

## Reactions to the presidential statement to DNE:

- Government already working on plan that aims to achieve desired rate within 5 years: Minister of Investment
- First 100 days under Al-Sisi rule witnessed launching of mega projects to increase investment opportunities: Amr Moussa
- The speed of implementing the president's plans will determine Egypt's economic strength in next five years: Banks



# DAILY NEWS

WEDNESDAY, SEPTEMBER 17, 2014  
NEWSSTAND PRICE LE 4.00

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Mohamed El Arian to **DAILY NEWS**  
EGYPT

Despite difficult challenges,  
Egypt has a considerable  
economic upside

**08**



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## 6 policemen killed by roadside bomb in Sinai: Interior ministry

Sinai has witnessed violent clashes between security forces and militants since 2013



Security forces are engaged in ongoing campaigns to combat the rise in militancy in Sinai

By Adham Youssef

Six policemen, one officer and five conscripts, were killed Tuesday by a roadside bomb in Rafah in Northern Sinai, according to a Ministry of Interior statement.

The statement said that during a morning patrol by the armed forces and police, a roadside bomb exploded near one of the vehicles.

The ministry added that two conscripts were injured and are receiving treatment.

Minister of Interior spokesman Mohamed Ibrahim said Sunday that a security campaign by the police and armed forces killed seven alleged members of militant group Ansar Beit Al-Maqdis.

Last Friday, a police sergeant and a passerby were killed by unknown assailants in Minya only hours after an explosion outside a police club in Tanta, which injured several police personnel.

On 2 September, 11 security personnel were killed after their security convoy hit a landmine on a road in North Sinai. Sinai-based militant group Ansar Beit Al-Maqdis has claimed responsibility for the deadly attack.

President Abdel Fattah Al-Sisi condemned the attack and vowed to continue to confront militancy in the volatile peninsula.

Egyptian security forces are engaged in an ongoing operation to combat the rise in militancy in the Sinai Peninsula, which includes the destruction of smuggling tunnels.

## My release is a 'conspiracy': Activist

By Marwa Al-A'sar

Activist Alaa Abdel Fattah described on Tuesday his temporary release on bail as a "conspiracy" carried out by the authorities.

"I don't deny the fact that my temporary release is a conspiracy like the case with my imprisonment," Abdel Fattah said. "This applies to all [the other] prisoners," Abdel Fattah said on his Facebook page.

"There are no courts... neither is there justice... there are only plots," he said.

The Cairo Appeal Court is expected to assign a new judge to look into Abdel Fattah's case after he was released and ordered to pay bail of EGP 5,000 on Monday. The judge presiding over their Shura Council trial ordered Fattah's release on bail, before recusing himself from the case.

"The authorities decide to imprison [me] then set [me] free... these are matters that abide by their moods and whims," Abdel Fattah said.

"Nobody in Egypt has any doubts that

the law and the constitution do not have anything to do with this issue," he added.

In June, Abdel Fattah and 24 other defendants were sentenced in absentia to 15 years, handed an EGP 100,000 fine and put under surveillance for a period of five years. They were found guilty of violating the Protest Law—issued by the then-interim president Adly Mansour in November 2013—after protesting outside the Shura Council (the upper house of the parliament).

Abdel Fattah called on his fellow activists to consider practical ways to seize any partial gains for supporting their cause and abolishing the Protest Law, such as convincing other prisoners to join the "Campaign of Empty Stomachs".

"What's important now is that we organise ourselves and pressure the authorities that conspire against us," he said.

His family, meanwhile, said they would continue their hunger strike until the status of his sister Sanaa Seif, also detained, is determined.

"I have previously announced that I would go on striking until my two children, Alaa and Sanaa, are released,"

activist Laila Soueif said. "But in general, I'm on a hunger strike to protest against the detention and imprisonment of the others [jailed over similar charges]."

"This is the same stance of both my children Alaa and [activist] Mona [Seif]," Soueif added.

Soueif said the family's stance towards the hunger strike will be further decided after they visit Sanaa in jail Wednesday.

"Sanaa was in a bad condition two days ago but a friend who visited her yesterday said she got better," the mother said.

Sanaa Seif had earlier had begun an open-ended hunger strike in August, one week after her brother took the same action.

A member of the No Military Trials for Civilians group, Sanaa Seif was arrested in late June at Itihadiya while demonstrating for her brother's freedom and against the Protest Law. She is now in custody awaiting trial.

Abdel Fattah and the other defendants were also charged with demonstrating against military trials for civil-

ians outside the Shura Council, acquiring weapons during the protest, illegal assembly, and attacking a police officer and stealing his radio.

The defendants in the case currently not in prison started an open-ended hunger strike in early September in solidarity with their fellow activists in custody. They also called for the abolishment of the controversial Protest Law and the release of all political detainees.

Soueif called on the media to shed light on other prisoners.

"Ibrahim Al-Yamani has been on hunger strike for over 100 days and he is currently in a critical condition," she said.

Al-Yamani, a medical doctor, was arrested while working at the field hospital set up during Al-Fath mosque protests following the dispersal of Rabaa open sit-in that followed the ouster of Morsi. He has been detained at Wady Al-Natroun Prison pending trial.

"The fact that he is affiliated with the Muslim Brotherhood doesn't deny him the right to be focused on," Soueif said.

"It is disgraceful how his case is being dealt with," she added.

## ISIS threat requires 'comprehensive confrontation': Shoukry

Over 20 countries gathered in Paris to discuss procedures to help new Iraqi government fight ISIS

Foreign Minister Sameh Shoukry went to Paris Monday for an international conference to discuss ways to support the new Iraqi government against the "threat of terrorism", particularly ISIS.

During the conference, attended by over 20 countries, Shoukry said the threat of terrorism confronts all countries, especially in the Arab world, according to a Monday statement of the foreign ministry. He added that Egyptians have suffered during the last two years when extremism held power.

He also said that this phenomenon requires "comprehensive confrontation", as extremist ideology cannot be negotiated with to reach a compromise.

Dealing effectively with the threat of the Islamic State in Iraq and the Sham (ISIS) necessitates dealing with the political and cultural dimensions that lead to its spread, the minister said. Confronting ISIS via the military is not enough, had added, as it is important to eliminate sources that fund terrorist organisations.

On the sidelines of the meeting, Shoukry discussed with his British counterpart Philip Hammond efforts to confront extremism and terrorism in the Middle East.

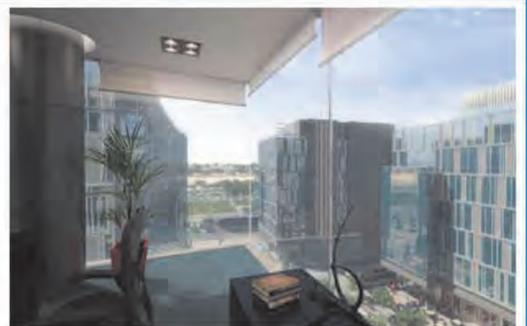
US Secretary of State John Kerry toured the region last week visiting Egypt, Jordan, Saudi Arabia, Iraq, and Turkey to build a broad coalition to confront the threat of ISIS.

In a press conference held in Cairo on Saturday, Kerry said the only way to defeat the threat of ISIS lies in building

a broad coalition that was announced by US President Barack Obama, to support the Iraqi government through providing military support.

Shoukry noted that Egypt pledged support to the US coalition against ISIS.

Earlier in September a meeting was held in Jeddah to discuss regional and international ways to combat "terrorism", where Shoukry said: "There is a common enemy endangering our people," and Egypt will "fight its own battle against this common enemy."



## Capital Business Park - sheikh zayed city's standard?

Dorra Group have been investing heavily within the Sheikh Zayed region since the satellite city's establishment back in the mid 90's-taking a risk on this unknown region by introducing residential compounds to the market-a standard concept today, but a ground breaking market development back then, which paved the way for a series of developers to follow suit and reap in its innovative benefits and success.

A decade later Dorra Group -spearheaded by its Property Development arm-embarked on a new market entrant by introducing office's and business communities to the region-again taking the regional risk by raising the standard of office communities in Egypt, with the introduction of Capital Business Park, masterfully designed by New York's RMJM, which today has cemented the way for other 's to follow suit and realize the potent demand for such properties.

We sat down with Dorra Development's newly appointed Head of Marketing, Karim Sultan to discuss what Capital Business Park brings to the market place and what other undertakings are Dorra Developments lining up for the coming future.

*What in your opinion differentiates Capital Business Park from the various business parks/ office buildings in your area?*

There are 3 measures to consider: Location, location and location.

