

Different customer

Research from Oliver Wyman Forum, a think tank, described Gen Z as the "'most generation' in history: most racially and ethnically diverse, most educated, most digitally savvy and most global [growing up with] the internet. They are also the most nonconformist -- rejecting labels and traditional financial pursuits and embracing the [you only live once] life."

Gen Z values physical wealth more than Gen X (born between 1965 and 1981) and Millennials (born between 1981 and 1996). Gen Z is 45% more likely to start investing by age 21 than Millenials and two to four times more likely than Gen X and baby boomers [born from 1946 to 1964]," Wigley explained.

Those investments are across "a broader range of asset classes — both traditional and virtual." According to Oliver Wyman's research, 42% of Gen Z investors have put money into crypto, compared with 38% of millennials, 22% of Gen X and 7% of boomers.

Additionally, Gen Z customers are not likely to overspend on products or services. A research note from the National Development Bank published in July 2022 found that "of all the generations starting with baby boomers, GenZ is notably the best at saving while also being the least likely to have formed any sort of debt, including overdrafts and loans from family or friends."

Svati Narula, a contributor to The Wall Street Journal, noted Gen Zers "are wary of [what they perceive as] predatory lending practices and being hit with unexpected interest charges." That is why they "prefer systems that allow them to borrow without paying high interest rates and that break down exactly how much they will owe over the life of the loan."

Research from research firm EY published in January also noted Gen Zers' "desire to live within their means ... explains why credit card use lags" that of past generations. EY's research found 39% of Gen Z reported "frequent use" of credit cards. That compares with "51% of older generations. Among those who don't use credit cards, Gen Z is twice as likely as non-Gen Z respondents to cite a lack of understanding of credit card offerings as the reason."

Alternatively, Gen Zers accept using debit cards, especially those that offer "credit-card-like reward systems," Narula added. EY found that "69% reported daily or weekly use."

Digital imperative?

Growing up with fast-paced technological advancements, "Gen Z seeks new and innovative ways to manage finances, which is why this generation has opted for alternative payment methods beyond traditional banking services," Narula said. The list includes informal lending models, such as "peer-to-peer lending, [and] digital wallets."

However, Oliver Wyman Forum's research found that Gen Z customers don't want 100% digital financial services and products. "In all, 43% of Gen Zers say physical; bricks-and-mortar bank branches are important to them because they provide 'peace of mind' [as] the level of trust [they] have that banks will safeguard their data is far greater than the confidence they place in big tech."

To capitalize on those preferences, "banks [need] to combine their physical presence with a competitive and exciting digital offering," said Wigley. Examples include building a "metaverse, where many members of this generation spend time." That virtual world must "satisfy Gen Z's demand for convenience, choice, value, sustainability and hyper-personalization."

Marketing, marketing

A persistent risk facing commercial banks is that non-bank financial service startups usually develop marketing campaigns that are more appealing to Gen Zers.

That generation wants to see their values in the companies they deal with. "They expect their financial services to reflect their preferred identities and values," Narula said. Gen Zers are "widely regarded as a socially conscious generation, holding themselves and others accountable for addressing issues such as climate change, income inequality and discrimination."

Many commercial banks seemingly can't meet all of Gen Z's demands. Nikhil Lele, EY Americas financial services digital leader, told The Wall Street Journal in June 2022, "Incumbent financial firms frequently assume they have trust with younger customers, but they fall short of being the most curated, personalized and connected to the consumer."

Lele said the survey showed "51% of Gen Z consumers identify a fintech company as their most trusted financial brand, while only 23% identify a national bank."

Social media presence is also vital to attracting Gen Zers. U.S. communication solutions provider Zayo said in September 2022 that fintechs are already "taking advantage of [social media platforms like] TikTok to reach new audiences and share insights ... They have been able to maintain and grow their following by sharing approachable, authentic and educational content."

According to online financial education platform Go Banking Rates, "38.8% of Gen Z is learning personal finance from TikTok and YouTube ... among other social media platforms."

Fintechs are also going one step further by using financial influencers, responding to "an increasing segment of Gen Z that is finding entertainment and community in financial education and investing," Narula said.

New future?

A survey from marketing firm Room4 Media found 33% of Gen Z and Millennials believe that "banks will not exist within five years [as] fintechs have erased physical boundaries and opened new possibilities for anyone with a phone or internet connection."

The report accompanying the survey noted that "for the next few years, Fintech's goal is the integration of new services. The trend is for a single fintech to offer the services that in the previous years were offered by two or three companies."

That should make Gen Zers less dependent on commercial banks. "Fintech companies have given all types of industries a lesson in product development and audience engagement," Room4 Media said. "They're filling the blank with the exact things their consumers want: an easy and simple product that fulfills their needs whenever they want, shaped to who they are."

YOUR NEW BANKER

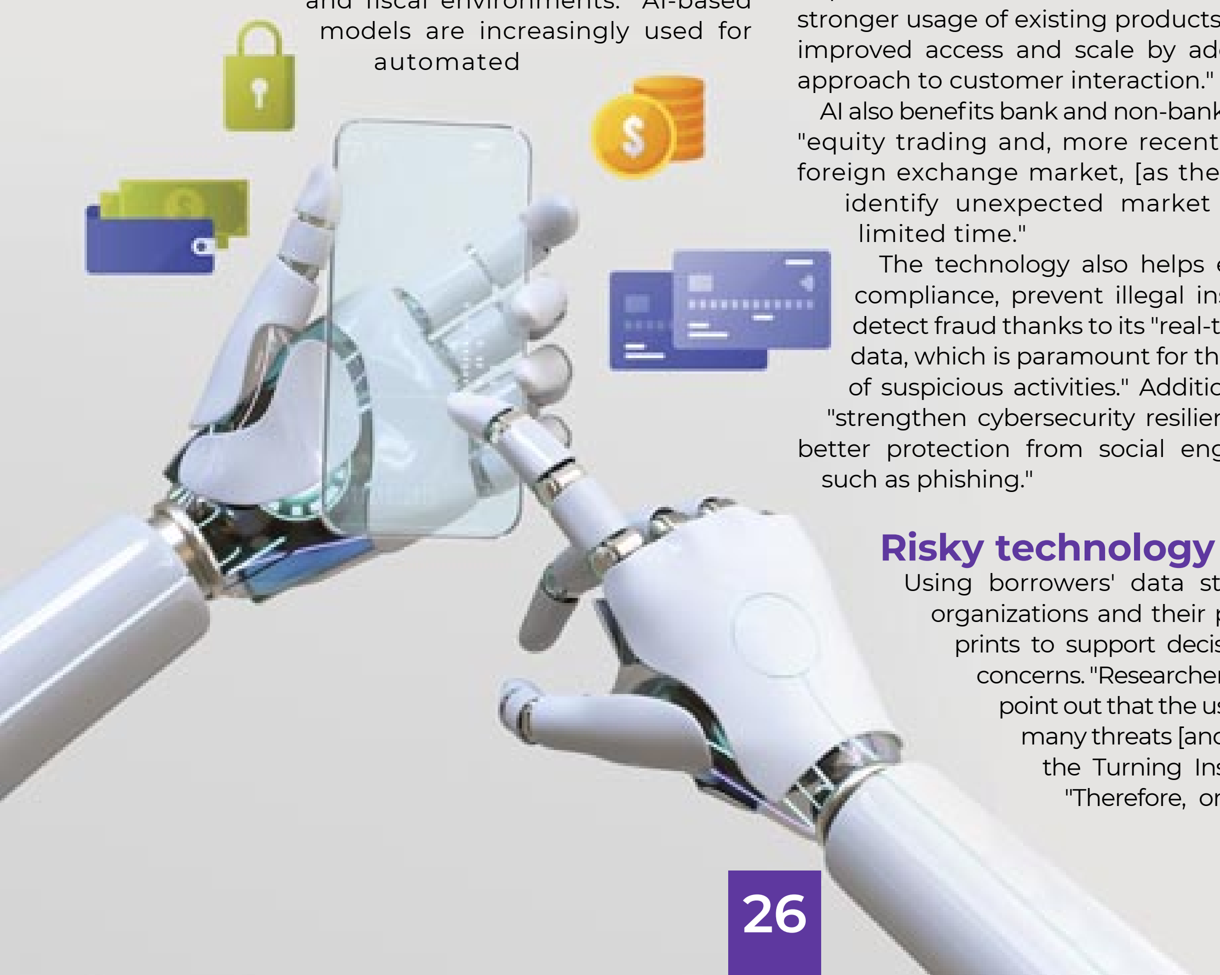
A 2023 report from The Alan Turing Institute stressed that a "well-rounded understanding of AI, its capabilities, and its implementations [would] effectively leverage its potential while mitigating its risks."

