



Ministry of Trade
and Industry



Robbiki Leather City Mega Project

Leather Capital of the World

Table of Contents:

- Egypt Country Profile
- Political and Security Status
- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector

Robbiki Leather City



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- **Egypt Country Profile**
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- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector
- Annexes
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

Country Profile



Ministry of Trade
and Industry

Area

Total: 1,001,450 sq km

Population

106,207,983

Language

Official : Arabic
English and French are
commonly used in
commercial fields

Time Zone:

UTC (+2)

Natural Resources

Petroleum,
Natural Gas, Iron, Ore,
Phosphates, manganese,
limestone, gypsum, talc,
asbestos, lead, rare earth
elements, zinc

Government Structure

Republic

Currency

Egyptian Pound (EGP)

Geographic Location

Egypt has an ideal location
bridging between Africa and
the Eastern Hemisphere,
through the Sinai Peninsula.
The Suez Canal acts as a link
between the Indian Ocean
and Mediterranean Sea.

Ports

Egypt has 43 ports
extending on its coastlines
in the East and in the North;
most prominently the
Alexandria, Damietta, Suez,
Port Saeid and Safaga ports.

Official Workdays

The official workweek in
Egypt starts on Sunday and
ends on Thursday.

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Political Status



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and Industry

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- Why Invest in Egypt
- Partnerships with the Private Sector
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The Government of Egypt (GoE) initiated a bold reform program, acting as its strategic drive towards growth and recovery

Reforms



→ For more information on reforms please see Annex (1)

Mega Projects

- Through mega projects and legislative reforms, the Government of Egypt aims to reach 12% of Real GDP Growth by 2030
- Mega Projects:
 - Suez Canal Economic Zone
 - 1.5 Million Feddans
 - New Administrative Capital
 - The Robaiki Leather City
 - Damietta Furniture City
 - The Golden Triangle

→ For a breakdown of mega projects please see Annex (2)

Key Economic Targets by 2030

12% economic growth rate	10% growth in industrial sector	8% power transmission efficiency
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Top 30 economies in macro-economic environment - WEF Global Competitiveness Index

Top 30 economies in Ease of Doing Business	EGP 0 for oil subsidies	2.2% budget deficit (of GDP)
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SMEs as a Key Driver of the Economy

- Egypt is taking a clear stand to support SMEs, in policy, research and financing.
- According to the Central Agency for Public Mobilization and Statistics (CAPMAS), as of end 2015, there are 2.5 million SMEs operating in Egypt with 6.3m workers, in addition to 4,700 medium-sized enterprises with 323,000 workers, representing 75% of the total employed workforce and 99% of non-agricultural private sector establishments.

→ For a detailed overview on the SMEs landscape in Egypt please refer to section 7 of this document.

Source: Ministry of Planning, Monitoring, & Administrative Reform in Egypt

Sector Specific Reform Programs Adopted by the GoE

Industrial Sector Reform 2030

The Egyptian government is focusing on resolving issues facing investors, mainly in regards to the licensing procedures, allocation of land for investments, access to funds and loans, and giving adequate support for SMEs to have greater participation in the economy. As part of resolving impediments to investment, GoE has made clear sector specific reforms.

Agri-business reform policy

- **2030** Activating the new smart card system for farmers to stop the crippling leakage of subsidized crops.
- Expand the production capacity of crops such as wheat to 11mn TPA by increasing total available agricultural land.
- Increase production of meat, chicken, fish, and dairy by 80-100% by 2018.

Transport Reform Policy

- Nation-wide investments in developing ports' infrastructure.
- Developing the river transport sector through projects such as the Nile Taxi/Nile Ferry, and developing Nile ports in cities like Suhag, Qena, and Assiut.
- Improving the rail network by upgrading 2,500 wagons at a cost of EGP 2.5bn, importing locomotives at a cost of EGP 3bn, and spending 1.7bn on upgrading 1,760 railways.

Tourism Reform policy 2030

- The main target is to attract 9mn tourists by the end of 2017.
- Allocating 13.8mn sqm of land for tourism projects, and initiating private sector tourism projects in 2018 worth EGP 1.7bn.
- Developing transport and other infrastructure in tourism hotspots.
- Strengthen security at airports.

ICT Reform policy 2030

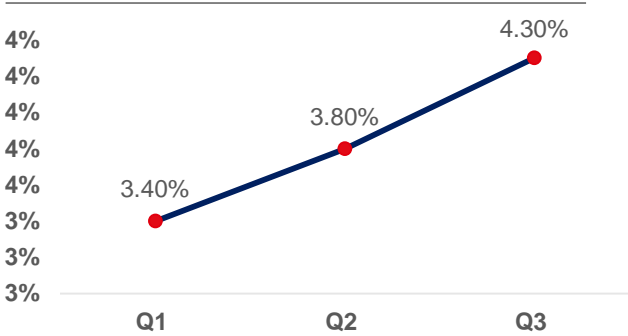
- Strategy is to expand the sector to become a USD 4.5bn industry by spending EGP 10bn on upgrading telecommunications infrastructure over the next 3 years.
- Developing 7 tech zones nationwide, with a special focus on upper Egypt and the Suez Canal Axis.

Trade Reform Policy 2030

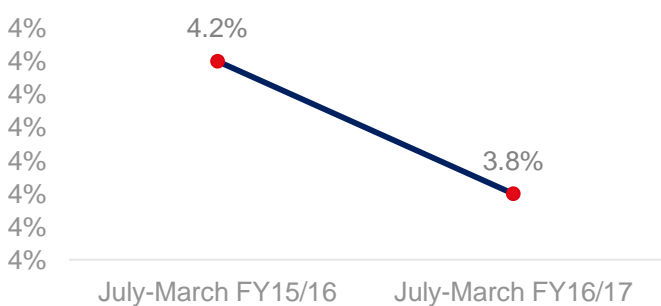
- Increase industrial exports growth to 5%/year annually by 2017/18 and SMEs exports to 10%/year.
- Rationalizing imports to cut the trade deficit by 3-5% by 2017/18 through encouraging investments in feeding industries.
- Increase exports with a rate of 10% annually (USD 18.6 bn in 2015 to USD 30 bn in 2020)

Key Economic Indicators

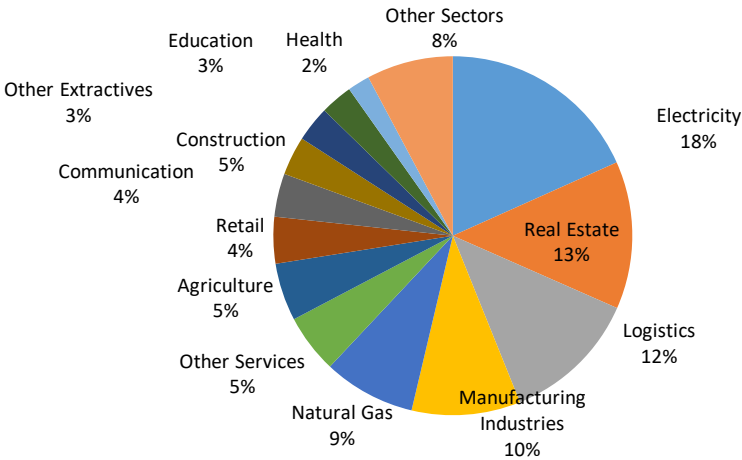
Real GDP Growth Rate FY 16/17 | %



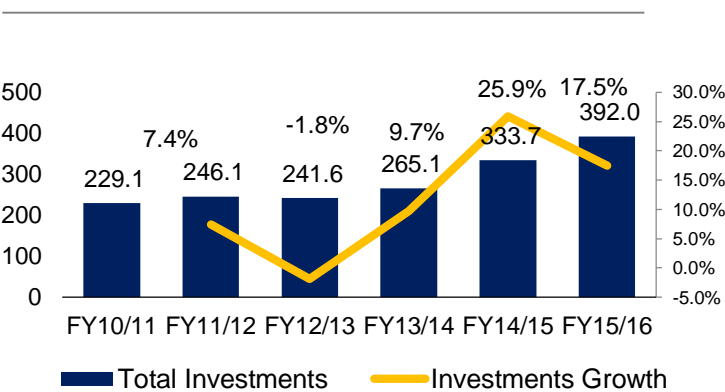
Real GDP Growth July-March FY15/16 – FY16/17 | %



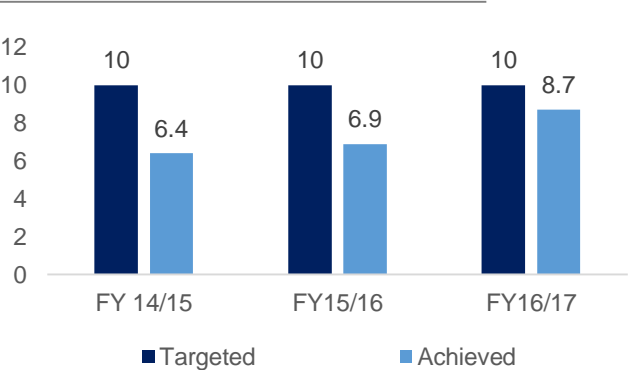
Sectoral Investments FY15/16



Total Investments & Investments Growth Rate | EGP Billion, %



FDI Targets | USD Bn



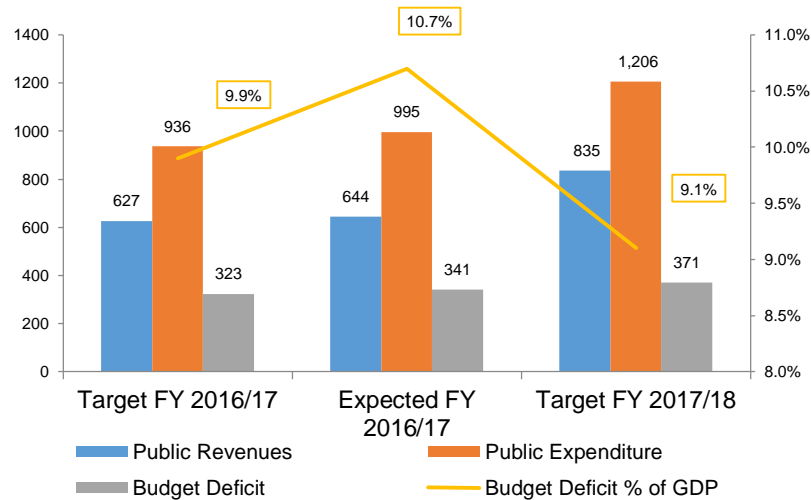
Commentary

Growth picked up in Q3 of FY16/17 after the impact of the USD crunch and the consecutive reforms started to ease. Yet, cumulative growth for the first quarters is still below the corresponding period of last year.

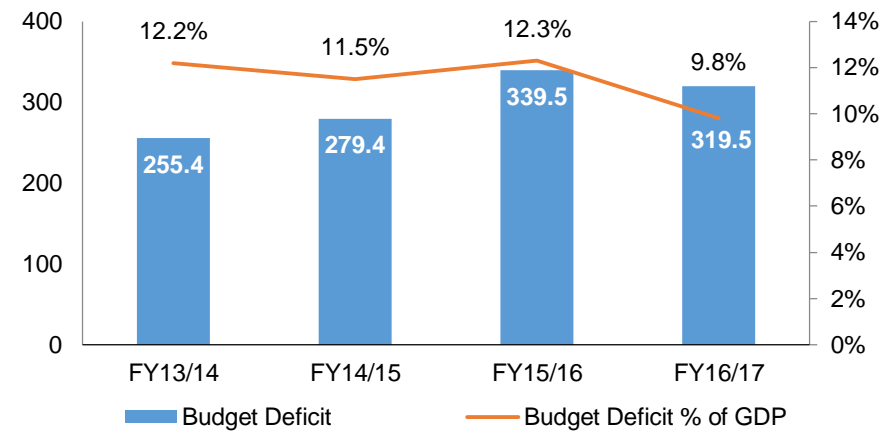
Source: Ministry of Planning, Monitoring, & Administrative Reform in Egypt

Key Economic Indicators

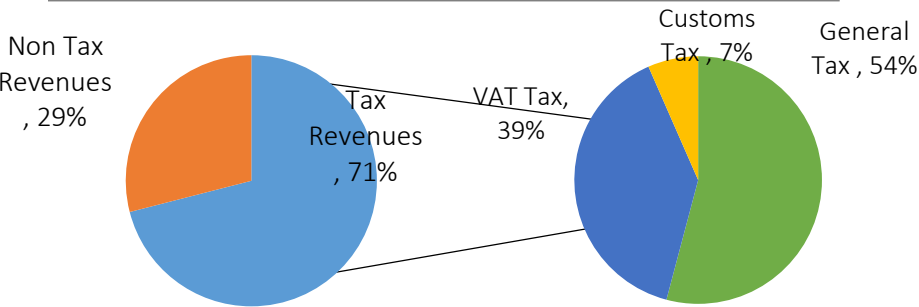
Budget Target 2017/18 vs Budget Target 2016/17 and Expected Budget FY 2016/17 | EGP Billion



