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# Business monthly



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**Al Ahram**  
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## NEW MANAGING DIRECTOR AT AL AHRAM BEVERAGES COMPANY

HEINEKEN appoints Nikolay Mladenov as Managing Director of  
the local subsidiary, Ahram Beverages Company

### PERSONAL:

#### Tell us a bit about yourself

I am a Bulgarian, married with two sons. Even though my initial university education was in Engineering, I made my career through Commerce. I worked in various commercial roles across Europe in sales, channel management, trade marketing, and later as Commercial Director. I had worked with HEINEKEN for the last 21 years, during which I left for three years when I joined DIAGEO as Country Manager.

#### How did your career path lead you to Egypt?

That is my third time assuming the managing director position. I think HEINEKEN chose me for this role based on my previous experiences. I have extensive knowledge of premium spirits and wine and a good understanding of the non-alcoholic beverage industry. My first MD role was in a market where HEINEKEN operated a joint venture with a multinational Soft Drinks Company.

ABC is a multiple category company, and I believe I possess quite the unique experiences required to manage the business in Egypt. On the other hand, my motivation also played a role as I was looking like a next career step for an operation outside of Europe, and in that sense Egypt is a great match.

#### How long have you been here?

I have never actually been to Egypt before arriving in Cairo end of August this year.

### EGYPT:

#### What have you visited so far?

I have traveled quite extensively during the short time I have been here. Besides Cairo and Giza, I visited the Delta region, Alexandria, and Hurgada in plants and market visits.

#### Which regions will you visit next?

I guess Upper Egypt comes next chronologically and as a unique region with specific features and characteristics.

#### What do you like most about Egypt?

The People, the Egyptians, are very open-minded, warm, and welcoming. If we talk about places, I like Alexandria very much.

### BUSINESS:

#### What would be your priorities in the first 100 days?

I have three priorities:

- 1) Establishing a more vital commercial organization, making it more fit-to-fight within the new business context. That includes being more and more customer and consumer-centric as well as enhancing our commercial people's capabilities.
- 2) An enhanced compliance agenda. It is essential to keep doing the right things for our business, people, and community.
- 3) Developing more robust agendas for sustainability and public affairs. That is an integral element of our employer branding and one that I take very seriously.

## What are the differences between running a business in Egypt and other countries?

“Other countries” is a very general term. I can compare between the Czech Republic -- average EU market -- and Egypt, for instance. Generally speaking, the regulatory framework is more stable and predictable, and that goes hand in hand with the ease of doing business that is better in the Czech Republic. The human factor favors Egypt, and here I don't mean the population but rather the available skilled and motivated workforce. Digitalization and innovation surprisingly seem to be on par. Overall, Egypt surprised me a lot here as I expected less in that area. In the area of sustainability, I believe we can do much more in Egypt.

## What would you consider the most challenging thing about being ABC MD?

It would be achieving the speed of doing business that I am used to.

## How does the performance of ABC compare to other OpCos?

What makes ABC unique in the very geographically diverse business of HEINEKEN is that it is a multi-category company, something scarce as the natural DNA of the Company is in Beer.

In ABC, we have a very serious footprint in malted beverages with Fayrouz and Birell in Beer with the flagship brands Heineken and Stella and a very diverse and award-winning portfolio of Spirits and Wines.

Speaking about performance in more narrow terms: ABC has the blessing and the curse to stand on, as we say, three horses: Local Alcoholic, Malted beverage, and Touristic markets. The curse is that the three rarely perform well in the same year; the blessing is that they all rarely perform poorly either.

For example, due to COVID, our Local and Touristic alcoholic markets suffered greatly. But, our Malt beverage business, on the other hand, did exceptionally well.

As a combination of the above factors, we have above the average profitability of the mother company. However, the average cumulated growth rate is still below it due to the big swings we experience now and then.

## What are your prospects for ABC in 2022?

The main challenge in 2022 will be mainly related to the raw & pack materials price inflation that all companies will face.

On the positive side, the macroeconomic indicators are showing better results than initially forecasted. In addition, Tourism, which struggled considerably in the past years, will continue recovering.

Overall, I think the beverage industry in general and ABC, in particular, will continue to improve, and the winners will be those who find the right balance between consumer demand and cost inflation.

## What do you think about Egypt's Human Rights Strategy, how it affects Egypt, its position, and how it reflects ABC's business?

Though I have not been through the entire strategy yet, I can say that its launch is a significant step for Egypt.

At ABC, we have recently launched our Human Rights Policy in line with our Code of Business Conduct and complementing our Global Sustainability Strategy, Brewing a Better World (BABW).

The Social pillar of our BABW strategy focuses on Promoting Inclusion & Diversity across the business and ensuring a fair wage for our people.

These are in line with the pillars mentioned in Egypt's strategy, and I am pleased to see that what we are doing on our company level is being replicated at a national level.





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# ALONG CAME AN ELEPHANT

It's hard not to notice how vaccination rates and inoculating the majority of the population currently dominate global economic and social narratives. Developed nations are even talking right now about booster shots for those fully vaccinated a few months ago. Meanwhile, the World Health Organization warns that vaccine inequality will create multiple-speed economic recoveries that rich countries will always win.

In Egypt, the economic forecasts for 2021 look promising. The government expects GDP growth in fiscal year (FY) 2021/2022 to reach 5.4% compared to a preliminary estimate of 3.3% during FY 2020/2021. That would be only slightly less than pre-pandemic growth.

Meanwhile, the state is accelerating infrastructure projects and expediting the construction of new metropolises while promising to relocate government offices to the new capital this year. It also is talking up digital transformation, including mandating digital payments for government services fees and offering Meeza payment cards to entice digital payments. Meanwhile, news that local tech firms are eyeing venture capital funding or considering listing on the exchange dominate national economic headlines. Amid all that activity, unemployment dropped from 9.6% in July 2020 to 7.3% over the following 12 months.

Those facts would suggest Egypt's vaccination rates are among the highest in the world, as experts see a return to pre-pandemic normal as a prerequisite for business as usual. However, the elephant in the room is that just 5.1% of the population was fully vaccinated as of Sept. 25, according to Our World In Data. That compares with the global average of 33%.

Yet, the main point of discussion should not be how Egypt could grow its economy at such a rapid pace while others with higher inoculation percentages in the region are faltering. Instead, the more pressing issue is whether lagging in vaccinating the population would eventually weigh down on Egypt's economy as infections rise and lockdowns become inevitable.

For one, the World Bank and IMF forecasts indicate that developed nations and China will outgrow developing ones by significant margins for the first time in nearly 20 years. In addition to higher vaccination rates, advanced economies have more favorable and stable business environments that will likely woo investments from those averse to high risks amid ongoing COVID uncertainties. In essence, the return to "their normal" would be much faster and affirmed than emerging economies.

That could limit Egypt's ability to create jobs and generate foreign currency inflows in the near future, given its slow vaccination and still evolving business environment. That is even more concerning as FDI, which Egypt relies on to create jobs and grow the economy, was not on a growth trajectory pre-pandemic. Instead, it had been fluctuating widely since 2018, according to data from the Central Bank.

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# TRANSFORMING WORK ENVIRONMENTS

LMD's ONE NINETY Business Quarter  
Celebrates Work and is Delivering in 2022

**Business  
Quarter**  
ONE·NINETY

Ever since LMD's establishment in 2007, the real estate company has made a name for itself as the transformer of Egypt. With LMD's most significant project yet – ONE NINETY – its status as the provider of visionary projects is, once again, earned. The diversified ONE NINETY includes W Residences Cairo, W Cairo hotel, St. Regis New Cairo Residences, and Aloft Hotels and its Business Quarter, Urban Park, Retail Pavilion, and Avenue 190. LMD's golden project – ONE NINETY is at the intersection of Road 90 and the Ring Road, spread over an area of 344,315 square meters. The best-suited name for the project had to be ONE NINETY, as it is LMD's tribute to the project's fantastic location. In addition to ONE NINETY bringing the biggest residential names to Egypt for the first time, one of the project's best features is its Business Quarter that transforms work environments into a corporate Eden.

To ensure the quality of LMD's world-class ONE NINETY Business Quarter, LMD collaborated with the globally renowned SOM for its master plan and the global HILL INTERNATIONAL for ONE NINETY's project management.

It is divided into four quarters (A, B, C & D) with interconnected floors over 94,298 square meters. ONE NINETY Business Quarter maximizes work efficiency while keeping comfort in mind with a state-of-the-art environment. Quarter A and Quarter D will be delivered next year, in 2022, while B and C in 2023.

ONE NINETY Business Quarter provides business owners and investors with the perfect opportunity

to work in a positive environment with the latest technologies available, creating a productive smart setting for businesses to prosper in. Blending art and productivity, the Business Quarter is set apart by overlooking the tranquil Urban Park, ensuring a direct and open road to all entrances. Having a range of facilities and amenities that secure efficiency, all four quarters are green, smart, and friendly to physically-challenged people.

ONE NINETY Business Quarter offers showrooms, vast office spaces, retail, F&B, and rooftop restaurants, as well as a luxurious lounge and front desk services. Further, the Business Quarter has CCTV systems, a building management system, high speed, capacity elevators, backup generators, fiber optics cables, fire protection system (NFPA), and facility management system. That is why LMD's ONE NINETY Business Quarter is the first choice for some of the biggest companies in the world to be their newest location in Egypt. Some of which are the globally known car company – Aston Martin, Egyptian Gulf Bank (EG Bank), and Arab African International Bank (AAIB Bank).

ONE NINETY's Business Quarter stands as a true testament to energetic productivity. With one glance at the project administrative area, it is safe to say that LMD raises the bar for the Egyptian real estate market.

With a one-of-a-kind location, a world-class range of facilities, and an all-around bright environment, ONE NINETY aims to enlighten New Cairo with a visionary work and lifestyle.



## RECONNECTING WITH WASHINGTON

After two years with no AmCham Egypt delegations visiting Washington D.C., it was about time to reconnect with American policy makers. So on October 1, a small group from the Board headed to the U.S. to share Egypt's story. Considering the COVID limitations, it was by all measures a timely and successful visit. The delegation met with the State Department, Treasury, Department of Defense, International Monetary Fund, World Bank and several influential think tanks, among others.

Despite all the usual apprehensions, Egypt's story is a good story to tell. Issues such as the country's handling of COVID-19, economic sustainability and strategic role in the region were among the main points of interest. There was considerable interest in Egypt's fast development and progress on human rights issues, especially in light of the progressive amendments to the NGO Law 149 of 2019 as well as the announcement of a human rights strategy with clear KPIs and accountability based on United Nations parameters. There was a sigh of relief on the American side over the acquittal of seven NGOs in case 173, as well as the acquittals of a large number of detainees over the past year.

Egypt's environmental policies received praise as well. The fact that Egypt will host the UN climate change conference COP27 really puts us on the environmental map.

While there have been some strained relations between the Biden administration and Egypt, our dialogues indicated that has eased after Egypt intervened to solve the recent Hamas-Israel debacle. Without a doubt, Egypt's relevance as the main power broker in the area imposes itself time and time again.

**TAREK TAWFIK**  
President, AmCham Egypt





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# THE NEWSROOM



## NATIONAL BANK OF EGYPT, BANQUE MISR AMONG AFRICA'S SAFEST

The National Bank of Egypt has been ranked ninth and Banque Misr 10th on Global Finance magazine's safest banks in Africa list.

Moroccan banks claimed the top three spots, with South African institutions placing fourth through eighth. Attijariwafa Bank topped the list for the second year running.

Global Finance's list of Safest Banks in Africa is part of its annual World's Safest Banks report.

"The past year demonstrates the resilience of the banking sector, which stood as a bulwark against collapse during the coronavirus pandemic, supplying critical emergency funding as well as, in many cases, emergency equipment,

and supplies," said Joseph Giarraputo, publisher and editorial director of Global Finance.

He added that the safest banks are paragons of stability and continue to support governments and communities necessary to recover from the pandemic's economic shocks.

The judging panel selected the winning banks by evaluating their long-term foreign currency ratings — from Moody's, Standard & Poor's, and Fitch — of the 500 largest banks worldwide.

On Sept. 5, Global Finance placed Central Bank of Egypt Governor Tarek Amer among the top 10 central bank governors for 2021, awarding him an "A" grade.

## EGYPTIAN BANKS' NET PROFITS JUMP TO \$3.2 BILLION

Profits of Egypt's banks reached EGP 51.01 billion (\$3.2 billion) during the first half of the year compared to EGP 29.9 billion in the first quarter, according to data released by the Central Bank of Egypt (CBE.) The five largest banks had 73.74% of the profits, worth about EGP 37.6 billion. Revenues of the banking sector reached EGP 185.1 billion.

The share of loans to the private sector de-

creased 4.6% since the COVID-19 outbreak in March 2020 to 59.4% of total financing in May. Meanwhile, debit cards issued rose to 20.1 million in June, up from 19 million in December.

The CBE reported the number of prepaid cards reached 24.7 million in June, compared with 21.9 million in December, while credit cards increased to more than 4.1 million at the end of June, up from nearly 3.9 million in December.

