Business monthly

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March 2024

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MISR ITALIA PROPERTIES

IL BOSCO COMMERCIAL HUB Reveal: Misr Italia Properties Hosts Grand Ceremony, Announcing Signed Agreement with Marriott International and Highlighting Radical-1 Success

During a momentous ceremony held at Cairo Business Park, East Cairo's entrepreneurship and innovation hub, Misr Italia Properties (MIP) reveals IL BOSCO Commercial Hub, where the leading real estate developer in Egypt announced its signed agreement with Marriott International for Marriott Executive Apartments and Westin Residences in the Vertical Forest, the first in Middle East & Africa. The ceremony also featured the unprecedented success of the commercial development of their flagship project in the New Administrative Capital, Radical-1.

The event witnessed the presence of industry leaders, influential personalities, media representatives, partners, John Hearns, Senior Vice President, Global Residential Operations at Marriott International, and MIP's top management including Eng. Mohamed Hany El-Assal, CEO and Managing Director of MIP, Eng. Mohamed Khaled El-Assal, CEO and Managing Director of MIP, Mr. Karim El-Assal, CEO of MIP.

The reveal of MIP's IL BOSCO Commercial Hub unveiled Radical-1's success to date as well as showcased the agreement between MIP and Marriott International for Marriott Executive Apartments & Westin Residences inside MIP's Vertical Forest, a unique architectural landmark, aiming to redefine the hospitality and residential experience in the heart of the New Administrative Capital. The event offered attendees the opportunity to indulge in unique lively experiences, and the highlight of the evening was ending the night with a captivating musical performance by the world-renowned musician Omar Khairat.

"We are thrilled to celebrate the culmination of our efforts within IL BOSCO Commercial Hub", stated Eng. Mohamed Hany El-Assal, CEO and Managing Director of Misr Italia Properties. "This event marks a new significant milestone in our journey towards reshaping urban landscapes and pioneering sustainable development practices in Egypt. We also commemorate the achievements of Radical-1 since its launch, highlighting our dedication to supporting entrepreneurs and our commitment to enhancing the quality of our customers' life. Designed by the esteemed global firm CallisonRTKL, Radical-1 has emerged as a symbol of innovation, solidifying MIP's position as a leader in the real estate sector. The project offers adaptable and customizable office units supported by modern solutions and services, attracting entrepreneurs and reflecting our comprehensive strategy to foster entrepreneurship and innovation."

"IL BOSCO Commercial Hub represents one of the greatest achievements in our journey in the New Administrative Capital, reflecting our success in both residential and commercial sectors," said

Eng. Mohamed Khaled El-Assal, CEO and Managing Director of Misr Italia Properties." Through our signing with Marriott International, we will be able to leverage the company's expertise in hospitality. This agreement aims to offer residents a unique residential experience within one of our distinctive projects, the Vertical Forest. The presence of Marriott Executive Apartments and Westin Residences within the Vertical Forest ensures unmatched amenities and world-class hospitality for the residents. The Vertical Forest, masterfully designed by the renowned Italian architect and urban planner, Stefano Boeri, spans 11.4 acres and integrates 570 trees into three buildings, aiming to decrease the carbon footprint, with a total investment of EGP5 billion. "

For his part, Mr. Karim El-Assal, CEO of MIP stated "We have selected Cairo Business Park, East Cairo's beacon of light, as the venue for our ceremony. This project stands out not merely as a business park, but as a fully integrated hub for entrepreneurship and innovation. Our celebration at Cairo Business Park underscores the remarkable success of our innovative vision, epitomized by the pioneering standalone business building, alongside a business hotel, administrative and commercial spaces, retail outlets, fine dining restaurants, and a tailored ecosystem for entrepreneurs and startups. With this comprehensive unparalleled concept, Cairo Business Park was once a dream that became a reality, and a reason to believe that we did it once and we can do it again soon in IL BOSCO Commercial Hub."

"We're excited to work with Misr Italia Properties on this exciting property, as we have been waiting for a very long time for the right developer, one with a very strong record in the local market and the right location to bring the Westin Residences brand to Egypt" commented John Hearns, Senior Vice President of Global Residential Operations at Marriott International. "Branded Residences have been growing around the world, and I am confident IL BOSCO Commercial Hub will be the perfect place for the new Westin Residences."

IL BOSCO Commercial Hub is part of MIP's flagship project in the New Administrative Capital, IL BOSCO, which unveiled the first integrated livable zone in the NAC last month, that includes villas, apartments, a sports club, and a vibrant community center with pool, offering its residents with a better quality of life. The residential area spans over 200 acres and features both villas and apartments zones, with units standing amid wide green spaces with a distinct view of the Green River and the largest central park in the world.

About Misr Italia Properties:

Since its inception in 1995, Misr Italia Properties (MIP) has established itself as a leading Egyptian real estate developer, known for its innovation, diversity, and commitment to quality. With a portfolio of 25 residential, commercial, and hospitality projects spanning a total land bank of 7.1 million sqm, MIP consistently delivers excellence across various sectors. Flagship projects include IL BOSCO, Vinci & Vinci Street in the New Administrative Capital, La Nuova Vista, IL BOSCO City, Garden 8, Cairo Business Park in New Cairo, Kai Sokhna in the Red Sea, and Solare Ras El Hikma.

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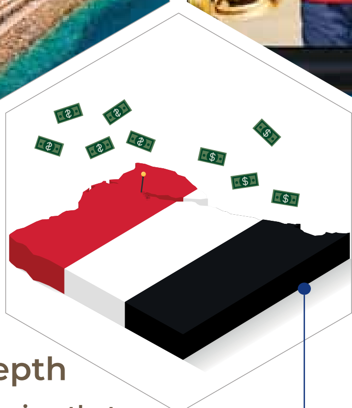

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NEW APPROACH?

This month's cover story looks at local industries that have long been in the government's peripheral vision and don't require dollars but could generate dollar income.

First is the creative (orange) economy, which comprises businesses that rely on creativity in arts, photography, performing arts, individual talents, and cultural products.

The second is the digital platform (gig or freelance) economy, where skilled locals use technology to execute projects for foreign companies.

While requiring a dollar component, the franchise business model could prove a shortcut to success for SMEs, whether they seek agreements with foreign or local companies. For the latter, that business model could prove a "shortcut" to expanding their domestic presence with minimal risk and upfront costs.

The last topic the cover story tackles is legal protection of intellectual property, which is essential to promoting the orange and franchise economies. Egypt has long lagged behind other nations globally and in MENA. But recent efforts promise noticeable improvement.

Elsewhere in this issue, we look at the latest product marketing trends that will be evident this Ramadan. We also look at the 2024 U.S. presidential election and what it would mean for MENA if Democrats (incumbent Joe Biden) or Republicans (most likely Donald Trump) win.

Citigroup's David Cowan shares his analysis of Egypt's economy and we talk to Antony Cook of Microsoft about regulating artificial intelligence in the region and other emerging markets.

By the time you read this, it should be almost Ramadan ... Ramadan Mubarak to you and your loved ones.

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REVERSAL OF FORTUNE

The UAE to the rescue! It seems that geopolitics are dictating the economic scene. Just a few weeks ago, the sentiment on Egypt was somber, to put it mildly. And now, as I write this, a major turnaround is in the works, moving forward at an accelerated pace.

Do we really believe in miracles? I wouldn't dream of suggesting the Ras Al Hikma deal with the Abu Dhabi Developmental Holding Company (ADQ) is an act of God, but that seems to be the narrative making the rounds, even in the state media. Some religious TV stars are calling our good fortune a miracle, as if we have been dragged back to the Middle Ages, but I feel that is an insult to the intelligence of the Egyptian public.

In any event, the Ras Al Hikma deal is a monumental reprieve from our dire economic situation. It also paves the way for other rescue packages including a new International Monetary Fund (IMF) agreement and other repackaged support programs with the European Union and The World Bank.

As we celebrate our change of fortune, we must remember that our economic straits were caused by poor policies and poor economic judgement. The main concern now is the easy money that comes from selling state land is a symptom of Dutch Disease, where the quick influx of cash from exploiting a new resource (such as oil or undeveloped land) negatively impacts other more sustainable sectors.

One would hope we've learned our lesson and are ready to take on the arduous task of redirecting the economy. It is time to move toward a productive economy with industry, agriculture and technology as the pillars of job creation, exports and a transition to the 21st century.

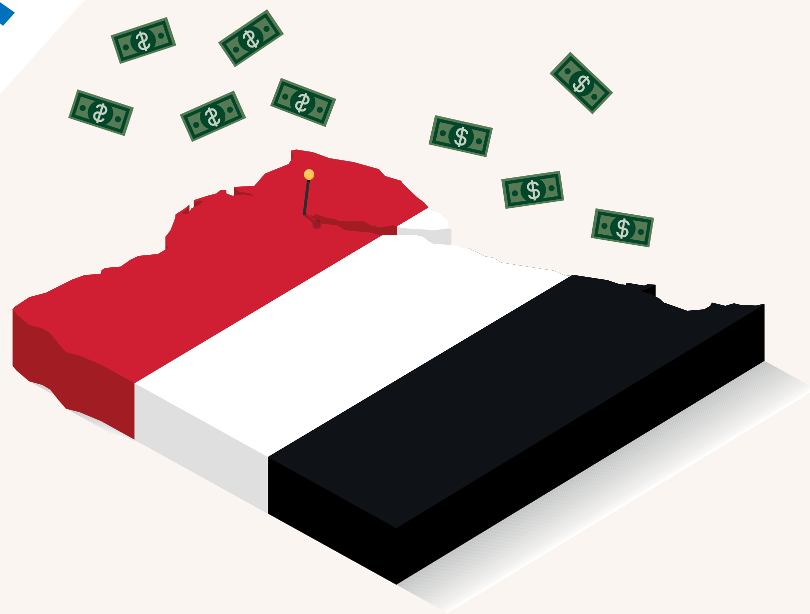
While foreign currency generators like services, tourism, oil and gas, Suez Canal revenues, divestiture of state-owned enterprises and even land sales are much-needed accelerators toward that more productive economy, they should be treated as tools, not targets on this journey. As we have seen time and time again, they are too susceptible to volatile external forces, making them unsustainable.

If we aspire to become a regional economic powerhouse, the whole country has to be on the same page, with a clear economic policy and a clear direction for empowering the private sector. And the government must wean itself off the fragmentation and self-serving silo dynamics of state agencies.

With this new kiss of life, the future is now in our hands. It is time to get our house in order and create a future that every Egyptian deserves.

TAREK TAWFIK
President, AmCham Egypt

THE NEWSROOM



RAS EL HIKMA PROJECT TO BRING IN $150 BILLION TO EGYPT

Egypt's Prime Minister, Mostafa Madbouli, has revealed that the development project of Ras El Hikma city on the North Coast is the biggest foreign direct investment deal in Egypt's history.

The project is in partnership with the UAE to develop Ras El Hikma City, which extends over 170 million square meters.

The UAE will invest nearly $150 billion throughout all project phases, and $35 billion will be injected into the national economy within the next two months, Madbouli said. He added that this is the largest foreign direct investment in the country's history. The State will get 35% of the project's profits.

It will encompass residential districts, international hotels, tourist resorts, expansive entertainment venues, service facilities such as hospitals, schools and universities, administrative and service buildings, a free economic zone for information technology industries and logistics hubs, and a central business district that would house global companies.

The project should attract 8 million tourists to Egypt upon completion.

The State Information Service reported that the project aligns with the "2052 Urban Development Plan, [which] includes developing the cities of El Alamein, Ras El Hikma, El Negila, Sidi Barrani, Jarjoub, Matrouh and Sallum to accommodate millions of people and provide millions of job opportunities for Egyptian youth."

NORWEGIAN DEVELOPER TO BUILD SOLAR PLANT IN NAG HAMMADI

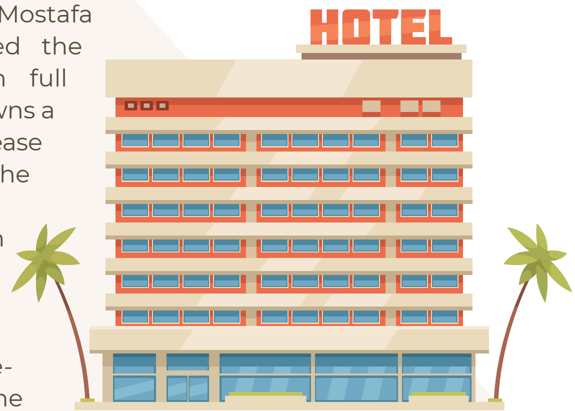
On the sidelines of Egypt Energy Show EGYPES 2024 in February, Norwegian renewable energy producer Scatec ASA signed an agreement with Egyptalum (Misr Aluminium Co.) to set up a 1 gigawatt solar power plant at Egyptalum’s complex in Nag Hammadi.

The project’s first phase is set to be completed within 18 months, while the second phase will take 24 months.

In December, during COP 28, Scatec signed agreements with Egyptian Electricity Holding Co, to establish the first 1 gigawatt solar and 200 megawatt battery storage project in Egypt. According to Scatec's press release, African Development Bank Group (AfDB) signed a letter of intent to finance the project.

Scatec also signed an MoU for a green methanol project worth $1.1 billion with the Suez Canal Economic Zone (SCZone) to fuel ships at the East Port Said Port.

TALAAT MOSTAFA'S ICON ACQUIRED 7 STATE-OWNED HOTELS



In February, Egyptian real estate developer Talaat Mostafa Group's (TMG) hospitality arm ICON completed the acquisition of seven state-owned hotels with full management rights. Under the acquisition, ICON owns a majority equity stake of 51%, with which it will increase the capital of Legacy Hospitality Co., the owner of the hotels.