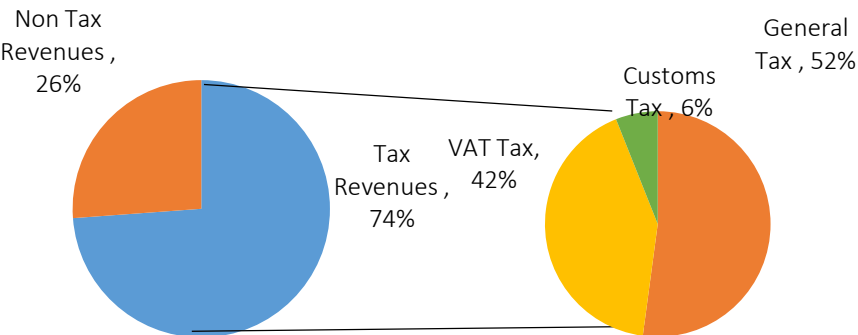
Budget Deficit | EGP Billion, %



Public Revenues Distribution Target FY 2016/17



Public Revenues Distribution Expected FY 2017/18

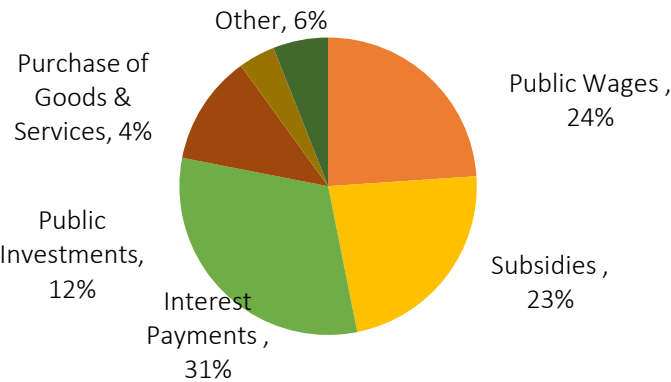


Source: Ministry Finance in Egypt

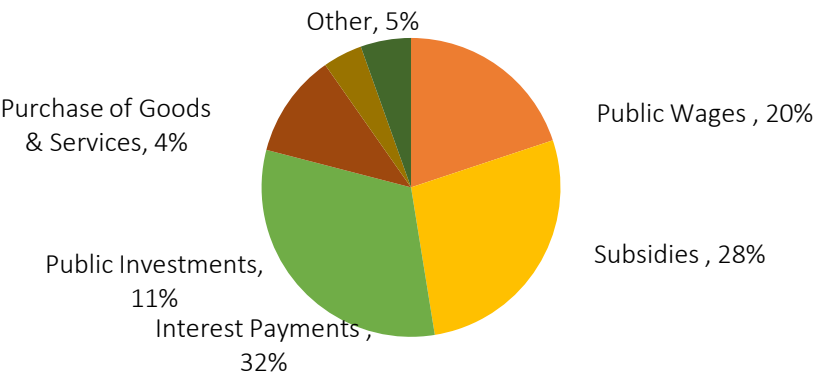
Key Economic Indicators

Public Expenditure Breakdown | EGP Billion, %

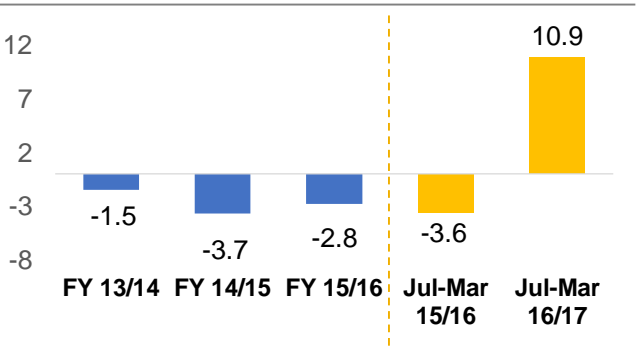
Target FY 2016/17



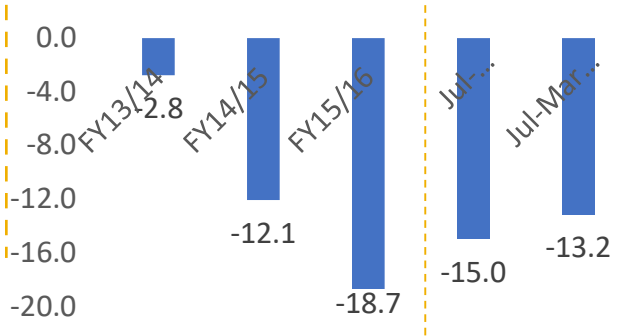
Target FY 2017/18



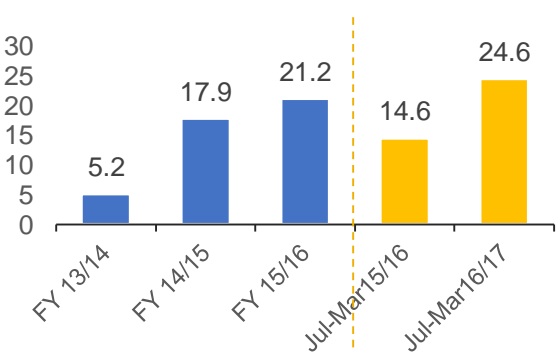
Balance of Payments | USD Billion



Current Account Deficit July – March | USD Billion



Capital & Financial Account July – March | USD Billion



Commentary

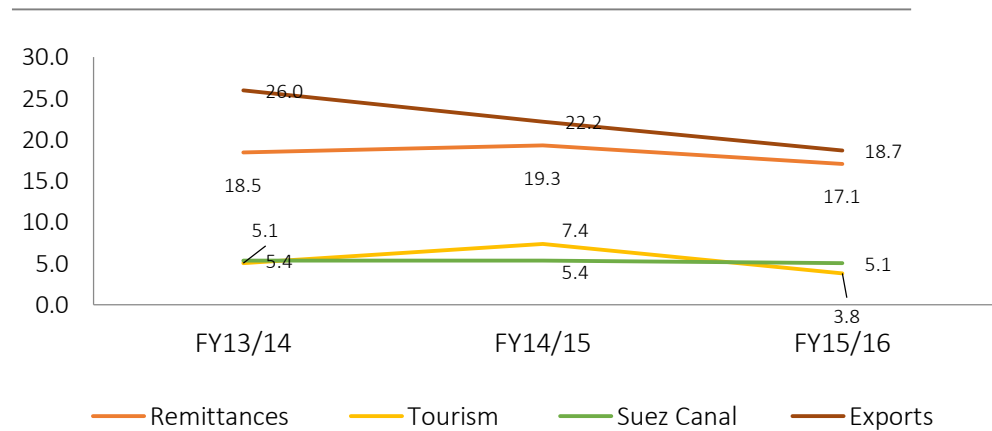
- The new budget's targets will see a rise in public expenditure, public revenues, budget deficit and a decline in budget deficit as a percentage of GDP (as compared to FY2016/17 targets)
- The GoE is targeting a budget deficit % of GDP of 9.1% in FY 2017/18 down from 10.7% in FY 2016/17 by controlling the expenditure and increase in tax collection, and removing gradually the energy subsidies. Also, with reasonable price of USD and the oil price per barrel.
- The increase in public expenditure to EGP 1.2 trillion in FY 2017/18 was mainly due to increase in oil prices and floatation of the pound, which reflected an inflation rate of 16% according to the GoE
- To achieve the 4.6% growth in GDP, the government is targeting EGP 646 billion in investments, up 27% from FY 2016/17.
- In FY 2016/17 public revenues were targeted at EGP 627 billion, but as the fiscal year is coming to an end it is estimated that only EGP 644 billion will be collected by the end of the fiscal year. In FY2017/18, the government is targeting EGP 835 billion of revenues.
- Achieving the target may only happen by adopting concrete measures to prop up public revenues, for example:
 - Increase in the VAT rate to 14% from 13%
 - Measures to formalize the informal sector
 - Measures to counter smuggling and illicit trade
- The FY2017/18 budget targets to increase tax revenues by 31% , to reach EGP 604 Billion in FY2017/18 up from 461 billion in 2016/17 . Non-tax revenues are targeted to increase by 10% to reach EGP 214 billion vs. (193 billion)
- In FY2017/18, public expenditure is targeted to reach EGP 1.2 trillion, 21.3% higher than the target in FY 2016/17. Public expenditure witnessed the following changes:
 - Public wages increased by 6.8% reaching EGP 240 billion vs. EGP 225 billion in FY2016/17.
 - Subsidies increased by 54.3% to reach EGP 332 billion vs. EGP 215 billion in FY2015/16. This was due to the increase in oil prices and the floatation of the currency. This increase is attributed to:
 - The increase in international oil prices from USD 40 per barrel to USD 55 per barrel increasing the petroleum subsidies to EGP 150 billion up from EGP 35 billion
 - USD: EGP from 8.8 to 16.0 and Public supply increased by 26% reaching up to EGP 64 billion
 - Interest payments will witness a rise of 30%, taking up almost 32% of total expenditure. The rise of interest payments can be attributed to the devaluation of the EGP against the USD and the increase in interest rates.
 - Public Investments will see a rise of 20.6% reaching EGP 135 billion vs. EGP 112 billion in FY2016/17.

Commentary

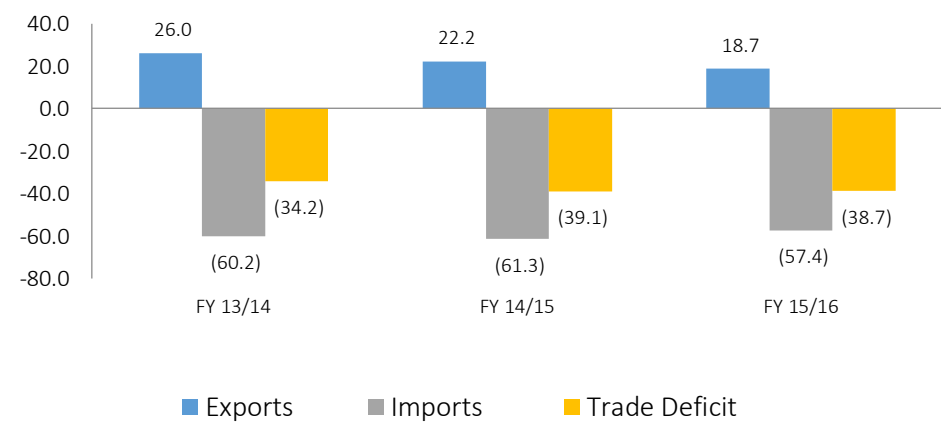
- BoP witnessed a remarkable c400% increase, as the current account deficit declined by 12% and the capital and financial surplus increased by c68%. This was mainly as a result of the large IMF-endorsed borrowing program.
- The GoE managed to reduce the current account deficit mainly due to:
 - Reducing the trade deficit by 8.1%, as the devaluation and several other import-deterrent measures were taken and Remittances increased by 1.6%, after the devaluation and the end of the black USD market
- Capital and financial account surplus increased due to:
 - Net FDIs increased by c12%
 - Portfolio investments increased by 620% on the back of increased foreigners purchases in local T-bills and bonds, the GoE's issuance of USD 4 billion of USD-denominated bonds and increased foreign investments in the EGX

Foreign Exchange Changes

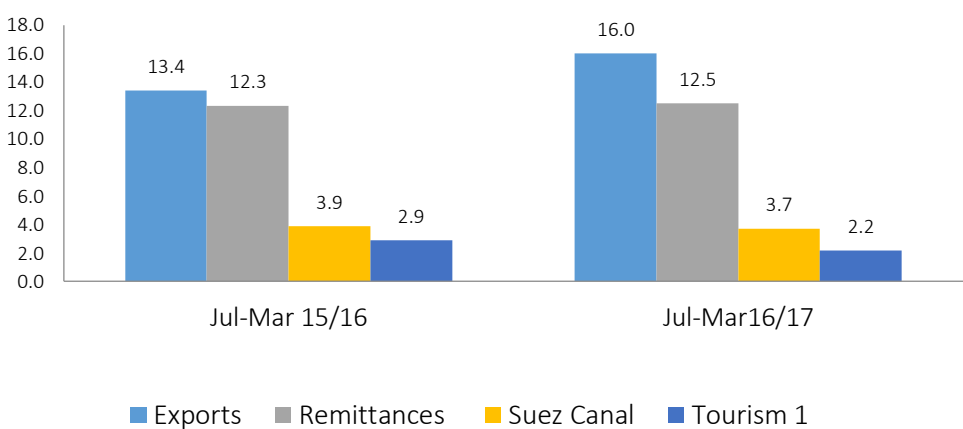
Main Source of Foreign Currency | USD Billion



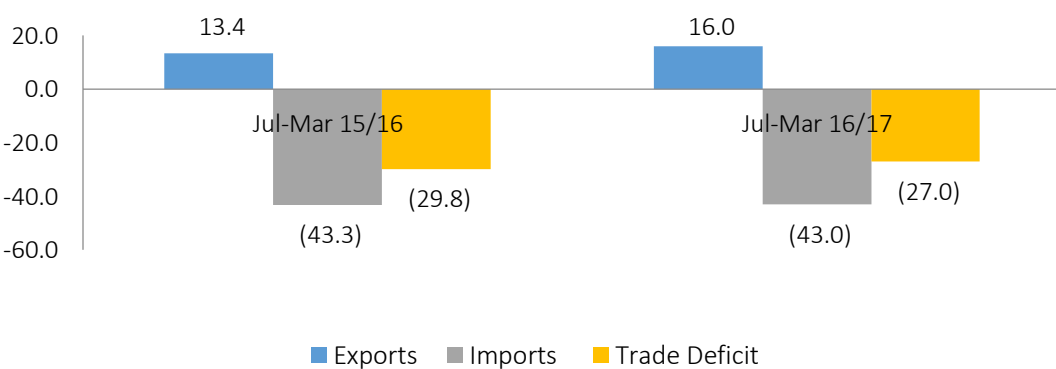
Trade Balance



Main Source of Foreign Currency Jul-Mar FY 15/16-FY16/17 | USD Bn



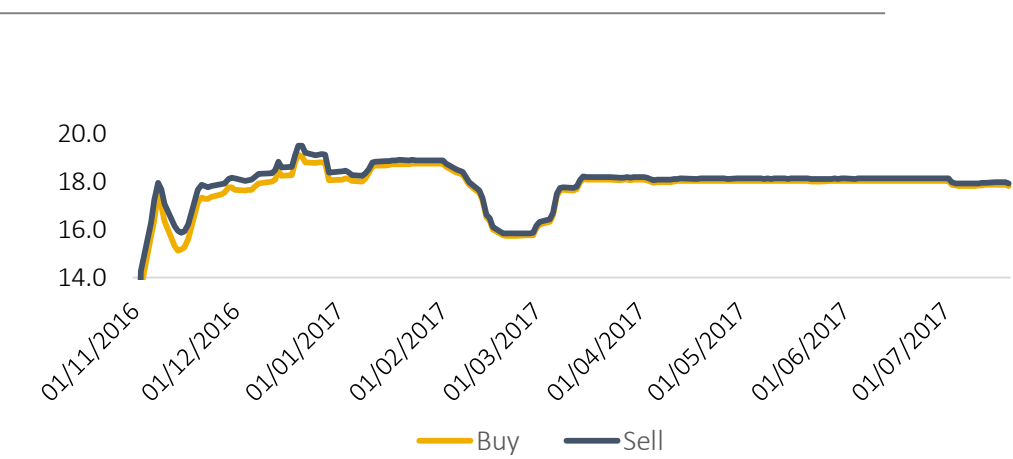
Trade Balance Jul-March FY15/16-FY16/17 | USD Bn



