

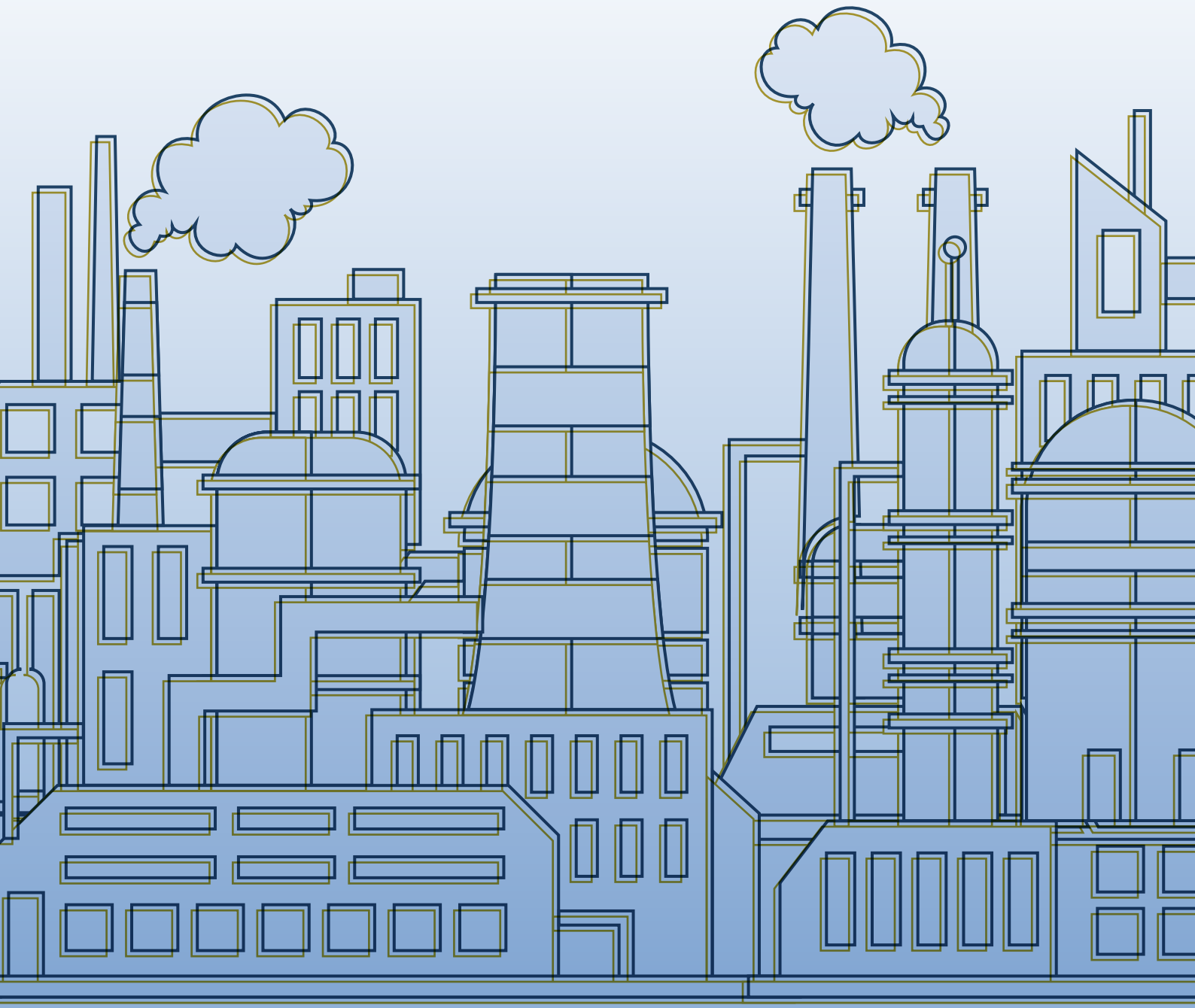


اتحاد الصناعات المصرية  
FEDERATION OF EGYPTIAN INDUSTRIES

PROMOTING INDUSTRIAL GROWTH  
& ENCOURAGING FOREIGN DIRECT INVESTMENT:

**- AN URGENT REFORM AGENDA -**  
**VERSION 2: JANUARY 2020**

*ISSUED BY: THE FEDERATION OF EGYPTIAN INDUSTRIES (FEI)*





اتحاد الصناعات المصرية  
FEDERATION OF EGYPTIAN INDUSTRIES

The Federation of Egyptian Industries (FEI) is one of the country's largest employers' associations, with 19 active industrial chambers as members, representing over 60,000 industrial enterprises out of which more than 90% belong to the private sector; accounting for more than 7 million workers and 18% of the national economy.

Since its inception The Federation of Egyptian Industries [FEI] has been carrying out its responsibilities towards defending and supporting Egyptian industries, firmly believing in industry as the pillar of the sustainable development of the country and as the tool to alleviate poverty and attain prosperity.

Therefore, FEI effectively advocates the common interests of its members and defends their positions towards governmental and legislative bodies, as well as other local and international associations.

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# 1

# INTRODUCTION

In fulfilling its mandate to support the Egyptian industrial community, and recognizing the pivotal role of the private sector and a free market economy in achieving sustainable development, the Federation of Egyptian Industries (FEI), collaborated with key stakeholders to create the right environment for industrial enterprises to excel and significantly contribute to Egypt's economic growth. Towards this end, In February 2019, FEI released the first edition of an urgent national reform agenda, which detailed necessary reforms that can be implemented in a short-term horizon to boost industrial growth rates and increase foreign direct investment flows into the Egyptian industrial sector. The first edition was intended to be a living document that evolves with changing conditions, and constantly be updated to reflect changes in policy or procedures, while continuing to advance the objectives of FEI and all relevant stakeholders.

Similar to the first edition of the national reform agenda, this report, which constitutes the second edition, serves as a springboard for action. As described in the first edition, the document provides a basis for the systematic and constructive interaction between the Egyptian industrial community and the various state agencies and institutions; it presents the major challenges facing industrial enterprise, and tracks progress towards meeting the realistic and actionable solutions that were designed to generate short-term tangible improvements, while contributing to the realization of the comprehensive development strategy over the longer term.

Preparing for this updated edition, due attention was given to soliciting feedback from FEI's members with real-life, first-hand experience with the issues and challenges facing industrialization. Thus, this second edition accurately reflects what is actually happening on the ground; it includes a comprehensive , as well as captures progress in the implementations of the recommendations contained in the first edition.

Building on the first edition, this edition is structured around a number of cross-cutting priority areas that have clear negative impacts on the efficiency and the smooth running of industrial processes, and deters many foreign investors from investing in the sector. At the same time, it addresses industry-specific issues and challenges faced by a number of industries within the sector; addressing these challenges promises to spur growth in these industries. In this regard. It should be emphasized that the recommended reforms were carefully reviewed and well-vetted with the broad industrial community to ensure that they do not have any negative repercussions on any industry within the sector or any other sector, and that their benefits are broad-based.

The recommended reforms are divided into two categories: 1) cross-cutting (applicable sector-wide) and, 2) industry-specific. The former includes general reforms and issue-specific reforms targeting areas including: the cashless economy, industrial land acquisition, industrial licensing, taxation, customs, property registration, utilities and public services, shipping, transportation and storage services, and the Labor Law. The latter, the industry-specific recommendations, presents proposed reforms that are relevant to specific industries, including pharmaceuticals, food processing and agriculture products, automotive, grain, leather, petroleum and mining, and mineral resource processing.

In this regard, it is worth mentioning that in developing the reform agenda, FEI, in partnership with the Center for International Private Enterprise(CIPE), has sought input and feedback from multiple stakeholders, including the Egyptian Center for Economic Studies, the American Chamber of Commerce and all other chambers of industry. Thus, the proposed agenda reflects broad consensus among a wide spectrum of Egyptian industrialists regarding the reforms needed to revitalize the industrial sector.

Last but not least, it should also be noted that accelerating the implementation of this agenda will translate into tangible results, including enhancing the business environment for domestic investors and improving Egypt's ranking in the Global Competitiveness Report, which, in turn, will contribute to increasing the rate of foreign direct investment. Additionally, easing the rules and regulations for the private sector—one of the proposed areas for reform—will result in increasing production and exports, improving the quality of products, diversifying production methods, and driving innovation in the sector. This promises to bring significant benefits to the economy and society at large.



## PROGRESS IN IMPLEMENTING RECOMMENDATIONS

The following section provides an update on progress towards implementing the recommendations included in the first edition of the national reform agenda. It covers the recommendations pertaining to the industrial sector at large—cross-cutting general and issue-specific reforms—as well as the industry-specific recommendations.



## CROSS-CUTTING REFORMS (SECTOR-WIDE)

*The following section provides an update on the recommendations that pertains to the industrial sector at large; the update covers the general and issue-specific reforms.*





# GENERAL REFORMS

## RECOMMENDATION (01)

Establish a Cabinet level committee to coordinate all economic decisions prior to issuing them.

The committee should include representatives of FEI and the Federation of Egyptian Chambers of Commerce (FEDCOC).

Revive the "ERRADA" Initiative, which is designed to vet all economic laws; and ensure that all its members have adequate seniority to be able to operate under the auspices of the Prime Minister.

## STATUS/NOTES

*On July 14, 2019, the Prime Minister issued a decree to revive "ERRADA" Initiative, and establish its board of trustees, which includes the presidents of FEI and FEDCOC.*

## RECOMMENDATION (02)

Make e-government a priority in order to increase the efficiency of government transactions and curb administrative corruption. Set a deadline of 2022 for completing the effort.

## STATUS/NOTES

*According to a Ministry of Planning, Monitoring and Administrative Reform (MOPMAR) official, the following steps have been taken:*

- 1. The government has set up a number of electronic platforms to make available online services. Currently, the Government Services Portal offers 75 online services. It is planned that online services will increase to 100 services by the end of the fiscal year 2018/2019. The portal allows users to make online payments.*
- 2. The government launched a mobile application, which currently provides 30 online services of the 50 services planned to be made available by the end of the fiscal year. The application allows users to make online payments.*

## RECOMMENDATION (03)

Issue a binding decision or a law to address senior debt restructuring<sup>1</sup>. The regulation should obligate sovereign creditors to closely coordinate with banks when rescheduling senior debts of distressed companies. This should address the problems faced by banks in the course of the restructuring of distressed businesses, namely, the use of funds made available for restructuring to settle outstanding debts to government entities. Adopting this recommendation will ensure the availability of adequate liquidity during the restructuring exercise, and at the same time, protect the banks against risk of losses.

### STATUS/NOTES

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## RECOMMENDATION (04)

Expedite the issuance of the micro, small, and medium-sized enterprises (MSMEs) law, which was reviewed by FEI, to encourage formalization of informal enterprises.

### STATUS/NOTES

*The Cabinet approved the draft law on MSMEs. It is expected that the draft law will be presented to the House of Representatives in its coming session. The draft law includes a number of positive features, including: a standardized definition for MSMEs; a package of incentives to encourage the formalization of informal enterprises; solutions to address the challenges faced by MSMEs in accessing finance, particularly those that do not own assets, especially land, to offer as collateral; and a set of incentives to expand the pool of finance available to MSMEs through civil society organizations.*

## RECOMMENDATION (05)

Support and strengthen the Industrial Development Bank to enable it to fulfill its role of funding industrial projects and expanding industrial activities in Egypt, including developing programs and procedures to incentivize expanding support for promising industrial endeavors.

### STATUS/NOTES

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*1. In many instances, banks face significant challenges when working with distressed businesses, which are going through a restructuring process. Liquidity provided by banks is directed towards meeting the distressed business's debt obligations to sovereign creditors (e.g., taxes, custom duties, etc.), thus derailing the restructuring process and exposing banks to a high-risk loss.*

## RECOMMENDATION (06)

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Reduce delays in court proceedings to enhance the timely delivery of justice, and build the capacity of judges in economic courts, with a focus increasing their knowledge of economics principles and issues.

### STATUS/NOTES

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*On July 15, 2019, the House of Representatives approved amendments to the Economic Courts Law No. 120 of 2008. The approved amendments will help accelerate litigation involving lawsuits falling under the jurisdiction of the laws governing trade, investment and financial transactions.*

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## RECOMMENDATION (07)

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Reconsider the security screening process required for foreign investors as it consumes an inordinate amount of time (up to seven months). A -30day advance notification requirement should suffice— a no response during this -30day period is to constitute an approval.

### STATUS/NOTES

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## RECOMMENDATION (08)

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Do not impose a real estate tax in free zones, and consider exempting factories from such tax.

In May 2018, the General Assembly of the Legal Opinion and Legislation Departments of the State Council issued a legal opinion confirming that business enterprises located in free zones are exempt from the taxes prescribed in Real Estate Tax Law No. 196 of 2008. This exemption is to take effect from the date on which the Investment Law No. 72 of 2017 entered into force. Article No. 41 of the Investment Law stipulated that free zone business enterprises shall not be subject to the provisions of the applicable laws on taxes and duties in Egypt, which includes the real estate tax. Accordingly, it is not legally possible to require these enterprises pay real estate tax starting June 2017 ,6, the day the Investment Law entered into force.

Compliance with the legal opinion of the State Council, and establishing a mechanism to ensure its implementation is yet to be seen.

### STATUS/NOTES

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## RECOMMENDATION (09)

Review the sanctions-related provisions in all business-relevant laws and draft laws, and eliminate sanctions that entail deprivation of liberty, thereby making them consistent with the Investment Law. The latter expressly states that no penalties that entail deprivation of liberty shall be imposed on investors in any economic activity, and that penalties shall be limited to fines.

A number of recently issued laws, including the NGO Law, the Social Insurance Law and the Trade Unions Law did away with all penalties involving jail time.

However, there remain other laws and draft laws that include sanctions that entail deprivation of liberty (e.g., the regulations pertaining to cheques under the law, “the Cheques Law”).

### STATUS/NOTES

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## RECOMMENDATION (10)

Consider amending the Comprehensive Health Insurance Law (Law No. 2 of 2018) to address a number of shortcomings. The amendments should address the following points:

1. The amount of contribution that businesses are required to make under the law termed “Takafulia”<sup>2</sup> should be calculated on the basis of the net annual income of the business instead of the gross annual revenue. Additionally, the contribution should not exceed 1% of the net annual income.

Undertaking this measure will help in reaching consensus on this contentious issue, and thus avoid challenging the law in court.

2. The required contribution should be tax deductible.

3. Money-losing businesses should be exempted from paying this contribution.

4. The special nature of some companies (e.g. commission-based businesses) should be taken into consideration when applying the law.

### STATUS/NOTES

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<sup>2</sup> Takafulia is an Arabic term derived from the root word “Takafala”, which in the literal sense means to mutually guarantee and protect one another.

## RECOMMENDATION (11)

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Counter the prevailing modus operandi of the government, which is characterized by irresolution and hesitancy. In this regard, attention should be given to enacting a strong law holding ministers and public officials politically accountable for their policies and action, rather than limiting their accountability to legal realm—accountability for criminal conduct.

Attention should also be given to providing support to public officials and building their confidence in taking decisions that serves the public interest and respond to national development objectives, as long as these decisions are well-studied, and were subject to broad-based and meaningful community dialogue.

This necessitates reconsidering Articles 115 through 119 of the Penal Code—The Chapter on Public Funds.

### *STATUS/NOTES*

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## RECOMMENDATION (12)

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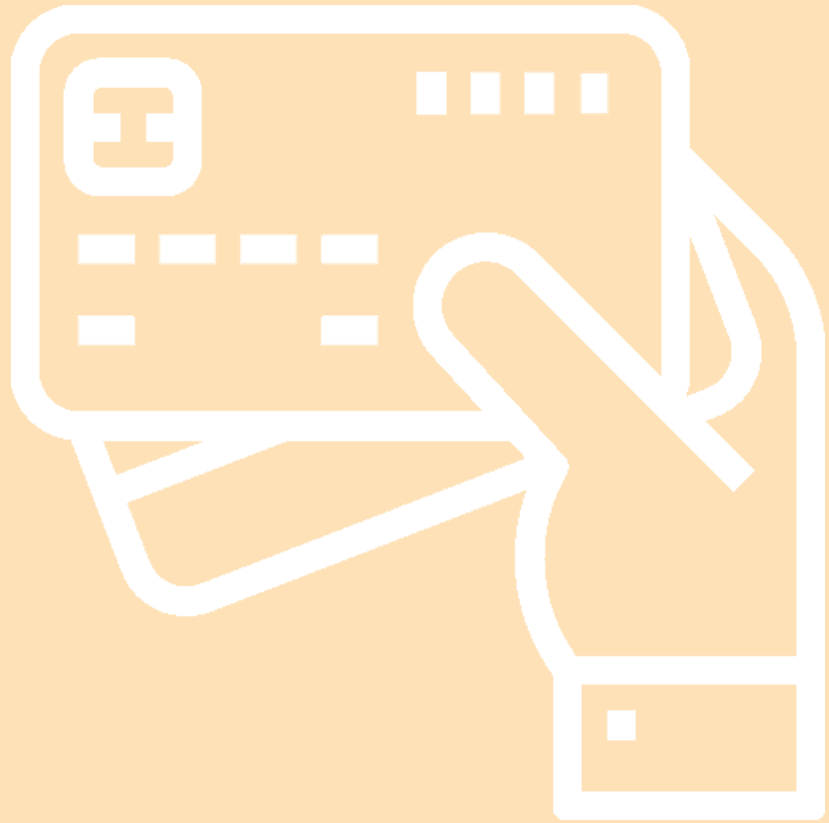
Resolve the confusion surrounding the voting procedures, namely the cumulative voting system for electing board members in companies that are listed in the Egyptian stock exchange, and also non-banking financial companies.

Circular No. 1 of 2019, issued by the Financial Regulatory Authority, obligates companies to specify cumulative voting as the applicable voting system in their rules of procedure. This directive contradicts with Circular No. 1 of 2018, which is issued by the General Authority for Investment and Free Zones. The latter, which reflects the legal and regulatory framework for protecting the rights of minority shareholders, stipulates that adopting the system of cumulative voting is optional rather than mandatory, which is in line with Article No. 74 (Paragraph 2) of the Companies Law.

### *STATUS/NOTES*

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## RESPONSIBLE ENTITIES:

*The National Council for Payments*

*The House of Representatives*

*The Cabinet of Minister*

*The Central Bank of Egypt*

*The Minister of Finance*



# THE CASHLESS ECONOMY

## CHALLENGE (01)

No doubt that a cashless economy is an important factor for attracting foreign investment. Adoption of cashless transactions is essential for enhancing transparency and credibility, and strengthening confidence in the economy. In spite of the efforts exerted toward promoting financial inclusion and limiting cash transaction in Egypt, a number of institutional and legislative barriers persist.

## RECOMMENDATION(S)

*Address the legal and institutional barriers to creating a cashless economy.*

## STATUS/NOTES

*On March 11, 2019, the House of Representatives passed a mandating the use of cashless payment by public and private entities. The law was passed by the required 2/3 majority, as it is deemed among the laws complementary to the Constitution. Law No. 18 of 2019 was signed by the President and published on April 16, 2019. Implementation and enforcement of the Law remains to be seen.*

## CHALLENGE (02)

Overlapping jurisdictions between the National Council for Payments and other government agencies.