I say this to stress the importance and strategic placement of Capital Business Park which is on the main spine exiting the 'mehwar, bridge.

With thousands of commuters daily on the 26th July highway, Capital Business Park has placed itself in prime location and ease of access and visibility within the whole of Sheikh



Zayed city. Office owners at our vicinity will have an unmatched privilege and location, harmonized by a timeless architectural design that was the brainchild of RMJM's Hazel Wong, who was the inspiration behind many of Dubai's landmark attractions that we see today and that of their famous Sheikh Zayed road.

Thus, partnering with Global Award Winning Architects (RMJM) and sparing no cost in developing and realizing the very best in space design, structural integrity and the all-important landmark authority that Capital Business Park commands when you see it, was not only a risk but one that Dorra Developments believed was needed in the continual drive for urban growth and elevated standards in Egypt.

Today when we research our current market place of similar themed products, we see that attention to detail and quality of materials used at Capital Business Park has been ignored by these competitors-ironically our office occupancy rate is 80% complete in Phase 1 and the applicant demand that we filter is

amassing daily for our office space, telling us that the market appreciates, realizes and demands the premium property that we offer.

*What services will you be providing the tenants there?*

We've gone the extra mile at our property, apart from the excellent Facility and Maintenance management and 24/7 security provided, we have incorporated state of the art Building Management Systems (BMS) in all our buildings to assist in preventive as well as corrective maintenance of our properties with the addition of a triple play systems which provide high speed internet access, television/cable access and Voip/telephone access.

Furthermore, we are excited to announce our strategic partnership with the Global Award Winning 'Quintessentially Lifestyle' from England who will offer their services of Luxury Lifestyle Management as well as

round the clock hotline/concierge service for all tenants enrolled in our Platinum Database at Capital Business Park. This is the first of its kind service in Egypt within any corporate community where tenants have full access to Quintessentially Lifestyle services without having to pay for the membership.

*What do you feel has been the biggest challenge so far?*

I think our general view has always been that if there is not a challenge-then there must be something wrong.

In my opinion as a marketer, the biggest challenge is to ultimately create a community that grows and works!

We have been focusing on this area significantly and feel confident that our efforts have begun to flourish and our brand will organically develop and benchmark itself as the standard within Sheikh Zayed city.

Give us an idea of the scale and components of Capital Business Park

Capital Business Park is developed on over 143,000 sqm with a built up area of approximately 90,000 sqm.

Currently we are a few months away from officially launching Phase 1 which consists of 5 buildings (Ground + 6 floors) all ground floors consist of retail/commercial space which will eventually boast as being Egypt's longest retail promenade offering 1 km of retail/recreational outlets as well as one of our buildings being wholly developed to house various medical clinics and holistic disciplines.

Within the common areas know as La Promenade, we have developed dancing water jets that can be synchronized by music as well as 2 underground parking levels that can comfortably hold up to 1,500 cars with direct elevator access to building lobbies.

It's interesting to know that Phase 1 currently holds over 80km of cabling to maintain the desired power requirements.

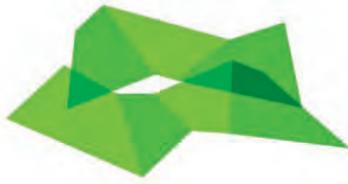
*Why have you chosen to invest heavily in Sheikh Zayed city as opposed to the 5th Settlement towards the East?*

As you are aware Dorra Group has been in the market since 1943, and our investments as well as construction/developments has been all over Egypt as well as within the GCC regions, but you have a point that we have focused a lot of our development activities within Sheikh Zayed city. Every company has their strategy, I believe ours was to not hit and run in one area, but to properly develop and drive real growth of this city by creating fully integrated communities.

If you look today at Sheikh Zayed city you will see that we have not only focused on residential developments, but have additionally entered into Educational Investments and Developments by partnering with the American International School (AIS) which in the past 4 years has grown into a highly demanded school in the West of Cairo, we have additionally invested in commercial/office developments, medical properties with a multidisciplinary hospital currently under development in one of our mixed use developments.

*Can we expect more development's in the near future?*

Absolutely! 2015 will be an exciting year as we will be introducing 3 new projects-I will be summer homes which we have been working very closely with a leading international design firm to deliver a world class development as well as a new residential community that will introduce a new twist to the market that hasn't been done before-but you will have to wait and see!



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The Polygon caters to businesses of all sizes making it suitable for small startups and larger multi-nationals. Delivery has commenced and the project is expected to be complete by 2015.



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## Government announces economic reforms in Euromoney Conference

**The 2014 Euromoney Egypt Conference kicked off on Tuesday under the title of "Stability, Investment and Growth". Keynote speeches were made by Minister of Finance Hany Kadry Dimian and Minister of Investment Ashraf Salman.**

**Speakers at the conference included Head of the Constitutional Committee Amr Moussa, Chairman of Commercial International Bank (CIB) Hisham Ezz Al-Arab, Executive Vice President and Chief Executive Officer of Multilateral Investment Guarantee Agency, which is affiliated with the World Bank Group, Keiko Honda and other leading economists and businessmen.**



Attendees of the Euromoney Egypt Conference including Minister of Finance Hany Kadry Dimian, Minister of Investment Ashraf Salman and Head of the Constitutional Committee Amr Moussa

## 90% of energy subsidies to be lifted within 3 years: Finance minister

**IMF assessment of Egypt's economy still due before the economic summit, with goal to restore international market confidence, says Dimian**

By mohamed Ayad

Egypt is undergoing an extremely difficult transition period but can still boast significant investment opportunities and high rates of investment, said Finance Minister Hany Kadry Dimian on Tuesday.

"We are working to build to a better future for the nation's future, while also addressing immediate challenges with policies and programmes," Dimian said on the sidelines of the Euromoney conference in Cairo. "Most important of all, we have the political will for real and serious change."

He added: "We have made progress in the political arena, real economic reform is taking place, and we are working to rebuild the Egyptian economy by restoring confidence and setting out an economic plan aimed at achieving sustainable growth."

Dimian said energy subsidy reductions lead to a better economic climate, and petroleum product prices will be affected next. He added that smuggling, which posed an extra burden on the state budget and increased its deficit, is now being tightly controlled.

"We have taken measures to expand the tax base and will implement sales tax reforms as well. We have adjusted property taxes and the customs system, and we also seek to change public spending," Dimian added.

Dimian said that widespread social participation is the basis for success of these economic policies, adding that according to the constitution, the government is obliged to expand allocations for education and healthcare. This, he said, requires more revenue, which will be garnered through an overhaul of state resources and tight control of public spending.

Current laws stipulate that there will be no economic reform unless followed by social reforms to protect citizens from inflation, Dimian said. Major projects that are set to contribute to the economy are underway, such as the Suez Canal project, land reclamation and river transport projects.

Dimian added that the goal is to put Egypt on the global investment map once more. This, he



Minister of Finance Hany Kadry Dimian during his speech in the Euromoney Egypt Conference

said, will require policies characterised by credibility, and investment opportunities must be made available for all. Incentives must be granted and restrictions lightened in order to improve Egypt's business environment.

Euromoney representative Richard Banks said Egypt will invite major international companies to sign deals during an upcoming economic summit next February, according to Dimian.

This transition stage is a difficult one, but Dimian said he was confident the future will be promising for Egyptians and hold profitability for investors.

Euromoney representative Richard Banks said Europe is suffering major economic troubles and also faces a difficult period. He explained that Egypt passed through difficult economic circumstances, but the current regime has the ability to restore growth and economic stability. The bold and courageous decisions taken by Egypt's leadership entail risks, he said, but will speed up a restoration of confidence for international markets and business communities, both foreign and domestic. Banks stressed that Egypt is approaching 2008 economic indicators due to new decisions

and policies aimed at reform.

In response to questions posed, Dimian said that bureaucratic obstacles exist and the government seeks to seriously address them. The ministry's policy is to promote a free market with a role for government institutions, which entails fighting bureaucracy. However, successfully breaking down the culture of these government agencies will take more than just one year.

He said that the government is reviewing tax legislation, including the value-added tax (VAT), which will address the business community's concerns, represented through a partial restructuring of taxes.

Dimian said that his goal was to allow the state to lead projects that the private sector finances. The private sector will be at the forefront of all upcoming projects and development initiatives for the industrial and logistical zones that will be offered for tenders.

"First, we seek to reform the legal landscape and place investment opportunities under the umbrella of private sector partnerships in the

**The government is reviewing tax legislation to address the business community's concerns, represented through partial restructuring**

fields of roads, hospitals, and water desalination," he said. "Currently, two water desalination projects are set to be offered for a tender under the partnership system during the next few days."