When ChatGPT, a free AI chatbot, launched in 2023, it put the spotlight on the entire artificial intelligence (AI) landscape. "Developments in AI have provoked a mixture of excitement and anxiety among commentators, politicians, policymakers and members of the public," Jana Mackintosh, managing director of payments, innovation and resilience at UK Finance, a trade association, said in a November report.

An August report from The Alan Turing Institute, the UK's national institute for data science and artificial intelligence, stressed: "In its various forms, from simple rule-based systems to advanced deep learning models, AI represents a paradigm shift in technology's role in finance." Such shifts bring significant benefits, threats, pitfalls, implementation challenges, and the need for careful regulation.

New lenders

AI is particularly beneficial for financial services companies, especially in volatile business, monetary and fiscal environments. "AI-based models are increasingly used for automated decision-making in lending," noted the institute's report. "They can significantly improve the credit risk assessment of a loan applicant due to their reliance on diverse, often non-traditional, data sets."



Fintech companies benefit the most from AI, given the technology's "capacity to handle a larger variety of data, [allowing them] to venture into territory that has, up until now, been uncharted."

Commercial banks usually do not use AI to assess small borrowers "because they believe that [their] low likelihood of payback and potentially high loan risk will not even cover the evaluation costs," the report said.

In either case, AI "can lead to a reduction in operational costs [by minimizing] loan default rates." That means "improved customer targeting."

Banks and fintechs also can use AI to "automate key business processes in customer service and insurance." The technology allows them to "make easy wins in key areas such as untapped client segments, [which] improves financial inclusion ... lower acquisition costs, stronger usage of existing products and services, and improved access and scale by adopting an AI-first approach to customer interaction."

AI also benefits bank and non-bank traders, especially "equity trading and, more recently, trading in the foreign exchange market, [as the technology] can identify unexpected market trends within a limited time."

The technology also helps ensure regulatory compliance, prevent illegal insider trading and detect fraud thanks to its "real-time monitoring of data, which is paramount for the timely detection of suspicious activities." Additionally, AI can help "strengthen cybersecurity resilience [by] providing better protection from social engineering attacks, such as phishing."

Risky technology

Using borrowers' data stored in financial organizations and their public digital footprints to support decision-making raises concerns. "Researchers and practitioners point out that the use of AI comes with many threats [and] potential pitfalls," the Turning Institute report said. "Therefore, organizations, users and regulators must remain … vigilant of the potential drawbacks associated with using AI to ensure this technology is utilized fairly and efficiently."

The first risk is data privacy breaches and abuse. "It is imperative to ensure that data is collected and processed in compliance with relevant data protection regulations, including the [EU] 's General Data Protection Regulations and other industry-specific regulations," the report stressed.

Another risk is that "the decision-making process of AI models is often compared to a 'black box' [where] users are unable to comprehend how the system operates, makes decisions and the underlying reasons behind those decisions." That creates a "challenge in identifying errors and biases in the system, which may result in inaccurate or unjust decisions."

Additionally, AI systems are not held accountable for making wrong decisions. "This becomes particularly problematic when AI is employed to make critical decisions with important implications, such as assigning falsely bad credit scores or [denying] access to a loan."

Depending too much on AI can significantly harm employees in banks and financial institutions, as it "diminishes human skills and discourages employees from developing the necessary skills to make decisions independently. Implementing AI on a large scale … particularly in commercial banks will likely result in job displacement for many workers, as automation of routine tasks replaces human tasks."

Lastly, The Alan Turing Institute report stressed, "Researchers and practitioners have warned that using AI can increase [systemic] risk." Such risks would likely appear in "unstable markets, [causing] increased volatility … which can create spillover effects and increase systemic risk."

Implementation challenges

The first implementation challenge facing financial institutions when using AI is the availability of training data. "The more data the AI model has access to, the more accurate and reliable its predictions and decisions will be." That requires complete digitization of a financial organization's operations to ensure that all the organization's data can be used to train the AI models effectively.

Data quality is also "paramount when training AI models," the report said. "If the data used is incomplete, inaccurate, biased or inconsistent, it can negatively affect the model's performance and lead to inaccurate or unfair predictions." That is most evident if "financial organizations and regulators are increasingly … generating synthetic data" to counter deficiencies in real-world data.

The next challenge is to select a suitable system, as "no single AI algorithm is effective for all problems. Using an unsuitable [one] can result in poor performance, inaccurate predictions, or even the inability to solve the problem."

Financial institutions also need to invest in replacing legacy infrastructure, as they "may not possess the necessary processing power or storage capacity to effectively train and operate AI models … This can lead to longer processing times and reduced accuracy."

Upskilling employees is also vital to the AI ecosystem, as "many AI systems require specialized programming, data analytics and machine learning knowledge," the institute report said. "Without these skills, employees may encounter difficulties comprehending how to properly use and interpret the outcomes produced by AI systems."

Character traits, such as "agility and adaptability," are also vital when managing AI risks amid increasing competition from other financial organizations that use AI. "Using AI can [change] how businesses operate and make decisions, which can require adjustments to existing processes and structure."

Everyday AI

Adopting AI, particularly in the heavily regulated financial sector, requires laws to effectively govern its use. "A fundamental aspect of good financial regulation is enhancing public trust by ensuring markets function well," the report noted.

Those laws need to assess "the implications for consumers … regarding how their data might be used." The other reason to regulate AI is "competition concerns, … especially smaller firms looking to compete with well-established tech firms that start providing financial services."

AI laws should also ensure "market integrity [and] the implications of financial stability." Regulation must also provide "operational resilience" and prevent "cyberattacks within a rapidly growing dependence on technology."

The following vital and potentially tricky step is when regulators use AI to govern financial organizations that use AI. "The move toward predictive supervision … will bring benefits to consumers and markets through quicker prevention of harm … through more efficient targeting of supervisory resources."

However, the report said it "poses numerous challenges that mirror those relevant to the industry." The solution will be with "regulators [who] must always be mindful of their oversight role and ensure that they exhibit appropriate behaviors in their use of AI." ■

A UNIFIED MENA

Trade among Arab countries is crucial for fostering greater levels of economic cooperation and tapping into the region's potential to achieve its aspirations for economic development.

by **Fatma Fouad**

With its vast resources, the MENA region possesses the potential to thrive and excel in the global economy, establishing a position as a formidable powerhouse. Ahmed Ismail, CEO of Majid Al Futtaim Holding, said in January, "With Saudi Arabia becoming the first trillion-dollar economy in MENA, the UAE delivering record non-oil growth and Egypt achieving a positive trajectory despite recent compounding and challenging headwinds ... they represent the fastest growing economic block in the world."

Increased economic activity in those countries should allow them to fuel an expansion in intra-regional trade and cross-border foreign direct investment, Ismail said.

That direction could prove vital in the next few years as trading with nations outside MENA gets tougher. Miaojie Yu, president and chair professor in economics at China's Liaoning University, said in September 2023, "There is a growing tendency for world trade to become more localized and organized around regional trade groups, supported by related regional production supply chains."