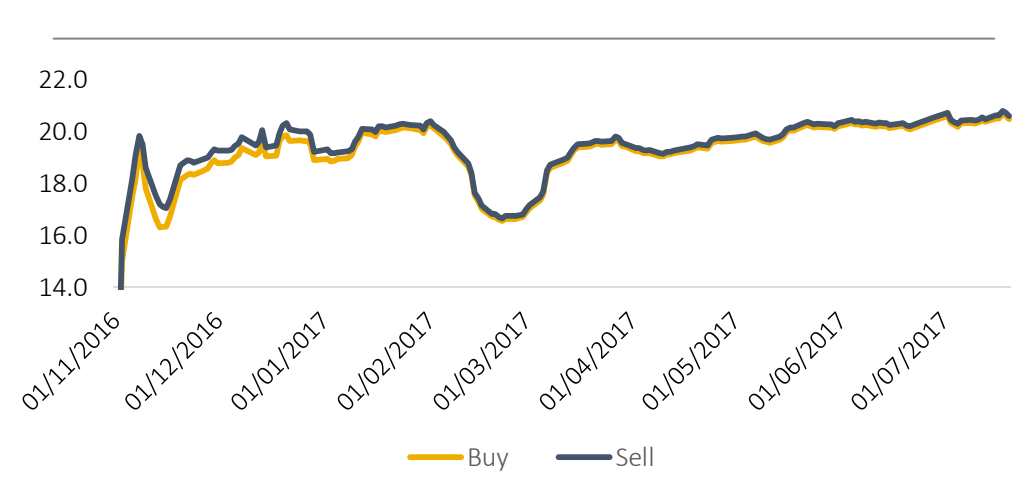
Source: Central Bank of Egypt, Author's Calculations

The free float of the EGP, which was adopted in November 2016, which has effectively ending the parallel FX market, but surging inflation rates

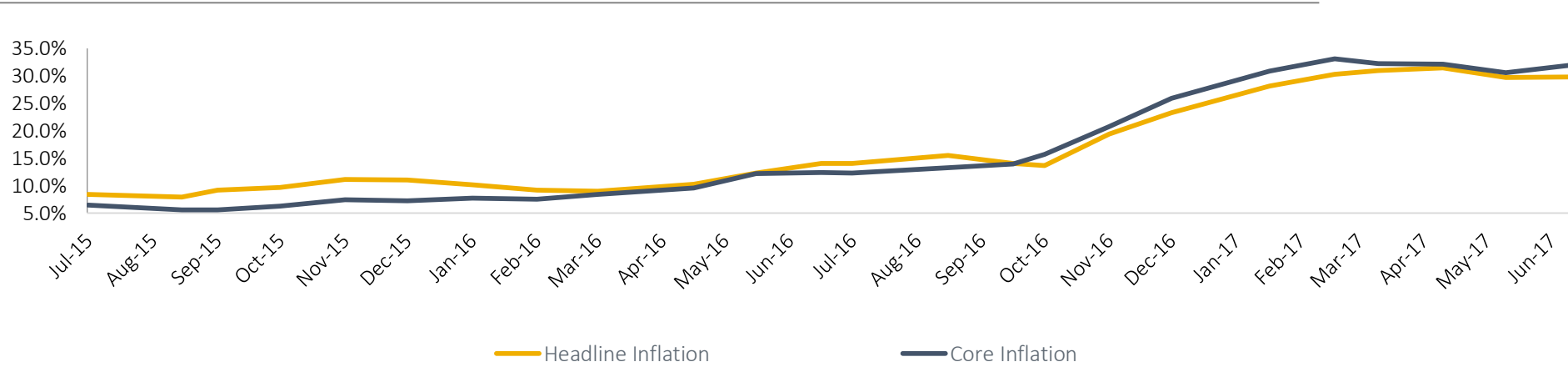
Main Exchange Rate Post Devaluation | USD EGP



Exchange Rate Post Devaluation | EUR EGP



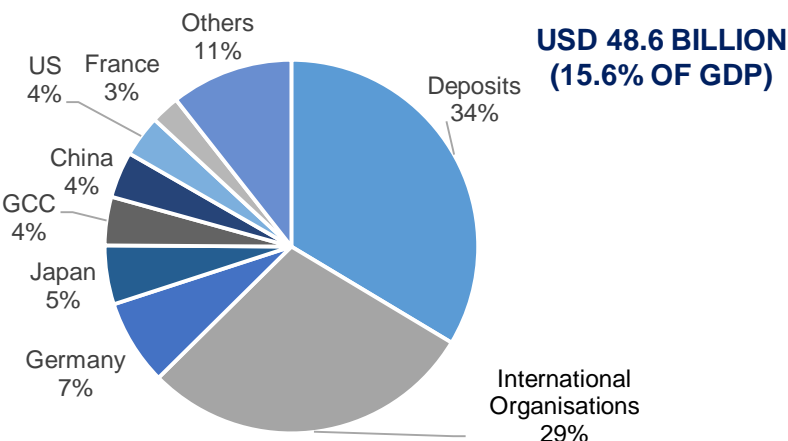
Inflation Rate



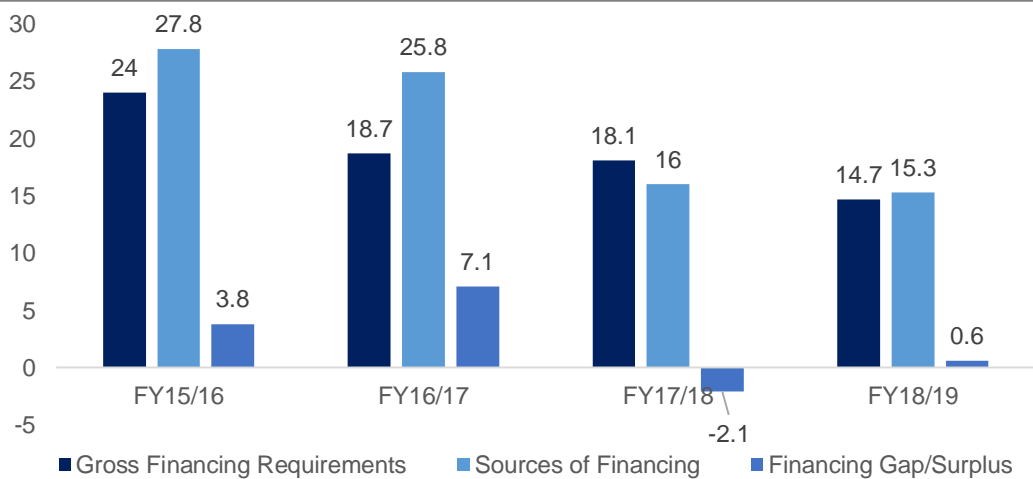
Source: Central Bank of Egypt, Author's Calculations

As a solution to the FX crunch, the GoE capitalized on the low external debt level (17.9% of the GDP) and initiated a bold foreign borrowing program

Mid & Long-Term External Debt | By Debtor | June 2016



Egypt's Funding Requirements v.s. Resources | USD, Billion



Selected Sources of Funding | USD, Billion

	2015	2016	2017	2018	2019	Total
IMF	0	2.75	3.25	4	2	12
Gulf Countries	6	3	-	2.2	4.9	16.1
Bonds & Repo	1.5	2	6	-	-	9.5
World Bank	0	1	2	-	-	3
AfDB	0	0.5	1	-	-	1.5
Afreximbank	0.4	3.3	-	-	-	3.7
France, UK & Germany	0	0	0.7	-	-	0.7
Japan	0	0	0.1	-	-	0.1
China	0	2.6	-	-	-	2.6
Total	7.9	15.15	13.05	6.2	6.9	49.2

Source: Central Bank of Egypt, Ministry of Finance, IMF, Various News Sources

For more information on the highlights and timelines of the borrowing program, please see Annex (3)

The borrowing programs are conditional on the implementation of the GoE's reform program...

Government of Egypt's Reform Program				
Themes	Pillar 1: Advancing Fiscal Consolidation	Pillar 2: Ensuring Sustainable Energy Supply	Pillar 3: Enhancing the Business Environment	Additional Reforms Being Undertaken
Macro-Fiscal Stabilization	<ul style="list-style-type: none"> Income tax reform Delinking variable pay from basic pay Debt management Value Added Tax 	<ul style="list-style-type: none"> Energy subsidies FDI in Energy 	<ul style="list-style-type: none"> Enhanced private sector investment 	<ul style="list-style-type: none"> Real Estate Tax Property Tax reform Capital Gains Tax reform Excise and cigarette tax rise
Privet Sector-Led Growth	<ul style="list-style-type: none"> Unifying income tax Value Added Tax 	<ul style="list-style-type: none"> Free entry for power and gas companies Renewable energy 	<ul style="list-style-type: none"> Investment Law Competition Law Industrial Licensing Law 	<ul style="list-style-type: none"> New Suez Canal Development project National project for roads Mining Law Settle investor disputes Investments in upstream gas contract
Transparency & Accountability	<ul style="list-style-type: none"> Mid-year review statement Macro-fiscal framework Public debt strategy Wage automation 	<ul style="list-style-type: none"> Competitive power and gas markets Strengthen EgyptERA New gas regulator New generation companies SOE reforms for Transmission Company 	<ul style="list-style-type: none"> Reduced discretion and increased transparency in industrial licensing Strengthen Competition Authority 	<ul style="list-style-type: none"> Civil Service Law reform Electronic tax collection Public finance management strategy
Social & Economic Inclusion	<ul style="list-style-type: none"> SME tax harmonization 	<ul style="list-style-type: none"> Energy subsidy savings to social spending Rooftop solar program for SMEs 		<ul style="list-style-type: none"> Takaful & Karama SSN Upper Egypt development Rural sanitation project Agri. competitiveness Social housing project Natural gas connections Microfinance Law

Results and outcomes of enacting the aforementioned programs were evident in Egypt's fiscal sector

Bonds

- USD 4 Billion in January 2017 (Egypt took orders of USD 11 Billion)
- USD 3 Billion in May 2017 (Egypt took orders of USD 13 Billion)

Arrears

- Repayment USD 750 million in May 2017
- Repayment of USD 750 Million in June 2017

Central Bank of Egypt Reform

- In June 2017 the CBE canceled restrictions on foreign exchange transfers placed back in 2011

Egyptian Exchange

- Foreigners' investments on the EGX rose in July/March 2016/2017 to register net purchases of USD 308.9

Robbiki Leather City



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Ministry of Trade & Industry 4 Year Industrial Strategy



Ministry of Trade
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The Ministry of Trade and Industry's Objective is to reach the following outcomes by 2020:

Annual Industrial Growth Rate

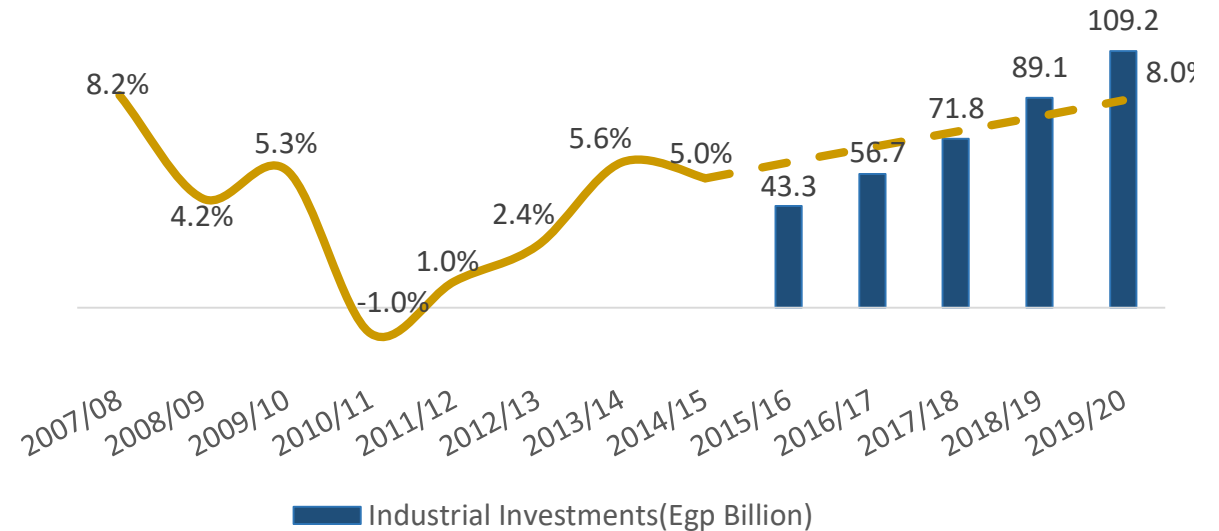
8%

Industrial Investments Value

EGP100bn

Annual Exports Growth Rate

10%



Eight programs are mobilized to support the needed industrial development with a national integrated approach

Legislative
Reform

Provision of
Industrial
Lands

Provision of
Industrial
Clusters

Green
Economy
Enhancement

Industrial
Investment
Map

Research &
Development
Enhancement

Industrial
Quality
Enhancement

Dismissing
Bankrupted
Companies

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Ministry of Trade
and Industry

- Egypt's Macroeconomic Overview
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 - Annex (2): Mega Projects
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Leather Industry in Egypt:

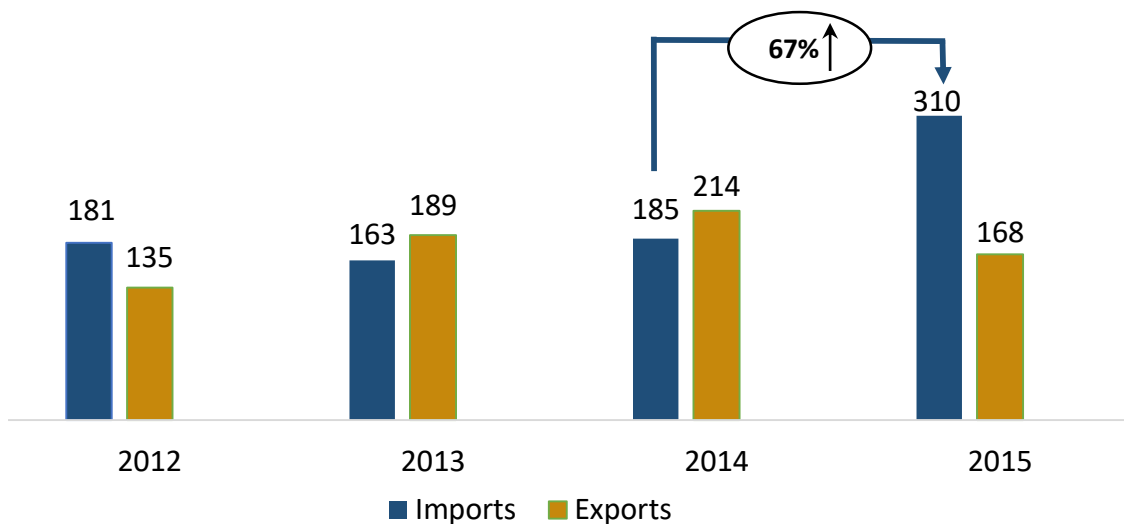


Ministry of Trade
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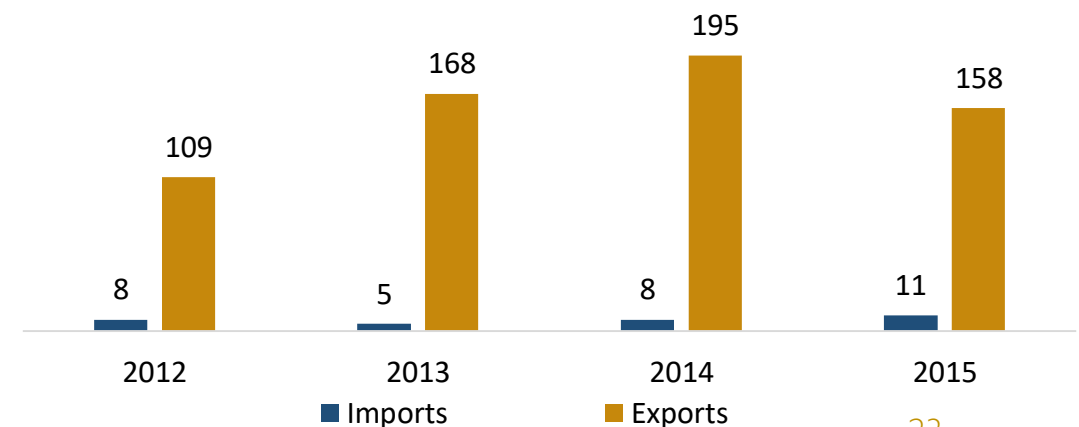
Leather Sector in Numbers:

- The quality of the Egyptian Raw Hides ranks the **7th in the world**
- Total Production of Tanned Leather: **200 Million Square Feet**
- Tanneries export top **International Luxury Brands for Fashion and Leather Products** such as Gucci, Burberry, Clarks and Louis Vuitton through agents due to the work environment the tanned leather produced in
- **Less than 5%** of the tanneries in Egypt represents the export to international markets
- The average price for tanned leather is **\$1.25/sq feet** due to the highly competitive market
- Average Total Number of Leather Footwear Produced in 2015 was **70 Million Pairs**

Total Imports vs Exports of Leather Sector from 2012-2015 (Million USD)



Tanned Leather Exports from 2012-2015 (Million USD)



Leather Industry in Egypt:



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Leather Industry Overview

- According to a study conducted by the Chamber of Leather Industries, investments in the leather sector amount to about 5 billion EGP. The leather industry employs 250,000 workers, and is made up of:
 - 3,500 production workshop
 - 50 shoe factories
 - 150 factories/workshops of leather production
 - 20 shoe insole factories
 - More than 100 small workshops
 - 300 tanneries
 - 15 wooden mold workshops

Which makes this sector self sufficient for all locally manufactured leather products. The Egyptian leather industry is also qualified with distinct characteristics and good marketing opportunities in the Arab, Africa, some European markets, and the USA.

Leather Industry In Egypt:



Ministry of Trade
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More than **95%** of the tanneries in Egypt are located in an area downtown Cairo called “**Magra El Oyoun**”

Despite the huge amount of leather produced each year, tanneries in Magra El Oyoon area are suffering from poor working and health conditions:

- Poor infrastructure and services
- Deterioration of health and security status due to lack of guidelines
- Discontinuous flow of leather tanning processes due to **vertical extension** of tanneries impeding the that hinders the tannery owners from developing.
- Outdated tanning techniques
- Worn out buildings



Leather Industry In Egypt:



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The sector is covered by the services of several institutions, including but not limited to the following:

**Chamber of Tanning Industries
& Chamber of Leather
Industries**



Both Chambers are members of the Federation of Egyptian Industries with about 3000 registered members under the umbrella of the Ministry of Trade Industry . The Chamber of Leather Industry and the Chamber of Leather Tanning are the legal representative of the sector and are non profit organizations, providing services to more than 750 shoes ,leather goods ,apparel and components manufacturers and 300 tanneries

Export Council



Sectoral Export Councils are formed by the Ministry of Foreign Trade and Industry comprising members representing the varied sectoral activities with a mandate to work out focused strategies to foster the export development. This Government initiative has 5 proven to play an effective role with various sectors as showing impressive export growth.

**Footwear Training Centre –
Amereya**



A vocational training centre was established with assistance of the German GTZ (The Egyptian German Footwear Training Centre) equipped with a design centre,a small testing laboratory and a very modern complete production line for shoes

**Footwear and Leather
Industry Service Centre (FLISC)**



Was founded in March 2000 under the Social Fund for Development (SFD) and the UNIDO as a design centre for shoes using latest 3D computerized design systems aiming to provide services to the leather industry. It provides fashion design and marketing information and direct assistance to the local small scale footwear and leather goods manufacturers.

Leather Technology Centre



An established nucleolus body under the Ministry of Trade and Industry within series of Technology Centres. The centre provides assistance to the footwear and leather goods manufacturers on technology aspects through Spanish bilateral technical assistance.

Footwear Market Overview in Egypt



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OVERVIEW OF TRENDS

- International brands continued to have a favourable competitive landscape versus local production in Egypt 2016.
- Women' s footwear witnessed growth in 2016 based on innovative new designs which attract mid- to upper-income consumers.
- Men' s footwear witnessed a slight decline in growth in both in volume and value terms in 2016, down to 3% and 14% respectively.
- The government is trying to reduce the volume of imported brands sold informally, while international brands seek to increase their number of outlets and expand their presence in Egypt.

Footwear Imports vs Exports from 2012-2015 (Million USD)



Footwear Market Overview in Egypt

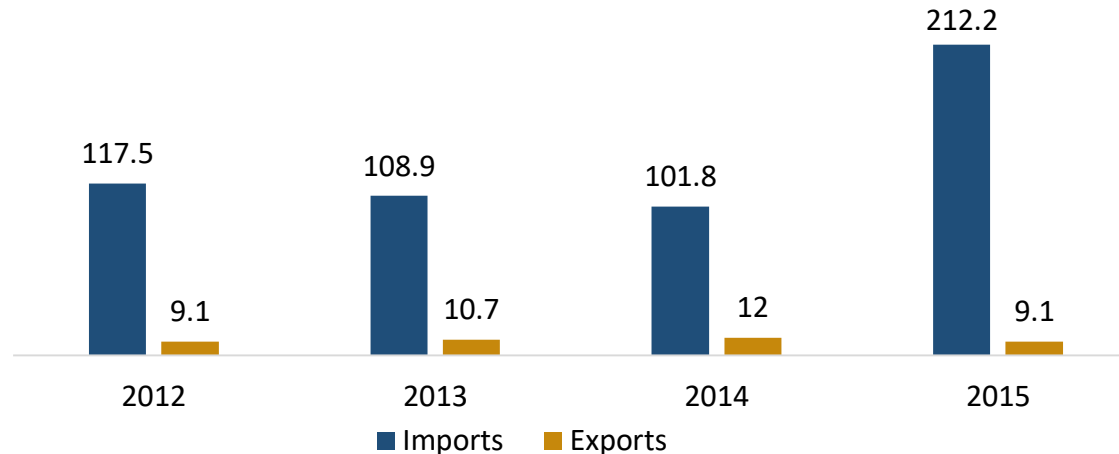


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- Men' s footwear witnessed a slight decline in growth in both in volume and value terms in 2016, down to 3% and 14% respectively.
- The government is trying to reduce the volume of imported brands sold informally, while international brands seek to increase their number of outlets and expand their presence in Egypt.

Footwear Imports vs Exports from 2012-2015 (Million USD)



Robbiki Leather City



Ministry of Trade
and Industry

- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- **Robbiki Leather City Project**
- Why Invest in Egypt
- Partnerships with the Private Sector
- Annexes
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

Robbiki Leather City Project



Ministry of Trade
and Industry

Vision

The Ministry of Trade and Industry's vision is developing the leather sector in Egypt by increasing its products competitiveness and enhancing its supply chain through integrating local and international feeding and value added industries through constructing a specialized industrial zone "Robbiki Leather City".

Objective

- Construct Robbiki Leather City to be a **specialized** and **integrated** industrial city in the leather manufacturing industry accommodating small ,medium and large businesses, feeding and value added industries.
- Provide **superior infrastructure facilities and services** to support the factories as well as the provision of safety and security for the manufacturers and city's visitors.
- Contribute in the **development of the leather industry** through research, quality testing and know-how and technology transfer
- Provide **marketing and promotion** for factories locally and internationally through exhibitions and **facilitating exports** to international markets.
- Create **new job opportunities** (Direct & Indirect) in various activities related to leather industry.
- **Empower clustering** between different manufacturing entities through assisting in creating manufacturing linkages and trade consortia within the city.

Robbiki Leather City Strategic Location



Ministry of Trade
and Industry

The City's location is aimed to serves its investors in minimizing transportation time and costs to/from international and local entities. It is located in the suburbs of Cairo in Badr City on a total surface area of 1629 acres.

Nearest Big Cities:

54 KM Away from Cairo

60 KM From Suez Governorate

70 KM From Ismailia Governorate

5 KM From Badr Industrial and Residential City

13 KM From 10th of Ramadan Industrial and Residential City

Nearest International Airports:

36 KM From Cairo International Airport

215 KM From Borg Al Arab International Airport

Nearest International Seaports:

76 KM From Al Adabiya Port

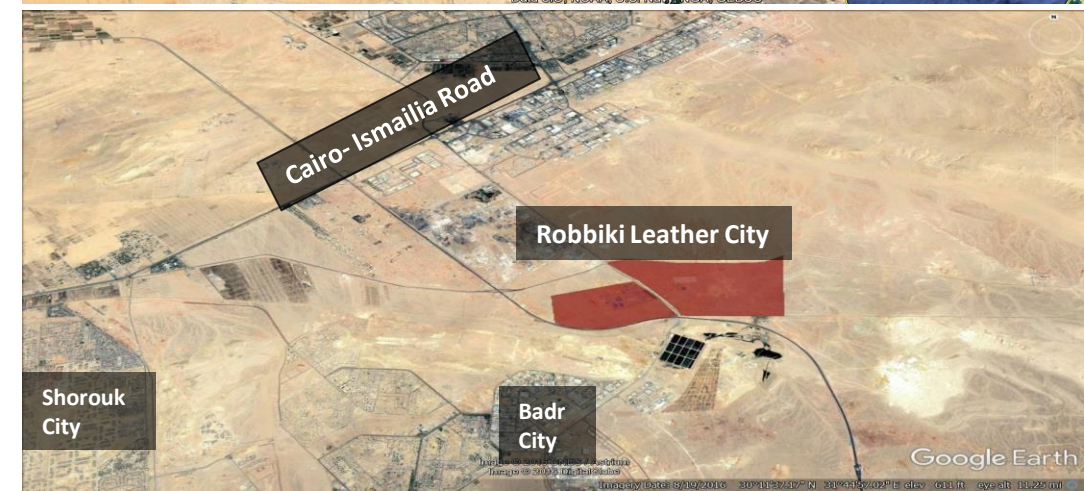
81 KM From Port El Sokhna

81 KM from Suez Port

131 KM From Port Said Port

143 KM From Damietta Port

214 KM from Alexandria Port



RLC Masterplan



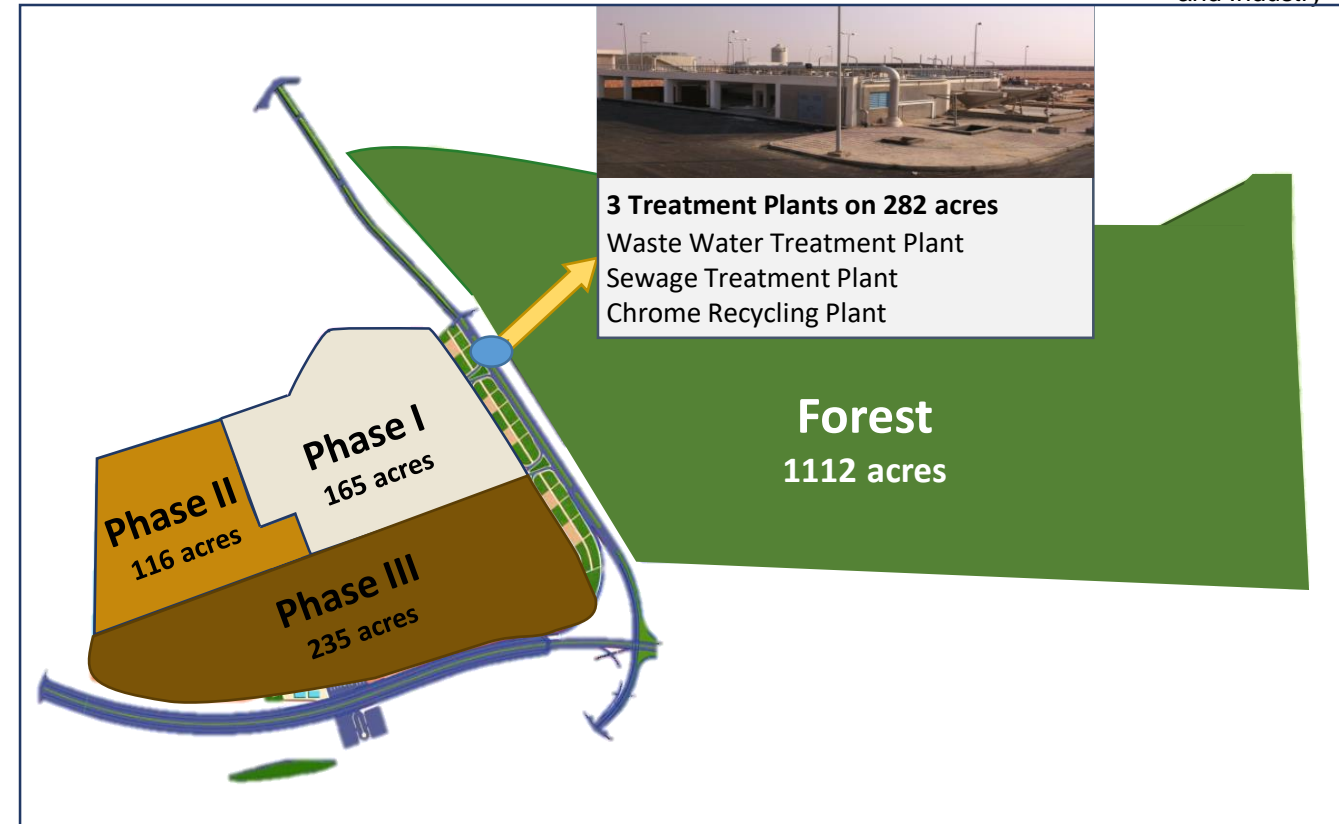
Ministry of Trade
and Industry

The RLC consists of 3 different phases:

- **Phase I:** represents an area of 165 acres built exclusively to accommodate **tanneries relocating from Magra El Oyoun** (322 Tanneries)
- **Phase II:** represents an area of 116 acres reserved for **additional space for tanneries** (if needed) in addition to **feeding industries** (Chemicals Factories, Gelatin manufacturers,...)
- **Phase III:** represents an area of 235 acres reserved for **leather products manufacturers and the value added industries.**

RLC is an **Eco- Industrial Zone** having 3 Different Common Effluent Treatment Plants on a total surface area of 282 Acres to grow trees on 810 acres using the recycled water

- Industrial Waste Water Treatment Plant
- Sewage Treatment Plant
- Chrome Recycling Plant



RLC has of **Leather Technology Transfer Center (LLTC)** of which its main objective is to **assist the factories to develop and upgrade** techniques used in manufacturing that copes with the latest technologies by transferring the latest technology to the leather sector in Egypt to **enhance the quality of leather** produced as well **as enhance their innovation and design skills** to produce new trends for the fashion sector. The LLTC consists of the following:

- Model Tannery
- Research and Development Laboratory
- Physical and Chemical Laboratories
- Teaching Classrooms

RLC Management Company



Ministry of Trade
and Industry

Robbiki Leather City is managed by **Cairo Investment for Urban and Industrial Development (CID)** established in May 2016 to comply with ministry's strategy in the following:

- Increase the leather exports from \$200 Thousand to **\$3Billion** through attracting feeding and value added industries
- Provide **guidelines and services** for investors to comply with the international working standards
- **Marketing** for the city and its products in international and local exhibitions and fashion events
- Establish **Partnerships** with the private sector to manage the city effectively



14/03/2018



Robbiki Leather City Manufacturing Facilities



33

Robbiki Leather City

- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- Robbiki Leather City Project
- **Why Invest in Egypt**
- Partnerships with the Private Sector
- Annexes
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

Why Invest in Egypt?

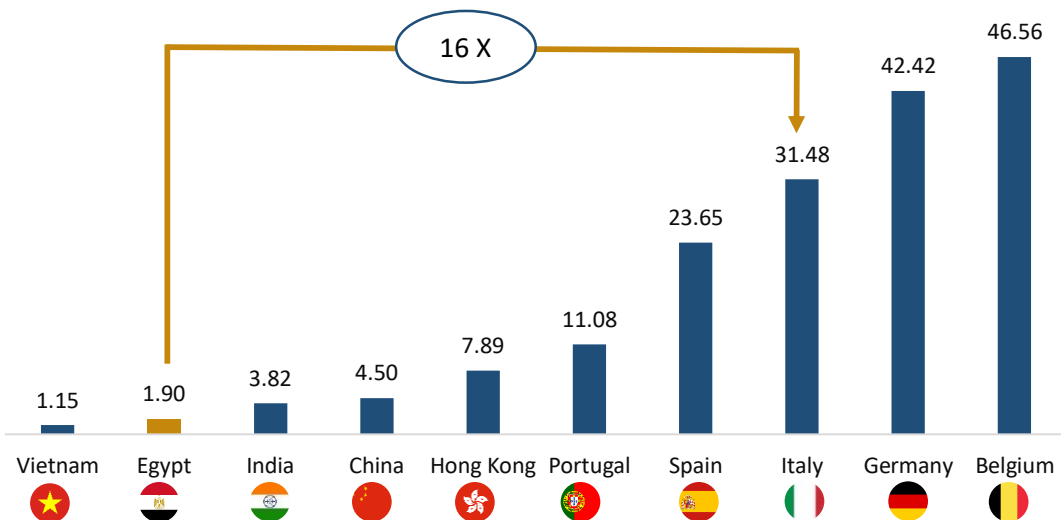
For more information on the Ease of Doing Business in Egypt
Check Annex (4)



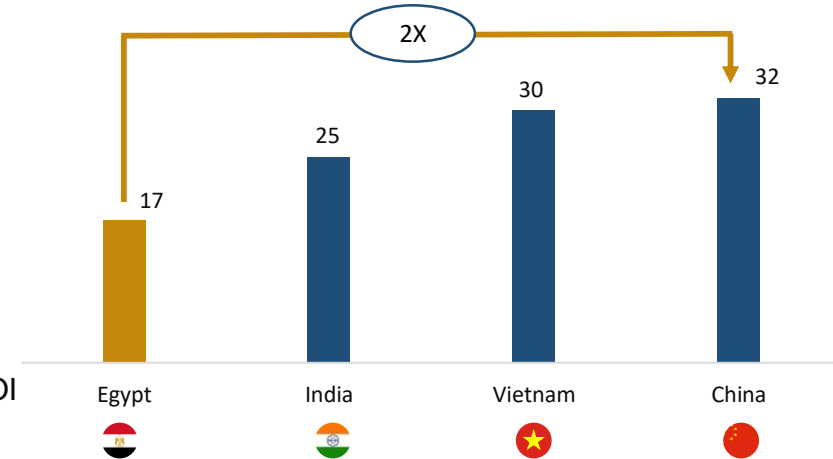
Ministry of Trade
and Industry

- **Largest Consuming Market** in Africa and the Middle East.
- **Global Gate to International Markets due to** the Different Multilateral and Bilateral Trade Agreements between Egypt and major countries that benefit investors in trading at lower costs.
- **Competitive Edge** Egypt has in Skilled Labor, Electricity costs and Shipping Time
- Egypt's been doing several **economic and social reforms** to boost investments and drive growth which has been reflected on the IMF's decision in supporting Egypt with \$12 billion:
 1. **New Investment Law** has been issued in May 2017 that includes policies and incentives to improve the investment climate and attract foreign direct investments in Egypt
 2. **Industrial Licenses** will be issued in less than **30 days**
 3. **Cheap Land Prices** with an average price of **\$110/m²** to help investors expand and increase ROI
 4. **One Stop Shop** that minimize the effort and time of investors in dealing with government for permits and licenses

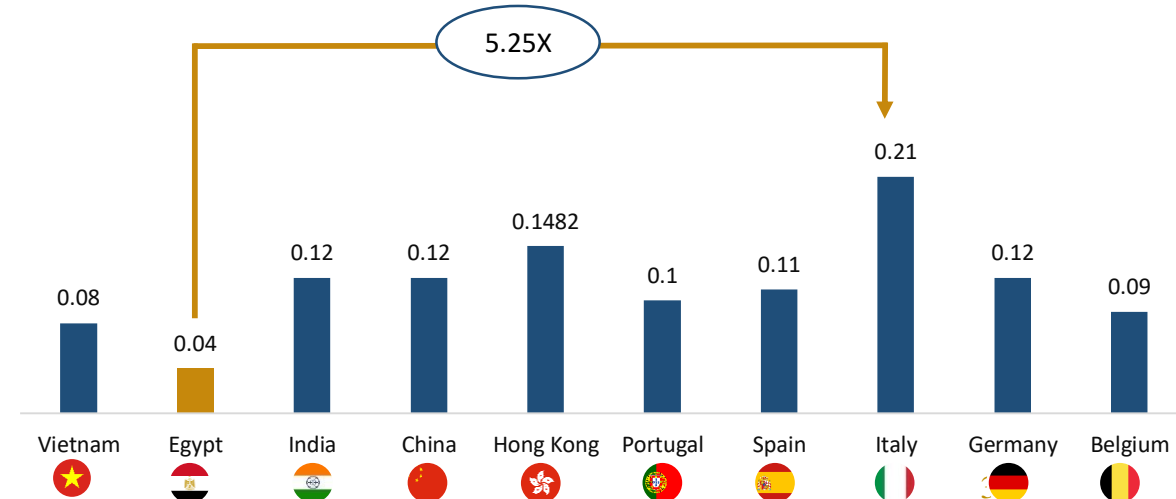
Average Hourly Labor Compensation in Manufacturing Sector (\$/Hour)



Average Sea Freight Duration for exporting to Top Importing Countries (Days)



Electricity Costs in Industrial Sector (\$/KWH)



Investment Catalysts | Free Trade Agreements

Egypt's Free Trade Agreements (FTAs) ensure rapid delivery of goods to 2 billion consumer in Europe, Asia, the Middle East and Africa. For more info on FTAs, please refer to Annex (5) of this document.

7

SIGNED FREE TRADE
AGREEMENTS

40+%

WORLD GDP SHARE (%) BY
THE SELECTED COUNTRIES

2 BN

NUMBER OF CONSUMERS
ACCESSED THROUGH FTAS

70+

NUMBER OF COUNTRIES
THAT SIGNED THE TRADE
AGREEMENTS

Investment Catalysts



Ministry of Trade
and Industry

**LARGE
CONSUMER
MARKET**

**ROBUST
INFRASTRUCTURE**

**LARGE
LABOUR POOL**

**COMPETITIVE
TAX RATES**

**ABUNDANT
ENERGY
RESOURCES**

**LOW COST OF
LABOUR**

**DIVERSIFIED
ECONOMY**

**STRATEGIC
GEOGRAPHIC
LOCATION**

**INVESTMENT
LEGISLATIVE
REFORMS**

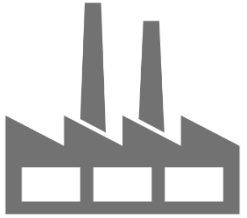
**LOW
OPERATIONAL
COST**

**GROWING
ECONOMY**

Investment Opportunities Across All Sectors



Ports and Logistics Services



Maritime and Related Services



Manufacturing



Information and Communication Technology



Energy and Renewable Energy

Robbiki Leather City



Ministry of Trade
and Industry

- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- **Partnerships with the Private Sector**
- Annexes
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

Private Sector is a “Main Developer” in MTI Strategy:

The Ministry’s vision aims to base the country’s industrial development on private sector participation with **strong governmental support** to remove investment and production obstacles.

A progressive private sector partnership would aid the Egyptian industrial sector towards:

- I. Deepened local manufacturing capability and value chain development.
- II. Integration with international supply chains
- III. International competitiveness and alignment

The ‘**provision of industrial clusters**’ project aims to have the following across Egypt by 2020:

Number of Industrial Clusters

22

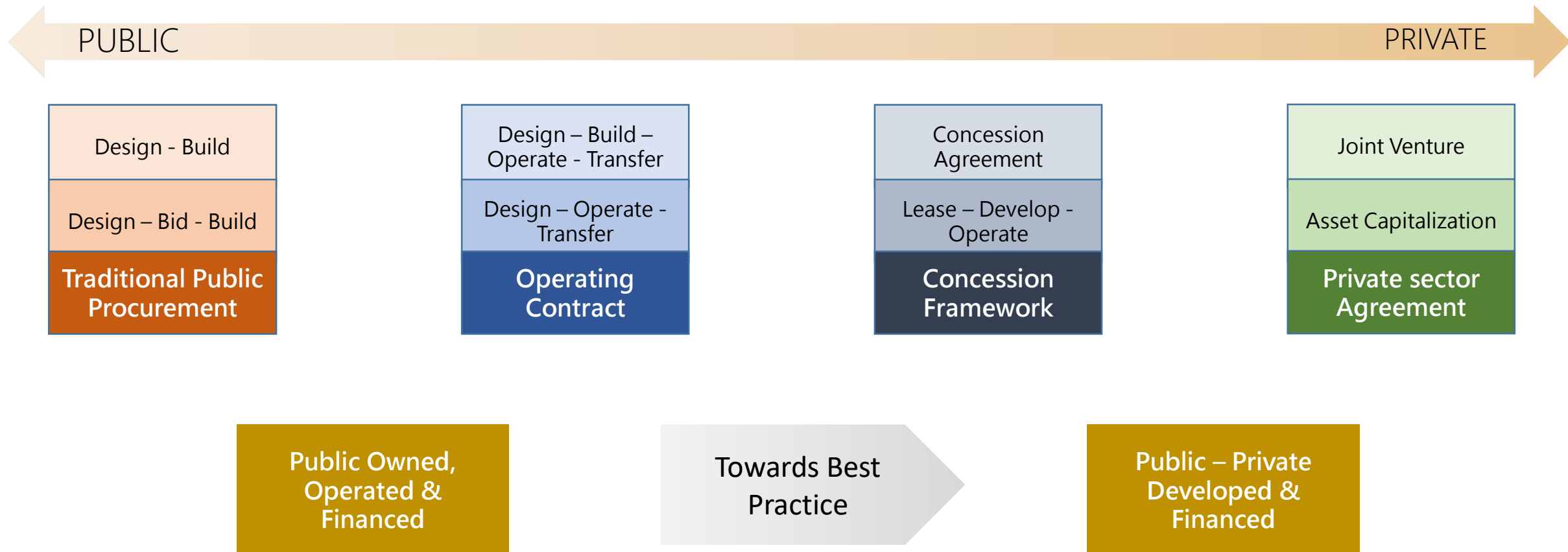
Total Area for Industrial Purposes

60 Million m²

Industrial clusters/zones will be built and managed through the private sector.