Dimian added: "Growth rates are still low, but the general trend has been upward since the beginning of last year. We expect 3% total growth during the 2014/2015 fiscal year."

One of Dimian's main goals is to reassure the financial and business communities in supplying investments. He said there are indications that the Egyptian economy is improving and business institutions and communities are becoming more confident in the market.

"We are going through a very difficult situation and have taken crucial measures like restructuring the subsidy system," Dimian added. "This move resulted in budget savings, and we are investing and working to achieve high growth rates of 5% over 3 years, which will entail a significant reduction in the unemployment rate."

Dimian said that new major projects will be presented to the private sector, who will imple-

ment the projects while the state creates a suitable environment for implementation. He claimed that industry rates were beginning to return to normal.

"We expect the deficit to be 12.5% during the 2014/2015 fiscal year, but without the kind aid of our brothers in the Gulf, that number would have jumped to 13%. We hope to bring this number below 11% and I expect that the deficit will touch 10.5% during FY 2014/2015. We want the future generations to inherit growth and investment opportunities, not debt."

In preparing the budget, that aid would be reduced was taken into account, Dimian said, explaining that this meant that estimates for the deficit, growth, and debt were realistic.

Dimian hopes to implement projects that utilise smart energy during the coming months which will help subsidies be 90% removed within 3 years. The government is also focused on creating social safety nets protect low-income earners during the process of restructuring subsidies.

The government is gradually moving toward cash subsidies instead of in-kind subsidies by spending 10% on education and health care from the GDP by 2016 or 2017, the minister said, explaining that this measure would facilitate process.

He said that the government would ask the IMF to send a delegation to assess the economic situation ahead of the economic summit next February. The move is aimed at restoring the confidence of international markets and attracting investments to ease the unemployment crisis.

Dimian further said that Egypt is prepared to absorb any investment opportunities as long as the financing gap is filled, even if that means knocking on the door of international markets to offer dollar bonds.

He added that the government is seeking to restructure the education system and add training courses.

The minister's last message was that the government is keen to solve all economic issues and will ensure that the government's orientations and methods will be in line in order to achieve growth.

## Egypt waiting for 'appropriate moment' to issue dollar bonds: Finance minister

By Sara Aggour

Egypt has received "many offers" to issue dollar bonds in foreign markets, Minister of Finance Hany Kadry Dimian told Daily News Egypt Tuesday on the sidelines of the Euromoney conference.

Dimian said, however, that it is a matter waiting for the "appropriate moment" to make the issuance.

"We [the government] are looking to tap all sources of capital from the international and domestic market," the minister said.

Discussing who would act as a guarantor for Egypt if it decided to issue dollar bonds, whether it would be the Egyptian government or another country, the minister said: "We can have a full, or a partial, or no guarantor at all."

During the conference, the minister stated that 90% of energy subsidies will be removed within three years.

Earlier this month, Minister of Electricity Mohamed Shaker announced that the government



Minister of Finance Hany Kadry Dimian during an interview in the Euromoney Egypt Conference

will extend the removal of electricity subsidies over five years, instead of the previously announced three years.

Dimian told Daily News Egypt, however, that it is "too early" to know the percentage that will be removed each year.

"We [the government] already removed EGP 50bn in energy subsidies and we streamlined and saved from other subsidies programmes some EGP 2 to EGP 3bn just from improving the modalities nothing else," the minister said.

On Tuesday, President Abdel Fattah Al-Sisi told Daily News Egypt that "the energy sector will also revive as the energy subsidies are overhauled, leading to renewed exploration and production".

"The decision to roll back energy subsidies demonstrates the boldness and vigour with which the government is now pursuing reforms. These subsidies had subsumed a massive portion of the national budget, costing the treasury EGP 143bn in the 2013/2014 fiscal year, or roughly 20% of the entire budget," Al-Sisi added.

# Goal is to pay attention to investors, not privatise: Investment minister

Government will pay 30% of total dues to foreign oil companies by year-end

By Mohamed Ayyad

Minister of Investment Ashraf Salman said that Egypt is on the right path, explaining that the government has a clear economic vision represented by the economic reform programme adopted by President Abdel Fattah El Sisi, which extends until 2030.

In 2008 and 2009, the economy reached growth rates of 7.4%. These rates have since declined alongside a jump in poverty rates and debts of EGP 1.71tn. The budget deficit has reached 10.5%, inflation rates are high and the challenges are significant, said Salman.

He added: "Our programme is focused on topics that include legislative and structural reforms as well as developmental stimulation. Structural reforms aim to create a general budget that reduces the deficit and enhances growth by increasing incomes and decreasing expenses. This will take place within five years through a restructuring of energy subsidies and tax reform."

Regarding developmental stimulation, only EGP 50bn is available for investment from the public treasury and the remaining EGP 336bn will be financed by the private sector, said Salman.

He stated: "We seek to reduce poverty rates to less than 20% and the budget deficit to less than 9% within five years. We can attract investments easily and our economy is capable of growing quickly, unlike the world economy, which moves slowly".

Salman said that the money market is approaching pre-25 January Revolution indicators, reflecting a restoration of confidence from the financial community and local and foreign businesses.

He added that the new unified investment law will soon be published in addition to other legislation targeted at improving the business environment, as well as business law.

Salman hopes to add 30 GW of energy to Egypt's production, as 2 GW in wind energy and 2 GW in solar energy would bring foreign in-



Minister of Investment Ashraf Salman during his speech at the Euromoney Egypt Conference

**We seek to reduce poverty rates to less than 20% and the budget deficit to less than 9% within five years**

vestments worth EGP 7bn, he said. "Infrastructure sectors will be the main attractors of local and foreign investments, and we will see a solid future for Egypt's economy as the results of the ongoing economic reform programme would suggest," he said.

In response to questions, Salman said that his priority is to pay attention to investors. "The president charged us with a major assignment in addition to strengthening the abilities of the Ministry of Investment and its subsidiaries like the

Financial Supervisory Authority," said Salman.

He added: "As the government, we hope to assess the funding gaps in the market, but in terms of privatisation, investors will not be given products that don't work or sell well, so we decided that we won't privatise until we can operate our companies well. We began all necessary assessments of governmental companies and assets two months ago."

"We seek to carry out a financial restructuring for all public sector companies and allow them to finance

their expansions by offering bonds as part of a plan to diversify funding sources. This will allow the companies to add new financial products until we reach an optimal financing structure," said Salman.

The third phase of the restructuring process includes spreading the successful experiences of some companies to those suffering from crises.

Salman said that capital flow of direct investments worth \$6.5bn in 2012 and 2013 demonstrates a restoration of confidence in the

Egyptian market. "We have to attract direct foreign investments worth \$10bn, which we will achieve by rearranging debts to foreign investors in the petroleum sector to open the way for new investments," said Salman.

He stated: "We will pay 30% of debts to foreign investors, worth \$5.9bn, before the end of this year."

He also said that Egypt is in need of 8 GW of electricity, a project that will be offered for bidding to investors—with 4 GW of both solar and wind energy. The financing will

provided by local and foreign markets, and agreements will be signed between the government and the private sector in order to purchase production.

Two projects are underway in the Suez Canal area, the first involving digging another axis for the canal. The project will help serve world trade and bring in great revenues for the Egyptian economy, said Salman, adding that reduction in canal traffic wait times will add \$2 to \$5bn to Egypt's budget within five years.

Also important to note, a larger number of ships will be able to pass through the area, particularly through the axis in which a number of logistics and refuelling projects will be implemented, he added.

Egyptians have purchased Suez Canal investment certificates worth EGP 60bn during a relatively short period of time, said Salman.

He went on to explain that logistics and transport projects will be marketed for 100% private sector financing without government contributions. He added that the government will completely depend on the private sector, and all Suez Canal investment procedures will be simplified.

Salman said that dividing the funding between the government, banks and investments is a positive, but the private sector will be relied on for 75% of financing. Banks will also finance up to 40% of other national projects.

Regarding Egypt's upcoming economic summit, Salman said "It is not a donors' conference, but rather a conference for development partners. The final title for the conference is the Egypt Economic Summit, where the government will explain our roadmap and plans for economic reform."

The government will also announce to all partners and interested investors that projects are available for private sector tenders across various fields, in addition to telling the story of Egypt overcoming its economic lapse, Salman explained.