MENA countries have diverse economies, untapped resources and opportunities, and governments that are keen to attract FDI. "Tapping into the significant potential of economic integration will benefit Arab countries due to efficiency gains from growth spillovers, larger markets, and production-scale economies," said Hani Sonbol, acting CEO of the Islamic Corporation for the Development of the Private Sector, in May 2023.

Regional diversification

Trade diversification and the development of new supply chains are keys to MENA's economic growth.

According to the Global Economic Diversification Index 2024, "The pursuit of economic diversification is a catalyst for equitable growth and sustainable development and a key driver for achieving global economic resilience."

The index further emphasized that commodity production diversification leads to enhanced macroeconomic stability and fosters sustainable growth patterns. That, in turn, enables a gradual transition toward higher-value-added economic activities.

Until recently, most countries in the MENA region relied on hydrocarbon-generated wealth (oil and gas). According to an IMF Regional Economic Update in January, the MENA region produces about 35% of world oil exports and 14% of gas exports.

However, the Global Trade Review (GTR), an independent publishing and events company, noted in a June article that "recent years have seen a significant shift in the trade landscape [in MENA], as governments embark on ambitious economic diversification initiatives to spur the development of new industries, such as technology, manufacturing, and renewable energy."

Accordingly, shifting export patterns in the region can eventually improve overall economic scores. "The commodity-dependent nations with the most improved scores over time have either reduced dependence on fuel exports, reduced export concentration, or witnessed a massive change in the composition of exports," according to a September 2023 blog on the IMF website by Nasser Saidi, former minister of economy and industry in Lebanon, and Aathira Prasad, director of macroeconomics at Nasser Saidi and Associates, a business consultancy.

Al-Futtaim's report underscored that GCC countries, in particular, have led that shift by "setting out diversification strategies that ensure national prosperity beyond hydrocarbons." A case in point is the U.A.E., where non-oil trade grew 14.4% in the first half of 2023, compared with the same period in 2022, according to a 2024 report by the Economist Impact, a think tank.

Such a change in the nature of imports and exports in the region should drive success in other sectors, such as technology, logistics, tourism, and renewable energy. Anirudha Panse, head of global transaction banking trade finance product innovation at FAB, said, "Despite a challenging global economic backdrop, the trade landscape in MENA is more dynamic and interconnected than ever before, driving innovation across a range of industries and creating new opportunities for value creation."

Strengthening inter-Arab trade

Within the MENA region, two main integration models are currently in place, according to Al-Futtaim's report. The first is GAFTA, which was established by 14 countries in 1997 and later extended to 18. GAFTA aims to reduce tariff and non-tariff barriers to the movement of goods among member states.

The second integration model is the Gulf Cooperation Council (GCC), which consists of member countries Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

In 2022, the MENA region accounted for 3.3% of the world GDP, which remains below its share of the global population, which totals 4.2%, according to a report by Majed Al-Futtaim Holding in January titled "Opportunities to accelerate economic integration across MENA."

The report underscored the region's potential to increase its share of world GDP if it effectively addresses the latency of that gap by unlocking an estimated $1 trillion in additional GDP.

Despite the importance of trade and investment for strengthening relations among Arab countries, inter-Arab trade remains relatively low. Khaled Hanafi, secretary-general of the Union of Arab Chambers, highlighted in February the need to foster growth by "standardizing specifications, enhancing logistics and promoting private-sector involvement."

He shed light on Arab nations' potential for increased trade, business opportunities, employment, and GDP growth, stressing that inter-Arab trade currently stands at $700 billion, comprising between 10% and 11% of global trade.

However, despite signing free trade agreements such as the Greater Arab Free Trade Area (GAFTA), integration of Arab countries into the global production system is comparatively weak, representing only 14% of MENA's international trade in 2021, said Al-Futtaim's report.

The Insufficient implementation of free trade agreements among the MENA nations suggests that "the benefits from trade are not yet being fully realized," according to an article by economics professors on the Economic Research Forum website in October.

Shared similarities have contributed to making the GCC the most integrated subregion within MENA due to the fact they are all net oil exporters, members of OPEC, and peg their currencies to the dollar.

According to a May report by the Islamic Development Bank, "The overall performance of the GCC group is the highest due to its relative success in terms of financial market integration."

However, that has not meant that inter-GCC trade is high, as the trade and investment dimension scored only 0.351 in 2022, compared to the integration in financial markets which scored 0.780, and the connectivity and logistics dimension which scored 0.644, noted the report.

The slowdown in trade and investment dimension could be attributed to the similarities shared within the GCC which in turn resulted in "limited economic complementarities at the regional level," said the report.

Not only in the GCC but across the rest of the region, intra-regional trade and investment are decelerated due to the common economic characteristics shared within their respective groups, including similarities in language, culture, and geographic proximity, both among oil-exporting and non-oil-exporting countries.

The report highlighted that overall intra-Arab integration was steady from 2010 to 2022. However, the report added that the trade and investment integration dimension in intra-Arab integration had been the lowest during that period scoring 0.372 in 2022.

In addition, Saidi and Prasad noted that the intra-MENA trade represented only 17.8% of total trade in the region and 18.5% of total exports in 2021.

Another contributing factor to the slowdown of inter-Arab trade is the MENA's insufficient growth of trade in services, including transport, finance, education, tourism, and legal and environmental services, which, in turn, slows regional economic development. According to World Trade Report 2023, "Compared to other emerging economies, MENA has highly regulated services sectors, with particularly high trade restrictions, except for telecommunications."

Notably, Al-Futtaim's report shed light on the positive impact of the improvements in logistic efficiency. The report noted MENA's logistic efficiency improved since 2018 in terms of "the ease and reliability of supply chain connections, including quality of logistics services, trade-related infrastructure and efficiency of border controls," largely thanks to progress in Bahrain, Saudi Arabia, Kuwait, and Egypt.

What Next?

Faster economic and trade integration among MENA countries is increasingly vital. Hanafi stressed in July the importance of "accelerating the completion of the requirements for the implementation of the Greater Arab Free Trade Area, promoting intra-Arab investments, moving toward developing regional value chains and benefiting from distinguished international experiences to promote inter-Arab trade."

However, strengthening trade relations among Arab countries faces significant challenges. Hanafi cited "the similarity of production structures, low levels of economic diversification, high shipping costs, and low export competitiveness."

The private sector is the key to quickly increasing intra-regional trade. In Al-Futtaim's report, Ismail stressed that the private sector should expand into larger markets and capitalize on gains in international specialization by joining regional and global production networks.

In addition, Ismail also said the private sector's potential to provide the innovation, investment, and entrepreneurship that would be essential for the region's economic transformation. He noted the private sector in the Arab region represents 75% of GDP, or nearly $3 trillion. ■

Volatility in action

Investors experienced volatility from Feb. 15 to Mar. 15, with some stocks fluctuating as much as 40% in one week. The period witnessed several macroeconomic and stock milestones.

On the macro front, the market was surprised Mar. 6 with a trifecta of significant events. CBE hiked rates by 6 percentage points on top of 2 percentage points on Feb. 1, reaching 27.25% and 28.25%. Also, the CBE decided to allow the pound to float freely against the U.S. dollar to as high as EGP 50, a 40% devaluation. The same day, the government announced an agreement with the International Monetary Fund (IMF) to raise its loan facility from $3 billion to $8 billion.

On the stock market front, the EGX 30 hit an all-time high of 34,499 on Mar. 11. By then, investors were upbeat following the EGP devaluation despite the more restrictive interest rate environment. The decisions removed a significant obstacle for foreign investors with the pound "floating freely." Indeed, foreign investor participation on the EGX more than doubled from around 6% in 2023 to a high of 15%. Also, the market daily turnover approached the unprecedented EGP 10 billion mark.

