



اتحاد الصناعات المصرية  
FEDERATION OF EGYPTIAN INDUSTRIES

# **PROMOTING INDUSTRIAL GROWTH & ENCOURAGING FOREIGN DIRECT INVESTMENT: AN URGENT REFORM AGENDA**

THIRD EDITION, JUNE 2020

*The Federation of Egyptian Industries (FEI)*



Supported by  
the Center for International Private Enterprise





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

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

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

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This third edition of the Urgent National Reform Agenda is issued amid the COVID19- crisis; thus, it includes a number of proposed exceptional procedures that, if adopted, can help contain the economic crisis and allow us to look forward to forging a promising economic future.

In January 2019, The Federation of Egyptian Industries (FEI) launched the first national agenda for urgent reforms —Urgent Reform Agenda; it included reform measures that can be implemented in a short-term horizon to boost industrial growth rates and increase foreign direct investment flows into the Egyptian industrial sector. FEI considers this agenda a launchpad for forging a systematic and constructive interaction between the Egyptian industrial community and the state's executive agencies; the agenda presents and discusses all obstacles and challenges facing the Egyptian industry and provides realistic and quick solutions that should lead to concrete results in the short term, in parallel with achieving the comprehensive development strategy on long-term.

The first edition was intended to be a living document that evolves with changing conditions; it was to be systematically updated periodically to reflect changes that have taken place on the ground. Thus, this third edition track changes in the business environment with regards to the economic challenges facing investors since January 2019, and captures progress in implementing the recommendations contained in the first two editions. In preparing the updated editions, due attention is given to soliciting the views of FEI's member chambers and including their feedback in the document, as well as developing and fine-tuning the agenda to further the development of the industrial sector and promote investment in Egypt.

The agenda is structured around several cross-cutting priority challenges that have clear negative impacts on the efficiency and the smooth running of industrial processes and deter many foreign investors from investing in the industrial sector. At the same time, it presents industry-specific issues and challenges faced by a number of industries within the sector; addressing these challenges promises to spur growth in these industries.

Accordingly, the recommended reforms are divided into two categories: 1) cross-cutting reforms and 2) sector-specific reforms. The former includes general reforms targeting areas including taxes, customs, industrial land acquisition, property registration, the cashless economy, industrial licensing, utilities, and public services, shipping, transportation, storage services, and the Labor Law.

The latter presents proposed reforms that are relevant to specific sectors, including pharmaceuticals, food processing, and agriculture products, petroleum, mining, mineral resource processing, automotive, grain, leather, and metallurgy. It should be emphasized that the recommended reforms were carefully reviewed and well-vetted with the broad industrial community to ensure that they do not have any negative repercussions on any industry within the sector or any other sector and that their benefits are broad-based.

In this regard, it is worth mentioning that in developing the recommendations, FEI, in partnership with the Center for International Private Enterprise(CIPE), has sought input and feedback from multiple stakeholders, including FEI's member chambers of industry, the Egyptian Center for Economic Studies (regarding domestic industries), and the American Chamber of Commerce (regarding foreign investment).

Thus, the proposed recommendations reflect a broad consensus among a wide spectrum of Egyptian industrialists.

Recognizing the pivotal role of the private sector and a free market economy in achieving sustainable development and benefiting the Egyptian economy, FEI notes that accelerating the implementation of these reforms will translate into tangible results, including improving Egypt's ranking in the Global Competitiveness Report, which, in turn, will contribute to increasing the rate of foreign direct investment, as well as enhancing the business environment for domestic investors. Additionally, easing the rules and regulations for the private sector—one of the proposed areas for reform—will result in increasing production and exports, improving the quality of products, diversifying production methods, and driving innovation.

Last but not least, FEI praises the government's responsiveness and prompt actions that resulted from the fruitful dialogue between the private sector and decision-makers; progress reported in this third edition is a testament to the government's responsiveness. At the same time, FEI reiterates that it is important that decision-makers carry out legal analysis to estimate the impact of a proposed bill, as well as cost-benefit analysis before making any decision; besides, it emphasizes that it is imperative to provide the industrial sector with direct financial support, which must be specific in terms of amount and designated uses.

# 22X18 ACHIEVEMENTS MONTHS

Since the launch of the first edition of the agenda in *January 2019*—18 months ago— the government and the House of Representatives have responded positively to a number of FEI's recommended reforms. The following are the key structural and procedural reforms undertaken over the past *18 months*.

- 1 Issuance of the Use of Cashless Payment Methods Law (No. 18 of 2019).
- 2 Issuance of the Micro, Small, and Medium-sized Enterprises Development Law (No. 152 of 2020).
- 3 Issuance of the Comprehensive Health Insurance Law (No. 2 of 2018) and its Executive Regulations.
- 4 Issuance of the Egyptian Authority for Unified Procurement, Medical Supply and Technology Management and the Egyptian Drug Authority Law (No. 151 of 2019).
- 5 Issuance of Prime Ministerial Decree No. 412 of 2019, promulgating the Executive Regulations of the National Food Safety Authority Law (No. 1 of 2017).
- 6 Issuance of a Prime Ministerial decree amending several provisions of the Real Estate Law (No. 196 of 2008); the amendments allowed factories and tourist establishments to defer real estate tax payments for three months, and to pay delinquent real estate taxes in installments over a period of six months.
- 7 Suspension of the administrative attachment imposed on all taxpayers who have outstanding tax liabilities against paying 10% of these liabilities, as well as forwarding their tax files to the tax dispute resolution committees for settlement.
- 8 The withholding tax imposed on dividend distributions made by EGX listed companies has been reduced from 10% to 5%—a 50% reduction.
- 9 Reactivation of the “E’rada” initiative and reconstituting its board of trustees, which includes the chairmen of FEI and the Federation of Egyptian Chambers of Commerce (FECOC).
- 10 Developing several electronic platforms; the Egyptian Government Service Portal, the leading online platform, is currently offering more than 75 online public services.
- 11 Developing a mobile application that provides access to more than 30 services through mobile phones.

# 22X18 ACHIEVEMENTS MONTHS

- 12** Law No. 146 of 2019, amending a number of provisions of the Economic Courts Law (No. 120 of 2008), was ratified by the President and published in the Gazette on Aug 7, 2019; the amended provisions will ensure the expeditious adjudication of cases related to the applicable trade, investment, and financial transactions laws.
- 13** The Central Bank of Egypt (CBE) launched an initiative to create a national payment card system—Mezza— that provides cardholders access to various financial services, thereby integrating them into the financial system. Additionally, CBE extended the exemption granted to citizens, allowing them to open no-fee bank accounts for mobile-based financial services.
- 14** Investors can acquire industrial land by accessing the investment map posted on the website of the General Authority for Investment and Free Zones (GAFI) and the Industrial Development Authority (IDA); land plots are to be allocated according to the type of project to be established in each region.
- 15** IDA lowered most of the fees imposed on small enterprises.
- 16** Issuance of a whitelist containing 75 companies to facilitate and expedite the customs clearance process.
- 17** Release of a plan designed to develop and implement custom-related applications for the foreign trade national single-window system.
- 18** Lowering of natural gas prices to \$4.50 per million British thermal unit for industrial enterprises.
- 19** Lowering of electricity prices for ultra-high, high-and medium-voltage industrial activities by LE 0.10, as well as placing a freeze on electricity prices for the next 3-5 years for other industrial activities.
- 20** Issuance of regulations regarding maritime transport activities and operations and their usage fees.
- 21** Issuance of Public Contracts Law (No. 182 of 2018) expanding the domestic preference requirements in government contracts.
- 22** The board of directors of the Export Development Fund (EDF) approved a new LE 6 billion export rebate program for fiscal year 2019/2020.

# CROSS-CUTTING REFORMS

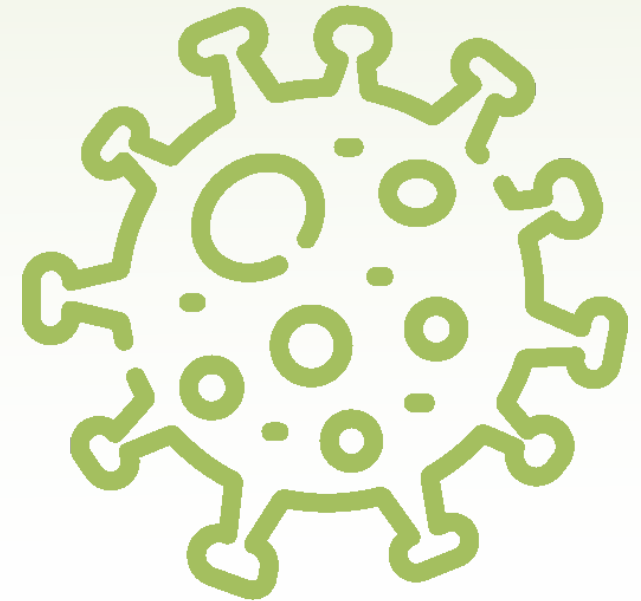
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# EXCEPTIONAL CHALLENGES & RECOMMENDATIONS SPECIFIC TO THE COVID-19 CRISIS

## **RESPONSIBLE ENTITIES:**

- » The Cabinet
- » The Ministry of Finance
- » The Ministry of Electricity and Renewable Energy
- » The Ministry of Social Solidary
- » Tahya Misr Fund
- » General Authority for Investment and Free Zones (GAFI)
- » Ministry of Trade and Industry

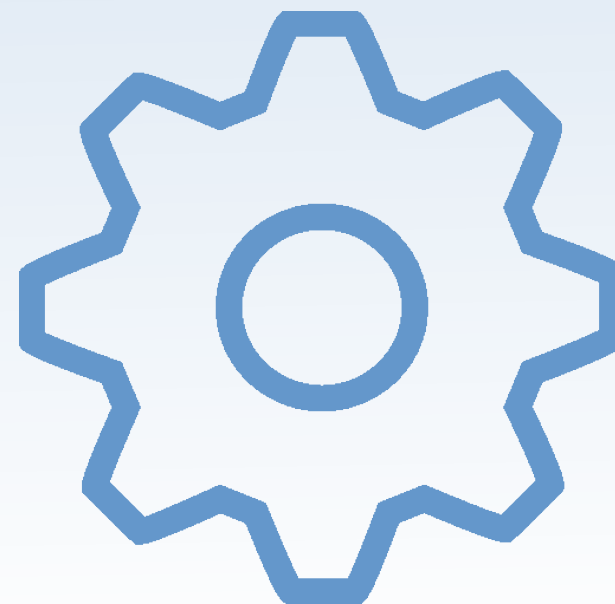




CHALLENGE	RECOMMENDATION	STATUS
<p><i>Several factories faced a number of challenges, including the following:</i></p> <ul style="list-style-type: none"> <li>- Meeting their obligations towards their workforce—payment of salaries and other benefits.</li> <li>- Increased financial burdens associated with the additional costs of meeting public health requirements and raising the awareness of the workforce to prevent the spread of COVID-19.</li> </ul>	<p>Grant industrialists a three-month exemption from paying the following obligations:</p> <ul style="list-style-type: none"> <li>-Income tax</li> <li>-Salary tax</li> <li>-Social Insurance contributions</li> <li>-Electricity bills</li> </ul> <p>Expedite the disbursement of relief funds to enterprises that were forced to partially or fully shut down, whether the shutdown was due to economic reasons or in response to an administrative order. Funds are to be made available from the Emergency Fund, which is partially financed through monthly contributions paid by public and private sector employers who hire thirty (30) employees or more (1% of the basic wage of employees).</p>	<p>Factories and tourist establishments are permitted to defer real estate tax payments for three months and pay delinquent real estate taxes in installments over six months.</p> <p>Suspension of the administrative attachment imposed on all taxpayers who have outstanding tax liabilities against paying 10% of these liabilities, as well as forwarding their tax files to the tax dispute resolution committees for settlement.</p> <p>The stamp duty rate on the Egyptian Exchange transactions was reduced to 1.25 per thousand for non-residents, and 0.5 per thousand for residents (down from 1.5 per thousand).</p> <p>Non-residents are granted a permanent exemption from the capital gains tax, and residents are granted a deferral of the tax through 1/1/2022.</p> <p>Lowering of the withholding tax imposed on dividend distributions made by Egyptian Exchange-listed companies to 5%—a 50% reduction.</p>
Factories are struggling with collecting receivables, both in the domestic and foreign markets.	Grant manufacturers an exceptional moratorium on bank payments, and waive any late payment penalties or fines that would otherwise apply.	On March 22, 2020, CBE issued a directive placing a moratorium on repayments of principal and interest under existing credit facilities for 6 months. The directive applies to all clients.
Factories in free zones are facing increasing financial burdens.	<p>Exempt all free-zone factories from paying rent for six months.</p> <p>Ensure transparency in setting and applying tolling rates.</p>	The General Authority for Investment and Free Zones (GAFI) issued a decision deferring rent payments.
Delays in collecting payments on goods and services associated with national projects.	Expedite payments to businesses engaged in national projects.	

Businesses are facing challenges related to industrial land availability and the issuance of required licensing.	Expedite the issuance of permits and licenses and the allocation of land for industrial use.	<p>In line with the Prime Minister's directives, the Industrial Development Authority (IDA) issued several consecutive decisions, among which is a directive extending the expiration date of licenses and industrial registrations until further notice.</p> <p>IDA is continuing with issuing licenses and industrial registration for enterprises operating in a number of manufacturing areas, including health products, pharmaceuticals, cleaning and disinfection products, masks, and food processing.</p>
Not all industries are equipped to turn to shift work; the feasibility of shift scheduling depends on the nature of the industry.	Avoid taking a broad-brush approach when looking at the different industries; take into consideration the nature of each industry.	
The imposed cash withdrawal limits present a challenge to factories that employ daily workers, particularly in the construction and agriculture sectors; they do not have the adequate cash flow to pay workers' wages.	Raise the daily cash withdrawal limits for factories and business owners.	The government and CBE responded positively to the demand of the industrialists and raised the daily cash withdrawal limits.
Free zones are struggling due to the ceasing of exportation as a result of the COVID-19 pandemic.	Allow free zone enterprises to sell 50% of their production on the domestic market; currently, they are authorized to sell 20% of their production domestically.	FEI's recommendation was approved.

## **GENERAL REFORMS**



RECOMMENDATION	STATUS/NOTES
<p>Establish a Cabinet-level committee to coordinate all economic decisions before issuing them. The committee should include representatives of FEI and the FECOC.</p> <p>Revive the “E’rada” Initiative, which is designed to vet all economic laws; and ensure that all its members have adequate seniority to be able to operate under the auspices of the Prime Minister.</p>	<p>On July 14, 2019, the Prime Minister issued a decree to revive “E’rada” Initiative and establish its board of trustees, which includes the presidents of FEI and FECOC.</p>
<p>Grant IDA full independence; it should be led by an independent chairperson and allowed to regulate itself. This practice should be adopted across the board to ensure the independence of other similar entities in Egypt.</p>	
<p>Make e-government a priority in order to increase the efficiency of government transactions and curb administrative corruption. Set a deadline of 2022 to complete the effort.</p>	<p>Several electronic platforms were created; the Egyptian Government Services Portal, a leading platform, is currently offering 75 online public services; the government plans to expand the number of online services to 100.</p> <p>A mobile application was created providing access to more than 30 services through mobile phones.</p>
<p>Issue a binding decree or a law to address senior debt restructuring. Currently, banks face significant challenges when working with distressed businesses that are going through a restructuring process. Any liquidity provided by banks is directed towards meeting the distressed business’s debt obligations to sovereign creditors (e.g., taxes, customs duties, etc.) and thus the restructuring process is derailed and the banks are exposed to high-risk losses. Accordingly, the regulatory framework, whether a law or a decree, should obligate sovereign creditors to closely coordinate with banks when rescheduling senior debts of distressed companies. Adopting this recommendation will ensure the availability of adequate liquidity during the restructuring exercise, and at the same time, protect banks against the risk of loss.</p>	

<p>Expedite the issuance of the micro, small, and medium-sized enterprises (MSMEs) law, which was reviewed by FEI, to encourage formalization of informal enterprises.</p>	<p>On July 13, 2020, the President ratified the Micro, Small, and Medium-sized Enterprises Development Law (No. 152 of 2020), which includes 109 Articles, organized into 9 chapters. Articles 105 and 106 of the law prescribe a penalty of a deprivation of liberty; additionally, several issues remain ill specified and should be more adequately addressed in the executive regulations. For example, executive regulations should clearly specify the following issues:</p> <ul style="list-style-type: none"> <li>- The types of violations that will render the closing of a business legal, as well as the controls that should govern the exercise of the powers by the competent authorities (Article 56).</li> <li>- The procedures to be taken and the sectors to be targeted for formalization; the latter should be consistent with the priorities set in Egypt's Sustainable Development Strategy (Article 91).</li> </ul>
<p>Support and strengthen the Industrial Development Bank to enable it to fulfill its role of funding industrial projects and expanding industrial activities in Egypt, including developing programs and procedures to incentivize expanding support for promising industrial endeavors.</p>	
<p>Reduce delays in court proceedings to enhance the timely delivery of justice; and build the capacity of judges in economic courts, with a focus on increasing their knowledge of economics principles and issues.</p>	<p>On August 7, 2018, the President ratified the amendments to the Economic Courts Law (No. 120 of 2008), which were approved by the House of Representatives. The new Law No. 146 of 2019 will help accelerate litigation involving lawsuits falling under the jurisdiction of the laws governing trade, investment, and financial transactions.</p>
<p>Reconsider the security screening process required for foreign investors as it consumes an inordinate amount of time (up to seven months). A 30-day advance notification requirement should suffice—a no response during these 30 days is to constitute an approval.</p>	
<p>Do not impose a real estate tax in free zones, and consider exempting factories from such tax: In May 2018, the General Assembly of the Legal Opinion and Legislation Departments of the State Council issued a legal opinion confirming that business enterprises located in free zones are exempt from the taxes prescribed in Real Estate Tax Law No. 196 of 2008. This exemption is to take effect from the date on which the Investment Law No. 72 of 2017 entered into force. Article 41 of the Investment Law stipulated that free zone business enterprises shall not be subject to the provisions of the applicable laws on taxes and duties in Egypt, which includes the real estate tax. Accordingly, it is not legally possible to require these enterprises to pay real estate tax starting June 6, 2017, the day the Investment Law entered into force. Compliance with the legal opinion of the State Council, and establishing a mechanism to ensure its implementation is yet to be seen.</p>	

Ensure that free zones and other investment zones are treated equally, particularly with regards to accessing incentives. Free zones employ local workers and utilize local inputs, thus, enterprises operating in the free zones should be able to access the incentives offered through the Export Development Fund, along with other relevant incentives.

Review the sanctions-related provisions in all business-relevant laws and draft laws, and eliminate sanctions that entail deprivation of liberty, thereby making them consistent with the Investment Law. The latter expressly states that no penalties that entail deprivation of liberty shall be imposed on investors in any economic activity and that penalties shall be limited to fines. Indeed, several of recently issued laws, including the NGO Law, the Social Insurance Law, and the Trade Unions Law did away with all penalties involving jail time. However, there remain other laws and draft laws that include sanctions that entail deprivation of liberty (e.g., the regulations pertaining to cheques under “the Cheques Law”).

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

- The amount of Takafulia\* contribution that a business is required to make under the law should be calculated based on its net annual income instead of its gross annual revenue. Additionally, a contribution ceiling and floor should be specified.
- Establish contribution brackets—ranges of net annual incomes, each subject to a certain contribution rate; the contribution rate should be progressive, in other words, lower brackets pay lower rates and higher brackets pay higher ones.
- Affix a label “finished product” to imported goods to avoid imposing the Takafulia contribution on production inputs, and thus increasing costs. This will prevent duplication, as the contribution is already imposed on the gross annual revenues.
- Since the required contribution constitutes a business expense, it should be tax-deductible under all circumstances.
- Funding the new comprehensive health insurance scheme, should not be limited to this contribution. Other sources of funding include supplementary taxes on cigarettes and alcohol, as well as contributions from employees and employers, which add up to 5% of the employee’s salary.
- The contribution brackets should be structured such that the highest rate, 0.0025, be assigned to the highest bracket of net annual income, and gradually decrease to 0.0015 and then 0.001, as the net annual income decreases.
- Money-losing businesses should be subjected to the same contribution payment terms. That said, the contribution should not be charged to the profit and loss statement, but rather the shareholders’ equity account. By doing so, the payment may be tax-deductible in the future, under certain circumstances, as it will be considered a loss carried forward.