## Government to offer bids to generate 8GW from coal and renewable energy: Salman

Renewable energy to come to forefront of providing Egypt's energy needs

By Mohamed Adel

The government hopes to offer two tenders to generate 8GW of electricity from new and renewable energies, said Minister of Investment Ashraf Salman on Tuesday.

He added that there are also plans to construct power stations operating on coal during the fiscal year (FY) 2014/2015, in order to meet the country's growing electricity needs.

A bid to generate 4GW of energy will be offered over the next 2 weeks, with investments worth \$7mn. The 4GW will be divided into 2GW of solar energy and 2GW of wind energy.

Construction of the solar energy station will be completed by the end of FY 2014/2015, while the wind energy station will be completed by the end of 2015. The government will be the buyer under a distinctive tariff price that has been recently approved, according to Salman.

Salman pointed out that bidding

will be offered during FY 2014/2015 to generate 4GW from stations operating on coal.

He disclosed that Egypt will offer bids to generate approximately 30 GW from new and renewable energies and coal over the next 10 years.

He asserted that the government is conducting new and renewable energy projects to find the optimal solution to Egypt's electricity problem under growing consumption, Salman said.

The distinctive 'feed-in' tariff system has allowed both individuals and investors to gain contracts in creating electricity from new and renewable energy sources. These products were then sold to the government through the national electricity grid.

He went on to explain that local factories that manufacture the components of new and renewable energies will be constructed soon after the tender for the first 4GW is offered, allowing local products to compete with importers.

## \$6bn foreign direct investment in FY 2014/2015: Investment minister

Priority is restructuring companies and improving economic status

Egypt's total foreign direct investments for FY 2013/2014 measured \$6bn, Investment Minister Ashraf Salman said on Tuesday.

On the sidelines of the Euromoney conference, Salman said that Egypt is hoping to "touch the \$10bn" mark during FY 2014/2015, and will reschedule debts to foreign partners operating in the petroleum sector.

The move will restore their confidence in injecting new investments into the petroleum sector, and allow for an increase in energy production in the midst of an energy crisis, Salman said.

He said that "the government is not discussing privatisation" or selling government-owned companies to the private sector, adding: "We will not sell state-owned companies that are not managed well."

He added that the priority now is restructuring those companies and improving their economic status.

Salman went on to say that his ministry began financially evaluating some companies, to allow for a diversity of resources and funding, including offering bonds. Companies in crisis will be encouraged to follow in the footsteps



Minister of Investment Ashraf Salman during an interview in the Euromoney Egypt Conference

of successful businesses.

The Central Bank of Egypt is currently auditing indicators for the period since June 2014, with figures to be announced soon and including rates for foreign direct investment and growth.

The increase in foreign direct investment to \$6bn represents a 100% increase over FY 2012/2013 investments, which were valued at \$3bn only.

Salman said in June that he aimed for foreign direct investment to reach

\$10bn for FY 2015/2016 and \$14bn within three years.

The minister believes that attracting more foreign investment will take place through restructuring the business sector and reducing bureaucracy.

## Egypt needs growth, jobs over economic stability: IMF mission chief in Egypt

*Government has set concrete goals for its February economic summit, says Lazard Freres managing director*



Speakers of the Increasing Investment and Generating Growth panel, including Chris Jarvis, Mission Chief for Egypt, IMF (right)

By Sara Aggour

Egypt needs growth and job creation over economic stability, said Mission Chief of the International Monetary Fund (IMF) in Egypt Chris Jarvis during the Euromoney conference.

Jarvis said the IMF welcomes the changes to the subsidies regime that were recently introduced, adding that taxes are "very important steps in the right direction".

"We [IMF] have a continuing relationship with Egypt, which goes [back] a long time," Jarvis said. "We have given advice to the Ministry of Finance, especially with regards to the tax issues and recently with general discussion on the economic prospects".

According to Jarvis, there is a "long road" to economic progress, however, the IMF is willing to be a partner for the Egyptian government. Managing director of Lazard Freres Bozidar

Djelic said that Egypt's economic summit, previously known as the Development Partners summit, is viewed by the government as a device requiring cooperation between different ministries.

"There is willingness from the Egyptian government to invite the IMF to have a look [at plans set for attracting investors], not to say whether [these plans] are good or bad but basically for Egypt to fulfil its obligation as a member of the IMF," Djelic said.

Djelic pointed out that the Cabinet has placed concrete milestones and figures to follow up on for the summit, which will be held in February 2015.

Earlier this month, Minister of Planning and Administrative Development Ashraf El-Araby told Daily News Egypt that the country is targeting some EGP 500bn in investments from the private sector.

President of Signet Institute Angus Blair men-

tioned that with population growth at 2.6% per annum, the country needs dramatic economic solutions.

"Growth of 5% or 6% is not enough," Blair said, adding: "We've [Egypt] got to get to 8%, to the Chinese levels of [economic] growth".

Discussing how to attract foreign direct investments, Blair said bureaucracy must be eliminated, explaining that Egypt does not make it easy to start businesses for foreign investors.

## New council must determine economic roadmap: CIB managing director

**THE COUNCIL MUST BE INDEPENDENT AND SERVE AN ADVISORY PURPOSE, HISHAM EZZ AL-ARAB SAYS**



Chairman and Managing Director of CIB, Hisham Ezz Al-Arab

By Abdel Razek Al-Shuwekhi

Hisham Ezz Al-Arab, managing director of Commercial International Bank (CIB) suggested Tuesday at the Euromoney conference in Cairo that an economic council be formed to direct Egypt's economic path.

"We must take advantage of the opportunity to form councils and

the way in which this issue was raised," he said.

He explained that an economic roadmap should be set out by the concerned minister with government support from other ministers. He cautioned against each minister starting from scratch and wasting time.

This will help improve the government's executive capabilities,

Ezz Al-Arab said, adding that this council must be independent and serve an advisory purpose. A separation should take place between the administration and the council itself, he said.

Much noise has been made surrounding the economy lately, Ezz Al-Arab said, explaining that "businessman" is understood as a bad word and we must correct this

conception".

Egypt's economy is diverse, he added, saying that a roadmap must be set out in order to direct it.

According to Ezz Al-Arab, it is important to know where Egypt will be in 2050, as countries like China have issued production export policies with a long-term vision in mind.

He feels that Egypt will be on par with the G20 countries in 50 years.

## Reducing subsidy expenses essential to jumpstarting Egypt's economy: Economists

Reducing subsidy system expenses in the 2014/2015 fiscal year (FY) budget will help drive Egypt's economy forward, economic analysts said at the Euromoney Conference, currently being held in Cairo.

It is essential to reduce public expenses for Egypt's economy, especially with regards to the energy situation, said Managing Director of Qalaa Holding Hisham El-Khazindar.

El-Khazindar said gradually increasing energy prices up to global levels will benefit Egypt's investment climate in the long run.

The cabinet has reduced allocations for petroleum products subsidies by approximately EGP 43bn, to a total of EGP 100.3bn for the FY 2014/2015 budget.

El-Khazindar said that a large portion for investments in his company were directed to the energy sector in light of Egypt's shift to becoming a net importer of oil.

The company executed investments worth \$300m to set up an energy project expected to be completed in 2017, he added.

"We were working under a waste disposal policy in the past, but with the rise in energy prices, we had to reconsider these waste again and reduce production costs," he said.

El-Khazindar said that many investment opportunities are available in Egypt, particularly in the energy and infrastructure sectors. He added that efficiency represents a huge obstacle and forms one of the main problems for those investing in the energy sector.

He requested that the government remove obstacles to investment and lift restrictions on new energy sectors, adding: "Egypt must encourage direct investment".

El-Khazindar said the current government is working on issuing policies conducive to foreign investment by amending laws and the tax climate.

The impact of power shortages on the cement industry over the past two years have been large, as production dropped by 50%, he said. El-Khazindar added that the situation has now changed in light of the current government's new policies.

He also called for the relationship

between the public and private sector to be altered in a push for new investments.

Hazem Badran, managing director of CI Capital, believes that the consumer sectors are the most capable of creating traffic at present and in the future. Their strength has been tested in light of their ability to withstand the past two years.

According to Badran, the food industry has continued to achieve growth in recent times, and is among the sectors most able to attract investors.

"The other sector that is regaining its previous levels is the energy sector, followed by sectors that are dependent on energy," according to Badran.

He said some obstacles and problems exist pertaining to resettling investments and with laws that require amendment, and the government has to face these challenges during the FY 2014/2015.

He also said that transparency and fighting corruption are important for kick-starting the economy, as Egypt lacks both in some sectors. The country's private sector is large and employing the principle of transparency is a requisite for kick-starting the economy.