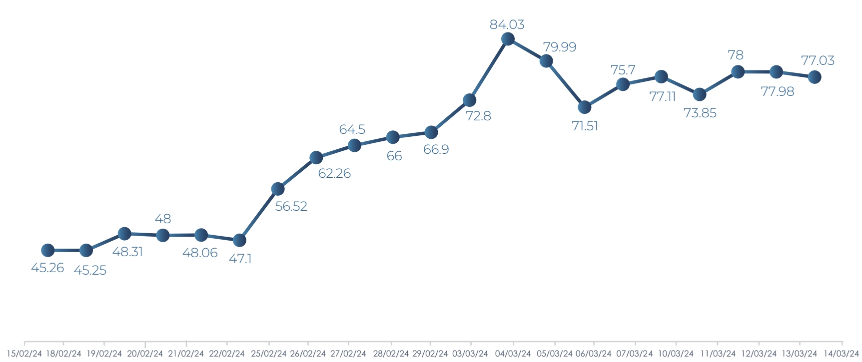
During the period, the EGX 30 rose 8.3% to 31,316.43, but its small-cap counterpart, the EGX 70 EWI, fell 5% to 6,884.72. TMG Holding (TMGH, up 70%) led the former's performance, continuing to benefit from the $35 billion Ras El Hikma deal. Also, CIB (COMI, up 11%) helped fuel the index performance as the Egyptian stock most favored by foreign investors.

The period also saw some large-cap stocks deliver outstanding performance, such as Orascom Construction (ORAS, up 46%), Elsewedy Electric (SWDY, up 28%), E-Finance (EFIH, up 45%), and Fawry (FWRY, up 38%). The former two are among the beneficiaries of a stronger U.S. dollar, while the latter two had long been laggards. Ironically, the same stocks that propelled the market's main index higher during the period were the ones that dragged it lower by its end. For instance, TMGH and COMI fell from an intraday high by 16% and 8%, respectively, in the last week of the period.

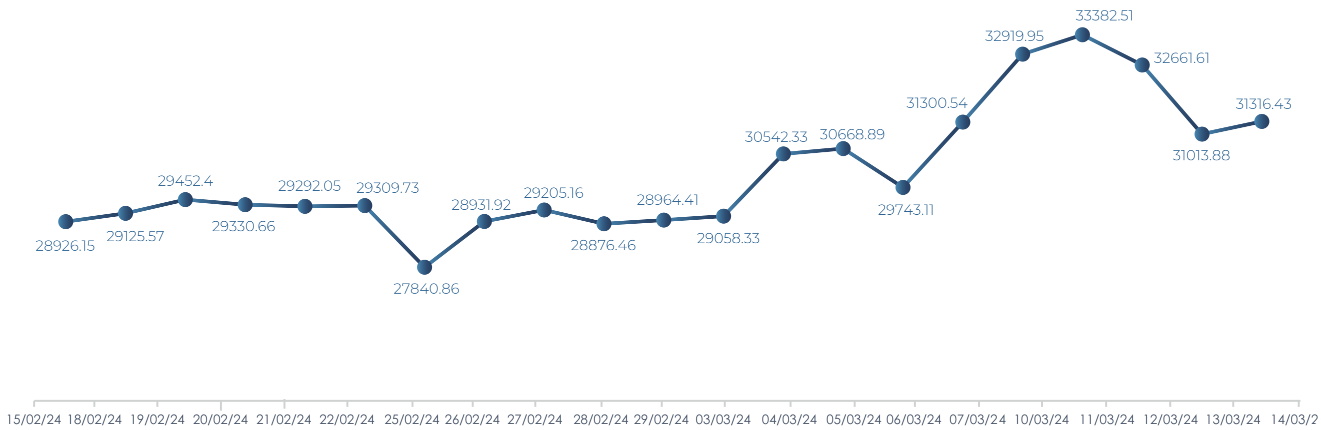
As has been the case before, a sudden EGP devaluation will eventually support Egyptian stocks' performance. Indeed, the market quickly turned its adverse reaction positive before paring its gains. We could say that the market was trying to filter out the light-hearted before resuming its upward trend, especially after the CBE canceled its Mar. 28 meeting, suggesting a pause on interest rate hikes at least until May 23.

TMG Holding (TMGH)

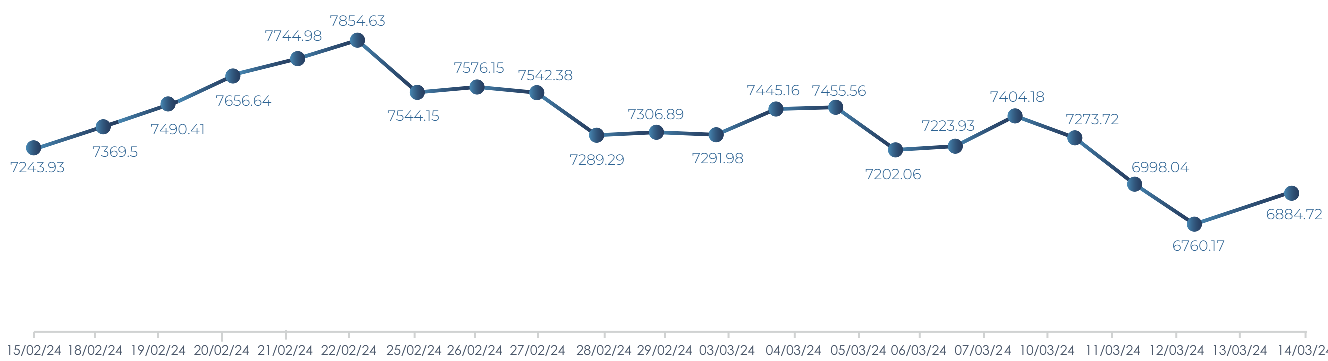
Who would have thought the giant would awaken from its 16-year sleep? Having gone public in late 2007, TMG Holding (TMGH) only recently led the market to become the EGX's second most valuable company. At an intraday high of EGP 91.40, TMGH's market cap topped EGP 188 billion on Mar. 5, close behind CIB's (COMI) EGP 230 billion. TMGH's weight exceeded COMI's in the EGX 30 Capped index due to how stock ceilings are set quarterly. During the period, TMGH traded shares worth EGP 12.2 billion between a low of EGP 45 and a high of EGP 91.40.



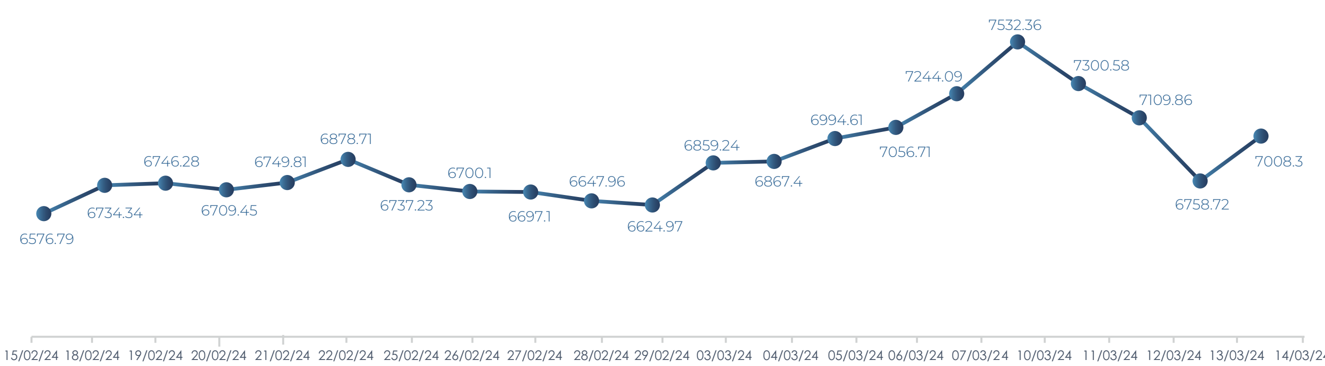
EGX 30



EGX 70



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.

ASSESSING EGYPT'S FINANCES

Mohamed Maait
Minister of Finance

talked to AmCham Egypt about his vision for the country after billions of dollars arrived, starting with the Ras El Hikma project.

