



MINING IN EGYPT – UNEXPLORED TERRITORY

Mining Policy Reform in Egypt

The Mining Policy Reform Project aims at increasing private investment opportunities in Egypt's mining sector. The project team works closely with the Ministry, EMRA and other stakeholders of the country's mining industry. Over the lifetime of 12 - 15 months, the project will cover three phases:

- 1-Diagnostic/Assessment
- 2-Re-design/Re-engineering
- 3-Implementation

The following are the components under investigation during these phases:

- Legal & Policy Framework
- Fiscal Framework
- Institutional Structure of EMRA
- Administrative Procedures

Following these reforms, IFC plans to assist the GoE in organizing a promotional conference.

A key feature of this project is to inject international best practice and hands on experience in countries that successfully implemented mining reform through international mining experts. The project will also engage the different public and private sector stakeholders through seminars and workshops during the different phases of the project to raise the general awareness in the public about these ongoing reform efforts.

For additional information please contact:

- Frank Sader, Senior Operations Manager, IFC
fsader@ifc.org
- Yasser Mohamed Ibrahim, Project Officer, IFC
yibrahim@ifc.org



Egypt's history as a metal-using culture extends deep into the past. Copper and gold tools and ornaments date back to the Pre-Dynastic period, and the country features about 120 ancient gold mines. More recently, Egypt's extractive industry has focused on crude oil and natural gas alongside with marble and construction material from quarries. Petroleum and gas account for 15 % of national GDP, compared to only 1% for the mining industry.

The country has substantial mineral resources, including 50 million tons of coal, 48 million tons of tantalite (4th largest in the world), and significant deposits of other minerals. It also has an estimated 6.7 million ounces of gold in the Eastern desert and the first gold bar with 99.99% purity was produced in April of 2007.

Although Egypt is characterized by a very attractive geology, private sector exploration and exploitation activities so far have been limited. According to senior mining executives "the decision to invest in a mining project is based on risk-return considerations, and attractive geology does not guarantee mining investment if a region's policies are bad". So far, major mining companies do not consider Egypt as an attractive opportunity. Investors are concerned about risk mitigation, transparent rules, government involvement, clear definition of rights and titles. Agreement structures built around oil and gas operations are also uncommon, not matching the experiences of the international mining industry in other mining countries around the world.

THE ROAD TO REFORM

Recently, the Government of Egypt (GoE) initiated a series of reforms regarding its policies and institutional frameworks to pave the way for a more attractive business environment for domestic and international mining investments. The government is strongly committed to streamline investment procedures, and to reduce or eliminate bureaucratic obstacles wherever possible. In association with the International Finance Corporation (IFC), the GoE launched a Mining Policy Reform Project. On January 24th, 2007 a Technical Cooperation Agreement was signed between Ministry of Petroleum and Mines represented by The Egyptian Mineral Resource Authority (EMRA) and the IFC to initiate this reform process. This project is being supported by AMEC, the Western Australian Association of Mining and Exploration Companies.

EXPECTED OUTCOMES & IMPACT

The reform process is expected to have immediate results in the following areas:

- Producing a comprehensive legal and policy framework based on international best practice.
- Reduction of the bureaucratic burden, time and costs for investors interested in mining activities.
- Reduce red tape and increase transparency over mineral rights and security of tenure.
- Strengthening EMRA as regulator and promoter of the mining industry in Egypt.
- Increase the awareness of the potentials of Egypt's mining industry.
- Enhancing interrelations between public authorities involved.

Over the medium and long term the expected impact would be:

- Employment generation and regional development through new mining operations.
- Increased awareness of socially and environmentally sustainable practices in the industry.
- Recognized improvements in the country's business climate
- Increased inflow of local and foreign private investments in the mining industry.



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