## MORTGAGE FINANCING MORE THAN DOUBLES IN Q2

Mortgage financing in Egypt rose 218% year-on-year to EGP 1.39 billion (\$88.2 million) in the second quarter of this year, up from EGP 435.2 million last year, according to Financial Regulatory Authority data.

From April through June, 1,488 were issued, compared to 601 in 2020, marking an increase of 147.5%.

Residential mortgages numbered 1,411, with 1,215 going to borrowers with monthly incomes of at least EGP 3,500.

Authority Chairman Mohammed Omran previously said mortgage financing rose 31% year-on-year to EGP 3.4 billion in 2020, up from EGP 2.6 billion in 2019.



## 2021 AUTO SALES ACCELERATE NEARLY 49% THROUGH JULY

Auto sales in Egypt increased 48.8% to reach 161,781 vehicles during the first seven months of the year, up from 108,657 during the same period last year, according to an Automotive Marketing Information Council report.

Passenger car sales increased 59% year-on-year

to 118,915, compared to 74,637 during the first seven months of last year.

Sales of trucks rose 54% year-on-year to 29,184, compared to 18,927 in 2020.

On the other hand, sales of buses dropped 9.3% to 13,682, compared with 15,093 a year ago.

## EGP 115 BILLION DISBURSED TO REPLACE VEHICLES

Egypt's treasury has disbursed EGP 115 billion (\$47.3 billion) in green incentives to replace 5,000 taxis and private cars and 130 minibuses with natural gas vehicles under the old vehicles replacement initiative, said Minister of Finance Mohamed Maait.

He added that the government would supply 300 new minibuses in September on a first-come, first-served basis.

"This initiative is a model of the developmental partnership with the private sector, which aims

to catalyze domestic vehicle manufacturing, increasing the productive capacity and maximizing the local components in all industries," Maait said.

The initiative also intends to spur investment in green projects, boosting Egypt's economic growth and fostering inclusive and sustainable development.

Under the initiative, private car owners can get 10% off the cost of a new car up to EGP 22,000 (about \$345), while taxi owners will get a 20% incentive, up to EGP 45,000.



## THE ECONOMY'S FRESH COAT OF PAINT

Environment Minister Yasmine Fouad talks about partnering with the private sector to create Egypt's greener, more sustainable economy.

By Tamer Hafez



When assessing economic sustainability, it's hard to deny that Egypt has a long way to go. In the latest UN Sustainable Development Index, which the United Nations has published every year since 2015 to assess progress toward its Sustainable Development Goals (SDG), Egypt ranked 83<sup>rd</sup> out of 166 nations in 2020. However, that is a marked improvement over 2019, when the ranking was 92nd out of 162 states.

Regionally, Egypt lags somewhat, given the size, diversity and sophistication of its economy. It ranks seventh among the 20 Arab states and fourth among 47 African countries. However, Egypt is No. 1 among its regional peers when it comes to implementing SDGs.

The state of the environment impacts how businesses operate and plan for the long term. "It impacts all of our lives," said Tarek Tawfik, AmCham Egypt president, at a September event featuring Environment Minister Yasmine Fouad. "Businesses are impacted by sustainable development and the environment, even when it comes to day-to-day operations and profitability."

Fouad highlighted government efforts to promote sustainable development as part of the "Go Green" presidential initiative. She spoke about projects, funding agreements, initiatives and laws designed to attract "green" investors. "The ministry's priority right now is to work with the rest of the government to create an enabling environment for green growth and investment," she said. "We plan to flatten the environmental [deterioration] curve via sustainable development."

## Environmental framework

Currently, the government has few laws regulating environmental investments. The law overseeing ecotourism was passed in 1994 and amended in 2015 and 2016 to offer incentives to private sector companies.

Meanwhile, the National Council for Climate Change, headed by the prime minister since 2015 instead of the Ministry of Environment, sets plans according to the U.N. SDGs, including the National Climate Change Strategy. Fouad said that the government is updating the existing strategy to reduce emissions through 2050.

The Ministry of Environment also has been working to ensure that banks have units that assess the profitability and risk of companies seeking to finance green projects. "We have units in 15 banks that focus solely on pollution-reducing projects," said Fouad. "The challenge is to change the mindset of banks when they assess and evaluate such projects."

Thus far, the government has issued green bonds worth \$750 million to finance its eco-friendly projects. Meanwhile, CIB in July raised \$100 million in green bonds

to lend the private sector. "That shows the business community has an appetite for green investments," says Tawfik.

## New thinking

In line with the Egypt Vision 2030 benchmarks, the government is working to achieve sustainable development. "We have outlined our 'build back better' strategy in the vision," said Fouad. "The aim is to transform into a green economy, which will maximize the benefit from both human and natural resources."

The initiative aims to "balance economic, social and environmental aspects," said the minister. That includes managing and growing partnerships with the private sector and creating a framework for working with international development agencies. "Our target is to create a green, circular economy that is flexible yet resilient to crises, such as heatwaves or floods."

Accordingly, companies need to relinquish the notion of "business as usual" to allow for sustainable development, said Fouad, "which at its peak will always be within the planet's resources and capabilities."

Fouad stressed that the state cannot do it alone and emphasized that "partnership with the private sector is indispensable."

## New economy

Since 2015, the government has worked to make Egypt's economy more environmentally friendly. A "pivotal" step was creating the Environmental Sustainable Criteria (ESC) guide in 2020 to protect natural resources, such as water. "We did that during the worst of the pandemic," said Fouad, "at a time when there was no news on vaccines, and no one knew how economies would recover."

The ESC requires all public projects to meet sustainability standards. It also lays out a roadmap for retiring technologies that deplete natural resources. "Egypt is the first Arab country to work on greening the state's national budget," said Fouad.

Accordingly, 15% of government investments during fiscal year (FY) 2020-21 were green; that will double to 30% this fiscal year and rise to 50% in FY 2022-23. "Ministry projects must comply with national ESC standards, or they won't get funding," Fouad explained.

A prime example is the Environment Ministry's work with Haya Karima, a social protection initiative of the Ministry of Social Solidarity. "We worked as consultants to identify environmental gaps within villages," said Fouad. "We created task forces of resident youths to manage the initiatives we recommend. We have already started in Gharbia Governorate."

The minister stressed that each ministry and agency would move toward those benchmarks at its own pace.

A significant benefit of promoting a sustainable economy across all sectors is job creation. They won't be traditional jobs, as they rely on technology. However, young people will want such jobs as their awareness of the green economy increases, said Fouad.

Access to financing is a significant driver of green investments. "We plan to ensure that banks do not finance projects that increase the severity of climate change," stressed the minister.

### Priority investments

During the sitdown with AmCham members, Fouad highlighted the ministry's priority projects, such as waste-to-energy projects that include recently introduced feed-in tariffs for those using waste to generate electricity for the national grid.

Another project is processing garbage into biogas and organic fertilizer. "We connected 1,800 households in 18 governorates with biogas," said Fouad. She added that the ministry also rolled out biofertilizers to farmers nationwide.

The other significant investment opportunity is using a zero-emissions technology called "anaerobic gamification" to convert waste to energy. There is one such project in Fayoum. "We just started it, and we have investment commitments worth more than \$400 million from six companies to operate six facilities in six governorates," said Fouad. "The incentive we are giving those investors is the feed-in tariff."

There also are opportunities in waste management and recycling, which include composite fertilizers and alternative fuels. The government passed Law 202 last year to attract such investors.

In addition to the feed-in tariff for waste-to-energy projects supporting the national grid, investors also could access bank loans at interest rates between 6% and 8%, land usufruct deals for 20 to 25 years, concessions on agriculture waste, and a special incentive package for managing construction and demolition waste.

Fouad said the biggest challenge is that most of those collecting and managing waste operate in the informal sector. "We need to have incentive packages for them to register and enjoy options they don't have right now, such as being entitled to have a job on their ID cards," said Fouad. "That is very important for them." The government has decreed that any private sector companies bidding for specific projects must include informal operators. "That is not enough," she said. "They must benefit from the government's social protection programs scheme."

Safe disposal of industrial waste is another challenge.



"We are lagging," said Fouad. "However, there will be a new law for this, in particular."

The third significant sustainable development opportunity is in ecotourism. Fouad singled out investments in protected areas, such as the Petrified Forest, Wadi Hitan and Ras Mohamed. "There was an old argument that we should leave protectorates as they are without any investments," said the minister. "That is no longer valid. We can attract the private sector to offer services in those areas with close supervision to prevent the depletion or deterioration of their natural resources."

The first protectorate to benefit from that new approach is the Petrified Forest in New Cairo. "We agreed with a private developer to bring the culture of South Sinai to this region" by organizing a festival, she says. As a result, those working in the protectorate increased their incomes by 260%. Those services also created jobs that require new skills, as those working there



must also protect their surroundings. "It is a new concept ... that integrates social, economic, and environmental aspects to create new jobs," explained Fouad. Currently, the ministry plans to attract private companies to 13 protectorates.

There are similar investments in Ras Mohamed, Wadi Hitan and Wadi El Gemal protectorates. The first two are on the World Green List, published by the International Union for Conservation of Nature, comprising 78 locations worldwide. "In a nutshell, it means the location is well protected, has unique natural resources, and society is integrated into the project," said Fouad. In addition, UNESCO recently praised Wadi Hitan for the services it offers visitors.

Other sustainability projects include promoting SMEs

to find innovative alternatives to single-use plastics; renewable energy, which will account for 42% of Egypt's electricity by 2035; and sustainable public and private automobiles, including electric buses and natural-gas-powered passenger cars.

Given the innovative nature of such projects, the government offers a new set of investment models. The first is the "Design, Build and Operate" framework used by Fayoum's waste management project. "Its conditions include sustainability, roles and responsibility, transparency, framework and legal aspects," said Fouad.

Other investment models are protocols and collaborations, partnership projects and investment in the waste sector.

### Long journey

Fouad stressed that the journey toward sustainable development is not a short-term endeavor. "It is a long-term process that is very dynamic and iterative to build green capacity. It is important to understand that sustainability is not [solely] an environmental challenge; it's a developmental one that crosses all sectors."

Accordingly, the government needs to raise public awareness to ensure the market accepts the changes that sustainable development will invariably bring. "With the new market for supply and demand, we need to change the narrative ... that environmental [protection] is not a luxury," said Fouad. "It is an integral part within our economies ... We need to create [new] demand to provide supply."

The Environment Ministry is working with the Ministry of Higher Education to develop a postgraduate degree in sustainable management of natural resources. "It will capture the essence of environmental protection," said Fouad. "That degree would allow its holders to protect resources before they are depleted or deteriorate. We can't wait until we destroy our resources to start work on reviving them or protecting what is left."

The next stage of environmental sustainability is that the resulting innovative solutions need to be adapted to generate income, employment and contribute to GDP without losing their core benefit. "The question is how to collaborate to replicate and upscale projects," Fouad said.

In the meantime, the minister foresees another "pivotal" moment in Egypt's green economy journey if the country hosts the 27th U.N. Climate Change Conference in November 2022. "This would be a significant event because we represent Africa. It also would show the world that Egypt is part of the global movement toward building a clean environment." ■



# ANKH IS THE KEY

**Marketing Egypt-inspired products allow the country to attract young travelers and ramp up tourism. However, challenges may dampen those efforts.**

By Nada Naguib

In April, U.S. pop star Katy Perry announced the launch of a new footwear collection featuring shoes inspired by her 2019 trip to Egypt. The collection included sandals decorated with ankhs, Eyes of Horus and pyramids. Retailing for \$49 to \$129 and with Perry's star power behind them, the sandals sold out on the Katy Perry Collection website in just a few days, although some remain available through Amazon U.S.

As people flocked to purchase Perry's Egypt-inspired footwear, neither local brands nor the government piggy-backed on the uptick in international interest to promote tourism.

Perry's line opens a window of opportunity for Egypt to attract tourists by marketing items inspired by its ancient culture and the fascination with such symbols like the ankh and Eye of Horus to market temples in Luxor and Aswan. Accordingly, the government should encourage more startup local brands to design, make and export similar products as part of the Ministry of Tourism's national strategy to attract tourists.

## Fashion marketing

If Egypt were to capitalize on the popularity of fashion items rooted in its culture, Japan would be an ideal role model. Foreigners became aware of Japan's unique and exotic culture when the American Commodore Matthew Perry led four ships into Tokyo's bay in 1853. CNN Style writer Allyssia Alleyne noted that this was when foreign-

ers became aware of the kimono, its history, and its cultural connotations. "Industrious merchants saw an opportunity to sell their surplus luxury kimonos to a new audience hungry for exotic exports," she wrote.

That exposure changed perceptions within Japanese society. "The global interest in Japanese culture ... encouraged Japanese people to reassess their own heritage [and norms]," writes Cath Pound for BBC Culture. That is in part due to Kimono Jack events, "in which kimono wearing enthusiasts literally hijack a public space to make their love of kimono visible."