## RECOMMENDATION(S)

*Create an executive secretariat for the National Council for Payments, and task it with overseeing the implementation of its decisions and coordinating between the various competent government entities to prevent conflicts and overlapping powers*

## STATUS/NOTES

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## CHALLENGE (03)

With few exceptions, all laws regulating sovereign payments do not include provisions that require electronic or bank payments. Currently, the use of an electronic payment mechanism is required only under Law 201 for 2014 (amending the Income Tax Law No. 91 of 2005) and Decrees No. 117 and 172 of 2015 issued by the Minister of Finance.

## RECOMMENDATION(S)

*Amend the relevant laws regulating sovereign payments so that they require the use of bank or electronic payment mechanism for transactions exceeding a prescribed threshold amount. The amendments should also allow the use of mobile payments for transactions that fall below the threshold amount.*

## STATUS/NOTES

*Law 18 of 2019 requires all government authorities and entities, as well as state-owned companies to use cashless means for making all payments to their employees, experts, and board and committee members, as well as the social insurance subscriptions. In addition, it requires government entities and agencies, and public legal persons, referenced in Article 2 of the same law, to pay all dues to contractors, suppliers and service providers through non-cash methods, whenever the dues exceed a specified threshold amount.*

## CHALLENGE (04)

None of the laws regulating non-bank financial services include any provisions that require electronic payments or payments through bank accounts (e.g. Companies Law, Capital Market Law, Insurance Services Law, Mortgage Law and Financial Leasing Law).

## RECOMMENDATION(S)

*Include new provisions in the laws regulating non-bank financial services such that non-cash payment mechanisms—bank accounts, electronic means, including mobile phones—become mandatory for concluding any transaction, which entails buying, selling, payment of insurance installments, or finance leasing.*

## STATUS/NOTES

*Article 5 of Law 18 of 2019 requires the use of non-cash payment methods, whenever the amount due exceeds a threshold to be specified in the executive regulations. This applies to the following payments:*



1. *Taxes; customs duties; fees and fines.*
2. *Service fees and other dues owed to entities referenced in Article 4 of Law 18 of 2019.*
3. *Cash funding installments, insurance policies installments, syndicate subscriptions and private insurance funds subscriptions.*
4. *The disbursement of subsidies and donations through civil society organizations or the entities referenced in Article 2 of Law 18 of 2019.*
5. *Dues against purchases, rent, exploitation, use of land or mortgage or express transport vehicles through the state authorities and juridical persons and establishments stated in Article 2 of this Law.*

## CHALLENGE (05)

The National Council for Payments does not have in place a clear plan, with specific interim objectives to guide the universal implementation of the cashless payments system.

## RECOMMENDATION(S)

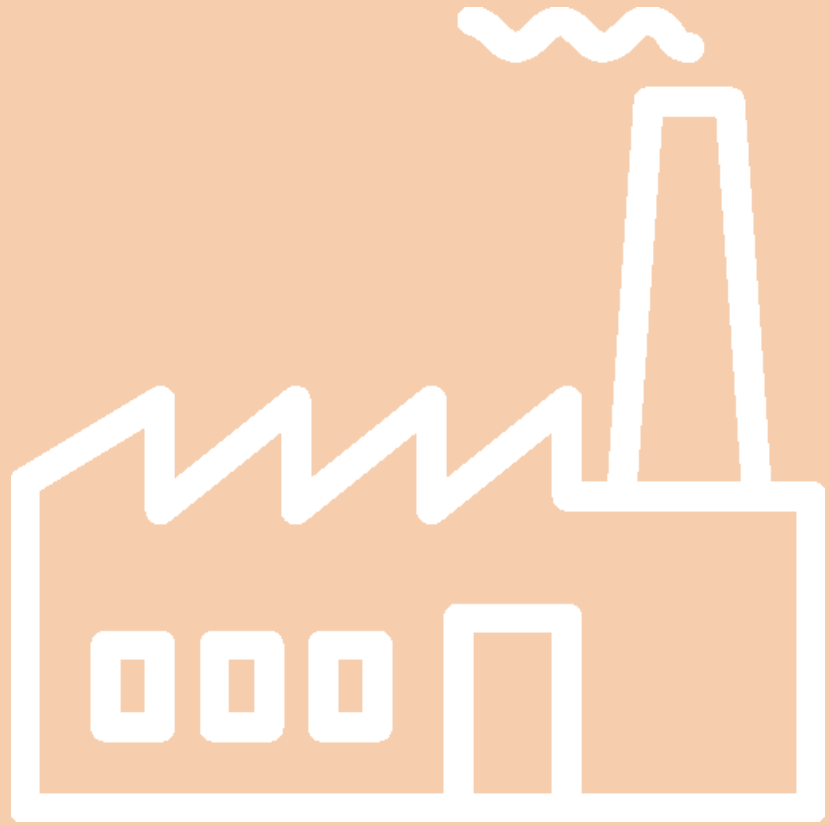
*The National Council for Payments should develop a national plan, which includes clearly-defined interim objectives, well-developed implementation mechanisms, and criteria for measuring and assessing performance.*

## STATUS/NOTES

*The Minister of Finance reviewed all efforts aimed at activating the government's financial network. He highlighted that the use of electronic systems for paying government salaries has been activated in all government agencies. Additionally, all government entities and administrative units have been obligated to stop issuing checks and cash payments to suppliers as of the end of last year. The Minister of Finance also pointed to the high rate of electronic tax and customs collection.*

*The Central Bank of Egypt (CB) introduced a national e-payment system (Meeza Card), which provides users access to various financial services, thus promoting financial inclusion. Additionally, CBE extended the grace period (through March 30, 2019) during which users are exempt from the administrative fees associated with opening accounts for mobile-based services, and reduced the expenses of mobile payment services by 50%.*

*The Minister of Interior presented an updated overview of the scheme to develop national ID smart card.*



## RESPONSIBLE ENTITIES:

*The Industrial Development Authority*

*The New Urban Communities Authority*

*The National Center for Planning State Land Use*



# PROVISION OF INDUSTRIAL LAND

## CHALLENGE (01)

Lack of transparency in land allocation, and irrational pricing schemes; absence of comprehensive information on the availability and prices of land, as well as the land acquisition procedures.

## RECOMMENDATION(S)

*The Prime Minister should promptly issue a decree to clarify jurisdiction issues related to industrial land: IDA should have sole responsibility for and jurisdiction over land administration and allocation, while the New Urban Communities Authority is to have sole responsibility for and jurisdiction over the land, and the provision of utilities and infrastructure. The decree should also clearly outline the role and function of each of these entities.*

*Resolve the legal conflict regarding the jurisdiction of IDA over industrial land as stipulated in the law regulating IDA. If needed, issue a new law that clearly delineates the jurisdiction of different government entities over industrial land, and the responsibility for providing utilities and allocation of land to the final beneficiary.*

## STATUS/NOTES

*A coordinating council, affiliated with the Cabinet, has been established to study barriers in industrial zones.*

*The Cabinet contracted a consultancy firm (MegaCom) to examine the challenges and barriers facing investors in industrial zones, and develop solutions. The firm is to consult with investors, seek their feedback and views on the barriers and solutions. The consultancy contract is funded by the Ministry of Finance.*

*FEI and MegaCom discussed the recommendations, it was agreed that investors should be able to lease the land plot for ten years; the plot may be purchased if the investor demonstrates seriousness about the investment.*

## CHALLENGE (02)

Land policies are developed in the absence of an updated integrated land information system.

## RECOMMENDATION(S)

*Create a well-integrated and accessible information system for industrial lands; ensure that it remains updated.*

## STATUS/NOTES

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### CHALLENGE (03)

Lack of standardized procedures for land allocation across the various government entities, and lengthy and cumbersome allocation procedures.

### RECOMMENDATION(S)

*Replace the numerous laws governing state land with a single unified and simplified law to administer it. IDA should be designated as the sole entity for interacting with investors.*

*On matters related to industrial land, investors should interact solely with IDA.*

### STATUS/NOTES

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### CHALLENGE (04)

The Industrial Development Authority (IDA) lacks the financial resources needed for equipping industrial land with utilities. Together with the high cost of bringing utilities to undeveloped plots, small investors face shortage of appropriate industrial land. IDA's lack of financial resources is likely be one of the barrier to delivering on its plan of making available 60 million square meters of land by 2020.

### RECOMMENDATION(S)

*Allocate additional land to IDA to increase the industrial land supply available for investors, and develop objective and transparent mechanisms for land allocation.*

### STATUS/NOTES

*In June 2019, the Cabinet approved a proposal, submitted by the coordinating council for Industrial Zones, that allows selling industrial land plots on installments at an annual interest rate of 7%, rather than the interest rate set by CBE. This decision, which will remain in effect for three years only, aims to attract more investments to the industrial sector, in order to expand the establishment of new industrial zones to increase youth employment opportunities.*

### CHALLENGE (05)

Lack of land plots (500 square meters) for small enterprises in industrial zones, in line with the Industrial Licensing Law.

## RECOMMENDATION(S)

*Make available land plots, and facilitate land acquisition procedures. Authorize the development of public markets, major commercial complexes, and hypermarket chains, which are critical for marketing locally manufactured products at competitive prices, and increasing demand for these products.*

## STATUS/NOTES

*In July 2019, the Internal Trade Development Authority (iTDA) signed eight partnership agreements with a group of investors and commercial developers. Under these agreements, commercial and logistic zones will be established in a number of governorates , including Sharqiya, Menoufia, Gharbia, Beheira, Luxor, Qena, Fayoum and the New Obour City. It is expected that the agreements will attract investments worth LE 23 billion, and provide approximately 200,000 direct and indirect jobs opportunities, as well as make available commercial centers that meet all the needs of citizens at reduced prices.*

## CHALLENGE (06)

Excessive increases in land prices and the lack of pricing standards.

## RECOMMENDATION(S)

*Allocate the plots of land which were inventoried by the governors to “Shoughlak fee Karyetak” Initiative (Your Job next to Your Home Initiative), and transfer the jurisdiction over these plots of land to the Ministry of Investment, as well as make available funds for the construction of the industrial enterprises.*

## STATUS/NOTES

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## CHALLENGE (07)

Land registration requires conducting cadastral surveys. However, the current capacity of the Egyptian Survey Authority, does not allow it to respond to survey requests nation-wide in a timely manner, thus expedited requests for registration are put on hold.

## RECOMMENDATION(S)

*Authorize the establishment of accreditation offices to carrying out cadastral surveys to facilitate the land registration process (similar to the case under the “Simplification of Licensing Procedures for Industrial Enterprises Law and Investment Law, which authorizes the establishment of accreditation offices to facilitate the licensing process); allow security-cleared entities to use modern techniques of geographic photography.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Cabinet*

*The Industrial Development Authority*



# IMPLEMENTATION & ENFORCEMENT OF INDUSTRIAL LICENSING LAW

## CHALLENGE (01)

To date, the decree establishing a new board of directors for IDA, pursuant to Law No. 95 of 2018, “The Industrial Development Authority Law”, has not yet been issued. More so, the executive regulation for the new law are yet to be issued.

## RECOMMENDATION(S)

*Promptly establish IDA’s new board of directors, in accordance with the new law.*

*Expedite the issuance of the executive regulations of Law No. 95 of 2018, “The Industrial Development Authority Law”.*

*Enact a new law to regulate the administration of industrial zones. The new law should clearly define the responsibilities and relationships between and among all the parties concerned (similar to the case of the free zones and zones that are run by independent operators, mostly from the private sector).*

## STATUS/NOTES

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## CHALLENGE (02)

The limited capacity of IDA is reflected in a number of areas, including:

1. Inadequate staffing levels in IDA governorate-level offices renders these offices ineffective.
2. Staff in the governorate-level offices do not have real authority to make decisions without consulting with headquarters in Cairo.
3. Staff are not well qualified and the majority do not have adequate understanding and knowledge of the procedures; many lack the skills and abilities to engage effectively with the public.
4. IDA issued 16,000 licenses, however, it does not have the manpower to monitor and review these licenses.
5. Poor communication and interaction between IDA and investors; the majority of investors are not aware of No. 15 of 2017.
6. IDA’s website requires further improvements and upgrading to serve as the prime platform for interaction with investors.

## RECOMMENDATION(S)

*Provide IDA with financial resources, in the short run, to strengthen its human and technical capacity, and enable it to establish an effective and efficient presence in all governorates.*

*Provide IDA staff with intensive training to enhance their capacity and enable them to engage with investors in a professional, impartial and ethical manner.*

## STATUS/NOTES

*Limited progress, including the updating of IDA's website and the dissemination of much of the information needed by investors.*

*That said, online services are not yet available, and no action has been taken to raise the capacity of IDA's employees or increase their funding.*

## CHALLENGE (03)

*Ineffective implementation of Law No. 15 of 2017; overlapping jurisdictions between IDA and other government entities, which is in conflict with Law No. 15 of 2017 that gave IDA a clear and comprehensive mandate over industrial activities.*

*The multiplicity of oversight and inspection entities, and the prevailing practice of imposing fines and shutting down enterprises (e.g., the Ministry Finance, the Ministry of Environment, the National Authority for Social Insurance, the Civil Defense Department, and local administration units).*

## RECOMMENDATION(S)

*Promptly Ensure the effective implementation of Law No. 15 of 2017, to enable IDA to play its role effectively by preventing other entities from interposing in the industrial licensing process.*

*Government entities have to consult with IDA prior to taking a decision to shut down any industrial enterprise.*

## STATUS/NOTES

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## CHALLENGE (04)

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The license processing time continues to be long.

Banks refuse to finance industrial activities until operations start and the operating license is issued.

The limited availability or lack of accreditation offices that are designed to speed up the licensing process.

## RECOMMENDATION(S)

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*Pledge and work towards reaching the industrial licensing waiting time targets, in line with the new law, by 2020: seven days for licenses issued under the notification license system, and three months for licenses issued under the pre-licensing system.*

*Authorize governorate-level offices to grant licenses after completing procedures without having to secure the approval of the center.*

## STATUS/NOTES

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## CHALLENGE (05)

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The service fees imposed by IDA are excessive, burden investors, and drains their capital.

## RECOMMENDATION(S)

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*Reconsider the fees imposed by IDA to lessen the burden on investors.*

## STATUS/NOTES

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*IDA issued Decree No. 239 reducing some of the prescribed service fees; most of the fees were lowered, particularly those related to SMEs. That said, it did not reduce the prescribed fines.*



## RESPONSIBLE ENTITIES:

*The Ministry of Finance*

*The Egyptian Tax Authority*



# TAXATION

## CHALLENGE (01)

Taxes represent a major burden on industrial activities as they result in higher prices, thereby making products less competitive.

## RECOMMENDATION(S)

*Simplify all tax-relevant laws, regulations and guidelines in order to limit the discretionary power of tax administrators.*

*Form a small committee consisting of the directors of the Tax Authority and the Customs Authority, a deputy of the Minister of Finance, the chairman of the FEI (or who he may delegate), and representatives of the chambers of industry. The committee should be tasked with studying the tax- and customs-related procedural and legal obstacles facing industrial investors, coming up with practical solutions, and taking decisions that can have a quick impact on the ground.*

*The Ministry of Finance should sign a protocol with the Organization for Economic Cooperation and Development (OECD) to develop tax treatment systems, which are aligned with global best practices in tax administration, and enhance investor confidence in tax reforms.*

## STATUS/NOTES

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## CHALLENGE (02)

The continued practice of arbitrary tax assessment, and the disregard of balance sheets and tax returns submitted by tax payer.

## RECOMMENDATION(S)

*Cease the practice of arbitrary tax assessment; ensure the full and consistent application of the law—tax returns submitted by investor must be honored. Conduct random review of tax returns, in case of inconsistencies, the tax returns should be reassessed.*

*Tax authorities should endorse an enterprise's approved balance sheets (prepared within the past five years), in order to resolve tax disputes and collect taxes due in a timely manner.*

## STATUS/NOTES

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### CHALLENGE (03)

In some cases, the Tax Authority does not recognize double taxation avoidance agreements. This, in turn, has negative impact on Foreign Direct Investment (FDI) flows to Egypt.

### RECOMMENDATION(S)

*Comply with the double taxation avoidance agreements in order to encourage the flow of direct foreign investment to Egypt.*

### STATUS/NOTES

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### CHALLENGE (04)

The imposition of a value-added tax on capital goods, which results in higher production costs, and thus weakens competitiveness.

### RECOMMENDATION(S)

*Eliminate the VAT on capital equipment used in production.*

### STATUS/NOTES

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## CHALLENGE (05)

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The raising of the VAT registration threshold to LE500,000, in the accordance with the Value-Added Tax Law, will lead many enterprises to exit the formal economic sphere, and thus the state coffers lose out on potential tax revenues.

## RECOMMENDATION(S)

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*Adopt a lump-sum tax regime, whereby a fixed amount of money is collected from enterprises—a flat tax. The collected amount should not be subject to any increase, except if a review of invoices and other relevant documentation revealed that the amount of taxes due exceed the amount paid by the enterprise.*

*Give serious consideration to implementing the tax facilitations and procedural simplification measures proposed by the Ministry of Trade and Industry in the micro, small, and medium-sized enterprises draft law.*

*Develop a simplified tax system for small and medium-sized enterprises under the unified tax system in order to reduce the tax burden and compliance costs for these enterprises; at the same time, introduce a lump-sum tax regime tax for micro enterprises.*

## STATUS/NOTES

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## CHALLENGE (06)

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The very lengthy process that exporters have to go through to reclaim the VAT incurred on inputs, raw materials and supplies, used in the production process; the right to reclaim these funds expires in two years.

## RECOMMENDATION(S)

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*Streamline the VAT refund procedures for exporters, and accelerate the release of the VAT refunds owed to enterprises so that they can recover their refunds before the lapse of the two-year time period (the set timeframe for reclaiming refunds), and use them towards expanding production and exporters.*

## STATUS/NOTES

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## CHALLENGE (07)

The Decree No. 484 issued by the Minister of Finance imposes a late payment penalty for failure to pay the tax amount on time, regardless of the reason for the delay—whether it is a case of tax evasion, or the taxpayer is awaiting the resolution of a tax dispute.

## RECOMMENDATION(S)

*When imposing a late payment penalty on taxpayers, differentiate between cases of clear tax evasion and other cases which involves tax disputes. In the latter cases, no penalty should be imposed.*

## STATUS/NOTES

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## CHALLENGE (08)

The imposition of a real estate tax on industrial enterprise, and other types of enterprises.

## RECOMMENDATION(S)

*Amend the real estate tax law, or issue a new one, which exempts businesses (e.g., factories, hospitals, etc.) from paying real estate taxes.*

## STATUS/NOTES

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## CHALLENGE (09)

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The existence of multiple tax files and taxpayer identification numbers for the same enterprise in different government entities.