"We received messages from the government addressing issues relating to transparency, especially problems relating to energy and government employees," Badran said.

Hisham Ezz El-Arab, managing director of Commercial International Bank, said the bank is working to develop an economic plan for government policy-makers to work with. He asserted that an economic map must be put in place for ministers to work with, and ministers themselves should coordinate so that no one is forced to start from scratch and waste time.

This measure will improve the government's executive efficiency, Ezz Al-Arab believes.

He explained that an economic council must be formed to serve as an advisory body that makes recommendations to officials. The council must be separate from the government, he said.

Egypt's economy is diverse and an economic roadmap must be put in place in order to guide it, he said.

## Reactions to the presidential statement to Daily News Egypt



President Abdel Fattah Al-Sisi to **DAILY NEWS**

### The election of a new legislature will follow in the very near future

President addresses Euromoney Conference:

- This is an opportune time for the global financial community to come to Egypt
- We will introduce a new uniform investment law that will further streamline the path for foreign investment
- Our goals: growth of 6%, a budget deficit in the single digits, the inflation rate will fall to single digits
- Smartcards will be rolled out first in Port Said in November and then nationwide in April 2015



- Government already working on plan that aims to achieve desired rate within 5 years: Investment minister
- First 100 days under Al-Sisi rule witnessed launch of mega projects to increase investment opportunities: Moussa
- Speed of implementing the president's plans will determine Egypt's economic strength in next 5 years: Banks

In a first reaction to President Abdel Fattah Al-Sisi's statement to the Daily News Egypt on Tuesday about the four economic goals that Egypt seeks to achieve, Minister of Finance Hany Kadyr Dimian and Minister of Investment Ashraf Salman seconded that the country can register 6% GDP growth rate.

Salman asserted that the government is already working on a plan that aims to achieve the desired rate within five years.

The CEO of oil company Taqa Arabia also expected that Egypt can achieve the 6% rate, adding that it implies an annual increase in the en-

ergy consumption with an average of 8-9%, which he said contributes to increase investment opportunities in the sector.

In an exclusive statement to the Daily News Egypt, Al-Sisi revealed his economic plan in the next five years, which targeted a 6% of GDP economic growth, trimming down the budget deficit from 13.7% of GDP in fiscal year 2013/14 and 10% of GDP in fiscal year 2014/2015, reducing the debt from 80% of GDP in the projected time frame from 94% at the end of fiscal year 2013/2014 and decreasing inflation rates.

Applauding the plan, head of the

Constitutional Committee Amr Moussa said that the first 100 days under Al-Sisi's rule have witnessed the launch of mega projects to increase investment opportunities and to provide an opportunity for everyone to benefit from the potential growth.

The veteran politician also noted that the foreign policy has "greatly changed", especially regarding the Ethiopian Renaissance Dam issue, adding that both parties have reached "mutual understanding", which he said will take us to different results in the near future. Moussa stressed that there must be a "bal-

ance" between the potential and the aspiration of the state.

Al-Sisi said in his statement: "So far we have succeeded in implementing two of the three major milestones outlined in the roadmap, namely adopting the constitution and holding the presidential elections. The third one – the election of a new legislature – will follow in the very near future."

He added that the energy demand will be rationalised through the use of smartcards, which will be rolled out first in Port Said in November and then nationwide in April of next year.

Chairman of E-Finance Ibrahim Sarhan also mentioned in his speech at the Euromoney conference in Cairo that Egypt has the potential to achieve 6% growth rate in 5 years by adopting the government's plans. E-Finance is supervising the government's plan to restructure its energy subsidies, which is the fuel smartcards programme of car owners.

Sarhan added that there are "great" chances to increase investments in Egypt in the current period, adding that collecting EGP 61bn, in investment certificates for funding the new Suez Canal project during eight working days, has proved that the country has the financial ability.

Expressing his happiness with the presidential statement, Managing Director of the Euromoney Conference Company Richard Banks showed Al-Sisi's statement on the front page of the Daily News Egypt to the attendees of the conference in one of the sessions, commenting that the goals are "realistic", but he added that there would be many challenges.

Banks pointed out that "crucial decisions" must be taken in the next 18 months in order to achieve the goals, adding that the speed of implementing the president's plans will determine Egypt's economic strength in next five years.

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### Technology and Security

Cairo Business Park is set to be Egypt's most secure premium office location with state-of-the-art security systems to secure against external elements. The complex is provided with automatic ID gates, 24/7 central camera surveillance, canine units, shielded rooms, sprinkler system, and fire-fighting equipment. The Park's technology is all powered by Cisco Real Estate, which manages the network and provides such benefits as IP telephony for integrated communication, video surveillance for integrated security, light automation and parking systems management for efficient traffic control.

# Despite difficult challenges, Egypt has a considerable economic upside

*El-Erian writes exclusively for Daily News Egypt: New political leadership led by President Al-Sisi has already expressed awareness of the economic and financial challenges facing the country and intention to deliver results*

By Mohamed El-Erian

Already struggling to meet citizens' legitimate needs and aspirations, the Egyptian economy has suffered a series of additional setbacks in recent years. So much so that, for the first time in many years, the population has had to cope with power cuts, shortages of goods, and partial controls on foreign exchange. With a new government committed to meeting the objectives of the 25 January Revolution, Egypt now needs to decisively overcome four major problems; and it can do so using four major attributes.

## Tackling four major challenges

Of all the headwinds to Egypt's sustained prosperity and social justice, four major ones stand out today. And while they do not explain all of the forces holding the economy back from delivering on its considerable potential, it is unlikely to develop strong forward momentum unless each of them is addressed in a decisive and sustained manner.

First, the country faces twin financial deficits in the form of a large budget shortfall and a deepening balance of payments imbalance.

These two deficits fuel inflation, put upward pressures on interest rates, weaken the currency and undermine a wide range of productive activities. The longer they persist, the deeper they become embedded in the structure of the economy and, therefore, even harder to solve and much more damaging to the country's longer-term wellbeing.

The deficits have also been interacting – via increasingly unfavourable dynamics – with Egypt's second major problem: disappointing economic growth.

The country's inability to maintain a multi-year period of high and inclusive growth holds back living standards, makes it very hard to create enough jobs for a rising and young population, worsens inequality, and frustrates the attainment of important social and political goals. Simply put, the country's low growth/high unemployment equilibrium eats away at Egypt's engines of growth and expansion, as well as its social fabric – thus threatening both current and future generations.

There is also a worrisome financial angle.

The lower the growth, the greater the pressures on the budget (through both higher spending needs and lower revenue collections); and the harder it is to earn foreign exchange through exports and efficient import substitution.

The third major problems relate to weak institutions.

Notwithstanding the drivers and achievements of the 25 January Revolution, Egypt is yet to reform its institutional structure sufficiently. As such, too many institutions remain overly bureaucratic, frustratingly inefficient, and inappropriately positioned to deliver on their important responsibilities. In addition to failing to properly serve the general public, the weak institutional setup has channelled too much of the country's economic gains to a small set of privileged insiders.

Finally there is the problem of Egypt's large social deficit. The country's social indicators have lagged behind those of many other countries. As such, too many Egyptians, particularly among the vulner-



**Egypt has solid regional friendships willing to provide considerable financial resources to support the country's economic reforms and recovery.**

able segments of the population, suffer from poor access to basic services such as health and education. Meanwhile, income and wealth inequality has worsened, as has the already-worrisome imbalance in access to opportunities for self-improvement and advancement.

## Exploiting four major attributes

None of these four problems are easy to overcome, especially quickly. After all, they have been many years in the making; they are deeply entrenched in the economic and political fabric; and they involve pockets of well-established self-interest that resist change. And, when put together, their cumulative effects constitute a significant challenge that requires many years of steadfast policy implementation, and one that commands broad-based understanding and sufficient buy-in from wide segments of the population.

As such, no one should underestimate the challenges facing the new government. Fortunately, in attempting to overcome them, Egypt can draw on four important attributes that can place the country in a potentially strong position to bounce back in the context of positive self-reinforcing dynamics. It is a position that, judging from my multi-decade experience of closely following and studying similar cases, puts the country's "initial conditions" ahead of those of other nations that succeeded in their difficult economic turnaround tasks.

First, Egypt possesses lots of low economic "hanging fruits" that may be harvested quickly to generate higher growth

and employment.

Tourism is a clear example of this hypothesis. With the return of security and better public communication internationally, there is no reason why the number of tourists – and the economic activity, foreign exchange, and jobs they generate – cannot quickly approximate historical highs. After all, Egypt's magnificent physical attributes are all in place, from spectacular monuments and culture to unmatched beaches and deserts. The renowned kindness and hospitality of its citizens has not gone away, and the hotel and transportation infrastructure is in place and under-utilised.