That has been especially palpable in recent years. Between 2017 and 2019, the number of tourists visiting Japan increased because of the popularity of the kimono, a traditional garment with a wrap-around front and oversized sleeves. Overseas tourists to Japan in 2017 numbered 17.9 million, second only to 2012, and the number continued to increase to 18.9 million in 2018, according to Siew Hoon Yeoh of Northstar Travel Media Asia.

Calling it a 'kimono moment,' Yeoh wrote that it was "easy to spot the tourists — they're the only ones wearing kimonos."

That boom led international designers to customize those traditional Japanese outfits to suit international buyers' ever-changing tastes and





align with fashion trends. That further increased the kimono's popularity and wearability. The traditional kimono is a heavy garment of expensive silks, but buyers can find variations in many fashion stores today. Some kimonos abandon the conventional belt and wrapping, while others replace silk with cotton or linen.

Despite massive alterations, the garment always looks like a kimono. Wearing a kimono, in whatever variation, offers "a break from the norm, a chance to dress up and connect to a rediscovered history" or "an opportunity to wear something breathtakingly beautiful and feminine," writes Alicia Joy, the Tokyo writer for Culture Trip, an online travel guide.

That is the delicate balance that domestic fashion brands and governments must achieve to successfully export their culture and heritage, create a buzz among travelers, and raise tourists' interest in visiting the country.

### Risky strategy?

The risk is that some might consider customizing cultural or historic symbols a form of cultural appropriation. It is when foreigners inappropriately customize traditional symbols or don't acknowledge their origins. The Katy Perry Collection faced criticism from local media. Mona Bassel of Egyptian Streets, a news website, questioned whether the collection amounted to cultural appropriation when the collection launched. Bassel reasoned that the superstar didn't get approvals from local authorities to use those symbols, and Egypt didn't benefit financially from the sale of those items.

Other criticisms have also related to how much international fashion houses altered original symbols, that they no longer represented the culture of the origin country. Josephine Rout, co-curator of the 'Kimono: Kyoto to Catwalk' exhibit at the Victoria & Albert Museum in London, said that "there is a small, but vocal, group of people who believe that kimono should only be worn in certain ways following rules."

However, these concerns fade fast. For example, most argue that kimonos are actively "trying to share Japanese culture," said Manami Okazaki, a Tokyo-based fashion and culture

writer. Meanwhile, government support for the customization of the kimono drowned out any criticisms for traditionalists. Japan's former minister of economy, trade and industry, Hiroshige Seko, in 2019 described the kimono as "Japan's cultural pride that we boast to the world."

### A growing market

In April, when the government moved 22 mummies from the Egyptian Museum in Tahrir Square to the National Museum of Egyptian Civilization in Al Fustat, eyes turned to Egypt. Former minister of antiquities Zahi Hawass said a week before the event that "the whole world will look at the country with great respect." The parade was live-streamed on YouTube, and the recording has accumulated 1.5 million views since.

The "Golden Parade" did not just include the spectacle of the mummies' procession, though, as local brands were on display in every part of the TV broadcast. Female presenters and performers wore Egyptian fashion and accessory brands. During the broadcast, actors wore lapel pins in the shapes of ankhs and scarabs by menswear brand Huwa. Most notable was Egyptian fashion brand Temraza's show-stopping pharaonic-inspired gown worn by soprano Amira Selim as she sang an ancient Egyptian hymn.

The mystique of Egyptian fashion is a selling point for customers abroad, says Norhan El Sakkout, lead designer and founder of the Saqhoute brand. "Egypt is a charming and





enchanting place for customers all over the world. Customers abroad don't need us to explain to them why we do what we do."

The market for fashion inspired by ancient Egypt exists internationally, and pharaonic symbolism has made its way to fashion shows and red carpet events watched by millions. For example, Lebanese designer Zuhair Murad's spring 2020 Couture Collection shown during Paris Fashion Week took inspiration from pharaonic queens. It was an instant hit with sequins "depicting all manner of symbols, from hieroglyphs, falcons and deities," it was an instant hit. It has been viewed 3.6 million times on YouTube, making it one of the most-viewed fashion shows on the platform.

However, it is impossible to draw a correlation between Zuhair Murad's show and arrivals in Egypt to determine whether the show boosted tourism. Just a month after the show, the COVID-19 pandemic forced airlines to halt operations. If people had booked vacations to Egypt, they had to cancel them. So what could have been a litmus test for whether promoting fashion would boost tourism ended up not being any test at all.

In the Japanese model, long before there was tourism, there were exports. While there are a lot of Egyptian-inspired products in the market (the Katy Perry Collection is just one example), only a handful of Egyptian designers have managed to break onto the international scene. They include Azza Fahmy, Okhtein, Jude Benhalim and Temraza.

The lack of Egyptian designers could be because of barriers to formalizing the brand or the inadequate

technical design training. Most Egyptian brands catering to the local market today are informal small businesses using Instagram or Facebook Marketplace to promote and sell their products.

The use of e-commerce today has given brands "an open line of communication," says El Sakkout. She notes customers have made the need for brick-and-mortar, and thus formalizing, redundant for many brands, especially in the early stages.

However, in the past few years, the government recognized those issues and is remedying them. Walid Darwish of the Ministry of Trade & Industry says that one focus is to "formalize the informal sector" so the products of those businesses can be exported. Accordingly, the ministry is looking to motivate them through "incentives, training and marketing schemes." Consequently, giving local fashion brands incentives to formalize their business encourages them to tap into the international market with the help of the Ministry of Trade.

Additionally, Egyptian designers who have managed to break into the scene are passing on their knowledge. For example, jewelry designer Azza Fahmy of internationally known Azza Fahmy Jewelry started her design studio in 2013 to "provide an international quality education through programs developed in collaboration with international teachers, designers, and consultants."

Sarah Zaki graduated from the program and created her brand, Sarah Zaki Jewelry Designs. She says one of her brand goals is to represent Egypt. "I want people around the world to appreciate our work, our art and our quality. That is how I want to be perceived," she says. She adds that she wants the "Made in Egypt" tag to become a trademark.

The future is bright. When Perry visited Egypt in 2019, she was the latest in a long line of celebrity Egypt fans, including Alicia Keys (who named her son Egypt), Hilary Swank, Vin Diesel, and many others.

Not all of these celebrities will launch fashion brands inspired by their visit to Egypt. However, the social media buzz surrounding those trips may intrigue young travelers, who are the segment that "is growing and the ones spending money," says Islam Sherif, founder of Nomad, an Egyptian travel website. "We need to keep working alongside international celebrities, content creators, and bloggers." ■





Egypt wants to promote innovation as both an immediate and sustainable solution to the unemployment problem. So far, the state has focused on supporting students, entrepreneurs and startups. In order to sustain innovation, however, much more must be done.

By **Tamer Hafez**

In July, many Egyptians awoke to the unexpected news that SWVL had become a "unicorn," the first locally bred startup valued at more than \$1 billion. Its merger with Queen's Gambit Growth Capital, a U.K.-based special purpose acquisition company (SPAC), values SWVL at \$1.5 billion, making it the 17th unicorn in the MENA region, according to a CNBC report in June, and the only one in Africa.

SWVL is the second startup in the region to use the SPAC model, after U.A.E.-based Anghami. "The way the economics of a SPAC works, you want a billion-dollar company and that's a very short list in Africa," Iyinoluwa Aboyeji, founder and general partner at the early-stage venture firm Future Africa, told TechCrunch in May. "You can't SPAC anything less than a billion dollars as you wouldn't make enough money for it to be worth your while."

The government wants to help more entrepreneurs with innovative solutions to Egypt's existing problems find similar success. So far, the focus has been on educating university students and entrepreneurs on how to turn their "feasible and innovative" ideas into prosperous companies. However, the state needs to scale innovation across all economic sectors. "Innovation is more than science and technology, [and] an innovation system is more than the elements directly related to the promotion of science and technology," wrote Rob Atkinson, founder and president of the Information Technology and Innovation Foundation, in his November blog.

### **Budding innovation**

According to the 2020 International Innovation Index published by The Boston Consulting Group and National Association of Manufacturers, Egypt ranked 65th out of 110 surveyed nations. The 2020 Global Innovation Index, published by INSEAD, Cornell University and the World Intellectual Property Organization, placed Egypt 96th of 131 economies. Qatar, Israel, the U.A.E., Kuwait, Saudi Arabia, Jordan and Turkey all rank higher in both lists.





The rankings come despite the government's recent infrastructure investments and initiatives to digitally transform the economy and support entrepreneurs. "The government aims to develop the country into a regional and global center for ICT, and efforts are being made to strengthen the regulatory framework, reduce the risk of cyberthreats and expand the telecommunications network," noted the Oxford Business Group 2020 report.

The Technology Innovation and Entrepreneurship Center (TIEC), which operates under the Ministry of Communication and Information Technology (MCIT), spearheads the government's efforts to promote innovation.

It starts with InnovEgypt Online, a training program to help university students and fresh graduates develop the mindset and skills needed for innovation and entrepreneurship. According to TIEC's website, "InnovEgypt also looks for prospective entrepreneurs with skill sets highly required by local and multinational companies."

The next step for innovators is qualifying for the TIEC Accelerator Program, which involves 10 working days of training and mentorship sessions. Admission is open to anyone with a business idea that TIEC deems "feasible." According to the center's statistics at press time, beneficiaries dropped precipitously from 600 in 2017 to 104 in 2019. That includes graduates of the Women's Entrepreneurship program, which aims to train 300 females this fiscal year.

Those graduating from the accelerator can enroll in Creativa Innovation Hubs, the TIEC's coworking spaces where startups "test an idea and learn the skills," said the program's website. It also is open to students, faculty members and anyone with "breakthrough ideas seeking to commercialize them." According to Hossam Osman, who chairs the TIEC, it offers those enrolled an EGP 1 million seed fund and no-cost working space and mentoring.

Creativa Innovation Hubs are located in universities in six governorates in the Delta, Suez Canal, and Upper Egypt. During a July press conference, Osman said the plan is to have 17 hubs, up from the current 12, at a total cost of EGP 1 billion.

Creativa supports entrepreneurs throughout the innovation process, from formulating ideas to sit-downs with mentors and trainers, and launching products. As of August, it had trained 116,000 innovators who represented 3,600 business ideas and 130 startups.

The TIEC, in cooperation with the private sector, is building an innovation-support hub in the New

Administrative Capital with a role similar to that of the Creativa Innovation hubs. According to Amr Mahfouz, CEO of the Information Technology Industry Development Authority, Creativa differs because it helps to integrate innovative ideas into existing manufacturing and factory designs.

## Next step

Startups that successfully complete TIEC programs and have a completed product are eligible to join a "Breakfast with Investor," a monthly event described by the center as an "opportunity to pitch startups to a world-class investor. The ultimate objective is for each breakfast to result in the initiation and closing of at least one investment deal."

The next step is moving those startups from incubators and coworking spaces into Innovation Clusters based on their business or technology sector. That allows them to grow fast, benefiting from advanced digital infrastructure. Clusters must include at least one university, private companies and entrepreneurship centers. One such cluster is in Borg El Arab, serving startups from Alexandria, Behira and Marsa Matrouh governorates. Another is in New Assiut Tech Park, helping startups in Upper Egypt and the Red Sea region.

To ensure startups continue to innovate, the TIEC offers a subsidized Business & Entrepreneurship Support Training Program "designed to play the role of a post-incubation service." There also is free Next Technology Leaders (NTL) training, with online coursework in 33 different ICT tracks; participants agree to pay a fine if they do not complete the track in a set period. NTL is open to entrepreneurs, ICT employees, academics and unemployed youth seeking career direction.

TIEC Innovation Ambassadors sends graduates of its programs out to stress the importance of innovation and TIEC support for university students and fresh graduates. So far, 188 ambassadors operate in 23 governorates, mainly from those municipal universities.

Lastly, TIEC organizes two competitions for innovators. The annual IbTEICar, under MCIT, has final-year university students competing to develop innovative solutions to existing problems. The other is Ideathon, which targets InnovEgypt graduates with projects that link to sustainable development goals outlined by Egypt Vision 2030.

## Innovation triangle

To further expand Egypt's innovation ecosystem, the government needs to do more than just training. "One

way to conceptually organize all the factors determining innovation in a nation is to think of an innovation success triangle," wrote Atkinson of the Information Technology and Innovation Foundation in a November blog post. "Success requires correctly structuring all three sides."

The first side relates to creating an innovation-friendly environment for businesses. That includes high-quality executive management skill development, IT adoption, strong entrepreneurship and vibrant capital markets to fund risky, innovative startups. "Broader factors include public acceptance and embrace of innovation, even if it is disruptive," wrote Atkinson. Also, various organizations must collaborate, while the legal framework must tolerate failure, especially with new businesses.

The second side of the triangle that Atkinson proposes is "an effective trade, tax and regulatory environment [that] features a competitive and open trade regime." That includes the government protecting businesses against unfair practices by trade partners and lowering barriers to market entry, particularly for innovative business models.