The deal is valued at $882 million financed through ICON's internal resources and an international strategic investor, resulting in one of the largest foreign direct inflows into Egypt.

"ICON's total number of owned and to-be-developed rooms will reach 5,000, making TMG the largest luxury hospitality platform in the country," TMG said in a disclosure statement to the Egyptian Exchange.

The acquisition aligns with TMG's strategy to maximize the company's revenue income activities in the medium term, "boosting its foreign currency resources, as well as creating additional spare liquidity for future dividend payouts and reinvestment in quality recurring income assets," TMG noted.

The seven hotels acquired by ICON are the Sofitel Legend Old Cataract Aswan, Mövenpick Resort Aswan, Sofitel Winter Palace Luxor, Steigenberger Hotel Tahrir, Steigenberger Cecil Hotel Alexandria, Marriott Mena House Cairo and Marriott Omar Khayyam Zamalek.

VISA PARTNERS WITH CENTRAL BANK DIVISION

Visa signed an agreement in February with the Central Bank of Egypt's technology arm Egyptian Banks Co. (EBC), developer and operator of national payment networks to facilitate and enhance the process of international remittances for expats.

As announced by Visa, the partnership aims to leverage Visa's advanced digital financial services and EBC's technological infrastructure to introduce innovative solutions for electronic payment services and digital wallets.

The agreement comprises two key projects. The first project will allow customers to seamlessly transfer funds from Visa-linked accounts outside Egypt into registered customers' accounts through InstaPay.

The other project will facilitate transfers from banks and financial institutions to beneficiaries in Egypt via the Instant Payments Network, using IPN's phone number or user name directory.

"The collaboration between Visa and EBC aims to expand the user base of the InstaPay application beyond Egypt by utilizing Visa's global presence," said Tarek Raouf, executive chairman and CEO of EBC.

SAUDI SAFARI PLANS FAMILY ENTERTAINMENT CENTERS IN CAIRO

Saudi Safari Group plans to allocate EGP 1 billion ($32.4 million) for family entertainment businesses in the Egyptian market by 2030.

The first of Safari Group's investments is opening the first Egyptian branch of Chuck E. Cheese, a U.S. chain of family pizza restaurants and game arcades, in west Cairo's Royal Park Mall.

Ali bin Saleh Al Sagri, executive vice president of Safari Group, said the group aims to open more branches of Chuck E. Cheese in Cairo, Alexandria and Sharm El-Sheikh, as well as in Turkey and Morocco.

TURNING THAT 'ELUSIVE' CORNER

With Egypt facing an unprecedented economic crunch, David Cowan, Africa economist at Citigroup, told an AmCham meeting in February it's "very difficult" to anticipate how the situation in Egypt will play out.

by **Tamer Hafez**

Africa is witnessing unprecedented long-term economic complications as three global crises coincide, threatening the GDP growth outlooks and the continent's countries under significant economic pressure.

Climate change will be a constant factor, disrupting food supplies and raising prices. Meanwhile, foreign currency inflows to the continent are declining as inflation increases and other metrics turn negative. The third crisis is that governments and central banks are maintaining loose monetary policies and allowing fiscal deficits to widen to stave off recession, as they can't afford to enter a recession. "I call those the 'Bad 3,'" David Cowan, Africa economist at Citigroup, said at a February AmCham Egypt meeting.

He noted Egypt is suffering from those crises. Annual inflation rates were more than 30% from February 2023 to December before dropping just 0.2% in January. Food inflation was worse, dipping below 60% only twice during the same timeframe. Meanwhile, Central Bank of Egypt (CBE) data shows FDI fell more than 35% from a 10-year high in December 2022., while the fiscal deficit remains above pre-pandemic levels.

Those events happened despite the CBE increasing rates twice from 16.25% to 19.25% between February 2023 and December.

Inflation and low foreign investments cause another massive problem in Egypt's financial system: adding pressure on the pound's exchange rate. "Inflation rates play a critical role in the confidence in the local currency," said Cowan. "Egypt has very high inflation rates." Meanwhile, a foreign investor exodus weakens the pound and strengthens foreign currencies. The departure also sends negative signals to other foreign investors considering Egypt.

Further compounding Egypt's economic problems is that external (foreign currency) debts have been increasing in a near-linear trajectory since 2015, more than quadrupling.

That puts Egypt precariously close to a stagflation scenario, where GDP shrinks as prices increase, further fueling recession. In February, the IMF projected GDP growth below 3% for Egypt in 2024, down from 3.2% in the October forecast. That is a severe decline from 2022 when GDP grew nearly 6.5%. "There is a lot of pressure on GDP growth," said Cowan, adding, "We are not yet at stagflation. But its causes remain."

Egypt's "peculiarities"

CBE's foreign currency policy has always been to delay significant devaluations until it's no longer feasible to keep rates nearly stable. In late 2016, the pound (which had lost 27% of its value over the previous two years) lost half its value in under a month in order to secure a $12 billion extended fund facility from the IMF. It halved once more at a slower pace from March 2022 to March 2023 after remaining mostly stable since September 2020.

That CBE policy didn't significantly damage Egypt's economy before 2020, as wealthy nations had near-zero interest rates with minimal movement. "That enticed Egypt to keep the foreign exchange rate stable to attract portfolio investors who were buying [interest-bearing emerging market] government debt," Cowan explained. "At the peak, foreigners had invested $35 billion in the domestic debt market."

That dynamic changed in 2021 as the world was coming out of COVID-19 lockdowns at various speeds, causing logistics bottlenecks that pushed up global prices. "At the time, the world increased interest rates to cut inflation by lowering demand for goods," he said.

The U.S. Federal Reserve (Fed), whose monetary policy is a benchmark for emerging markets, increased its funds rate from less than 1% in early 2022 to 5.6% at press time. "Foreign investors pulled back from Egypt because local interest rates were not high enough," Cowan said.

Despite those changing circumstances, CBE policy remained unchanged. "The problem with holding a currency at a stable exchange rate for that long [almost 12 months since late March 2023] is it tends to suck in imports," he said. "Egypt's import bill went from $6 billion to $8 billion at the time."

Further adding to Egypt's problems in 2022 was the war between Ukraine and Russia, which supply almost all the country's grains and edible oils. The ongoing Gaza Strip conflict is indirectly causing the nearly complete blockage of the southern entrance to the Red Sea. "Egypt is losing $100 million a month in revenue from the Suez Canal because of the situation in the Red Sea," Cowan said. "We don't know how it will play out."

That pushed the government to increase borrowing from local banks and international institutions to maintain foreign currency levels and finance government-led investments, notably the construction of the New Administrative Capital, Cowan said.

With Egypt's foreign currency debt rising nearly 48% from 2020 to press time, markets became increasingly reluctant to lend Egypt in 2021 and 2022, Cowan said. He explained that one of the primary reasons for the exclusion was that nations with economic, social, and political structures similar to Egypt had either defaulted (Zambia and Ghana) or did not expect to meet their obligations in the short term (Pakistan, Kenya, Nigeria, and Tunisia).

IMF and Egypt

In mid-2022, the government sought IMF support for the fourth time since 2020 to counter foreign portfolio investors' $20 billion exodus earlier that year. "That deal was for a small amount ($3 billion) over four years," said Cowan. Meanwhile, $14 billion would come from "Egypt's international and regional partners," the IMF said in December 2022. They would invest mainly in divested state-owned assets, it added.

Cowan said one condition for approving the 2022 Extended Fund Facility was putting Egypt under "enhanced surveillance." It requires the government to promptly share all requested data from the IMF. "The complexity with that is the general lack of transparency in Egypt," Cowan said.

Egypt got off to a good start by privatizing several state-owned companies worth more than $5.6 billion and devaluing the currency by nearly 23% in early 2023. "However, those efforts nearly stalled," said Cowan. First, there was a slowdown in the pace of privatization in 2023, followed by a complete "freezing" of all reforms during the presidential election. "The resulting delay meant much-needed foreign currency inflows to Egypt didn't come," he said.

That resulted in Egypt skipping the IMF's first and second reviews to release the second and third tranches of the $3 billion facility. In June 2023, Egypt's President Abdel Fattah el-Sisi poured cold water on plans to devalue the pound, saying an official devaluation would "hurt Egypt's national security." At press time, the black market rate was over twice the official one, indicating that "Egypt had fallen off the program," Cowan said.

In January, an IMF delegation came to Egypt to discuss the outstanding funding facility agreement. After the visit ended in February, IMF's Managing Director Kristalina Georgieva said the fund is "seriously considering" boosting its loans to Egypt to counter the economic fallout from Gaza if the country could pass the postponed first and second reviews.

Policy shift?

Cowan estimates the "lack of adjustment in the Egyptian pound since 2023 against the backdrop of high inflation rates [means the] pound was overvalued by around 15% to 20%" by the end of last year.'"

However, devaluation of the pound's official rate won't be enough. Cowan explained the government must first show unwavering commitment to actively offering more dollars via commercial banks to private-sector companies to import what they need to sustain domestic operations.

The second step before an official devaluation is for the government to clear a significant portion, if not all, of the backlog of goods stuck in customs. It has been increasing for almost a year because local importers don't have enough dollars to clear them.

Those two steps should build "confidence among companies that, whatever the exchange rate is, they can get dollars when they need them via official channels," Cowan said. "Businesses want predictability [that guarantees dollar supply] over stability. Businesses will adapt and adjust their pricing structure accordingly."

Such a commitment could prove a tall order for the government. "We don't have confirmed figures, but Egypt's backlog is particularly large," Cowan said. He added that Citi Group estimates it at between $8 billion and $12 billion, making it the highest in Africa.

That foreign currency crunch has not slowed down government-led investments, which the state admitted to local and international media have a "foreign currency component." There have been no official announcements about halting the building of roads and bridges and the two new rail systems (monorail and high-speed train). Meanwhile, Khaled Abbas, chairman of the Administrative Capital for Urban Development, the company building the New Capital, told the media in November 2023 that planning for phase two of the capital had started, worth between EGP 250 and EGP 300 billion.

What next?

Cowan believes there are too many scenarios with unpredictable outcomes at play in Egypt. Complicating that situation is that "there doesn't seem to be an off-the-shelf policy answer."

The first uncertainty relates to the GCC's stance toward Egypt. The geopolitical instabilities to their north in Gaza and south in Yemen could make Gulf countries more open to helping Egypt if its problem is solely about more dollars. "Saudi Arabia and the UAE have problems around them," Cowan said. "That could make the idea of having problems in Egypt less palpable."

The other uncertainty is whether getting another massive IMF loan would help Egypt out of its current economic problems. "If the program goes as planned, Egypt's debt to GDP ratio will [drop by 0.7%] to 88%," Cowan said. "The real problem most don't consider is that interest equals 8% of Egypt's GDP. That is crippling for any government. Morocco pays 2.5% of GDP, while South Africa pays 4%."

Despite such worrisome figures, Cowan stressed, "From an economist perspective, Egypt is not going to default on its loans in the coming year or two." He added the IMF's incoming extended fund facility will see to that.

However, he emphasized the government needs to take a step back, given that "the issue of default has not gone away, as Egypt still has high debt levels that will only increase."

Local banks with no ties to foreign parent banks will likely be the first affected if the government's finances fail to improve in the coming few years. "If banks take a hit on their future revenue projections, that is a problem," Cowan said. "The government would need to recapitalize them, especially if they are the larger state-owned banks."

Cowan said the silver lining of that scenario is that "GCC banks might be interested in buying those distressed banks."

Nevertheless, he worries about what would happen if the state devalues the pound to its fair value against the dollar and completely clears the import backlog. "Would the government be enticed to hold that rate steady for a few years, as it did in 2016?" he said.

That would be a significant mistake as Cowan predicts that "in the coming three to four years, dollar inflows will always be less than demand, so the government will need to borrow more to meet that demand."

Cowan stressed the long-term sustainable solution to Egypt's foreign currency exposure risk is for FDI growth rates to be higher than the interest rates of outstanding foreign currency debts. "Those proceeds must flow to the Central Bank," Cowan said. "The next step would be to put mechanisms in place ... [to manage] those proceeds between reducing government debt and stimulating revenue-generating economic activity." ■

Customizing the *Holy month*

Ramadan is known for significant increases in food and beverage consumption. Companies need to employ the latest marketing trends and capitalize on the uniqueness of the month to stand out from the competition.

by **Fatma Fouad**

Festive buying gives marketers an unprecedented opportunity to strengthen their brand footprint by tapping into customers' festive spirit, creating an emotional connection. According to ObjectSol Technologies, a software development company, "Festive seasons present a golden opportunity for businesses to boost sales and enhance brand visibility."

There is no more festive event than the holy month of Ramadan, which starts this year on March 10 and ends on April 9. It is a season that witnesses changes in marketing strategies to adapt to significantly more consumption. "Ramadan retail sales were projected to reach $66 billion in 2023, despite the impact of inflation," said Lynn Mazloum, principal strategy and insights manager at Google Dubai, on the Think with Google website in December. She forecasts that Ramadan sales would exceed the value reported in 2024.

During Ramadan, consumers shop for various products, including food, decorations, and clothing. George Maktabi, CEO of Webedia Group MENA, a media and technology company, told Arab News in 2023 that MENA countries have "one of the highest numbers of paying users in the world."

Additionally, understanding the digital market and social media trends should help businesses engage better with those audiences, maximizing sales. During Ramadan, people spend more time online, with 74% of people spending that extra time on social media, said TGM 2023 Global Ramadan Survey.

Changing spending

Businesses should be mindful of the changing nature of their customers' needs and priorities during Ramadan by connecting consumers with what they care about. According to a February report titled "2024 Ramadan Strategy; Illuminating Pathways for Unforgettable Marketing Moments" by marketing company Assembly, "38% of MENA shoppers prepare three weeks before Ramadan or earlier."