\* Takafulia is an Arabic term derived from the root word “Takafala”, which in the literal sense means to mutually guarantee and protect one another.

Reconsider Articles 115 through 119 of the Penal Code—The Chapter on Public Funds—to counter the prevailing modus operandi of the government, which is characterized by irresolution and hesitancy. In this regard, attention should be given to enacting a specific and clear law holding ministers and public officials politically accountable for their policies and action, rather than limiting their accountability to the legal realm—accountability for criminal conduct. Attention should also be given to providing support to public officials and building their confidence in making decisions that serve the public interest and respond to national development objectives, as long as these decisions are well-studied, and were subject to broad-based and meaningful community dialogue.

Resolve the confusion surrounding the voting procedures, namely the cumulative voting system for electing board members in companies that are listed in the Egyptian stock exchange, and non-banking financial companies: Circular No. 1 of 2019, issued by the Financial Regulatory Authority, obligates companies to specify cumulative voting as the applicable voting system in their rules of procedure. This directive contradicts with Circular No. 1 of 2018, which is issued by GAFI. The latter, which reflects the legal and regulatory framework for protecting the rights of minority shareholders, stipulates that adopting the system of cumulative voting is optional rather than mandatory, which is in line with Article 74 (Paragraph 2) of the Companies Law. Thus, it is imperative to issue a clear directive to eliminate any ambiguity regarding the voting system.

It is imperative to create a national committee to effectively unify and coordinate all efforts that aim at attracting and marketing investment opportunities in Egypt, on both the domestic and international levels. More often than not, in most developing countries, agencies concerned with investment, while each performing robustly on its own, end up working in isolation without any meaningful and effective coordination with others. This practice results in meager results, as critical stakeholders, such as the stock exchange, investment banks, banking units, and non-bank financial institutions, are excluded and do not participate in the effort.

Create a new position in Egyptian diplomatic missions and assign the incumbent the responsibility of promoting investment opportunities in Egypt. Additionally, establish new GAFI-affiliated investment offices, both inside Egypt and in selected key global markets with potential investors.

End the freeze placed on the investment incentives scheme (both the tax and non-tax incentives), which are stipulated in Law No. 72 of 2017. This will contribute to boosting investment attraction efforts and achieving the goals behind these incentives. Additionally, activate the new set of tax incentives included in the amended Investment Law to encourage businesses to reinvest their excess profits, thereby increasing the rate of investment in Egypt.

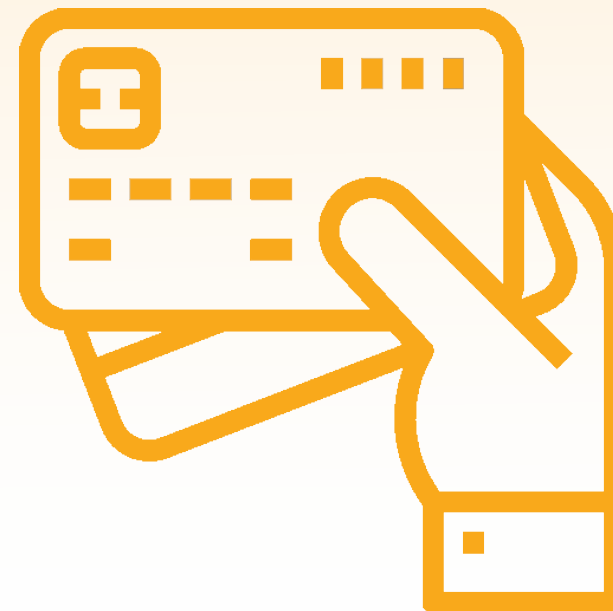
Speed up the dispute adjudication process, and establish a time frame for the proceedings. The outcome of the adjudication process should be presented to the ministerial committee at least twice a month irrespective of the number of disputes ready for presentation, or the preliminary recommendations resulting from the process.	
Activate, via a presidential decree, the coordination council, which serves as a channel through which the government and the CBE work together to set monetary policy goals. This does not undermine the independence of CBE, especially that its law requires that CBE and the government collaborate, through this council, to reach an agreement on the goals of the monetary policy.	
CBE must launch an intensive campaign to promote a program for providing low-cost financing for the purchase of capital equipment, as well as developing and modernizing the current production capacities. In light of the current circumstances, it is important to revisit the restrictions imposed on banks with regard to contributing to share capitals in new companies; these restrictions constraint the diversification of the financing process.	
The Ministry of Trade and Industry should track the idle production capacity in the different sectors and introduce a well-integrated program that aims at increasing employment and modernizing and developing the unused production capacities through international agreements for technology transfer.	
Activate CBE's decision regarding the setting up of small bank branches in governorates and remote areas. The current fees for opening bank accounts must be lowered, and the procedures simplified to encourage citizens to open accounts.	<p><b><i>On May 10, 2020, CBE issued a number of instructions, which entailed the following:</i></b></p> <ul style="list-style-type: none"> <li>- Suspending all fees and commissions on POS, ATMs, and electronic wallets for 6 months, as well as exempting in-country local currency transfers from all the fees and charges for 3 months.</li> <li>- Raising the maximum limits for mobile phone accounts and prepaid cards; allowing banks to open internet and mobile accounts for existing clients using the data held by the bank; using electronic identification procedures for new clients, and allowing the issuance of electronic wallets and prepaid cards at no fee for 6 months.</li> <li>- Setting a temporary daily limit on withdrawals and deposits for individuals: LE 50,000 in banks' branches and LE 20,000 from ATMs.</li> </ul>
Allow the National Post Organization to issue payment cards against the accounts of its depositor, and in parallel, install ATMs in post offices. This will increase the volume of transactions through secured parties, which will facilitate tracking these transactions, especially in remote areas and villages.	



# THE CASHLESS ECONOMY

## **RESPONSIBLE ENTITIES:**

- » The National Council for Payments
- » The Central Bank of Egypt (CBE)
- » The Ministry of Finance



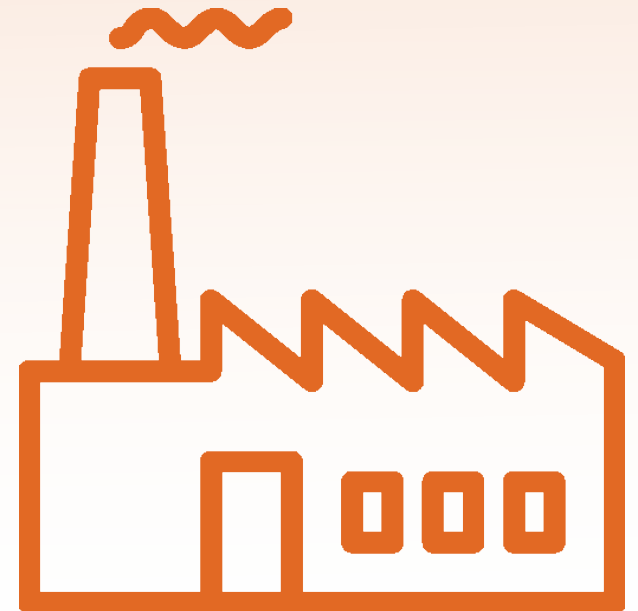
CHALLENGE	RECOMMENDATION	STATUS/NOTES
In spite of all efforts exerted to promote financial inclusion and limit cash transactions, a number of institutional and legislative barriers continue to persist.	<p>Address the legal and institutional barriers to creating a cashless economy.</p> <p>Expedite the issuance of the executive regulations of Law No. 18 of 2019— The Use of Cashless Payment Methods Law.</p>	On March 11, 2019, the House of Representatives passed a law to regulate the use of non-cash means of payment. Law No. 18 of 2019 was signed by the President and published on April 16, 2019. Issuance of the law's executive regulations and its implementation and enforcement remain to be seen.
Overlapping jurisdictions between the National Council for Payments and other government agencies.	Create an executive secretariat for the National Council for Payments, and task it with overseeing the implementation of its decisions and coordinating between the various competent government entities to prevent conflicts and overlapping powers.	
With few exceptions, all laws regulating sovereign payments do not include provisions that require electronic or bank payments. Currently, the use of an electronic payment mechanism is required only under Law 201 of 2014 (amending the Income Tax Law No. 91 of 2005) and Decrees No. 117 and 172 of 2015 issued by the Minister of Finance, which pertain to income tax payments.	<p>Amend the relevant laws regulating sovereign payments so that they mandate the use of bank or electronic payment methods for concluding transactions that exceed a prescribed threshold amount. The amendments should also allow the use of mobile payments for transactions that fall below the threshold amount.</p> <p>Enforce the law with respect to transactions carried out by the private sector or individuals if the transaction amount exceeds the thresholds stipulated in the law or its executive regulations, once issued.</p>	Law 18 of 2019 requires all government entities, state-owned companies, and private enterprises to use cashless means for making all payments to their employees, experts, and board and committee members, as well as the social insurance subscriptions. Besides, the law requires government entities and agencies, and public legal persons, referenced in Article 2, to pay all dues to contractors, suppliers, and service providers through non-cash methods, whenever the dues exceed a specified threshold amount to be specified in the executive regulations of the law.

None of the laws regulating non-bank financial services include any provision that requires parties to use electronic payments or payments through bank accounts (e.g. Companies Law, Capital Market Law, Insurance Services Law, Mortgage Law and Financial Leasing Law).	Include new provisions in the laws regulating non-bank financial services, such that non-cash payment mechanisms—bank accounts or electronic means, including mobile phones—become mandatory for concluding any transaction that involves buying, selling, installment payments, lease payments, or others.	<p>Article 5 of Law No. 18 of 2019 requires the use of non-cash payment methods, whenever the due amount exceeds a threshold to be specified in the executive regulations. This applies to the following payments:</p> <ul style="list-style-type: none"> <li>- Taxes; customs duties; fees and fines.</li> <li>- Service fees and other dues owed to entities referenced in Article 4 of Law 18 of 2019.</li> <li>- Cash finance installments, insurance policy premiums, syndicate subscriptions, and private insurance funds subscriptions.</li> <li>- The disbursement of subsidies and donations through civil society organizations.</li> <li>- The collection of payments associated with the sale, lease, use, or usufruct, of land, property, or express transport vehicles, by the state authorities, juridical persons, and establishments referenced in Article 2 of the law.</li> </ul>
The National Council for Payments does not have in place a clear plan, with specific interim objectives to guide the universal implementation of the cashless payment system.	The National Council for Payments should develop a national plan, which includes clearly defined interim objectives, well-developed implementation mechanisms, and criteria for measuring and assessing performance.	<p>The Minister of Finance announced that the rate of electronic collection of taxes and customs duties has increased.</p> <p>CBE has introduced a national e-payment system (Meeza Card), which provides users access to various financial services, thus enhancing financial inclusion.</p> <p>The Minister of Interior presented an updated overview of the scheme to develop the national ID smart card.</p>
The disconnect between the government's efforts to transition to a cashless economy and its digitalization plan.	Transitioning to a cashless economy should not be limited to automation; rather, moving to cashless transactions is an integral part of the digitalization process.	

# PROVISION OF INDUSTRIAL LAND

## RESPONSIBLE ENTITIES:

- » The Industrial Development Authority (IDA)
- » The New Urban Communities Authority
- » The Ministry of Housing, Utilities & Urban Communities
- » The National Center for Planning State Land Use



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>The lack of objectivity and transparency in the allocation and pricing of land, as well as the absence of comprehensive information on the availability of land, prices, and acquisition procedures.</p> <p>Land policies are developed in the absence of an updated integrated land information system.</p> <p>Lack of standardized procedures for land allocation across the various government entities, and lengthy and cumbersome allocation procedures.</p>	<p>The Prime Minister should promptly issue a decree to clarify jurisdictional issues related to industrial land; the decree should also clearly outline the role and function of the New Urban Communities Authority and IDA; the former should have jurisdiction over the land, infrastructure, and the provision of utilities, while the latter should have sole jurisdiction over land administration and allocation.</p> <p>Resolve the legal conflict regarding the jurisdiction of IDA over industrial land, as stipulated in the law regulating IDA. If needed, issue a new law that clearly delineates the jurisdictional authority of different government entities over industrial land and the responsibility for providing utilities and allocation of land to the final beneficiary.</p> <p>Create a well-integrated and accessible information system for industrial lands; ensure that it remains updated.</p> <p>Replace the numerous laws governing state land with a single unified and simplified law to administer it.</p> <p>IDA should be designated as the sole entity for interacting with investors.</p> <p>Create a land bank to serve as a database, listing all available industrial land, the price of each plot of land, and information regarding the current status of utilities and infrastructure.</p>	<p>A coordinating council, affiliated with the Cabinet, has been established to study the challenges facing investors in industrial zones.</p> <p>The Cabinet contracted a consultancy firm (MegaCom) to examine the challenges and barriers facing investors in industrial zones and develop solutions. The firm was to consult with investors and seek their feedback and views on the barriers and solutions. The consultancy contract is funded by the Ministry of Finance.</p> <p>FEI and MegaCom discussed the recommendations included in the study. It was agreed that investors should be able to lease the land plot for ten years; the plot may be purchased if the investor demonstrates seriousness about the investment.</p> <p>Investors can acquire industrial land by accessing the investment map posted on the website of GAFI and, according to the type of projects to be established in each region. That said, many users find it difficult to deal with this online map.</p>

<p>IDA lacks the financial resources needed for equipping industrial land with utilities. Together with the high cost of bringing utilities to undeveloped plots, small investors face a shortage of appropriate industrial land. IDA's lack of financial resources is likely to hinder its ability to deliver on its plan of making available 60 million square meters of land by 2020.</p> <p>Lack of industrial land plots (500 square meters) available to small enterprises in industrial zones, in line with the Industrial Licensing Law.</p> <p>Excessive increases in land prices and the lack of pricing standards.</p>	<p>Allocate additional land to IDA to increase the industrial land supply available for investors and develop objective and transparent mechanisms for land allocation.</p> <p>Make available land plots and facilitate land acquisition procedures.</p> <p>Authorize the development of public markets, major commercial complexes, and hypermarket chains, which are critical for marketing locally manufactured products at competitive prices and increasing demand for these products.</p>	<p>In June 2019, the Cabinet approved a proposal, submitted by the coordinating council for Industrial Zones that allows selling industrial land plots on installments at an annual interest rate of 7%, rather than the interest rate set by CBE. This decision, which will remain in effect for three years only, aims to attract more investments to the industrial sector, in order to expand the establishment of new industrial zones to increase youth employment opportunities.</p> <p>In July 2019, the Internal Trade Development Authority signed eight partnership agreements with a group of investors and commercial developers. Under these agreements, commercial and logistic zones will be established in a number of governorates including Sharqiya, Menoufia, Gharbia, Beheira, Luxor, Qena, Fayoum, and the New Obour City. It is expected that the agreements will attract investments worth LE 23 billion, and provide approximately 200,000 direct and indirect job opportunities, as well as make available commercial centers that meet all the needs of citizens at reduced prices.</p>
<p>Land registration requires conducting cadastral surveys. However, the current capacity of the Egyptian Survey Authority does not allow it to respond to survey requests nation-wide in a timely manner, thus, expedited requests for registration are put on hold.</p>	<p>Authorize the establishment of accreditation offices to carry out cadastral surveys to facilitate the land registration process (similar to the case under the Simplification of Licensing Procedures for Industrial Enterprises Law and the Investment Law, which authorize the establishment of accreditation offices to facilitate the licensing process); allow security-cleared entities to use modern techniques of geographic photography.</p>	
<p>Failure to fully enforce some of the provisions of Law No. 15 of 2017. The New Urban Communities Authority, which is affiliated with the Ministry of Housing, Utilities, and Urban Communities, continues to require investors to provide a bank guarantee to acquire land in industrial zones; this is an exaggerated requirement as it was revoked under Law No. 15 of 2017.</p>	<p>Fully enforce the provisions of Law No. 15 of 2017, which revoked the bank guarantee requirement, as a proof of the seriousness of purpose of investors who are interested in acquiring industrial land.</p>	

# IMPLEMENTATION & ENFORCEMENT OF INDUSTRIAL LICENSING LAW

## **RESPONSIBLE ENTITIES:**

- » The Industrial Development Authority (IDA)
- » Ministry of Trade and Industry
- » The Cabinet



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>To date, the decree establishing a new board of directors for IDA, pursuant to Law No. 95 of 2018, “The Industrial Development Authority Law”, has not yet been issued. More so, the executive regulations of the new law are yet to be issued.</p>	<p>Promptly establish IDA’s new board of directors, in accordance with the new law.</p> <p>Expedite the issuance of the executive regulations of Law No. 95 of 2018, “The Industrial Development Authority Law”.</p> <p>Enact a new law to regulate the administration of industrial zones. The new law should clearly define the responsibilities and relationships between all the parties concerned (similar to the case of the free zones and zones that are run by independent operators, mostly from the private sector).</p> <p>Take into consideration including FEI on the board of IDA; the relevant provision in the law currently in force mandates the representation of those with expertise, alongside government, without specifying FEI.</p> <p>The Ministry of Local Development must be represented on the IDA’s board since it is among the entities that have the responsibility for issuing licenses for establishments operating within the boundaries of residential areas.</p> <p>Ensure the full implementation and enforcement of the law; contrary to the applicable law, the New Urban Communities Authority continues to directly offer industrial land for sale.</p> <p>Review all existing decrees, which pertain to licensing and industrial registry to ensure that they comply with the relevant laws.</p> <p>Introduce a mechanism by which FEI and its member industrial chambers are able to assess the performance of IDA with regard to licensing, industrial registry, and land allocation, as well as identify all the implementation challenges, particularly those related to industrial land.</p>	



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

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

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

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

Restructure IDA to ensure the full implementation of Law No. 95 of 2018.

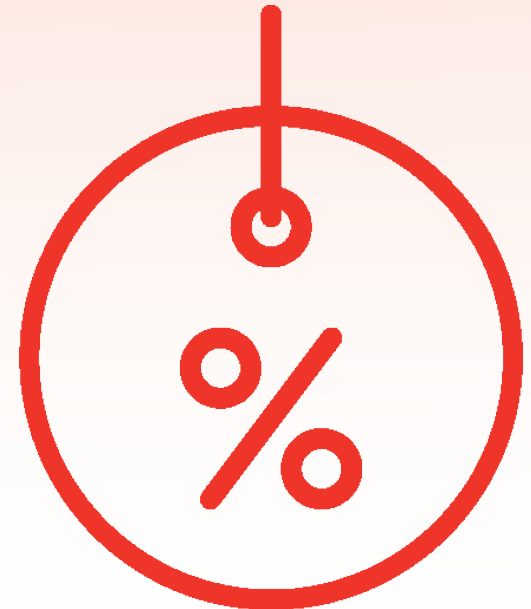
So far, partial progress has been made in updating IDA's website and populating it with much of the information needed by investors. However, online services are not yet operational, and no action has been taken to raise the capacity of IDA's employees or increase its funding allocation.

