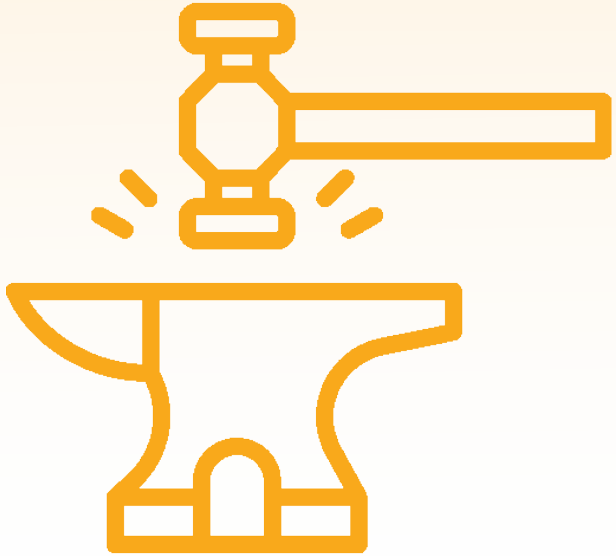
THE MINERAL INDUSTRY



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
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.	Similar to the case of the fertilizer industry, natural gas should be treated as a raw material, rather than a fuel, for (DRI) production plant—they should be charged $4.5/million British thermal unit. This measure will enhance their competitiveness and increase their production capacity from the current 7 million tons/year to 13 million tons/ year. Impose a protectionist tariff on billet and steel rebar (customs items No. 7207, 7213, and 7214) imports from non-agreement countries. Impose a protectionist tariff on imports of finished steel products taking into account that these tariffs do not adversely affect the domestic by raising the cost of inputs (e.g., billets).	In April 2019, the Ministry of Trade and Industry imposed a 25% and a 15% anti-dumping duty on imports of steel rebar and iron billets respectively. The advisory committee of the Ministry of Trade and Industry, which is responsible for developing the final report on the protectionist tariff imposed on imported billets, recommended revising the 15% anti-dumping duty on billets, and imposing instead a 7% duty during the first year, to gradually decrease to 5% during the second and 3% during the third.
The 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.	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.	
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.	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.	The issue was presented to the Ministry of Electricity and the Cabinet, however, it is still under review. Until the issue is resolved, the existing competitiveness imbalances between established factories and new ones will continue.

The 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.	Abolish the system of auctioning off heavy industry licenses.	
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.	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.	
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.	Tighten controls at customs points, and use modern inspection devices to prevent exporters from circumventing the scrap metal export regulations.	
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.	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.	

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.	