Models for IZ Development and Service Provision

Public-Private Partnership models vary depending on project's status and requirements.



Robbiki Leather City



Ministry of Trade
and Industry

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- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector
- **Annexes**
 - **Annex (1): Reforms**
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

Procedural and Administrative Reforms

- **Anti Corruption:**

The GoE has made strides in its procedural and administrative processes that would be implemented under its bold economic reform program. The government is actively implementing anticorruption measures to ensure that the gradual gains from the economic reforms are effectively managed and disbursed.

- **Reforming the Government's Administrative Bodies:**

It is projected that the organizational structure of administrative bodies will change to a more efficient structure to promote a well functioning bureaucracy and strengthen anti-corruption measures.

- **Automation Processes:**

Lastly, the GoE has prioritized the rapid introduction of automation processes to significantly reduce bureaucratic inefficiencies, and improve the business climate in the coming period. This will take place within a broader strategy to spur growth and investment stipulated in the investment and bankruptcy laws.

Regulatory Reforms



New Investment Law:

- The new investment Law was ratified and officially published on the 31st of May 2017 with the aim of attracting new investments to Egypt through offering further incentives and guarantees, removing obstacles and streamlining the procedure. The law introduces a new tax reduction system for investment in certain geographical areas as well as investment in specific sectors. Only new companies established after the issuance of the law can benefit from this tax credit system. The law allows again the establishment of privately-owned free zones, and grants investment incentives and guarantees to local and foreign investors alike.

The law assured the following guarantees to all types of investments in Egypt:

- Equitable treatment to both foreign and Egyptian investors. The Cabinet has the authority, subject to reciprocity, to grant foreign investment, a more favourable treatment.
- Foreign investors will be given a residence permit throughout the term of their investment project.
- Investment is protected against nationalization. Expropriation is allowed only for public interest and against fair market value compensation to be paid in advance and without delay.
- Seizure of money is only allowed by virtue of a court judgment, except for tax and social insurance contribution dues.
- Licenses given and state-owned land or property allocated to an investment project may not be withdrawn unless the following pre-steps are taken:
 - Giving the investor a prior notice.
 - Giving the investor a grace period to cure the defect.
 - Obtaining the approval of GAFI.
- The right to repatriate profits outside Egypt and receive foreign funds to finance the project without restriction.
- Facilitating liquidation procedure to be finalized within 120 days.
- Importation of machines, equipment, raw materials needed for the purpose of establishing, expanding or operating the investment project does not require obtaining an importation license.

Regulatory Reforms



New Customs Law:

- Egypt is a member of the World Customs Organization and is a signatory of the majority of its legal instruments and conventions.
- There is a draft customs law that is being debated currently in Egypt's parliament.

The main components of the new law are as follows:

- Merges the customs law with the exemption law and incorporates it into one act in light of conventions and Free trade Agreements that Egypt is a signatory.
- Integrates WCO programs such as the Authorized Economic Operators.
- Integrates quick customs clearance procedures.
- Introduces automation of customs.
- Gives more authority to customs officers at inspection.
- Increases sanctions on smugglers (traders, individuals, customs brokers).
- Integrates all customs related instruments into the national law.

Regulatory Reforms



New Industrial Licensing Law:

- The New Industrial Licensing Law No. 15/2017 comes as a major step toward streamlining the licensing procedures which is one of the chronic challenges facing the industrial sector in Egypt. According to the Law, the license of the Industrial Development Authority (IDA) became the sole license required for establishing and operating an industrial facility. The Law explicitly provides that no approvals or licenses shall be required from any other authority. The Law applies on all industrial facilities inside and outside the industrial zones including free zones and investment zones (regulated under the Investment Law). The Law shall apply also on warehouses, showrooms and sale points annexed to an industrial facility.
- The law categorizes industrial facilities into low risk and high risk; where low risk facilities shall be established by simple notification to the IDA subject to subsequent inspection and a grace period in case of non-compliance, while high risk facilities as well as facilities established in certain geographical areas shall require a prior approval of the IDA.
- The Law provides for the establishment of a special committee to be responsible for identifying all the requirements for obtaining the industrial license, including the environment, the safety and civil defence requirements. The law requires all governmental entities to cooperate with the committee in identifying their requirements for the establishment and operation of an industrial entity.
- Under the Law, the Industrial Development Authority (IDA) will be the main stakeholder mandated with the licensing of lands through becoming an interface in:
 - Negotiating prices,
 - Allocating lands,
 - Supervising requirements, and processes of providing lands.
- The consolidation of all powers within one authority (IDA) streamlines the purpose of facilitating doing business through reducing red tape, and increasing transparency and accountability.

Regulatory Reforms



New Value-Added Tax (VAT) Law:

The newly promulgated Value-Added Tax (VAT) has been on the government's agenda for several years and on top of the International Financial Institutions' reform recommendations. In fact, it was one of the most important prerequisites for Egypt to acquire preferential loans from the IMF, World Bank and African Development Bank.

The VAT is seen as a measure of fiscal reform to increase the tax base, combat tax evasion and increase tax revenues. It fixes several distortions that were present in the Egyptian General Sales Tax Law (GST).

Main components of the law are as follows:

- General VAT rate is 13% for the first year and 14% starting from the second year.
- A list of 57 goods and services are exempt as a measure of social protection. The list includes health, education, basic food, financial services, insurance, civilian airplanes, land transport and arts.
- Two schedules follow the law, the first of which includes goods and services subject to an excise tax (without deduction of taxes paid on inputs) only and not the VAT rate. The second includes goods and services subject to the VAT rate plus an excise tax.
- 3 months "grace" period, where tax payers are exempted from penalties on errors with tax calculations and payment.

Ease of Doing Business in Egypt

Egypt's Global Competitiveness Improved from 2015/16 to 2016/17.

Global Competitiveness Index			
2016/2017		2015/2016	
Rank (out of 138)	Score (1-7)	Rank (out of 138)	Score (1-7)
115	3.67	116	3.66

DB 2017: Egypt made starting a business easier by merging procedures at the one-stop-shop by introducing a follow-up unit in charge of liaising with the tax and labor authority on behalf of the company.

DB 2011: Egypt reduced the cost to start a business.

DB 2010: Egypt eliminated the minimum capital requirement.

DB 2009: Egypt reduced the paid-in minimum capital requirement, abolishing bar association fees and automating tax registration.

DB 2008: Egypt lowered registration fees, improving the process at the one-stop shop.

Source: The World Economic Forum Global Competitiveness Report

Robbiki Leather City



Ministry of Trade
and Industry

- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector
- **Annexes**
 - Annex (1): Reforms
 - **Annex (2): Mega Projects**
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

To revitalize the stagnant economic situation, the Government of Egypt announced several national mega projects in diverse fields.

1

Suez Canal Expansion

- The Suez Canal Project involves the establishment of a new 72-km canal to facilitate a two-way maritime traffic for the Suez. The project, which was initially launched in August 2014 by president El-Sisi, seeks to maximize the use of Egypt's famous waterway by reducing wait time by almost 60% and increasing the number of vessels serviced at any given time. The opening ceremony for the Suez Canal was held on the 6th of August 2015.



2

SC Zone Project

- The second development is the Suez Canal Development Project, also known as the Suez Canal Zone (SCZone); an economic zone in the Suez Canal region that aims to become a hub for industrial and added-value operations. The SCZone project will become an economic and logistical zone on a 500sqkm area.
- The area is planned to accommodate transportation, logistics, ICT, energy, heavy industries, and tourism projects in selected coastal cities along the Red Sea such as Port said, Ismailia, Suez, and Ain Sokhna

Some Planned Projects at SCZone:

1. Cairo-Suez and Ismailia-Port Said Free Road upgrade
2. Tunnel from South Port Said to Eastern and Western banks of Suez Canal
3. Develop Nuweiba Port to become a Free Zone
4. Upgrading Sharm El Sheikh Airport
5. Upgrading a total of 6 ports (Eastern and Western Port Said, Al Arish, Adabeya, Tur and Ain Sokhna)

Mega Projects

3

Golden Triangle Project

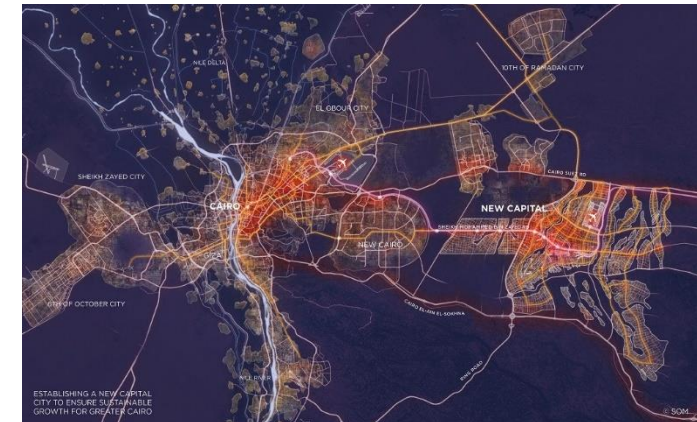
- The project aims to utilize natural resources (mostly minerals) at the South Eastern parts of Egypt. The mega-project shall link the Red Sea port cities of Safaga and Qusayr with the upper Egyptian governorate of Qena. The project shall include investments in mineral exploration, tourism, logistics and trade. Major infrastructural investments are required to upscale connectivity between three cities. Italian firm D'appolonia won the bid for master plan in early 2015.



4

New Administrative Capital

- The Capital Cairo is situated 45 km to the east of Cairo (between the Cairo-Suez and Cairo-Sokhna roads). It is 32 km from Cairo International Airport and 80 km from Suez. With a total area of 700 sq km, the development is estimated to require a capital investment of more than USD 75 billion.
- The new capital will host the Presidential Palace, the Parliament, embassies, government ministries and other public institutions.
- In April 2015, the Ministry of Housing declared the start of the first phase of the project to develop 50,000 units



1.5 Million Feddans

- **The 1.5 million Feddan project** aims to expand Egypt’s agricultural land by 20%, from 8 million to 9.5 million feddans , through building new urban communities. The project’s objective is to increase Egypt’s farming capabilities and agricultural resources through three phases each reclaiming 500,000 feddans on average. Already, 1,500 feddans of wheat, and 6,000 feddans of barley were cultivated during phase I of the project, launched by President El-Sisi in Farafra, in May 2016.
- **El Reef Al-Masry** is a holding company primarily designed to run the operation of the 1.5 million feddans project. EL-Reef Al-Masry is operating under Ministry of Irrigation, Ministry of Housing and Development, Ministry of Planning and Administration and Ministry of Agriculture with capital worth of EGP 8 billion.
- **The Nubian Sandstone Aquifer** , known as the world’s largest fossil water aquifer, is the main source of water for the project, and is shared between Egypt, Sudan, Libya and Chad and its main feeder Victoria Lake in Uganda.

Phases	Location	Area
Phase I	Toshka-South Marsa Matruh- Al Farfra –Al Dakhla- Al Amal (Ismalia) –Qena – West Al Minia	531,500 Feddans
Phase II	Kom Ombo – Al Maghara – Al Farfra – West AL-Minia – El Dakhla – Kattara – Al Tour (Sinai)- Siwa	490,000 Feddans
Phase III	Al Farafra – West Al-Minya- Kattara – Al Tour . (25,000 Feddans under study)	295,000 Feddans

- The New Leather City is to be built on a total area of 1,629 Acres, in ElRobaiky area a few KMs away from Cairo. The main source of financing to the project is the Italian grant of EGP158 Million, however the Government of Egypt has stated that it will cover all cost of transporting tanneries from Magra El Oyoum to El Robaiky assuming they move before the beginning of August. The main objective of the project is the develop Egypt's leather exports and vacate and restore the Magra El Oyoum historical neighbourhood. El-Robaiky is divided into three phases, as follows:

Phase I

- Phase I expands over an area of 160 acres.
- Phase I of the project consists of moving all tanneries from Magra El Oyoum to El-Robaiky.
- The total cost of the first phase amounts to EGP 1 Billion.

Phase II

- Phase II expands over an area of 116 acres.
- EGP 200 Million have been allocated by the Fund for the Establishment and Facilitating of Industrial Zones, for the development of the second phase.
- The total cost of the first phase amounts to EGP 1 Billion.

Phase III

- Phase III targets attracting outside investors in the field of feeding and value-added industries and goods that are ready for export.
- The plan is to boost exports from USD170 Million/year to USD800 Million/year.
- Phase III also targets the establishment of multiple International brands' headquarters, in order to boost exports from Egypt and become a hub for leather products.

Mega Projects

7

Damietta Furniture City

Project objectives:

- Developing and enhancing the furniture industry through trainings, design, consulting expertise and enhancing the technical capabilities of the working forces.
- Establishing the city of Damietta as an integrated and comprehensive city specialized in manufacturing furniture and all related and complementary crafts as well as small and medium industries.
- Provide more (direct and indirect) employment opportunities for youth in all activities associated with the furniture industry complex.
- Enhance marketing and promotion strategies as well as offering marketing series for for small and medium-sized enterprises (local and international), through permanent exhibitions of products for the local market as well as locating export opportunities
- Reduce the cost of production through the joint use of services and the presence of a center for suppliers of raw materials, which will serve to reduce the cost of raw materials, maintenance and operation.
- Provide a network to act as a solid foundation necessary for the development of the furniture industry and ensure the safety and security of the workers as well as inhabitants of the city.