<p>Law No. 15 of 2017 is not fully implemented; contrary to Law No. 15 of 2017 that gave IDA a clear and comprehensive mandate over industrial activities, overlapping jurisdiction between IDA and other government entities persist.</p> <p>The multiplicity of oversight and inspection agencies, and the prevailing practice of imposing fines and shutting down enterprises by these agencies, including the Ministry Finance, the Ministry of Environment, the National Authority for Social Insurance, the Civil Defense Department, and local administration units.</p> <p>Industrial licensing procedures are rendered complex and difficult to identify and decipher by the endless paperwork and cumbersome bureaucracy.</p>	<p>Ensure the effective implementation of Law No. 15 of 2017 and enable IDA to play its role effectively by preventing other entities from interposing into the industrial licensing process.</p> <p>Simplify the “Real Property Proof of Possession” handbook, and codify it; Clause 1 under Article 2 of the Executive Regulations of Law No. 15 of 2017 stipulates that “When issuing industrial licenses, it is essential that completing all procedures and abiding by the set timeframes must be observed, such that businesses do not endure additional burdens”; the situation on the ground is in sharp contrast to what the Executive Regulations call for.</p> <p>Before deciding to shut down any industrial enterprise, government entities must consult with IDA.</p> <p>Activate the government portal, which was created to facilitate the procedures for economic activities; the portal aims at simplifying all procedures related to licensing by:</p> <ul style="list-style-type: none"> <li>-Providing industrial investors with information regarding the required procedures.</li> <li>-Providing a central platform through which the competent administrative body and the industrial investors can interact and discuss issues.</li> <li>-Making available studies and analyses related to industrial development in Egypt.</li> </ul>	
<p>The license processing time continues to be long; banks refuse to finance industrial activities before the issuance of the operating license and the start of operations.</p>	<p>Set a target to meet the industrial licensing waiting time frames stipulated in the law by 2020: 7 days for licenses issued under the notification license system, and 3 months for licenses issued under the pre-licensing system.</p>	
<p>The limited availability or lack of accreditation offices that are designed to speed up the licensing process.</p>	<p>Authorize governorate-level offices to grant licenses after completing the required procedures without having to secure the approval of the center.</p>	<p>Even though 8 new accreditation offices were approved, however, licensing delays persist; more offices are needed to reduce the burden placed upon government entities.</p>
<p>The service fees imposed by IDA are excessive and eat up the capital of the investors.</p>	<p>Reconsider the fees imposed by IDA to reduce the burden on investors.</p>	<p>IDA issued Decree No. 239 of 2019 reducing some of the prescribed service fees; most of the fees were lowered, particularly those related to SMEs. That said, it did not reduce the prescribed fines.</p>

# TAXATION

## RESPONSIBLE ENTITIES:

- » The Egyptian Tax Authority
- » The Ministry of Finance



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Taxes place a significant burden on industrial activities as they result in higher prices, thereby making products less competitive. Among the most significant tax-related challenges facing manufacturers are the following:</p> <ul style="list-style-type: none"> <li>- The ambiguity of the law and its executive regulations opened the door to undue discretion in interpreting the law and its regulations, which resulted in varying interpretations within the same agency. A good case in point is the tax treatment of specialized industrial processes related to a number of industries, including food, detergents pharmaceuticals, cosmetics, and paper pulp (e.g., pulp of wood or of other fibrous cellulosic material).</li> </ul>	<p>Eliminate ambiguity in all tax-relevant laws, regulations and guidelines, and simplify them in order to limit the discretionary power of tax administrators.</p> <p>Form a small committee consisting of the directors of the Tax Authority and the Customs Authority, a deputy of the Minister of Finance, the chairman of the FEI (or who he may delegate), and representatives of the chambers of industry. The committee should be tasked with studying the tax- and customs-related procedural and legal obstacles facing industrial investors, coming up with practical solutions, and taking decisions that can have a quick impact on the ground.</p> <p>The Ministry of Finance should sign a protocol with the Organization for Economic Cooperation and Development (OECD) to develop tax treatment systems, which are aligned with global best practices in tax administration and enhance investor confidence in tax reforms.</p>	

-The continued practice of subjecting taxpayers to arbitrary tax assessments, and the disregard of balance sheets and tax returns that they submit.

Prolonged delays in tax examination sometimes reaching 10 and 15 years, which result in businesses incurring additional financial burdens represented in delay penalties and an additional tax that exceeds the original tax.

To interrupt the statute of limitations, tax offices issue arbitrary tax assessments that do not take into account the tax returns submitted by the business; the estimated tax liability may exceed sales. This practice complicates the process and results in a reassessment, even if five years (the statute of limitation period stipulated in the law) have already elapsed.

On examining tax returns, tax officers disregard the records and documents submitted by the taxpayer; in this case, examining officers who claim that a violation exists must prove this violation and distinguish tax evasion from mistakes due to human error.

A disconnect and lack of coherence among the various divisions within the tax office—the commercial inspection, the salary tax, the stamp tax, and deduction at source. This results in wasting the time of both the taxpayer and the tax officer since redundant files, containing the same documents, are prepared for examination by more than one officer, sometimes at the same time. The examination process must be consolidated to avoid wasting the time of taxpayers and tax officers.

The Intransigence of the tax office with regard to the examination of tax files that are unlikely to generate revenues; no due regard is given to considerations related to tax compliance and satisfying all documentation requirements.

Without first exhausting all amicable options, tax offices rush to issue administrative orders to attach all funds belonging to a business, instead of attaching the equivalent of the amount of the taxes that is actually due; this practice disrupts the daily operations of the business until the attachment is lifted.

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

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

<p>In some cases, the Tax Authority does not recognize double taxation avoidance agreements. This, in turn, has a negative impact on Foreign Direct Investment (FDI) flows to Egypt.</p>	<p>Comply with the double taxation avoidance agreements in order to encourage the flow of direct foreign investment to Egypt.</p>	
<p>The imposition of a value-added tax on capital goods, which results in higher production costs and thus weakens competitiveness in international markets.</p>	<p>Eliminate the VAT on capital equipment used in production.</p> <p>Tax returns should be filed electronically during the month following the end of the tax period.</p> <p>Include services in the exemptions stipulated in Article 27 of the VAT Law.</p> <p>Add "public entities" to the group of entities that qualify for VAT exemption as per Article 27 of the VAT Law, which allows the Minister of Finance, in agreement with the competent Minister, to exempt some goods and services from VAT in the event that they are granted, donated or gifted to the administrative body of the state or local administration units.</p> <p>Upon departure, international visitors, who have stayed in Egypt for a period not exceeding 3 months, should be entitled to receive a refund of the taxes they paid to VAT-registered sellers for purchases of taxable goods, provided that the invoice value is not less than LE 1,500, and the purchased items leave the country with the visitor, or by another mean.</p> <p>Grant the head of the Tax Authority, or whoever he delegates, the authority to authorize a 3-month temporary release of incoming shipments that are designated to be used in production or for carrying out business activities; this authorization should be done in accordance with the guarantees that the Customs Authority deems appropriate until the concerned individual provides the Tax Authority, during that period, with the necessary documents for reviewing the exemption request, or otherwise pay the due taxes, along with any additional tax.</p>	

<p>The raising of the VAT registration threshold to LE500,000, in the accordance with the Value-Added Tax Law, will lead many enterprises to exit the formal economic sphere, and thus the state coffers lose out on potential tax revenues.</p>	<p>Adopt a lump-sum tax regime, whereby a fixed amount of money is collected from enterprises—a flat tax. The collected amount should not be subject to any increase except if a review of invoices and other relevant documentation revealed that the amount of taxes due exceed the amount paid by the enterprise.</p> <p>Give serious consideration to implementing the tax facilitation and procedural simplification measures proposed by the Ministry of Trade and Industry in the Micro, Small, and Medium-sized Enterprises draft law.</p> <p>Develop a simplified tax system for small and medium-sized enterprises under the unified tax system in order to reduce the tax burden and compliance costs for these enterprises; at the same time, introduce a lump-sum tax regime tax for micro enterprises.</p>	<p>On July 13, 2020, the President ratified the Micro, Small, and Medium-sized Enterprises Development Law (No. 152 of 2020); it includes provisions intended to facilitate financing and the starting up of operations, in addition to offering incentives for MSMEs, including permanent simplified methods for tax treatment.</p>
<p>The very lengthy process that exporters have to go through to reclaim the VAT incurred on inputs, raw materials, and supplies used in the production process; while the right to reclaim these funds expires in two years, the refunding process could take years.</p>	<p>Streamline the VAT refund procedures for exporters and accelerate the release of the VAT refunds owed to enterprises so that they can recover their refunds before the lapse of the two years (the set timeframe for reclaiming refunds) and use them towards expanding production and exporters.</p>	
<p>The Decree No. 484 issued by the Minister of Finance imposes a late payment penalty for failure to pay the tax amount on time, regardless of the reason for the delay—whether it is a case of tax evasion, or the taxpayer is awaiting the resolution of a tax dispute.</p>	<p>When imposing a late payment penalty on taxpayers, differentiate between cases of clear tax evasion and other cases which involve tax disputes. In the latter cases, no penalty should be imposed.</p>	

<p>The imposition of a real estate tax on industrial enterprise and health care facilities.</p> <p>Enterprises across all industrial sectors suffer from the overestimation of the price per square meter of land and buildings for industrial establishments, and the consequent overestimation of the rental value; this has generated a general sense of discontent over the real estate tax in its current structure and resulted in continual disputes over these taxes.</p> <p>Some tax offices refuse to set up installment plans for paying the real estate tax debt; they insist that businesses pay the entire due amount in one single payment, otherwise, their bank accounts become frozen; in some cases, some businesses are threatened with other legal action. Such actions are taken without taking into account the economic situation of the business and its reputation, which may be tarnished in the eyes of the bank due to the freezing of accounts; such practices result in countless disputes and disagreements between the tax offices and business taxpayers.</p>	<p>Issue a new law that eliminates the real estate tax on factories, health care facilities, and free zones.</p>	
<p>The existence of multiple tax files and taxpayer identification numbers for the same enterprise in different government entities.</p>	<p>Issue a single national taxpayer identification number for each enterprise to be used for reporting the different types of applicable taxes (income tax, VAT, customs duties, insurance, and others).</p> <p>Introduce a method of combined reporting for VAT and income tax—filing a single tax return that combines the VAT return and income tax return. This will facilitate offsetting claims and obligations by the Tax Authority.</p>	



# COMPLEX CUSTOMS PROCEDURES

## RESPONSIBLE ENTITIES:

- » The Egyptian Customs Authority
- » The Ministry of Finance
- » The General Organization for Import and Export Control (GOEIC)
- » Ministry of Trade and Industry
- » The Agreements and Foreign Trade Sector/  
Ministry of Trade and Industry



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Problems in implementing the temporary admission and drawback systems; thus, they are less able to fulfill their purposes.</p> <p>Additionally, two issues related to these systems stand out:</p> <ul style="list-style-type: none"> <li>-Determining waste percentages.</li> <li>-Determining the input-output coefficient, which, in turn, determines the amount of duty refund.</li> </ul>	<p>Revamp the duty and fees refund process (refunds of safe custody fees, and other fees associated with withheld cargo and imports released under temporary admission). This should build trust and confidence in the customs and tax authorities among importers and exporters.</p>	
<p><b><i>Businesses face many problems with the temporary admission system, including:</i></b></p> <ul style="list-style-type: none"> <li>- The procedures for releasing the letters of guarantee are lengthy and complex.</li> <li>- Customs duties are imposed on imported factors of production, especially equipment and machinery, that are used in the manufacturing of export products.</li> <li>- Exporting is complex and time consuming. It usually takes a year to conclude an export operation—from the time the bank guarantee is issued to the release of the shipment for exporting; this issue is compounded by the fact that these procedures are lengthy, and usually go beyond the grace period granted to investors (the period of time immediately after the arrival of the imported raw materials, during which investors should export their products).</li> </ul>	<p>Adopt the system of risk management for customs control. Under this system, businesses with an established solid reputation as importers, as well as reputable suppliers and customs brokers would be cleared through the green clearance track (no inspection). At the same time, take necessary and adequate protective measures, and in the case of offences, impose punitive measures, including having offenders go through the red clearance track (inspection).</p> <p>The Customs Authority should consider entering into arrangements with companies that have solid track records of fulfilling the customs requirements on time—whitelisted companies; the arrangements should contain stringent penalty clauses that are to be applied in case the company fails to abide with the rules and regulations.</p> <p>Amend Article 98 of the Customs Law No. 66 of 1963, as amended by Law No. 172 of 2018, concerning the temporary admission system. The amendment should include the following:</p> <ul style="list-style-type: none"> <li>- Extend the life of the temporary admission permit to four years.</li> <li>- Eliminate the requirement that importers submit a letter of guarantee, submitting an insurance policy should suffice.</li> <li>- Eliminate the penalties imposed on surplus raw materials that were not used in production, paying customs duties on the surplus should suffice.</li> <li>- In collaboration with the Industrial Control Authority, simplify and facilitate the setting of input and output coefficients the waste percentages, and fix the rates to ensure fair treatment among exporters.</li> </ul>	

<p><i>The drawback system poses a series of challenges, including:</i></p> <ul style="list-style-type: none"> <li>-A large number of required documentation and the multiplicity of entities involved in the process.</li> <li>-The difference in opinions between the manufacturing exporters and customs officials regarding the mechanisms for determining the rates at which drawback could be granted.</li> <li>-The delayed payment of drawback claims (sometimes it can take up to two years).</li> </ul>	<p>Introduce an online notification system, whereby importers, companies, and factories, receive timely expiration alert notices once they log onto the website using the client identification number. The system should allow clients sufficient time to renew and resubmit their documents as required in Customs Handbook No. 46.</p> <p>Ensure that companies and factories are duly notified via registered mail of any additional fees or duties, which were determined by the audit department upon reviewing previously cleared cargo.</p> <p>Provide the relevant customs broker with a photocopy of the claim notification. More so, allow the customs broker to review and discuss the claim with the audit department, and have them sign a statement indicating that they will notify the concerned business of the claim to avoid the unnecessary escalation of the situation; this will help businesses avoid the risk of an administrative order of attachment in the event they fail to address the claim as they may not be aware of any pending claim.</p>	
<p>The provisions of the Customs Law dealing with container handling services are outdated, thus, the efficiency of container handling operations are severely undermined. This can be attributed to several long-standing operational efficiency shortcomings. Containers are transported from seaports to dry ports under the supervision of the Customs and the police, and the clients bear all fees and the burden of any delays. More so, there are no representatives of the supervisory authorities available in dry ports, so in the event that a customs dispute arises between an importer and the customs authorities in dry ports, the importer is forced to return to the original port to address the issue.</p>	<p>The Customs Authority and all other relevant agencies should refrain from issuing directives related to import/export activities until they consult with the Agreements and Foreign Trade Sector of the Ministry of Trade and Industry. More so, the new bills of landings should be accepted.</p> <p>The new customs law should take into account all international best practices and adhere to the Revised Kyoto Convention regarding customs control.</p> <p>Egypt should accede to the International Convention for Safe Containers (CSC); the new bills of lading should be accepted.</p>	

<p>The website of the Egyptian Customs Authority has its limitations. For example, information regarding the applicable customs fees/duties is available only in Arabic. Thus, foreign companies always rely on third parties for information, especially for preparing documentation that accompanies containers, which in most cases differ from the requirements available online.</p>	<p>Upgrade and update the content of the Customs Authority website, ensuring that it contains updated procedures and regulations in the English language in order to avoid any possible confusion for foreign investors.</p> <p>Ensure that the Customs Authority website includes updated and accurate information regarding all the documents that must accompany the containers.</p>	
<p>The Customs Authority issued Circular No. 5 of 2020, which details the requirements that must be adhered to when importing production inputs; the requirements include submitting the following two documents:</p> <ul style="list-style-type: none"> <li>-Proof of business activity document (or operating license) from the issuing authority.</li> <li>-Gas and electricity bills as evidence of business activity.</li> </ul> <p>In general, the issuance of abrupt directives by the Customs Authority represents a major hurdle for manufacturers and importers; the subject directives is unjustified, especially that industrial enterprises that import production inputs are already subject to the supervision of other government entities, such as the Industrial Control Authority and IDA. Additionally, the directive undermines earlier efforts by the government, including the introduction of the whitelist.</p>	<p>Repeal Circular No. 5 of 2020.</p> <p>Refrain from taking abrupt actions and consult with the different stakeholders before issuing directives.</p>	

A complex and problematic customs valuation system that obstructs importation; having in place an efficient importation system is essential for ensuring the availability of production inputs and equipment and thus enhancing investment.

Adhere to the Customs Valuation Agreement ("improving" invoice prices), as the valuation of goods for customs purposes is one of the biggest obstacles facing importers, especially those included on the whitelist.

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

Establish clear operational mechanisms for the inter-entity committee (includes the five relevant entities) to ensure that release of shipments is not disrupted in the event that a member of the committee is absent.

Consolidate customs transactions and ensure the electronic connectivity in all customs outlets in Egypt, and that all transactions are conducted electronically.

Establish a timeframe for carrying out the reviews that take place after the release of goods (conceivably 2 weeks from the date of release), as the importing company may have sold the goods and collected their money during that period.

Misr Technology Services should develop electronic connectivity between customs outlets to reduce the time required for the release of cargo.

Use an AI program to create a whitelist of companies, using a number of variables, including credibility, reputation, the history of its business dealing, the country of origin, the type of imported goods, the category of good, whether fully-manufactured goods or production inputs, and the importing entity.

A whitelist including 75 companies was created; while a positive step, it should be expanded to include all companies, so that blacklisting companies is the exception rather than the rule. It is also important that the criteria used for creating both lists be revisited, as many of them are hard to meet.

# CUSTOMS CLEARANCE

## **RESPONSIBLE ENTITIES:**

- » The Egyptian Customs Authority
- » The General Organization for Import and Export Control (GOEIC)
- » The Ports Authorities



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Customs clearance is a very lengthy and redundant process in Egypt. Whereas customs processing time does not exceed two days in neighboring countries, such as Turkey and the United Arab Emirates, it ranges from two to five weeks in Egypt.</p> <p><i>According to the World Bank Group's Doing Business 2018 Report:</i></p> <p>-The customs clearance process for exports in Egypt consumes 136 hours at a cost of \$100 per container, whereas it consumes 37 hours, 20 hours, and 33 hours, in Morocco, Turkey, and UAE respectively; in OECD countries, the processes consume about 2 hours at a cost of \$35.4 per container.</p> <p>-The release of imported shipments takes up to 505 hours at a cost of \$1,554 per container in Egypt. In contrast, the cost per container reaches \$344 in Morocco, and \$126 and \$961 in Turkey and UAE respectively. In OECD countries, the process takes about 3.5 hours at a cost of \$25.</p>	<p>Set targets to reduce the customs clearance time for imports and exports by 2021, to be on par with developed countries: from 505 hours to 24 hours for imports and from 136 hours to 24 hours for exports; and eliminate financial penalties associated with delays.</p> <p>Introduce a customs risk management system and an import risk analysis scheme, under which source countries and goods are classified based on specific risks identified.</p> <p>The Ministry of Finance should sign a protocol agreement with the World Bank to develop the customs systems and facilitate cross-border trade in line with international best practices; this will increase the confidence of foreign investors in Egypt.</p> <p>The issuance of a final release permit should suffice to lift any reservation that may be placed on the shipment. This can be achieved by consolidating the efforts of the General Organization for Export and Import Control (GOEIC) and the various ministries; the issued consolidated final release permit, approved by GOEIC, should allow the importer to take the shipment out of his warehouses, regardless of its geographical location.</p>	

***Delays in customs clearance result in many challenges, including:***

- Disruption of production, undermining the ability of industrialists to meet deadlines and diminishing the efficiency of working capital. Ultimately businesses incur significant losses due to late delivery penalties that they have to payout.

- Burdening businesses with excessive storage fees, as trucks wait long in ports awaiting loading.

***Several factors contribute to customs clearance delays, including:***

- The procedures for inspecting, appraising, reviewing, and examining cargoes are laborious and lengthy.

- The opening and full inspection of export containers in the customs area, with no consideration given to putting into effect the whitelist, which includes exporters with a solid track record of fulfilling the customs requirements on time.

- Prolonged cargo clearance processes in airports, particularly with the introduction of one-stop shops (the process can take up to 3 months), noting that fees can reach LE 1,300 per shipment.

- Fees for laboratory analysis fluctuate, even when the volume/quantity of the sample remains fixed.

- In some instances, the Customs Authority will stop doing business with some inspection companies without notifying importers.

- Many spaces that are designated for cargo examination are located outside the customs area, which prolongs the time period for sample examination.

- The severe shortage of ultrasonic testing equipment, and the reliance on the manual examination and inspection, which entails opening the containers.

- The insufficient number of laboratories in customs points to carry out all kinds of analysis and testing.

Adequately furnish customs points with the necessary equipment, including detection devices, electronic gates, scales, floodlights, lighting, and cameras. Additionally, develop the laboratories of GOEIC and the Chemistry Administration, and provide them with sufficient lab equipment.

Recognize testing carried out by independent international laboratories and other scientific entities.

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

In line with Presidential Decree No. 106 of 2000, carryout all cargo examinations within the confines of the customs offices, under the supervision of GOEIC.

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

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

Adopt an integrated approach to decision making when considering the suspension of a shipment; all parties should be involved in the making of the decision, in the lead, the foreign trade sector; the decision should not be made at the discretion of the customs officer.

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

The Minister of Finance issued Decree No. 74 of 2019, which stipulates that an Egyptian company, MTS Logistics, shall implement, manage and operate the national single-window system in accordance with the contract concluded with the Customs Authority.

The implementation framework for the single-window system was released.

The plan, including the timetable, for developing and implementing customs applications for the national single-window system for foreign trade was released.

A study prepared by the Ministry of Planning and Administrative Reform on rationalizing imports and developing exports included the following two key recommendations:

- Continue with the efforts to prevent smuggling at customs points and harshen the penalties against smugglers.

- Accelerate electronic connectivity between the Customs Authority, GOEIC, and IDA to reduce the time and cost of transactions.



- The continued reliance on traditional paper-based processes, rather than adopting digital communication methods for interacting with clients or other government entities.