## RECOMMENDATION(S)

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*Issue a national taxpayer identification number for enterprises, to be used for reporting on the various types of taxes applicable to enterprises (income tax, VAT, customs duties, insurance, and others).*

*Introduce a method of combined reporting for VAT and income tax—filing a single tax return that combines the VAT return and income tax return. This will facilitate offsetting claims and obligations by the Tax Authority.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Finance*

*The Egyptian Customs Authority*

*The General Organization for Import and Export Control*

*The Agreements and Foreign Trade Sector/ Ministry of Trade and Industry*





# COMPLEX CUSTOMS PROCEDURES

## CHALLENGE (01)

Problems in implementing the temporary admission and drawback procedures, thus, both systems are less able to fulfil their purposes. Additionally, two issues related to these systems stand out:

1. Determining waste percentages.
2. Determining the input-output coefficient, which, in turn, determine the amount of duty refund.

## RECOMMENDATION(S)

*Revamp the duty and fees refund process (refunds of safe custody fees, and other duties and fees associated with withheld cargo and imports released under temporary admission).*

*This should build trust and confidence in the customs and tax authorities.*

## STATUS/NOTES

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## CHALLENGE (02)

Businesses face many problems with the temporary admission system, including:

- The procedures for releasing the letters of guarantee are lengthy and complex.
- Customs duties are imposed on imported factors of production, especially equipment and machinery, that are used in the manufacturing of export products.
- Exporting is complex and time consuming. It usually takes a year to conclude an export operation –from the time the bank guarantee is issued to the release of the shipment for exporting; this issue is compounded by the fact that these procedures are lengthy, and usually go beyond the grace period granted to investors (the period of time immediately after the arrival of the imported raw materials, during which investors should export their products).

## RECOMMENDATION(S)

*Adopt the system of risk management for customs control. Under this system, businesses with an established solid reputation as importers, as well as reputable suppliers and customs brokers would be cleared through the green clearance track (no inspection). At the same time, take necessary and adequate protective measures, and in the case of offences, impose punitive measures, including having offenders go through the red clearance track (inspection).*

*The Customs Authority should consider entering into arrangements with companies that have solid track records of fulfilling the customs requirements on time “whitelisted”; the arrangements should contain stringent penalty clauses, that are to be applied in case the company fails to abide with the rules and regulations.*

*Amend Article No. 98 of the Customs Law No. 66 of 1963, as amended by Law No. 172 of 2018, concerning the temporary admission system. The amendment should include the following:*

- Extend the life of the temporary admission permit to four years.*
- Eliminate the requirement that importers submit a letter of guarantee, submitting an insurance policy should suffice.*
- Eliminate the penalties imposed on surplus materials which was not used in production, paying customs duties on the surplus should suffice.*
- Simplify and facilitate the setting of input and output coefficients the waste percentages in cooperation with the Industrial Control Authority, and stabilize the rates.*

## STATUS/NOTES

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## CHALLENGE (03)

The drawback system poses a series of challenges, including:

1. The large number of required documentation, and the multiplicity of entities involved in the process.
2. The difference in opinions between the manufacturing exporters and customs officials regarding the mechanisms for determining the rates at which drawback could be granted.
3. The delayed payment of drawback claims (sometimes it takes two years).

## RECOMMENDATION(S)

*Introduce a web based notification system, whereby importers, companies and factories, receive expiration alert notices once they log onto the website using the client identification number. The system should allow clients sufficient time to renew and resubmit their documents as required in Customs Handbook No. 46.*

*Take steps to expedite the resolution and settlement of new claims that might arise as a result of an additional review of a previously cleared cargo. Along with notifying businesses (via registered mail) of any additional fees or duties, which were determined by the audit department, provide the relevant customs broker with a photocopy of the claim notification. More so, allow the customs broker to review and discuss the claim with the audit department, and have them sign a statement indicating that they will notify the concerned business of the claim to avoid the unnecessary escalation of the situation; businesses can avoid the risk of an administrative freeze in the event they fail to address the claim as they may not be aware of any pending claim.*

## STATUS/NOTES

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## CHALLENGE (04)

The website of the Egyptian Customs Authority has its limitations. For example, information regarding the applicable customs fees/duties is available only in Arabic. Thus, foreign companies always rely on third parties for information, especially for preparing documentation that accompany containers, which in most cases differ from the requirements available online.

## RECOMMENDATION(S)

*Upgrade and update the content of the Customs Authority website, ensuring that it contains updated procedures and regulations in English language in order to avoid any possible confusion for foreign investors.*

*Ensure that the Customs Authority website includes updated and accurate information on all documentations required to containers.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Egyptian Customs Authority*

*The General Organization for Import and Export Control*

*The Ports Authorities*



# CUSTOMS CLEARANCE

## CHALLENGE (01)

Customs clearance is a very lengthy and redundant process in Egypt. Whereas customs processing time does not exceed two days in neighboring countries such as Turkey and the United Arab Emirates, it ranges from two to five weeks in Egypt.

According to the World Bank Group's Doing Business 2018 Report:

1. The custom clearance process for exports in Egypt consumes 88 hours at a cost of \$100 per container, whereas in OECD countries, it is about 2.4 hours at a cost of \$35.4 per container.
2. Importing into Egypt takes 265 hours and cost \$1,000 per container. On the other hand, in OECD countries the process takes about 3.5 hours at a cost of \$25.

## RECOMMENDATION(S)

*Set targets to reduce the customs clearance time for imports and exports by 2020, to be on par with developed countries: from 505 hours to 24 hours for imports and from 136 hours to 24 hours for exports; and eliminate financial penalties associated with delays.*

*Introduce a customs risk management system and an import risk analysis scheme, under which source countries and goods are classified based on specific risks identified.*

*The Ministry of Finance should sign a protocol agreement with the World Bank to develop the customs systems and facilitate cross-border trade in line with international best practices in order to increase the confidence of foreign investors in Egypt.*

## STATUS/NOTES

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## CHALLENGE (02)

Delays in customs clearance result in:

1. Disruption of production, undermining the ability of industrialists to meet deadlines, and diminishing the efficiency of working capital. Ultimately businesses incur significant losses due to late delivery penalties that they have to pay out.
2. Burdening businesses with excessive storage fees, as trucks wait long in ports awaiting loading.

## RECOMMENDATION(S)

*Adequately furnish customs points with the necessary equipment, including detection devices, electronic gates, scales, floodlights, lighting and cameras. Additionally, develop the laboratories of the General Organization for Exports and Imports Control and the Chemistry Administration, and provide them with sufficient lab equipment.*

*Accept and recognize testing carried out by independent international laboratories and other scientific entities.*

## STATUS/NOTES

*The Prime Minister issued Decree No. 20 of 2019 forming a ministerial committee to monitor the implementation of the single-window system. The system, which aims at facilitating trade and improve the investment climate, is implemented by the Ministry of Finance.*

## CHALLENGE (03)

Factors contributing to customs clearance delays include:

1. The procedures for inspecting, appraising, reviewing and examining cargoes are laborious and lengthy.
2. The opening and full inspection of export containers in the customs area, with no consideration to putting into effect the "whitelist", which includes exporters with a solid track record of fulfilling the customs requirements on time.
3. Prolonged cargo clearance processes in airports, particularly with the introduction of one-stop shops (can take up to 3 months), noting that fees can reach LE 1,300 per shipment.
4. Fees for laboratory analysis fluctuate, even when the volume/quantity of the sample remain fixed.
5. In some instances, the Customs Authority will stop doing business with some inspection companies without notifying importers.
6. In many instances, spaces allocated for examination of cargo are located outside the customs area, which prolongs the timeframe for sample examination.
7. The severe shortage of ultrasonic testing equipment, and the reliance on the manual examination and inspection, which entails opening the containers.
8. Insufficient number of laboratories in customs points to carry out all kinds of analysis and testing.

9. The continued reliance on traditional paper-based processes, rather than adopting digital communication methods for interacting with clients or other government entities.
10. The less than adequate digital interconnectivity across the various customs points, especially in remote areas, which results in delays in cargo release.
11. For cargoes that require a permit from the Ministry of Health, the Customs Law does not place a cap on the time frame for completing the sample inspection by ministry. In some instances, the inspection takes up to 25 days due to strikes by workers of the Central Laboratories (affiliated with the Ministry of Health) in the Port of Alexandria. As a result, samples are sent to Cairo for analysis, which leads to the accumulation of samples awaiting analysis, and thus delays in clearance process.

## *RECOMMENDATION(S)*

*Accept and recognize the testing and analysis carried out by independent international laboratories and other scientific entities.*

*Ensure digital interconnectivity across all customs points; address the problem of recurring system failure; and establish a network to connect the Customs Authority with the Central Bank of Egypt and other banks.*

*In line with Presidential Decree No. 106 of 2000, carryout all cargo examinations within the confines of the customs offices, under the supervision of the General Organization for Exports and Imports Control.*

*Bring all entities that engage with the Customs Authority under the umbrella of the Agreements and Foreign Trade Sector/ Ministry of Trade and Industry or the General Organization for Exports and Imports Control. Ensure the representation of all parties involved in import and export process.*

*Increase staffing to adequate levels to ensure the completion of the clearance process within 24 hours, and resume the implementation of the decree issued by the former Prime Minister regarding increasing the number of shifts in customs points to facilitate the clearing of the incoming shipments.*

## *STATUS/NOTES*

*The Minister of Finance issued Decree No. 74 of 2019, which included tasking the Egyptian company, Misr Technology Services, with implementing, managing and operating the national single window-system for foreign trade in accordance with the contract signed with the Customs Authority.*

*The executive framework for the single-window system for foreign trade was issued.*

*A plan for the development and implementation of customs applications for the national single-window system for foreign trade was formulated, along with an implementation timetable.*

*The Ministry of Planning, Monitoring and Administrative Reform (MOPMAR) conducted a study to investigate the best approach to rationalizing imports and increasing exports in Egypt. Among the recommendations is continuing with the on-going efforts to combat smuggling and evasion of customs duties, and imposing harsher penalties on those who carry out smuggling operations, whether in full or in part.*

*The same study included another recommendation to speed up the implementation of the digital interconnectivity between the Customs Authority, the Export and Import Control Authority and the Industrial Development Authority to reduce the time and cost of transactions.*

## CHALLENGE (04)

Duplication in the inspection of imported goods is burdensome and Cargo is inspected twice: once in the country of origin, before shipping, and again, upon arrival in the receiving port; a practice which is superfluous and results in wasting time and resources.

Regulations allow a company to avoid obtaining a pre-inspection certificate by registering in the “whitelist” of The General Organization for Import and Export Control, however, the registration process is complicated and time-consuming.

Customs officers challenge the invoice value submitted by the importer despite the fact that it was approved by the Chambers of Commerce in the country of origin. Even though importers provide all the required supporting documents as proof of the true value of goods (e.g., the authenticated formal contract with the supplier, the supply orders), the dispute continues, and eventually, the invoice values are adjusted upwards “price improvement”, especially for raw materials imported from outside the EU.

Decree No. 394 of 2019 imposes fines for late submission of required documents to Customs, however, it does not impose any fines on Customs for clearance and release delays.

## RECOMMENDATION(S)

*Review and amend the inspection-relevant provisions in the laws and regulations to align with the WTO Agreement on Pre-shipment Inspection. Destination inspection should be performed at random, in accordance to accepted random sampling techniques. Specifically, reform should include the relevant provisions in the Agriculture Law No. 53 of 1966, and Article No. 83 of the Executive Regulations of the Import/Export Law Regulations (issued via Ministerial Decree No. 770 of 2005) to eliminate duplicity of efforts in the import inspection process. In this regard, it should be noted that Decree No. 991 of 2015 perpetuates the system of duplicative inspection by mandating that any inspection company be barred (for a period of six months) from doing business with the competent government entities in the event that the results of the random inspection of the tested sample differ from the results stated on the inspection certificate provided by the company (in the event the situation recurs; the company is to be barred permanently).*

*Reevaluate the reference prices of imported raw materials and other goods to combat evasion of customs duties, and periodically update them in coordination with the chambers of industry across the industrial sector. Correcting reference prices will help reduce opportunities for evasion, restore balance to the market, and promote fair competition.*

*Approve the adoption of the “whitelist” scheme for dealing with commercial invoices. Invoices submitted by companies included on the list should be accepted and fully recognized without the need for reverting to the use of reference prices. In the instance a company commits a violation, it should be penalized and fined, and removed from the list.*

*The Minister of Finance should issue binding decisions, which oblige the Customs Authority to specify a maximum time frame for completing all customs-related transactions. If Customs exceeds the maximum time frame, it should be obligated to pay penalties to the importer.*

## STATUS/NOTES

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## CHALLENGE (05)

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For releasing cargo, regulations require that certificates be authenticated by the Egyptian embassy or consulate in the country of origin, as well as chamber of commerce of that country.

## RECOMMENDATION(S)

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*Abolish the requirement of authenticating import documentation by the Ministry of Foreign Affairs, as it is superfluous.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Real Estate Registry*

*The Egyptian Survey Authority*



# PROPERTY REGISTRATION

## CHALLENGE (01)

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The current mechanisms for defining the real estate property, and carrying out cadastral surveys are antiquated and falls within the responsibilities of Egyptian Survey Authority, which is affiliated with the Ministry of Irrigation.

## RECOMMENDATION(S)

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*Adopt modern surveying techniques and utilize the services of security-cleared entities that provide geo-imaging.*

## STATUS/NOTES

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## CHALLENGE (02)

The process of proving and registering the right of possession of a property suffers from two problems:

1. Cumbersome, time-consuming and bureaucratic procedures.
2. Costly process—registration fees are paid to the Real Estate Registry and many other entities.

## RECOMMENDATION(S)

*Adopt Develop El-Segel El-Ainy (the Real Folio System): real estate property and ownership should be registered based on a unique number identifying the property, database of real estate properties should be linked with the national ID database of the Civil Registry.*

*Increase the automation budget of the Real Estate Registry; use advanced software to streamline procedures, and reduce the time it takes to process the various transactions.*

*Consolidate all types of fees charged by the various entities so that clients make one single payment instead of multiple payments; make the Real Estate Registry the exclusive point of interaction with the public on matters relevant to real estate registration; and require that payments of all fees be made via electronic mechanisms.*

## STATUS/NOTES

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## CHALLENGE (03)

Given the fact that formal property registration is low, it is likely that many disputes will arise in situations that involve proving ownership and possession, as well in other real estate transactions.

## RECOMMENDATION(S)

*Introduce an efficient judicial mechanism to address disputes that arise between parties engaged in real estate registration matters. This mechanism should be an interim measure, until comprehensive property registration is achieved.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Cabinet*

*The Industrial Development Authority*

*Ministry of Finance*

*Ministry of Local Development*

*Ministry of Electricity*

*Ministry of Petroleum and Mineral Resources*



# UTILITIES & PUBLIC SERVICES

## CHALLENGE(S)

The procedures for extending utilities to industrial establishments are cumbersome, lengthy, and costly.

Industrial areas lack in services such as transport, health facilities, shops and restaurants.

Pricing of different energy products for industrial establishments does not follow any uniform standard; pricing schemes vary according to the nature of the industrial sector.

The high price of natural gas has a negative impact on industrial competitiveness (particularly for steel factories); the domestic gas price reached \$7/million British thermal unit compared to \$3/million British thermal unit in the global market.

## RECOMMENDATION(S)

*Consider offering payment plans, including an installment scheme, to allow industrial enterprises to pay for utilities over time; the payment plan should be commensurate with the size of the enterprise.*

*Provide reliable and economical transportation to serve workers in industrial zones.*

*Make available commercial properties in industrial zones that can be used by food and beverage providers, as well as rest and recreation areas.*

*Provide emergency medical facilities in industrial areas.*

*Adopt a standardized mechanism for pricing energy products used in factories in order to achieve greater transparency and fairness. Similar to the situation in most industrial nations, the mechanism should be based on a well-defined formula that takes into consideration global prices, including their upward and downward fluctuations.*

*Exercise flexibility when pricing natural gas, especially for factories with high natural gas consumption. Domestic prices should correspond to global prices, and at the same time safeguard the competitiveness of the local product.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The House of Representatives*

*The Ministry of Manpower*





# THE DRAFT LABOR LAW

## CHALLENGE(S)

The draft law places excessive financial burdens on business owners, for example:

1. It calls for the creation of multiple funds such as Penalties Fund, the Vocational Training Fund, the Irregular Employment Fund, which represents significant financial burdens for industries.
2. It is overly permissive regarding vacation leave—the number and types of leave entitlements are way exaggerated; time-off can reach over 190 days a year, including the weekly day of rest.
3. It obligates bankrupt employers to compensate workers in case of total or partial shutdown, in addition to obligating employers to pay bonuses to workers in the event that a fixed-term employment contract is not renewed on expiry.

The Vocational Training Fund lacks economic feasibility, and does not serve its intended purpose.

The draft law does not establish a careful balance between workers' and employers' rights. It revives the concept of *open-ended* employment contracts, under which an employer has no choice but to resort to the courts to dismiss a worker who has committed a serious infraction.

The absence of a fair mechanism to regulate the right to strike.

## RECOMMENDATION(S)

*Ensure that the foundational goal of the draft law is the fair balancing of employer and worker interests. In other words, the law should serve the interest of workers, however, without causing material damage to business owners. An efficient and profitable business ultimately benefits workers as it ensures employment security and increased incomes associated with higher productivity. Additionally, the law should align with the National Development Plan, namely the objective of increasing the productivity of Egyptian labor, which is essential for enhancing competitiveness; it should also give adequate considerations to the rights and responsibilities of workers.*

*A worker should not be entitled to a bonus compensation if the employment contract is not renewed.*

*Reconsider the management mechanism of the Vocational Training Fund; the private sector, the main financier, should be adequately represented on the board of directors, and decisions should be made by vote. Additionally, the board of directors should create sectoral councils, each to be allocated a budget, the percent of which should be commensurate with the sector's contribution to the fund's overall budget. This will ensure that benefits are shared fairly among sectors.*

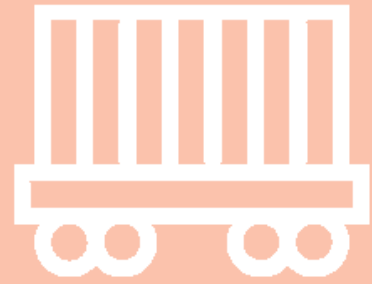
*Discard the concept of open-ended employment contracts, and ensure that employers and employees comply with the terms and conditions of the employment agreement.*

*The right to strike should be regulated in a manner that does not to undermine the interests of the business enterprise, and at the same time, be in line with international labor standards. The authority of the authorized labor representative to organize strikes must be well-defined.*

## STATUS/NOTES

*The Manpower Committee of the House of Representatives have approved the draft new labor law.*





## RESPONSIBLE ENTITIES:

*The Ministry of Transportation:*

- *The Ports Authorities;*
- *The General Authority for Roads, Bridges and Land Transport; and*
- *The Egyptian National Railways Authority*

*The Ministry of Civil Aviation*



# SHIPPING, TRANSPORTATION & STORAGE SERVICES

## SEA TRANSPORTATION

The low efficiency and productivity of port cranes —the container moves per hour in the Port of Alexandria is 10-12/hour, compared to a global average of 20-25/hour.

The poor quality of many of the services offered, including the transporting of bulk goods, services for vessels carrying vehicles; and inadequate shipping lines.

Some ports charge storage fees (while the convoys of trucks are waiting) even though the ports lack in warehouses.

The Inland Ports Authority imposes loading and discharging charges even though, the responsibility for the loading and discharging of cargo falls on the transport operators.