A similar logic applies to many other economic sectors that are functioning well below potential. With some adjustments in their operating context, existing plants would easily expand production, sales and jobs. The great of power supplies would greatly help manufacturing and other sectors. A more responsive bureaucracy would lift unnecessary and harmful restrictions on economic activities and trade. Some well-targeted infrastructure investments would enable and empower multiplicative economic activities. And better negotiations with external partners would transform Egypt's considerable potential for more exports into a reality that benefits the country in many ways.

Second, there is lots of cash on the sideline that could – and, under the right conditions, would – be deployed to finance labour hiring and investments in new plant and equipment.

Foreign direct investment is falling far short of historical averages, and certainly is well below what would be expected given Egypt's attributes. Many "win-win" public-private partnerships are under-exploited despite the need for greater investment in pro-growth and pro-employment facilities. Moreover, with significant funds on the sidelines waiting for greater economic clarity, the country's own pri-

mate sector can put more of its money to work in pursuit of commercial objectives that are aligned with Egypt's needs. And there is also considerable potential and interest among Egyptians living abroad.

Third, Egypt has solid regional friendships willing to provide considerable financial resources to support the country's economic reforms and recovery.

Kuwait and, especially, Saudi Arabia and the United Arab Emirates have been at the forefront of deploying both cash and energy products to alleviate Egypt's short-term economic and financial pressures. In their high-level meetings with the President and other high-level Egyptian officials, they have also conveyed their commitment to supplement this support with additional investments in housing, energy development, infrastructure, management and other areas that benefit the country's growth engines. Moreover, they have signalled their willingness to help coordinate a broader international effort to promote investment and growth in Egypt.

Finally, Egypt has a committed leadership in place that commands broad-based popular support.

The new political leadership led by President Al-Sisi has already expressed awareness of the economic and financial challenges facing the country and intention to deliver results. A comprehensive policy framework is being developed, subjected to comprehensive design and

broad consultation. And implementation has started as part of this more holistic, multi-year policy approach that is starting to attract expanding international support.

Many point to all the challenges confronting the Egyptian economy, and understandably so. It faces many headwinds at a time when people's needs are considerable, and should be met. Yet the focus on the challenges should not crowd out a simultaneous appreciation of the country's important attributes and huge opportunities. Indeed, by recognising the challenges and unleashing the potential, Egypt would make important strides in realising its considerable upside and meeting the population's genuine hope and legitimate aspirations for a better tomorrow.



**Mohamed El-Erian** is a member of the Egyptian Council of Scholars and the Chief Economic Adviser of Allianz, a multinational services company. He also chairs US President Barack Obama's Global Development Council. El-Erian is the former CEO and co-CIO of PIMCO, a global investment firm, and one of the world's largest bond investors, with approximately \$2tn of assets under management as of December 2013.

**Tourism is a clear example of this hypothesis. With the return of security and better public communication internationally, there is no reason why the number of tourists – and the economic activity, foreign exchange, and jobs they generate – cannot quickly approximate historical highs**



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# \$11bn investments to implement refinery replacement, renewal plan over the next 5 years: EGPC CEO

**Finance ministry debt at the end of August reached EGP 165bn, says Tareq Al-Mula**

By Mohamed Adel

Egypt's petroleum sector is one of the state's most profitable and is considered a support for all government institutions.

In light of recent events that have threatened political stability and relative economic growth, Daily News Egypt conducted a dialogue with the country's largest economic institution, the Egyptian General Petroleum Corporation (EGPC), represented by CEO Tareq Al-Mula.

**Which projects were intended to be implemented to replace and renew refineries and increase refining capacity and productivity according to EGPC's plan?**

Within its plans, EGPC hopes to implement a range of new investment projects in the refining and manufacturing fields with total investments of nearly \$11bn. The goal of these projects is to enhance the value-added of petroleum products and increase quantities of diesel, liquefied petroleum gas, gasoline, and diesel fuel in order to meet Egypt's needs.

Over the next four to five years we plan to implement the projects, and production will begin in the 2017/2018 fiscal year. The most important of these ventures is a hydrocracking project for fuel oil in the Mostorod refinery of the Egyptian Refining Company. Another project is focused on a high-octane gasoline production unit with Alexandria National Refine & Petrochemical (ANRPC).

The plan includes the construction of a new oil complex for Suez Oil Processing Company (SOPC) as well as two units that will produce approximately 2,000 tons of bitumen a day for SOPC and Amreya Petroleum Refining Co (APRC).

The plan also entails the addition of a new air distillation unit for APRC, a project to enhance the productive capacity of the Midor refinery, rehabilitation of a carbonisation complex for SOPC, and a hydrocracking complex for fuel oil with the Assiut Oil Refinery Company (ASORC).

**Has EGPC begun implementing any refinery projects already?**

EGPC has earmarked investments worth \$556m to implement the projects necessary for safe and continuous operation of all units at existing refineries with the goal of attaining the highest degree of safety within five years. Implementation of these projects began during FY 2013/2014.

Most important among these projects is the replacement and renewal project for compressors, pumps, switches, and other equipment.

EGPC also seeks to develop



Tareq Al-Mula

**EGPC also seeks to develop production units for companies at an estimated cost of \$356m, including the addition of two aromatic extraction units in oil complexes of ANRPC and APRC**



AFP Photo

**There is no new schedule for payment of debts due to foreign partners, and we are currently working to pay \$1.5bn in the coming period out of a total of \$6.3bn**

production units for companies at an estimated cost of \$356m, including the addition of two aromatic extraction units in oil complexes of ANRPC and APRC. The company also hopes to construct a high-octane gasoline production unit for ASORC and two butane gas units for the ASORC and SOPC.

These projects are aimed at eliminating bottle-necks at existing refineries in order to reach the maximum possible level of energy production by intensifying replacement and renewal efforts and increasing plants' efficiency.

A strategic vision for the petroleum sector aims to ensure that the country's petroleum product needs are continuously covered,

that Egypt depends mainly on domestic production, and that reliance on imports decreases to a minimum.

**What are the most important projects that are expected to be completed within FY 2014/2015?**

EGPC hopes to carry out new investments with our current joint ventures with foreign partners in oil and gas with total investments estimated at EGP 1.67bn. These ventures will be implemented before FY 2014/2015 is over.

One project currently being implemented is re-production of the Halal marine field, owned by GUPCO, with investments worth \$234m in order to produce approximately 3,000-5,000 barrels of crude oil daily. Implementation is expected to be finalised in December.

Khalda Petroleum Company is currently working on a project to establish a compressor station in the Qasr oil field with \$310m in investments. The project is expected to be completed in March 2015.

Gas compressors in the Qasr field will work to maintain the company's production rates of natural gas following a decline in pressure on stores.

Khalda is currently constructing compressor stations for the Kalabasha field with \$18m in investments in order to accommodate an increase in daily gas production from 10m cubic feet to 17m. Completion is anticipated in April 2015.

Development of Petrosin's DEKA field is currently underway with the goal of increasing production to 210 cubic feet of gas per day. Development is also taking place and the Northwest I Pliolic Dennis field with investments worth \$550m, and work on the two fields is set to be completed in December.

Badr Al-Din is working to develop gas production in the Aseel and Karam fields in Shawish in order to accommodate an increase in natural gas production to 200m cubic feet per day in addition to 20,000 barrels daily of condensate at a total cost of around \$300m. Development operations for both fields should be completed during this month of September.

Petrosin's Northwest October field is currently being developed through investments worth \$230m with the goal of increasing daily crude oil production to 6,000 barrels. The project is expected to be completed in March 2015.

Standing facilities have been established in the Abosnanarea, owned by Borg El Arab Petroleum, to accommodate 5m cubic feet of gas produced daily, and production rates are expected to increase to 25m cubic feet at a cost of \$9.5m. The project is set to be finalised in December.

Development operations for the Karima and HG fields owned by Petrosin brought production up to 15m cubic feet of gas daily in addition to 300 barrels of condensate.

Permanent production is estimated at 40m cubic feet of gas daily in addition to 1,000 barrels of condensate at a cost of approximately \$13m, and the development process was finished this past August.

These projects were implemented with the goal of increasing Egypt's natural gas and crude oil production rates in order to meet the growing fuel needs of the domestic market.

**Will other bids be offered in the near future? When?**

Some areas are being assessed, and security approvals for areas set to be tendered for oil and gas exploration have been requested.