- The less than adequate digital interconnectivity across the various customs points, especially in remote areas, which results in delays in cargo release.

- For cargoes that require a permit from the Ministry of Health, the Customs Law does not provide for a specific time frame for completing the sample inspection. In some instances, the inspection takes up to 25 days due to strikes by workers of the Central Laboratories (affiliated with the Ministry of Health) in the Port of Alexandria. As a result, samples are sent to Cairo for analysis, which leads to the accumulation of samples awaiting analysis, and thus delays in the clearance process.

- Due to the poor coordination among the different competent entities, customs officials sometimes issue arbitrary decisions to halt the clearance of shipments, which disrupts work. The following examples illustrate the problem:

- The release of shipments containing materials used in the manufacturing of cosmetics came to a halt in border customs points until the payment of the health stamp tax (retroactivity, going back to 2015). This decision was based on a decree issued by the Ministry of Health; however, the said decree did not pertain to cosmetics, but rather pharmaceuticals, and had no legal basis.

- Customs officials suspended export shipments of tea bags for weeks, on account of an internal circular concerning tobacco, which had nothing to do with tea.

- An examination of frozen corn shipments intended for human consumption came to a stop in response to a letter from the commercial representation office in Spain, the country of origin; the letter noted injuries in the corn crop, however, without providing any scientific evidence.

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

Regulations allow a company to avoid obtaining a pre-inspection certificate by registering in the whitelist register of GOEIC, however, the registration process is complicated and time-consuming.

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

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

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

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

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

The Minister of Finance should issue a decree obligating the Customs Authority to set a maximum time frame for completing all customs-related transactions; the decree should also obligate it to pay penalties to the importer in the event the maximum time frame is exceeded due to bureaucratic hurdles.

Activate the inspection-related provisions of the Executive Regulations of the Import/Export Law, which mandate a single inspection of goods. In this regard, approving the inspection and review certificate issued either by a foreign entity accredited by the International Accreditation Federation or by an Egyptian or foreign

entity that has accredited laboratories specializing in the required tests for each commodity, approved by the competent minister, or carrying out an inspection in the laboratories of GOEIC should suffice.

Revisit the implementation procedures contained in Ministerial Decrees 992 of 2015, 43 of 2016, and 44 of 2019\*, which set out the requirements for registering foreign manufacturers and companies before exporting specific products to Egypt. While a number of companies have fulfilled all the registration requirements two years ago, to date, they remain unregistered. The decrees in themselves are consistent with international agreements and the World Trade Organization, however, the implementation mechanisms are deficient, leaving behind many companies, including ones with a solid global reputation for high quality, unable to register despite fulfilling all requirements. Thus, if the factory has a solid quality control system in place, then a certificate confirming the existence of this system, issued by an accredited entity should suffice; this is consistent with Section 1 of Article 2 of Decree No. 43 of 2016, which states: ".....A certificate confirming that the manufacturer has a quality control system, issued by a body recognized by the International Laboratory Accreditation Cooperation (ILAC) or the International Accreditation Forum (IAF), or by an Egyptian or foreign governmental entity approved by the minister responsible for foreign trade."

*Thus in this regard, the following is recommended:*

- Ensure the proper application of the provisions of Decree No. 43 of 2016; submitting a certificate from an accredited international company attesting the adoption of a quality control system should suffice; obtaining a quality certificate should not be required.
- GOEIC should directly register companies that meet the requirements; there is no need to issue a ministerial decree to that effect.
- Publish a list of companies that meet the quality systems in the Egyptian Gazette.

\* Decree No. 43 of 2016, which was issued before the floating of the Egyptian pound and was designed as a temporary measure; it amended Decree No. 992 of 2015, and included new rules for registering qualified foreign manufacturers prior to exporting their products to Egypt— it requires foreign manufacturers, their authorized distributors or companies owning the manufacturer products' trademarks to register with the GOEIC in order to clear their products into Egypt for trading purposes, and included a list of products to which the requirement apply. Decree 44 of 2019 expanded the list included in Decree No. 43 of 2016.

<p>The procedures involved in transferring samples between GOEIC and its central laboratories, as well as the analysis procedures are sometimes slow.</p>	<p>GOEIC and its central laboratories should consolidate their efforts to streamline the sample analysis procedures; the private sector can provide financing for laboratories or modern equipment.</p>	
<p>For releasing cargo, regulations require that certificates be authenticated by the Egyptian embassy in the country of origin, as well as the chamber of commerce of that country.</p>	<p>Abolish the requirement that import documentation has to be authenticated by the Ministry of Foreign Affairs, as it is superfluous.</p>	

# THE STATE ADMINISTRATIVE APPARATUS

## **RESPONSIBLE ENTITIES:**

- » Ministry of Planning & Economic Development
- » Ministry of Justice
- » The Cabinet



CHALLENGE	RECOMMENDATION
Contradictory laws and conflicting administrative decisions.	Review and revamp all relevant laws, decrees, and regulations in order to reduce administrative burden and accelerate work processes. In this regard, it is important to promptly constitute the Supreme Council for Administrative Development, which should have clear powers to address the challenges related to the legal and regulatory framework, and eliminate any existing inconsistencies, contradictions, and overlaps; this effort should be carried out in collaboration with the Central Agency for Organization, Administration and the Administrative Control Authority.
The lack of flexibility needed for the timely implementation of new projects, as well as weak organizational capacity across the state apparatus.	Adopt the recommendation of the Administrative Control Authority regarding the need for new projects to employ different organizational and administrative systems, which are much more flexible and capable than those stipulated in the Economic Zones of a Special Nature Law No. 83 of 2002, and the Investment Law No. 8 of 1997.
Despite the passage of the Civil Service Law and its Executive Regulations, to date, jobs in the state's administrative apparatus, have not been restructured.	Ministry of Administrative Development* should promptly finalize the plan to restructure the jobs in administrative apparatus of the state.

*\* In the 2019 cabinet portfolio reshuffle, the Prime Minister was put directly in charge of the administrative reform portfolio.*

Amend Article 8 bis of the Criminal Procedure Code to read as follows: «For crimes stated under Article 116 bis (a) of the Penal Code, no criminal case may be filed except through the Public Prosecutor or the Attorney General. If the employee is one of the employees of the entities specified in paragraphs (a and b) of Article 119 of the Penal Code, the criminal case may not be filed except with the approval of the competent minister, who the employee falls under his authority, or the approval of the prime minister if the perpetrator of the crime was the minister or his deputy». This amendment will enable the state body where the employee works to exercise their inherent right to approve the initiation of criminal proceedings in crimes of unintentional harm committed by employees falling under their authority.

Add a new article in Chapter V of Book Two of the Penal Code, to read as follows: «A sentence of imprisonment for not less than a month and not exceeding a year, or a fine of not less than LE 1,000 and not exceeding LE 50,000 shall be imposed on every employee who willfully and without justification refrains from performing work duties which constitute part of his job after it has been proved that they fall within his job competence and within the limits of his discretionary authority, and that the duties are in full compliance with the law and his action resulted in obstructing the execution of any decree, issuing a license, concluding contracts or agreements, or any other measures that impede any investments; the punishment will be imposed if refraining from carrying out the duties is intended to harm the interest of a natural, a legal person, or public interest.”

Amending the text of Article 115 of the Penal Code, to read as follows: “Every public employee who obtained or tried to obtain for himself, or obtained or tried to obtain for others, without a right, a profit or gain connected with the carrying out any duty of his office, if this was based on a previous agreement between them, shall be punished by imprisonment at hard labor; and shall be punished with imprisonment or a fine in other cases.” Amending the article by adding “.... he shall be punished with imprisonment or a fine in other cases” closes a loophole, which allowed public employees to escape punishment if it was not possible to prove that there was a pre-arranged agreement between the parties.

# PROPERTY REGISTRATION

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Justice
- » The Real Estate Registry
- » The Egyptian Survey Authority  
(Ministry of Irrigation)
- » The Ministry of Planning and Economic  
Development
- » The Cabinet



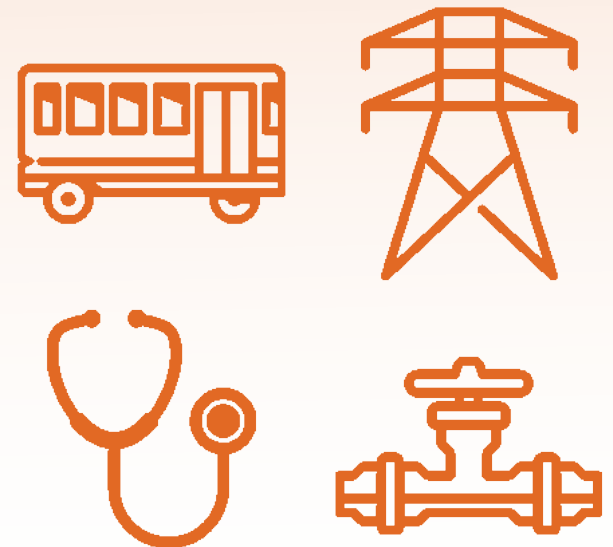


CHALLENGE	RECOMMENDATION
The current mechanisms for defining the real estate property and carrying out cadastral surveys are antiquated and fall within the responsibilities of the Egyptian Survey Authority, which is affiliated with the Ministry of Irrigation.	Adopt modern surveying techniques and utilize the services of security-cleared entities that provide geo-imaging.
<p><i>The process of proving and registering the right of possession of a property suffers from two problems:</i></p> <ul style="list-style-type: none"> <li>- Cumbersome, time-consuming, and bureaucratic procedures.</li> <li>- Costly process—high registration fees are paid to the Real Estate Registry and many other entities.</li> </ul>	<p>Develop <i>El-Segel El-Ainy</i> (the Real Folio System): real estate property should be registered based on a unique number identifying the property, and the database of real estate properties should be linked with the national ID database of the Civil Registry.</p> <p>Increase the automation budget of the Real Estate Registry; use advanced software to streamline procedures and reduce the time it takes to process the various transactions.</p> <p>Consolidate all types of fees charged by the various entities so that clients make one single payment instead of multiple payments; make the Real Estate Registry the exclusive point of interaction with the public on matters relevant to real estate registration; and require that payments of all fees be made via electronic mechanisms.</p>
Given the fact that formal property registration is low, it is likely that many disputes will arise in situations that involve proving ownership and possession, as well in other real estate transactions.	Introduce an efficient judicial mechanism to address disputes that arise between parties engaged in real estate registration matters. This mechanism should be an interim measure until comprehensive property registration is achieved.

# UTILITIES & PUBLIC SERVICES

## RESPONSIBLE ENTITIES:

- » The Cabinet
- » The Industrial Development Authority (IDA)
- » Ministry of Finance
- » Ministry of Local Development
- » Ministry of Electricity
- » Ministry of Petroleum & Mineral Resources



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>The procedures for extending utilities to industrial establishments are cumbersome, lengthy, and costly.</p> <p>Industrial areas lack in services such as transport, health facilities, shops, and restaurants.</p> <p>Pricing of different energy products for industrial establishments does not follow any uniform standard; pricing schemes vary according to the nature of the industrial sector.</p> <p>The high price of natural gas has a negative impact on industrial competitiveness (particularly for steel factories); the domestic gas price reached \$7/million British thermal unit compared to \$3/million British thermal unit in the global market.</p>	<p>Consider offering payment plans, including an installment scheme, to allow industrial enterprises to pay for utilities over time; the payment plan should be commensurate with the size of the enterprise.</p> <p>Provide reliable and economical transportation to serve workers in industrial zones.</p> <p>Make available commercial properties in industrial zones that can be used by food and beverage providers, as well as rest and recreation areas.</p> <p>Provide emergency medical facilities in industrial areas.</p> <p>Adopt a standardized mechanism for pricing energy products used in factories in order to achieve greater transparency and fairness. Similar to the situation in most industrial nations, the mechanism should be based on a well-defined formula that takes into consideration global prices, including their upward and downward fluctuations.</p> <p>Exercise flexibility when pricing natural gas, especially for factories with high natural gas consumption. Domestic prices should correspond to global prices, and at the same time safeguard the competitiveness of the local product.</p>	<p>On March 17, 2020, the Prime Minister issued a number of decrees that support the industrial sector. The decrees entailed reducing the price of natural gas for industries to \$4.5 /million British thermal unit, as well as lowering electricity prices for ultra-high, high-and medium voltage industrial activities by LE 0.10, and placing a freeze on electricity prices for the next 3-5 years for other industrial uses.</p>

# THE DRAFT LABOR LAW

## **RESPONSIBLE ENTITIES:**

- » The House of Representatives
- » The Ministry of Manpower and Migration

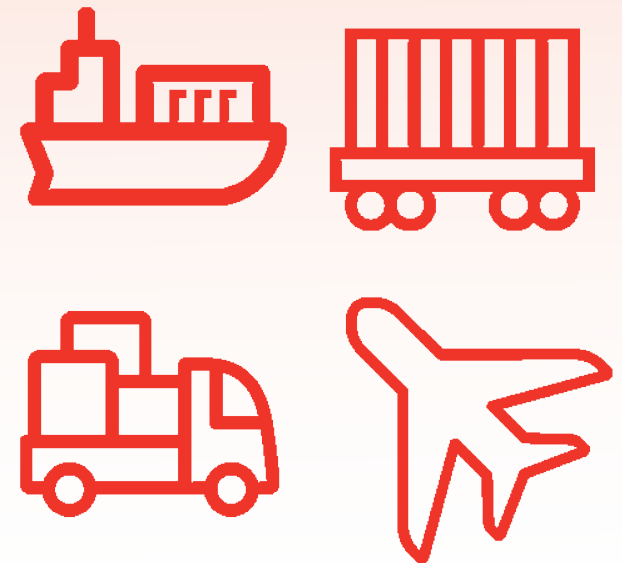


CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p><i>The draft law places excessive financial burdens on business owners, for example:</i></p> <ul style="list-style-type: none"> <li>- It calls for the creation of multiple funds such as the Penalties Fund, the Vocational Training Fund, the Irregular Employment Fund, which represents significant financial burdens for industries.</li> <li>- It is overly permissive regarding vacation leave—the number and types of leave entitlements are way exaggerated; time-off can reach over 190 days a year, including the weekly day of rest.</li> <li>- It obligates bankrupt employers to compensate workers in case of a total or partial shutdown, in addition to obligating employers to pay bonuses to workers if a fixed-term employment contract is not renewed on expiry.</li> </ul>	<p>Ensure that the foundational goal of the draft law is the fair balancing of employer and worker interests. In other words, the law should serve the interest of workers, however, without causing material damage to business owners. An efficient and profitable business ultimately benefits workers as it ensures employment security and increased incomes associated with higher productivity.</p> <p>The law should align with the National Development Plan, namely the objective of increasing the productivity of Egyptian labor, which is essential for enhancing competitiveness; it should also give adequate considerations to the rights and responsibilities of workers.</p> <p>A worker should not be entitled to bonus compensation if the employment contract is not renewed.</p>	<p>The Manpower Committee of the House of Representatives approved the draft new labor law.</p>
<p>The Vocational Training Fund is not economically feasible, and it does not serve its intended purpose.</p>	<p>Reconsider the management mechanism of the Vocational Training Fund; the private sector, the main financier, should be adequately represented on the board of directors, and decisions should be made by vote. Additionally, the board of directors should create sectoral councils, each to be allocated a budget, the percent of which should be commensurate with the sector's contribution to the fund's overall budget. This will ensure that benefits are shared fairly among sectors.</p>	
<p>The draft law does not establish a careful balance between workers' and employers' rights. It revives the concept of open-ended employment contracts, under which an employer has no choice but to resort to the courts to dismiss a worker who has committed a serious infraction.</p>	<p>Discard the concept of open-ended employment contracts and ensure that employers and employees comply with the terms and conditions of the employment agreement.</p>	
<p>The absence of a fair mechanism to regulate the right to strike.</p>	<p>The right to strike should be regulated in a manner that does not undermine the interests of the business enterprise, and at the same time, be in line with international labor standards. The power of the authorized labor representative to organize strikes must be well-defined.</p>	

# SHIPPING, TRANSPORTATION & STORAGE SERVICES

## RESPONSIBLE ENTITIES:

- » The Ministry of Transportation:
  - The Ports Authorities;
  - The General Authority for Roads, Bridges and Land Transport;
  - The Egyptian National Railways Authority
- » The Ministry of Civil Aviation



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p><b><u>SEA TRANSPORTATION</u></b></p> <p>The low efficiency and productivity of port cranes —the container moves per hour in the Port of Alexandria is 10-12/hour, compared to a global average of 20-25/hour.</p> <p>The poor quality of many of the services offered, including the transporting of bulk goods, services for vessels carrying vehicles; and inadequate shipping lines.</p> <p>Some ports charge storage fees (while the convoys of trucks are waiting) even though the ports lack in warehouses.</p> <p>The Inland Ports Authority imposes loading and discharging charges even though, the responsibility for the loading and discharging of cargo falls on the transport operators.</p> <p>Rising freight rates due to several reasons, including increasing costs of transportation and marine fuel.</p> <p>The rising cost of shipping lines; and the mandate that payments be made in US dollars even though the service is provided on Egyptian territory (not a free zone).</p>	<p>Issue a comprehensive and uniform fee schedule for services provided at Egyptian ports to develop and modernize the maritime transport functions and services; prohibit the imposition of any extra fees or charges for services, under any name, except for taxes and fees prescribed by law or ministerial decrees.</p> <p>For maritime transport activities and services, give priority to companies that own ships flying the Egyptian flag in order to increase the trade volume, and stimulate exports.</p> <p>Take the necessary steps to remove abandoned cargo from the port area, and make available storage facilities outside ports to receive it.</p> <p>Develop the Port of Alexandria to address the widespread disorganization and lack of professionalism; upgrade the infrastructure, including roads, sewage, water, and electricity, and remove dilapidated buildings and waste, and constructing a new passenger terminal.</p> <p>Give priority to the national commercial fleet-owned vessels for shipping Egyptian cargoes; this preference does not conflict with GATT rules for the maritime transport sector or free market mechanisms.</p> <p>Enhance the performance of stevedoring companies operating in ports, and make appropriate facilities to licensed private sector stevedoring companies to enhance their technical competence and improve their access modern equipment so that they can provide high quality and speedy service; this will ensure a high quality of services offered by Egyptian ports, and maintain their reputation.</p> <p>Develop the shipyards and Egyptian ship repair companies, whether privately- or publicly- owned companies, in order to attract ship owners to have their ships (both the transiting and docking) renovated and repaired in Egyptian port, this will increase revenue. Additionally, design policies aimed at maximizing shipyard capacity utilization in construction and repair work to develop the Egyptian merchant fleet.</p> <p>Investigate the reasons behind the high costs of supplying provisions to ships in Egyptian ports compared to neighboring countries; higher costs in Egyptian ports result in ships seeking resupply in other ports, which leads to a waste of resources and reduced revenues.</p> <p>Mandate that payment for services rendered on Egyptian territory be made in Egyptian pounds.</p>	<p>In July 2019, the Cabinet approved the proposal of the Ministry of Transportation to amend a number of provisions of two decrees issued by the Minister of Transportation and to abolish a third. The first, Decree No. 488 of 2015, regulates the service fee charged to ships in Egyptian seaports, other user charges associated with utilizing floating and fixed facilities, e.g., structures, gear, and equipment, which belong to the Egyptian Ports Authorities and the Egyptian Authority for Maritime Safety, and fees charged for electronic services provided Egyptian Ports to their clients.</p> <p>The second, Decree No. 800 of 2016, regulates the conducting of sea transport activities and operations, and the user-related charges and fees.</p> <p>The third, Decree, No. 468 of 2018, which was abolished, sets out the incentives offered to customers in Egyptian seaports.</p> <p>Based on the Cabinet approval, in July 2019 the Minister of Transportation issued Decree No. 416 of 2019, which includes the following incentives:</p> <ul style="list-style-type: none"> <li>- Reducing insurance fees from LE 10,000 to LE 5,000, and the licensing fees from LE 3,000 to LE 1,000, in addition to reducing the fees associated with vessel resupply services by 50%.</li> <li>- A 10% reduction in the lighthouse fees in the case that a ship passing through Suez Canal enters one Egyptian port, in the case the ship enters two or more ports, the fees are reduced by 20%.</li> <li>- Increasing the duration of the license granted for loading and unloading activities (currently 5 years) to 10- 15 years, with the possibility of renewal for other similar periods; increasing the duration of the license granted for storage and warehousing activities (currently 5 years) to 10 years, renewable for similar periods; reducing the amount of insurance that the licensee is obliged to pay from LE 10,000 to LE 5,000 (to be paid either in cash or under a bank guarantee letter); and reducing the license fees for marine works / marine supplies activities from LE 3,000 to LE 1,000, for each activity separately.</li> <li>- Reducing the fees for obtaining the ship supply services by 50%; reducing the annual fees paid by companies operating in the area of ship waste procurement to LE 1,000 (currently it is LE 10,000), eliminating the requirement that the Egyptian partner's share in the capital of joint venture shipping agencies should not be less than 51%.</li> </ul>

## **AIR TRANSPORTATION**

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

Loading and unloading operators lack the needed experience.