By **Rania Hassan**

Geopolitical tensions in the region over the past couple of years have affected Egypt's economy and supply chains, causing macroeconomic disruption and driving up the prices of imported commodities.

That meant tighter monetary policies in Egypt and abroad, limiting fiscal policy's ability to deliver on its objectives.

Domestic economic policies have added to the pressure. To create jobs and attract investors, the government has been focusing on public investment in infrastructure, critical to solving many of the country's incumbent problems, such as electricity, gas and roads. Most experts agreed those efforts, however, were costly.

On March 8, AmCham Egypt held a luncheon titled "Egypt's Economy in Light of Recent Monetary Updates," featuring keynote speaker Minister of Finance Mohamed Maait. During his talk, he emphasized the importance of cooperation with AmCham Egypt and bridging policy gaps to overcome these challenges.

Short-term steps

The government has a comprehensive package to ensure price stability, stabilize a functioning exchange rate system and implement deep structural reforms. With these measures in place, the IMF has approved an extension of Egypt's $3 billion fund facility to reach $8 billion over four years. The country also received additional financing from partners, including the EU, World Bank, Japan, and the UK.

"We have already started to deliver on those corrective policy measures," said Maait, "as we have seen with the CBE (Central Bank) increasing interest rates by 600 basis points and allowing the Egyptian pound's value to be dictated by market supply and demand. One of the issues was to guarantee that the liquidity is there to meet the demand for foreign currency. The [$35 billion] Ras El Hikma deal gave us the needed liquidity."

To restore confidence in the economy, the government is focused on sending a message that it has a plan and program to improve fiscal and monetary discipline. Maait cited correcting domestic economic policies that have added pressure to the economy and working to ensure decisions are correct and sustainable. "The business community needed the March 6 devaluation," Maait said. "They urged us to move with it as quickly as possible."

Debts, debts

Maait stressed that reducing the government's domestic and foreign debt levels is a priority, saying there are two definitions of debt exposure. "One is the total external debt of Egypt ($164 billion), which includes ... economic authorities, the Central Bank, commercial banks, and state-owned enterprises. The Ministry of Finance "accounts for 50%" of those foreign-currency liabilities.

The Ministry of Finance's budget includes external and internal debt in local or foreign currency. Its overall exposure is $110 billion. Almost "$82 billion is from foreign-owned institutions, and we lent the rest to local banks."

Debt sustainability focuses on budget debt and revenue's ability to reduce that debt. The Ministry of Finance has also reduced its debt-to-GDP ratio from over 100% to 81%, bringing it to the historical range between 75% and 80%. "We can manage the budget if the debt-to-GDP ratio is under 80%," he said.

However, reaching that 80% target can take time as the government implements structural reforms and allows the floating of the pound. "This year, we have to wait to see how the exchange and interest rates impact the ratio. We will definitely see our import costs and social protection spending increase," the minister said. "During this correction period, we [might see debt-to-GDP increase until] June 2025. We should ... reach our 80% target by June 2027."

However, reducing debt is not Maait's most challenging problem. "The big problem is that the cost of financing has more than doubled in the past few years," he said. "It is now nearly 2.5 times higher than before the currency devalued due to the war in Ukraine. That rise, plus all the internal and external factors, is the biggest problem."

Macroeconomic conditions exacerbate that problem. "When the economic situation is bad, revenue decreases, and you need to finance the budget by taking loans. The exchange rate and interest rates impact the cost of loans," Maait said. "Before inflation hit Egypt, our interest payments were between EGP 550 billion and 585 billion annually. This year, our financing cost will be EGP 1.12 trillion or higher."

The Ras El Hikma project provides the much-needed reprieve for the government. "First, external debt should decrease by around $11 billion as the GCC waives its deposits at the CBE," Maait explained. "Meanwhile, the incoming new liquidity will increase reserves and can be used to improve government finances."

Private sector priority

Maait also said the government is committed to slowing down public investments and national projects, limiting them to EGP 1 trillion a year, as requested by the IMF. The Central Audit Authority will ensure compliance, and the country plans to sell state-owned enterprises (SOEs) to the private sector. The focus is on the real economy, including industry, agriculture, FDI, production, exports and privatization.

"The private sector will fill our investment gap," Maait said. "The latest of our efforts to exit the economy is to leave airport management to the private sector. You will get better service, the private sector will benefit and the government will get a share of those projects' revenues.

"We are still committed to selling SOEs to the private sector, and the International Finance Corporation is helping us with asset sales," he added. "We expect to sign deals worth $3.5 billion in the short and medium terms."

The minister said the Cabinet is fully committed to its policy agenda to attract FDI, increase exports and upskill labor. "The country is taking steps to stabilize its economy, promote private sector-led growth and jobs, and restore confidence in its economy," Maait said.

Another issue for the private sector is reforming the tax system. "The private sector has complained that state-owned enterprises and other state entities enjoy privileges on tax and customs. We removed those privileges," said Maait. "Others have stressed the need to rationalize other exemptions to improve the investment environment. We will work on that."

If changes are implemented, the private sector will know what is new beforehand. "We don't plan to change taxes or send drafts to the legislature before talking to the private sector first," he said. We can't make everyone happy, but we will ensure no surprises. And we will always give leeway in implementation."

Maait added that there is a "draft income tax law, strategy, and tax policy for 2024-2030. Once we finalize those preliminary versions, we will share them with the private sector. There will be no increase in corporate income tax; it will be lower. The gap between nominal and effective rates will stay the same or decrease. We will introduce some elements to close that gap."

Stubborn inflation

The government and CBE aim to bring inflation rates back to 7%, plus or minus 2%. Maait said the first step came when the country decreased the budget deficit from 13% to 6% of the total budget. "Without the external shocks we have seen in the past two years, we could have been below 5%," he said.

Egypt's persistently high inflation rates (over 30% for the past 12 months) have been particularly hard on low- and middle-income families. "It is a difficult period because we can't control it, as those events are outside our control," Maait said. "For example, the Suez Canal lost 50% of its revenue due to external factors. It used to bring $1 billion a year before geopolitical tensions escalated from the Gaza Strip to Yemen."

To mitigate the negative impact of such high inflation on low- and middle-income families, "the government plans to increase the minimum income tax exemption," Maait said. "We also allocated EGP 180 billion in the annual budget for social protection. [Its funding will be via] the pension fund, budget reserve and additional finance from parliament."

However, Maait said, the priority now is to let the private sector invest more in public projects, which is more cost-effective for the government. Maait said the Ministry of Finance is committed to fiscal policy efforts to ensure that projects are eco-friendly and sustainable.

He also stressed his ministry's success in converting the 40-year-old primary deficit (government revenue before calculating debt repayments) to a primary surplus, which the government has maintained since 2018.

Budget consolidation

Maait noted one of the challenges is Egypt has "59 economic authorities outside the national budget, and they all want to stay that way."

The national budget is EGP 2.1 trillion, while the revenue from the economic authorities is EGP 2.8 trillion. "The state budget is used by international agencies and organizations, as well as rating agencies, to assess and rate Egypt's economic situation," Maait said. "Using only 40% of Egypt's revenue to judge the entire economy is unfair. Egypt's public finance indicators should be calculated based on those combined budgets."

According to the finance minister, the solution is to create a "general government budget by establishing a holding company to hold all the budgets under one authority. Parliament will start discussing this."

Maait said the integration will be gradual, starting with 40 budgets (revenue plus debts) in the General Government Budget in FY 2024/2025. "We will integrate the remaining 19 in the coming five years after implementing some structural reforms," he said. "That will make Egypt's public finance indicators calculated based on the entire economy's performance."