The season usually witnesses fierce competition among brands. However, this year will see significantly tougher competition as consumers weigh their options against a backdrop of increasing prices. "Amid rising inflationary pressure and global uncertainty, prices are seeing growing scrutiny across markets and categories in MENA," said Mazloum. She added that 86% of regional consumers think Ramadan is the ideal time to find the best deals.

Meanwhile, higher consumption during Ramadan means consumers are more open to trying new products from different producers. Therefore, a brand's reach should be inclusive and offer higher incentives than competitors. Mazloum pointed out that three of 10 MENA consumers said they purchased from a new brand or retailer in 2023 because they were cheaper. "This is especially the case for food and groceries, with price searches related to this category seeing 75% year-on-year growth in Egypt," she added.

Timothée Desormeaux, co-founder and managing partner of Acquisit, a marketing company, said their research foundthat 77% of consumers are more open to trying new products during Ramadan. Therefore, brands should focus on attracting both new customers and retaining existing ones. "The same purchase with the same nominal value but coming from a new client is worth twice as much for me than the purchase coming from an existing client," he said.

Ramadan is also marked by giving and charity. The Assembly report shows that "30% of MENA shoppers buy gifts relating to the importance of generosity and giving during this holy month."

Online Ramadan

In the ever-changing landscape of marketing trends leading up to Ramadan 2024, businesses should embrace strategic digital marketing tools to connect with Muslims. Heba Al Nabulsi, director of solution consultants at Emplifi, a customer engagement platform, noted in May 2023 that Ramadan presents "a great opportunity for brands and businesses to be inclusive."

Social media platforms play a pivotal role in brands' interaction with consumers. "Social media is ingrained in today's world," said Nablusi. "It's how brands interact with the modern consumer."

Video content dominates marketing trends on social media and has proved a boon for businesses looking to stand out in the market. "Video content has been regarded as a game changer for increasing brand awareness," according to Vidzy, an advertising company, in a November LinkedIn post,

In December, Giannis Kollias, creative strategist at Google, highlighted that "regional consumers consider YouTube, a Google subsidiary, their main window to the world during Ramadan. In fact, 53% say the platform enables them to find the exact content they want at any moment, ranking significantly higher than TV."

Meanwhile, Aref Yehia, head of business partnerships for retail and e-commerce, global business solutions at MENA TikTok, said people spend more time on TikTok during Ramadan, averaging 91 minutes per day, 24% longer than usual.

Despite the significant growth in online video viewing during Ramadan, there is still a growing demand for TV. Regional research firms Dubai International Content Marketing and E-Ramadan Content Market's Ramadan report published in June 2023 said, "More than 50% of yearly acquisition budgets are spent on Ramadan grids as broadcasters and platforms scramble to gain a competitive advantage."

Tailored content

Content during Ramadan takes on a distinct character as it caters to the cultural and religious spirit of the holy month. Kollias emphasized the importance of brands aligning their advertisements with either traditional or emerging Ramadan values that appeal to their target audience.

Unlike “traditional values” that involve spiritual inspiration that people relate to, he noted that “emerging values” like well-being and sustainability may bring new opportunities for brands to utilize advertising space that is still new and unclaimed.

However, brands cannot accurately predict how audiences will react. Kollias advised that if a brand opts for an “emerging value,” it must ensure a strong brand connection to make a lasting impact.

One way to achieve marketing goals is by collaborating with social media influencers. According to Meta's Ramadan 2024 Marketing Guide, "59% of shoppers or observers are more likely to trust a brand that partners with a trustworthy creator."

It also noted that Ramadan is a crucial moment for brand storytelling, primarily through creator partnerships, given higher video consumption during Ramadan.

The timing of posting content plays a crucial role in reaching audiences across social media platforms. According to Muslim Ad Network, an online advertising platform, "Prime time during Ramadan is the rush hour between Iftar and Suhoor."

However, with the profound role of entertainment platforms, Yehia stressed that Ramadan's prime time is now happening during the course of the day. Therefore, brands can go beyond traditional advertising by "crafting authentic narratives," he said. "This approach allows for a more profound and lasting connection with consumers, making the brand an integral part of their lives."

Tight-belt budgets

In 2024, rising prices due to the high demand may hurt Ramadan celebrations in Egypt. In February, the Egyptian State Information Service said, "Market experts attribute the continuous increase in commodity prices to the devaluation of the Egyptian pound against the US dollar in the parallel market, as the country faces a foreign currency shortage." At press time, inflation was 29.8%, breaking the 30% mark for the first time since February 2023.

According to data aggregator Trading Economies, food prices increased by no less than 47.9% in January compared to the same month in 2023. Those inflation figures prompted the government in February to announce a 50% rise in the minimum wage reaching EGP 6,000 per month for state workers, effective in March.

The mix of high prices and potentially higher disposable incomes requires businesses to plan Ramadan deals and discounts effectively by using a strategic approach that not only attracts customers but ensures profitability in the long run.

While discounts in the holy month are always attractive, Desormeaux of Acquisit noted his company plans to utilize a new mechanism in Ramadan 2024 to attract customers using discounts and gathering a larger amount of data.

That new approach will enable users on the website to "unlock an additional level of discount in exchange for declarative data that can be used to enrich CRM (customer relationship management) data," said Desormeaux in a breakfast briefing by Campaign Middle East magazine in February.

Changing advertising

Personalized ads make customers' shopping experience more seamless and convenient. According to the Assembly report, "71% of shoppers agree it's easier to complete Ramadan shopping with personalized product recommendations."

Employing AI personalization tools and chatbots can help brands effectively reach their customers. "AI has opened up unforeseen and immense potential for digital marketers. This technology makes everything faster and more available. Still, it also requires a greater degree of thoughtfulness," said Edina Baur, director of growth marketing for Europe, the Middle East, and Africa at Google, in November.

Implementing real-time engagement through AI chatbots on brands' social media messaging systems can make audiences feel more connected to businesses, especially during the busy period of Ramadan. That makes it easier for customers to get instant responses to inquiries. The Meta guide said, "66% of Ramadan shoppers and observers feel more connected to a business or brand through instant messaging."

Mazloum noted on Think with Google in December that AI will not replace human input. Instead, marketers will still need to be in the driver's seat. However, AI can assist marketers in "expanding on more complex and ambitious creative ideas."

As a consequence of leveraging AI, Mazloum said brands also can bring ads and other content to life faster and with a higher production value. That allows for more efficient optimization of ads and rapid scaling across platforms.

BUILDING A BETTER ECONOMY

Amid Egypt's ongoing foreign currency shortage, companies across almost all industries are suffering. A few that require minimal or no foreign currency component could prove to be resilient. Meanwhile, franchising and improving intellectual property protections could be a quick way to rebuild a more robust private sector.

By **Tamer Hafez**

OUTSIDE THE BOX

Facing an ongoing dollar crunch, Egypt should look to its creative (orange) economy as it requires no foreign currency component.

Since 2022, the shortage of foreign currency in Egypt has been a significant concern for the government, businesses and investors. As of Feb. 9, the pound's black market exchange rate was twice the official one as the government announced new import restrictions to curb dollar outflows.

Sectors that require little or no foreign currency and whose products or services can be exported easily are vital for boosting dollar inflows. Enter the orange (creative) economy, which includes traditional handcrafts, photography, sculpting, and other works of art. It also covers architecture, fashion designs, recorded and live visual and audio entertainment, and fiction and non-fiction literature. That economy also includes video game development and multimedia content.

Despite its advantages, the orange economy contributes little to Egypt's foreign currency inflows. UNCTAD (the UN Conference on Trade and Development) estimated it accounted for 2.6% of exports in 2022.

But that could grow significantly. Research by the Egyptian Center for Strategic Studies (ECSS) expects the global creative economy, comprising 196 product and service categories, to rise by 40% between 2022 and 2030.

A significant advantage for Egypt is that most consumers of orange economy products and services are citizens of wealthy nations who can afford to pay a premium. At the top of the list are the United States, Hong Kong, Europe and China, according to the ECSS.

Orange economy

In 2002, architect John Hawkins coined the phrase "orange economy" in his book, "The Creative Economy: How People Make Money From Ideas." Research from BBVA, a financial services group, said it "refers to everything developed by people's creativity and inspiration that becomes a good or service. It covers everything from a toy to a play, including most scientific aspects of R&D."

The likely reason for choosing orange to describe the creative economy is that "people often associate orange with optimism, confidence, enthusiasm, [helping them] feel outgoing or even bold," noted Verywell Mind, a mental health and wellness digital platform.

Globally, the orange economy has always been huge. Felipe Buitrago, author of the 2013 book "The Orange Economy: Infinite Opportunities," estimated that if the entire creative economy were bundled into one product, it would be the fifth biggest seller in the world, with spending 2.5 times more than the world's military expenditure.

UNESCO acknowledged the importance of the orange economy and the need to support artists and creators by designating 2021 the "International Year of Creative Economy for Sustainable Development." "Many artists and cultural professionals have been ineligible for social and economic assistance [post COVID-19 lockdowns] that saved workers in other sectors," said UNESCO. "While we consumed cultural content online more than ever before, artists and creators rarely received fair remuneration for our clicks and views."

That trend has since reversed. "In today's new production models, knowledge, tradition, skill, creativity and talent are creating the most wealth in the world," said Spanish bank Santander in September 2022.

Egypt going orange

According to the ECSS, the government has been increasing private sector investment in the orange economy by building a "more conducive environment" for local and foreign entrepreneurs and creators to "help them develop their products and patent their brands to compete on the international scene." The term "creator economy" even appears in the Egypt Vision 2030 document as the first goal in the "Support Cultural Industries" pillar.

In a December 2023 article on state-owned news agency Al Akhbar Almsaey, reporter Maha Talaat said the orange economy helps Egypt tackle poverty (sustainable development goal, SDG,1), reduce gender and inequality (SDGs 5 and 10), create decent work and economic growth (SDG 8), and boost industry and innovation (SDG 9).

To build it, the government started in 2014 by launching programs, initiatives, funds, and incubators. It also built labs and research centers to support local innovation and creativity. Almost all their focus was on technological innovation and creativity.

Talaat noted that traditional crafts also are part of the orange economy. "Designs and color schemes of handmade rugs, accessories, and brass works come from the minds of the people who make them. They are inspired by their diverse heritage, culture, and surroundings spanning thousands of years from the Pharaonic to Islamic eras," she said. "Additionally, techniques used to produce those items were passed down from generation to generation, and the materials they require are all locally sourced."

Another prominent activity in Egypt's orange economy is visual and audio entertainment. "Egyptian music is ... enjoyed by [the] majority of listeners in Saudi Arabia, Lebanon and Tunisia (75%, 61% and 61%)," according to a 2023 report by the Doha Film Institute.

In Forbes Middle East's list of Top 100 Arab Celebrities, 45 were Egyptian, with actor Adel Emam topping the list. Egyptian celebrities also have the most longevity, especially Amr Diab, who "has been at the top of his game for over 30 years," said the Forbes report.

Lebanese singer Nancy Ajram, which digital music platform Spotify dubbs the "queen of Arab pop," had her first smash hit 22 years ago composed by Egyptian Mohamed Saad. She also sang it in the Egyptian dialect. Throughout her career, Ajram sang a significant number of her singles and albums in the Egyptian dialect. Her latest single, released in August, even included words only Egyptians use.

Growing creativity

A UN paper titled "New Economics for Sustainable Development: Creative Economy" stressed the United Nation's role in growing the global orange economy by "committing and contributing to the centering of cultural and creative industries as a driver of trade, development, and national and regional systems of innovation."

The paper also said the UN needs to "recognize, acknowledge and address ... global inequalities" that impact the orange economy's growth. They should also promote more of the benefits of having a creative economy and "galvanize support" for it.

Governments need to "recognize cultural and creative industries as pillars of development," the UN paper said. "Financing and enterprise development ecosystems must be designed to facilitate the emergence and commercialization of ideas, content, creations, solutions and indigenous technology platforms."

That would require creating a "national body to promote and nurture the development of cultural and creative industries," the UN paper said, and "promote and support governmental, academic and private sector partnerships."

For Egypt, the ECSS said the government needs "institutions that offer incentives to entrepreneurial endeavors, ensure skilled labor is backed by an evolving education system, accessibility to digital infrastructure and promote creativity in academia, the private sector and civil society."

Based on her interviews, Talaat said the government needs to include orange economic activity under UNESCO to "preserve Egypt's heritage and help push products that reflect it to international markets."

The government also should invest in organizing overseas events and campaigns to showcase Egypt's orange economy, Talaat said, as well as ensure enterprises operate in a more flexible business environment.

She also stressed the importance of awareness campaigns and improving the country's education system.

That growth would have a "powerful spillover effect," Talaat said. "Growing the orange economy is vital as it elevates and develops all other economic sectors."

NEW CAREERS

Egyptian youths are increasingly turning to freelance jobs on digital platforms with the help of the government and the private sector.

With over a quarter of the population classified as Gen-Z (born between 1997 and 2012), according to data aggregator Statistica, Egypt's corporate life is primed for inevitable change. "'Boomers and Gen X [born between 1946 and 1980] have the mentality of: 'If you work really hard, you'll get a great lifestyle in return,'" Harriet Minter, the author of "WFH (Work from Home): How to Build a Career You Love When You're Not in the Office," told Metro, a UK publication, in February.

However, "for the younger workforce, the [increasing] cost of living and rising house prices mean that work can't provide that lifestyle anymore," Minter noted. They "make the most of the small stuff – a lovely breakfast and time spent with friends – because they simply can't afford the big stuff anymore." With such low expectations and targets, "the payoff of working an 80-hour work simply isn't worth it."