Rising freight rates due to a number of reasons, including increasing costs of transportation and marine fuel.

## RECOMMENDATION(S)

*Issue a comprehensive and uniform fee schedule for services provided at Egyptian ports in order to develop and modernize the maritime transport functions and services; prohibit the imposition of any extra fees or charges for services, under any name, except for taxes and fees prescribed by law or ministerial decrees.*

*For maritime transport activities and services, give priority to companies that own ships flying the Egyptian flag in order to increase the trade volume and stimulate exports.*

*Take the necessary steps to remove abandoned cargo from port area, and make available storage facilities outside ports to receive it.*

*Develop the Port of Alexandria with the aim of addressing the widespread disorganization and lack of professionalism; upgrade the infrastructure, including roads, sewage, water and electricity, and remove dilapidated buildings and waste, and constructing a new passenger terminal.*

*Give priority to the national commercial fleet-owned vessels for shipping Egyptian cargoes; this preference does not conflict with GATT rules for the maritime transport sector or free market mechanisms.*

*Enhance the performance of stevedoring companies operating in ports, and make appropriate facilities to licensed private sector stevedoring companies in order to enhance their technical competence and improve their access modern equipment so that they can provide high quality and speedy service; this will insure a high quality of services offered by Egyptian ports, and maintain their reputation.*

*Develop the shipyards and Egyptian ship repair companies, whether privately- or publicly- owned companies , in order to attract ship owners to have their ships (both the transiting and docking) renovated and repaired in Egyptian port, this will increase revenue. Additionally, design policies aimed at maximizing shipyard capacity utilization in construction and repair work to develop the Egyptian merchant fleet.*

*Investigate the reasons behind the high costs of supplying provisions to ships in Egyptian ports compared to neighboring countries; higher costs in Egyptian ports result in ships seeking resupply in other ports, which leads to a waste of resources and reduced revenues.*

## STATUS/NOTES

*In July 2019, the Cabinet approved the proposal of the Ministry of Transportation to amend a number of provisions of two decrees issued by the Minister of Transportation, and abolish a third.*

*The first, Decree No. 488, regulates the service fee charged to ships in Egyptian seaports, other user charges associated with utilizing floating and fixed facilities, e.g., structures, gear and equipment, which belong to the Egyptian Ports Authorities and the Egyptian Authority for Maritime Safety, and fees charged for electronic services provided Egyptian Ports to their clients.*

*The second, Decree No. 800 of 2016, regulates the conducting of sea transport activities and operations, and the user-related charges and fees.*

*The third, Decree, No. 468 of 2018, which was abolished, sets out the incentives offered to customers in Egyptian seaports.*

*Based on the Cabinet approval, in July 2019 the Minister of Transportation issued Decree No. 416 of 2019, which includes the following incentives:*

- 1. Reducing insurance fees from LE 10,000 to LE 5,000, and the licensing fees from LE 3,000 to LE 1,000, in addition to reducing the fees associated with vessel resupply services by 50%.*
- 2. A 10% reduction in the lighthouse fees in the case that a ship passing through Suez Canal enters one Egyptian port, in the case the ship enters two or more ports, the fees are reduced by 20%.*
- 3. Increasing the duration of the license granted for loading and unloading activities (currently 5 years) to 10- 15 years, with the possibility of renewal for another similar periods; increasing the duration of the license granted for storage and warehousing activities (currently 5 years) to 10 years, renewable for similar periods; reducing the amount of insurance that the licensee is obliged to pay from LE 10,000 to LE 5,000 (to be paid either in cash or under a bank guarantee letter); and reducing the license fees for marine works / marine supplies activities from LE 3,000 to LE 1,000, for each activity separately.*
- 4. Reducing the fees for obtaining the ship supply services by 50%; reducing the annual fees paid by companies operating in the area of ship waste procurement to LE 1,000 (currently it is LE 10,000), eliminating the requirement that the Egyptian partner's share in the capital of joint venture shipping agencies should not be less than 51%.*

## AIR TRANSPORTATION

Shortage of cargo storage areas, and antiquated cold storage facilities (privately-owned) at Cairo Airport.

Loading and unloading operators lack the needed experience.

### RECOMMENDATION(S)

*Allow foreign airliners operating in Egypt, and which serve international routes on regular basis, to ship all types of Egyptian exports from all Egyptian international airports without any restrictions; accord foreign airliners the same treatment accorded to the national company and suspend the Tax Authority-imposed "Alj'ala" fees related to storage areas.*

*Allow all foreign airliners flying through the Egyptian airspace to land in Egyptian international airports for loading Egyptian goods, and accord them the same treatment as the national company, including the payment of fees and charges.*

*Allow the use of charter cargo and passenger planes to carry all kinds of Egyptian exports from all Egyptian airports, without any restrictions, and accord them the same treatment accorded to the national company, whether in Egyptian airports or airspace.*

*Introduce free and open competition into the air cargo sector (to and from Egypt)— Open Skies— to better serve the air transport industry. Under this policy, cargo can be shipped from all Egyptian airports on any airliner without any restrictions imposed on the operation of these flights; airliners should also be accorded the same treatment accorded to the national companies, without imposing any additional fees on their services.*

*Establish a specific pricing scheme, with a set maximum price, for ground service, and oblige EgyptAir and other companies to abide by.*

*Open the way for foreign companies and their agents to carry out ground services operations in all Egyptian airports without having to pay the Tax Authority-imposed "Alj'ala" fees or other administrative expenses to national companies; allow these companies to service their own planes, and provide this service to others.*

*Allow transiting or chartered flights to carry Egyptian exports without the need to obtain the approval of EgyptAir.*

*Expedite the acquisition of all cargo inspection equipment to satisfy security requirements in all airports; at the same time, allow all shipping companies and their agents to provide the needed equipment.*

*Provide concessional loans to finance the purchase of transport planes.*

*Grant tax exemptions to investors who purchase transport planes, even for a limited period of time.*

*Allow airlines and transport services companies to establish warehouses and offices within airports.*

*Expand cargo storage areas to facilitate the storing of exports while export procedures are being completed, or while they are awaiting space on planes.*

## STATUS/NOTES

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## ROAD TRANSPORTATION:

There is no distinct law that regulates road transportation, currently, it is governed by the Trade Law.

The road transportation sector in Egypt is dominated by 5 companies; the holding companies own approximately 5% of their shares, and the remaining 95% of shares are owned by company employees and a number of transportation cooperatives; the five companies account for 85% of the sector, while the private sector accounts for the remaining 15%.

Based on the latest available statistics, the total number of trucks owned by the Public Business sector companies is approximately 1,588 trucks. The estimated capacity of the trucking fleet in Egypt is 5,480 million tons-kilometer.

The road transportation sector suffers from many problems that limit its efficiency and at the same time raise the cost of marketing. Among the key challenges are the following:

1. The aging of the trucking fleet, particularly the refrigerated vehicles. The high costs of replacing dilapidated units (approximately LE 1million due to high customs duties and other taxes) on them) further aggravates the problem.
2. Egyptian carriers lack an adequate fleet of refrigerated vehicles equipped to transport vegetables and fruits; in this regard, Jordanian and Syrian carriers are monopolizing the scene.
3. Decree No. 28 of 2000, issued by the Minister of Transportation, imposes a fee of LE 10 per ton of licensed cargo (up to 40% of total licensed weight), and LE 50 per ton for every ton exceeding this threshold; imposition of these fees increases the costs of road transportation.

## RECOMMENDATION(S)

*Enact a law to regulate the road transportation sector. Develop rules and regulations to govern companies operating in the sector taking into account categorizing companies according to the volume of investment and fleet size, and including occupational health and safety standards.*

*Strengthen the capacity of the General Authority for Roads, Bridges and Land Transport to enable it to monitor the road transport activities, and develop appropriate mechanisms and guidelines for the efficient and effective management of the sector.*



*Regulate road user charges (tariffs), and ensure that the tariff information is disseminated to the public.*

*Adopt a multimodal transport system in all its aspects. This requires the establishment of a smoothly functioning customs system, and the adoption of the concept of door-to-door shipments, using multimodal bill of lading. In this regard, bottlenecks associated with inland waterways and railways transportation should be addressed in order to take advantage of these important resources and optimize their use. This promises to revolutionize the transport and logistics system in Egypt, and greatly enhance the efficiency of supply chains.*

*Upgrade the Egyptian land transportation fleet, and reduce, to the great extent possible, the customs duties and sales tax imposed on trucks.*

*Fees imposed on vehicles should be commensurate with their design loads, so as not to increase the cost of road transport; minimal or no fees should be imposed on vehicles that do not exceed 40-50 tons on the internal highways; LE 50 per ton should be imposed on loads that exceed this amount.*

## STATUS/NOTES

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## RAIL TRANSPORTATION:

Key challenges facing the sector include:

1. The inordinate amount of time consumed in sorting freight cars is problematic, it is the main cause of the low efficiency of rail freight transport operations. Freight cars remain for a prolonged period of time in classification yards, in addition too much time is wasted during the process of loading.
2. Trains, especially on the main lines and suburban lines serving Cairo and Alexandria, are not running with sufficient frequency.
3. In general, freight trains operate at a lower speed than trucks; more so, a number of passenger trains (on main lines, as well as branch lines such as Banha-Port Said-Tanta-Damietta) are slow.
4. Freight cars operate at a low load factor, and freight car cycle time— length of time consumed by a freight car from one loading to the next again— reaches 14 days on average.
5. An inefficient container transport system and the absence of an integrated transport system or a door-to-door shipping system.
6. The contracting procedures employed by the Egyptian National Railways Authority are cumbersome; a complicated system for the classification of goods, with each class subject to different tariffs, is used, thus, determining shipping costs is very complex process.

7. The percentage of operational freight cars is very low due to the lack of due consideration to periodic maintenance of locomotives and railcars, as well as the lack of financial resources needed for carrying out maintenance programs.
8. The lack of reservation and ticket agents, and shortcomings of the existing computerized ticketing system, specifically that it only covers two routes: Cairo - Alexandria and Cairo - the High Dam.
9. The low efficiency of cargo loading and unloading results in higher handling costs, and increased damage of goods during the shipping, stowage and unloading operations.
10. The prolonged periods of storage during the journey usually leads to damage or theft of goods.

### RECOMMENDATION(S)

*Rehabilitate the Egyptian National Railways Authority by strengthening the capacity of its marketing divisions.*

*Expand Egyptian National Railways Authority's scope of activities, and introduce new areas to improve profitability, e.g., investing the vast areas of land under its jurisdiction.*

*Increase the number of refrigerated railroad freight cars, and those equipped to carry containers in order to shorten the storage period and protect perishable freight.*

### RIVER TRANSPORTATION:

The nature and characteristics of the waterway itself, and the structures constructed along the river undermines the efficiency of the inland waterway transportation system, for example:

1. The prolonged periods of low water levels, reaching 150 cm, poses challenges for inland navigation and places limits on the size, weight and type of water carriers, which negatively affects the economics of river transportation. Additionally, low water levels result in accidents.
2. The presence of bridges and locks along the river slows down traffic and increases the total journey time; the long wait times, especially at locks, creates bottlenecks and affecting the smooth flow of traffic along the waterways.

## RECOMMENDATION(S)

*Connect the various seaports (Damietta, Dakahlia, Port Said and Suez) to the river transportation network.*

*Establish inland ports along the inland waterways.*

*Give adequate consideration to the load factors during bridge design so as not to impede the passage of ships.*

*Upgrade the navigable waterway as well as the inland waterway fleet, and provide the fleet with wireless communication devices which are connected to stations distributed along the waterway.*

*Adopt a multimodal inland waterway transportation system; this requires linking the various transportation modes, such as rail and road transportation, and making available the needed material requirements for this integration.*

*Provide ports with the latest cargo handling equipment, including high-capacity floating cranes, conveyor belts for solid cargo, and pipelines for liquid cargo; consider linking these ports with other modes of transportation.*

*Equip the navigable waterways with the needed advanced navigation aids.*



## RESPONSIBLE ENTITIES:

*The Ministry of Trade and Industry*

*Industrial Development Authority*



# IMPORT CONTROL

## CHALLENGE(S)

The Industrial Development Authority (IDA) issued instructions regarding the registration of production inputs. The said instructions contradict the provisions of Article 15 of Ministerial Decree No. 835 of 2017, which amended several provisions of the Executive Regulations of Law 118 of 1975 (issued by Ministerial Decree No. 770 of 2005).

While Ministerial Decree No. 43 of 2016, which amended the rules governing the registration of factories eligible to export their products to Egypt, is aligned with international agreements and the World Trade Organization rules, yet, there are a number of issues with the implementation mechanisms of the decree.

For example, Article 2, Section I (titled First) of the Decree specifies that factories interested in registering must provide, among other documentations, "A certificate that the factory has a quality control system, issued by a body recognized by the International Laboratory Accreditation Cooperation (ILAC) or the International Accreditation Forum (IAF) or by an Egyptian or foreign governmental entity approved by the Minister for Foreign Trade".

Yet, to date, there are several companies that have been met the requirements set out in the decree, however they remain unregistered, including a number of companies which adhere to high quality standards in their internal operations, and which enjoy a stellar international reputation.

## RECOMMENDATION(S)

*Cancel IDA's instructions concerning the registration of production inputs, as both sectors, the trade and industry, are subject to the same custom duties, except for items that are considered production inputs used in assembly line manufacturing, which are governed by different regulations.*

*Reconsider the implementation mechanisms of Ministerial Decree No. 43 of 2016, which was intended to serve as an interim measure prior to the decision to float the Egyptian pound).*

*Ensure the correct application of the quality system-related provisions of the concerned Ministerial decree; providing a certificate from an approved accreditation*

*body should suffice, there is no need to require the submission of the certification of quality.*

*Allow companies, which fulfill the prescribed conditions and procedures of registration, to be directly registered by the General Authority of Export and Import Control, without the need for a ministerial decree to effect the registration.*

*Publish the list of companies that meet the quality system requirements in the Egyptian Gazette.*

*Consider developing a White List of international companies, across all sectors, which enjoy a strong reputation; allow these companies to be automatically registered.*

## STATUS/NOTES

*As of the end of 2018, no further instructions were issued regarding its implementation.*

*In January 2019, Decree No. 44 of 2019 was issued expanding the list of commodities included in Ministerial Decree No. 43 of 2016. The expanded list included bags/suitcases; items for packaging and transporting goods (e.g., containers, boxes, bags and similar products); shaving and hair care appliances, and telephones.*





## RESPONSIBLE ENTITIES:

*The Prime Minister*

*The Ministry of Finance*

*The Ministry of Trade and Industry*





# PREFERENCE FOR DOMESTIC PRODUCTS

## CHALLENGE

Law No. 5 of 2015, which prescribes preferential treatment for domestic products in government contracting, is not fully enforced by many government agencies, as well as economic bodies and public sector companies. Thus, its effects remain unfelt.

## RECOMMENDATION(S)

*Issue directives to all ministries and agencies obligating them to enforce the law, and at the same time, develop compliance monitoring mechanisms to ensure its enforcement. Efforts should be made to link the future needs of the national projects with local industries to replace imports.*

*Revisit the domestic preference percentage (currently 15%) prescribed in Law No. 5 of 2015. The law should be binding on all ministries, government agencies, national projects, and all government contractors from the private sector.*

## STATUS/NOTES

*In October 2018, the President ratified Law No. 182 of 2018 that regulates the contracts and agreements, which are concluded by the public authorities in Egypt. Following are highlights of the new law:*

- 1. It includes a number of provisions of Law No.5 of 2015.*
- 2. It obligates all governmental entities and public sector companies to post all their public procurement opportunities, in details, on the Public Contracts Portal; upon completion of the procurement process, the final decision, with specified details, should also be posted on the portal.*
- 3. It obligates all parties to use the standard tender document, which is currently being developed, and will be posted on the Public Contracts Portal. In the event that an entity decides not to use the standard document, it must provide an explanation as to why it chose not to comply with the requirement. This requirement will significantly reduce noncompliance with the preferential treatment for domestic products requirement. The requirement was being circumvented by including language in the tender documents, which discriminated against domestic products and eventually resulted in their exclusion from the procurement process.*



## RESPONSIBLE ENTITIES:

*The Prime Minister*

*The Ministry of Finance*

*The Ministry of Trade and Industry*



# EGYPTIAN EXPORT SUBSIDY PROGRAM

## CHALLENGES

To date, neither the Prime Minister nor the Board of Directors of the Export Development Fund have officially issued any decision regarding the mechanisms for implementing the proposed new system for supporting Egyptian exports.

One of the challenges that hinders exporters from fulfilling the documents required for receiving export subsidies in a timely manner is the requirement that they must provide an export certificate issued by the Customs Authority, which takes up to a year. FEI has already called for revisiting this requirement.

The Export Councils are still operating on the basis of the ministerial decree that was issued to regulate them; the decree is valid through the end of 2019.

In their meetings with officials from the Ministry of Trade and Industry, Export Councils members raised a number of issues and questions including:

1. There is a fee for one of the required export rebate application forms; this is a flaw in the regulations.
2. The settlement of overdue export rebate arrears owed to a number of companies for the period ending July 1, 2019 remains ambiguous. It was announced that the Ministry of Finance will offset these arrears with outstanding tax liabilities. It is not clear, however, how this issue will be resolved for companies with no outstanding tax liabilities for the prior years.
3. Does the export support program allocate a specific fixed amount of funds for each sector? In the case that the volume of exports in one particular sector necessitates the disbursement of funds that exceed the sector's allocation, how will this situation be resolved?
4. Since Export Councils are non-elected bodies, which are advisory and not part of the executive branch, do they have the prerogative to decide who is entitled to receive export support?
5. The status of free-zone companies is ambiguous.
6. How will companies which enjoy tax exemptions be treated with regard to tax collection, and what mechanism will be used to disburse funds?