The most evident benefit of such a merger would be that the tax revenue will account for less than 35% of the consolidated national budget. "That will greatly benefit Egypt, as taxes are 75% of the main state budget. We will calculate interest payments against a combined EGP 4.9 trillion budget rather than the current EGP 2.1 trillion." ■

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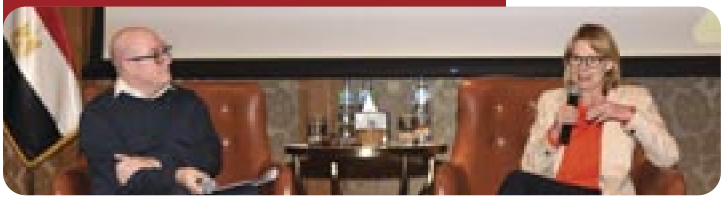


20 February

Visa executive preaches the power of inclusion

The AmCham Women In Business Committee and Non-Banking Financial Institutions Committee jointly organized a Feb. 20 session titled "The Power of an Inclusive Economy: Impact on Economic and Business Welfare." The session's speaker was Jeni Mundy, global senior vice president of merchant sales and acquiring at Visa.

Mundy shared her experience from the Volvo Ocean Race, emphasizing the importance of resilience and challenging traditional norms to pursue one's aspirations.

She also highlighted the significance of diversity and teamwork, advocating for building diverse teams that foster trust and empower every member to contribute and innovate.

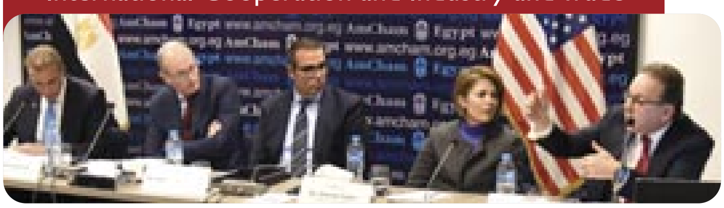
Mundy articulated her approach to leadership, emphasizing the transformative power of embracing gender diversity and minority perspectives. She also stressed the importance of simplicity and clarity in strategy while steadfastly focusing on long-term vision.

Businesses must embrace a broader purpose centered on societal impact and uplifting communities, she said, advocating for initiatives to digitize economies and foster economic and digital inclusion. Visa's "She's Next" initiative was cited as an example of such an effort.

In essence, Mundy's insights emphasized the transformative potential of an inclusive economy, where diversity, trust and purpose converge to drive sustainable growth and prosperity.

Her inspiring journey is a testament to the enduring impact of resilience, teamwork and visionary leadership in shaping a brighter future for businesses and communities alike.

International Cooperation and Industry and Trade



22 February

Speakers discuss localizing key industries

On Feb. 22, AmCham's International Cooperation and Industry and Trade committees hosted a session addressing "Unlocking Egypt's Potential: Localizing Industries and Attracting Investments. Guest speakers were Mark Bowman, vice president for policy and partnerships at the European Bank for Reconstruction and Development (EBRD); Mamdouh Afia, senior management consultant; Houssam Abdel-Aziz, CEO of Autocool; and Shoroke Zedan, CEO and managing director of Ta'heal for VET Skills Excellence.

The EBRD is working with the government on several innovative initiatives to boost the competitiveness and integration of Egyptian industries, and support the country's transition to a green economy. As part of NWFE's energy pillar, the EBRD alsop supports development of an action plan to boost local participation in industrial value chain components and services for renewables and low-carbon technologies. Another objective is advocating for a more inclusive economy for women and youth.

Abdel-Aziz said the government has implemented the Automotive Industry Development Program as part of efforts to localize strategic industries. He explained the program aims to position Egypt as a critical player in the automotive sector in Africa, and establish strong business and investment relationships with regional trading partners. The EBRD is collaborating with the Supreme Council of the Automotive Industry to assess the technical and financial feasibility of the East Port Said Automotive Zone (EPAZ). This initiative involves establishment of joint production facilities, including a paint shop, for original equipment manufacturers (OEMs).

The EBRD also is studying how to localize value chains for renewable energy, such as wind power, solar, desalination and hydrogen. Localization of renewable energy in Egypt requires a similar initiative to the automotive industry. Zedan said Egypt has an oversupply of human capital, but needs additional training.

Marketing

26 February

Expert tackles marketing in a disruptive world

On Feb. 26, the Marketing Committee held a session on "Marketing in a Disruptive World: An Innovative Outlook Into the Next Decade," with guest speaker Dipak C. Jain, professor of marketing and Academic Council co-chair of the Social Security and Aging Finance Institute at China Europe International Business School.

When navigating market disruption, it is critical to understand what issues are not in your control. Recognize how you can make the best use of your control, adopting a "culture of acceptance" in the marketing strategy, he said.

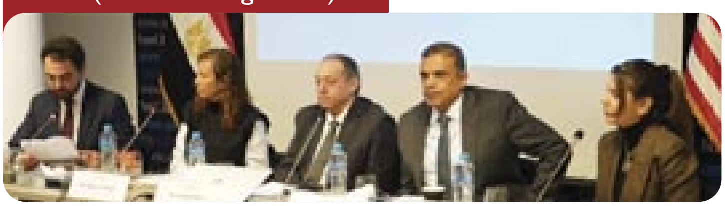
According to Jain, key trends are hyper-competitiveness, increasing consumer awareness, technological advancements and enhancing longevity with aging demographics.

Jain presented a value framework showcasing consumer thinking in regard to value. Economic value, such as low-priced flight tickets, can entice consumers and increase their willingness to forgo certain inflight services. Also important is functionality and innovation: Does your product offer more functions at a lower price than competitors?

Lastly, an integral component is customer experience (emotional engagement), which leaves a lasting impact and encourages loyalty.

To create value for consumers, Jain said, there are fundamental principles that must be followed: being close to customers and ahead of the competition, doing business the way your customer wants you to do it, and developing strategies to retain customers and employees, adding that "your first customer is your employee."

HR (Talent Management)



29 February

Session examines prospects for shared services

On Feb. 29, the AmCham HR (Talent Management) Committee met to discuss "Egypt's Shared Services: Prospects for Future Growth" with guest speakers Alaa El Khishen, CEO at Webhelp Egypt; Hazem Nabil, executive vice president of the Information Technology Industry Development Agency; and Nagia El Haraki, general manager of the business services hub at PepsiCo.

El Khishen introduced listeners to the basics of shared services, highlighting that HR, finance and IT services are being offshored to the "best shore."

The shared services landscape has been diversified, with marketing, sales and supply chains being integrated into what can be offered. El Haraki cited PepsiCo's focus on media procurement as a shared service as a scalable business.

Nabil presented various points on how the public sector recognizes Egypt's potential in the shared service field, especially when competing with other major shared services markets, such as India. He said Egypt underwent three phases — learning, rapid growth and near maturation — en route to quickly becoming a shared services destination.

However, he recognized the impact of Covid on the industry's growth. On a positive note, the pandemic helped the sector be more resilient to market shocks, and Egypt has nearly doubled its shared services output since 2022.

Nabil acknowledged the role AI will play, but reiterated that tech trends have been ongoing and disrupting the market for decades and rarely replaced human labor. He said that AI has been an important tool in business process outsourcing, where the main success element is person-to-person contact. Additionally, AI is expensive to implement, he said, companies with ongoing economic difficulties will instead not proceed with AI tech.

EVENTS

Travel and Tourism

5 March

Committee sees Giza Plateau improvements

The Travel and Tourism Committee hosted a field trip March 5 to the newly renovated Giza Plateau. The visit included a comprehensive tour of the plateau and a presentation by Amr Gazarin, executive chairman of Orascom Pyramids Entertainment.

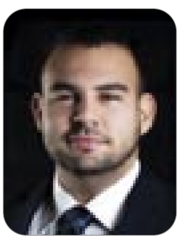
Under the protocol of cooperation established between the Supreme Council of Antiquities and Orascom Pyramids Entertainment, efforts are being made to enhance and operate services more effectively for visitors to the Giza Plateau. The development plan is advancing in alignment with an ambitious vision focused on achieving sustainable development for the tourist area surrounding the Giza Pyramids.

The initial phase of the pilot operation introduced the first set of eco-friendly electric vehicles and buses alongside a parking area at the Visitor Center that could accommodate up to a thousand cars.