Other policies include legislative exemptions for startups, effective patent laws to protect new ideas and "consistent, transparent and performance-based regulatory requirements," said Atkinson.

He stressed that such legislation must be balanced, especially laws regulating the digital economy, data privacy and emerging technologies, including facial recognition surveillance. "A good regulatory climate does not mean simply the absence of regulations," said Atkinson. "Nations need a regulatory climate that supports rather than blocks innovators."

The third side of the innovation triangle is for the government to have a broad innovation policy framework. "While markets and businesses are the keys to innovation, without effective innovation policies, markets will underperform," said Atkinson. "That includes generous support for public investments in innovation infrastructure, including science, technology and technology transfer systems."

Additionally, governments need to increase funding to industry-university-government research partnerships and develop laws to promote research and development. Vocational schools must also include



innovation and tech training to boost manufacturing, as well as encourage private and public corporations to adopt and implement those new ideas and technologies.

"The nation that can put together all three sides of the innovation success triangle most effectively is likely to be the nation that wins the race and reaps the rewards in greater economic vitality and prosperity," said Atkinson.

## International competition

With countries such as GCC members, the United States, and European and Asian nations all focused on promoting innovation, a key challenge for Egypt will be to retain its best entrepreneurs. A case in point is SWVL, which relocated its headquarters to Dubai in November 2019, yet keeping day-to-day operations in Egypt.

Caleb Watney, a technology and innovation resident fellow at the R Street Institute, a nonprofit research organization, noted in a July 2020 blog on The Atlantic website, "Highly skilled people are most attracted to regions with many other highly skilled people." That is possible in countries that are lowering entry barriers for innovative startups, said a June 2020 report by the U.S.-based Center for Security and Emerging Technology (CSET).

Another factor in attracting entrepreneurs, particularly local ones, is to have "high-productivity metropolitan regions," the CSET report noted, such as Silicon Valley, New York, Boston, Seattle and Austin "where knowledge-based clusters have sprouted up typically around universities."

While those clusters attract just a portion of a country's innovators, they account for a disproportionately high number of patents, according to a 2020 research paper published in *Nature Human Behaviour*, an online monthly journal. "Engineers, academics, investors, designers, computer scientists and supply-chain managers mingle across firms, share ideas and push one another in a way that makes the entire group more ... creative," wrote Watney.

All that said, cities that want to attract innovators must have abundant, affordable housing near their businesses. "Housing shortages [in] high-demand locations had become a major barrier to innovation and economic growth," said Watney.

Another policy strategy is to secure funding for those high-risk ventures. "The innovation base needs public and private investment capital, scaled to the risk and importance of the invention," wrote Mir Sadat, a nonresident senior fellow in the Forward Defense practice of

the Atlantic Council's Scowcroft Center for Strategy and Security. That would "level the playing field for startups and scale-up to increase competitiveness."

Sadat also stressed the importance of creating councils and full-time committees focused on "What's next? And how do we maneuver so that we can be first to arrive at the next stage. This requires mapping, aligning and streamlining disparate yet interdependent policies, strategies and practices across the public and private sectors."

## Innovation overload

Whether government-supported or not, the global market has seen a slew of new products and services capitalizing on the changing daily lives of people amid lockdowns and precautionary measures still taken to curb COVID-19. "Necessity and urgency spur ideas and dissipate inertia," wrote Laura Furstenthal, a senior partner at McKinsey, in a September blog. "Our research suggests organizations that innovate through crises by focusing on generating new growth versus simply weathering the storm outperform significantly over time."

However, the pandemic also exaggerated and accelerated some of the problems that have been hindering innovation for years. "The flow of talented people from overseas is slowing, the university hubs ... are in financial turmoil, and the circulation of people and ideas in high-productivity industrial clusters ... has been impeded," said Watney.

That could benefit or hurt nations, depending on their readiness to accommodate the entrepreneurs' demands and need to grow quickly. "How organizations innovate and their location when pursuing new projects have both changed significantly in recent decades due to convergence and disruption," Raymond Houryp, partner and technology and innovation management practice lead at Arthur D. Little Middle East, told MENAFN, a news portal, in September.

Being on the right side of innovation momentum is vital given the uncertain future. "We cannot be caught flat-footed again, either in the face of a new crisis or international threat," wrote Deborah Wince-Smith, president and CEO of the Council on Competitiveness, in a July blog on *Forbes*. "Investing is not about the here and now, but the opportunity to position ourselves more completely and effectively tomorrow." ■





# ONCE A LEADER, U.S. LAGS

The United States was the world's innovation leader. Now it is suffering an "innovation shortage crisis."

By **Tamer Hafez**

America is home to the first smartphone, computers and the five most capitalized companies in the world, all of which are tech firms. Yet, it was not in the top 10 in the 2020 Bloomberg Innovation Index.

"The fact that the United States was the clear leader in IT, including the emerging internet economy, led many to believe all was well," wrote Rob Atkinson, founder and president of the Information Technology and Innovation Foundation, in November in his blog. The reality couldn't be further from the truth. "The U.S. national innovation system is in crisis and in need of thorough rejuvenation."

America's innovation ethos started with government investments after World War II. However, there was never a unified "national innovation system," Atkinson said. Policies and R&D investments focused on "maintaining a technological and military advantage over the Soviet Union. But [its] fall ... meant policymakers no longer felt the urgency and presided over the gradual and inexorable shrinking of this once preeminent system."

According to research from the National Foundation for American Policy, the U.S.' favorable ecosystem helped over half of its innovative startups to become "unicorns" with valuations of at least \$1 billion. That business environment included "a long list of alphabet-soup programs to boost innovation, including SBIR (Small Business Innovation Research) and NTIS [National Technology Information Service]," noted Atkinson.

Eventually, the government's attention drifted elsewhere. "Other priorities, such as balancing the

budget and increasing spending on social services soon trumped innovation," said Atkinson in November. That hurt innovation in bioenergy research, materials, chemical science and technology, climate, and biological systems, since they don't yield immediate sales profits as tech gadgets and services.

Meanwhile, America's increasingly crowded tech startup scene is further complicating the process of making ideas stand out locally and globally. "There are a lot of new ideas from many startups," said Sung Won Sohn, an economist at Loyola Marymount University in Los Angeles. "It will take time for the ideas to be translated into marketable products."

As a result, the "U.S. went from running a trade surplus in high-technology products in 2000 to around a \$100 billion deficit a decade later," said Atkinson.

Maintaining that downward trend for the long term could cause problems. "If the nation's capacity for economic and technological innovation is diminished, Americans will feel the loss for decades to come," said Caleb Watney, a resident fellow of technology and innovation at the R Street Institute, a nonprofit public policy research organization, in *The Atlantic* magazine.

That loss will not cause slower GDP growth, but it will impact the American ability to find concrete solutions to existing and future crises, such as climate change. Said Deborah Wince-Smith, president and CEO of the Council of Competitiveness: "The very foundation of our economic prosperity is at stake and crumbling on our watch."



# WE'VE REACHED 200M SHOTS

## TAKING THE SHOT: BIDEN'S CORPORATE VACCINE MANDATE

After the Biden administration's most unequivocal actions to combat the pandemic, how will businesses and employees cope, and what will the economic ramifications be?

By **Adam Skaria**

On the heels of the Food and Drug Administration's (FDA) approval of the Pfizer vaccine in August, U.S. President Joe Biden, on Sept. 9, introduced a sweeping emergency executive order. It requires companies with 100 or more employees to ensure that their workforces are fully vaccinated or produce negative COVID-19 tests at least once a week.

The new requirements are a step to "combat those blocking public health," Biden said during the announcement, noting that about 80 million Americans had not yet received their first dose. "We have tools to combat the virus ... if we can come together as a country to use those tools," Biden said.

Congress will debate that mandate amid staunch Republican-led opposition. It comes as the U.S. grapples with rising COVID-19 infections that are "threaten[ing] children's return to school, slashed consumer confidence, rocked the job market, derailed travel plans, delayed employees' return to offices, and led ... companies to downgrade growth forecasts," wrote Lucy Bayly for NBC News.

Proponents of Biden's most proactive anti-pandemic measure to date say it is necessary and part of a "multifaceted approach," according to Bayly. Accordingly, without resolute top-down decisions, another wave of infections and hospitalizations would be too much for the already beleaguered economy.







The mandate has not fallen on deaf ears in corporate America, which has overwhelmingly supported Biden's initiative. "We know vaccines, coupled with widespread and convenient testing, serve as powerful tools to help slow the spread of COVID-19 in our communities, keeping the U.S. economy open and protecting America's workforce," Brian Huseman, Amazon's vice president of public policy, said in September.

Exactly how large multinationals, SMEs, and millions of employees across the country would be affected by that mandate will likely become a critical component of Biden's legacy.

## Big business backing

Perhaps one of Biden's greatest allies in his quest to achieve a full vaccination of 70% of the population is resounding support from many of the titans of American industry, including United Airlines, Disney, Tyson Foods, and Fox News. All of them had implemented mandates before Biden's announcement.

However, the NBC report noted, "amid a critical shortage of workers, many CEOs who are in favor of vaccinations have ... been holding back on mandates out of fear that workers would quit for competitors that do not require [vaccinated] employees."

Proponents say "Biden's mandate simplifies that equation," according to Bayly. In August, before the FDA's full approval of the Pfizer-BioNTech two-dose vaccine, Julia Pollak, a labor economist at jobs platform ZipRecruiter, noted: "a huge increase, just recently, in the share of postings that either mandate or request employees be vaccinated."

The general thrust behind the idea of Biden's corporate mandate is that once enough major employers are on board, it will inevitably set the trend for other employers to follow suit.

The ruling is expected to "affect over 100 million workers and will also levy substantial fines of up to \$14,000 per infraction against companies that refuse to comply," said Andrew Mark Miller of Fox News in September.

Predictably, red-state governors are blasting the measure as "counterproductive and an unprecedented assumption of federal mandate authority," said Arkansas Gov. Asa Hutchinson, echoing the general chorus of Republican sentiment on the issue in a statement.

But as Biden faces opposition across the aisle in Congress, he faces the more considerable challenge of achieving his vaccination target "as hundreds of Americans continue to die

each day from the virus," wrote Richard Luscombe in The Guardian's report.

The federal Centers for Disease Control and Prevention (CDC) reported Sept. 12 that 178.3 million people in the U.S. were fully vaccinated, accounting for 53.7% of the population, while 209.1 million (63%) had received at least one dose. According to Our World in Data, the global average is 33.1%.

In a Sept. 12 appearance of the NBC News program Meet the Press, U.S. Surgeon General Vivek Murthy said the country needs to "move to the next phase" of pandemic response because of the highly contagious Delta variant. "The Business Roundtable [a lobbyist association] has said this is the right move. The American Medical Association has said this is the right move. It will help more places do what they want to do, to make workplaces safer so that people can feel more secure coming back to work and keep our economy strong."

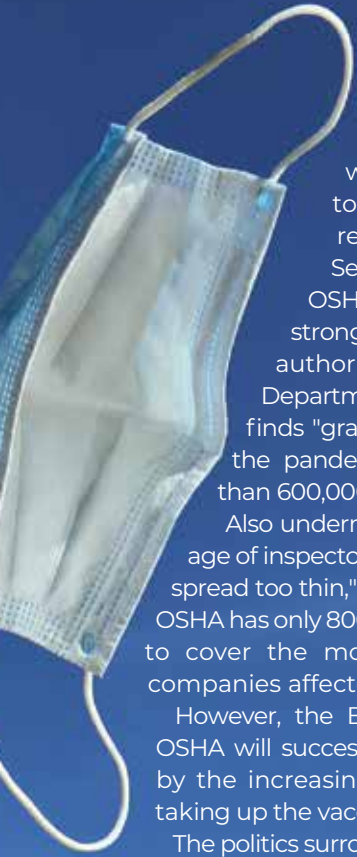
## Enforcement challenges

Notably, the U.S. agency in charge of enforcing the new rules "faces stiff challenges," wrote David Shepardson in a September Reuters report.

The Labor Department's Occupational Safety and Health Administration (OSHA) "is in charge of formulating and enforcing the rule, which will be rolled out in the coming weeks. But the agency is significantly understaffed, and its emergency rule-making mechanism has a mixed track record," he continued.

Crucially, with a purview of over 80 million employees, "OSHA won't be able to police every employer," A. Scott Hecker, a labor lawyer in Washington, D.C. at Seyfarth Shaw, told Reuters in September.

OSHA "plans to publish an Emergency Temporary Standard (ETS) to enact the new requirements," the White House announced. Shepardson noted that measure, which is "used to accelerate urgent rules, has only been used 10 times in OSHA's 50-year history. Courts have invalidated or halted four of those rules and partially blocked one, according to the Congressional Research Service."



The new vaccination rule would likely come into effect while any legal challenges play out. Still, OSHA's low success rate with ETS rules undercuts its ability to set a precedent for would-be refusers. White House Press Secretary Jen Psaki defended the OSHA ruling by maintaining it was "on strong legal footing," citing the 1970 law authorizing ETS that requires the Department of Labor to take action when it finds "grave risk to workers." Psaki qualified the pandemic's current death toll of more than 600,000 people as just that.