Damietta Furniture City

Industrial Zone	Investment Zone	Services Zone
Small & medium-sized workshops (50-500 meters)	Financial and banking institutions	Clinics
Complementary industries zones	Restaurants and cafeterias	Security
Large Factories	restaurants and cafeterias for workshops	Public facilities
Storage facilities & warehouses	exhibitions, hotels and conference rooms	Religious facilities
		Public transportation



The Government's amplification of the private sector's role in development is obvious by the promotion of the Public-Private Partnership (PPP) mode, especially with water and utilities sectors

List of PPP Projects:

Year	Project Name	Owner	Description	Investment Cost EGP	Status
2016	Desalination Project Al Tor Red Sea	Ministry of Housing	Desalination plant	250,000,000	<i>EBRD to fund consultancy</i>
2016	Desalination Project Safaga	Ministry of Housing	Desalination project to feed Saga city with required water needs	450,000,000	<i>EBRD to fund consultancy</i>
2016	Desalination Alamain	Ministry of Housing	Desalination project of 80,000 cubic meters/day	900,000,000	<i>Attkins as consultants, financed by EBRD</i>
2016	Safaga Mining Port	Ministry of Industry Trade and SMEs	Infrastructure required for exporting of mining materials through the Safaga port. Project includes Port: 2,000,000,000 and industrial zone: 1,800,000,000	3,800,000,000	<i>January 2016 to start tendering procedures</i>
2017	2 water desalination plants in red sea	Ministry of Housing	Provide access to potable water to meet citizens' growing demand requirements in the Governorate	TBA	<i>no clear funding yet</i>
2017	Multiple Story Parking	Cairo Governorate	Parking building in Abasseya, near downtown Cairo	TBA	<i>AFDB</i>

Robbiki Leather City



Ministry of Trade
and Industry

- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector
- **Annexes**
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - **Annex (3): Borrowing Program**
 - Annex (4): Ease of Doing Business
 - Annex (5): Free Trade Agreements

Highlights of the key borrowing programs



World Bank
Group

35

Maturity
(Years)

5

Grace Period
(Years)

1.2%

Interest
Rate

3

Tranches

1

Disbursed

3

Total (USD billion)



50% Macro-Fiscal
Management



50% Energy



African Development Bank

25

Maturity
(Years)

5

Grace Period
(Years)

1.2%

Interest
Rate

3

Tranches

1

Disbursed

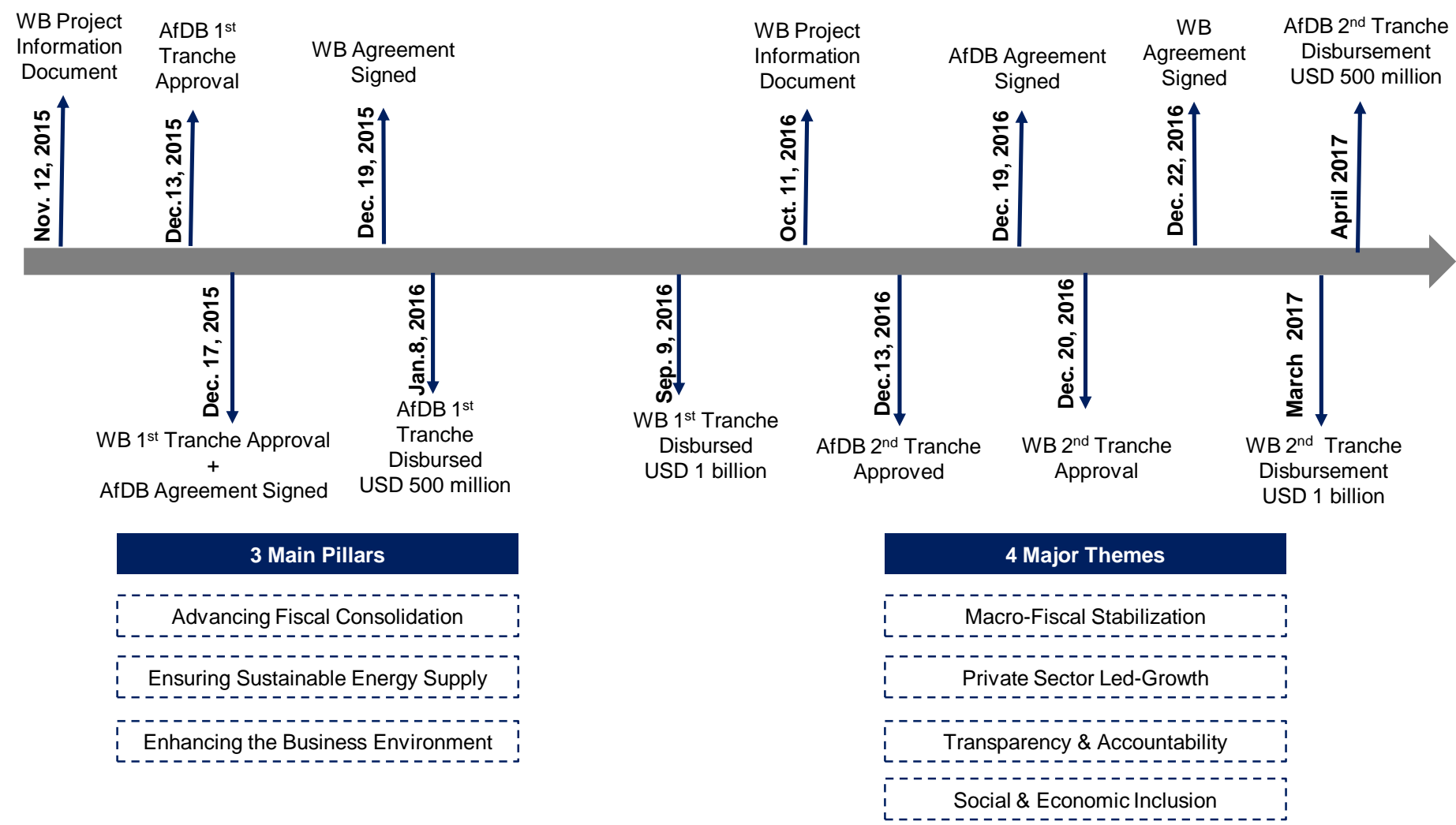
1.5

Total (USD billion)



Budget
Support

Highlights of the key borrowing programs: Timeline of World Bank and AfDB Programs



Highlights of the key borrowing programs: IMF Program



10

Maturity
(Years)

4.5

Grace Period
(Years)

1.5-1.75%

Interest
Rate

6

Tranches

1

Disbursed

12

Total (USD billion)

4 Main Pillars

Significant Policy Adjustment

- Liberalization of the foreign exchange system
- Implementing VAT
- Expenditure optimization through PFM measures
- Subsidy reduction
- Energy subsidy reform
- Civil service reform
- Strong fiscal consolidation to ensure public debt sustainability

Strengthening Social Safety Nets

- Increasing spending on food subsidies and cash transfers to reach 1% of GDP

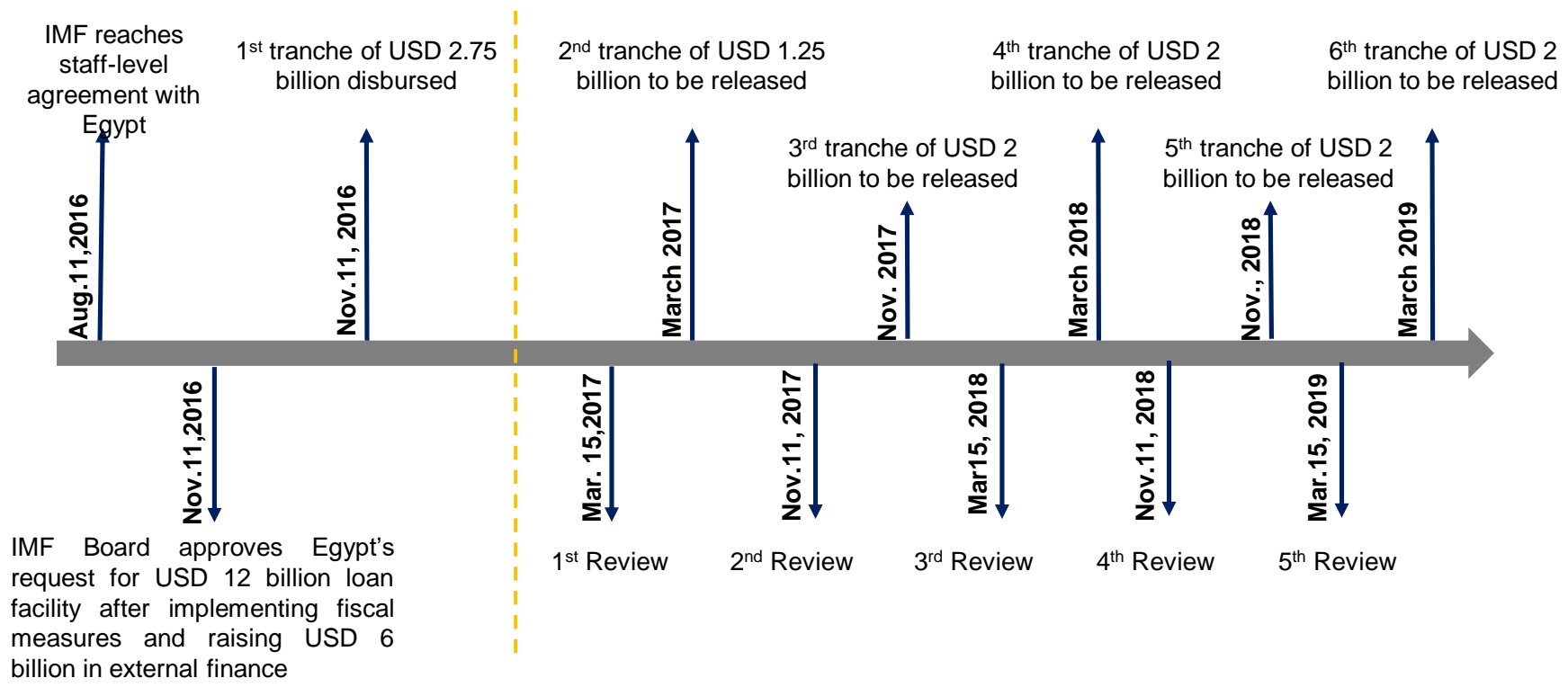
Far-reaching structural reform

- Promote higher and inclusive growth
- Reduce unemployment
- Increase employment opportunities for youth and women
- Industrial Licensing Law
- Bankruptcy Law
- SME access to finance
- Rationalize the export-promotion regime

External financing

- Foreign financing to close the gaps

Highlights of the key borrowing programs: Timeline of IMF Program












Source: International Monetary Fund

Robbiki Leather City

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- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector
- **Annexes**
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - **Annex (4): Ease of Doing Business**
 - Annex (5): Free Trade Agreements

Ease of Doing Business in Egypt

Topics	DB 2017 Rank	DB 2016 Rank	Change in Rank
Overall	122	126	 4
Starting a Business ✓	39	70	 31
Dealing with Construction Permits	64	63	 1
Getting Electricity	88	129	 41
Registering Property	109	105	 4
Getting Credit	82	78	 4
Protecting Minority Investments ✓	144	129	 15
Paying Taxes	162	162	-
Trading Across Borders ✗	168	157	 11
Enforcing Contracts	162	162	-
Resolving Insolvency	109	105	 4

✓ = Doing Business reform making it easier to do business ✗ = Change making it more difficult to do business

Source: The World Bank, Doing Business, Measuring Business Regulations <http://www.doingbusiness.org/data/exploreeconomies/egypt#starting-a-business>

Doing Business in Egypt



The General Authority for Investments and Free Zones (GAFI) established a one-stop shop for registering companies, which can process all paperwork for setting up a business.

Companies that have already started operating in Egypt are subject to the Investment Law, and may be under the regulation of the relevant authority, depending on the company's activities

Customs and taxes after inception, during business operation

An investor wishing to liquidate their business in Egypt may now exit the market without restrictions.

Doing Business in Egypt

I. Entry: Steps for Starting a Business at GAFI

1) Obtain a certificate of non-confusion from the Commercial Registry to reserve the company name.

- Process:
 - The Incorporation Department will assess the legality of the chosen company name.
 - Upon approval from the Incorporation Department, the entrepreneur will obtain a certificate of non-confusion that bears the official government stamp.
- Price: EGP 25

2) Obtain a Bank Certificate from an authorized bank.

- Process:
 - Obtain a bank certificate and open an account at an authorized bank such as the Bank of Alexandria branch at GAFI, which will take 1-2 business days.
- Price: EGP 300 – 500 depending on the bank.

3) Submit documents to the Department of Companies

- Process:
 - Required documents:
 - Original at the registry of accountants and auditors;
 - Completed certificate of non-confusion;
 - Original bank certificate;
 - A copy of the powers of attorney from the founders to their representative;
 - A copy of the founders' identification card or passport;
 - Original certificate indicating that the company's auditor is listed GAFI application form;
 - Stamped articles of association.

*GAFI: General Authority for Free Zones and Investment

4) Fees for Company Establishment

- Notary public fee: 0.25% of capital (Minimum EGP 10 and maximum EGP 1,000.)
- Establishment Fees: 0.1% of capital (Minimum of EGP 100 and maximum of EGP 1,000)
- Commercial Syndicate Fee: EGP 125 > Capital less than EGP 500,000. EGP 250 > Capital more than EGP 500,000.
- Publication Fee: EGP 150 (Arabic LLC). EGP 300 (Arabic & English LLC)
- Chamber of Commerce Fees: 0.2% of capital (Minimum of EGP 24 and maximum of EGP 2,000).
- Commercial registration: EGP 56.
- Issuance of Operation Certificate: EGP 29.