A date for the tender will be set after these measures are completed.

Fifteen plots were put to tender in 2013 and only seven plots were awarded. Two plots in the Gulf of Suez were awarded to Germany's RWE and two others in the Western Desert to Tunisia's HBSI.

One Western Desert plot was awarded to Canada's Transglobe while another went to Italy's IEOC and the last to Edison, another Italian company.

**What are the details regarding debt payment schedules that you recently agreed upon with foreign partners?**

Actually, there is no new schedule for payment of debts due to foreign partners. What are the details of the Emirati shipment of petroleum products worth \$9bn? Will this include grants that don't need to be paid back?

This is simply a commercial agreement between EGPC and ADNOC to provide shipments of petroleum products throughout FY 2014/2015. They are allowing us payment facilities only, and the package does not include grants.

**What is the EGPC's current situation regarding current agency dues?**

Government agencies' [Finance, Electricity, Egyptair, transportation, etc] debts to EGPC at the end of August reached EGP 165bn, the value of their consumption of petroleum products plus subsidy differences.

**What is EGPC's plan for crude oil production in FY 2015/2016?**

EGPC aims for crude oil production to reach 690,000 barrels daily compared with the current 680,000 barrels, which will be considered a relative increase in light of unstable debt payment to foreign partners.

All petroleum leaders are in constant meetings and negotiations with foreign partners to increase oil and gas production rates in concession areas.

**What is your opinion on rationalising petroleum products and gradually increasing fuel prices?**

Moving gasoline and diesel prices a bit will help decrease consumption rates and increase EGPC revenues.

The value of petroleum product subsidies forms a significant part of Egypt's economic problems. Subsidies are calculated based on the difference between petroleum prices on the domestic market and the actual cost of providing the products, regardless of whether they were produced locally or imported from abroad.

**What is your opinion on the investment market for Egypt's petroleum sector in light of the current situation?**

Egypt is a large and promising market with great potential in terms of its reserves of crude oil, gas and human resources.

Besides, the entire sector's leaders deal with foreign companies up close in order to achieve understandings and develop plans to increase production rates.

**EGPC hopes to carry out new investments with foreign partners valued at EGP 1.67bn before end of FY 2014/2015**

## Egypt only uses 30% of its mineral resources: EMRA

THE 2013 STUDY LAID OUT A PLAN OFFERING TENDERS IN THE COMING YEARS TO USE RAW MATERIALS

By Mohamed Adel

Egypt does not make use of 70% of its mineral resources, a study conducted by the Egyptian Mineral Resources Authority (EMRA) has shown.

Experts added that utilising the country's mining wealth could greatly boost its economy.

Egypt also does not use 81.3 tons of titanium found in the Eastern Desert, Rosetta, and Sinai and 1.3 tons of black sand located in Rosetta and Sinai, the EMRA

said in its study.

The study added that Egypt partially uses 5m tons of glass sands in Wadi Qena and Sinai and 4.1m tons of phosphates found in the Red Sea, the Nile Valley and the New Valley.

The study also said Egypt has many opportunities to construct mineral industrial complexes that can make use of raw mineral materials.

The establishment of various complexes for different industries, including sulphur fertilisers, cement, marble, gold,

iron and salt, and others has also been proposed.

The 2013 study laid out a plan offering tenders in the coming years to use many raw materials, including gold, salt, coal, potassium, sulphur, phosphates and manganese.

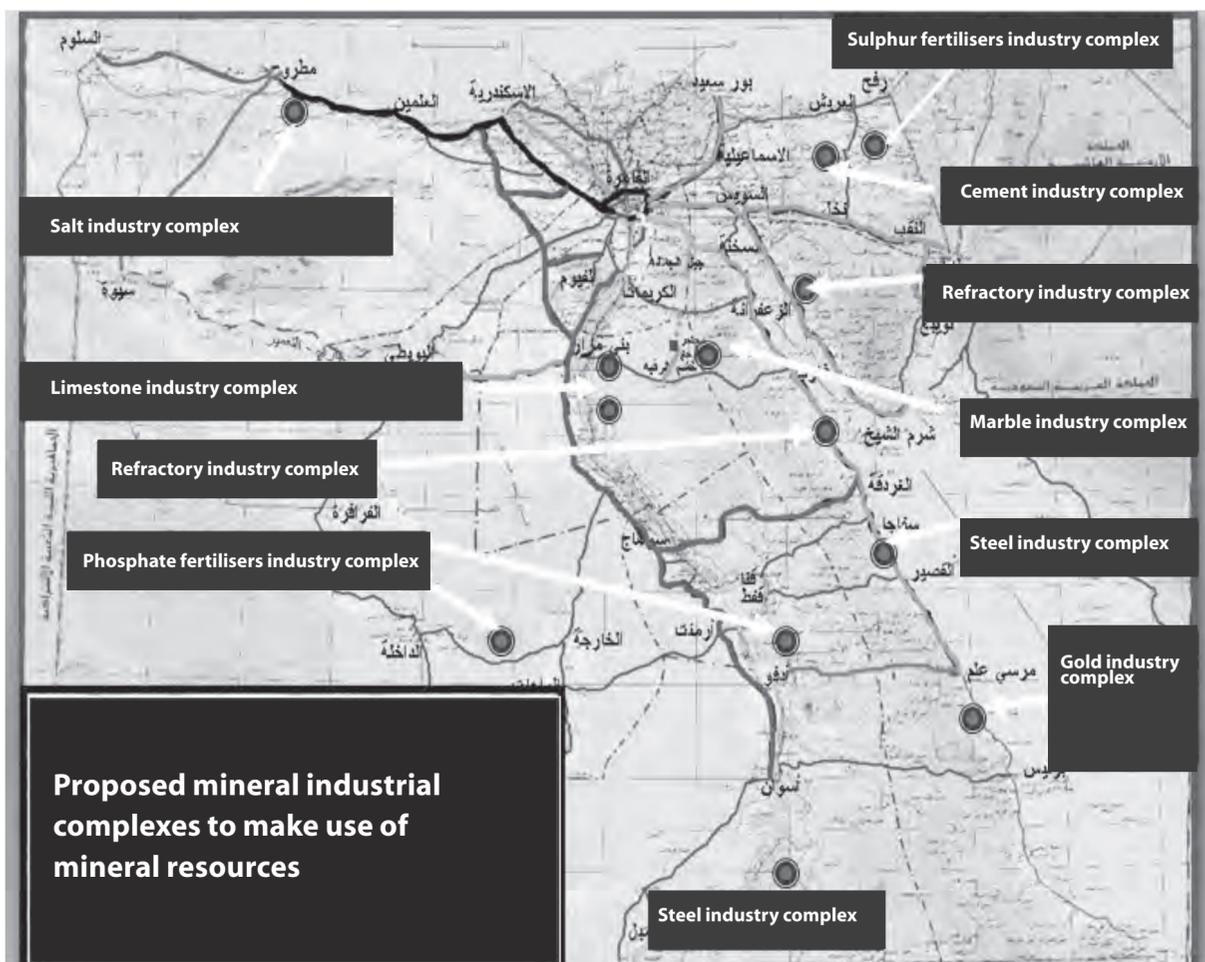
However, the government has postponed endorsing the new mineral wealth law due to violence on the streets and growing uncertainty about the country's political future, an EMRGA official said.

The law stipulates that the investor shall use Egyptian minerals for domestic pro-

duction and then export the products to other countries, instead of exporting the raw materials directly. The law also requires the EMRA shall be responsible for renewing the digging and exploration license.

The new law also allows only for the investor to drill for materials for which they have been licensed, the official added.

If the investor drilled for a material mixed with another for which they have no approval to explore for, the authority must issue an approval for the investor to use the drilled material.



## Drilling in Western Desert, Mediterranean would boost oil sector: Former EGPC deputy chief

EGYPT'S PETROCHEMICAL SECTOR HAS PLENTY OF INVESTMENT OPPORTUNITIES WITH THE POTENTIAL TO WOO MORE FOREIGN INVESTORS, SAYS MEDHAT YOUSSEF

Egypt's oil sector will receive a boost if the government and foreign oil companies start oil and gas exploration in the Western Desert and territorial waters, said Medhat Youssef, former deputy chairman of the Egyptian General Petroleum Corporation (EGPC).

The country has many promising investment opportunities for oil, gas, and petrochemicals drilling, Youssef added, as well as the establishment of oil refinery laboratories.

However, these exploration projects require huge investments from foreign oil companies, according to Youssef.

In a bid to lure more investors back to Egypt's oil sector, the Ministry of Petroleum is reconsidering pricing for natural gas and oil purchased from foreign oil companies according to the costs of every project.