Also undermining its efforts are OSHA's shortage of inspectors and resources. Quite simply, "it is spread too thin," said Shepardson, who reports that OSHA has only 800 safety and compliance inspectors to cover the more than 100,000 private-sector companies affected by the new rule.

However, the Biden administration is confident OSHA will successfully enforce the mandate, aided by the increasing number of large corporations taking up the vaccine mandate.

The politics surrounding the mandate and lingering logistical challenges will likely put OSHA between a rock and a hard place when it comes to effective enforcement nationwide.

## SME fallout

Labor experts believe the administration "should be able to withstand any [upcoming] legal challenges," Alex Gangitano, a reporter for The Hill, wrote, citing former OSHA deputy assistant secretary Jordan Barab. He said, "I think they should be on pretty good legal ground. I think they've done a lot of the work already."

Critically, Barab touched on perhaps one of the most sensitive and challenging aspects of Biden's mandate — how it will affect SMEs across America. Barab took issue with the 100-employee threshold for Biden's directive, "arguing it was unprecedented in the history of OSHA to have a small-business exemption." His view is that this is "unjustified and unfounded scientifically. It's catering to the small-business community. They wanted to limit some of the small-business fallout of this, but I think it was ill-advised."

Unlike major multinationals, SMEs are more at risk because they are much smaller and more limited regarding workforces, capital, recruitment, budgeting, and their bottom line.

Refrigerated truckload carrier Lawrence Transportation Co. in Minnesota is a prime example of how the vaccine mandate will affect thousands of SMEs. Owner Eric Lawrence manages around 150 employees and worries about the complexities and expenses the vaccine mandate may cost him. His company, which has been operating throughout the pandemic, is now facing uncertainty about how the new regulations will unfold, he told The Washington Examiner.

"I've had a lot of people ask me what's going to happen, and I guess at this point, my response then is, 'Well, let's just wait and see.' We're not working with a lot of information here," Lawrence said. He added that he is vaccinated, but some of his employees, particularly his truck drivers, are reluctant or refuse to get inoculated.

Lawrence adds that the mandate is "scary because weekly testing for his employees who don't want to be vaccinated would entail a logistical nightmare."

Not only will the move be logistically challenging, "one of the most glaring questions for business owners is who is going to pay for weekly testing for employees who refuse to be vaccinated," said the report. While massive corporations with thousands of employees may be able to absorb the cost should the government require employers to pay, "smaller businesses with just over 100 employees could end up struggling," reported Zachary Halaschak for Yahoo News in mid-September.

Meanwhile, Deric West, president of Honeoye Falls Marketplace and Mendon Meadows Marketplace, two grocery stores, has about 100 employees at one site and 50 at the other "expects the government to calculate those as one entity," he told the Washington Examiner last month. That means his stores will have to enforce the vaccine mandate.

West said that if companies are required to fund COVID-19 tests for employees every week, "the costs could add up and create a tremendous burden for employers." Ultimately, he might be forced to pass that additional cost to consumers.

U.S. inflation has ballooned to unexpected levels recently. According to the Department of Labor, consumer prices increased 5.3% for the year ending in July, and the producer price index has risen to 8.3% from a year ago, a 10-year high.

While several factors, including increased demand, are behind the higher numbers, enforcing the corporate vaccine mandate will undoubtedly have a ripple effect across the broader economy, whose relative effects will be ascertained more clearly in the coming months.

"Whatever industry you're in," West said, "that cost is going to have to be absorbed." ■



# CHARTING A NEW COURSE

Shippers and manufacturers must navigate an increasingly risky situation with maritime costs rising at unprecedented rates and ports congested like never before.

By Tamer Hafez

In Egypt, which imports everything from commodities such as wheat to luxury items and manufacturing supplies, shipping costs significantly impact business operations. Since the beginning of the pandemic, freight prices have been rising at unprecedented rates. Robert Khachatyan, COO of Freight Global Logistics, said that in 2020, 90% of his cargo moved at premium rates nearly 10 times what they were in 2019.

Those sudden astronomical jumps affected the prices of even the most trivial goods. Christopher Tse, CEO of Musical Electronics, a Hong Kong toymaker, has seen the cost of magnets used in his puzzles jump 50% this year, pushing his production costs up by 7%. Prices are rising so fast that Tse can't calculate his expenses: "I don't know if we can make money from Rubik's Cubes because prices keep changing," he told South China Morning Post (SCMP) in August.

Price cycles are not a new phenomenon in the sector. "They are an inherited part of the shipping industry," noted a 2017 report by Maritime Economics & Logistics, the journal of the International Association of Maritime Economists. Accordingly, correctly predicting fluctuations and when they might happen "could save lots of money just by being able to make appropriate decisions at the right time."

That hasn't been possible since the pandemic started, as shipping prices have defied all forecasts. "I have been in this business for 20 years, and \$4,500 was the previous high I had seen for a container," Khachatryan told Hellenic Shipping News

in July. "I think that [figure] will be the new floor."

Reducing shipping costs to their historical averages is essential for businesses and the global economy. However, it is a tricky balancing act, given how dynamic international shipping is. Those price jumps won't impact the traffic flowing along the Suez Canal or local exporters, given that all prices are rising in their destination market. However, local companies relying on imports could witness massive disruptions and uncertainties.

## The business

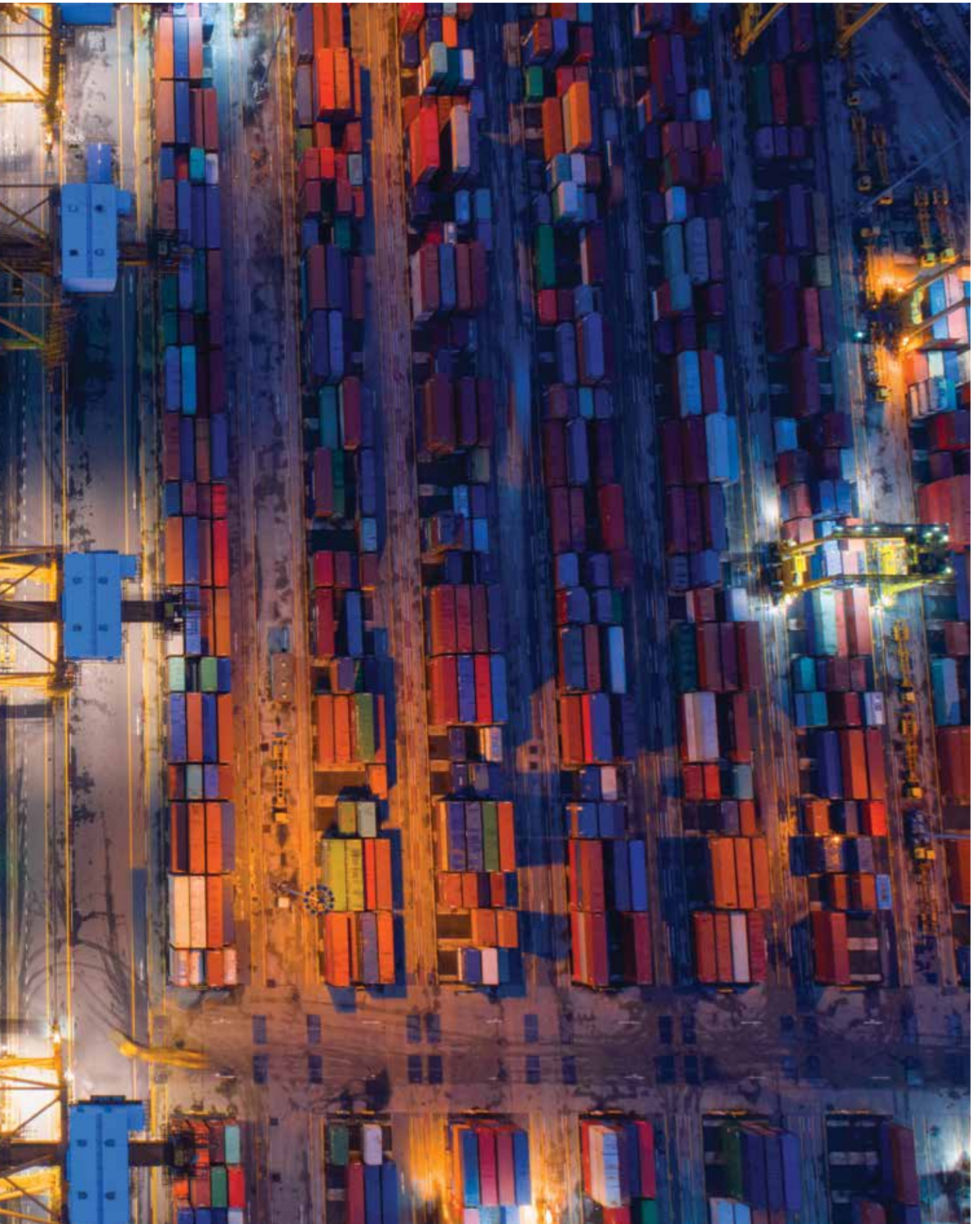
Maritime freight is the main artery fueling the global economy. In 2017, Maritime Economics and Logistics estimated shipping accounted for 80% of international trade. In 2020, ships transported nearly 90% of goods worldwide, according to a Reuters article in July.

In July, David Hammond, CEO of Human Rights at Sea, a specialized advocacy group, told Reuters that their data shows global maritime supply chain is a \$14 trillion industry. That is just shy of China's \$14.34 trillion GDP in 2020 and more than the economies of Japan, Germany, Italy and India, combined.

Despite its massive scale, shipping uses a simple supply and demand dynamic to set prices. According to the Maritime Economics and Logistics report, it involves negotiating the freight rate based on available cargo and free shipping capacity at the port. "If the total available shipping capacity is more than the cargo to be









shipped, the freight rate will be low, and vice versa."

The complex part of that negotiation is that it must consider other factors, including the route, delivery window, and risk of delays.

That last point is particularly critical. A case in point was when the Ever Given blocked the Suez Canal for six days in March, immobilizing 450 ships at both ends of the canal. According to Allianz, it cost shippers and the manufacturers using those freights between \$6 billion and \$10 billion and dropped annual trade growth forecasts by 0.2 to 0.4 percentage points.

Another dynamic impacting the shipping business is using increasingly larger container vessels to carry more cargo in a single trip. That means lower fuel and bunkering costs, which is "the most important driver when it comes [to] operational cost in liner shipping," noted the 2017 Maritime Economics & Logistics report. On the other hand, they have lower speeds and take more time to load and unload than smaller ships.

Choosing the routes and pit stops to avoid crowded ports is another vital dynamic. "Rerouting vessels from Europe to Asia via the 'Cape of Good Hope' has been another supply-side flexibility tactic since 2008," noted Ziaul Haque Munim, associate professor of maritime logistics at the University of South-Eastern Norway. "This is not only to avoid Suez

Canal tolls. The resulting longer voyage helps to absorb excessive shipping capacities, too."

### Booming business

Lockdowns worldwide to curb the spread of COVID-19 boosted demand for certain types of goods, including electronics and furniture. "Consumers who were able to work from home found themselves with extra money since they were limited in how they could spend it," wrote Judah Levine, research lead at Freightos, a specialized portal, in August.

Another factor boosting shipping demand in 2021 is that companies are restocking their inventories after depleting their reserves in 2020, as overseas suppliers decreased production due to lockdowns. "Many businesses are running on limited inventory," said Levine. "Efforts to restock barren warehouses are likely to keep demand elevated."

Meanwhile, many businesses are ordering supplies earlier than usual to guard against future lockdowns, Khachatryan of Freight Right Global Logistics wrote in a blog published in July. "Christmas-related items [are] already being shipped [compared to August or September] ... Next year, we expect to see customers start ordering even earlier."

Levine said strong demand had caused a persistent, sharp rise in trade volumes since mid-2020. That is disrupting how shipping companies plan their operations throughout the year. "Unlike in normal years, 2021 will not really have a peak season [between July and October] in the traditional sense, since the line market is already sold out and carriers are largely unable to procure additional tonnage," noted DHL Freight September Update.

"All of the world's container ships are active right now," said Levine in the Freightos August report. "In the current situation, there is no extra capacity, which is putting pressure all along the supply chain." DHL's report estimates "liner markets [will] continue to run at near 100% utilization levels throughout much of the year."

As a result, all those containers are overwhelming the capacity of the ports to process them, noted Levine. That causes unprecedented waits at major ports around the world.

### Cost timeline

Levine said shipping prices started to rise in the last quarter of 2020 when containers were in short supply. Then there was a significant jump in March when the Ever Given got stuck in the Suez Canal.

In June, a COVID-19 outbreak and subsequent partial lockdown of the port of Yantian, China's





largest container terminal, drove shipping up prices further. According to a DW report, about 5% of global freight capacity was stuck at the port at the time.