5) Obtain the Certificate of Incorporation

- After paying the required fees, the company submits the articles of association to the GAFI follow-up unit.
- Follow-Up Unit notarizes the company's contract and liaises with the tax office and the labor authority on behalf of the company.
- The certificate of incorporation approves the establishment of the company, and the Follow-Up Unit will be in charge of monitoring the application through the department of Taxes, Companies Chamber of Commerce and National Authority of Social Insurance.
- Within three days, the founders can collect the certificate of incorporation and the company's tax registration ID, with a company file opened at the National Authority of Social Insurance.

*GAFI: General Authority for Free Zones and Investment

Registration Requirements

- Application submitted to Commercial Registration Office for registration.
- The applicant should be at least 21 years old.
- The applicant should be of Egyptian nationality unless he or she will carry out his or her activity under the Investment Law (at present law no. 8 of 1997), or will engage in exporting activity.
- The applicant should use his or her own name as a trade name. This trade name should appear on his or her business firm or shop and its branches, and in all his or her business correspondence.
- The applicant should provide the Commercial Registration Office with other relevant data such as the nature of his or her trade or business, the trade capital (no minimum capital is required), the address of the main firm, shop or branches and details of trademarks or copyrights.

Financial And Taxation Guidelines

- The Law of Commerce requires from the sole proprietor whose trade capital is L.E. 20,000 or more to keep proper accounting books.
- The annual profit (taxable profit) of the sole proprietor, together with any other taxable incomes he or she may have from other sources, shall be subject to the income tax:
 - The first L.E. 5,000 0%
 - More than L.E. 5,000 up to 20,000 10%
 - More than L.E. 20,000 up to 40,000 15%
 - More than L.E 40,000 20%

Registration Requirements

- A copy of the partnership deed is published at the Court of First Instance where the partnership head office is located.
- The partnership deed is published in two daily newspapers of wide circulation.
- The partnership deed is registered in the Commercial Register (please refer to commercial registration requirements under the sole proprietor).
- After completing the above registration, the partnership can start its commercial activity.

Financial And Taxation Guidelines

- Registration of a partnership requires concluding an agreement (the deed) between the partners determining the partnership capital and the share of each partner (general or limited), the object (activity) of the partnership, its duration, and the appropriation of its profits or losses, etc.
- No minimum capital is required.
- Regarding taxation, the general and limited partnerships are subject to the same tax provisions. The profit of the partnership itself as a legal entity is not taxable, but the share of each partner (general or limited) of this profit, together with any other taxable incomes they may have is subjected separately from other partners to the unified income tax at the progressive rate scale applicable to sole proprietors. This is between 10% and 20% in addition to the state resources duty at 2%. Each partner is required to enroll in the state social insurance system as a self-employed person.

Doing Business in Egypt

III. Types of Companies: Joint Stock Companies

Registration Requirements

The founders (or an attorney on behalf of them) should submit an application to the Companies Department with the following documents required:

- A list of the founders' names and details.
- For founders who are corporations, a resolution from each corporate body indicating participation in the new company.
- At least three shareholders and three members of the Board of Directors.
- For founders who are foreign nationals, relevant data is required in authenticated or legalized form such as nationality, address, work or activity, documents of incorporation, etc.
- The memorandum of association and the draft of the articles of association of the new company.
- A certificate from the Egyptian bank receiving the share capital payments, which shows that each founder and ordinary shareholder has paid at least 25%. (Can be paid in 2 instalments, 10% before applying and 15% within 3 months of registration)
- Minimum capital requirement of 250,000 EGP.

Financial And Taxation Guidelines

- The accounts should be audited by an Egyptian certified auditor appointed by the shareholders in their annual general meeting.
- Banks and mutual funds should have at least two certified auditors.
- The annual net profit has to be appropriated in accordance with the provisions of the Companies Law as follows:
 - At least 5% of the net profit is set aside as legal reserve;
 - At least 5% of the paid-up capital is payable to shareholders (and employees) as a first distribution. Of the remaining profit, a maximum of 10% is deducted as remuneration to the board of directors.
- The dividends of the foreign shareholder can be repatriated abroad through one of the accredited banks in Egypt without any restrictions, and free of any taxes or duties.
- The net profit of the joint stock company will be subject to the Egyptian corporate tax with a standard rate of approximately 20%.
- Profits of the Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank will be taxed at 40%.
- Oil and Gas exploration and production companies are taxed at 40.55%.

The employees are entitled to receive, as part of profit-sharing, 10% of the first and second distributions, but with a maximum of 100% of their annual salaries.

Registration Requirements

- The limited partnership by shares, or the "societe en commandite par actions" as called in France, is similar to the joint stock company with the exception that at least one of the founders has unlimited liability in meeting the company's financial liabilities.
- The company is prohibited from conducting the business of insurance, banking, or savings or investing funds on other people's behalf (Article 3 & 5 of the Companies Law)

Financial And Taxation Guidelines

- The minimum share capital required of a limited partnership by shares is LE 250,000.
- The capital is divided into two categories:
 - (1) shares owned by founder partners
 - (2) shares of equal value belonging to shareholders.
- The founder partners have unlimited liability while the shareholders' liability is limited to the value of their respective shares (Article 3 of the Companies Law).

Doing Business in Egypt

I. Operations: Corporate Income Tax

Corporate tax flat rate of 22.5% on profits is imposed on:

- Companies residing in Egypt on all profits gained from Egypt and abroad.
- Companies based abroad on all profits gained from the company's permanent establishment in Egypt.
- Special rates are applied for the Egyptian Petroleum Authority (40%), the Suez Canal Authority (40%), Egypt's Central Bank (40%), and gas exploration and production companies (40.55%).
- Corporate taxpayers are required to submit a tax return within four months of the end of their financial year.

Deductible expenses can be applied to the following:

- **Costs of importation.**
- **Costs of establishment in Egypt.**
- **Administrative and other related expenses.**
- **Depreciation expenses.**

A permanent establishment is considered a fixed place of business, where operations are carried out entirely or partly. They include headquarter operations, branches, offices, factories, workshops, etc...

Doing Business in Egypt

II. Operations: Value Added, Personal Income & Real Estate Tax

Value Added Tax: Egypt approved legislation to enact a new Value Added Tax at 13% in the first year of implementation, increasing to 14% the following year.

Individuals are subject to a personal income tax from employment including salaries, wages, overtime, bonuses, paid leave, commissions, profit share, and cash benefits.



Personal Income Tax Rates for 2016/2017:

- **EGP 0 - 6,500** → 0%
- **EGP 6,501 - 30,000** → 10%
- **EGP 30,001 - 45,000** → 15%
- **EGP 45,001 – 200,000** → 20%
- **More than EGP 200,000** → 25%

For taxpayers (foreign expatriates) living in Egypt for less than 183 days during one calendar year, the tax rates which are mentioned above will be applied. Annual tax is imposed on total net income of natural persons for income derived in Egypt or outside Egypt; if Egypt is the centre of their commercial or industrial or professional activity.

Employees are entitled to an annual exemption of EGP 7,000. Exemptions on the Income Tax Law exist for certain payments and expenses including severance pay, meals distributed to workers, employees' subscriptions to special insurance funds, end of service payments and pensions, and payments of social insurance by employees.

Real Estate Tax: Egypt applies a tax on all constructed units with an annual rental value exceeding EGP 1,200 for commercial units and EGP 24,000 for residential units at 10% of the annual rental value.

- Customs duty rates are applied on imported goods, ranging from 5% to 40%.
- Automobiles, nonessential and luxury consumer goods, and alcoholic beverages are special goods that exceed the 40% duty, reaching up to 135% for automobiles.
- The importation of capital assets for company establishment, including machines and equipment, may be subject to a reduced customs duty of 2%.
- Machines, equipment and other capital assets that are temporarily imported will be subject to 20% of the original customs duty for each year they remain in Egypt until they are exported.
- Rules allow for reduced customs duties on component parts that will be used for assembly within Egypt to produce a complete product.

One Stop Shop:

- All of the business procedures highlighted above for starting and operating a business will take place in Egypt's new One Stop Shop: **GAFI**.

Automation Process:

- One of Egypt's overall objectives is to implement automation in GAFI's One Stop Shop to significantly reduce bureaucratic red tape and enhance efficiency.
- GAFI will tie automation and synchronize it with all the relevant government technical agencies, which will be a major enhancement mechanism.

The goal in the near future is to prevent any cash transactions and move towards automation of all processes, which will effectively tackle corruption.

The Bankruptcy Law is part of a holistic government strategy to promote investment and economic growth following the bold reform measures enacted end of 2016.

The law is pending final parliamentary approval

Bankruptcy Law:

- The Egyptian cabinet approved the country's first Bankruptcy Law in January 2017.
- The Law will minimize the need for companies and individuals to resort to courts during insolvency, and will simplify post-bankruptcy procedures.
- The lack of bankruptcy legislation led to failed companies settling their disputes in court on a case-by-case basis.
- The Law will abolish imprisonment in cases of bankruptcy and institute a financial penalty.

The Law will play a significant role in ensuring that investors can safely enter and exit the Egyptian economy in a streamlined and efficient manner.

Robbiki Leather City



Ministry of Trade
and Industry

- Egypt's Macroeconomic Overview
- Ministry of Trade and Industry 4 Year Strategy
- Leather Sector in Egypt
- Robbiki Leather City Project
- Why Invest in Egypt
- Partnerships with the Private Sector
- **Annexes**
 - Annex (1): Reforms
 - Annex (2): Mega Projects
 - Annex (3): Borrowing Program
 - Annex (4): Ease of Doing Business
 - **Annex (5): Free Trade Agreements**

Egypt has 7 Free Trade Agreements, which gives its products preferential access to a huge number of consumers and access to some of the world's most promising markets; which effectively makes Egypt an international hub for trade, providing access to more than 2 Billion consumer.

Mercosur:

Egypt's participation in the Mercosur FTA grants 47% of its products exemption from customs' duties. The agreement enable Egyptian exports a great advantage in market that serves approximately 290 Million Latin Americans.

PAFTA:

Egypt's membership in the GAFTA exempts products, 40% of its components must be of Egyptian origin, from customs' duties within the Pan-Arab region. The GAFTA grants customs' free access to a market that serves 360 Million Arabs.

Egypt-EFTA:

Egypt's integration within the EFTA granted its Industrial exports, that follow country of origin regulations, complete exemption of customs' duties. The EFTA is composed of Switzerland, Liechtenstein, Iceland, and Norway and have a total population of 13.6 Million people.

Egypt-EU:

Egypt-EU Association agreement has successfully reached full exemption of Egyptian products from customs' duties. As the EU is the second biggest economy in the world, EU's competitive market serves more than 510 Million people.

Egypt-COMESA:

Egypt's Association with the COMESA grants Egyptian products complete exemption of customs' duties in all the member states' markets except Eritrea, Ethiopia, Swaziland, Democratic Republic of the Congo due to their economic situation. COMESA's market is estimated to serve approximately 406 Million people.

Egypt-Turkey FTA:

The Egyptian-Turkish FTA signed back in 2005 granted Egyptian Industrial Products immediate full-exemption of customs' duties. The agreement also solidifies the privileged access of Egyptian Products in major international markets as it opens up a market that serves approximately 80 Million people.

Aghadir:

A treaty to harmonize Mediterranean trade, as a first step towards a Euro-Med FTA
Egypt, Jordan, Morocco, and Tunisia. The Aghadir FTA provides access to more than 50 million consumers.

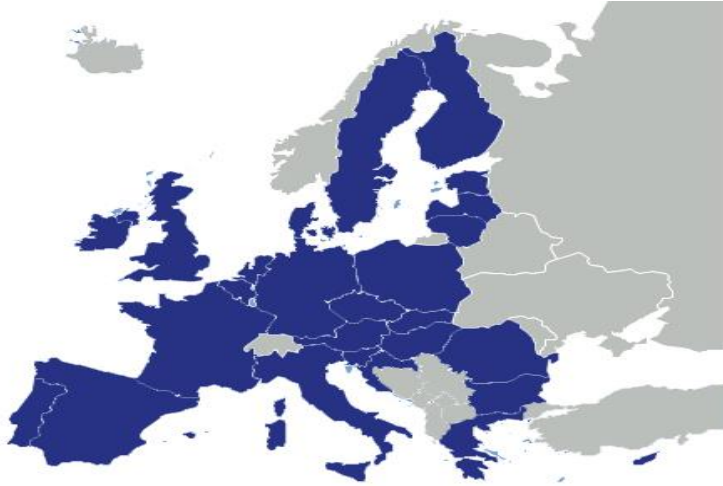
Tripartite Free Trade Area

The most recent development in Egypt's initiative to enhance its trade agreements is the launching of the TFTA. On the 10th of June 2015, the three major African trade blocs, Common Market for Eastern and Southern Africa (COMESA), South Africa Development Community (SADC), and East African Community (EAC), met to launch the new TFTA agreement. TFTA provides access to almost 1 billion consumers.

QIZ:

Egypt's inclusion in the QIZ agreement grants Egyptian products full-exemption of customs' duties in the US under certain specifications regarding the country of origin. The QIZ serves a great advantage for Egyptian products to compete in the USA market that serves more than 300 Million people.

A Focus on the Egypt- EU Free Trade Agreement



- Egypt and 15 European Union Member States (currently 28) signed a partnership agreement on June 25, 2001, in Brussels to gradually establish a free trade area over a transitional period not to exceed 12 years from the entry into force of the Agreement.
- New members joining the EU automatically become parties to the agreement.
- The agreement entered into force in 2004 and both parties agreed that the partnership shall remain in effect for an unlimited period of time unless one of the parties decides to terminate it by notifying the other party six months in advance.
- **The agreement included industrial, agricultural and processed agricultural products presented as follows:**
 - **Goods in Annex 2:** include capital goods and raw materials are currently custom free between the two countries.
 - **Goods in Annex 3:** include intermediary goods and production inputs are currently custom free between the two countries.
 - **Goods in Annex 4:** include industrial consumer goods that are currently custom free between the two countries.
 - **Goods in Annex 5:** include cars, which currently stand at a 70% customs reduction and shall be completely eliminated within the coming two years.