An ideal solution for those job seekers is the freelance (aka gig or digital platform) economy, where skilled youths seek project-based jobs at their convenience, according to a June 2023 report from the Economic Research Forum (ERF), a local think-tank. In April, ICT Minister Amr Talaat estimated 30% of Egypt's labor force was "self-employed."

Those youths access the digital platform economy by posting their CVs and work portfolios on specialized platforms, responding to listings, or directly communicating with company decision-makers via social media.

Egypt's government and private sector are encouraging the digital platform economy by offering training initiatives, building platforms for submission of portfolios, and raising awareness that a gig career option is viable and can be lucrative.

Freelance Egypt

The ERF report said technology tools and the growing acceptance of remote work during COVID-19 lockdowns brought the gig economy into the spotlight. Those are "professional services that connect freelancers directly with businesses to complete projects," the ERF report said. It "covers all white-collar professions, which include digital duties or tasks that rely significantly on technology."

Locals who can access that economy include university graduates, many of whom hold professional certificates or postgraduate degrees with advanced language and technology skills, the ERF said.

Choosing a gig career is increasingly popular in Egypt. The ERF report estimated highly educated youths accounted for 3% of informal work in Egypt in 2012. By 2018, they had reached 17%. Meanwhile, "the percentage of tech-enabled employment among [university] degree holders tripled" between 2012 and 2018, ERF said.

Accelerated growth

A May news report by Ahram Online said Egypt's ongoing economic woes and the foreign currency shortage were the primary reasons local professionals sought freelance jobs. The dollar's exchange rate in the black market has been double the official rate.

Such harsh economic realities led private-sector companies to create fewer jobs. The January S&P Global Egypt Purchasing Managers Index said new job growth in the non-oil private sector was down in the last quarter of 2023. An uptick in the January report was only enough to increase Egypt's overall PMI score by 0.1 points.

Another factor fueling Egypt's gig economy is the rising cost of living, said Sarah Elhossary, who wrote the Ahram Online report. The annual headline inflation rate was above 30% from February 2023 until December, only breaking that benchmark by 0.2% in January. Elhossary also interviewed workers whose employers reduced their salaries for 2024 in response to lower revenue forecasts.

Meanwhile, digital platform work seekers can earn significantly more than many local full-time jobs. "Gig workers can work for multiple companies at the same time or shift between similar companies in the same sector," the ERF report said. "As a result of this flexibility, gig work allows workers to increase their incomes."

According to Talaat, the average annual income of an independent professional in Egypt is $5,600, while the global average is $6,000. At the official exchange rate, current gig income is nearly 2.5 times the national minimum wage updated in February.

Additionally, working for an overseas company means local gig seekers will get paid in foreign currency. Further, they could increase their fees for each project. "Higher salaries are among the reasons why workers choose to work informally ... even though the higher salaries might be unstable," the ERF said.

Good for employers

The ERF report noted local employers prefer digital platform workers "because the cost of recruiting someone informally is far lower than the expense of hiring [them] formally." Local labor law requires compensation for dismissing employees with permanent contracts, and employers must cover social benefits and insurance.

Another reason for choosing gig workers is that full-time hires in Egypt are legally entitled to paid vacation days, official holidays, and time off for emergencies and maternity. The local law also requires companies with 100 or more females working full-time to open a nursery on the premises. Those benefits don't apply to project-based contracts.

Local employers also would have easy access to international talent if they tap into the digital platform economy. That is a clear advantage as "the persistent skill gaps in Egypt's workforce constitute one of the main operational challenges and a prime bottleneck for ongoing growth and development," a 2020 EBRD report said.

Gov'T support

The ICT Ministry (MCIT) is working to promote, support, and upskill youth to help them find freelance opportunities on digital platforms. During an April event, Talaat said the ministry's five-year strategy aims to quintuple the number of those seeking freelance opportunities abroad.

Programs the ministry is running to support the local gig economy include Our Future is Digital, a training initiative launched in January 2020. There is the self-employment program Maharah-Tech also announced in January 2020. Under it, Vodafone Egypt established a platform called Vodafone Begin in cooperation with the Information Technology Institute, MCIT's training arm.

Also in 2020, Vodafone Egypt signed an MoU with Microsoft Egypt to add the latter's Tawar w Ghayar (Develop and Change) training initiative, announced in 2013 in cooperation with the MCIT, to the Vodafone Begin platform.

There currently are two MCIT incubator programs suitable for freelance job seekers. The first is Digital Egypt Innovation Centers, announced in September 2020. The other is Digital Creativity Centers (Creativa). In March 2021, the ministry launched the Freelancing and Remote Work Initiative to train interested job seekers.

During the April event, Talaat stressed the importance of formalizing the gig economy. In addition to paying their taxes, Talaat said formal freelancers can find more lucrative projects locally and abroad. Accordingly, the ministry is working with the IT Development Agency and General Authority for Investment to "simplify one-person company registration procedures."

Lastly, Talaat said the MCIT is developing a comprehensive platform to help local freelancers register with the government, find gigs with foreign companies, open bank accounts, and access the government's digitized services.

FRANCHISE-ONOMICS

Egypt's franchise industry has always been a lucrative business hampered by administrative challenges. Changing that could prove vital for the country's economy.

A quick way for a local entrepreneur to establish a brand name and loyal customers from day one is by affiliating with established local or foreign brands. In Egypt, that model has been a winner. "Franchising in Egypt has proved to be [a] successful business system, especially for food and beverage entities aiming to grow and expand in the Egyptian market," law firm Youssry Saleh and Partners said in a note. "In some cases, it is convenient and more beneficial to purchase a franchise that is already established."

Despite the successful track record, the Egyptian Franchise Development Association (EFDA), an industry organization, said in a 2022 note that franchising industry figures in Egypt are "modest" given the country's demographics and large population. Almost 63% of Egypt's population is under 30, according to data aggregator Statistica, and the country accounts for accounts for 17.2% of the MENA region's population.

The number one hindrance facing franchising in Egypt is a lack of explicit regulations. "Having multiple laws is challenging for the franchisee," said a 2021 paper from the Egyptian Regulatory Reform and Development Activity (ERRADA), a government body. That also creates problems for the courts when settling disputes. According to the Andersen Egypt law firm, three general commercial laws passed in 1948, 1999, and 2017 regulate the country's franchise contracts.

To realize Egypt's franchise growth potential, Ahmed Shalaby led 60 other members of Parliament in submitting a draft franchise law for discussion in February 2023. Its effectiveness will be critical to building this vital sector.

Franchising in Egypt

The government noted the importance of having a law exclusive to franchise contracts in 2010, almost 37 years after Egypt's first franchise with a U.S. company opened. The Ministry of Trade and Industry drafted that law mainly to regulate local SMEs seeking international franchises, according to ERRADA's report.

However, the government sidelined it because of social turmoil in 2011 and 2013, the proliferation of national mega-projects since 2015, including digging the New Suez Canal and constructing the New Administrative Capital, and the 2016 pound devaluation. As of 2021, MTI's draft franchise law is with the Ministry of Planning and Economic Development.

In the latest 2021 International Franchise Attractiveness Index (IFAI), published by Rosenberg International Franchise Center, Egypt ranked 50th out of

131 in "attractiveness." It ranked fifth in the "market opportunity" and 89th in "risk."

That disparity was one factor in limiting most franchises to two sectors -- retail (49%) and food and restaurants (22.5%), according to the EFDA -- where Egypt's sizable young population usually spends most of its disposable income. Remaining local franchise agreements include transportation, services and medical services.

Currently, 58% of franchise agreements in Egypt are with foreign companies, according to the EFDA. The rest are local chains seeking domestic expansion with minimal upfront investment and administrative hassles. U.S. companies lead in Egypt with 20% of franchise agreements, accounting for 30% of the country's franchise sales, ERRADA's report noted.

According to the Parliament's portal, there are five types of franchises in Egypt. The most popular are commercial franchises like McDonald's, Starbucks, H&M and Mothercare. Manufacturing franchises come second, giving the franchisee access to the franchisor's know-how and patents. Other local franchises are in distribution, services, and investment.

Robust consumption?

With around 71.5% of franchise agreements in Egypt operating in consumption-driven sectors, spending patterns in 2024 and beyond are vital for franchisors and franchisees.

Masterard's Economics Institute 2024 Economic Outlook for Egypt, published in December, said, "Consumers and businesses will face crucial decisions about spending and investing."

Those "crucial decisions" stem from persistent annual inflation above 30% since 2022 and interest rates increasing from 8.25% in 2022 to 21.25% at press time. Nonetheless, Mastercard "expects real consumer spending year over year to increase by 1.2% in Egypt ... Even with inflation taking a larger chunk of spending on essentials, consumers will prioritize the discretionary spending that matters the most."

Mastercard's report noted consumption in general in Egypt this year will be fueled by "increased customer loyalty." That is good news for the local franchise industry, whose primary success comes from brand reputation and recognition.

In 2024, central banks in emerging countries could fuel consumption by decreasing or maintaining interest rates as the United States sees inflation cool and, therefore, lower their rates. They "are likely at or close to peak rates," Mastercard said.

Another factor maintaining domestic consumption levels is the proliferation of consumer finance companies offering installment plans outside the formal banking sector with noticeably fewer restrictions. According to the Egyptian Financial Regulatory Authority, the number of people relying on consumer finance reached nearly 280,000 in July, a 25% jump compared to July 2022. Meanwhile, funding increased by 70% in the same time frame to EGP 3.85 billion.

Since July, four of the 43 local consumer finance companies started offering Sharia-compliant services to cater to that previously untapped market segment. Meanwhile, local commercial and Islamic banks issued payment cards in cooperation with domestic consumer finance companies to gain market share in that previously inaccessible market.

A research note from Naeem Holding, a local investment firm, said the consumer finance boom reflects three realities -- prices are rising significantly, salaries aren't keeping pace and consumption hasn't decreased fast enough. "To satisfy their needs, a growing portion of consumers look to consumer finance firms," the research note said.

Draft law

The ERRADA's 2021 report said the plan was to grow Egypt's franchise industry by 15% to 20% annually until 2030. Additionally, the number of local franchisors would increase from 42% of the total to between 50% and 55% of contracts.

Youm7, a local news agency, reported the draft franchise law would likely give franchisees tax incentives to stimulate that sector's growth.

However, it also includes restrictions. Franchisees can't secure a contract with a local or foreign franchisor unless they have worked in the same sector as the franchised product or service for at least one year in the local market. Another is that local franchisees can't become intermediaries for parent companies in the local market unless they have worked at least one year in Egypt in the former capacity, even if the original franchising company wants a faster shift.

During the presentation of the draft law, Shalaby said the Micro, Small, and Medium Enterprises Development Authority should be tasked with regulating the domestic franchise industry, including all registration requirements. He explained that was because beneficiaries from the franchise law would likely be local SMEs.

The government needs to expedite the review and approval of that law, as franchising could help turn the entire economy around. "Franchises are not only food and drink; they can be suitable solutions to grow many local sectors," said Shalaby. "Franchising is a global industry. To compete, we need an effective law that promotes that type of investment and regulates its nuances effectively."

IDEA **PROTECTION**

A brief guide to how Egypt deals with intellectual property rights and copyright law.

Robust frameworks to protect innovators' ideas have a "vital role in growing the economies of developed and developing countries," said a report from the International Chamber of Commerce, an industry body. It "spurs innovation [by] giving large and small firms a range of tools to help drive their success."

Egypt has long underperformed in that respect. The country's rank in the International Property Rights Index decreased from 70 (of 129 nations) in the 2022 report to 88 (of 125 nations) in 2023. It also performed poorly in MENA, ranking 11 out of 15 last year.

Those low scores harm innovation. The 2023 Global Innovation Index ranked Egypt 83 out of 132 surveyed nations. The country ranked 15 out of 18 in MENA and 11 out of 37 in "lower-middle-income group economies."

To improve those global and regional rankings, the government launched a five-year intellectual property strategy in September 2022, promising "legislative and institutional advancement."

Protection law

Egypt's 2002 intellectual property rights (IPR) law was born out of necessity, not to enable an existing national innovation strategy. The General Authority for Investment and Free Zones (GAFI) said It brought "Egypt's legal IPR regime in line with its obligations under the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement." Its 205 articles superseded existing intellectual property laws.

The 2002 law used older regulations to define various IPR types and set violation penalties. For "patents and industry designs," current law uses a definition passed in 1949 and amended in 2000 to include "provisions on data exclusivity and exclusive marketing rights." It allows "patent protection for 20 years from the date of application." Industrial designs get five years of protection and can be renewed for two similar periods.

For "trademarks," the 2002 law uses the legal definition from 1939. It provides the holder with 10 years of protection in line with the Trademark Law Treaty published by the World Intellectual Property Organization (WIPO).

The trademark holder can renew it "indefinitely for similar periods," GAFI said. "Renewal is not automatic, and the procedure for renewals is the same as … initial registration." Meanwhile, the violation fee remains EGP 20,000 (less than $645 at the current official exchange rate).

"Copyrights" are defined under the 1954 law that protects architectural designs, speeches, theater productions, photographs, music, cinematography, and television and radio programs. A 1992 amendment included 50 to 70 years of protection for books, sound recordings, and computer programs. Violation penalties could reach EGP 10,000 (about $322 at the current official exchange rate).

Egypt's IPR protection frameworks allow international patents to be registered domestically, given that the country is a signatory on the Paris Convention, Madrid Convention of 1954 and Berne Convention of 1886.

Missing from the 2002 law are protections for innovations in the digital economy. The government needs to address that omission quickly since ICT is the fastest-growing sector in Egypt, growing by over 16% last year.