Further fueling the rise in shipping prices are crowded ports with long wait times, including Yangtze estuary and Hangzhou Bay in China; Ho Chi Minh City in Vietnam; and Los Angeles, Long Beach and Oakland in California, according to the DHL outlook document.

As a result, some ocean carriers increased prices by 1,000% compared to 2020, reported the supply-chain management company Asteelflash in its Air and Sea Freight Market Update - Q2 in June. It added that rising demand for imported products and limited supply from goods producers are primary reasons for the increasing rates. Additionally, shipping companies want to maintain operating margins to compensate for unforeseen delays at the ports.

### Building capacity

Shipping prices will likely continue to rise beyond 2021 as "forecast demand [would continue] to outstrip supply through 2022," noted Moody's in a June paper. Its "conservative" estimate is shipping volume will rise 5% to 7% while capacity would increase 4%. Meanwhile, Clarkson Research Services predicts a similar 5.7% growth in demand for cargo, while capacity increases by 4% this year. IHS Markit estimated that container volumes would grow 7.5% this year, while capacity would grow only 3.2%.

DHL's September transportation sector outlook noted that several surveyed carriers said they would have to increase their freight capacity by 20% to return to pre-pandemic operating schedules and shipping costs.

Freight companies shouldn't find the need to increase their capacities financially challenging. "Operating profits for the 11 report carriers, measured in earnings before interest and taxes, reached \$16.2 billion in the first quarter," Moody's said. "That is greater than the sum of the previous 10 first quarters combined."

Drewry Maritime Research estimates the sector will make \$35 billion in operating profit by the end of 2021. However, Moody's said that is a conservative estimate that would likely rise to "reflect continued high levels of demand and a steady increase in both spot and contract rates."

Accordingly, with freight companies expecting higher profits amid reliable forecasts that demand would continue to rise, several announced expansions that would take effect in 2023. "The container ship order book is booming," said Italian maritime brokerage Banchemo Costa in an August paper.

The brokerage estimates that maritime transport companies ordered at least 275 new vessels in the first half of 2021, adding 10% to the global freight capacity

compared to 2020. However, Banchemo Costa pointed out it takes at least two years to build those new ships, which means that fleet capacity growth would not surpass 3% through next year.

Among those carriers is French CMA CGM, which announced its net profits during the second quarter of 2021 were 25 times more than last year. "The strong rebound of the global economy has resulted in unprecedented demand for transportation and logistics services," said Rodolphe Saade, CMA CGM CEO. He said the company would receive 14 new container ships in 2021 and 22 in 2023 and 2024 and is also looking to buy 32 second-hand freighters.

Banchemo Costa's paper forecast that the number of ships scrapped in 2021 would be among the lowest since 2011, as shipping companies buy used vessels to increase fleet capacity immediately. However, when the new freighters come into service by 2023, the number of discarded ships will be the highest in recent years, noted the brokerage.

### More fragile than ever

Alan Murphy, head of Danish consultancy Sea-Intelligence, worries freight companies might have a tiny window to benefit from this added capacity. In September, he told SCMP the market was already depressed before the pandemic "due to overcapacity." Accordingly, if the global economy can operate reliably for the next few years, those new ships would remain idle most of the time. "We believe these conditions are short-term and will self-correct as trade normalizes from mid-2022," noted Phillip Gray, Drewry Maritime Shipping's head of reefer shipping research, to Hellenic Shipping News.

Nevertheless, having excess freight capacity might prove prudent. Cindy Wang, a reporter for Fortune, stressed in an August article that "China's determination to stamp out COVID has meant that even a small number of cases can cause major disruptions to trade." In July, an anonymous shipping broker told Independent Commodity Intelligence Services it would only take a hurricane to cause worse maritime freight shortages than what the world is experiencing now.

Ruthie Amaru, Freightos CEO, noted that rising maritime transport costs and long transit times might make that mode of transport financially unfeasible and risky if the ports go into lockdown while cargo is in transit. "It is more important than ever to look for different options for sourcing goods and to be flexible with the modes of transportation," she told Hellenic Shipping News in July. "For example, it would not have been cost-effective prior to the pandemic to ship goods via air freight. Now that the rates have spiked, the gap has narrowed." ■

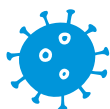


## EGYPT'S EXPORT SUPPORT PROGRAM

For shipments from 1/7/2020

In September 2021, the government announced the final features of the new export support program for shipments from 1/7/2020 after a draft version of the program had been approved by the Cabinet in June. In this section, we present the main highlights of the program, as well as a comparison with the old one.

### OBJECTIVES



In the first stage: Keeping Egyptian exports afloat and mitigating the economic repercussion of the COVID-19 pandemic.



Later stage: Achieving a substantial increase in Egyptian exports, being an important source of foreign currency and the engine of growth for Egyptian industries.



Raising employment rates in various industries to compensate for the job losses resulting from the suspension of some economic activities due to the COVID-19 containment measures.



Achieving a fundamental shift in local and foreign investments in various industries in a way that accommodates the economic changes resulting from the COVID-19 pandemic.



Deepening the national industry by motivating manufacturers to increase the use of local inputs and raising the quality standards in a way that raises the competitive advantages of Egyptian products in foreign markets.

The program also aims to place Egypt on the global supply chain map because of its positive impact on economic growth rates.

### MAIN PILLARS



Applying a **value-added system** whereby the percentage of support extended to exporters **increases with the increase in value-added** with a minimum requirement of 30% in order to deepen the local industry.



An additional 50% is granted to the exports of factories established in **Upper Egypt governorates**, border governorates, as well as **Robeki City** and **Damietta Furniture City** (newly added).



Supporting projects in the **Suez Canal Economic Zone (SCZone)** by granting them the same percentage of basic export support as factories established in interior areas.



Supporting Egyptian exports that bear **Egyptian trademarks** by an additional 2% over the basic percentage.



Exporters to **African countries** are granted an additional 50% on the basic support percentage. Exporters to **selected new markets** are also granted an additional 50%.



**Africa freight support program** under which included sectors will be granted up to 80% of the freight cost.



An additional percentage is granted to companies who manage to **increase their exports** as follows:

Exports' Increase Rate	Big Exporter	Medium Exporter	Small Exporter
25% or more	25%	35%	50%
15% to less than 25%	20%	30%	40%



Supporting **export infrastructure** by establishing and providing services that benefit the various export sectors such as exhibitions support, fruit fly control and air freight support.

#### \*DEFINITIONS:

Small companies: Companies whose exports do not exceed USD 1 mn annually  
 Medium companies: Companies with exports of more than USD 1 mn up to USD 10 mn annually  
 Large companies: Companies with more than USD 10 mn in exports annually

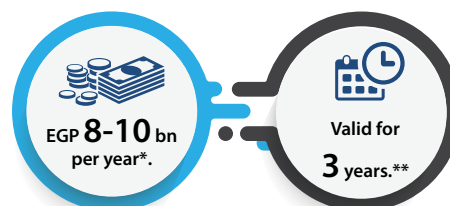
## EXPECTED RETURN



Maintaining the current export growth rates during the first year of the program.

Increasing export growth rates during the following two years (10% in the first year, and 15%-20% in the following years).

## ESTIMATED COST & DURATION



\* EGP 8 bn in the first year, expected to reach EGP 10 bn in the third year.  
 \*\*An annual evaluation should be made to be presented to the board of directors, as well as a comprehensive evaluation of the results after three years.

## COMPARISON WITH THE OLD PROGRAM

	Old Program (2019/2020)	New Program (1/7/2020 - 30/6/2023)
% of Local Component	At least <b>40%</b>	At least <b>30%</b> with some exceptions*
Program Duration	<b>2</b> years	<b>3</b> years
Program Budget	EGP <b>6</b> bn	EGP <b>8</b> bn
Disbursement Mechanism	40% cash, 30% MoF dues, 30% infrastructure	70% cash, 15% MoF dues, 15% infrastructure
Additional Incentives	X	Additional <b>50%</b> for selected countries**
Incentives for Higher Exports	X	√
Africa Freight Cost Support	<b>50%</b> of freight cost	<b>80%</b> of freight cost
Suez Canal Economic Zone	X	Granted same % of basic support
Egyptian Trademark Support	X	Additional <b>2%</b> over the basic %
Ceramic Exports Support	X	√ from July 1, 2021
Automotive Exports Support	X	√ for 7 years
Pharma Exports Support	X	√
Supporting clothing supplies, cut flowers & ornamental plants	X	√ Re-insertion from July 1, 2020 shipments
E-Invoice	X	Obligatory starting from July 1, 2021.

### FOOTNOTES

\*With the exception of agricultural crops, textiles & handicrafts  
 \*\*Russia, China, Hong Kong, Taiwan, South America & CIS countries

### SOURCES

Export Development Fund (EDF)  
<https://economyplusme.com/67237/>  
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# Market Watch

## Stock Analysis

### Castles in the air

The period from Aug. 15 to Sept. 15 marked the first time the EGX 30 outperformed the EGX 70 EWI, with both indices on the way up for the year. The former rose 1.1%, while the latter fell 1.3%. Still, the EGX 30 is lagging the EGX 70 EWI year-to-date by a considerable margin, up 2.8% versus up 32.8%, respectively. Declines outnumbered advances six to five during the period.

The market continues to be driven by speculation involving small-cap stocks that do not necessarily have strong fundamentals to back up their elevated valuation levels. Instead, market turnover has been chiefly momentum driven by once-obscure names now in the limelight. Thus, one could say that speculators have been building castles in the air.

Interestingly, certain poultry stocks laid some golden eggs for their followers during the period, namely Ismailia Misr Poultry (ISMA, up 88%)

and Egypt Poultry (EPCO, up 38%). On the other hand, Cairo Poultry (POUL, down 2.5%) and Mansoura Poultry (MPCO, down 18%) both fell during the period, but were still up 17% and 100%, respectively, on a year-to-date basis.

Meanwhile, some real estate stocks attracted speculators who bid their prices beyond historical levels, let alone reason. For instance, Al Shams Housing & Urbanization (ELSH) rose 26% during the period, extending its year-to-date performance to 116% and hitting an all-time high of EGP 21.33, valuing the state-owned real estate developer at EGP 3.87 billion, before settling at EGP 10.47. However, at the top start of the real estate sector by far has been Zahraa El Maadi Investment & Development (ZMID), up 19% during the period and a whopping 600% year-to-date. By the end of the period, the state-owned real estate developer was valued at EGP 11.2 billion. At one

point in time, the company was the most valuable real estate developer on the Egyptian Exchange, surpassing large caps like TMG Holding (up 11%) and Emaar Misr for Development (up 13%). Incidentally, UAE-based Aldar Properties and ADQ submitted a tender offer for SODIC (up 17%) at EGP 20 per share, slightly higher than the price had previously indicated, yet offering a limited upside versus market price. The regulator has yet to approve the tender offer.

Elsewhere, Remas (CERA) had a run of its own, jumping 50% during the period, extending its year-to-date gain to 173%. The ceramics producer, which had its 10-for-1 stock split rejected by the regulator in June, managed to have a 4-for-1 split approved in September.

On the macro level, the Central Bank of Egypt maintains its composure, leaving key policy rates unchanged at its Sept. 16 meeting.

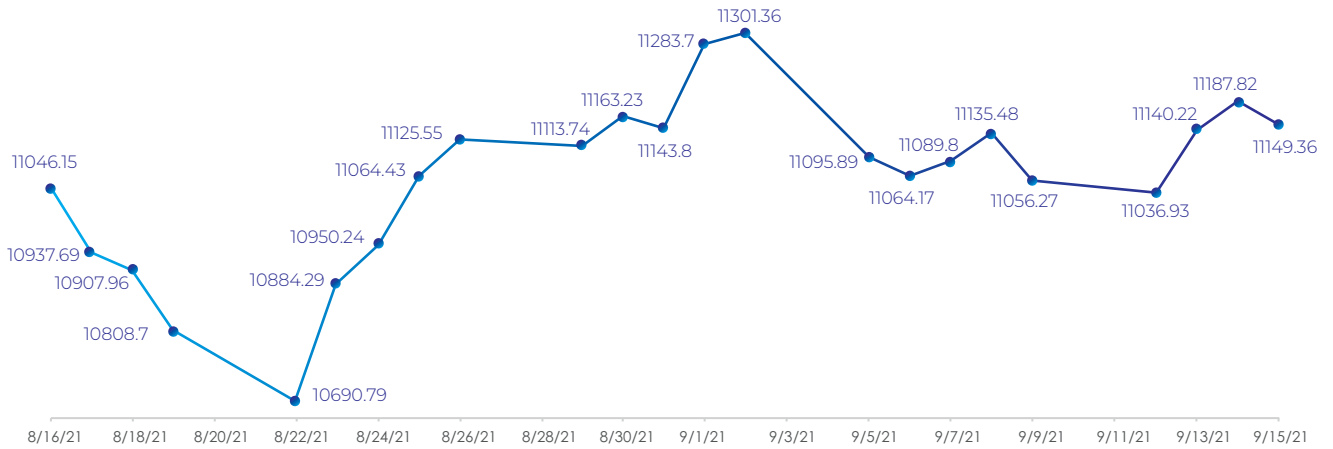
### Egypt Aluminum (EGAL)

Higher commodity prices have helped some companies turn profitable. Egypt Aluminum (EGAL) benefited from higher global prices, reporting profits in its fourth-quarter results ended June 30, chalking up EGP 376 million after reporting a gross profit margin of 12%. Preliminary indicators for EGAL's 2020/21 fiscal year show a net profit of EGP 28 million compared to a net loss of EGP 1.7 billion a year earlier as revenues rose 57% to EGP 11.4 billion. The stock was up 20% during the period, putting it up 138 percent since the beginning of the year.