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

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

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

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

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

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

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

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

Provide concessional loans to finance the purchase of transport planes.

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

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

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



## **ROAD TRANSPORTATION:**

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

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

Based on the latest available statistics, the total number of trucks owned by the Public Business sector companies is approximately 1,588 trucks.

The estimated capacity of the trucking fleet in Egypt is 5,480 million tons-kilometer.

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

- The aging of the trucking fleet, particularly the refrigerated vehicles. The high costs of replacing dilapidated units (approximately LE 1million due to high customs duties and other taxes) on them) further aggravates the problem.

- Egyptian carriers lack an adequate fleet of refrigerated vehicles equipped to transport vegetables and fruits; in this regard, Jordanian and Syrian carriers are monopolizing the scene.

- Decree No. 28 of 2000, issued by the Minister of Transportation, imposes a fee of LE 10 per ton of licensed cargo (up to 40% of total licensed weight), and LE 50 per ton for every ton exceeding this threshold; imposition of these fees increases the costs of road transportation.

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

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

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

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

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

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

## **RAIL TRANSPORTATION:**

### ***Key challenges facing the sector include:***

- The inordinate amount of time consumed in sorting freight cars is problematic, it is the main cause of the low efficiency of rail freight transport operations. Freight cars remain for a prolonged period of time in classification yards, in addition, too much time is wasted during the process of loading.
- Trains, especially on the main lines and suburban lines serving Cairo and Alexandria, are not running with sufficient frequency.
- In general, freight trains operate at a lower speed than trucks; more so, several passenger trains (on main lines, as well as branch lines such as Banha-Port Said-Tanta-Damietta) are slow.
- Freight cars operate at a low load factor, and freight car cycle time— length of time consumed by a freight car from one loading to the next again— reaches 14 days on average.
- An inefficient container transport system and the absence of an integrated transport system or a door-to-door shipping system.
- The contracting procedures employed by the Egyptian National Railways Authority are cumbersome; a complicated system for the classification of goods, with each class subject to different tariffs, is used, thus, determining shipping costs is a very complex process.
- The percentage of operational freight cars is very low due to the lack of due consideration to periodic maintenance of locomotives and railcars, as well as the lack of financial resources needed for carrying out maintenance programs.
- The lack of reservation and ticket agents, and shortcomings of the existing computerized ticketing system, specifically that it only covers two routes: Cairo - Alexandria, and Cairo - the High Dam.
- The low efficiency of cargo loading and unloading results in higher handling costs, and increased damage of goods during the shipping, stowage, and unloading operations.
- The prolonged periods of storage during the journey usually leads to damage or theft of goods.

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

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

## **RIVER TRANSPORTATION**

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

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

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

Establish inland ports along the inland waterways.

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

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

Adopt a multimodal inland waterway transportation system; this requires linking the various transportation modes, such as rail and road transportation, and

making available the needed material requirements for this integration.

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

Equip the navigable waterways with the needed advanced navigation aids.

# IMPORT CONTROL

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Trade and Industry
- » The Industrial Development Authority (IDA)
- » The General Organization for Import and Export Control (GOEIC)



CHALLENGE	RECOMMENDATION	STATUS/NOTES
IDA's instructions regarding the registration of production inputs violate Article 15 of Ministerial Decree No. 835 of 2017, which amended some provisions of the Executive Regulations of the Import and Export Law, which were issued by Ministerial Decree No. 770 of 2005.	Repeal IDA's instructions; there is no different customs duty rates for the industry than for trade; only production inputs used in assembly industries are subject to different duty rates, in accordance with the rules regulating them.	
<p>While Ministerial Decree No. 43 of 2016, which amended the rules governing the registration qualified foreign manufacturers prior to exporting their products to Egypt, is aligned with international agreements and the World Trade Organization rules, yet, there are a number of issues with the implementation mechanisms of the decree. For example, Section 1 of Article 2 of the Decree mandates that factories interested in registering must provide, among other documentations, "..... A certificate confirming that the manufacturer has a quality control system, issued by a body recognized by the International Laboratory Accreditation Cooperation (ILAC) or the International Accreditation Forum (IAF), or by an Egyptian or foreign governmental entity approved by the minister responsible for foreign trade."</p> <p>Yet, to date, several companies that have been met the requirements set out in the decree remain unregistered, including a number of companies that adhere to high quality standards in their internal operations, and which enjoy a stellar international reputation.</p>	<p>Reconsider the implementation mechanisms of Ministerial Decree No. 43 of 2016, which was intended to serve as an interim measure prior to the decision to float the Egyptian pound).</p> <p>Ensure the correct application of the quality system-related provisions of the concerned Ministerial decree; providing a certificate from an approved accreditation body should suffice, there is no need to require the submission of the certification of quality.</p> <p>Allow companies, which fulfill the prescribed conditions and procedures of registration, to be directly registered by the General Authority of Export and Import Control, without the need for a ministerial decree to effect the registration.</p> <p>Publish the list of companies that meet the quality system requirements in the Egyptian Gazette.</p> <p>Consider developing a whitelist of international companies, across all sectors, which enjoy a strong reputation; allow these companies to be automatically registered.</p>	<p>In January 2019, Decree No. 44 of 2019 was issued expanding the list of goods included in Ministerial Decree No. 43 of 2016. The expanded list included bags/suitcases; items for packaging and transporting goods (e.g., containers, boxes, bags, and similar products); shaving and hair care appliances, and telephones.</p>

# PREFERENCE FOR DOMESTIC PRODUCTS

## **RESPONSIBLE ENTITIES:**

- » The Prime Minister
- » The Ministry of Finance
- » The Ministry of Trade and Industry



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Law No. 5 of 2015, which prescribes preferential treatment for domestic products in government contracting, is not fully enforced by many government agencies, as well as economic bodies and public sector companies. Thus, its effects remain unfelt.</p>	<p>Issue directives to all ministries and agencies obligating them to enforce the law, and at the same time, develop compliance monitoring mechanisms to ensure its enforcement. Efforts should be made to link the future needs of national projects with local industries to replace imports.</p> <p>Refer violations for prosecution; more so, the Minister of Trade and Industry should delegate authority to the Technical Secretariat of the Local Product Preference Committee, which is constituted via a ministerial decree, in accordance with the provisions of the law, and is located at FEI.</p> <p>Revisit the domestic preference percentage (currently 15%) prescribed in Law No. 5 of 2015. The law should be binding on all ministries, government agencies, national projects, and all government contractors from the private sector.</p>	<p>In October 2018, the President ratified Law No. 182 of 2018 that regulates the contracts and agreements that are concluded by the public authorities in Egypt.</p> <p><i>The following are highlights of the new law:</i></p> <ul style="list-style-type: none"> <li>- It includes a number of provisions of Law No.5 of 2015.</li> <li>- It obligates all governmental entities and public sector companies to post all their public procurement opportunities, in detail, on the Public Contracts Portal; upon completion of the procurement process, the final decision, with specified details, should also be posted on the portal.</li> <li>- It obligates all parties to use the standard tender document, which is currently being developed and will be posted on the Public Contracts Portal. In the event that an entity decides not to use the standard document, it must provide an explanation as to why it chose not to comply with the requirement. This requirement will significantly reduce noncompliance with the preferential treatment for domestic products requirement. The requirement was being circumvented by including in the tender documents language that discriminated against domestic products and eventually resulted in their exclusion from the procurement process.</li> </ul>
<p>It was agreed with IDA's former leaders to establish a comprehensive electronic system through which local product preference certifications would be issued to those interested in participating in government tendering processes; certification holders are to be accorded priority if their bids do not exceed the lowest foreign bid by more than 15%. Additionally, interested companies would also use the system to obtain the local component certificate required for receiving the export subsidy that the government offers as an incentive, based on meeting agreed upon terms and conditions. To date, this agreement has not been implemented.</p>	<p>IDA, FEI, and Fawry should enter into a tripartite agreement with the objective of completing the component of the system that would allow businesses to obtain the service immediately upon paying the associated cost, either through the website or through the collection points located across Egypt; this way, each party gets to fulfill its end of the agreement once the payment is made. This is also in line with the Ministry of Finance's directives regarding the adoption of electronic payment procedures to facilitate the provision of services and encourage the private sector to move towards a cashless society.</p> <p>Ensure that the database uploaded on the site is backed up on the FEI's servers to ensure data preservation; regularly update the system and adopt robust data security measures.</p>	<p>IDA has completed its share of work, including setting the procedures regarding the electronic system and contracting with the entity that will be hosting the server (due to technical issues, it was not possible to use IDA's existing system). When fully implemented, electronic payments will be made through the nation-wide collection points used by e-finance (an Egyptian Fintech company); businesses to obtain the service immediately upon paying the associated cost, either through the website or through the collection points located across Egypt; this way, each party gets to fulfill its end of the agreement once the payment is made. This is also in line with the Ministry of Finance's directives regarding the adoption of electronic payment procedures to facilitate the provision of services and encourage the private sector to move towards a cashless society.</p>

# EGYPTIAN EXPORT SUBSIDY PROGRAM

## RESPONSIBLE ENTITIES:

- » The Prime Minister
- » The Ministry of Finance
- » The Ministry of Trade and Industry





CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>To date, neither the Prime Minister nor the Board of Directors of the Export Development Fund (EDF) has officially issued any decision regarding the mechanisms for implementing the proposed new system for supporting Egyptian exports.</p> <p>One of the challenges that hinder exporters from fulfilling the documents required for receiving export subsidies in a timely manner is the requirement that they must provide an export certificate issued by the Customs Authority, which takes up to a year. FEI has already called for revisiting this requirement.</p>	<p>Amend the rules so that the percentage of export subsidy is not less than 40%, in line with the definition of Egyptian (domestic) products contained in Law No. 5 of 2015—products satisfying the proportion of domestic industrial components.</p> <p>Review and amend all sectoral programs that benefit from the export subsidy program (each sectoral program specifies the percentage of export subsidy it is entitled to); a number of these programs include many sectors with no requirement for a specific percentage of domestic value added in exports to enjoy the export rebates, these include: leather, leather products, and footwear program; artifacts and handicrafts; spinning and weaving; home furnishings; ready-made garments; and garment accessories.</p> <p>Revisit the sectors that are already benefiting from export support; target those sectors that can actually contribute to achieving a quantum leap in industrial exports; thus, support should be directed to specific goods that are exported to specific countries, rather than adopting an undifferentiated, one-size-fits-all approach.</p> <p>Review and amend the percentages of domestic value addition included in other programs that provide export rebates for industries with domestic value added of less than 25%. These include programs covering the following industries: furniture, engineering industries, medical industries, pharmaceuticals and cosmetics, chemical industries, marble and granite, and insulating materials.</p> <p>Carryout out a thorough performance evaluation of the Egyptian Exports Subsidy Program (EESP), with a focus on assessing its impact on the rate of growth of industrial exports since its launch in 2001. The evaluation should also provide an analysis of each of the industrial sectors, identify the winners and losers, as well as to measure the impact of the support provided on the profitability and competitiveness of exported products. The results of the evaluation should serve as the basis for designing a forward-looking comprehensive strategy to develop Egyptian exports.</p>	<p>In July 2019, the Board of Directors of EDF announced the approval of a new LE 6 billion export rebate program for the fiscal year 2019-2020. This program entails allocating, 40% of the total budget, LE 2.4 billion, for cash payments to exporters, while another 30% of the program, LE 1.8 billion, will be deducted from liabilities that exporters owed to the Ministry of Finance. The remaining LE 1.8 billion, 30% of the program, will be used to boost the infrastructure and capacities of export operations.</p> <p>The implementation mechanisms of the program center on determining the value of rebates at the sectoral level and allocating a budget for each sector separately. The allocation of each sector will be revisited every 6 months, and reallocation of funds will be decided upon as needed. In this regard, the eligible sectors include the food industries; spinning and weaving, ready-made garments, home furnishings, and engineering industries; chemical and fertilizers; building materials, refractories and metallurgical industries; building and construction materials; agricultural crop; printing and packaging; medical industries; as well as leather, furniture; and artifacts and handicrafts.</p> <p>Exports not benefitting from the export rebate program will continue to benefit from the Shipping Africa Program, which will receive an allocation of LE 40 million. Additionally, under the continued the Air Cargo Program, LE 100 million will be allocated to EgyptAir to support the shipping of Egyptian exports. LE 100 million will also be allocated to the EDA in order to continue holding pooled fairs through a transitional phase until the end of 2019.</p> <p>The new program focuses on industrial deepening, aiming at increasing local manufacturing by a minimum of 40%, as well as encouraging exports of small and medium-sized enterprises by providing additional export rebates, over and above the already established rates: an additional 1% export rebate for medium-sized enterprise exports and an additional 2% export rebate for small enterprise exports respectively.</p>

Carryout sectoral studies of the upstream industries relevant to each of the industrial sectors, including:

- Identifying production gaps and prioritizing the imports which the upstream industries require.
- Examining the feasibility of substituting these inputs with locally produced inputs, taking into consideration local demand and competitiveness in global markets.
- Consider the following fundamental underpinnings when designing the export support program:
  - Improving the international competitiveness of Egyptian exports should be the priority; providing cash subsidies to exporters against the delivery of export invoices should be secondary. Price is not the only consideration that determines competitiveness, non-price factors, including product quality and the efficiency of the production process (the technical, human, and administrative components) are equally important.
  - Replacing imports with domestic production is no less important than exporting, especially that it contributes to the same strategic objective of reducing the trade deficit and providing hard currency.
  - Priority, in terms of land allocation and licensing, should be given to industries with high export potential or which are the least import-intensive.
  - Export support and import substitution programs should be linked to a range of non-monetary incentives, such as facilitated access to land allocation, extending utilities to land plots, the provision of utilities, labor training, customs, and tax incentives, and the promotion of modern production techniques.
  - Export support programs should give adequate attention to promoting industrial deepening and the effective targeting of support to reach the most deserving industries.

The program also provides additional incentives—export rebates—to companies to encourage export expansion. It grants large and medium-sized enterprises an additional 10-15% rebate for exports that show 20-30%+ growth, and small enterprises will receive an additional 20-30% rebate for exports that show 20-30%+ growth. Exporters located in free zones will receive 50% less export support than non-free zone exporters.

- The export support program should not be overextended, it should be treated as a phased program designed to activate the system of export development and address the imbalances that the earlier programs suffered from. It will not necessarily lead to increasing exports as desired. Increasing exports require undertaking an integrated approach to addressing the shortcomings in the investment environment in a holistic manner, closing all the gaps in the industrial sectors by focusing on industrial deepening, reducing imports, identifying specific high value added products and targeting them to increase exports to targeted countries. In other words, increasing exports requires undertaking a methodological effort that reaches all corners of the relevant state bodies. FEI is concerned that continuing with the export support program in its current configuration will not yield the intended results—significantly increasing exports, and ultimately, the responsibility for the failure will fall squarely on the shoulders of the program.

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

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

The Export Councils, which are advisory bodies that are neither elected nor part of the executive branch, are still operating on the basis of the ministerial decree that was issued to regulate them; the decree is valid through the end of 2019.

The Following are some key issues that need addressing:

- There is a fee for one of the required export rebate application forms; this is a flaw in the regulations.
- The settlement of overdue export rebate arrears owed to a number of companies for the period ending July 1, 2019, remains ambiguous. It was announced that the Ministry of Finance will offset these arrears with outstanding tax liabilities. It is not clear, however, how this issue will be resolved for companies with no outstanding tax liabilities for the prior years.
- Does the export support program allocate a specific fixed amount of funds for each sector? In the case that the volume of exports in one particular sector necessitates the disbursement of funds that exceed the sector's allocation, how will this situation be resolved?
- Should Export Councils, which are advisory bodies that are neither elected nor part of the executive branch have the prerogative to decide who is entitled to receive export support?
- The status of free-zone companies is ambiguous.
- How will export rebates be treated by the Tax Authority, and what mechanisms will be used to disburse the rebates?

Application processing fees should only be imposed by law.

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

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

- Efforts will be made to create a legal framework for Export Councils by early 2020.
- Export support is not to be limited to member companies in the Export Councils. However, a number of Export Councils require membership to receive support, particularly with respect to health and safety approvals, and fulfillment of other relevant requirements.
- The fee imposed on one of the required export rebate application forms is not prescribed by law; rather, it is imposed via an administrative decision made by the Export Councils. This issue will be addressed in the legal framework that will be developed.
- Settling export rebate arrears will be subject to the new mechanism, which will be applied beginning July 1, 2019. Arrears for time periods before July 1, 2019, will be subject to the old mechanism. This will increase the burden on the EDF, especially that the rebate mechanism for these arrears has not been decided upon yet. EDF board discussed the settlement of arrears owed to companies for the period ending December 31, 2017.
- Large businesses may receive full support with regard to shipping (this does not address cases where the amount due to the business exceeds the 30% prescribed for technical support).
- Five export councils are contributing LE 6 million towards automating EDF operations.
- To settle overdue export rebates, the government will randomly select a number of companies with outstanding tax liabilities and offset it with the overdue export rebates; the government will explore mechanisms for settling overdue export rebates for companies with no outstanding tax liabilities. (FEI and FECOC responded to this proposal by highlighting that this will ultimately boil down to rewarding companies that are delinquent in meeting their tax obligations, and penalizing compliant companies that fulfill their obligations on time.)
- Specific amounts of funds are being separately allocated to each sector for export rebate purposes. These allocations will be reviewed periodically to determine their adequacy. (FEI and FECOC notes that this adds more ambiguity to the export support program implementation mechanisms.)

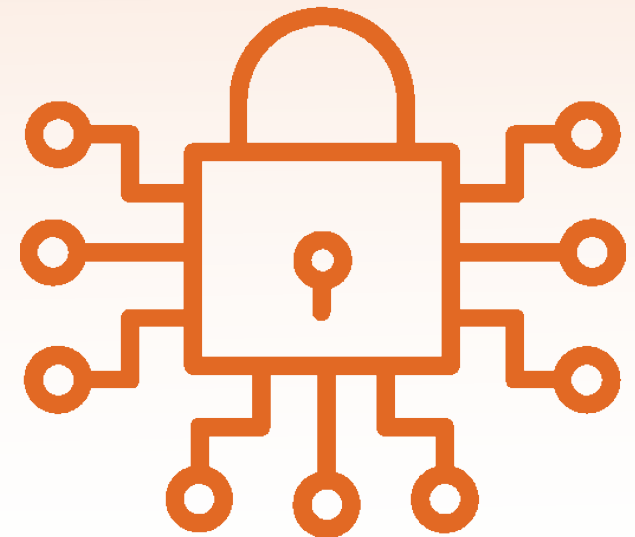
The continued support and incentives offered to industries result in financial obligations that exceed the current budget of the ESF; this practice affects its capacity to satisfy its obligations towards factories and business owners.

Set up a mechanism, whereby ESF's debt owed to a business can be transformed into credit in favor of the business; the credit can then be used by the business to pay any dues or meet other delinquent obligations owed to the government.