An undated University of Cambridge paper said digital innovation IP laws need to address "protecting and exploiting the value of [online] data." They also need to ensure that technological innovation protection covers all potential sectors affected by that technology.

Digital-economy IP laws also need to facilitate cross-sector use of patented technologies "given the complex and fragmented patent landscape of the digital economy," with IP ownership distributed across many firms. The university paper also noted those IP laws must be sophisticated enough to ensure "free" digital content attribution remains and users don't sell them to third parties.

Protection strategy

In September 2022, the government announced the National Intellectual Property Strategy (NIPS), the "first step of its kind in [IPR protection] in Egypt," the strategy document said. "It is intended to serve as a cornerstone and a solid basis for the establishment of the IP system in Egypt." It will expire in September 2027.

The strategy is "consistent with the [2015] United Nations Sustainable Development Goals (SDGs), the World Intellectual Property Organization Development Agenda, Egypt's Vision 2030 and the structural reform program for the Egyptian economy."

The NIPS document said it has "strong integration" with WIPO's Agenda for Development and its Green Platform, and Egypt's National Climate Change Strategy 2025.

Its core concept is to strike "a fine balance ... between the rights of IP owners ... and the general rights of the society. That is mostly important with respect to public interest purposes, especially the issues of the availability of medical supplies, food, education, access to knowledge and technology transfer."

Implementation would require creating "specialized" and "administrative" authorities. It also needs to collaborate with "unions, federations, and chambers of industry and commerce, the private sector and the media."

Its "strategic goal" is "governance of the institutional structure of IP." That includes digitizing registration filings and other procedures, upskilling government workers, and ensuring government enforcement of the IP law.

The second is "configuring the legislative environment for IP," which starts with "short-term interventions" until the IP authority conducts a "comprehensive review" of legislation in the "medium term."

The strategy also focuses on "optimizing economic returns from IP," especially inventions that align with the SDGs and raise awareness of the importance of IP protection.

First step: the authority

In August, the government announced the creation of the Egyptian Authority for Intellectual Property (EAIP). Its goals are "organizing, sponsoring and protecting intellectual property in Egypt, and operating the IP system," said Hamad Abdallah, a senior legal consultant for Rouse, a UK-based IP advisory firm. It "operates the IP system by maintaining balance between protection of IP rights; achieving sustainable economic, social, cultural, and technological development; and building a knowledge economy."

A note from Soliman, Hashish & Partners, a local law firm, said the EAIP "replaces [all IP-related activity regulated by 2002's law in] the ministries [of] higher education and scientific research, supply and internal trade, culture, ICT, agriculture and land reclamation, and trade and industry."

EAIP will also take IPR protection responsibilities from the Academy of Scientific Research and Technology, Internal Trade Development Authority, Supreme Council for Media Regulation, Patent Office and Plant Variety Protection Office.

The NIPS document added the EAIP will also take over relevant IP offices and bodies and be responsible for "coordinating and cooperating with all ... ministries and bodies concerned with the implementation .. of this strategy."

EAIP employees are those transferred from the replaced government bodies. The authority will set its own key performance indicators and publish them. It will also submit semiannual progress reports to its board of trustees and the Cabinet. Meanwhile, versions of those reports will be available to the public.

A lot is riding on creating a legally tight IP framework in Egypt. The NIPS document said robust legislation would allow the government to monitor and react to "continued piracy" involving Egyptian artistic and literary outputs abroad, increasing gaps between digital technology in Egypt and advanced economies and brain drain. ■

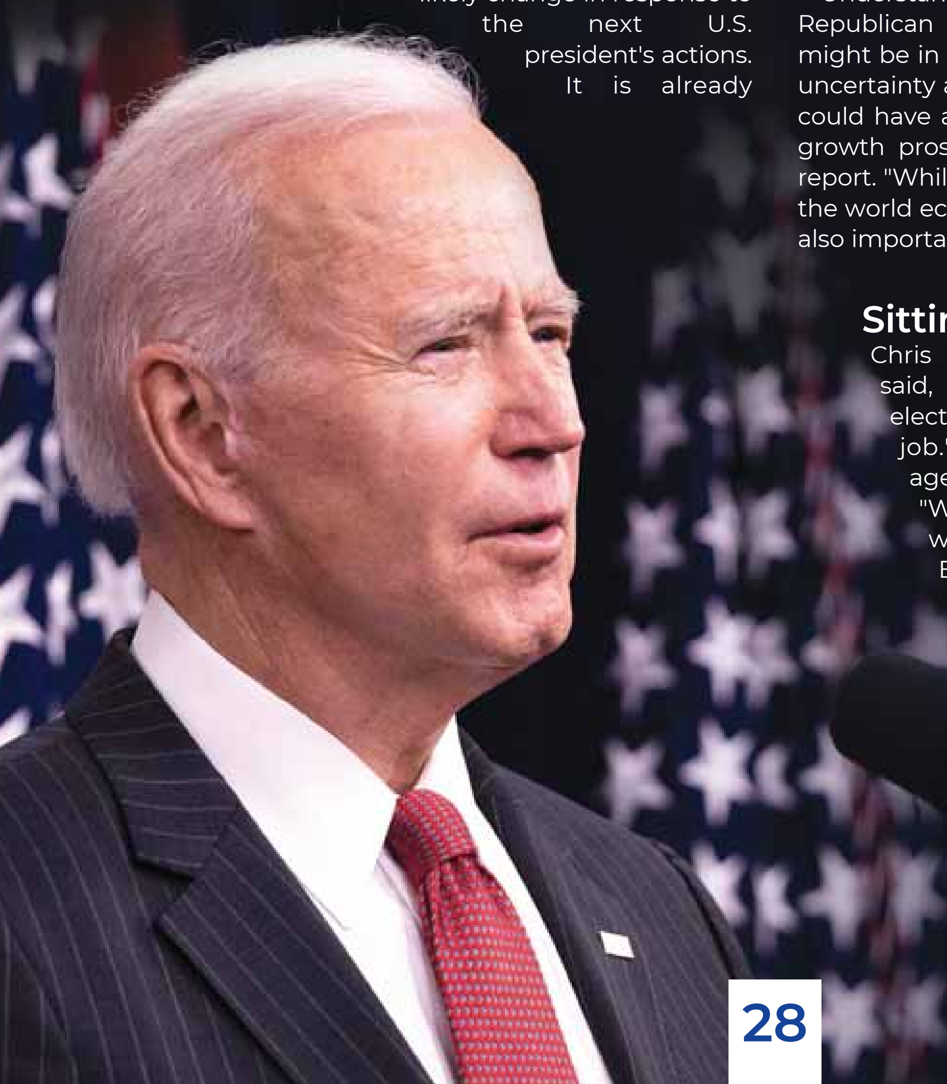
AMERICA'S 'FORK IN THE ROAD'

Republicans and Democrats have starkly divergent foreign economic policies. Knowing what each party aims to achieve in the coming four years will be vital for decision-makers and businesses in MENA.

By **Tamer Hafez**

The 2024 U.S. elections could be a watershed moment for America, its allies and rivals, and countries that want to retain a balanced relationship between East and West. "The president chosen in 2024 will ... be in charge in the moment of maximum danger," John Prideaux, U.S. editor for The Economist, wrote in the World Ahead issue published in November.

MENA is one region whose economic policies will likely change in response to the next U.S. president's actions. It is already strengthening economic ties with nations that don't see eye-to-eye with America and its allies.



That was most evident with the addition of four MENA countries to the BRICS coalition, comprising Brazil, Russia, India, China and South Africa, as of 2024. Meanwhile, the increasing number of agreements involving MENA nations to use local currencies in bilateral trade indicates a gradual aversion to the dollar.

Understanding what the sitting president's and his Republican challenger's foreign economic policies might be in the coming four years is vital. "Lingering uncertainty about the course of U.S. economic policy could have an appreciably negative effect on global growth prospects," the World Bank said in a 2017 report. "While the United States plays a critical role in the world economy, activity in the rest of the world is also important for the United States."

Sitting president

Chris Megerian, AP's White House reporter, said, "President Joe Biden has a simple re-election pitch to voters -- let him 'finish the job.'" That likely means a second-term agenda that could look like the first one. "We're going to finish as much of the job as we can in the next year," Bruce Reed, Biden's deputy chief of staff, told the media in November. "And finish the rest after that."

From the beginning of his 2020 campaign, Biden's foreign economic policy changed "the administration's approach to the world economy," Dani Rodrik, professor of International Political Economy at Harvard's Kennedy School, wrote in Project Syndicate in May.

Biden is "pursuing ambitious industrial policies to revive domestic manufacturing and facilitate the green transition. [He] has also adopted a tougher stance on China ... treating the Chinese regime as an adversary and imposing export and investment controls on critical technologies."

Rodrik added the current administration has moved the U.S. "away from traditional trade deals focusing on market access [to] embracing new international economic partnerships that address global challenges such as climate change, digital security, job creation, and corporate tax competition."

He noted that Biden's strategy aims to "generate trillions of dollars in investments in emerging economies and provide aid to countries facing debt distress."

Promoting projects related to climate actions at home and abroad is a top priority for Biden. "Since day one ... the entire Biden-Harris Administration has treated climate change as the existential threat of our time," according to a December White House Fact Sheet.

At the 28th Conference of the Parties (COP28) that closed in December in Dubai, the United States said it pledged $3 billion to the UN Green Climate Fund to finance eco-friendly projects worldwide. Additionally, the Biden Administration said it would "scale up U.S. support for ... developing countries" beyond the $2.2 billion offered in fiscal year 2022 as part of the President's Emergency Plan for Adaptation and Resilience initiative, announced in 2022.

Biden also plans to create new funds to tackle climate impact in emerging regions and support community-based measures to "catalyze technical assistance for vulnerable countries." There will also be country-specific new funds, such as Resilient Ghana and the Democratic Republic of Congo (DRC) New Climate Economy "country packages ... with government, philanthropic, and private sector partners," the White House Fact Sheet said.

The Clean Energy Supply Chain Collaborative (CESCC), announced in December, will push suppliers of any U.S.-based company to lower their emissions. CESCC's blurb said it aligns "like-minded countries to advance policies, incentives, standards and investments to create high-quality, secure, and diversified clean energy supply chains." The program focuses on foreign companies that want to work with the United States in "wind, solar, batteries, electroliers, heat pumps, direct air capture and sustainable aviation fuels."

The Biden Administration said CESCC's budget is "$568 million in new concessional lending [to] developing countries ... available from the U.S. Department of Treasury through the Clean Technology Fund."

The December White House Fact Sheet also noted the current administration's plans to "jump-start small modular [nuclear] reactor deployments around the world." It is part of Biden's plans for the United States and "over 20 countries from four continents" to triple their nuclear energy output from 2020 to 2050.

Lastly, the Biden Administration is working with Egypt in the Net Zero World, created in 2021 at COP26, to "formulate national net-zero policies and roadmaps."

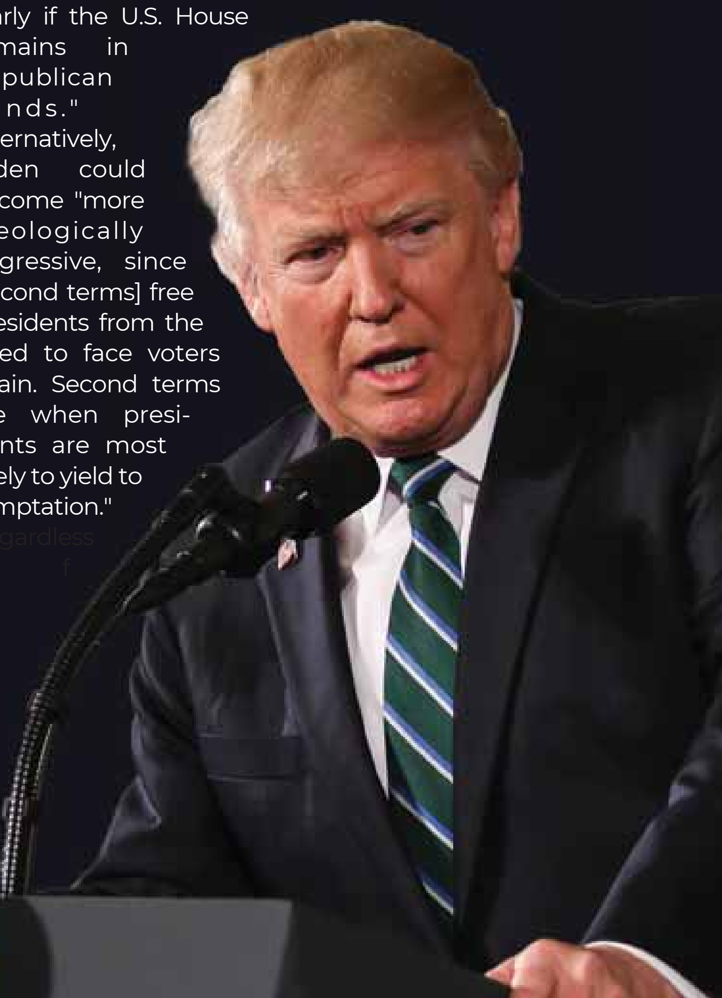
In 2024, the Biden Administration will be working to increase their "international public climate finance to over $9.5 billion in FY 2023 ... to over $11 billion per year by 2024."

Consecutive-term risks?

One risk facing such plans is that U.S. presidents in their second consecutive terms are often noticeably more complacent than in their first four years. "The additional four years have proven the downfall of many a good president," said Jonathan Turley, an American attorney and contributor to The Hill. "Some second-term presidents become far too comfortable."