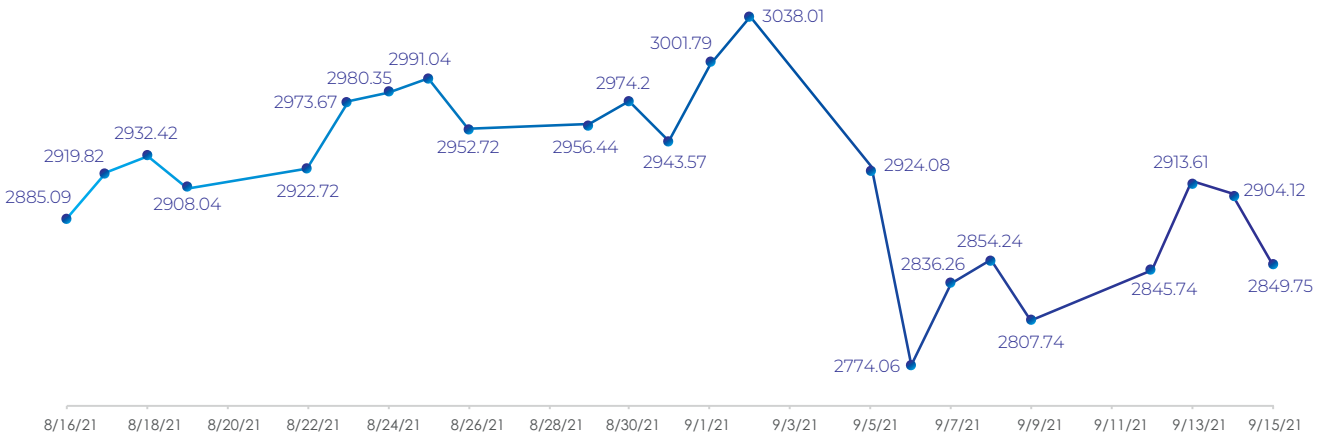




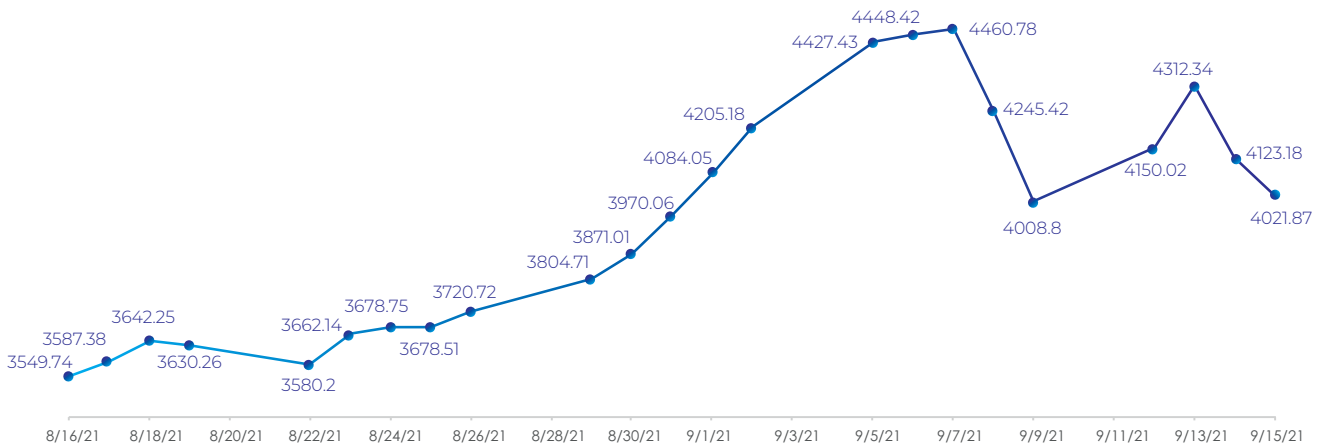
### EGX 30



### EGX 70



### Tamayuz



Tamayuz index is an all-new weighted index, launched on June 23rd. It comprises companies with high free cash flows from operations. EGX stresses that this is not an endorsement of those stocks.

# SCALING UP SCHOOLS IN NEW CITIES

"If companies are willing to invest to offer affordable education, the government needs to incentivize them with affordable pieces of land."

By **Ola Noureldin**



**Mohamed El Kalla**

CEO of Cairo for Investment and Real Estate Development (CIRA)

*(The interview was edited for length and clarity.)*

Private sector investments in education in Egypt are of paramount importance. Over the past decade, the country has witnessed a steady increase in the appetite of private equity funds and investors to capitalize on the industry, attracted by ever-increasing enrollment. In the 2016/17 school year, the Central Agency for Public Mobilization and Statistics reported total K-12 enrollment at 20.6 million. According to PricewaterhouseCoopers' Middle East Report, at Egypt's current population growth rate, 2.4 million additional seats in grades 1-12 will be needed by 2022/23.

To stimulate the economy and address chronic congestion in Cairo, the government has been building the New Administrative Capital (NAC) in East Cairo, meant to house 6.5 million. Included in the plan is the construction of various educational institutions, essential for convincing families to relocate to Egypt's newest urban center. So far, the new capital includes planned 50 international and language schools, including four Japanese schools.

Mohamed El Kalla, CEO of Cairo for Investment and Real Estate Development (CIRA), a leading education investment firm, discusses CIRA's plans for investing in the new capital, the private sector's role in education development, and limitations in the industry.

## **Why is investing in education important for Egypt?**

It's important more than ever. Egypt needs a total reform of the sector in terms of educational content and structure. Today, Egypt serves 900,000 students in Thanaweya Amma (Secondary high school); Kindergarten 1 students are 2.1 million. The total number of Egyptian K-12 students is 22 million, more than the K-12 sector in most Arab countries combined. The growth in demand and the challenge of a changing economic environment pose a massive threat that will entail education reform to absorb growing numbers and provide quality education.

## **How can the economy benefit from education investment?**

One thing people miss is that [one of the highest sources of foreign currency inflows] in Egypt is remittances. That is more than \$20 billion entering Egypt every year to keep our economy stable. The outcome of the education system is the highest earner for Egypt. In terms of investment, the return is also the highest. The demand abroad is not just focused on blue-collar jobs. They are looking for qualified white-collar jobs like doctors and engineers. If you don't have a proper education system, you will fall through the cracks.

## What is your evaluation of the steps taken in education in Egypt over the past five years?

It has been clear that instrumental change is needed. Plans and engagement from the private sector have been rising. The government has also been reforming [school exams] and how technology is ... integrated into the curriculum. Even if some of the reforms implemented achieved questionable results, we are headed in the right direction to shake up a system that has not been working. Currently, we are in the trial-and-error stage, and some decisions may fall through the cracks. We still need five to six more years of reform to achieve a stable education system.

## What are your views on the current investment climate?

Ever since the listing of CIRA on the EGX, there has been a boom in interest. With the launch of CIRA, people realized there is an EGX company worth EGP 8 billion that works in education. They saw that as a signal that this sector can produce large enterprises. Since then, several IPOs have happened, and several platforms have formed. Meanwhile, large consortiums are still forming significant projects in education, staying away from small models.

K-12 education in Egypt is 10% private sector and in higher education about 5%. With the numbers still growing, small enterprises cannot sustain demand and scale-up. The government needs "scale players" to deliver thousands of education opportunities and improve quality. That is happening now.

## How can Egypt encourage foreign investments in education?

The biggest step would be the reform of the law. We have seen reforms in terms of practices and projects launched by the ministry, be it in higher education, K-12, or the model of the New Administrative Capital. Yet, everybody is marked by an extremely outdated law. In order to start working at a new school or university, there is a huge level of bureaucracy stipulated by the law. There has been much talk about reforming private education law, and the private sector needs to be highly engaged in this process.

## Which parts of the private education law need reform?

Every single element of it. The law ensures there is government intervention every step of the way to launch a private school. From the initial concept, land approval, building, approval of tuition and fees, approval of content on an annual basis. You need five or six permissions to

establish one school, then three or four licenses to open a school. That can take two to three years.

After opening, you need to communicate with the government at least two to three times a month to ensure smooth operations, regulation-wise. This environment is not conducive for foreign investors that do not appreciate highly regulated businesses. They want a certain degree of freedom, like what is happening in NAC.

## Do you have any active investments in the new capital?

Not yet. But we are in discussions about launching a Swiss boarding school offering K-12 education. Swiss boarding schools are number one in demand in the GCC region and the world. We're also in discussion for a university. We love the ease of doing business in NAC.

## What's attracting foreign investors to invest in Egypt's education?

Investors are attracted to the higher education sector. One of the biggest factors luring investors today is the new administrative law. NAC created its own law for international universities, making it a lot easier to establish universities and be granted land. A lot of interest went there. NAC is an excellent model for foreign investors because it provides quality education and a more accessible regulatory environment. That is where most of the foreign funding comes. Other investors choose to invest in platforms like CIRA and Taleem because while they understand how to navigate the sector, they can't jump on their own.

## How can education be a tool to facilitate migration to NAC?

We have been investing in new cities for 15 years, and there is one lesson we have learned: People do not move into any new urban area until there is a school and a clinic. The rollout of education services in NAC will be one of the biggest pulls for people. Schools and universities fast-track urbanization of the surrounding areas. Housing services come next, and in no time, people can find all they need to move. Many new cities in Egypt failed because they did not realize this. Al-Rehab City, for example, is one of the most successful new communities. In the 1990s, we invested in four out of the five schools there. At the time, people were questioning who were the crazy people establishing schools outside Nasr City? Egyptians only started moving to Al Rehab City when they found schools there.

## Are schools in NAC being developed in residential districts?

They are primarily built within education zones in very close proximity to residential zones. So it's a Dubai-like model, which makes it very appealing to investors.



### What could spur investments in NAC even more?

A clear timeline of infrastructure launch. Many people who invest need precise dates for the coming three to four years regarding what will be happening when. Unfortunately, nobody is communicating with investors about dates. And those dates need to be set in stone so investors can create financial models that are bankable.

### What is the availability of schools in NAC targeting all income groups?

There is limited availability. I don't see NAC serving lower income levels. The price of education there will primarily be catering to upper-middle and higher income brackets. Low-income groups will be moving to cities around the new capital, like Badr University and the 10th of Ramadan. There will still be public education available, but the traction I see in private investment is not directed toward that.

### What are your expectations for land prices?

If we pay a lot to build a new school or university, we probably will end up providing very expensive services. That is a problem because demand in Egypt does not lie in the top segment of the population. It comes from the middle class, so unless we can provide good value (affordable fees and quality education), we miss the largest portion of society demanding the service. Increasing land prices would be detrimental. In CIRA, we are engaged in four plots of land for universities that are still slated to operate in 2023 and 2024. The government needs to find a way to link land pricing to the affordability of services. If people are willing to invest in affordable education, the government needs to incentivize them with affordable pieces of land.

### How big is the difference in prices between old and new cities?

If an investor wants to go to Upper Egypt, in Assiut, they have to pay EGP 40,000 per square meter. In New Assiut, the price is EGP 3,000 per square meter. The contrast is insane to consider when land is abundant. The same goes for other governorates unless the law allows governors to offer land at affordable prices in exchange for affordable education.

### Does the model of "affordable land, affordable education" exist in Egypt?

The best example of that is the New Urban Communities Authority (NUCA) with the model of NAC. They provided similar formulas in other new cities. With CIRA's expansion throughout the past three years, we are in every new city, such as New

Alamein, New Mansoura, New Rasheed, New Qena, New Assiut, and New Sohag, because we were able to talk to an entity (NUCA) that is aware of what we need. The logic resides well in NUCA and NAC, but governors in old cities need to realize this, too, because they have the biggest demand at the end of the day.

### What changes do you hope to see across Egypt's education systems?

A fundamental change would be to agree on a form of hybrid education. We have had our trials of online education during the pandemic, but we still did not see a final model of hybrid education going forward. So I want to see Egypt launch a clear path on how it intends to move in this regard. It's essential, and it would help with the issue of overcrowded classrooms.