## RECOMMENDATIONS

*Amend the rules so that the percentage of export subsidy is not less than 40%, in line with definition of Egyptian (domestic) products contained in Law No. 5 of 2015—products satisfying the proportion of domestic industrial components.*

*Review and amend all sectoral programs that benefit from the export subsidy program (each sectoral program specifies the percentage of export subsidy it is entitled to); a number of these programs include many sectors with no requirement for a specific percentage of domestic value added in exports to enjoy the export rebates, these include: leather, leather products, and footwear program; artifacts and handicrafts; spinning and weaving; home furnishings; readymade garments; and garment accessories.*

*Revisit the sectors that are already benefiting from export support; target those sectors that can actually contribute to achieving a quantum leap in industrial exports; thus, support should be directed to specific goods, that are being exported to specific countries, rather than adopting an undifferentiated, one-size-fits-all approach.*

*Review and amend the percentages of domestic value addition included in other programs which provide export rebates for industries with domestic value added of less than 25%. These include programs covering the following industries: furniture, engineering industries, medical industries, pharmaceuticals and cosmetics, chemical industries, marble and granite, and insulating materials.*

*Carry out a thorough performance evaluation of the Egyptian Exports Subsidy Program (EESP), with a focus on assessing its impact on the rate of growth of industrial exports since its launch 2001. The evaluation should also provide an analysis of each of the industrial sectors, identify the winners and losers, as well as measure the impact of the support provided on the profitability and competitiveness of exported products. The results of the evaluation should serve as the basis for designing a forward looking comprehensive strategy to develop Egyptian exports.*

*Carry out sectoral studies of the upstream industries relevant to each of the industrial sectors, including:*

- 1, Identifying production gaps, and prioritizing the imports which the upstream industries require.*
- 2. Examine the feasibility of substituting these inputs with locally produced inputs, taking into consideration local demand and competitiveness in global markets.*

*Consider the following fundamental underpinnings when designing the export support program:*

- 1. Improving the international competitiveness of Egyptian exports should be the priority; providing cash subsidies to exporters against the delivery of export invoices should be secondary. Price is not the only consideration that determines competitiveness, non-price factors, including product quality and the efficiency of the production process (the technical, human and administrative components) are equally important.*
- 2. Replacing imports with domestic production is no less important than exporting, especially that it contributes to the same strategic objective of reducing the trade deficit and providing hard currency.*

3. Priority, in terms of land allocation and licensing, should be given to industries with high export potential or which are the least import-intensive.
4. Export support and import substitution programs should be linked to a range of non-monetary incentives, such as facilitated access to land allocation, extending utilities to land plots, the provision of utilities, labor training, customs and tax incentives, and the promotion of modern production techniques.
5. Export support programs should give adequate attention to promoting industrial deepening and the effective targeting of support to reach industries that are most deserving.
6. The export support program should not be overextended, it should be treated as a phased program designed to activate the system of export development and address the imbalances that the earlier programs suffered from. It will not necessarily lead to increasing exports as desired. Increasing exports require undertaking an integrated approach to addressing the shortcomings in the investment environment in a holistic manner, closing all the gaps in the industrial sectors by focusing on industrial deepening, reducing imports, identifying specific high value added products and targeting them in an effort to increase exports to targeted countries. In other words, increasing exports requires undertaking a methodological effort that reaches all corners of the relevant state bodies. FEI is concerned that continuing with the export support program in its current configuration will not yield the intended results—significantly increasing exports, and ultimately, the responsibility for the failure will fall squarely on the shoulders of the program.

The support provided to exports should be dynamically linked to the changes in the exchange rate. This is particularly important as the recent strengthening of the Egyptian pound against the US dollar, as well as the high inflation rates negatively affected the competitiveness of the domestic products.

Streamline procedures, and ensure that funds are released to exporters in a timely manner; failure to do this will render the program unsuccessful.

*Imposition of fees for processing of applications should be by law.*

*Respond to the memo submitted by FEI and the Federation of Egyptian Chambers of Commerce concerning the issue of export rebate allocations, and the extent to which they are commensurate with the actual volume of exports.*

## STATUS/NOTES

In July 2019, the Board of Directors of the Export Development Fund (EDF) announced the approval of a new LE 6 billion export rebate program for fiscal year 2019-2020. This program entails allocating, 40% of the total budget, LE 2.4 billion, for cash payments to exporters, while another 30% of the program, LE 1.8 billion, will be deducted from liabilities that exporters owed to the Ministry of Finance. The remaining LE 11.8 billion will be used to boost the infrastructure and capacities of export operations.

The implementation mechanisms of the program center on determining the value of rebates at the sectoral level, and allocating a budget for each sector separately. The allocation of each sector will be revisited every 6 months, and reallocation of funds will be decided upon as needed. In this regard, the eligible sectors include the food industries; spinning and weaving, garments, home furnishings and engineering industries; chemical and fertilizers; building materials, refractories and metallurgical industries;

*building and construction materials; agricultural crop; printing and packaging; medical industries; as well as leather, furniture; and artifacts and handicrafts.*

*Exports not benefitting from the export rebate program will continue to benefit from the Shipping Africa Program, which will receive an allocation of LE 40 million. Additionally, under the continued the Air Cargo Program, LE 100 million will be allocated to EgyptAir to support the shipping of Egyptian exports. LE 100 million will also be allocated to the EDA in order to continue with holding pooled fairs through a transitional phase until the end of 2019.*

*The new program focuses on industrial deepening, aiming at increasing local manufacturing by a minimum of 40%, as well as encouraging exports of small and medium enterprises by providing additional export rebates, over and above the already established rates for SMEs: 1% export rebate for medium enterprise exports and 2% export rebate for small enterprise exports respectively.*

*The program also provides additional incentives—export rebates—to companies to encourage export expansion.*

*The government's response to the concerns raised by the Export Councils highlighted the following:*

- 1. Efforts will be made to create a legal framework for Export Councils by early 2020.*
- 2. Export support is not limited to member companies in the Export Councils. However, a number of Export Councils require membership to receive support, particularly with respect to health and safety approvals, and fulfillment of other relevant requirements.*
- 3. The fee imposed on one of the required export rebate application forms is not prescribed by law; rather, it is imposed via an administrative action taken by the Export Councils. This issue will be addressed in the legal framework that will be developed.*
- 4. Settling export rebate arrears will be applied beginning July 1, 2019. Arrears for time periods before July 1, 2019 will be subject to the old system. This will increase the burden on the EDF, especially that rebate mechanisms for these arrears has not been decided upon yet. EDF board discussed settlement of arrears owed to companies for the period ending December 31, 2017.*
- 5. To settle overdue export rebates, the government will randomly select a number of companies with outstanding tax liabilities and offset it with the overdue export rebates; the government will explore mechanisms for settling overdue export rebates for companies with no outstanding tax liabilities. FEI and Federation of Egyptian Chambers of Commerce responded to this proposal by highlighting that this will ultimately boil down to rewarding companies that are delinquent in meeting their tax obligations, and penalizing compliant companies that fulfill their obligations on time.*
- 6. Specific amount of funds are separately allocated to each sector for export rebate purposes. These allocations will be reviewed periodically to determine their adequacy. ( FEI and Federation of Egyptian Chambers of Commerce consider this as adding more to the ambiguity of the implementation mechanisms of the export support program).*





## RESPONSIBLE ENTITIES:

*The Prime Minister*

*The Ministry of Communications and Information Technology*





# COMMUNICATION & INFORMATION TECHNOLOGY (CYBER SECURITY)

## INFRASTRUCTURE

*Expand access to high-speed affordable internet and cloud computing to put Egypt on par with other countries with 4G technology. This can be achieved by promoting competition among service providers and expanding services according to well-publicized timed stages.*

## DIGITAL SKILLS

*Take full advantage of internet services and smart devices in schools, and promote digital literacy among teachers and students, especially in regard to the uses of cloud computing.*

## A BALANCED REGULATORY APPROACH/Framework

*Develop a framework which strikes the right balance between upholding the concept of free flow of information and data, cyber security and privacy. The framework should also support cross-border flows of data and information, and the simplification of the Intellectual Property Rights processes, such as filing trademark applications.*

## ROLE MODELLING-INFORMATION ECONOMY

*The government should set an example by adopting technological solutions to better serve citizens and improve the efficiency of public services. In this regard, government should partner with the private sector in the area of cybersecurity risks, and raise awareness about the rights and responsibilities of internet users regarding use and security.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The House of Representatives*



# PROPOSED SOCIAL SECURITY & PENSIONS DRAFT LAW

## RECOMMENDATIONS

*Abolish all penalties involving the deprivation of liberty*

*The Insurable wage should not be less than 50% of the total wage earned by each worker, with a maximum of LE 6,520; this is the maximum cap (base + variable) prescribed in the law, which is scheduled to come into force on 1/1/2020.*

*Exempt variable wages, in all its elements, including incentives and allowances, not to exceed 100% of the total insurable wage.*

*Dividends paid to employees should not be considered wage for the purpose of calculating insurable wage.*

*Do not increase the maximum cap amount of insurable wage beyond the amount which will be applied on 1/1/2020, when the law enters into force (LE 6,520); contributions against any amount that exceeds this cap should be borne only by the insured, however the amount should not exceed double the total maximum limit on 1/1/2020.*

*Specify the contribution rates that the employer and the insured should commit to for old-age, disability and death insurance (Item 2 of Article 19).*

*Set the contribution rates referenced in Item 2 of Article 19 (those pertaining to private sector employment) at 11% for the employer, and 10% for the employee.*

## STATUS/NOTES

*A new Social Insurance and Pension Law, Law No. 148 of /2019 was issued on 19/08/2019.*

*Key features of the law include:*

- 1. Elimination of penalties involving the deprivation of liberty.*
- 2. Monetary penalties—fines— are reduced, and the amount of the fine varies according to the offence committed. For example, the fine was reduced from LE 50,000 to LE 20,000; the LE 20,000 is set as the fine floor, and LE 100,000 the fine ceiling, in the event that the offense is not repeated.*

*Allowances are fully excluded from the calculation of the insurable wage.*



## RESPONSIBLE ENTITIES:

*The House of Representatives*



# TRADE UNION ORGANIZATIONS LAW NO. 213 OF 2017 & ITS EXECUTIVE REGULATIONS

## CHALLENGE(S)

The minimum number of workers required for establishing a trade union committee at the level of the establishment, as well as the number of general unions required for establishing a federation is high.

The draft law includes penalties involving the deprivation of liberty.

## RECOMMENDATION(S)

*Lower the number of members required to form a trade union committee at the establishment level or an occupational committee from 150 members to 50.*

*Lower the number of union committees required to form a general union from 15 committees with 20,000 member workers to 10 committees with 15,000 members.*

*Lower the number of general unions required to form a federation from 10 unions with 200,000 members to 7 unions with 150 members.*

## STATUS/NOTES

*The draft law, which is currently under consideration introduces a number of changes, including:*

- 1. Reduces the number of members required to form a trade union committee at the establishment level to 50 members.*
- 2. Lowers the number of union committees required to form a general union to 10 committees with 15,000 members.*
- 3. Lowers the number of general unions required to form a federation to 7 unions with 150 members.*



# 3

## PROGRESS IN IMPLEMENTING INDUSTRY-SPECIFIC RECOMMENDATIONS

The following matrix provides an update on progress towards implementing the recommendations included in the first edition of the national reform agenda. It covers the recommendations pertaining to industry-specific recommendations.



## RESPONSIBLE ENTITIES:

*The House of Representatives*

*The Cabinet*

*The Ministry of Health and Population*





# THE PHARMACEUTICAL INDUSTRY

## CHALLENGE (01)

Pharmaceutical pricing policies are out of sync with changing market conditions, including exchange rate movements, rising inflation, and increases in energy prices; operating costs; and interest rates.

## RECOMMENDATION(S)

*Revisit the current pricing policy to bring it in line with the requirements of the global market, and the practiced pricing methods. This should increase the volume of pharmaceutical exports, and make it commensurate with the size and capacity of the industry in Egypt.*

## STATUS/NOTES

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## CHALLENGE (02)

The current pricing scheme— a cross- reference pricing scheme that takes into account the prices of pharmaceuticals in 36 countries— is unfavorable to the industry. Under this scheme, the lowest price in any of the reference countries is used to guide the pricing of pharmaceuticals in the Egyptian market, with no consideration to the difference in distribution margins, which should be a key factor in pricing. Thus, the current system needs to be seriously and comprehensively reviewed in order to make it more responsive to market changes, and render investment in the industry attractive.

## RECOMMENDATION(S)

*For new Common Technical Document (CTD) submissions for generics, price them at 65% of the price of the innovator or branded counterpart (the patented).*

*Approve the pricing of registered pharmaceutical products, giving priority to alternative products which are in short supply or missing in the market.*

*Expedite the re-pricing of registered pharmaceuticals, which are not yet marketed, even if their notifications have lapsed (these pharmaceuticals were priced prior to the floating of the Egyptian pound).*

*Abolish the VAT on imported pharmaceutical raw materials, which are pre-blended and processed using two or more ingredients. At the same time, impose on them the 2% tariff rate prescribed for customs category No. 3003, rather than the 5%, tariff rate prescribed for customs category No. 3824, in addition to the 14%VAT.*

## STATUS/NOTES

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## CHALLENGE (03)

The policy named the 'Box'<sup>3</sup>, which regulates the registration of pharmaceuticals in Egypt, is abused by international pharmaceutical companies that hold the patents. These companies fill up a particular 'Box' with *phantom products*, thereby locking up the 'Box', and thus hinder effective competition of local companies, and limit the availability of affordable pharmaceuticals in the local market.

## RECOMMENDATION(S)

*Abolish the 'Box' system, and allow Egyptian companies to produce and register generic pharmaceutical products.*

*Over the coming two years, complete the registration of all pharmaceutical products that are currently in the registration queue.*

## STATUS/NOTES

*In November 2018, Ministerial Decree No. 654 of 2018, concerning the registration of human pharmaceuticals, was issued. It stipulated that under certain conditions, biosimiliars registration applications, which exceed the number of pharmaceuticals allotted to a biosimilar 'box' (referenced in Ministerial Decree No. 425 of 2015) will be accepted. Specifically, applications will be accepted for pharmaceuticals listed as in short supply and with no substitute, during the year preceding the issuance of the decree, or in other cases determined by the Central Administration for Pharmaceuticals Affairs, according to market needs.*

3. The 'Box' policy, which regulates the registration of pharmaceuticals in Egypt, limits the number of generic drugs of any brand that could be registered in the local market to a maximum of ten products. Each 'Box' is composed of one brand product, and 11 generic products (10 locally manufactured generic products and 1 imported generic product).

## CHALLENGE (04)

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Registration of new pharmaceutical products is a very lengthy process in spite of the fact that these products have already been approved and licensed in developed countries, which should serve as a solid reference for pharmaceuticals quality control testing.

## RECOMMENDATION(S)

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*Grant instant approval of pharmaceutical registration applications if the product concerned is registered in any two countries that are considered advanced in pharmaceutical industry.*

*Reform the registration process of pharmaceutical factories. The process should entail submitting a Common Technical Document (CTD) dossier and payment of LE 120,000 registration fee; the 'Box' system should be discarded in the process. The registration process should be completed in less than six months, and there should be a no set limit on the number of dossiers that can be submitted each month.*

*Pharmaceutical factories should obtain international accreditation from the World Health Organization (WHO), the U.S. Food and Drug Administration (FDA), GTA, and the European Medicines Agency (EMA).*

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## CHALLENGE (05)

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The absence of a national body to oversee the safety of pharmaceuticals.

## RECOMMENDATION(S)

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*Establish an independent national body to monitor the safety of pharmaceuticals in the Egyptian market.*

## STATUS/NOTES

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*Article No. 14 of Law No. 151 of 2019, "The Egyptian Authority for the consolidated procurement, supply, medical provisions, management of medical technology and the Egyptian Pharmaceutical*

*Authority Law" stipulated that: "A public service agency called "The Egyptian Pharmaceutical Authority" will be established, with a juridical personality and will be affiliated with the Prime Minister; its headquarters will be determined by the Prime Minister; the board of directors of the Authority may decide to open additional locations.*

*The new Authority aims to organize, implement, and control the quality, effectiveness, and safety of the medical products and supplies provided for in the provisions of Law No. 151 of 2019. It is also tasked with enforcing the provisions of the current Law No. 127 of 1955 governing the practice of pharmacy, provided that they do not contravene any of the provisions of Law No. 151 of 2019. To accomplish this, it shall also assume all the necessary powers, functions and legal actions.*

## CHALLENGE (06)

The cosmetics registration process is unnecessarily long and costly, and hinders the expansion and competitiveness of the local industry.

## RECOMMENDATION(S)

*Registration of cosmetics should be based on the product formula rather than the product Stock keeping Unit (SKU); instant approval of registration applications should be granted if the product is registered in any two developed countries.*

## STATUS/NOTES

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## CHALLENGE (07)

The absence of a legal framework governing the pharmaceuticals and medical supplies sector.

## RECOMMENDATION(S)

*Develop a legal and institutional framework to govern the pharmaceuticals and medical supplies sector.*

## STATUS/NOTES

*In August 2019, the President ratified Law No. 151 of 2019— “Egyptian Authority for the consolidated procurement, supply, medical provisions, management of medical technology and the Egyptian Pharmaceutical Authority Law”.*

## CHALLENGE (08)

Inclusion of cosmetics in the definition of pharmaceuticals is problematic as they will be subject to the same registration, pricing and testing rules and procedures applicable to pharmaceuticals.

This is contrary to the nature of industry and how cosmetics are regulated across most countries globally. Cosmetics are non-medical products, and are treated as such; they are governed by separate laws and regulations in many countries (e.g., European Union countries, the US, Saudi Arabia, the Arab Gulf States and all African countries). Categorizing cosmetics under the rubric of pharmaceuticals is likely to have a significant adverse impact on the industry, and its ability to attract future investments, which was estimated at about LE 18 billion in 2018.

The definition of cosmetics is inconsistent with the definition currently adopted in Egypt, which agrees with the internationally recognized definition of cosmetics.

The draft law includes mandatory standard specifications for cosmetics.

The controls and procedures regulating the importing, exporting, registration and pricing of cosmetics go against the nature of product itself.

The absence of a clear definition of the term “pharmaceutical entity”, which is to be licensed under this law.

The ban placed on the release of imported medical products, and other materials that fall under the jurisdiction of the Egyptian Drug Authority “EDA” prior to the completion of all required tests and analyses.

The ban placed on the trading of domestic pharmaceuticals and other related products that fall under the jurisdiction of EDA prior to the completion of all required tests and analyses.

Absence of a clear grievance processing procedures, including the specific time frame for filing a grievance and receiving a determination on it.

The fees associated with the record-filing and inspection of cosmetics are excessively high.

The cosmetics industry is a fast moving and changing industry, where products develop periodically and 25% of the used formulas change annually. Thus, applying the rules and regulations pertaining to medical and pharmaceutical products on cosmetic products will hinder the development and prosperity of the industry.

Requiring that each shipment of cosmetic products be analyzed will cost the government and the industry large sums of money for intangible benefits, and does not provide any assurance that the products are safe for consumers. This requirement is largely applied to companies and products that conform and comply with required standards, while many cosmetic products reach the Egyptian market in an illegal manner.