"A second term for Biden could easily repeat these common failings," he said, "particularly if the U.S. House remains in Republican hands." Alternatively, Biden could become "more ideologically aggressive, since [second terms] free presidents from the need to face voters again. Second terms are when presidents are most likely to yield to temptation."

Regardless of



Biden's approach, if he wins a second term, his decisions will be much faster: "Second-term presidents tend to have little patience for negotiations as they watch their final years in politics ticking away," said Turley. "If one or both houses of Congress remain under Republican control, Biden is likely to dramatically increase his ... use of unilateral action."

Challenger: Second act

Even though the Republican Party has yet to choose its nominee to challenge Biden in 2024, few are betting against the 2016 winner: Donald Trump. "Barring unforeseen illness or death, the 2024 presidential election will be a rematch between Joe Biden and Donald Trump," The Economist said in November.

If Trump retakes office in 2024, he will make decisions much faster. "Because ... Republicans have been planning his second term for months, Trump 2 would be more organized than Trump 1," The Economist reported in November.

Trump will likely adopt the same foreign economic policies from his first tenure as president. "In the White House, Donald Trump put more new tariffs on American imports than any president in nearly a century," The Economist reported in October. "His philosophy was simple: 'I am a Tariff Man. When people or countries come in to raid the great wealth of our nation, I want them to pay for the privilege of doing so.'"

That has led to fallouts with many foreign companies, as they saw their products becoming more expensive in the United States, making them less competitive. China was particularly aggrieved as the United States is its top export market, and tariffs on its goods went from 3% to 19% under Trump.

A research paper from Chad Bown, an economist at the Peterson Institute for International Economics, a think tank, noted, "By 2021, [when Trump left office], American duties were worth 3% of the country's total import bill value, double the level +when Trump took office."

Protectionism would likely get more extreme under Trump 2. "He is mulling an across-the-border levy of perhaps 10% on all products entering America," according to The Economist. Critics speaking to Reuters in November said the policy aims to reduce the U.S. trade deficit but would also raise prices.

In November, AP News reported Trump could "urge Congress [to] pass a 'Trump Reciprocal Trade Act,' giving the president authority to impose a reciprocal tariff on any country that imposes one on the U.S."

If Trump could implement his protectionist agenda, the Federal Reserve would likely increase interest rates to curb inflation from domestic manufacturing revving up to meet rising domestic demand. Prices would also increase if U.S. manufacturers couldn't cope with demand, as imported finished, intermediate or raw goods would become more expensive because of tariffs.

That would have repercussions on the global economy. "The Fed's aggressive rate increases last year ... stressed the global financial system as the U.S. dollar soared," said Reuters reporter Howard Schneider in August. It requires "monetary authorities [to increase rates] to prevent widespread dollar funding problems for companies and offset the impact of weakening [local] currencies."

For Trump to impose such protectionist policies, Schneider said he would have to bring the independent Federal Trade Commission, which enforces antitrust law and promotes consumer protection, under presidential control. Meanwhile, as Trump attempts to "decimate what he terms a 'deep state,'" reported Reuters in November, companies seeking to start working in the United States or doing business with American companies may have to contend with a different bureaucratic process geared to protect local manufacturing.

Foreign investors and manufacturers that can enter the United States should enjoy more operational freedoms, as Trump has constantly vowed to reduce federal regulations that "limit job creation." During his rallies, he spoke of lowering taxes for domestic manufacturers and pressuring the Federal Reserve to lower interest rates, even if inflation is above the Fed's 2% target. That means cheaper credit, higher consumption and improved GDP growth at the expense of rising prices.

Foreign companies in the United States may also benefit from Trump's more ambitious plan to build 10 new "freedom cities" on federal land, each roughly the size of Washington, DC. reported CNN in March.

"These freedom cities will reopen the frontier, reignite American imagination, and give hundreds of thousands of young people and other people, all hardworking families, a new shot at home ownership and, in fact, the American dream," Trump said in a video announcing his candidacy for the 2024 election.

If he wins, Trump's energy policies would likely contradict Biden's. For example, the potential Republican nominee is targeting more fossil fuel activity by simplifying approval processes and paperwork for drilling companies and firms that do business with them to operate in the country.

He also noted he would pull the United States out a second time from the Paris Climate Accords, having done so in 2016, which Biden reversed in 2020. Trump "would also roll back the Biden White House's electric-vehicle mandates and other policies aimed at reducing auto emissions," Schnieder said. ■

WEATHERING A DIFFICULT STORM

By **Walid Elshebiny**
Banking expert and lecturer at the American University in Cairo and the Egyptian Banking Institute

We need to think about some practical solutions that revolve around the following vital topics, such as diversifying revenue streams, improving cash flow management, enhancing productivity and efficiency, seeking government support, Strengthening customer relationships..etc ; yet it is all dependent on the willingness & ability to make it happen.

Firstly, diversifying revenue streams is essential, thus exploring new markets for exporting and expanding into different sectors to reduce dependence on a single industry and diversify revenue sources is necessary, as is focusing on cost optimization through analyzing expenses and identifying areas for potential savings. That should involve negotiating with vendors for better deals, optimizing inventory management and streamlining operations to cut unnecessary expenses.

Moreover, companies should think about improving cash flow management, monitoring cash flow closely and implementing effective strategies to accelerate customer revenue while managing vendor payments. Negotiating extended payment terms as & when necessary.

Additionally, implementing the necessary measures to enhance productivity and streamline operations. That could include investing in technology upgrades, automation and employee training to improve efficiency.

The paramount will be seeking government support; Exploring available programs and initiatives that can provide financial assistance, tax relief or other support. Staying updated on policies and regulations that can positively influence the company's operations.

Strengthening customer relationships is a key factor as maintaining strong customer relationships becomes crucial in times of economic challenges. Focus on customer satisfaction, engage with them, and tailor solutions to their needs, ensuring retention and potential referrals. The net promoter score (NPS) should be of the utmost importance.

Executives also need to push for working smarter rather than harder by exploring partnerships & collaborations, looking for opportunities to collaborate with other domestic and international companies to access new markets, pool resources, share risks and explore feasible funding related to environment support, sustainability and green financing.

We need to continuously invest in marketing and innovation, increase efforts to raise brand awareness, attract new customers and maintain existing ones. Innovation in product development, service offerings or business models can also give companies a competitive edge.

Reassessing business models and strategies, changing market conditions require adaptation by reviewing and adjusting business models. Identify emerging trends and opportunities, and reshape strategies accordingly.

Finally yet importantly, prioritize employee well-being. During economic challenges, employees can experience heightened stress and anxiety. Focus on their well-being, offer support through training programs, communication channels and a positive work environment.

In view of the above, Egyptian companies need to remain optimistic, as it is just a cycle that will move on its own pace and new cycle will come. Companies must be adaptable and proactive and maintain a forward-looking approach to navigate these economic challenges successfully.

Market Watch

Stock Analysis

Roller coaster

2024 started on the right foot, with both leading market indices jumping to Jan. 30. By then, the EGX had hit an all-time high of 30,347.30, crossing the 30,000 psychological level for the first time and rising 22% year-to-date. That same day, the EGX 70 EWI hit 6,940.60, almost crossing its own 7,000 psychological level, ringing up 27%. However, the market was surprised on Jan. 31 when the EGX 30 and EGX 70 EWI plummeted 6.8% and 8.8% in what felt like a roller coaster ride, respectively.

In the following days, the EGX 30 would not cross 30,000 again, while the EGX 70 EWI pressed ahead and passed 7,000 to an even higher level. By then, it was clear: It seemed to be yet another outperforming year for small caps. From Jan. 15 to Feb. 15, the EGX 30 added 10.2%, extending its year-to-date gain to 16.2%. Meanwhile, the EGX 70 EWI jumped 16.4%, pushing its year-to-date gain to 32.3%.

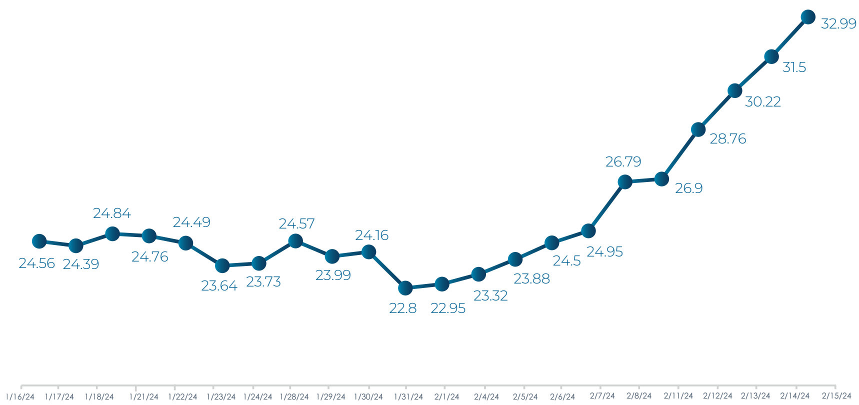
Let's take a step back. The market sell-off of Jan. 31 started midday after the U.S. dollar hit an all-time high in the parallel market, crossing EGP 70 two days earlier. What triggered the sell-off seems to have been WhatsApp voice messages discussing an imminent transaction between Egypt and the U.A.E. concerning a $22 billion investment in Ras El-Hekma on the North Coast. Back then, nothing was confirmed by either side, but the market took this negatively because it would have meant a drop in the dollar parallel market rate.

Interestingly, investors have jumped on the stock market bandwagon as an inflation hedge against the potential devaluation of the official exchange rate. So, it was conceivable that an expected drop in the parallel market rate would be detrimental to Egyptian stocks. But as the rumors faded with no official confirmation and the dollar's parallel market rate slipped back to the low 60s, the stock market recovered.

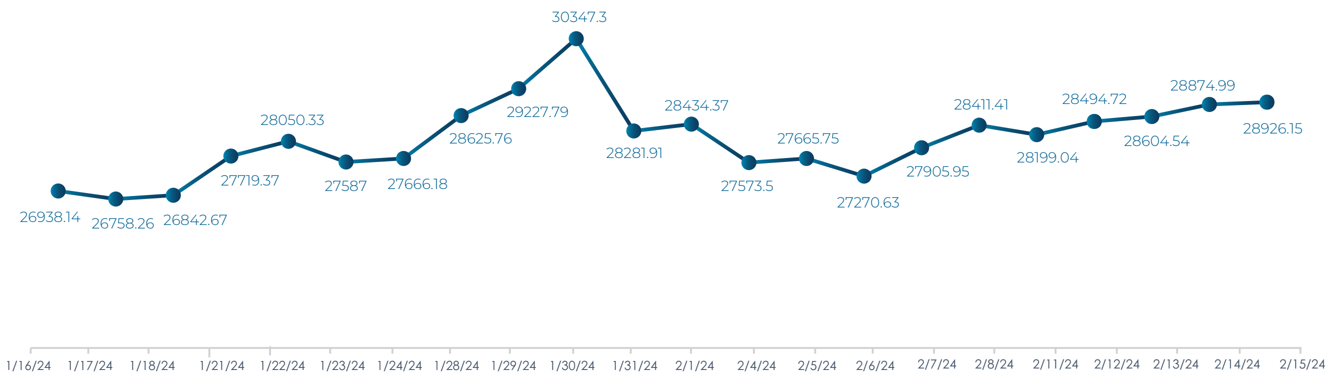
It also was earnings season, with banks leading the way. CIB (COMI) reported all-time high earnings of EGP 30 billion (up 84% in 2023). Earnings of Credit Agricole Egypt (CIEB) and Abu Dhabi Islamic Bank Egypt (ADIB) more than doubled to EGP 5.2 billion (up 113%) and EGP 4.7 billion (up 114%), respectively. Such strong bank earnings came against the backdrop of Egypt's higher interest rate environment, which is expected to be the case throughout this year. Indeed, the Central Bank of Egypt (CBE) increased overnight deposit and lending rates by another 200 basis points to 21.25% and 22.25%, respectively. Although the market consensus was a "hold," stock prices rose.

SODIC (OCDI)

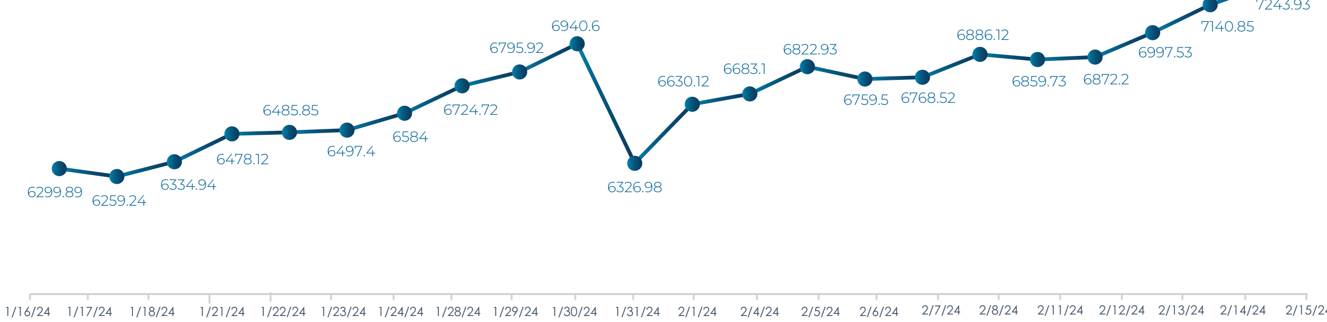
After Aldar Properties of the UAE acquired an indirect stake of 85% in SODIC (OCDI), trading on the latter's stock dwindled as expected. More recently, trading activity recovered with 17 million shares changing hands worth EGP 473 million, EGP 103 million of which was on Feb. 8 alone. The stock rose 40% during the period. The market seems to have been betting on the company developing the Ras El-Hekma project, rumored at the time to involve the UAE. With the project confirmed, it now makes sense.