Visitors explored the Giza Plateau for an exceptional tourism experience thanks to a guided tour encompassing seven key monuments along the new visitation route.

The tour will begin at the Visitor Center and proceed to Panorama One. It will then cover the Menkawre, Khufu and Khafre pyramids, followed by the Sphinx and Panorama 4 before returning to the center.

NEW MEMBERS



Membership Type:
Associate Resident

ACCOUNTING

Fouad El-Watan BKR
Mohamed Fouad El-Watan

Head of Deals Service Advisory
Address: 45 El Teseen Street, Al Narges 3, Fifth Settlment
Tel (20-10) 0888-8900
Website: https: fouadelwatan.com

Membership Type:
Associate Resident

FINANCIAL SECTOR

Cairo Leasing Corporation
Ahmed Sherif
Managing Director

Address: Golf Central Mall, Palm Hills, 6th of October City, Giza
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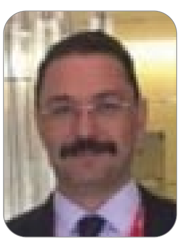
Website: www.clc.com.eg



Membership Type:
Associate Resident

FOOD & BEVERAGE

Silver Light Foods
Roumany Masoud
Chairman and CEO

Address: Television Street, Luxor
Website: silverlightfoods.com

Membership Type:
Associate Resident

HOSPITALITY/TOURISM/TRAVEL

ALDAU Development
Bassel Saad
Executive Chairman

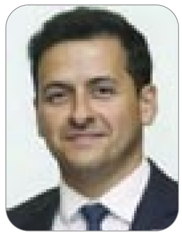
Address:Pyramids Heights Office Park, Building C8, Floor 3
Tel: (20-2) 16492
Website: www.aldaudevelopment.com

Membership Type: **Associate Resident**

INDUSTRIAL MACHINERY

Connect Poultry
Aly Ibrahim
Africa & Middle East Director

Address: Building no.50 Southern Lotus Street, Fifth Settlement, New Cairo
Tel: (20-2) 2530-5896
Website: www.connectpoultry.com



Membership Type: **Multinational**

TRANSPORTATION

Turkish Airlines Cairo
M.Hamza Arslan
General Manager- Cairo

Address:Turkish Airlines Inc. Plot No. 15, 1st Sector, The Southern 90 Street, Fifth Settlement, New cairo
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Website: www.turkishairlines.com/tr-int/

Membership Type: **General**

INFORMATION & COMMUNICATION TECHNOLOGY

Pharaoh Soft
Mahmoud Metwally
CEO

Address: 37 Baghdad Street, Heliopolis, Cairo
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Website: https://www.pharaohsoft.com

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
E-mail: membership@amcham.org.eg

NEW AFFILIATE MEMBERS

Financial Sector

Sami Samir
Chief Information Officer, Attijariwafa Bank S.A.

Karim Diaa Youssef
Chief Financial Officer, Attijariwafa Bank S.A.

Younes Kadiri Taai
Global Transaction Banking Director, Attijariwafa Bank S.A.

Miral Shehata
Compliance Director, Attijariwafa Bank S.A.

Neveen Abou El Soud
Small & Medium Enterprises Director, Attijariwafa Bank S.A.

Yasmine Hisham
Head of Transformation and Strategy Implementation, Attijariwafa Bank S.A.

Hospitality/Tourism/Travel

Ahmed El Nesr
CEO - Real Estate Division, ALDAU Development

Tarek ElMasry
General Manager & Corporate Director of Operations, ALDAU Development

Ihab Kamel
General Manager, ALDAU Development

Lars Geweyer
Chief Executive Officer, ALDAU Development

Investment

Mazen El Kerdany
Chief Strategy & Business Development Officer, Post for Investments

Aboubakr Emam
Chief Research Officer, Post for Investments

Information & Communication Technology

Azza El-Shinnawy
Head of Egypt and North Africa World Wide Public Sector Amazon Web Services, Amazon.eg

NEW AFFILIATE MEMBERS

Amr Elmasry
Sale Manager, Xceed

Legal Services

Youssef Rizkana
Senior Associate, Rizkana & Partners - Attorneys at Law

Marketing, Advertising Services

Mahmoud Fadl
Operation Manager, INEXT Solutions INC

Petroleum

Farah Abou El Ela
Regional Performance Manager, Maridive & Oil Services Co.

Lobna Youssef
Policy Manager Egypt, Shell Egypt

Wafaa El Ashry
HR Manager, Shell Egypt

Real Estate

Dena Habib
Vice President Corporate Relations, Madinet Masr

REPLACEMENTS IN MEMBER COMPANIES

Saad Sabrah
Egypt Country Head, IFC International Finance Corporation
Category: Not-for-Profit
Sector: Financial Sector

Mohamed Korayem
CEO & Managing Director, The Egyptian Credit Bureau I-Scor
Category: Associate Resident
Sector: Financial Sector

Mahmoud Amin
L&D Director, Breadfast LLC
Category: Affiliate
Sector: Food & Beverage

Hany Hamza
Board Member, Fawkia Hospital
Category: Associate Resident
Sector: Healthcare

Karim Ossama Abbas
Board Member, Orchidia Pharmaceutical Industries
Category: Affiliate
Sector: Pharmaceuticals

Salma El Mestekawy
Head of Marketing, Informa Markets)
Category: Affiliate
Sector: Consultancy

Baher Kameel Kamel
Marketing Director, Alexandria Confectionery & Chocolate Company (Corona)
Category: Affiliate
Sector: Food & Beverage

Change in Member Company

Mohamed Badreldin
VP Public Policy & Government, N Gage Consulting
Category: Affiliate
Sector: Consultancy

Ahmed Mohamed Khattab
Head of Wholesale Banking, Arab Banking Corporation - Egypt (Bank ABC)
Category: Affiliate
Sector: Financial Sector

Sameh Sayed Elmallah
CEO, Damen for Electronic Payments
Category: Asscoiate Resident
Sector: Financial Sector

Camille Abou Lehaf
Head of Public Relations, ALDAU Development
Category: Affiliate
Sector: Hospitality/Tourism/Travel

Change in Member Category

Amr Ashour
Country Director, SC Johnson Egypt (A Family Co.)
Category: General
Sector: : Industrial Machinery

Shady Farid
CEO , Alexandria Confectionery & Chocolate Company (Corona)
Category: Associate Resident
Sector: Food & Beverage

Baron Hotels & Resorts

Baron Hotels & Resorts has the pleasure to offer a 15% discount on published rates, to AmCham members, in addition to the below privileges:
- Welcome drink upon arrival
- Early check-in and late check-out (subject to Hotel availability)
- Coffee and Tea facilities
- Fruit Basket

The offer is applicable on Baron Palace Sahl Hasheesh, Baron Resort Sharm El Sheikh, Baron Palms Sharm El Sheikh and Baron Cairo.

This offer is valid until December 31, 2024

For the reservations in Baron Palace Sahl Hasheesh and Baron Resort Sharm El Sheikh): Emad Fathy

For the reservations in Baron Hotel Heliopolis, Cairo: Abdalla Hussein

Contact:
Emad Fathy
Tel: (20-2) 2241-9206/207
Ext: 225/ 286/ 117;
2414-0929; 2290-1836

Abdalla Hussein
Tel: (20-2) 2291-5757
Emails:
reservation@baronhotels.com; reservation @baronsharm.com;
reservation@baronpalacesahlhasheesh.com; reservation@baroncairo.com

DHL Express

DHL Express is proud to offer all AmCham members an exclusive 30% discount on DHL published rates for outbound international shipping services.