### What is your investment vision?

Our biggest motto is 100/100 by 2030. That is 100,000 seats for K-12 and another 100,000 for higher education. So far, we are at 45,000 students and 60,000 seats at universities. CIRA has been focusing on investing in more affordable private universities in under-served Egyptian provinces. In 2014, CIRA launched Badr University in a middle-class neighborhood outside Cairo. The university has 16 schools, including medicine, engineering, social sciences, and humanities. We also are building a university in the Upper Egyptian province of Assiut that is expected to begin admitting students no later than spring 2023. The project is financed by the European Bank for Reconstruction and Development and will host the largest multidisciplinary campus in Upper Egypt. In addition, Cairo Egypt for Education, a consortium formed by CIRA and Elsewedy Capital Holding, will launch a private university in the delta city of New Damietta with a total investment of EGP 2.5 billion. We also acquired a 51 percent stake in early education startup Innovette for Education, with plans to invest EGP 50 million in launching 25 nurseries over the next four years.

### Is there anything else you'd like to add?

Land prices are increasing tremendously. I always want to raise the alarm to make sure it does not hit the educational sector. We need to learn from our mistakes. New Administrative Capital Authority needs to make sure the prices of educational enterprises remain stable to provide affordable services. If we let it run at the same pace the residential markets are running now, we will end up with the same problems we currently have in old cities. ■

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Chairman & CEO

Address: 7 El Nafoura Square,  
Mokattam  
Tel: (20-2) 2508-5092/3/5  
Fax : (20-2) 2508-3336

**Membership**  
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### Investment

**AL Ahly Capital Holding**  
Karim Saada  
Managing Director

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Zamalek  
Tel: (20-2) 2586-2760/1/2

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### Financial Sector

**Compass Capital for  
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Shamel Aboul Fadl  
Founder and Chairman

Address: Palm Central Office Build-  
ing, Palm Hills October, Sixth of  
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Tel: (20-10) 0179-9135  
Website: <https://compass-cap.com>

**Membership**  
**Type:**  
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Noshi Francis  
Chief Operating Officer COO

Address: 21 Misr Helwan  
Agriculture Road, Maadi Al Khabiri  
Ash Sharqeyah, Maadi  
Tel: (20-10) 0433-4533  
Website: [www.centrogs.com](http://www.centrogs.com)

**Membership**  
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Resident



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Haithem Arafa  
CEO

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Heliopolis  
Tel: (20-2) 2290-1862/ 2418-7310  
Website: [www.southsinai.com](http://www.southsinai.com)

**Membership**  
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General



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Yasmine Abdel Karim  
CEO and Co-Founder

Address: 57 Road 250, Maadi  
Sarayat, Maadi  
Website:  
<http://yallafelsekka.com/#/home>

**Membership**  
**Type:**  
General



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**Rixos Egypt**  
Nasser Abdelatif  
Founder

Address: 13 A Adel Hussein Rostom  
Street, Dokki  
Tel: (20-2) 3762-5976  
Website: [www.rixos.com](http://www.rixos.com)

**Membership**  
**Type:**  
Associate  
Resident



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**Al Rofaydah Hospital for Women  
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Omaira Idris  
Chairman of the Board

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Sheikh Zayed City, Entrance 2,  
Sixth of October  
Tel: Short No: 19166  
Website: [Rofayda.org](http://Rofayda.org)

**Membership**  
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Resident





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Middle East, North Africa, and Turkey  
(MENAT) Lead for Organon & Co.

**Membership**  
**Type:**  
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Resident

Address: New Cairo Financial  
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Tel: (20-2) 2614-1685  
Website: <https://organoncloud.sharepoint.com/>



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Chairman

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Associate  
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Address: 5 El Nabatat Street,  
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Website: [www.quattrotrade.com](http://www.quattrotrade.com)



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Khaled Aboutaleb  
Chairman

**Membership**  
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General

Address: Road 90 (2 Km following  
AUC), Fifth Settlement, New Cairo  
Tel: (20-2) 2759-0081/ 2759-0082  
Website:  
[www.katameyadunes.com](http://www.katameyadunes.com)



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Chairman

**Membership**  
**Type:**  
Associate  
Resident

Address: 4 Esraa Street, Floor 2,  
Mohandessin  
Tel: (20-2) 3302-5631



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Abdel Rahman Agami  
CEO

**Membership**  
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Associate  
Resident

Address: Plot No. 10B, Mohamed  
Naguib Axis, Mall 1, Floor 1, Fifth  
Settlement, New Cairo  
Tel: Short No: 16881  
Website: [www.skyaddevelopments.com](http://www.skyaddevelopments.com)



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Mohammed Hossain  
Chairman & CEO

**Membership**  
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Associate  
Resident

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Website: [www.tsf.com.eg](http://www.tsf.com.eg)



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**Talaat Mostafa Group**  
Mona El Helw  
Chief Commercial Officer

**Membership**  
**Type:**  
Associate  
Resident

Address: 34 Mossadak Street,  
Dokki  
Tel: (20-2) 3331-2000  
Website: [www.talaatmoustafa-group.com](http://www.talaatmoustafa-group.com)

**For any change to contact information, please  
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**Tel:** (20-2) 3333-6900, ext. 0016

**Fax:** (20-2) 3336-1050

**E-mail:** [membership@amcham.org.eg](mailto:membership@amcham.org.eg)



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##### Alia Hassan Nagui

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##### Mohamed Gazzarine

Board Member, Pharmaoverseas for Pharmaceutical Trade & Distribution (SAE)

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##### Mostafa Ibrahim

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##### Mohamed Seoudy

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##### Mohamed Mahgoub

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CFO, Duravit Egypt

**Category:** General

**Sector:** Building Material

**Mohamed Hassan**

Financial Controller, Solmax Geosynthetics S.A.E

**Category:** General

**Sector:** Chemicals

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Director of Marketing & Communication, Arab African International Bank

**Category:** Affiliate

**Sector:** Financial Sector

**Riham El Sawy**

Director Marketing Activation North Africa, Coca-Cola Egypt - Atlantic Industries

**Category:** Affiliate

**Sector:** Food & Beverages

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Managing Director, Al Ahram Beverages Co., SAE

**Category:** General

**Sector:** Food & Beverages

**Ayman Abd el Hameed**

Vice Chairman & MD, El Taamir Mortgage Finance – Aloula

**Category:** Associate Resident

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General Manager, Conrad Cairo Hotel

**Category:** General

**Sector:** Hospitality/Tourism/Travel

**Omar Gouda**

Chairman & Managing Director, Misr Insurance Holding Company

**Category:** Affiliate

**Sector:** Insurance

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Public Policy Director, Middle East, North Africa and Turkey, Facebook FZ-LLC

**Category:** Associate Non-Resident

**Sector:** Information Technology

**Mahmoud Al Yahya**

General Manager, Xerox Egypt, SAE

**Category:** General

**Sector:** Information Technology

**Karim Mohamed Farag**

Director, Country Manager, SC Johnson Egypt (A Family Co.)

**Category:** General

**Sector:** Industrial Machinery & Equipment

**Akram Hatem Kheir**

General Manager, Kheir Group

**Category:** General

**Sector:** Industrial Machinery & Equipment

**Heba Ali**

Managing Director, Endeavor Egypt

**Category:** Not-for-Profit

**Sector:** Non-Governmental Organizations (NGOs)

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Schlumberger Managing Director, Egypt, Sudan & East, Schlumberger

**Category:** General

**Sector:** Petroleum

**Nermeen El Nawawi**

Egypt Commercial Fuels Sales Manager, ExxonMobil Egypt, SAE

**Category:** Affiliate

**Sector:** Petroleum





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Vice President, Globaltronics SAE

**Category:** General

**Sector:** Power

**Samir Lebbar**

Senior Vice President, North Africa, Procter & Gamble Egypt, Ltd.

**Category:** General

**Sector:** Pharmaceuticals/  
Medical/Health

**Omar El Hamamsy**

Group CEO, Orascom Development Holding, Orascom Development

**Category:** General

**Sector:** Real Estate

**Amr Nabil**

Chairman & CEO Egyptair Airlines Company, EGYPTAIR Airlines

**Category:** General

**Sector:** Transportation

**Amr Abu Elenien**

Chairman & CEO Egyptair Holding Company, EGYPTAIR Airlines

**Category:** Affiliate

**Sector:** Transportation

### Change in Member Company

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Director of International Business, Professionals for Investment Banking PIB

**Noha Gibara**

Consultant, Streams for Technology Services

**Mohamed Serag El Dein**

Head of Corporate Affairs and Market Access, Viatrix Egypt SAE

**Hazem Badran**

Group Co-CEO & Managing Director, Palm Hills Developments

**Mohamed El-Koussy,**

CEO, Orange Egypt for Telecommunications



On behalf of AmCham Egypt's Members, Board of Governors and staff, we extend our deepest condolences to the family and friends of **Abd El Raouf El Tayebi**, Chairman, New Delta Plastic Corp. Mr. El Tayebi joined the Chamber in 2009 and was active in representing the chemicals sector.

*He will be dearly missed. May he rest in peace.*



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Email: ahmed.elmenawy@retail.bmw-eg.com

After Sales: Ahmed Ezzat:

Mobile: (20-10) 0481-6939

Email: ahmed.ezzat@bmw-eg.com

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Phone: (20 2) 2577-7444

Email: Basma.abdelrehim@hilton.com

Hilton WTC: Mohamed Fayez

Phone: (20 2) 2577-7444/ 2394-6981

Email: Mohamed.Fayez@hilton.com

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Phone number: (20-2) 3748-2424 / 3748-2828

Mobile: (20-10) 0160-4108

Email: reservations.cairo@safirhotels.com

For food and beverages reservations: Salah Lotfy

Phone number: (20-2) 3748-2424 / 3748-2828

Mobile: (20-10) 0150-9816

Email: salah.lotfy@safirhotels.com

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## A Glance At The Press

The government announces  
it will tax Youtubers

**"See that Youtuber, increase his tax  
rate because I don't like his content!"**

*Al Masry Al Youm, Sept. 29*



*Media Lite collates a selection of some the most entertaining offbeat and lighthearted news items published in the local press. All opinions and allegations belong solely to the original source publications and no attempt has been made to ascertain their veracity.*

### Menna Shalaby becomes first Egyptian nominated for International Emmy

The International Academy of Television Arts & Sciences nominated Egyptian actress Menna Shalaby for her first International Emmy Award for Best Performance by an Actress.

Shalaby received the nomination for her character Nour in the TV-mini series *Every Week Has A Friday* ('Fe Kol Esboa' Youm Gomaa'), directed by Mohamed Shaker. The show aired in April 2021. It tells the story of Layla, a woman with an unknown past, who suspects her husband, who is suffering from a mental disorder, is committing crimes every Friday.

"No words can express how honored I am," Shalaby posted on Facebook. "Thank you International Emmy Awards for the nomination. I feel incredibly overwhelmed, humbled, and happy to be the first-ever Arab actress nominated for her performance in an Arabic series."

The International Academy of Television Arts and Sciences (IATAS) selects the nominees and winners of the annual International Emmy Award, given to non-U.S. television programs.

This year marks the 49th International Emmy Awards, held in-person in New York City on Nov. 22. The IATAS announced 44 nominees from a record-breaking 24 countries across 11 categories for this year's event.

"We're so proud of our nominees and the record-breaking number of countries," said International Academy President and CEO Bruce Paisner in a statement. "To those who feared the pandemic would slow down TV production around the world, this is your answer."

Shalaby first acted in 'Al-Safer' (2001), a film directed by the late Radwan El-Kashef, for which she won Best Actress at the National Film Festival for Egyptian Cinema.

She has since starred in numerous films and television shows, working alongside some of the most talented actors and directors, like Youssef Chahine with 'Heya Fawda' (2007), Ahmed

Abdallah with Microphone (2010), and Yousry Nasrallah with *After the Battle* (2012). Shalaby has won over 13 international awards so far.

*Every Week Has a Friday* has an 8.4 rating and excellent reviews on IMDb. It also stars Asser Yassin, Sawsan Badr, Arfa Abdel Rassoul, Khaled Anwar, and May Elghety.

*Egyptian Streets, Sept. 24*

### Naguib Mahfouz Museum tells the Nobel laureates life

The Naguib Mahfouz Museum, which opened this year, exhibits the works and possessions of the famed Egyptian Nobel prize-winner in literature.

The museum consists of two floors, each measuring 1,600 square meters. The first floor hosts several libraries, including a general one displaying 165 books, an academic library with 119 books, Mahfouz's personal library with 1,091 books on art and literature, and 266 books penned by Mahfouz alongside their translated copies.

The second floor has several halls, including the Nobel Hall, dedicated to displaying Mahfouz's Nobel medallion and certificate along with the other certificates, medals, and awards he obtained throughout his life.

The Biography Hall displays Mahfouz's personal belongings, including clothes, glasses, pens, papers, letters, hand-written manuscripts, and his private desk.

The Alley Hall highlights Mahfouz's life featuring a film on the neighborhood he lived in, which inspired much of his writings. There is also a Filmography Hall containing footage from the movies based on his books.

The museum is in the Mohamad Bek Abu Al-Dahab Complex, built in 1774 under the Ottoman rule and located beside the main entrance of Al-Azhar Mosque.

*AlAbram Online, Sept. 29*



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