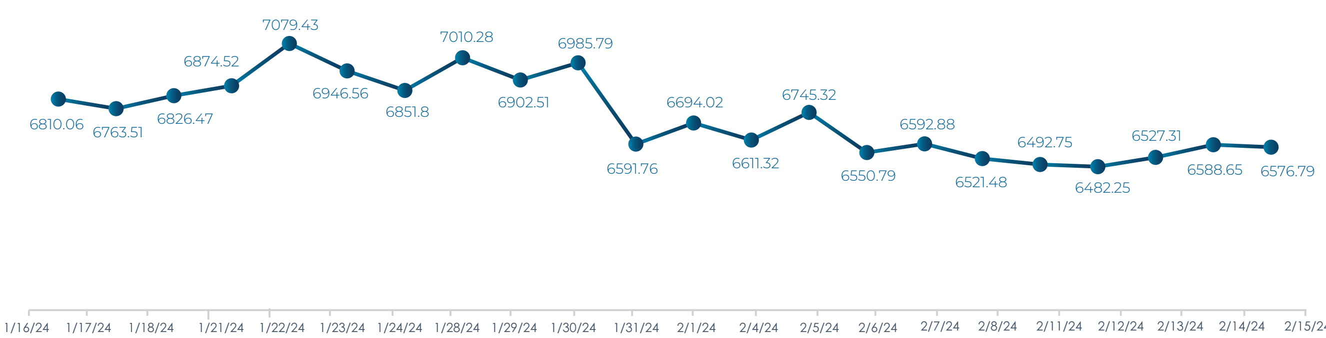
EGX 30



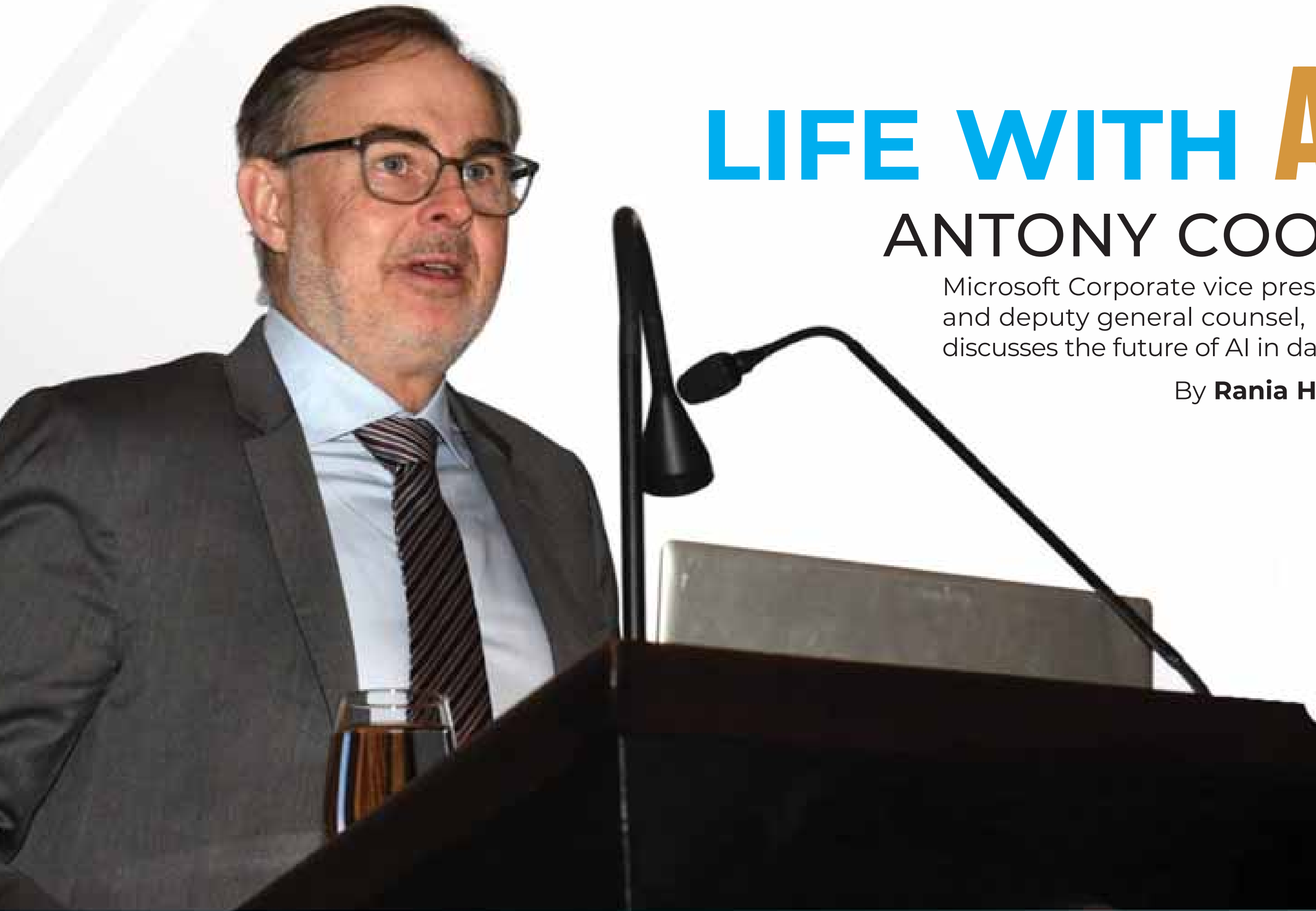
EGX 70



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.



LIFE WITH AI

ANTONY COOK,

Microsoft Corporate vice president and deputy general counsel, discusses the future of AI in daily life.

By **Rania Hassan**

Replies were edited for length and clarity.

What is the role of AI in emerging economies in the short, medium, and long terms?

At Microsoft, we believe in the transformative power of AI to reshape personal and professional life, helping people advance critical thinking, stimulate creative expression and be more productive.

That is one reason we have partnered closely with OpenAI since 2019 to accelerate breakthroughs. That has included building an Azure supercomputer to support OpenAI in developing cutting-edge AI models.

In every nation, AI will drive breakthroughs in healthcare, scientific research and sustainability.

AI can immediately help organizations increase efficiency and productivity, leading to economic growth. In the medium term, AI can help businesses develop new products and services, and expand into new markets.

In the longer term, AI can help businesses drive innovation and create new industries, leading to sustainable growth and development. Governments will be able to deliver better citizen services efficiently and cost-effectively. The potential and impact of this technology will be one of the most consequential in a generation.

How would daily human activity permanently change if it uses AI?

AI has the potential to significantly impact every aspect of our lives, particularly the way we work. For example, AI can help automate repetitive tasks, allowing us to focus on more complex and creative work.

At Microsoft, we focus on the improvements AI can bring, such as better decision-making that AI can enable by providing insights and analysis based on large amounts of data and how AI can help us collaborate more effectively and be more productive. That is why our AI productivity solutions are named "Copilot" and not "autopilot."

Why is it essential to regulate AI use in emerging economies?

As the world focuses on the immense benefits of AI, we must acknowledge the potential risks that inevitably arise from using such transformative technology, particularly future competent and sophisticated large-language AI models, generally referred to as frontier models.

Ensuring the technology is developed and deployed ethically and responsibly is essential. More broadly, government, civil society and industry must come together to ensure that as AI becomes a bigger part of our lives, laws, norms and standards are in place to guide responsible use. That will be true globally and for all economies, as this technology's impact will transcend geographical boundaries.

Informed by our internal work to identify and address AI risk, Microsoft believes regulation of this technology should be "risk-based," which focuses resources and safeguards on the highest-risk applications. It needs to also be "outcomes-focused," setting out what regulated actors must achieve rather than how they achieve it. Lastly, it should be adaptable and aligned to international norms and standards.

How much will this complicate the global deployment of Microsoft's AI-powered platforms, Copilot and others?

Governments are still trying to understand this technology's benefits, risks, and potential societal impact. That is why emerging laws must be risk-based and ensure that AI is developed and deployed safely and securely without impeding human advancement and benefit. In this regard, a multi-stakeholder engagement approach is essential. That is why Microsoft supports and has participated in several principles-based dialogues and declarations being developed globally.

Microsoft is a founding member of the Partnership on AI, the Rome Call on AI Ethics, and the IDB's (Inter-American Development Bank's) fAIrLAC initiative and has engaged deeply with the AI work of international organizations like the OECD, G7, and UNESCO. We participated actively in the AI Safety Summit organized by the U.K. government in November. Such global initiatives are needed to better understand and mitigate any potential harmful effects of AI.

Regarding the proposed EU AI Act, Microsoft supports its risk-based framework and encourages its focus on a clear list of well-defined high-risk uses and specific prohibited uses. That is the right approach to promoting the development and uptake of trustworthy AI and fostering innovation and competitiveness. We urge policymakers to preserve these elements as the AI Act approaches its final adoption stage.

Which version will emerging economies get?

Microsoft does not believe there is a single or right approach to govern AI development and deployment. Though we advocate for global cooperation and harmonizing approaches to governing technology, we recognize that each country must consider its own circumstances based on its values and aspirations.

As a company that deeply believes in developing and deploying AI responsibly, we offer the below five-point approach to help governments advance AI governance more quickly, based on the questions and issues that are pressing to many:

- Implement and build upon new government-led AI safety frameworks.
- Require effective safety brakes for AI systems that control critical infrastructure.
- Develop a broader legal and regulatory framework based on the technology architecture for AI.
- Promote transparency and ensure academic and public access to AI.
- Pursue new public-private partnerships to use AI as an effective tool to address the inevitable societal challenges that come with new technology.

If advanced countries don't agree on regulations, how will that affect global AI deployment?

AI governance, especially for frontier models, needs multi-stakeholder engagement and involvement. Working toward an internationally interoperable approach to responsible AI is critical to maximizing the benefits of AI globally. More broadly, to make the many aspects of AI governance work internationally, we will need a multilateral framework that connects various national rules and ensures that an AI system certified as safe in one jurisdiction can also qualify as safe in another.

There are many effective precedents for this, such as common safety standards set by the International Civil Aviation Organization, which means an airplane does not need to be refitted midflight from Cairo to Cape Town.

AI governance should be treated as a journey, not a destination. Regulations and rules need to be adapted and tweaked as we go along. The important thing is that these rules are not fragmented in a way that creates barriers to adoption and deprives nations and organizations of the benefit of AI adoption. That is why Africa must engage in these multilateral framework discussions. AI governance should not be left to certain countries alone.

What is the role of companies like Microsoft in these governance dialogues to ensure that emerging markets are not sidelined?

As a company at the forefront of AI (and Generative AI) development and deployment, Microsoft believes that it is responsible for ensuring that the technology is deployed safely and securely.

We are committed to working with others to ensure AI is built and used responsibly and ethically, advances international competitiveness and national security, and serves society broadly, not narrowly.

In July 2023, we publicly endorsed a set of voluntary commitments to advance safe, secure and trustworthy AI crafted by the Biden Administration. All over the world, we are engaging with governments, sharing our expertise, learning and recommendations on how we think they should approach AI governance.

In February 2024, Microsoft published a whitepaper titled "AI in Africa: Meeting the Opportunity" (microsoft.com). The whitepaper shares specific use cases and benefits of AI that we see across Africa, as well as recommending risk-based AI governance approaches for policymakers.

How can emerging markets accelerate their AI infrastructure and legislation?

Emerging markets can leapfrog in technological and economic advancement by embracing AI adoption. Nations should develop national AI strategies that articulate their visions, goals, areas of focus, investments and governance principles.

This strategy should be developed through multi-stakeholder engagements involving policymakers, private sector entities, public institutions, academia, civil society and experts in the field.

It is vital to note that the public cloud is the critical infrastructure powering AI development and democratizing its global adoption by acting as a distribution platform. Governments should act to remove roadblocks to the consumption of public cloud solutions. That requires the adoption of national cloud-first policies or regulations.

Internet connectivity and digital literacy are essential to achieving democratic access to technology in general and AI in particular. Governments should invest in broadband connectivity, STEM education for citizens and digital skilling for the workforce.

How is Microsoft working with individual emerging economies to accelerate the adoption of AI?

Microsoft believes that every organization in the world should benefit from the power of large-scale AI models. That is why we have developed platforms, tools and a supercomputing infrastructure that would allow a developer anywhere in the world to build and scale their own AI innovation. We are infusing AI across our solution portfolio to increase productivity and introducing new products like Azure OpenAI Service that provide businesses and developers with access to high-performance AI models to create their own AI solutions and applications.

Microsoft recognizes the imperative for expanded broadband connectivity in democratizing access to AI technology and is actively working to bridge gaps in these areas. Through initiatives like the Microsoft Airband Initiative, Microsoft endeavors to make affordable broadband accessible to underserved global communities, having enabled high-speed internet access for over 63 million people since 2017. That includes more than 15 million people in Africa alone. We also have committed to connecting 250 million people by the end of 2025, 100 million of whom are in Africa.

Through our AI Skills Initiative, Microsoft offers free courses on Generative AI on LinkedIn Learning to 80 million people globally. The initiative, part of our Skills for Jobs program, has the first "Professional Certificate on Generative AI" in the online learning market. It also has a global grant challenge with data.org to find new ways to train workers on generative AI and give everyone more access to free digital learning events and resources to boost their AI fluency.

How do you assess the Egyptian government's efforts to use AI responsibly?

The Egyptian government, mainly through the Ministry of Communications and Information Technology, has been a great adopter of technology to increase employee productivity and deliver digital citizen services. Egypt was one of the first countries in Africa to adopt a national AI strategy in 2020, following the inauguration of the National Council for Artificial Intelligence in 2019.