## RECOMMENDATION(S)

*Issue specific executive regulations to apply govern cosmetic products, the executive regulations have to be responsive to the nature of the cosmetics, which are not used for medicinal purposes.*

*Adopt the internationally recognized definition for cosmetics—“Any product containing one or more substances intended for use on the external parts of the human body, including skin, hair, nails and lips, or on the external parts of the genitals, teeth, or mucous membrane of the oral cavity for the purpose of cleaning them, or perfuming them, or protecting them, or keeping them in good condition, or changing and improving their appearance, or correcting body odors and improving it”.*

*Delete the reference to “mandatory standard specifications” and replace it with “mandatory technical regulations based systems adapted from globally recognized systems, such as those adopted in EU countries.*

*Cosmetics should not be subject to product registration requirements but to notification system. This practice is in line with in EU countries, Saudi Arabia, as well as all East Asian countries. This is in line with the discussions that took place between the Cosmetics Sub-Chamber at FEI, and the Central Administration for Pharmaceutical Affairs as directed by the Minister of Health and Population.*

*Cosmetic products should not be subject to an enforced pricing system*

*due to their nature, the manner in which they are circulated, and being consumer products used regularly and daily (shampoo, skin and shaving creams, and toothpastes).*

*Include a definition for pharmaceutical entities.*

*Institute an in-market control system for cosmetic products. This system is in line with global trends in cosmetics control, and appropriate to the fast- moving nature of the industry, and the volume of trade. Customs release and permitting the sale of cosmetics on the condition that products are tested contradicts the global trend in cosmetic product control and analysis for cosmetics, which rely heavily on in-market control.*

*The time frame for filing a grievance must be within 15 days from the receipt of the notice of the decision.*

*Inspection should be limited to accessing and reviewing records, books and other documents related to the products and manufacturing processes.*

*Include an article in the law to mandate the issuance of separate executive regulations to govern the cosmetics industry; the regulations should be informed by the draft paper under discussion between and the Central Administration for Pharmaceutical Affairs, and the Cosmetics Sub-Chamber at FEI.*

*Develop a separate fee schedule, with reasonable fees, for recording and inspecting cosmetics.*

## STATUS/NOTES

*According to Law No. 151 of 2019, cosmetics are defined as “any preparations developed for use on the external parts of the body, teeth, or the mucous membrane of the oral cavity for the purpose of cleaning them, or perfuming them, or protecting them, or keeping them in good condition, or changing and improving their appearance, or any other existing preparations, or yet to be developed and will be categorized as cosmetics according to international standards”.*

*Article 17, Section 2, Item 3 of the law vested EDA with the responsibility, among several other executive responsibilities, of inspecting and analyzing cosmetic products.*

*It remains to be seen whether the executive regulations of the law, which are expected to be issued soon, will be responsive to the nature of the cosmetics industry. It is hoped that the anticipated regulations will take into account the recommendations of FEI while developed the regulations.*

## CHALLENGE (09)

*Issuing executive regulations that are responsive to the interests of the cosmetics industry.*

## RECOMMENDATION(S)

*FEI calls on government to take into consideration the following recommendations when developing the executive regulations of the law:*

- 1. Design and adopt a responsive system for guiding the cosmetic sector in Egypt; the system should meet international best practices such as those in place in the EU, Saudi Arabia and all East Asian countries. Putting in place such a system, and effectively implementing it will help increase Egyptian cosmetic exports.*
- 2. Cosmetic products should not be subject to registration requirements; a notification system, which is adopted worldwide, should be used instead.*
- 3. Use international standards as a reference for setting the mandatory standard specifications for cosmetics.*
- 4. Adopt an in-market system for cosmetic products, rather than the currently used system, which mandates pre-market testing. The former system, which relies heavily on testing products while on the market, is more appropriate to the nature of the products, its volume of circulation, and the degree of potential health risks associated with using cosmetics, compared to pharmaceuticals. The fact that some products illegally slip under the radar into the market supports the argument for instituting an in-market control system.*
- 5. Include representatives from the Cosmetics Sub-Chamber of FEI's Pharmaceutical Chamber in the technical committee that will be set up for developing the executive regulations of the law.*

## STATUS/NOTES

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## CHALLENGE (10)

Egypt bans the importation of used medical devices, and does not make a distinction between electronic and non-electronic ones. Such devices do not pose any health risks, and many are given as donations from reputable medical establishments. Additionally, the procedures for importing any medical device or equipment is too cumbersome.

## RECOMMENDATION(S)

*Review all import procedures related to medical devices, and do not restrict importation to agents. At the same time, develop standard specifications for medical devices.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Agriculture*

*Food Safety Authority*

*Agricultural Research Center*

*The Cabinet*

*The Ministry of Trade and Industry*

*The Egyptian Customs Authority*



# THE FOOD INDUSTRY & AGRICULTURE PRODUCTS

## CHALLENGE (01)

Non-compliance with good agricultural practices (GAP), including the requirements for a monitoring system and general quality standards.

Irrigation water shortages, and its contamination with sewage in a number of areas.

Problems of reclaimed land allocation and pricing.

The lack of satellite images to assist in monitoring and regulating agricultural activities and the illegal construction on agricultural land.

## RECOMMENDATION(S)

*Carry out a comprehensive restructuring of the Ministry of Agriculture and its various agencies.*

*Modify the agricultural policies and link them to the industrial and export policies and the findings and recommendations produced by agriculture research centers.*

*Expedite the issuance of the new law designed to regulate the protection of biological resources.*

*Review customs duties on raw materials, and facilitate import procedures by speeding the health inspection and customs clearance process for industrial inputs.*

## STATUS/NOTES

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## CHALLENGE (02)

Failure to implement a food safety system and non-adherence to international standards and specifications.

Extensive use of inorganic pesticides.

## RECOMMENDATION(S)

*Impose dissuasive penalties on companies committing violations; penalties can include banning offenders from exporting for a certain period of time, in addition to imposing large financial penalties, and denying offenders access to export support.*

*Introduce a farm coding system, and accredit farms to export and sell products in the local market.*

*Expand the establishment of pesticide residue laboratories.*

*Review and revamp the Ministry of Agriculture Seed Committee to improve its operational efficiency and responsiveness to the requirements related to seed exports.*

## STATUS/NOTES

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## CHALLENGE (03)

Poor performance and ineffectiveness of agricultural extension agents in regard to guiding farmers during the entire production process.

Insufficient budgetary allocations for the agricultural research centers.

The severe inadequacy of R&D investments geared towards improving this sector.

## RECOMMENDATION(S)

*Strengthen agricultural technical education and training, and encourage enrollment.*

*Increase funding for agricultural research to improve crop productivity (e.g., cotton and other important crops), as well as plant breeding.*

## STATUS/NOTES

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## CHALLENGE (04)

Not only does the Veterinary Authority inspect and approve the manufacturer of animal-based products in countries exporting to Egypt, but it also requires that its staff attend production processes, even in countries known to abide by the rules of halal slaughter, such as Saudi Arabia.

The estimated loss in agriculture production is 30%; supply chains weaknesses and logistics, as well as ineffective farming methods are the primarily causes of this loss.

## RECOMMENDATION(S)

*The Veterinary Authority should only inspect and approve the manufacturer of animal-based products in countries exporting to Egypt, and forgo the requirement that members of its staff attend the production processes.*

*Establish logistics hubs across Egypt to improve the supply chain of agricultural products.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Cabinet*

*The House of Representatives*

*The National Food Safety Authority*



# FOOD SAFETY

## CHALLENGE (01)

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The National Food Safety Authority (NFSA) has a number of weak spots, particularly with regards to its independence and effectiveness; there is jurisdictional overlap between NFSA and other agencies.

## RECOMMENDATION(S)

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*Activate the role of NFSA, and enable it to exercise the authorities vested in it by law; prevent other government entities from interfering in its operations.*

*Expedite the issuance of the executive regulations of the Food Safety Law.*

*The Board of Trustees of NFSA should coordinate all food safety efforts, and clearly define the roles and responsibilities of the different bodies concerned during the transitional period in order to ensure complementarity.*

## STATUS/NOTES

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## CHALLENGE (02)

The unified law for food safety and control has not yet been issued.

The lack of human resources within NFSA to effectively and efficiently carry out their functions and adopt new work mechanisms that are in line with international food safety control systems. Under the pretext of an increasingly bloated bureaucracy, competent authorities continue to deny the requests of the newly- established NFSA to recruit or contract with qualified individuals with diversified expertise to assist in meeting its mandate. Additionally, lack of awareness and appreciation of the important role to be played by NFSA is further aggravating the situation; competent authorities are requested NFSA to shrink its already-approved organizational structure, which is necessary for implementing the type of integrated activities and mission NFSA aims to achieve. So far, NFSA did not receive the necessary approvals from the Central Agency for Organization and Administration regarding the staffing table and job descriptions, at the same time, in an effort to undermine NFSA, bodies that were assigned the oversight functions prior to its establishment either refuse to second their employees to it, or prevent them from joining its ranks

All powers and prerogatives granted to NFSA under Law No. 1 of 2017, which established it, are ignored; it is treated like any other public agencies with regards to public expenditure rationalization.

Thus, NFSA is not able to secure the needed resources, such as vehicles, for its staff to carryout food safety inspections of food establishments. More generally, the lack of adequate budget is impeding NFSA for fulfilling its expansive and important mandate, entails ensuring the food safety for millions of Egyptians, including vulnerable groups such as children, the elderly, the sick and others; the work of NAFS also safeguards investments in two major revenue-generating sectors: the food processing sector, one of the leading sectors in terms of exports, as well as the tourism sector by ensuring the provision of safe and hygiene food in tourist facilities, being one of the most critical success factors in tourism.

## RECOMMENDATION(S)

*Expedite the issuance of the unified law for food safety and control to replace all other existing laws.*

*Allocate sufficient resources to NFSA to attract qualified professionals, and provide professional development training to its staff.*

*Provide NAFS with a realistic budget allocation commensurate with its expansive responsibilities and functions to allow it to carry out its mandate in an effective manner (e.g., procure vehicles needed for carrying out actual food safety inspection nation wide).*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Trade and Industry*

*The Ministry of Finance*



# THE AUTOMOTIVE INDUSTRY

## CHALLENGE (01)

Ministerial Decree 907 of 2005 led to the demise of the industry as it allowed car manufacturers to circumvent the local component requirements, by exporting either local components or finished cars. Manufacturers have abandoned the development of the local industry and concentrated their efforts on low value-added upstream industries. As a result, car companies unjustly benefit from tariff incentives, and the State treasury loses billion of Egyptian annually in revenues.

The formula used for determining the domestic content in vehicles is outdated. Currently, the percentage of each vehicle's component— the standard percentage—is calculated, in an approximate manner, as an average of the commonly used percentage for each component.

The standard percentages adopted are as follows: air conditioning system 9.54%, radiator 0.693%, radio cassette deck 2.53%, seats 5.397%, electric braids 3.205%, glass 1.48%, suspension system 4.4%, mufflers 1.08%, battery 0.468%, rims 0.9% steel - 2% aluminum, fuel tank 0.845%, carpets (floor lining) 0.813%, door binding 1.5%, tires 2.38%.

Thus, the total standard percentage for the most common components shared across many vehicles is 35.43%.

More so, the applicable percentage for calculating the contribution of the assembly line in the domestic content rate of a vehicle is 13%, and the applicable percentage for calculating the contribution of the local paint materials is 4% at most. Technological advancements in modern vehicles, have pushed downwards the share these components in the content of the vehicle. For example, the air conditioning system, which represented 9.540% of the content of old vehicles has decreased to 6% in modern vehicles.

The Minister of Trade and Industry Decree No. 571 of 2019 issued by the Minister of Trade and Industry canceled Decree No. 371 of 2018, which established the domestic content percentage in the automotive industry and its method of calculation. The new decree also reinstated Decree No. 136 of 1994, regarding the assembly line's required contribution in the domestic content rate, as well as Decree No. 907 of 2005 concerning the required domestic content rates in the automotive assembly industry. It should be noted here that while these decrees have under implementation for a long period of time, they did not result in industrial deepening in the automotive sector in Egypt. More so, Decree No. 371 of 2018 was canceled without providing any viable alternative that can significantly and positively impact the automotive industry.

## RECOMMENDATION(S)

*Cancel Ministerial Decree 907 of 2005, and develop a realistic and comprehensive strategy to incentivize the automobile industry in Egypt, as well as other related upstream industries.*

## STATUS/NOTES

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## CHALLENGE (02)

While the free trade agreements with Europe and other countries grant full customs duty exemptions for finished cars and their parts, yet, other duties and fees continue to be imposed, including VAT, development fees, and domestic licensing fees for auto parts and spare parts. More so, there are flaws in the existing taxation and the customs systems.

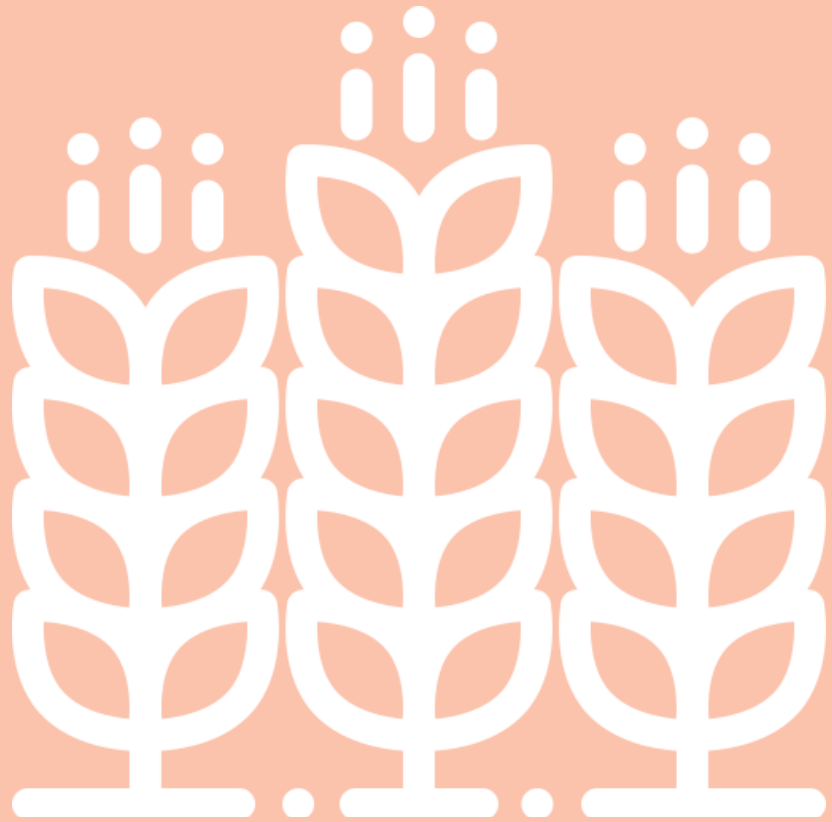
## RECOMMENDATION(S)

*Abolish the development fee, the local license fee, and VAT on components and spare parts, which are imported for the purpose of use in the automotive manufacturing process; address the flaws in the customs and taxation systems.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Supply and Domestic Trade*

*The Export Development Fund*

*The Ministry of Transportation*



# THE GRAIN INDUSTRY

## CHALLENGE (01)

The instruction contained in Decree No. 46 of 2015 have spawned several problems for mills in regard to the tax accounting methods they are entitled to use; there are variations in the tax accounting methods applied to the different type of mills.

## RECOMMENDATION(S)

*Promptly address all issues related to the tax accounting methods, with a particular attention to Decree No. 46 of 2015. Additionally, standardize the tax accounting methods applied to mills that produce 82% extraction flour, as they are acting for the Ministry of Supply, which acquires all their products.*

## STATUS/NOTES

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## CHALLENGE (02)

The industry faces storage and transportation challenges.

## RECOMMENDATION(S)

*Stop using dirt-floored barns for storing locally produced wheat and other grains to safeguard against wheat contamination and waste.*

*Exempt privately-owned vehicles, which are used for transporting the flour from mills that produce subsidized flour, from the decree that bans heavy vehicles from using the Ring Road and some other routes in governorates. This will help ensure the uninterrupted supply of flour to the productive units of the Ministry's mills, and secure bread supplies to citizens.*

## STATUS/NOTES

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## CHALLENGE (03)

The imposed ban on establishing new mills that produce 72% extraction flour represents a capacity constraint.

## RECOMMENDATION(S)

*Lift the imposed ban on establishing new mills that produce 72% extraction flour, to maximize utilization of capacity that has been idle for ten years; reconsider imposing the ban if needed.*

*Include the 72% extraction flour and the coarse wheat bran within the categories of products eligible for export support to encourage investment in wheat and stimulate exports in order to increase the foreign exchange resources.*

*Modify the wheat quota allocated to the mills that produce the 82% extraction flour in order to ensure the availability of a strategic reserves of flour. A memorandum to this effect was submitted to the Ministry of Supply on 25/7/2018 (Memo Incoming No. 9742).*

*Amend Ministerial Directive No. 18 dated July 29, 2018 concerning the executive procedures and measures for regulating the milling of subsidized wheat—**Tamween**, particularly the measure pertaining to the documenting and standardizing of the testing procedures used in the central labs of the Ministry of Supply and the mills).*

*Adjust the percentage of acid- insoluble ash for the 82% extraction flour from 0.15% to 0.20%. This should reduce the residue of the insoluble ash in the acid, without affecting the quality of the final product (in accordance with the Standardized Specification No. 1251/1 of 2015).*

*Expand the adding and use of Flour No. 2 (whole wheat flour) in mills as it is high in nutritional value (protein, vitamins, and other nutrients).*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Trade and Industry*



# THE LEATHER INDUSTRY

## CHALLENGES

The industry lacks key support infrastructure, namely technological innovation and fashion design services.

Currently, there is only one center, affiliated with the Ministry of Trade and Industry, that provides such services to the entire sector. The industry can benefit from the establishment of many such centers to assist with developing production technologies and raising product quality.

Lack of skilled labor.

The unjustified dramatic increases in imports of low quality footwear and leather products that do not conform to the standard specifications is negatively affecting the industry. This spike in low quality imports is due to manipulative practices by some importers, who present to customs fraudulent import invoices that do not reflect the real production cost in the country of origin. It should be noted here that while reference price lists are used for verifying the declared value of the imports of footwear and other leather products, yet, some importers are still able to circumvent this system, by entering their imports under a customs sub-category that is not subject to the application of reference price lists.

The problem of distressed and stalled factories; the need for exploring different options for the Ministry of Trade and Industry to support their resumption of operations.

The problem of smuggling raw leather outside the country by circumventing the ministerial decrees regulating leather exports.

## RECOMMENDATIONS

*Allocate funds for setting up training and technology development centers to help improve competitiveness of the industry.*

*Increase the availability of leather-based industries programs in industrial secondary schools and vocational training centers; offer incentives to relevant students, and work with large leather-based industries to offer students apprenticeship opportunities.*

*Revise the current reference price list used for clearing imports of footwear and leather products; adopt the reference price list developed by Leather Industry Chamber. The latter was developed based on the actual costs of manufacturing footwear and leather products, and can be used to assess the customs duties on imported products, particularly in light of the fake and fraudulent invoices submitted by importers.*

*Keep a strict watch on the market to combat the dangers of the phenomenon of low quality products, which can lead to the collapse of the leather industry.*

*Strengthen control measures at customs points, free zones and transit areas.*

*Criminalize smuggling and categorize it as a crime against honor.*

*Confiscate seized goods, and enforce Article 15 of Law No. 118 of 1975 (Import and Export Law).*

*Halt exports of leather that are not fully finished.*

*Support promotion tours to boost the leather-based industries in international markets.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Trade and Industry*

*The New Urban Communities Authority*



# THE LEATHER TANNING INDUSTRY

## CHALLENGES

Irregular water supply in El Roubiki Leather City.

Irregular sewer services in El Roubiki Leather City.