Prices will now vary according to project costs, Youssef said.

Previously, Egypt bought oil and gas from foreign companies at prices that usually amount to half the costs of every project.

Over the past three years, project costs began to rise as expenditure edged up, with the current government increasing prices according to oil drilling project costs.

Youssef also said that foreign compa-



nies have many opportunities to invest in deep drilling for oil and gas in the Western Desert and the Mediterranean Sea.

The Suez Gulf area is full of promising oil wells that have yet to be discovered, he added.

The country's petrochemical sector also has plenty of investment opportunities that have the potential to woo more foreign investors, said an official at the Egyptian Petrochemicals Holding Company (EPHC).

These opportunities include the construction of small and medium-sized industry complexes that rely on use of

petrochemicals. The EPHC aims to finish this project in the near future, according to the official.

These complexes make the best use of raw petrochemicals instead of exporting them, said Youssef, adding that the proposed industries include automotive and building and construction industries that depend on raw petrochemicals for production.

Youssef said that many petrochemical projects are stalled for the time being, due to a shortage of gas derivatives essential to the petrochemical industry. Egypt, which faces a severe energy crisis, lacks

these gas derivatives and investors cannot import them due to high prices, the official added.

Investment opportunities also involve the construction of oil refinery labs and developing of old ones to operate at full capacity.

Further developments include introducing new technologies, increasing the labs' efficiency, encouraging the private sector to set up new labs and expanding infrastructure to meet growing public demand the official said.

Gulf countries, namely Saudi Arabia, the United Arab Emirates and Kuwait, have promised Egypt a combined \$12bn in loans, grants and fuel shipments following the July 2013 ouster of former president Mohamed Morsi.

Saudi Arabia has also sent Egypt \$600m in oil products each month between April and August.

Former Oil Minister Osama Kamal said that the Gulf fuel aid has largely helped the oil sector, but the sector is still in dire need of investment projects. The oil sector cannot depend on assistance from the Gulf countries forever he added.

Kamal also explained that the sector has opportunities to construct new petrol stations along highways to fuel trucks in addition to natural gas stations to supply cars.

Omar El-Shenety, Principal at Multiples Group



## Egypt and its FDI prospects

By Omar El-Shenety

No doubt that Egypt has witnessed very rough years since the 25 January Revolution. The economy has been brought to its knees, and now faces stagnation. Growth has stopped at 2% since the revolution, and the government budget deficit scored record levels. Tourism and Foreign Direct Investment (FDI), key sources for foreign currency, have seriously retreated, causing a spike in the balance of payments deficit, thus, putting a huge pressure on the Egyptian pound.

Right after the revolution, Egypt depended on local financing to cover the budget deficit and the accumulated FX (Foreign Currency) reserves to defend the currency. Yet with the election of the first civilian president, Egypt had to look for external help. It was lucky to receive generous support from Qatar, Turkey and Libya totalling \$12bn in grants and soft loans. The same trend continued after 30 June, where Egypt received over \$20bn from Saudi Arabia, the United Arab Emirates and Kuwait. Such external help was necessary to prevent the economy from collapse.

With a new president sworn in just three months ago, the ailing economy means the country still needs external support to be able to get out of its stagnation. To help plan this, the government in Abu Dhabi hired two world class consultants to analyse the situation and put a roadmap for economic recovery. The outcome of their analysis, as Reuters published, highlighted the need for a total of \$120bn of foreign cash inflows, between debt and FDI, over the coming four years. This influx would get the economy out of stagnation, to grow at 5%.

Out of the \$120bn influx, external debt can reach \$20bn, with the International Monetary Fund (IMF) a top lender. It is expected to discuss soon a sizable facility of around \$5bn as Egypt launched its long awaited subsidies reform programme. An IMF deal will definitely pave the road to more debt from international financial institutions such as the World Bank, as well as European, African and Islamic Development Banks, among others. Such a move would reach close to \$20bn over the coming four years.

No doubt an IMF deal will give confidence to international markets and help boost FDI, but \$100bn is still quite an ambitious target, especially compared to the historical FDI which recorded a \$50bn in total between 2000 and 2010. Around 80% of those FDIs come from European and American companies, which are expected to be conservative about investing in Egypt under the current turbulent situation. The Gulf allies are more likely to invest given their vested interests, with their investments possibly reaching up to \$50bn over the coming four to five years as announced by government officials. However, the date of the conference for countries supporting Egypt has still not yet been determined, raising question marks about the ambitious FDI target.

With such importance of FDI, there are some key priorities for the government to consider: Political settlement is critical as it does not make sense to expect much FDI while the country is busy fighting terrorism.

Expediting an IMF deal along a balanced reform programme is crucial to regain credibility in the international markets.

Settlement with foreign investors already active in Egypt about pending problems is a prerequisite, especially with oil and gas companies, the biggest investors in the country.

An emergency plan to restructure the ailing energy sector is a basic requirement for attracting FDI.

Adopting a more balanced approach in launching national projects is important as this reflects the sanity of the government.

Under-promising and over-delivering would be a better approach to running the economic agenda than the overrated media propaganda, which makes foreign investors even more worried.

The bottom line is that the road to recovery is long and bumpy, while foreign cash inflows are critical to make it through. Such inflows are not guaranteed and the government has some homework to do to ensure the successful flow of these funds.



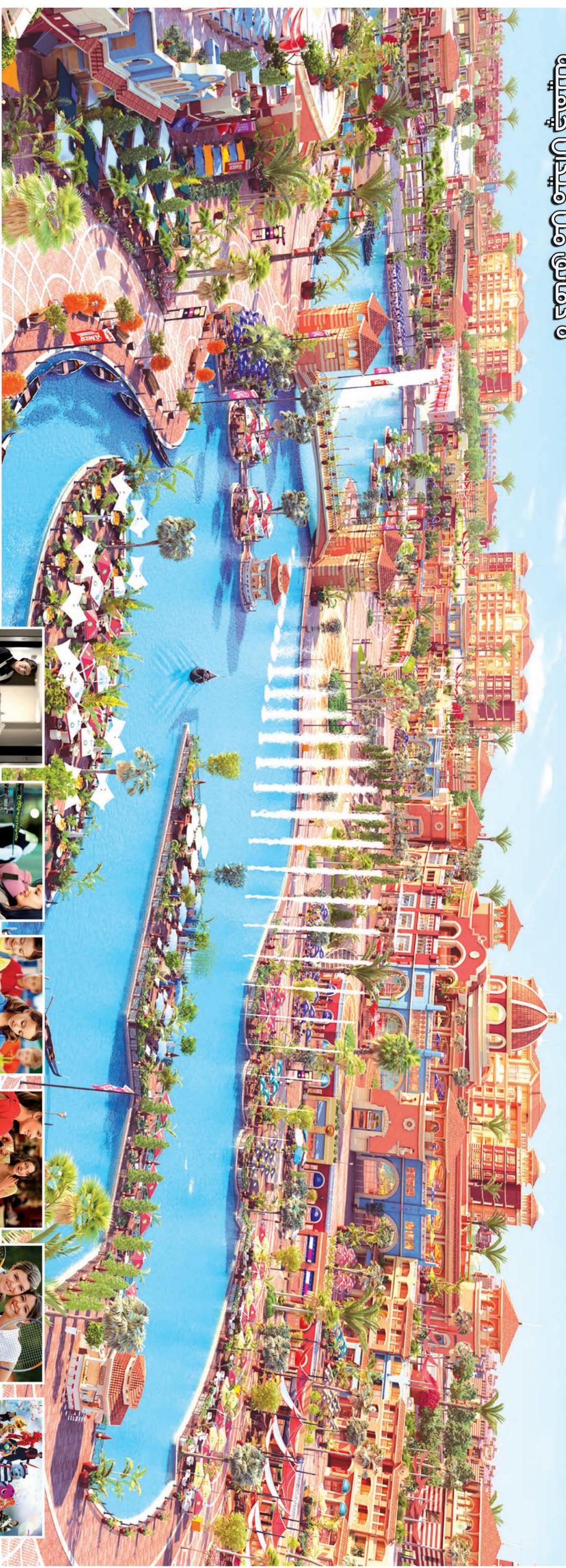
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- ٥ دقائق مشي من پورتو بارك
- ٣ دقائق مشي من ١٢٠ مطعم و ٨٥ سينيمات
- ٢ دقيقة مشي من فندق پورتو
- ٥ دقائق بالعجلة من المدرسة
- ٢ دقيقة من پورتو أكتوبر مول

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