N.B:
- The discount is not to be used in conjunction with other promotions from DHL.
-Pick up service is now available
Membership card or at least a copy of it to be available to apply the discount.
For further information about the nearest DHL location visit our website www.dhlegypt.com

This offer is valid until December 31, 2024

Contact:
Victor Salah: (20-10) 6882-8300
Ekram Hemat: (20-12) 2544-4450
Email:
victor.saleh@dhl.com

Fashion Retail Group

FRG (Fashion Retail Group) is honored to present its special offer to AmCham Members at the below stores.
-20% off at all SKECHERS stores.
-20% off at all ECCO stores.
-20% off at all ANTA SPORTS stores.
-20% off at all INTERSPORT stores, except for treadmills and electric bikes (which are eligible for 10% off).
-20% off at SPORT AVENUE – B.GOAL stores.
-Outlet stores are excluded from this offer.
-This offer is not applicable in case of any other promotional offers for the above-mentioned brands.
-This discount is not valid during Black Friday.

This offer is valid until December 31, 2024

Contact:
Phone: (20-2) 2273-1405

Hurghada Marriott Beach Resort Hotel

Marriott Hurghada is pleased to offer AmCham members a 15% discount on published rates.

This discount is valid till 23/12/2023 excluding public holidays.

This offer is valid until December 31, 2024

Contact:
Tel: 0653404420/ 01201788882
Email: reservation.hurghada@marriott.com

AmCham members can claim these discounts by presenting their AmCham 2024 membership card.

For more offers, please visit AmCham Cyberlink on www.amcham.org.eg

A Glance At The Press

The appreciation of the dollar works in our favor as it releases the pressure posed on us

Al-Masry Al-Youm, March 12

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.

Sherine Abdel-Wahab wins "Billboard Arabia" title

Renowned Egyptian singer Sherine Abdel-Wahab became the first Arab artist to win the title of "Billboard Arabia" at the Billboard Women in Music Awards.

Other winners were Annalisa (Billboard Italy), Maria Becerra (Billboard Argentina), Sarah Geronimo (Billboard Philippines), Nini Nutsubidze (Billboard Georgia), Luísa Sonza (Billboard Brazil), and Tia Ray (Billboard China).

When Billboard Arabia launched its own Hot 100 ranking in December, Abdel-Wahab became the first artist to reach number one on the chart thanks to her number one song, "Kalam Eneih," and number two song, "El-Watar El-Hassas."

The Billboard Arabia platform was launched in June and is dedicated to celebrating the works of Arab artists. It gathers data from leading streaming platforms like Spotify and Anghami to choose the year's top artists.

Scoop Empire, March 12

Arsenale plans new luxury train in Egypt

Egyptian National Railways, the Ministry of Tourism & Antiquities, and the Ministry of Transportation have agreed with the Italian luxury hospitality group Arsenale to develop a luxury train experience.

The project, which will launch in 2026, will take travelers from Cairo to Upper Egypt. It will pass by Luxor, Aswan, and Abu Simbal, with curated stops to experience the spectacular sights.

"We are excited to start this strategic partnership with Egyptian National Railway to bring our luxury rail cruise model to Egypt," said Paolo Barletta, CEO of Arsenale. "Rail cruising is the future of tourism, and Arsenale's commitment is to ensure that it arrives in all the most beautiful countries in the world, introducing a new way of traveling that is fascinating and, at the same time, sustainable."

Arsenale's project in Egypt marks its fourth international project for luxury rail cruises, following announcements for projects in Saudi Arabia, the United Arab Emirates, and Uzbekistan.

Cairo Scene, March 17

Saladin Citadel towers open to the public

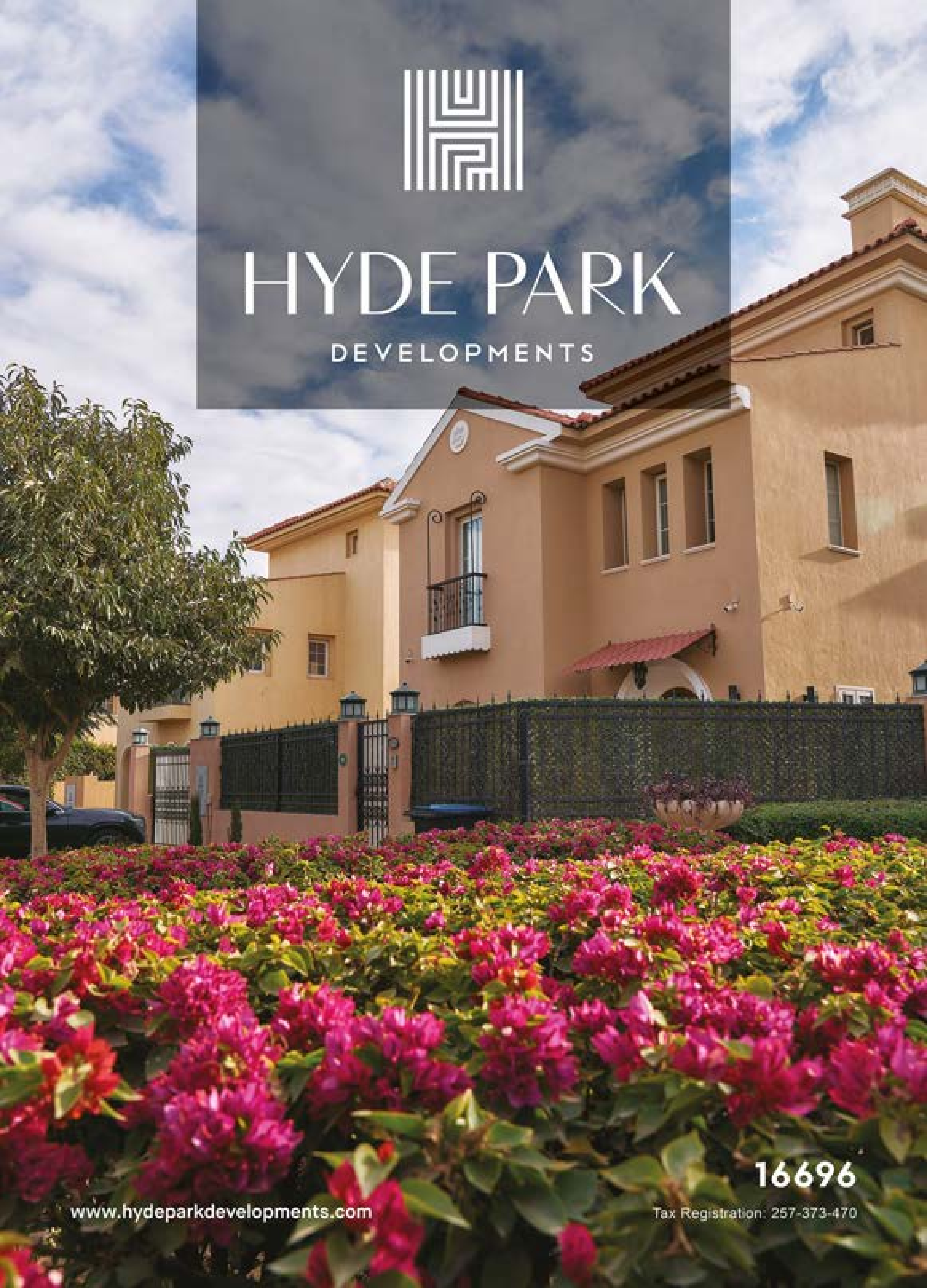
Stefan Seidlmayer of the German Archaeological Institute, in collaboration with an Egyptian-German archaeological mission, discovered a mastaba tomb from the Old Kingdom in the Dahshur area.

Hisham El-Leithy, acting secretary-general of the Supreme Council of Antiquities, said, "The importance of the mastaba lies in its wonderful inscriptions and scenes that represent scenes from daily life activities such as grain threshing, ships sailing on the Nile River, the market and offering presenters, which is rare in Dahshur mastabas."

El-Leithy said the mastaba is part of the large Old Kingdom cemetery discovered in 2002.

Seidlmayer said the mastaba is built of mudbrick and belonged to Seneb-Neb-Af and his wife, Idet. It dates back to the end of the Fifth Dynasty and the beginning of the Sixth Dynasty (about 2300 BC).

SIS, March 21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