Infrastructure works for the second phase has not yet started, thus it is not possible to relocate enterprises currently located in the area of Magra El Eyoun to El Roubiki Leather City

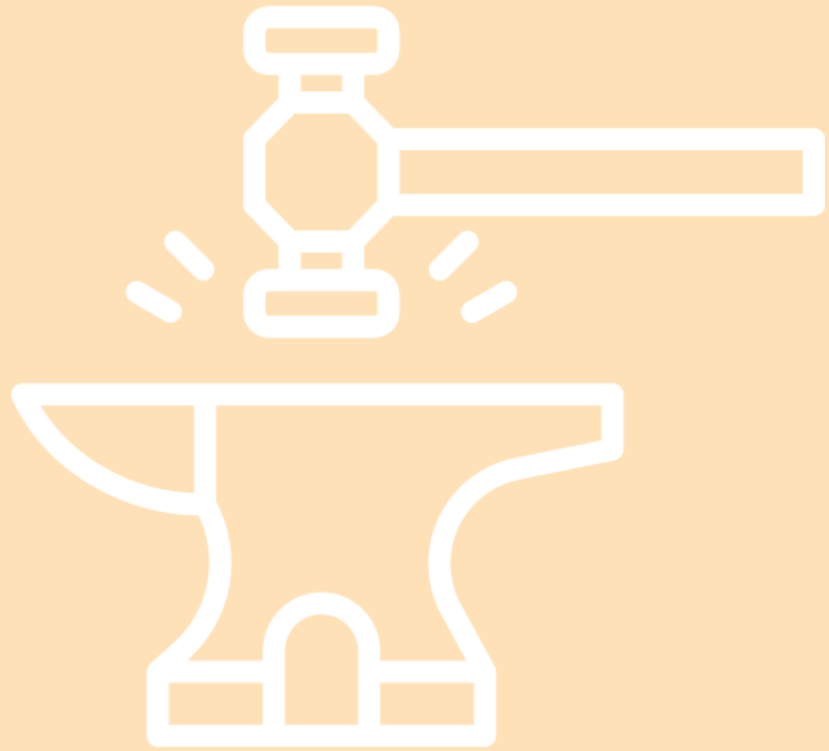
Frequent absenteeism among workers due to delays in delivering the housing units.

## RECOMMENDATIONS

*Expedite the completion of all infrastructure works and services in El Roubiki Leather City to help attract investors into the leather industry.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Cabinet*

*The Ministry of Trade and Industry*

*The Ministry of Electricity and Renewable Energy*

*The Egyptian Customs Authority*

*The Industrial Development Authority*

*The Assay & Weights Authority*





# THE MINERAL INDUSTRY

## CHALLENGE (01)

Direct reduced iron (DRI) production plants (sponge iron) are not economically feasible due to the high price of natural gas (\$7). In fact, DRI production plants should be treated like fertilizer and petrochemical plants, since natural gas is used as an input in the iron reduction process, and not as fuel. This gas pricing scheme has undeniable negative effects on the productive efficiency of the DRI production plants, and impairs 6 million tons of sponge iron production capacity that can benefit the Egyptian economy.

## RECOMMENDATION(S)

*Similar to the case of the fertilizer industry, natural gas should be treated as a raw material, rather than a fuel, for (DRI) production plant—they should be charged \$4.5/million British thermal unit.*

*This measure will enhance their competitiveness and increase their production capacity from the current 7 million tons/year to 13 million tons/ year.*

*Impose a protectionist tariff on billet and steel rebar (customs items No. 7207, 7213, and 7214) imports from non-agreement countries.*

*Impose a protectionist tariff on imports of finished steel products taking into account that these tariffs do not adversely affect the domestic by raising the cost of inputs (e.g., billets).*

## STATUS/NOTES

*In April 2019, the Ministry of Trade and Industry imposed a 25% and a 15% anti-dumping duty on imports of steel rebar and iron billets respectively.*

*The advisory committee of the Ministry of Trade and Industry, which is responsible for developing the final report on the protectionist tariff imposed on imported billets, recommended revising the 15% anti-dumping duty on billets, and imposing instead a 7% duty during the first year, to gradually decrease to 5% during the second and 3% during the third.*

## CHALLENGE (02)

The fixed electricity charges (electric load charges) were supposed to represent less than 25% of the actual consumption. However, in the case of the metal casting industry (where the smelting is done within a day and the finishing within a week), as well as the factories which have to cease production for any reason, this fixed charge far exceeds the actual consumption cost.

New factories that have requested additional electrical power above 500 kilowatts are required to pay generation fees equivalent to LE 550/kilowatt for low voltage electricity, and up to LE 3000/ kilowatt for high voltage electricity. This is inconsistent with the manner older factories are treated, thus competition is tilted in favor of older factories.

The practice of auctioning off heavy industry licenses works against the goal of expanding exports, which requires increasing production beyond the needs of local market, and making good use of the industry's comparative advantage (cost of fuel and gas is lower than in the countries that have to import). Needless to say, such a practice represents an additional burden on new factories, and unlevels the playing field for the competition between new factories and the already established ones.

## RECOMMENDATION(S)

*Place a cap on the fixed electricity charges, so that they do not exceed 25% of the actual consumption. This will benefit the metal casting industries, as well as factories which cease production for any reason, and maintain a competitive environment.*

*Competent authorities need to promptly address the complaint regarding the exorbitant charges imposed on factories that request additional electrical power above 500 kilowatts. Addressing this issue will resolve the existing competitiveness imbalances between established factories and new ones.*

*Abolish the system of auctioning off heavy industry licenses.*

## STATUS/NOTES

*The issue was presented to the Ministry of Electricity and the Cabinet, however, it is still under review. Until the issue is resolved, the existing competitiveness imbalances between established factories and new ones will continue.*

## CHALLENGE (03)

The erroneous classification of some plants as energy-intensive industries, such as nail factories, cast iron foundries and aluminum casting factories, hurts industries as they are charged the same energy prices as that charged to energy- intensive industries, such as steel and aluminum smelters.

The circumvention of regulations governing the export of scrap metal, especially copper, aluminum, and lead negatively adversely affects small industries that use these products. It is worth mentioning here that these practices are driven by the foreign exchange rates in the domestic market, as well as the metal prices in the metal exchanges outside Egypt.

## RECOMMENDATION(S)

*Seriously consider adopting the IDA's recommendation regarding the erroneous classification of some plants as energy-intensive industries, in other words, de-link the definition of heavy industry from the type of the product produced.*

*Tighten controls at customs points, and use modern inspection devices to prevent exporters from circumventing the export of scrap metal regulations.*

## STATUS/NOTES

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## CHALLENGE (04)

The precious articles and jewelry industry encounters a range of problems with the Customs Authority, the Taxation Authority, banks and the Assay and Weights Authority. The current practice of calculating fees and dues as a percentage of the value of the product is not reasonable in the case of gold products, where the value is very high and the rate of profit rate (workmanship) is low.

While the mineral industry's share in Egypt's non-petroleum exports is more than 20%, yet the industry, small and big businesses, are denied any export support services, as well as the benefits of the duty drawback system. This is illustrative of the lack of clarity regarding objectives of the export support program, and its meager benefits to the export industry (on the other hand, export support programs in other countries, such as China, Turkey and the United States, lends strength to their exports).

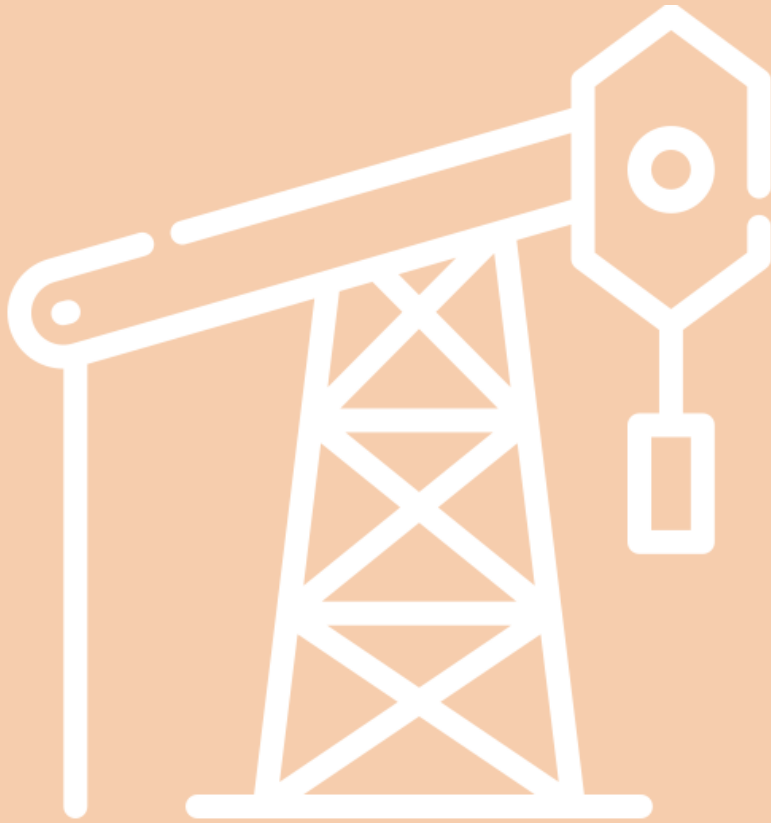
## RECOMMENDATION(S)

*Restructure the Assay and Weights Authority and bring it back under the umbrella of the Ministry of Trade and Industry. The restructuring exercise should entail reformulating and improving the relationship between the Assay and Weights Authority and the gold manufacturers and traders, to combat the rampant fraud prevailing in the market so that the industry can reclaim its credibility and foreign markets. More so, the effort should include reviewing and reforming the customs regulations that limit the export of precious articles, and raw materials used in the production of jewelry, as well as addressing all bureaucratic obstacles that hinder the industry.*

*Review the export support plan.*

## STATUS/NOTES

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## RESPONSIBLE ENTITIES:

*The Ministry of Petroleum and Mineral Resources*

*The Cabinet*

*The House of Representatives*



# THE PETROLEUM & MINING INDUSTRY

## RECOMMENDATIONS

*The Law on Mineral Wealth No. 198 of 2014 (the Law), and its Executive Regulations No. 1657 of 2015 (the ERs) should adequately address the following issues:*

- 1. To avoid the problem of overlapping jurisdictions of government bodies, The Egyptian Mineral Resources Authority (EMRA) should be designated as the competent body with the sole responsibility for facilitating and managing all mineral wealth-related activities in mines, quarries and salterns. overlapping jurisdictions of government bodies.*
- 2. EMRA should be granted the right to carry out exploration activities. However, this right should not be extended to exploitation or reserving any geographic area for the purpose of exploitation.*
- 3. To safeguard against potential conflict of interest, and ensure that EMRA's regulatory and oversight functions are not conflated with business interests, EMRA should not have the right to set up companies to carry out mining or exploitation activities, or participate in any company that carries out such activities.*
- 4. Facilitating the licensing of exploration and exploitation activities, and avoiding imposing any restrictions on the size of the area of the activities, as long as the licensee meets all the requirements stipulated in the law, and conforms with it.*
- 5. The Law-prescribed Higher Technical Committee (HTC) should be granted greater authorities to specify the rental payments and royalty rates, according to the circumstances of each individual case; the opinions of HTC should be binding, and not only of an advisory character, on the implementing body.*
- 6. The Law should stipulate that rental payments and royalty rates should be reviewed every four years, and the rate of change, whether upwards or downwards, should be determined according to the circumstances of each individual case, and approved by HTC.*
- 7. Mining concessions for quarries and small mines should be granted for 15 years to be in line with Article 32 of the Constitution, and concessions for other mines, quarries and salterns should be granted for a period of 30 years.*
- 8. Licenses should be automatically renewed as long as the licensee is adhering to all the legal and regulatory requirements (currently, licenses are valid for 15 years).*
- 9. Allocate to governorates 25% percent of the rental payments and royalty revenues generated from mines, quarries and salterns falling within their geographic jurisdiction.*

10. *Allocate to EMRA 25% of royalty revenues generated from mines, quarries and salterns; funds should be used by EMRA to carry out its activities.*
11. *EMRA should be obligated to develop and make public an investment map database for the areas it plans to offer for exploration and exploitation.*
12. *EMRA should notify the license applicant of its decision-approval or rejection- no later than three months from the date of submitting the application. In the case of non-response within the specified period, the application should be deemed approved, and the applicant must notify EMRA of commencement of the exploration or exploitation, accompanied by the documents proving that a license application has been submitted.*
13. *Rentals payment amounts and royalty rates should be determined and revised, as necessary, by HTC; the licensee should be present, and have the opportunity to discuss and exchange ideas with the HTC regarding these payments. Rental payments and royalty rates should be determined on scientific and factual bases, and should vary according to the type of ore, the location, and the nature, circumstances, and method of extraction.*
14. *The requirements governing export approvals should take into consideration the on-the-ground-reality, and the obstacles facing exporters.*
15. *Provide guarantees and incentives to attract greater investments in the industry.*
16. *Reconsider incarceration of workers or investors as a sanction; instead, impose monetary penalties or annul contracts taking into account the circumstances of each particular case.*
17. *The Law should address the mining of the raw materials that are considered hot commodities on the stock and commodity exchanges, including: non-ferrous metal, gold and base metals, critical metals, energy substitutes, industrial metals, and rare earth minerals.*

*The following procedural measures should be taken:*

1. *Restructure the mineral resources sector, dividing it into three bodies:*
  - a) *The Geological Survey Authority*
  - b) *The Mineral Resources Regulatory Authority (mines, quarries and salterns),*
  - and c) *The Holding Company for Mining Companies.*
2. *Strengthen EMRA and provide it with adequate technical and administrative staff to ensure that it performs its functions in an effective and efficient manner.*
3. *Develop a strategic plan that identifies the areas in which the state plans to focus its efforts over the next three to five years. The plan should focus on the following four priority areas:*
  - a. *Significantly increasing the areas available for exploration and expanding licensing.*
  - b. *Developing a forward-looking plan for mineral product manufacturing, with an eye on domestic, regional and international markets.*

- c. Developing a corporate social responsibility framework for the mining sector, and working towards supporting its implementation.*
- d. Attracting new individual investors, companies and corporations to the mineral exploration sector.*
- 4. Replace the current system of profit sharing or production sharing in the case of the gold mines exploration and exploitation agreements with a royalties and taxes system; this arrangement is more in line with the practice worldwide.*
- 5. Adopt a clear operational definition of "value-added" in regard to the processing of the different classes of mineral ores.*
- 6. Develop a professional classification system for mineral resources that clearly sets standardized procedures to guide the exploration, development and exploitation of mining and quarrying resources. Obligate the licensee to adhere to these standards in order to avoid waste of raw materials during the extraction process, and impose financial sanctions on offenders. In this regard, use either the Australasian Code, JORC, or the Canadian CIM Definition Standards to guide the development of the classification system.*
- 7. Simplify and shorten the licensing process, as well as the renewal procedures. EMRA should be made the focal point for obtaining all the required permits (from the armed forces, archeology, environment, social insurance departments) through a one-stop shop.*
- 8. In the case of mining agreements that are signed into law, EMRA should secure all the required security approvals from the competent authorities before issuing the mining tenders. With respect to exploration and exploitation contracts, security approval should be secured prior to licensing. In all cases, these approvals should remain in effect, without requiring any renewal or update, except in case of emergency situations, then, investors should be notified by EMRA.*
- 9. Shorten the timeframe for activating the mining agreements that are signed into law. It defies all logic that it takes two years to sign an agreement, from the time the tender is issued.*
- 10. Examine the challenges of exporting and identify key reform measures to tackle them, whether legislative (laws, regulations and decrees) or logistical (transport, ports and skilled labor). Attention should be given to helping exporters increase Egyptian exports of raw materials which are abundant, or which have been processed to raise their value added; carefully study the mining agreement that Egypt had signed, and raise awareness of the advantages of each of these agreements to increase the rates of mineral exports, particularly after increasing their added value.*
- 11. For tax purposes, establish clear accounting standards appropriate to the nature of the mining activity (general tax and VAT).*
- 12. Review and restructure a number of EMRA's mineral resource exploration zones (gold, exploration, EMRA's explorations, and zones operating under old licenses).*
- 13. Upgrade EMRA's laboratories so that their test reports become internationally accepted.*
- 14. Establish a digital database for the mining community to include the areas available for exploration, types of ores, and areas available for mining and quarry exploitation.*

15. *Develop an inventory of large mining investment opportunities, and prepare a study for each of the opportunities covering various angles, including the mining, industrial, financial and legal; to gain traction, effectively promote these opportunities locally and internationally.*
16. *Establish oversight and monitoring arrangements to ensure the quality of work performed, especially in the exploitation phase, to prevent the waste of mining and quarrying materials; detect any violations and infractions and address them according to the law.*
17. *Examine and assess the performance of public companies working in the area of mining to determine their economic viability, and thus the rationale of their existence.*
18. *Carryout investigative research to explore the major obstacles impeding the work of some companies, and identify the best course of action to address these obstacles.*
19. *Explore the most effective ways and mechanisms to attract the informal enterprises to work within the formal sector; ensure that the effort is coordinated with the other competent agencies and entities, as sanctions alone are not sufficient to address the phenomenon of informality.*
20. *Build linkages and strengthen cooperation between industrial enterprises that use mineral raw materials and mining companies to address the shortage in the supply of mining materials in the domestic market; examine the reasons behind the importation of mineral materials that are already being produced locally.*
21. *Promote university-business cooperation; universities should give priority or prominence to applied research in the area of mineral exploration, extraction, and processing to increase value adding to mineral raw materials.*
22. *Examine the challenges of exporting and identify key reform measures to tackle them, whether legislative (laws, regulations and decrees) or logistical (transport, ports and skilled labor). Attention should be given to helping exporters increase Egyptian exports of raw materials which are abundant, or which have been processed to raise their value added; carefully study the mining agreement that Egypt had signed, and raise awareness of the advantages of each of these agreements to increase the rates of mineral exports, particularly after increasing their added value.*
23. *Encourage the establishment of new joint stock mining industry-related companies by inviting the public to subscribe for shares. New companies may cover areas including: mine drilling, mine development, geophysics, laboratory testing, as well as engineering designs for mines and quarries, and other aspects of mining services.*
24. *Communicate and coordinate with Arab and international federations (e.g., Prospectors & Developers Association of Canada (PDAC)) to develop cooperation protocols to exchange experiences.*
25. *Engage with donor agencies and development funds to secure their technical, environmental or financial support for mining activities, with the objective of benefiting from technological innovation and knowledge, and increasing their production capacity.*



26. Ensure that Egypt's sovereign wealth fund undertakes investments, even if small, in the following areas:
- a. Developing a technical regulatory framework/matrix, which clearly identifies, describes and defines all mining exploration, development and extraction activities, with an eye on promoting the sector's corporate social responsibility, and encouraging investments of all kinds.
  - b. Conducting remote sensing studies using advanced airborne technologies; the studies should be carried out by an internationally-recognized specialized company, in cooperation with the Egyptian Armed Forces and the Egyptian Remote Sensing Authority (similar to the recently concluded seismic survey of the Red Sea coasts to determine the location and size of oil reservoirs).
27. Enhance investment promotion efforts to attract international investments, taking into consideration that the mining law and regulations have been made more clear and accommodating for international partners. The legal and regulatory framework should be incentivizing to the maximum extent possible, and foreign investors should be granted the right to maintain their research and exploration projects in Egypt for the longest time period, as long as they invest funds, demonstrate their keenness, and make actual discoveries (in other words, ensure sufficient flexibility in terms of time regarding the retaining of the concession areas for research and exploration); setting inflexible time schedules results in investment losses due to unwise and unnecessary expenditures forced on investors, which ultimately tarnishes the image of Egypt as a whole.