# COMMUNICATION & INFORMATION TECHNOLOGY (CYBERSECURITY)

## **RESPONSIBLE ENTITIES:**

- » The Higher Council for Digital Transformation
- » The Ministry of Communications and Information Technology
- » The Ministry of Planning and Economic Development



CHALLENGE	STATUS/NOTES
<p><b><u>INFRASTRUCTURE</u></b></p> <p>Expand access to high-speed affordable internet and cloud computing to put Egypt on par with other countries with 4G technology. This can be achieved by promoting competition among service providers and expanding services according to well-publicized timed stages.</p>	<p>Egypt's information technology infrastructure has proven its capabilities during the coronavirus crisis; this opens the door to considering the possibility of transitioning to the new fifth-generation networks.</p>
<p><b><u>DIGITAL SKILLS</u></b></p> <p>Take full advantage of internet services and smart devices in schools, and promote digital literacy among teachers and students, especially in regard to the uses of cloud computing.</p>	
<p><b><u>A BALANCED REGULATORY APPROACH/Framework</u></b></p> <p>Develop a framework which strikes the right balance between upholding the concept of free flow of information and data, cybersecurity, and privacy. The framework should also support cross- border flows of data and information, and the simplification of the Intellectual Property Rights processes, such as filing trademark applications.</p>	
<p><b><u>ROLE MODELLING-INFORMATION ECONOMY</u></b></p> <p>The government should set an example by adopting technological solutions to better serve citizens and improve the efficiency of public services. In this regard, the government should partner with the private sector in the area of cybersecurity risks and raise awareness about the rights and responsibilities of internet users regarding use and security.</p>	

# PROPOSED SOCIAL SECURITY & PENSIONS DRAFT LAW

## RESPONSIBLE ENTITIES:

» The Ministry of Social Solidarity



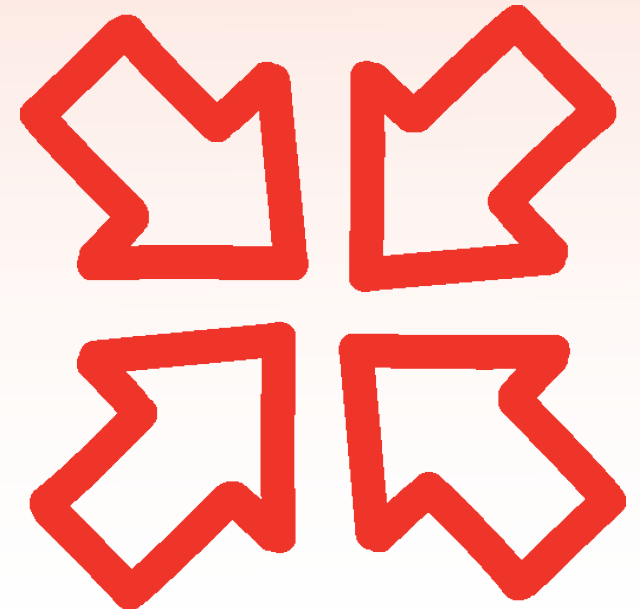


CHALLENGE	STATUS/NOTES
<p>Abolish all penalties involving the deprivation of liberty</p> <p>The insurable earnings should not be less than 50% of the total earnings of the employee, with a maximum of LE 6,520; this is the maximum cap (base earnings + variable earnings) prescribed in the law, which is scheduled to come into force on 1/1/2020.</p> <p>Exclude all elements of variable earnings, including incentives and allowances, not to exceed 100%, from the total insurable earnings. (SEIF)</p> <p>Dividends paid to employees should not be considered as earnings for the purpose of calculating insurable earnings.</p> <p>Do not increase the maximum cap amount of insurable earnings beyond the amount which will be applied on 1/1/2020, when the law enters into force (LE 6,520); contributions against any amount that exceeds this cap should be borne only by the insured, however, the amount should not exceed double the total maximum limit on 1/1/2020.</p>	<p>A new Social Insurance and Pension Law No. 148 of /2019 was issued on 19/08/2019.</p> <p><b>Key features of the law include:</b></p> <ul style="list-style-type: none"> <li>-Elimination of penalties involving the deprivation of liberty.</li> <li>- Monetary penalties—fines— are reduced, and the amount of the fine varies according to the offense committed. For example, the fine was reduced from LE 50,000 to LE 20,000; the LE 20,000 is set as the fine floor, and LE 100,000 the fine ceiling, if the offense is not repeated.</li> <li>-Allowances are fully excluded from the calculation of the insurable earnings.</li> </ul>
<p>Specify the contribution rates for old-age, disability, and death insurance that the employer and the insured employee should commit to (Clause 2 of Article 19). In the absence of specific contribution rates, conflicts between employers and insured employees are likely to arise.</p> <p>Set the contribution rates referenced in Clause 2 of Article 19 (pertaining to private sector employment) at 11% for the employer, and 10% for the employee.</p>	

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

## **RESPONSIBLE ENTITIES:**

» The Ministry of Manpower and Migration



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>The minimum number of workers required for establishing a trade union committee at the level of the establishment, as well as the number of general unions required for establishing a federation is high.</p> <p>The draft law includes penalties involving the deprivation of liberty.</p>	<p>Lower the number of members required to form a trade union committee at the establishment level or an occupational committee from 150 members to 50.</p> <p>Lower the number of union committees required to form a general union from 15 committees with 20,000 member workers to 10 committees with 15,000 members.</p> <p>Lower the number of general unions required to form a federation from 10 unions with 200,000 members to 7 unions with 150 members.</p>	<p>On August 5, 2019, the President ratified Law No. 142 of 2019, which amended a number of provisions of Law No. 213 of 2017. The new law introduced a number of changes, including:</p> <ul style="list-style-type: none"> <li>-Reducing the number of members required to form a trade union committee at the establishment level to 50 members.</li> <li>- Reducing the number of union committees required to form a general union to 10 committees with 15,000 members.</li> <li>- Reducing the number of general unions required to form a federation to 7 unions with 150,000 members.</li> </ul>

# INDUSTRY-SPECIFIC REFORMS

**71**  **The Pharmaceutical Industry**

**80**  **The Cosmetics Industry**

**85**  **The Medical Devices Industry**

**88**  **The Food Industry & Agriculture Products**

**90**  **Food Safety**

**93**  **The Automotive Industry**

**95**  **The Grain Industry**

**97**  **The Leather Industry**

**99**  **The Leather Tanning Industry**

**101**  **The Mineral Industry**

**105**  **Ready-Made Garment Industry**

**107**  **The Film Industry**

**109**  **The Nitrogen Fertilizer Industry**

**111**  **The Ceramics Industry**

**113**  **The Woodworking Industry**

**115**  **The Textile Industries**

**117**  **The Petroleum and Mining Industry**

# THE PHARMACEUTICAL INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The House of Representatives
- » The Cabinet
- » The Ministry of Health and Population



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Pharmaceutical pricing policies are out of sync with changing market conditions, including exchange rate movements, rising inflation, and increases in energy prices; operating costs; and interest rates.</p> <p>The current pricing scheme— a cross-reference pricing scheme that takes into account the prices of pharmaceuticals in 36 countries— is unfavorable to the industry. Under this scheme, the lowest price in any of the reference countries is used to guide the pricing of pharmaceuticals in the Egyptian market, with no consideration for the difference in distribution margins, which should be a key factor in pricing. Thus, the current system needs to be seriously and comprehensively reviewed in order to make it more responsive to market changes, and render investment in the industry attractive.</p>	<p>Revisit the current pricing policy to bring it in line with the requirements of the global market and the practiced pricing methods. This should increase the volume of pharmaceutical exports, and make it commensurate with the size and capacity of the industry in Egypt.</p> <p>For new Common Technical Document (CTD) submissions for generics, price them at 65% of the price of the innovator or branded counterpart (the patented).</p> <p>Approve the pricing of registered pharmaceutical products, giving priority to alternative products that are in short supply or missing in the market.</p> <p>Expedite the re-pricing of registered pharmaceuticals, which are not yet marketed, even if their notifications have lapsed (these pharmaceuticals were priced prior to the floating of the Egyptian pound).</p> <p>Abolish the VAT on imported pharmaceutical raw materials, which are pre-blended and processed using two or more ingredients. At the same time, impose on them the 2% tariff rate prescribed for customs category No. 3003, rather than the 5%, tariff rate prescribed for customs category No. 3824, in addition to the 14%VAT.</p>	
<p>The policy named the 'Box'* , which regulates the registration of pharmaceuticals in Egypt, is abused by international pharmaceutical companies that hold the patents. These companies fill up a particular 'Box' with phantom products, thereby locking up the 'Box', and thus hinder effective competition of local companies, and limit the availability of affordable pharmaceuticals in the local market.</p>	<p>Abolish the 'Box' system, and allow Egyptian companies to produce and register generic pharmaceutical products.</p> <p>Over the coming two years, complete the registration of all pharmaceutical products that are currently in the registration queue.</p>	<p>In November 2018, Ministerial Decree No. 654 of 2018, concerning the registration of human pharmaceuticals, was issued. It stipulated that under certain conditions, biosimilars registration applications, which exceed the number of pharmaceuticals allotted to a biosimilar 'box' (referenced in Ministerial Decree No. 425 of 2015) will be accepted. Specifically, applications will be accepted for pharmaceuticals listed as in short supply and with no substitute, during the year preceding the issuance of the Decree, or in other cases determined by the Central Administration for Pharmaceuticals Affairs, according to market needs.</p>

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

<p>Registration of new pharmaceutical products is a very lengthy process even though these products have already been approved and licensed in developed countries, which should serve as a solid reference for pharmaceuticals quality control testing.</p>	<p>Grant instant approval of pharmaceutical registration applications if the product concerned is registered in any two countries that are considered advanced in the pharmaceutical industry.</p> <p>Reform the registration process of pharmaceutical factories. The process should entail submitting a Common Technical Document (CTD) dossier and payment of LE 120,000 registration fee; the 'Box' system should be discarded in the process. The registration process should be completed in less than six months, and there should be a no set limit on the number of dossiers that can be submitted each month.</p> <p>Pharmaceutical factories should obtain international accreditation from the World Health Organization (WHO), the U.S. Food and Drug Administration (FDA), GTA, and the European Medicines Agency (EMA).</p>	
<p>A national body to oversee the safety of pharmaceuticals, the Egyptian Drug Authority (EDA), was created in 2019. However, the following requirements pose obstacles for manufactures:</p> <ul style="list-style-type: none"> <li>- The requirement that manufacturers obtain an import approval for each consignment of imported raw materials; the additional fees associated with this requirement result in raising the price of the final.</li> <li>- The extreme processing delays in obtaining certificates of Free Sale and certificates of GMP negatively affects the exportation of products.</li> <li>- The Central Administration for Pharmaceutical Affairs refuses to accept the trading certificates for non-sterile products, which are issued by the IDA and sent by express mail.</li> <li>- Exporters must fulfill additional requirements to be able to export their products, including a commitment to provide production materials for a period of 6 months; receiving visits for verification; and obtaining the approval of the Public Authority for Unified Procurement.</li> </ul>	<p>Abolish the requirement that manufactures obtain an import approval for each consignment of imported raw materials.</p> <p>Expedite the issuance of the certificates of Free Sale and the certificates of GMP.</p> <p>Refrain from issuing any new export requirements without consulting with exporters.</p>	<p>On August 25, 2019, the President ratified Law No. 151 of 2019; Article 14 established the Egyptian Drug Authority (EDA), and Article 16 specified its mandate. According to Article 14, "A public service authority, called the Egyptian Drug Authority, is created; it has a juridical personality and is affiliated with the Prime Minister; the location of its headquarters is to be determined by the Prime Minister, and the board of directors may decide to open additional locations."</p> <p>Article 16 stipulates that "The new Authority aims to organize, implement, and control the quality, effectiveness, and safety of the medical preparations and devices provided for in the provisions of this Law. It is also tasked with enforcing the provisions of the current law governing the practice of pharmacy, provided that they do not contravene any of the provisions of this law. To accomplish this, it shall also assume all the necessary powers, functions and legal actions."</p>
<p>The absence of a clear legal framework governing the pharmaceuticals and medical devices sector.</p>	<p>Develop a new legal and institutional framework to govern the pharmaceuticals and medical devices sector.</p>	<p>On August 25, 2019, the President ratified Law No. 151 of 2019, the "Egyptian Authority for the consolidated procurement, supply, medical provisions, management of medical technology and the Egyptian Pharmaceutical Authority Law". The new law provides a clear legal and institutional framework to govern the sector.</p>

# THE COSMETICS INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The House of Representatives
- » The Cabinet
- » The Ministry of Health and Population





CHALLENGE	RECOMMENDATION	STATUS/NOTES
The cosmetics registration process is unnecessarily long and costly and hinders the expansion and competitiveness of the local industry.	Registration of cosmetics should be based on the product formula rather than the product Stock keeping Unit (SKU); instant approval of registration applications should be granted if the product is registered in any two developed countries.	
<p>The inclusion of cosmetics in the definition of pharmaceuticals is problematic as they will be subject to the same registration, pricing, and testing rules and procedures applicable to pharmaceuticals. This is contrary to the nature of the industry and how cosmetics are regulated across most countries globally. Cosmetics are non-medical products, and are treated as such; they are governed by separate laws and regulations in many countries (e.g., European Union countries, the US, Saudi Arabia, the Arab Gulf States, and all African countries). Categorizing cosmetics under the rubric of pharmaceuticals is likely to have a significant adverse impact on the industry, and its ability to attract future investments, which was estimated at approximately LE 18 billion in 2018.</p> <p>The definition of cosmetics is inconsistent with the definition currently adopted in Egypt, which agrees with the internationally recognized definition of cosmetics.</p> <p>The draft law includes mandatory standard specifications for cosmetics.</p> <p>The controls and procedures regulating the importing, exporting, registration, and pricing of cosmetics go against the nature of the product itself.</p> <p>The absence of a clear definition of the term “pharmaceutical entity”, which is to be licensed under this law.</p> <p>The release of imported medical products and other materials that fall under the jurisdiction of the Egyptian Drug Authority “EDA” is not allowed before all required tests and analyses are completed.</p>	<p>Develop effective implementation mechanisms to facilitates the enforcement of the law. The mechanisms should be appropriate to the nature of the cosmetics market, which differs drastically from that of pharmaceuticals. FEI’s recommendations should be taken into consideration when developing the executive regulations of the law.</p> <p>Issue separate executive regulations to govern the cosmetics industry; the regulations should be appropriate to the nature of cosmetic products that are not used for medicinal purposes.</p> <p>Adopt the internationally recognized definition for cosmetics— “Any product containing one or more substances intended for use on the external parts of the human body, including skin, hair, nails, and lips, or on the external parts of the genitals, teeth, or mucous membrane of the oral cavity for the purpose of cleaning them, or perfuming them, or protecting them, or keeping them in good condition, or changing and improving their appearance, or correcting body odors and improving it”.</p> <p>Delete the reference to “mandatory standard specifications” and replace it with “mandatory technical regulations based systems adapted from globally recognized systems, such as those adopted in EU countries.</p> <p>Cosmetics should not be subject to product registration requirements but to a notification system. This aligns with practices in EU countries, Saudi Arabia, as well as all East Asian countries, and is in line with the discussions that took place between the Cosmetics Sub-Chamber at FEI, and the Central Administration for Pharmaceutical Affairs as directed by the Minister of Health and Population.</p>	<p>According to Law No. 151 of 2019, cosmetics are defined as “any preparations developed for use on the external parts of the body, teeth, or the mucous membrane of the oral cavity for the purpose of cleaning them, or perfuming them, or protecting them, or keeping them in good condition, or changing and improving their appearance, or any other existing preparations, or yet to be developed and will be categorized as cosmetics according to international standards”.</p> <p>Article 17, Section 2, Item 3 of the law vested EDA with the responsibility, among several other executive responsibilities, of inspecting and analyzing cosmetic products. It stipulates that EDA will have the responsibility to inspect and analyze “pharmaceuticals, and biological preparations, medicinal plants and herbs, cosmetics and all other similar or related products, according to international standards and references to verify their quality, validity, efficacy, and safety, as well as ensure the compliance of pharmaceuticals with pharmacopoeia requirements and the mandatory standard specifications approved by EDA”.</p> <p>FEI will continue to engage and advocate for improving the Executive Regulations to better serve the needs of the industry.</p>

The trading of domestic pharmaceuticals and other related products that fall under the jurisdiction of EDA is not allowed before all required tests and analyses are completed.

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

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

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

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

Requiring that cosmetics be subject to testing prior to their release from customs release and their placing on the market is inconsistent with the global trend in cosmetic product control and analysis, which rely heavily on in-market control; this is more appropriate to the nature of the products, their volume of circulation, and the degree of potential health risks associated with using cosmetics, compared to other medicinal and pharmacological products.

Cosmetic products should not be subject to an enforced pricing system due to their nature, the manner in which they are traded, and being consumer products that are used regularly and daily (shampoo, skin and shaving creams, and toothpaste).

Include a definition for pharmaceutical entities.

Institute an in-market control system for cosmetic products to protect consumers.

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

Inspection should be limited to accessing and reviewing records, books, and other documents related to the products and manufacturing processes; manufacturers should be given sufficient time to provide the required documents.

Include an article in Law No. 151 of 2019 to mandate the issuance of separate executive regulations to govern the cosmetics industry; the regulations should be informed by the draft paper under discussion between and the Central Administration for Pharmaceutical Affairs, and the Cosmetics Sub-Chamber at FEI.

Develop a separate fee schedule, including reasonable fees for the administration and testing of inspecting cosmetics.

Similar to special food\* products, registration of cosmetic products should be based on the product category and not the retail package.

\* Any food prepared or formulated to meet special nutritional or medical requirements.

The executive regulations of Law No. 151 of 2019.

*The following elements should be taken into consideration when developing the executive regulations of Law No. 151 of 2019.*

- Amend Article 1 of Chapter 1, Definitions, by including the following: "Medical products and devices are the medical products and medical devices as defined in Clauses 2 and 3 of Article 1 of the law".
- The fee schedule included in Law 151 of 2019 should make reference to medical devices.
- Ensure making reference to the European standards that are adopted by medical equipment and laboratory reagents manufacturers, who have been under the supervision of the Ministry of Health for the past 20 years.
- Licensing local factories and warehouses: Factories should obtain their licenses from IDA and EDA to ensure that they adhere to GMPs, which are included in ISO 22716 or its equivalent.
- Oversight, inspection and market surveys: EDA must assume the responsibility to oversee, and periodically inspect cosmetics establishments, including factories, warehouses and places of sale. In carrying out their responsibilities, inspectors should be vested with law enforcement authority and powers. To ensure product compliance, EDA's inspector may enter cosmetics factories, warehouses and places of sale for the purpose of inspection; they have the right to review the relevant records and documents, as well as collect samples of cosmetics products for inspection and analysis in the EDA's laboratories or other accredited laboratories.
- Adopt an Egyptian system for cosmetic products that aligns with international practices adopted in EU countries, Saudi Arabia, as well as all East Asian countries; adopting such a system promises to expand Egypt's cosmetics exports.
- Cosmetic products should not be subject to registration requirements; a notification system, which is adopted worldwide, should be used instead.

On March 29, 2020, the Prime Minister issued Decree No. 777 of 2020 promulgating the Executive Regulations of Law No. 151 of 2019; they reflected several of the recommendations that were put forward by FEI. However, to avoid an implementation gap, FEI calls on the government to consider the other proposed recommendations.

	<ul style="list-style-type: none"> <li>- Use international standards as a reference for setting the mandatory standard specifications for cosmetics.</li> <li>- Institute an in-market control system for cosmetic products instead of requiring that products be tested prior to being placed on the market. In-market control system, which relies heavily on carrying out the needed testing while the product is on the market, is more appropriate to the nature of the cosmetic products, their volume of circulation, and the degree of potential health risks associated with using cosmetics, which is drastically lower than that of other medicinal and pharmacological products. This system will ensure the safety of customers, especially that many cosmetic products reach the Egyptian market in an illegal manner.</li> <li>- Include representatives from the Cosmetics Sub-Chamber of FEI's Pharmaceutical Chamber in the technical committee that will be set up for developing the executive regulations of the law.</li> </ul>	
<p><u><b>Covid-19-related problem:</b></u> the lack of some production inputs required for dealing with the current crisis.</p>	<p><u><b>Exceptional Measure:</b></u> Take advantage of the existing production capacity in the cosmetics sector to meet urgent needs; allow cosmetics manufacturers to obtain alcohol in order produce disinfectants for hospitals and other facilities.</p>	

# THE MEDICAL DEVICES\* INDUSTRY

*\* Law 151 of 2019 defines medical devices as any apparatus, instrument appliance, machine, equipment, application, including those that are inserted or implanted, laboratory reagent, software, material, or other similar or related articles, intended by its manufacturer to be used specifically for human beings, whether used alone or in combination, for specific diagnostic and/or therapeutic purposes.*

## **RESPONSIBLE ENTITIES:**

- » The House of Representatives
- » The Cabinet
- » The Ministry of Health and Population



CHALLENGE	RECOMMENDATION
The establishment of pharmaceutical and medical device factories and the registration of their products is not linked to EU-based registration system.	Adopt the EU-based registration system and approve a third party to implement it via the EDA.
The lack of a futuristic vision or a short- or long-term plan for the pharmaceutical sector; this has created administrative hurdles and conflict among the various competent agencies.	Expedite the development of a strategic vision for the pharmaceutical sector to guide its direction in the future; ensure the engagement of all stakeholders in the process.
The lack of adequate and clear definitions, as well as the persistent and intentional conflation of pharmaceutical and non-pharmaceutical (medical devices) industries, which are different; this lack of differentiation poses threats to the non-pharmaceutical industries.	Make the necessary distinction between both industries, and ensure that they are treated separately.
The introduction of the term ‘medical preparation’ to “obliterate the identity” of “pharmaceutical preparation”.	Do not conflate ‘medical preparation’ and ‘pharmaceutical preparation’.
Imports of medical appliances (for the benefit of public hospitals and universities) are granted exemptions under Chapter 4 of the new Customs Law; this undermines the competitiveness of local industries as they do not enjoy the same exemptions, which range between 5-30%, on imports of production inputs; thus, both domestic and foreign investors are disincentivized from investing in these industries.	Eliminate any preferential treatment given to imported products or grant domestic manufacturers the same advantages; develop an investment plan to encourage the production of needed products that are currently imported, including making available low-interest, medium and long-term loans.
The lack of a consistent export assistance strategy.	Ensure that banks offer low-cost export finance facilitation services.
Ineffective oversight over the legal and illegal markets for medical devices—failure to follow a robust supply chain monitoring process to detect informal markets.	Enforce the law, and criminalize the sale and purchase of unregistered medical devices.
Currently, the government is heading in the right direction with regard to transforming the domestic single-use syringes industry, moving from the conventional to the full-safety model. That said, this shift is expected to take more than 18 months, required for manufacturing the needed machines and equipment, as well as register the products in Egypt.	Provide the necessary support to the single-use syringes factories, which total 16 and employ approximately 4,800 workers; grant them a three-year transitional period to complete the shift.