## STATUS/NOTES

*The House of Representatives concurred in the government's request to designate the New Urban Communities Authority as a competent authority, and have it participate in the administrative and financial supervision of mines falling under its geographical jurisdiction. In doing so, it discarded the Chamber of Petroleum and Mining's recommendation that overlapping oversight jurisdictions between government units be eliminated, and that EMRA be designated as the competent body with the sole oversight responsibility over mineral wealth; the recommendation also called for allocating an appropriate share of the revenue generated (whether from rent or royalties) to the governorates which is home to the exploitation area's (whether mines, quarries or salterns) geographical scope.*

*The House of Representatives concurred in the FEI's Chamber of Petroleum and Mining's recommendation that the minimum and maximum royalty rates be set at 5% and 15%, respectively.*

*Law No. 145 of 2019, which amended the Law on Mineral Wealth No. 198 of 2014, was issued in August 2018. FEI's Chamber of Petroleum and Mining recommendation regarding the duration of the exploitation concessions issued for mines, quarries and salterns was not discussed, and hence the amendment did not take it into consideration; the amendment maintained the duration period prescribed in the original law, specifically that exploitation concessions can be issued for one or more terms but the sum of terms must not exceed fifteen years.*

**LIST OF ALL UPDATES OF  
THE OBSERVATIONS & CONCERNS  
OF THE INDUSTRIAL COMMUNITY  
IN 2019**

# PROGRESS IN IMPLEMENTING RECOMMENDATIONS



## GENERAL REFORMS

*On July 14, 2019, the Prime Minister issued a decree to revive "Ee'rada" Initiative, and establish its board of trustees, which includes the presidents of FEI and FEDCOC.*

*According to a Ministry of Planning, Monitoring and Administrative Reform (MOPMAR) official, the following steps have been taken:*

- 1. The government has set up a number of electronic platforms to make available online services. Currently, the Government Services Portal offers 75 online services. It is planned that online services will increase to 100 services by the end of the fiscal year 2018/2019. The portal allows users to make online payments.*
- 2. The government launched a mobile application, which currently provides 30 online services of the 50 services planned to be made available by the end of the fiscal year. The application allows users to make online payments.*

*The Cabinet approved the draft law on MSMEs. It is expected that the draft law will be presented to the House of Representatives in its coming session. The draft law includes a number of positive features, including: a standardized definition for MSMEs; a package of incentives to encourage the formalization of informal enterprises; solutions to address the challenges faced by MSMEs in accessing finance, particularly those that do not own assets, especially land, to offer as collateral; and a set of incentives to expand the pool of finance available to MSMEs through civil society organizations.*

*On July 15, 2019, the House of Representatives approved amendments to the Economic Courts Law No. 120 of 2008. The approved amendments will help accelerate litigation involving lawsuits falling under the jurisdiction of the laws governing trade, investment and financial transactions.*



## THE CASHLESS ECONOMY

*On March 11, 2019, the House of Representatives passed a law mandating the use of cashless payment by public and private entities. The law was passed by the required 2/3 majority, as it is deemed among the laws complementary to the Constitution. Law No. 18 of 2019 was signed by the President and published on April 16, 2019. Implementation and enforcement of the Law remains to be seen*

*Law 18 of 2019 requires all government authorities and entities, as well as state-owned companies to use cashless means for making all payments to their employees, experts, and board and committee members, as well as the social insurance subscriptions. In addition, it requires government entities and agencies, and public legal persons, referenced in Article 2 of the same law, to pay all dues to contractors, suppliers and service providers through non-cash methods, whenever the dues exceed a specified threshold amount.*

*Article 5 of Law 18 of 2019 requires the use of non-cash payment methods, whenever the amount due exceeds a threshold to be specified in the executive regulations. This applies to the following payments:*

- 1. Taxes; customs duties; fees and fines.*
- 2. Service fees and other dues owed to entities referenced in Article 4 of Law 18 of 2019.*
- 3. Cash funding installments, insurance policies installments, syndicate subscriptions and private insurance funds subscriptions.*
- 4. The disbursement of subsidies and donations through civil society organizations or the entities referenced in Article 2 of Law 18 of 2019.*
- 5. Dues against purchases, rent, exploitation, use of land or mortgage or express transport vehicles through the state authorities and juridical persons and establishments stated in Article 2 of this Law.*

*The Minister of Finance reviewed all efforts aimed at activating the government's financial network. He highlighted that the use of electronic systems for paying government salaries has been activated in all government agencies. Additionally, all government entities and administrative units have been obligated to stop issuing checks and cash payments to suppliers as of the end of last year. The Minister of Finance also pointed to the high rate of electronic tax and customs collection.*

*The Central Bank of Egypt (CB) introduced a national e-payment system (Meeza Card), which provides users access to various financial services, thus promoting financial inclusion. Additionally, CBE extended the grace period (through March 30, 2019) during which users are exempt from the administrative fees associated with opening accounts for mobile-based services, and reduced the expenses of mobile payment services by 50%.*

*The Minister of Interior presented an updated overview of the scheme to develop national ID smart card.*



## PROVISION OF INDUSTRIAL LAND

*A coordinating council, affiliated with the Cabinet, has been established to study barriers in industrial zones.*

*The Cabinet contracted a consultancy firm (MegaCom) to examine the challenges and barriers facing investors in industrial zones, and develop solutions. The firm is to consult with investors, seek their feedback and views on the barriers and solutions. The consultancy contract is funded by the Ministry of Finance.*

*FEI and MegaCom discussed the recommendations, it was agreed that investors should be able to lease the land plot for ten years; the plot may be purchased if the investor demonstrates seriousness about the investment.*

*In June 2019, the Cabinet approved a proposal, submitted by the coordinating council for Industrial Zones, that allows selling industrial land plots on installments at an annual interest rate of 7%, rather than the interest rate set by CBE. This decision, which will remain in effect for three years only, aims to attract more investments to the industrial sector, in order to expand the establishment of new industrial zones to increase youth employment opportunities.*

*In July 2019, the Internal Trade Development Authority (iTDA) signed eight partnership agreements with a group of investors and commercial developers. Under these agreements, commercial and logistic zones will be established in a number of governorates, including Sharqiya, Menoufia, Gharbia, Beheira, Luxor, Qena, Fayoum and the New Obour City. It is expected that the agreements will attract investments worth LE 23 billion, and provide approximately 200,000 direct and indirect jobs opportunities, as well as make available commercial centers that meet all the needs of citizens at reduced prices.*



## IMPLEMENTATION AND ENFORCEMENT OF INDUSTRIAL LICENSING LAW

*Limited progress, including the updating of IDA's website and the dissemination of much of the information needed by investors.*

*That said, online services are not yet available, and no action has been taken to raise the capacity of IDA's employees or increase their funding.*

*IDA issued Decree No. 239 reducing some of the prescribed service fees; most of the fees were lowered, particularly those related to SMEs. That said, it did not reduce the prescribed fines.*



## CUSTOMS CLEARANCE

*The Prime Minister issued Decree No. 20 of 2019 forming a ministerial committee to monitor the implementation of the single-window system. The system, which aims at facilitating trade and improve the investment climate, is implemented by the Ministry of Finance.*

*The Minister of Finance issued Decree No. 74 of 2019, which included tasking the Egyptian company, Misr Technology Services, with implementing, managing and operating the national single window-system for foreign trade in accordance with the contract signed with the Customs Authority.*

*The executive framework for the single-window system for foreign trade was issued.*

*A plan for the development and implementation of customs applications for the national single-window system for foreign trade was formulated, along with an implementation timetable.*

*The Ministry of Planning, Monitoring and Administrative Reform (MOPMAR) conducted a study to investigate the best approach to rationalizing imports and increasing exports in Egypt. Among the recommendations is continuing with the on-going efforts to combat smuggling and evasion of customs duties, and imposing harsher penalties on those who carry out smuggling operations, whether in full or in part.*

*The same study included another recommendation to speed up the implementation of the digital interconnectivity between the Customs Authority, the Export and Import Control Authority and the Industrial Development Authority to reduce the time and cost of transactions.*



## THE DRAFT LABOR LAW

*The Manpower Committee of the House of Representatives have approved the draft new labor law.*



## SHIPPING, TRANSPORTATION AND STORAGE SERVICES

*In July 2019, the Cabinet approved the proposal of the Ministry of Transportation to amend a number of provisions of two decrees issued by the Minister of Transportation, and abolish a third.*

*The first, Decree No. 488, regulates the service fee charged to ships in Egyptian seaports, other user charges associated with utilizing floating and fixed facilities, e.g., structures, gear and equipment, which belong to the Egyptian Ports Authorities and the Egyptian Authority for Maritime Safety, and fees charged for electronic services provided Egyptian Ports to their clients.*

*The second, Decree No. 800 of 2016, regulates the conducting of sea transport activities and operations, and the user-related charges and fees.*

*The third, Decree, No. 468 of 2018, which was abolished, sets out the incentives offered to customers in Egyptian seaports.*

*Based on the Cabinet approval, in July 2019 the Minister of Transportation issued Decree No. 416 of 2019, which includes the following incentives:*

- 1. Reducing insurance fees from LE 10,000 to LE 5,000, and the licensing fees from LE 3,000 to LE 1,000, in addition to reducing the fees associated with vessel resupply services by 50%.*
- 2. A 10% reduction in the lighthouse fees in the case that a ship passing through Suez Canal enters one Egyptian port, in the case the ship enters two or more ports, the fees are reduced by 20%.*
- 3. Increasing the duration of the license granted for loading and unloading activities (currently 5 years) to 10- 15 years, with the possibility of renewal for another similar periods; increasing the duration of the license granted for storage and warehousing activities (currently 5 years) to 10 years, renewable for similar periods; reducing the amount of insurance that the licensee is obliged to pay from LE 10,000 to LE 5,000 (to be paid either in cash or under a bank guarantee letter); and reducing the license fees for marine works / marine supplies activities from LE 3,000 to LE 1,000, for each activity separately.*
- 4. Reducing the fees for obtaining the ship supply services by 50%; reducing the annual fees paid by companies operating in the area of ship waste procurement to LE 1,000 (currently it is LE 10,000), eliminating the requirement that the Egyptian partner's share in the capital of joint venture shipping agencies should not be less than 51%.*



## IMPORT CONTROL

*As of the end of 2018, no further instructions were issued regarding its implementation.*

*In January 2019, Decree No. 44 of 2019 was issued expanding the list of commodities included in Ministerial Decree No. 43 of 2016. The expanded list included bags/suitcases; items for packaging and transporting goods (e.g., containers, boxes, bags and similar products); shaving and hair care appliances, and telephones.*



## PREFERENCE FOR DOMESTIC PRODUCTS

*In October 2018, the President ratified Law No. 182 of 2018 that regulates the contracts and agreements, which are concluded by the public authorities in Egypt. Following are highlights of the new law:*

- 1. It includes a number of provisions of Law No.5 of 2015.*
- 2. It obligates all governmental entities and public sector companies to post all their public procurement opportunities, in details, on the Public Contracts Portal; upon completion of the procurement process, the final decision, with specified details, should also be posted on the portal.*
- 3. It obligates all parties to use the standard tender document, which is currently being developed, and will be posted on the Public Contracts Portal. In the event that an entity decides not to use the standard document, it must provide an explanation as to why it chose not to comply with the requirement. This requirement will significantly reduce noncompliance with the preferential treatment for domestic products requirement. The requirement was being circumvented by including language in the tender documents, which discriminated against domestic products and eventually resulted in their exclusion from the procurement process.*





## EGYPTIAN EXPORT SUBSIDY PROGRAM

*In July 2019, the Board of Directors of the Export Development Fund (EDF) announced the approval of a new LE 6 billion export rebate program for fiscal year 2019-2020. This program entails allocating, 40% of the total budget, LE 2.4 billion, for cash payments to exporters, while another 30% of the program, LE 1.8 billion, will be deducted from liabilities that exporters owed to the Ministry of Finance. The remaining LE 11.8 billion will be used to boost the infrastructure and capacities of export operations.*

*The implementation mechanisms of the program center on determining the value of rebates at the sectoral level, and allocating a budget for each sector separately. The allocation of each sector will be revisited every 6 months, and reallocation of funds will be decided upon as needed. In this regard, the eligible sectors include the food industries; spinning and weaving, garments, home furnishings and engineering industries; chemical and fertilizers; building materials, refractories and metallurgical industries; building and construction materials; agricultural crop; printing and packaging; medical industries; as well as leather, furniture; and artifacts and handicrafts.*

*Exports not benefitting from the export rebate program will continue to benefit from the Shipping Africa Program, which will receive an allocation of LE 40 million. Additionally, under the continued the Air Cargo Program, LE 100 million will be allocated to EgyptAir to support the shipping of Egyptian exports. LE 100 million will also be allocated to the EDA in order to continue with holding pooled fairs through a transitional phase until the end of 2019.*

*The new program focuses on industrial deepening, aiming at increasing local manufacturing by a minimum of 40%, as well as encouraging exports of small and medium enterprises by providing additional export rebates, over and above the already established rates for SMEs: 1% export rebate for medium enterprise exports and 2% export rebate for small enterprise exports respectively.*

*The program also provides additional incentives—export rebates—to companies to encourage export expansion.*

*The government's response to the concerns raised by the Export Councils highlighted the following:*

- 1. Efforts will be made to create a legal framework for Export Councils by early 2020.*
- 2. Export support is not limited to member companies in the Export Councils. However, a number of Export Councils require membership to receive support, particularly with respect to health and safety approvals, and fulfillment of other relevant requirements.*
- 3. The fee imposed on one of the required export rebate application forms is not prescribed by law; rather, it is imposed via an administrative action taken by the Export Councils. This issue will be addressed in the legal framework that will be developed.*

4. Settling export rebate arrears will be applied beginning July 1, 2019. Arrears for time periods before July 1, 2019 will be subject to the old system. This will increase the burden on the EDF, especially that rebate mechanisms for these arrears has not been decided upon yet. EDF board discussed settlement of arrears owed to companies for the period ending December 31, 2017.

5. To settle overdue export rebates, the government will randomly select a number of companies with outstanding tax liabilities and offset it with the overdue export rebates; the government will explore mechanisms for settling overdue export rebates for companies with no outstanding tax liabilities. FEI and Federation of Egyptian Chambers of Commerce responded to this proposal by highlighting that this will ultimately boil down to rewarding companies that are delinquent in meeting their tax obligations, and penalizing compliant companies that fulfill their obligations on time.

6. Specific amount of funds are separately allocated to each sector for export rebate purposes. These allocations will be reviewed periodically to determine their adequacy. (FEI and Federation of Egyptian Chambers of Commerce consider this as adding more to the ambiguity of the implementation mechanisms of the export support program).



## PROPOSED SOCIAL SECURITY & PENSIONS DRAFT LAW

A new Social Insurance and Pension Law, Law No. 148 of /2019 was issued on 19/08/2019.

Key features of the law include:

1. Elimination of penalties involving the deprivation of liberty.
2. Monetary penalties—fines— are reduced, and the amount of the fine varies according to the offence committed. For example, the fine was reduced from LE 50,000 to LE 20,000; the LE 20,000 is set as the fine floor, and LE 100,000 the fine ceiling, in the event that the offense is not repeated.

Allowances are fully excluded from the calculation of the insurable wage.

Trade Union Organizations Law No. 213 of 2017 and its Executive Regulations

The draft law, which is currently under consideration introduces a number of changes, including:

1. Reduces the number of members required to form a trade union committee at the establishment level to 50 members.
2. Lowers the number of union committees required to form a general union to 10 committees with 15,000 members.
3. Lowers the number of general unions required to form a federation to 7 unions with 150 members.

# PROGRESS IN IMPLEMENTING INDUSTRY-SPECIFIC RECOMMENDATIONS



## THE PHARMACEUTICAL INDUSTRY

*In November 2018, Ministerial Decree No. 654 of 2018, concerning the registration of human pharmaceuticals, was issued. It stipulated that under certain conditions, biosimilars registration applications, which exceed the number of pharmaceuticals allotted to a biosimilar ‘box’ (referenced in Ministerial Decree No. 425 of 2015) will be accepted. Specifically, applications will be accepted for pharmaceuticals listed as in short supply and with no substitute, during the year preceding the issuance of the decree, or in other cases determined by the Central Administration for Pharmaceuticals Affairs, according to market needs.*

*Article No. 14 of Law No. 151 of 2019, “The Egyptian Authority for the consolidated procurement, supply, medical provisions, management of medical technology and the Egyptian Pharmaceutical*

*Authority Law” stipulated that: “A public service agency called “The Egyptian Pharmaceutical*

*Authority” will be established, with a juridical personality and will be affiliated with the Prime Minister; its headquarters will be determined by the Prime Minister; the board of directors of the Authority may decide to open additional locations.*

*The new Authority aims to organize, implement, and control the quality, effectiveness, and safety of the medical products and supplies provided for in the provisions of Law No. 151 of 2019. It is also tasked with enforcing the provisions of the current Law No. 127 of 1955 governing the practice of pharmacy, provided that they do not contravene any of the provisions of Law No. 151 of 2019. To accomplish this, it shall also assume all the necessary powers, functions and legal actions.*

*In August 2019, the President ratified Law No. 151 of 2019— “Egyptian Authority for the consolidated procurement, supply, medical provisions, management of medical technology and the Egyptian Pharmaceutical Authority Law”.*

*According to Law No. 151 of 2019, cosmetics are defined as “any preparations developed for use on the external parts of the body, teeth, or the mucous membrane of the oral cavity for the purpose of cleaning them, or perfuming them, or protecting them, or keeping them in good condition, or changing and improving their appearance, or any other existing preparations, or yet to be developed and will be categorized as cosmetics according to international standards”.*

*Article 17, Section 2, Item 3 of the law vested EDA with the responsibility, among several other executive responsibilities, of inspecting and analyzing cosmetic products.*

*It remains to be seen whether the executive regulations of the law, which are expected to be issued soon, will be responsive to the nature of the cosmetics industry. It is hoped that the anticipated regulations will take into account the recommendations of FEI while developed the regulations.*



## THE MINERAL INDUSTRY

*In April 2019, the Ministry of Trade and Industry imposed a 25% and a 15% anti-dumping duty on imports of steel rebar and iron billets respectively.*

*The advisory committee of the Ministry of Trade and Industry, which is responsible for developing the final report on the protectionist tariff imposed on imported billets, recommended revising the 15% anti-dumping duty on billets, and imposing instead a 7% duty during the first year, to gradually decrease to 5% during the second and 3% during the third.*

*The issue was presented to the Ministry of Electricity and the Cabinet, however, it is still under review. Until the issue is resolved, the existing competitiveness imbalances between established factories and new ones will continue.*



## THE PETROLEUM AND MINING INDUSTRY

*The House of Representatives concurred in the government's request to designate the New Urban Communities Authority as a competent authority, and have it participate in the administrative and financial supervision of mines falling under its geographical jurisdiction. In doing so, it discarded the Chamber of Petroleum and Mining's recommendation that overlapping oversight jurisdictions between government units be eliminated, and that EMRA be designated as the competent body with the sole oversight responsibility over mineral wealth; the recommendation also called for allocating an appropriate share of the revenue generated (whether from rent or royalties) to the governorates which is home to the exploitation area's (whether mines, quarries or salters) geographical scope.*

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