<p>Egypt bans the importation of used medical devices, and does not make a distinction between electronic and non-electronic ones. Such devices do not pose any health risks, and many are given as donations from reputable medical establishments. Additionally, the procedures for importing any medical device or equipment is too cumbersome.</p>	<p>Review all import procedures related to medical devices, and do not restrict importation to agents. At the same time, develop standard specifications for medical devices.</p>
<p><i>There are number of concerns regarding the Executive Regulations of Law 151 of 2019, including the following:</i></p> <ul style="list-style-type: none"> <li>- EDA's is given oversight responsibly over the manufacturing of medical devises, which is primarily an engineering industry; EDA lacks the technical and engineering expertise to fulfil this responsibility, which will negatively impact the engineering industries in Egypt.</li> <li>- The overlapping jurisdiction between EDA and IDA regarding the licensing of factories that produce medical devices.</li> <li>- The authority to accredit factories and medical products has been transferred from the Egyptian Accreditation Council to EDA.</li> <li>- The imposing of price controls on medicinal products, which are sensitive to market conditions and changes. Thus, it is not possible to fix prices; more so in any case, this requirement contradicts what is stipulated in the Investment Law.</li> <li>- EDA did not set any guidelines and specifications for registering medicinal products; at the same time, it is not allowing the trading of any product without being registered.</li> </ul>	<p>Take the necessary action to immediately halt the implementation of the Executive Regulations; put forward Law 151 of 2019 for discussion and ensure that all stakeholders, including technical and oversight agencies, are involved to provide the needed support for the medical devices industry.</p>

# THE FOOD INDUSTRY & AGRICULTURE PRODUCTS

## RESPONSIBLE ENTITIES:

- » The Ministry of Agriculture
- » Food Safety Authority
- » Agricultural Research Center
- » The Cabinet
- » The Customs Authority
- » The Ministry of Trade and Industry
- » The Egyptian Customs Authority





CHALLENGE	RECOMMENDATION
<p>Non-compliance with good agricultural practices (GAP), including the requirements for a monitoring system and general quality standards.</p> <p>Irrigation water shortages, and its contamination with sewage in a number of areas.</p> <p>Problems of reclaimed land allocation and pricing.</p> <p>The lack of satellite images to assist in monitoring and regulating agricultural activities and the illegal construction on agricultural land.</p>	<p>Carry out a comprehensive restructuring of the Ministry of Agriculture and its various agencies.</p> <p>Modify the agricultural policies and link them to the industrial and export policies and the findings and recommendations produced by agriculture research centers.</p> <p>Expedite the issuance of the new law to regulate the protection of biological resources.</p> <p>Review customs duties on raw materials, and facilitate import procedures by speeding the health inspection and customs clearance process for industrial inputs.</p>
<p>Failure to implement a food safety system and non-adherence to international standards and specifications.</p> <p>Extensive use of inorganic pesticides.</p>	<p>Impose dissuasive penalties on companies committing violations; penalties can include banning offenders from exporting for a certain period of time, in addition to imposing large financial penalties, and denying offenders access to export support.</p> <p>Introduce a farm coding system, and accredit farms to export and sell products in the local market.</p> <p>Expand the establishment of pesticide residue laboratories.</p> <p>Review and revamp the Ministry of Agriculture Seed Committee to improve its operational efficiency and responsiveness to the requirements related to seed exports.</p>
<p>Poor performance and ineffectiveness of agricultural extension agents in regard to guiding farmers during the entire production process.</p> <p>Insufficient budgetary allocations for agricultural research centers.</p> <p>The severe inadequacy of R&amp;D investments geared towards improving this sector.</p>	<p>Strengthen agricultural technical education, and encourage enrollment.</p> <p>Increase funding for agricultural research to improve crop productivity (e.g., cotton and other important crops), and boost plant breeding.</p>
<p>Not only does the Veterinary Authority inspect and approve the manufacturer of animal-based products in countries exporting to Egypt, but it also requires that its staff attend production processes, even in countries known to abide by the rules of halal slaughter, such as Saudi Arabia.</p>	<p>The Veterinary Authority should only inspect and approve the manufacturer of animal-based products in countries exporting to Egypt and forgo the requirement that members of its staff attend the production processes.</p>
<p>The estimated loss in agriculture production is 30%; weaknesses throughout the supply chain and logistics, as well as ineffective farming methods are the primary causes of this loss.</p>	<p>Establish logistics hubs across Egypt to improve the supply chain of agricultural products.</p>
<p>With regards to the customs release of meat and poultry shipments, Egypt has revoked the permits of 8 halal food companies operating in America. At the same time, it has approved only one company, which is permitted to operate in specific geographic areas. Furthermore, the company has neither the experience with halal food products nor any established contact with Islamic institutions that supervise and certify the halal slaughtering process. This same action was taken with regard to meat and poultry imports from South America, particularly Brazil. Such practices hinder trade flows and contrast with the situation in Saudi Arabia and Indonesia, which have in place clear regulations and standards governing the importation of halal meat.</p>	<p>In consultation with the private sector and the Chamber of Food Industries, develop a mechanism with clear criteria for approving and revoking permits.</p>

# FOOD SAFETY

## **RESPONSIBLE ENTITIES:**

- » The Cabinet
- » The House of Representatives
- » The National Food Safety Authority (NFSA)



CHALLENGE	RECOMMENDATION	STATUS/NOTES
The National Food Safety Authority (NFSA) has a number of weak spots, particularly with regards to its independence and effectiveness; there is jurisdictional overlap between NFSA and other agencies.	<p>Activate the role of NFSA, and enable it to exercise the authorities vested in it by law; prevent other government entities from interfering in its operations.</p> <p>Expedite the issuance of the executive regulations of the Food Safety Law.</p> <p>The Board of Trustees of NFSA should coordinate all food safety efforts, and clearly define the roles and responsibilities of the different bodies concerned during the transitional period in order to ensure complementarity.</p>	On February 18, 2019, the Executive Regulations of Law No.1 of 2017 establishing the National Food Safety Authority were issued.
The unified food has not yet been issued.	Expedite the issuance of the unified law to replace all other existing relevant laws.	

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

All powers and prerogatives granted to NFSA under Law No. 1 of 2017, are ignored; it is treated like any other public agency with regards to public expenditure rationalization. Thus, NFSA is not able to secure the needed resources, such as vehicles, for its staff to carry out food safety inspections of food establishments. More generally, the lack of an adequate budget is impeding NFSA for fulfilling its expansive and important mandate, entails ensuring the food safety for millions of Egyptians, including vulnerable groups such as children, the elderly, the sick, and others; the work of NAFS also safeguards investments in two major revenue-generating sectors: the food processing sector, one of the leading sectors in terms of exports, as well as the tourism sector by ensuring the provision of safe and hygienic food in tourist facilities, being one of the most critical success factors in tourism.

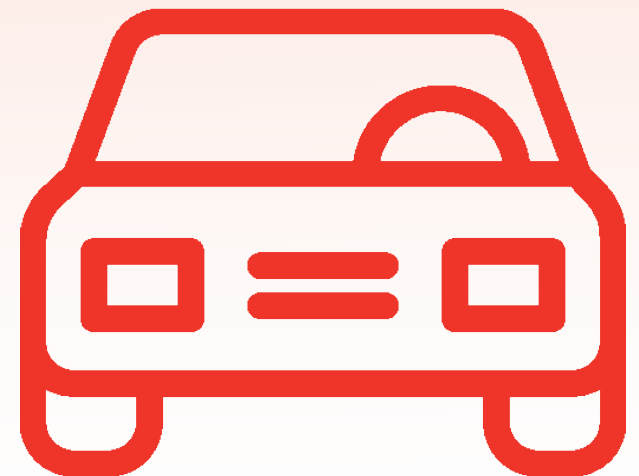
Allocate sufficient resources to NFSA to attract qualified professionals, and provide professional development training to its staff.

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

# THE AUTOMOTIVE INDUSTRY

## RESPONSIBLE ENTITIES:

- » The Ministry of Trade and Industry
- » The Ministry of Finance



CHALLENGE	RECOMMENDATION
<p>Ministerial Decree No. 907 of 2005 led to the demise of the industry as it allowed car manufacturers to circumvent the local component requirements, by exporting either local components or finished cars. Manufacturers have abandoned the development of the local industry and concentrated their efforts on low value-added upstream industries. As a result, car companies unjustly benefit from tariff incentives, and the State treasury loses billions of Egyptian pounds annually in revenues.</p>	<p>Cancel Ministerial Decree No. 907 of 2005, and develop a realistic and comprehensive strategy to incentivize the automobile industry in Egypt, as well as other related upstream industries.</p>
<p>The formula used for determining the domestic content in vehicles is outdated. Currently, the percentage of each vehicle's component— the standard percentage—is calculated, in an approximate manner, as an average of the commonly used percentage for each component. The standard percentages adopted are as follows: air conditioning system 9.54%, radiator 0.693%, radio cassette deck 2.53%, seats 5.397%, electric braids 3.205%, glass 1.48%, suspension system 4.4%, mufflers 1.08%, battery 0.468%, rims 0.9%, steel -2%, aluminum, fuel tank 0.845%, carpets (floor lining) 0.813%, door binding 1.5%, tires 2.38%). Thus, the total standard percentage for the most common components shared across many vehicles is 35.43%.</p> <p>More so, the applicable percentage for calculating the contribution of the assembly line in the domestic content rate of a vehicle is 13%, and the applicable percentage for calculating the contribution of the local paint materials is 4% at most. Technological advancements in modern vehicles have pushed downwards the share of these components in the content of the vehicle. For example, the air conditioning system, which represented 9.540% of the content of old vehicles has decreased to 6% in modern vehicles.</p>	
<p>Decree No. 571 of 2019 issued by the Minister of Trade and Industry repealed Decree No. 371 of 2018, which established the domestic content percentage in the automotive industry and its method of calculation (Decree No.371 which was issued to complement the automotive strategy, disregarded the above-mentioned percentages, and relied on the percentages provided by the parent companies). The new decree also reinstated Decree No. 136 of 1994, regarding the assembly line's required contribution in the domestic content rate, as well as Decree No. 907 of 2005 concerning the required domestic content rates in the automotive assembly industry. It should be noted here that while these two decrees have been in force for a long period of time, yet they did not result in industrial deepening in the automotive sector. More so, Decree No. 371 of 2018 was canceled without providing any viable alternative that can significantly and positively impact the automotive industry.</p>	
<p>While the free trade agreements with Europe and other countries grant full customs duty exemptions for finished cars and their parts, yet, other duties and fees continue to be imposed, including VAT, development fees, and domestic licensing fees for auto parts and spare parts. More so, there are flaws in the existing taxation and customs systems.</p>	<p>Abolish the development fee, the local license fee, and VAT on components and spare parts, which are imported for the purpose of use in the automotive manufacturing process; address the flaws in the customs and taxation systems.</p>

# THE GRAIN INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Supply and Domestic Trade
- » The Export Development Fund
- » The Ministry of Transportation



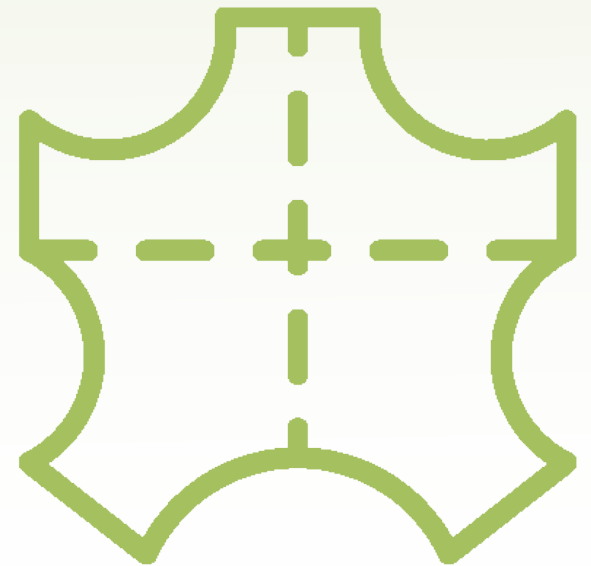
CHALLENGE	RECOMMENDATION
The instruction contained in Decree No. 46 of 2015 has spawned several problems for mills in regard to the tax accounting methods that they should use; additionally, there are variations in the tax accounting methods applied to the different type of mills.	Promptly address all issues related to the tax accounting methods, with particular attention to Decree No. 46 of 2015. Additionally, standardize the tax accounting methods applied to mills that produce 82% extraction flour, as they are acting for the Ministry of Supply, which acquires all their products.
The industry faces storage and transportation challenges.	<p>Stop using dirt-floored barns for storing locally produced wheat and other grains to safeguard against wheat contamination and waste.</p> <p>Exempt privately-owned vehicles, which are used for transporting the flour from mills that produce subsidized flour, from the decree that bans heavy vehicles from using the Ring Road and some other routes in governorates. This will help ensure the uninterrupted supply of flour to the productive units of the Ministry's mills, and secure bread supplies to citizens.</p>
The imposed ban on establishing new mills that produce 72% extraction flour represents a capacity constraint.	<p>Lift the imposed ban on establishing new mills that produce 72% extraction flour, to maximize utilization of capacity that has been idle for ten years; reconsider imposing the ban if needed.</p> <p>Include the 72% extraction flour and the coarse wheat bran within the categories of products eligible for export support to encourage investment in wheat and stimulate exports in order to increase the foreign exchange resources.</p>
	<p>Modify the wheat quota allocated to the mills that produce the 82% extraction flour in order to ensure the availability of strategic reserves of flour. A memorandum to this effect was submitted to the Ministry of Supply on 25/7/2018 (Memo Incoming No. 9742).</p> <p>Amend Ministerial Directive No. 18 dated July 29, 2018, concerning the executive procedures and measures for regulating the milling of subsidized wheat—Tamween, particularly the measure pertaining to the documenting and standardizing of the testing procedures used in the central labs of the Ministry of Supply and the mills).</p> <p>Adjust the percentage of acid-insoluble ash for the 82% extraction flour from 0.15% to 0.20%. This should reduce the residue of the insoluble ash in the acid, without affecting the quality of the final product (in accordance with the Standardized Specification No. 1251/1 of 2015).</p> <p>Expand the adding and use of Flour No. 2 (whole wheat four) in mills as it is high in nutritional value (protein, vitamins, and other nutrients).</p>



# THE LEATHER INDUSTRY

## **RESPONSIBLE ENTITIES:**

» The Ministry of Trade and Industry



CHALLENGE	RECOMMENDATION
<p>The industry lacks key support infrastructure, namely technological innovation and leather fashion design services. Currently, there is only one center, affiliated with the Ministry of Trade and Industry, that provides such services to the entire sector. The industry can benefit from the establishment of many such centers to assist with developing production technologies and raising product quality.</p> <p>Lack of skilled labor.</p>	<p>Allocate funds for setting up training and technology development centers to help improve the competitiveness of the industry.</p> <p>Increase the availability of leather-based industries professional programs in industrial secondary schools and vocational training centers; offer incentives to enrolled students, and work with large leather-based industries to offer students apprenticeship opportunities.</p>
<p>The unjustified dramatic increases in imports of low-quality footwear and leather products that do not conform to the standard specifications are negatively affecting the industry. This spike in low quality imports is due to manipulative practices by some importers, who present to customs fraudulent import invoices that do not reflect the real production cost in the country of origin. It should be noted here that while reference price lists are used for verifying the declared value of the imports of footwear and other leather products, yet, some importers are still able to circumvent this system, by entering their imports under a customs sub-category that is not subject to the application of reference price lists.</p>	<p>Revise the current reference price list used for clearing imports of footwear and leather products; adopt the reference price list developed by Leather Industry Chamber. The latter was developed based on the actual costs of manufacturing footwear and leather products and can be used to assess the customs duties on imported products, particularly in light of the fake and fraudulent invoices submitted by importers.</p> <p>Keep a strict watch on the market to combat the dangers of the phenomenon of low-quality products, which can lead to the collapse of the leather industry.</p>
<p>The problem of distressed and stalled factories; the Ministry of Trade and Industry should explore different options to support these factories so that they resume operations.</p> <p>The problem of smuggling raw leather outside the country by circumventing the ministerial decrees regulating leather exports.</p>	<p>Strengthen control measures at customs points, free zones, and transit areas.</p> <p>Criminalize smuggling and categorize it as a crime against honor.</p> <p>Confiscate seized goods, and enforce Article 15 of Law No. 118 of 1975 (Import and Export Law).</p> <p>Halt exports of unfinished leather.</p> <p>Support promotion tours to boost the leather-based industries in international markets.</p>

# THE LEATHER TANNING INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Trade and Industry
- » The New Urban Communities Authority
- » The Export Support Fund (ESF)

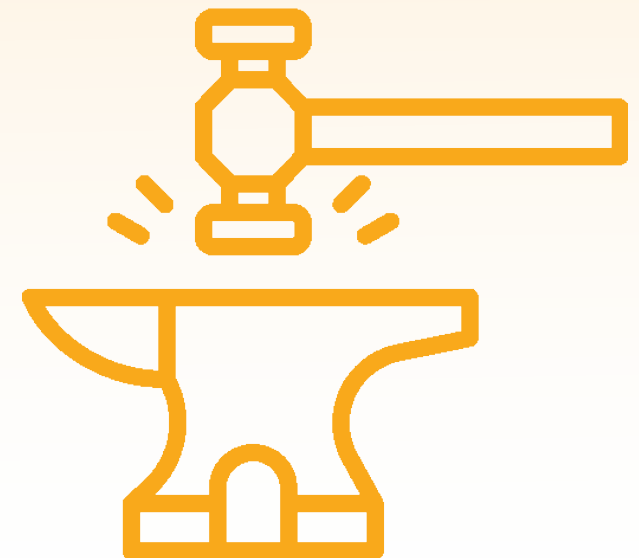


CHALLENGE	RECOMMENDATION
Frequent absenteeism among workers due to delays in delivering the housing units.	Expedite the delivery of worker housing units to the manufacturers.
<p>Infrastructure works for the second phase has not yet started, thus it is not possible to relocate enterprises currently located in the area of Magra El Eyoum to El Roubiki Leather City.</p> <p>Irregular water supply in El Roubiki Leather City.</p> <p>Irregular sewer services in El Roubiki Leather City.</p>	Expedite the completion of all infrastructure works and services in El Roubiki Leather City to help attract investors into the leather industry.
To date, factories have not been issued permanent licenses, which are key documents for concluding any bank transactions.	Expedite the issuance of permanent licenses to factories located in El Roubiki Leather City; it has been two years since these factories relocated from Magra El Eyoum.
Relocating from Magra El Eyoum to El Roubiki Leather City was costly for factories, particularly that they had to import modern machinery and equipment, as well as pay the water, electricity, and gas connection fees.	ESF should expedite the disbursement of export assistance owed to the manufacturers in order to reduce their financial burden, and allow them to continue operating and exporting.

# THE MINERAL INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The Cabinet
- » The Ministry of Trade and Industry
- » The Ministry of Electricity and Renewable Energy
- » The Egyptian Customs Authority
- » The Industrial Development Authority (IDA)
- » The Assay & Weights Authority



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Direct reduced iron (DRI) production plants (sponge iron) are not economically feasible due to the high price of natural gas (\$7). In fact, DRI production plants should be treated like fertilizer and petrochemical plants, since natural gas is used as an input in the iron reduction process, and not as fuel. This gas pricing scheme has undeniable negative effects on the productive efficiency of the DRI production plants and impairs the equivalent of 6 million tons of sponge iron production capacity that can benefit the Egyptian economy.</p>	<p>Similar to the case of the fertilizer industry, natural gas should be treated as a raw material, rather than a fuel, for (DRI) production plant—they should be charged \$4.5/million British thermal unit. This measure will enhance their competitiveness and increase their production capacity from the current 7 million tons/year to 13 million tons/ year.</p> <p>Impose a protectionist tariff on billet and steel rebar (customs items No. 7207, 7213, and 7214) imports from non-agreement countries.</p> <p>Impose a protectionist tariff on imports of finished steel products taking into account that these tariffs do not adversely affect the domestic by raising the cost of inputs (e.g., billets).</p>	<p>In April 2019, the Ministry of Trade and Industry imposed a 25% and a 15% anti-dumping duty on imports of steel rebar and iron billets respectively.</p> <p>The advisory committee of the Ministry of Trade and Industry, which is responsible for developing the final report on the protectionist tariff imposed on imported billets, recommended revising the 15% anti-dumping duty on billets, and imposing instead a 7% duty during the first year, to gradually decrease to 5% during the second and 3% during the third.</p>
<p>The fixed electricity charges (electric load charges) were supposed to represent less than 25% of the actual consumption. However, in the case of the metal casting industry (where the smelting is done within a day and the finishing within a week), as well as the factories which have to cease production for any reason, this fixed charge far exceeds the actual consumption cost.</p>	<p>Place a cap on the fixed electricity charges so that they do not exceed 25% of the actual consumption. This will benefit the metal casting industries, as well as factories which cease production for any reason and maintain a competitive environment.</p>	
<p>New factories that have requested additional electrical power above 500 kilowatts are required to pay generation fees equivalent to LE 550/kilowatt for low voltage electricity, and up to LE 3000/ kilowatt for high voltage electricity. This is inconsistent with the manner older factories are treated, thus competition is tilted in favor of older factories.</p>	<p>Competent authorities need to promptly address the complaint regarding the exorbitant charges imposed on factories that request additional electrical power above 500 kilowatts. Addressing this issue will resolve the existing competitiveness imbalances between established factories and new ones.</p>	<p>The issue was presented to the Ministry of Electricity and the Cabinet, however, it is still under review. Until the issue is resolved, the existing competitiveness imbalances between established factories and new ones will continue.</p>

<p>The practice of auctioning off heavy industry licenses works against the goal of expanding exports, which requires increasing production beyond the needs of the local market, and making good use of the industry's comparative advantage (cost of fuel and gas is lower than in the countries that have to import). Needless to say, such a practice represents an additional burden on new factories, and unlevels the playing field for the competition between new factories and the already established ones.</p>	<p>Abolish the system of auctioning off heavy industry licenses.</p>	
<p>The erroneous classification of some plants as energy-intensive industries, such as nail factories, cast iron foundries, and aluminum casting factories, hurts industries as they are charged the same energy prices as that charged to energy-intensive industries, such as steel and aluminum smelters.</p>	<p>Seriously consider adopting the IDA's recommendation regarding the erroneous classification of some plants as energy-intensive industries, in other words, de-link the definition of heavy industry from the type of the product produced.</p>	
<p>The circumvention of regulations governing the export of scrap metal, especially copper, aluminum, and lead negatively adversely affects small industries that use these products. It is worth mentioning here that these practices are driven by the foreign exchange rates in the domestic market, as well as the metal prices in the metal exchanges outside Egypt.</p>	<p>Tighten controls at customs points, and use modern inspection devices to prevent exporters from circumventing the scrap metal export regulations.</p>	
<p>The precious articles and jewelry industry encounters a range of problems with the Customs Authority, the Taxation Authority, banks, and the Assay and Weights Authority. The current practice of calculating fees and dues as a percentage of the value of the product is not reasonable in the case of gold products, where the value is very high and the rate of profit rate (workmanship) is low.</p>	<p>Restructure the Assay and Weights Authority and bring it back under the umbrella of the Ministry of Trade and Industry. The restructuring exercise should entail reformulating and improving the relationship between the Assay and Weights Authority and the gold manufacturers and traders to combat the rampant fraud prevailing in the market so that the industry can reclaim its credibility and foreign markets. More so, the effort should include reviewing and reforming the customs regulations that limit the export of precious articles, and raw materials used in the production of jewelry, as well as addressing all bureaucratic obstacles that hinder the industry.</p>	

While the mineral industry's share in Egypt's non-petroleum exports is more than 20%, yet the industry, small and big businesses, are denied any export support services, as well as the benefits of the duty drawback system. This is illustrative of the lack of clarity regarding the objectives of the export support program, and its meager benefits to the export industry (on the other hand, export support programs in other countries, such as China, Turkey and the United States, lends strength to their exports).	Review the export support plan.	
Although the designation of industrial land plots for each industry in industrial zones is made with the full knowledge of IDA, yet industries are required to pay exorbitant fees, millions of Egyptian pounds, fees, if they want to raise the height of the building (more than 15 meters). Additionally, they have to obtain a building permit from the Civil Aviation Authority, which requires a topographic survey (costs thousands of Egyptian pounds per factory).	Review the approval and fee requirements set by the Civil Aviation Authority.	
Factories are required to make a deposit payment (equivalent to the estimated charge for service for two months, reaching a few tens of millions of Egyptian pounds); they are billed according to the contractually agreed-upon volume of gas supply stipulated rather than actual consumption; if actual consumption exceeds the contracted volume, the price is doubled.	Factories should be billed according to their actual consumption of gas.	



# READY-MADE GARMENT INDUSTRY

## RESPONSIBLE ENTITIES:

- » The Ministry of Trade and Industry
- » The Ministry of Finance



CHALLENGE	RECOMMENDATION
Exporters do not have adequate liquidity to maintain operations and continue with production.	Expedite the disbursement of the FY 2017/2018 export rebates owed to exporters.
Manufacturers are facing increased financial burden from the additional fees imposed on them, as well as the COVID-19 pandemic.	<p>Temporarily reduce fees associated with the following services:</p> <ul style="list-style-type: none"> <li>-New logistic services in the customs department.</li> <li>-Special roads toll rates on containers.</li> </ul> <p>Activate the Emergency Fund of the Ministry of Manpower and Migration, which is partially financed through monthly contributions by factories (1% of the basic wage of workers), to pay the salaries of workers in the event that it was decreed that industrial establishment should shut down.</p> <p><b><u>Exceptional Measure:</u></b> Exempt all incoming shipments (that were already contracted for) from all the fees associated with customs clearance delays in Egyptian ports.</p>

# THE FILM INDUSTRY

## RESPONSIBLE ENTITIES:

- » The Ministry of Finance
- » The Ministry of Electricity and Renewable Energy



CHALLENGE	RECOMMENDATION
<p>The complete shutdown of movie theaters during the COVID-19 crisis, as well as the numerous financial burdens placed on the industry (rent, salaries, maintenance costs, and taxes).</p>	<p><u><i>Exceptional Measure:</i></u></p> <p>Exempt movie theaters from paying real estate taxes.</p> <p>Exempt rental agreements from the VAT.</p> <p>Apply a lower electricity and water consumption bracket when billing movie theaters.</p> <p>Similar to businesses operating in the economic, production, and service sectors, allow the movie industry to take advantage of the tax facilities announced by the government; businesses and movie theaters should be allowed to pay income tax in installments for the 2019 tax year.</p> <p>Exempt production companies from any fees associated with shooting films during the coming period and until the situation stabilizes.</p>

# THE NITROGEN FERTILIZER INDUSTRY

## RESPONSIBLE ENTITIES:

» The Cabinet



CHALLENGE	RECOMMENDATION
<p>Despite being one of the most important Egyptian industries, the nitrogen fertilizer industry faces challenges and problems due to the high price of energy. The industry is one of the most important Egyptian industries; the industry's total investments reached approximately LE 200 billion, and it directly employees 50,000 workers.</p> <p>It is worth noting that natural gas is a main input in the manufacturing of nitrogen fertilizers; the cost of natural gas represents approximately 75-80% of the variable input costs for producing nitrogen fertilizers.</p> <p>Between 2014 to 2020, the price of supplying natural gas to nitrogen fertilizer factories have been fixed.</p>	<p>Lower the price of natural gas supplied to nitrogen fertilizer factories to \$3/million British thermal unit.</p> <p>Adopt a product-linked natural gas pricing formula, such as the one applied to several urea-producing Egyptian companies—the price of natural gas is linked to the selling price of urea.</p>

# THE CERAMICS INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The Central Bank of Egypt (CBE)
- » The Ministry of Electricity and Renewable Energy
- » The Ministry of Petroleum and Mineral Resources



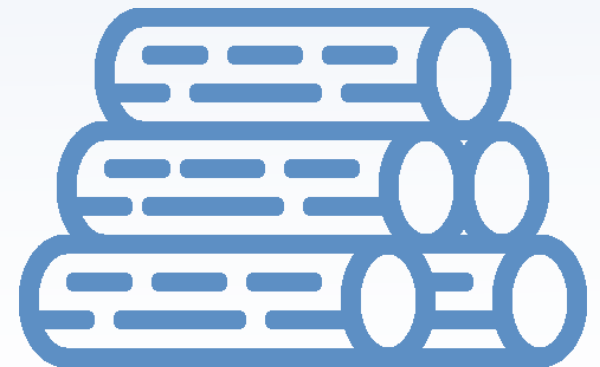
CHALLENGE	RECOMMENDATION
Factories suffer from high utility debt (electricity and natural gas) because they are erroneously classified as energy-intensive industries.	Since IDA concluded that the ceramics industry is a labor-intensive, rather than an energy-intensive industry, all utility debt, including interest, should be canceled; the utility debt represents 30% of the industry's total debt.
<p>The price of natural gas in Egypt is much higher than global prices; while the global price is \$2.5 per million British thermal unit, it reaches \$4.5 per million British thermal unit in Egypt. This has diminished the productive capacity of Egyptian industries, and resulted in a loss in the country's foreign exchange revenues due to lower exports.</p> <p>Increase in ceramics imports.</p>	Adjust the price of natural gas for labor-intensive, mass-production factories, such that it matches the global price; this should increase the competitiveness of the Egyptian product.
The ceramics industry did not take advantage of CBE's COVID-19 related initiatives.	Launch a special initiative to support the ceramics industry; the initiative should address the price of natural gas and offer finance instruments that the factories can benefit from.



# THE WOODWORKING INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Trade and Industry
- » The Ministry of Finance

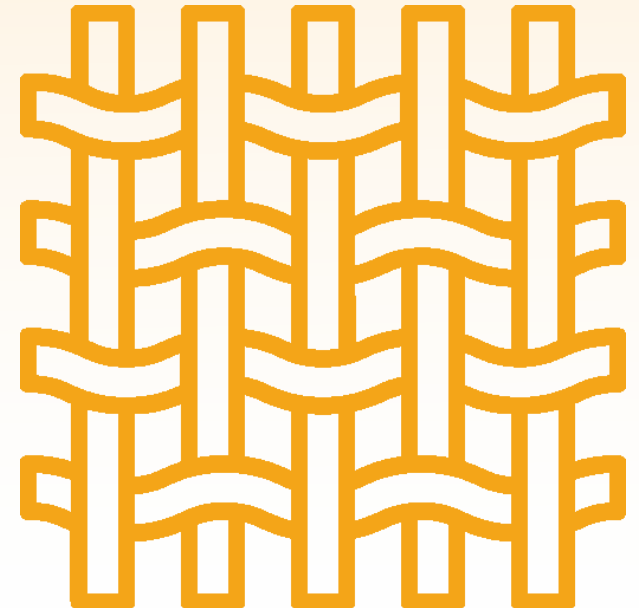


CHALLENGE	RECOMMENDATION
Domestic manufacturers face unfair competition from imported finished wood products.	Ban the importing of fully-finished wood furniture—final products.
The burden of increased costs associated with the high penalty fees that manufacturers pay due to lengthy customs clearance processes.	Offer a 3-month installment plan for paying the customs duties on raw materials. Adopt an exceptional measure, whereby port demurrage charges associated with delayed customs clearance are waived.
Due to the COVID-19 crisis, workers in small workshops across governorates faced challenging wage issues; many of the small workshops employ a very large number of non-regular workers.	Put in place a direct and simple mechanism that allows governorates to pay out workers' compensation benefits from the Emergency Fund of the Ministry of Manpower and Migration; each governorate should collect data and maintain the records from the workshops in its jurisdiction.

# THE TEXTILE INDUSTRIES

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Trade and Industry
- » The Ministry of Agriculture
- » The Ministry of Petroleum and Mineral Resources
- » The Ministry of Finance
- » The Ministry of Education and Technical Education
- » The Ministry of International Cooperation
- » The Central Bank of Egypt (CBE)
- » The Micro, Small, and Medium-sized Enterprises Development Agency (MSMEDA)



CHALLENGE	RECOMMENDATION
Access to affordable finance.	<p>Encourage the banking sector to provide low-cost loans and short-, medium, and long-term finance to the industry.</p> <p>Review the status of the distressed factories and explore different mechanisms, including creating a special fund, that will help them operate at maximum capacity.</p>
Outdated machinery and equipment that are used in the different stages of the textile manufacturing process.	<p>To improve quality and increase production, extend assistance and incentives to factories that import new machinery and equipment for use in the different processes (spinning, weaving, dyeing, printing, and finishing). Grant textile factories a 50% tax exemption for 5 years, and ready-made garment factories a 25% tax exemption for 3 years.</p> <p>Exempt existing factories that expand operations and new textiles factories from taxes for 10 years.</p>
Weak linkages among the key manufacturing processes—spinning, weaving, dyeing, printing, finishing, and other upstream industries.	<p>Attract domestic and foreign investors in the textile industries, whether in single projects or textile cities.</p> <p>Encourage the development of textile cities, focusing on governorates in the Delta and Upper Egypt to boost their development.</p>
Cotton-relevant Agriculture Policy	<p>Expand the cultivation of short- and medium-staple cotton instead of importing them.</p> <ul style="list-style-type: none"> <li>-Continue with cultivating long-staple cotton, taking into account the quantity that can be exported and the needs of the local industry.</li> <li>-Encourage investment in ready-made garment industries that use long-staple cotton.</li> <li>-Allow cotton imports from all countries and repeal the decision that limits importing to specific countries.</li> </ul>
The Industrial Control Authority has weak capacities to carry out its functions, including the calculation of the waste percentages for manufacturers.	<p>Develop and modernize the Industrial Control Authority and provide it with updated electronic systems that can assist with calculating the waste and damage percentages to ensure fairness and equity in treating exporters.</p>
The processing time for export rebates and VAT refunds is lengthy.	<p>Expedite the processing of refunds and set a timeframe, not to exceed 90 days from the time all documents are submitted, for disbursing the funds; export assistance should be linked to the percentage of domestic value added in the given export, in accordance with the rules of Egyptian origin.</p>

<p>The high production costs; the natural gas prices are particularly high despite the fact that textile industries are labor-intensive industries; the gas producing companies deal with this issue in a high-handed manner.</p>	<p>Review natural gas prices; charge the textile industries the same natural gas price charged to brick factories.</p> <p>Reduce the price of water supplied to the textile industries; water is an essential component in all the different manufacturing processes—spinning, weaving, dyeing, printing, and finishing</p>
<p>Labor shortage and inadequacy of the industrial training offered in technical and vocational education and training institutions.</p>	<p>Link enrollment in industrial technical schools to the needs of industries.</p> <p>Make available training centers and specialized industrial technical schools in all industrial areas; ensure that the schools have appropriate departments that are aligned with the needs of the industries in the area, and the needs of the geographic area in general.</p> <p>The Micro, Small, and Medium-sized Enterprises Development Agency (MSMEDA) should expand the provision of training through its training centers.</p> <p>The Textile Industries Chamber and the training centers should collaborate and coordinate their efforts with regards to the design of the centers' training policy and programs to ensure that factories have access to skilled labor.</p> <p>MSMEDA should coordinate with the Textile Industries Chamber to make available loans to support the textile industries; MSMEDA is the best fit for this vital role, especially after the amendment of its governing law.</p>

# THE PETROLEUM & MINING INDUSTRY

## **RESPONSIBLE ENTITIES:**

- » The Ministry of Petroleum and Mineral Resources
- » The National Service Projects Organization
- » The Egyptian Mineral Resources Authority
- » The Ministry of Finance
- » The Ministry of Environment
- » The General Authority for Roads & Bridges and Land Transport



CHALLENGE	RECOMMENDATION
<p>Expedite the formation of the advisory committee referenced in the Law on Mineral Wealth No. 198 of 2014 and its Executive Regulations, and their relevant amendments. The committee should be granted greater authority, such that implementing bodies abide by its resolutions regarding the setting of rental payments and royalty rates, according to the circumstances of each case, in other words, the opinions of the committee should be binding and not only of an advisory character. The Prime Minister should issue a decree requiring the committee to include individuals with professional knowledge and expertise and to meet at least four times a year, as mandated by the law, to carry out its responsibility of refining and further developing procedures, in light of what transpires from implementing the law and its regulations (Ministry of Petroleum and Mining). For example, some issues that need addressing include: Setting the royalty for copper at 8% (compared to a 4% globally) is considered high, and works against attracting any investor; the unclear and confused treatment of white sand—whether it falls under the purview of mines or quarries; and the shale oil royalty rate.</p> <p>The committee* that is headed by the Minister of Planning and Economic Development and includes the Minister of Local Development should continue operating to develop a clear and well thought out strategy that is centered on the national needs and priorities, promotes vertical integration in the mining sector and value-added production of minerals, and takes into account the resource abundance and scarcity. In this regard, it should be recognized that the responsibility for and interest in these resources go beyond the purview of the Ministry of Petroleum or the Mineral Resources Authority), management of mineral resources is a state-wide matter, and all efforts have to be directed towards maximizing the state's resources.</p>	
<p>In March 2020, Egypt launched an international gold exploration auction, which is viewed as a serious step towards placing Egypt on the global mining map. However, after the launch of the auction, the Egyptian Mineral Resources Authority issued instructions, banning operations in 7 locations on account that they are of importance for military operations; these restricted areas are known for being rich in geological formations and have proven gold reserves and gold mines. It was further requested that exploration in these areas be directly awarded to a state-owned mining company, Shalateen, which is in the process of selling 51% of its share to a large investor. No doubt, such an action harms the reputation and credibility of Egypt and undermines trust in its ability to uphold commitments.</p>	

\* The committee was established via a Prime Ministerial decree.

Governorates, local units and the General Authority for Roads & Bridges and Land Transport should not request donations or impose any additional fees on the production and transportation of minerals extracted from mines, quarries, and salterns, beyond what is mandated in the Mines and Quarries Law No. 198 of 2014 and Law 145 of 2019 and their executive regulations.	
Exempt buildings belonging to mines, quarries, and salterns from the real estate tax, in accordance with Article 18 bis of Law No. 23 of 2020.	
Simplify the procedures for mines, quarries, and salterns mineral to export their products; ensure that timeliness of shipping so that exporters do not have to pay delay penalties, which undermines their productive capacity and competitiveness; set a time limit for issuing export approvals, provided that all documents are complete, and in general, review all the conditions and requirements for obtaining export approvals in light of the obstacles faced by exporters.	
Ensure that the Egyptian Environmental Affairs Agency provides adequate information (maps) on the areas where mining is prohibited; additionally, it should expedite the issuance of environmental approvals for licensed companies and oblige operating companies to adhere to all the controls and procedures, as gold ores are subject to theft by random explorers of gold "Dahaba".	
Facilitate the issuance of the security approvals that are required for obtaining exploration and extraction licenses; specify the required documents in advance, and set a time limit for when the entity must notify the applicant of its decision after all required documents have been submitted. The life of the approval/license should be extended to three years (it is currently one year), as long as the licensee did not commit any technical or security violation that would require otherwise. Delays in providing security clearances, even for state-owned enterprises, discourage foreign investment, which is critical for exploration activities that are high-risk investments, and thus, result in losing investment opportunities.	





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