The government also issued the Egyptian Charter for Responsible AI in 2023. All these show that the government is invested in helping the country take advantage of AI for its economic development and to advance its national competitiveness. We look forward to Egypt's full implementation of its AI strategies and participation in framing the regional and global dialogue on responsible AI governance.

Microsoft is engaging with different stakeholders in the Egyptian government to provide recommendations grounded on our global outlook to policymakers on the needed regulatory frameworks for AI, considering the specificity of the local regulatory landscape and ensuring that proposed regulations create an enabling environment for the use of technology for the benefit of the country. ■

Chamber News

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Customs and taxation

24 January

GOIC head discusses trade developments

On Jan. 24, the Customs and Taxation Committee hosted a session addressing "GOEIC: Trade Facilitation Latest Developments and Updates" with guest speaker Essam El Naggar, chairman of the General Organization for Export and Import Control (GOEIC).

El Naggar highlighted the role of the GOEIC within the Ministry of Trade and Industry's strategy to bolster trade in light of Egypt's ambitious plan to achieve $100 billion in annual exports. He emphasized GOEIC's comprehensive and cutting-edge system, which is internationally accredited and strategically located across Egypt's ports.

These facilities adhere to international inspection protocols, featuring teams of trained professionals skilled in the latest inspection and analysis techniques. Introducing this new technology enhances service efficiency and aligns with the nation's digital transformation agenda.

In addition, the GOEIC regularly communicates with exporters and importers and takes a proactive approach to supporting the business community and facilitating the exploration of new markets for Egyptian products.

El Naggar has announced the GOEIC's proposed project to enhance control procedures for assessing goods in international trade. The project aims to implement an integrated risk management approach, including tighter controls to ensure products meet market standards and connect laboratories digitally through a Laboratory Information Management System (LIMS). This initiative aligns with the state's strategic plan and the president's directives to improve governance and streamline port procedures

Conference

31 January

Energy transition and infrastructure in Africa

On Jan. 31, AmCham Egypt hosted the "Energy Transition and Infrastructure in Africa Conference" in partnership with Afreximbank, International Finance Corporation, and White and Case. The Conference addressed one of the most pressing issues of Africa's development: energy transition and infrastructure. Several industry leaders, government officials, and infrastructure developers attended the event.

The Conference began with a panel discussion on "Advancing Energy Transition in Africa."

Guest speakers were Abimbola Ayinde, General Manager Upstream Commercial and Corporate Finance, First E&P; Ade Adeola, Managing Director, Energy & Natural Resources, Standard Chartered Bank; Andrei Klevchuk, Director – Project Finance, AMEA Power; Christopher Cantelmi, Principal, IFC; Helen Brume, Director, Project & Asset Based Finance, Afreximbank; Hind Chawki - Head, Financial Markets MENAP & Head of ESG, Global Credit Markets West (AME, Europe, Americas) Standard Chartered Bank; Sherin Shohdy, Head of Office and Coverage Director, North Africa, British International Investment plc; and Richard Eckrich, Principal Investment Officer, IFC.

The second panel delved into another crucial aspect of Africa's development: infrastructure and power.

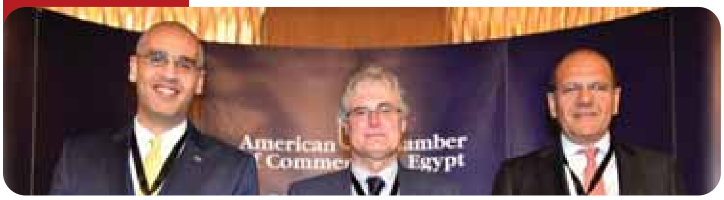
The panel discussion featured industry experts, government representatives, and infrastructure developers who shared insights on the challenges and opportunities in building robust power infrastructure across the continent.

The panel featured Adam Hughes, Senior Counsel, IFC; Constantin Von Moltke, Director, Syndications and Agency, Afreximbank; Mena Sadek, Special Advisor, AIIM; Richard Games, Director, Portland Advisers; Yusuf Umar, Nigerian Sovereign Investment Authority; and Yousra Assaker, Energy Specialist, World Bank.

The Conference also featured interactive workshops to delve deeper into specific topics related to energy transition and infrastructure in Africa. The workshops provided a platform for attendees to engage with industry experts and discuss the challenges and opportunities in the energy sector.

The event concluded with a Gala Dinner, where attending industry leaders and experts met to exchange ideas.

Banking



4 February

Citi executive tackles exchange rate issue

The banking committee of AmCham Egypt held a session titled "Recommendations for Moving Forward in 2024: Resolving the Current Exchange Rate Stalemate in Egypt" on Feb. 4, 2024.

Guest speaker David Cowan, senior economist for Africa, Citi, drew parallels between the current situation and patterns that emerged in Africa during the 1980s.

After COVID-19, Russia invaded Ukraine, wheat prices escalated and interest rate hikes emerged.

Egypt was attractive to many portfolio investments, but the currency's prolonged stability has led to a surge in import expenses that required financing.

Access to the global market became restricted for Egypt, among other nations.

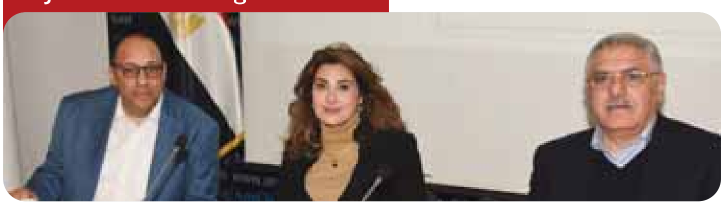
Egypt initiated communication with the IMF and entered into a bilateral agreement with the fund in December 2022.

The IMF has allocated $3 billion, paid over 46 month, making Egypt the country with the second-largest exposure to the international financial institution after Argentina.

A significant lack of confidence in the local currency and backlogs at customs due to a lack of foreign currency constitute one of the most critical challenges for the Egyptian market, and the IMF has concerns regarding fiscal policy.

Addressing the foreign exchange backlog lacks a singular solution, with potential courses of action including the IMF consolidating payments, the GCC consenting to match these IMF payments, or the CBE utilizing a portion of its foreign exchange reserves. Ensuring that the subsequent devaluation is successful or increases foreign exchange market liquidity is critical.

Joint EIC and Legal Affairs



6 February

Building favorable business landscape

The Entrepreneurship and Innovation Committee and the Legal Affairs Committee on Feb. 6th addressed the topic of "Driving Economic Growth Through Regulatory Reform: Towards a Favorable Business and Entrepreneurial Landscape." The guest speaker was Heba Shahein, Executive Director of the Egyptian Regulatory Reform and Development Activity (ERRADA).

During the session, Shahein highlighted that ERRADA acts as a mediator between the government and private sector by reforming the Egyptian legislative and regulatory framework to promote investment, simplify procedures, assist the Prime Minister in formulating investment-related policies, and propose innovative recommendations and concepts to improve the business environment.

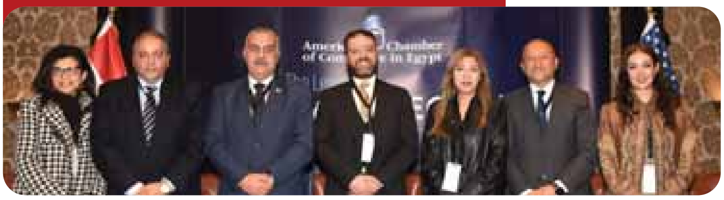
ERRADA's work focuses on improving various laws regulating investment, special economic zones, SMEs, competition, and the green economy. They have contributed to developing key national strategies, including the Intellectual Property Strategy, Climate Change Strategy 2050, and State Ownership Policy Framework Document.

ERRADA played a significant role in developing the Golden License, which aims to identify the criteria for "strategic" or "national" projects. The license is applicable for both old and newly established companies, provided the project is related to the national economic and social development plan.

By 2023, around 26 Golden Licenses have been issued, and 30 applications have been approved. Although the license still faces some implementation challenges, ERRADA has issued recommendations to change the executive regulations.

Shahein stressed the need legal reforms to guide all relevant authorities to adhere to one narrative. She stressed the issue is the law’s provisions and implementation, hence the need for a national legistlative reform strategy.

Corporate Impact and Sustainability



7 February
Session discusses EU's carbon border mechanism

On Feb. 7, the AmCham Corporate Impact and Sustainability Committee hosted a session addressing "Implications of a Carbon Border Adjustment Mechanism (CBAM) on Egypt." Guest speakers were Omar Abu Eish, secretary-general of the Permanent Secretariat for the Implementation of the Egypt-EU Association Agreement, Ministry of Foreign Affairs; Ayman Refaie, head of the Carbon Credits Department, Ministry of Environment; Moataz Yeken, chief economist, LYNX Business Strategic Advisers; Manal Hassan, group chief sustainability officer, Elsewedy Electric; and Hesham Yehia, sustainability director, Fertiglobe.

Egypt is a significant exporter to the EU, particularly fertilizers and cement, ranking among the top 10 suppliers. Accordingly, the local industrial sector needs to enhance its monitoring, reporting and verification procedures associated with the EU's Carbon Border Adjustment Mechanism (CBAM).

CBAM gas its challenges and opportunities. It requires a robust technical infrastructure to comply with EU regulations. Conversely, Egypt's dependence on natural gas in industry means more taxes on Egyptian exports to the EU under CBAM.

Addressing technology gaps requires collaboration with providers and multinational institutions.

However, CBAM could catalyze and accelerate Egypt's green transformation efforts. Collaboration with the EU to leverage carbon credits would enhance the competitiveness of Egyptian products.

The government has plans to decarbonize sectors like cement and fertilizers. The private sector is already encouraging suppliers to disclose their carbon emissions. Financing from international financial institutions can aid suppliers in carbon emission capture initiatives, crucial for compliance with CBAM requirements.

Egypt needs to accelerate the development of the carbon credits framework and enhance carbon emission governance.

Pharmaceuticals and Healthcare

14 February
UPA officials discuss localization potential

AmCham's Pharmaceuticals and Healthcare committees hosted a roundtable discussion on Feb. 14 with Hisham Badr, vice president of the Unified Procurement Authority (UPA), and Mary Kirollos, head of UPA's central administration of health technology management. The discussion focused on FX shortages, the geopolitical situation, and localizing the healthcare industry in Egypt as a hub for the Middle East and Africa. The committees discussed new procurement policies, tender mechanisms, and potential private sector collaboration with the UPA in the upcoming Africa Health Excon.

Badr emphasized the government's interest in localizing Egypt's pharmaceuticals and medical equipment sector. The aim is to improve the quality of locally produced products to compete with international companies. A clear supply plan is needed to rationalize the supply between local and multinational productions. Priority will be given to locally manufactured products over imported finished manufactured products.

The UPA has prioritized companies that manufacture in the country, but banks have a different internal priority list, leading to issues with foreign exchange availability for the sector. Egypt has struggled with a severe shortage of dollars, which has resulted in higher production costs for pharmaceutical factories that rely on imported raw materials. The government imposed forced pricing on certain types of medicine, which put pharmaceutical manufacturers in a difficult position as they deal with increased prices of imported raw materials and elevated actual costs.

The committees said purchasing medications and medical supplies from the black market is risky because they are unregulated. Local manufacturers have been unable to meet the growing demand due to increasing operational costs and reliance on imported components. A clear supply plan from the UPA is necessary to balance local and multinational production. In addition, financial transaction-related matters with UPA were discussed, including applying financial penalties in case of delay or non-supply.

Legal

15 February
Ensuring competitive neutrality

On Feb. 15, the Legal Affairs Committee of AmCham Egypt organized a workshop titled "Competitive Neutrality: Ensuring Private Sector Equal Footing." The guest speaker was Dina Kassab, economic adviser to the chairman of the Egyptian Competition Authority (ECA).

The ECA has committed to implementing the National Strategy for Advancing Competition Policies, and the Competitive Neutrality Index (CNI) is being developed as a crucial tool for monitoring and evaluating the state of competitive neutrality across diverse economic sectors in Egypt.

Competitive neutrality emphasizes fair and equal treatment for all market participants, regardless of ownership structure or affiliation, and promotes a level playing field, market efficiency, innovation, and investment. The CNI will serve as a comprehensive framework for assessing the extent to which competitive neutrality principles are upheld.

The index will encompass a range of critical indicators and metrics. By analyzing these factors comprehensively, the ECA will be able to identify areas of concern, prioritize regulatory interventions, and develop targeted policy responses to promote competitive neutrality effectively.

By establishing baseline metrics and performance benchmarks, the ECA will be able to track changes in market dynamics, assess the impact of regulatory interventions, and identify emerging trends or challenges that may require attention.

The development of the CNI reflects Egypt's broader commitment to fostering a competitive and vibrant business environment that attracts investment, stimulates economic growth, and promotes consumer welfare. By promoting competitive neutrality, the ECA can instill confidence among investors, entrepreneurs, and consumers, signaling Egypt's commitment to fair competition and market integrity.

Banking

20 February
Driving net zero transition for businesses

The AmCham Banking Committee held a session on "Driving Net Zero Transition For Businesses" on Feb. 20, featuring guest speakers Seb Henbest, HSBC group head of climate transition, and Zoe Knight, group head of the HSBC Centre of Sustainable Finance and head of climate change MENAT at HSBC.

Speakers noted that banks can play a crucial role in combating climate change by driving the net-zero transition for businesses. They agreed that banks can mobilize capital, incentivize innovation, and incentivize systemic change across industries by aligning their lending and investment practices with sustainability goals.

Speakers explained that banks increasingly integrate environmental, social, and governance (ESG) criteria into their lending and investment decisions. That involves assessing the environmental impact of projects and businesses seeking financing and evaluating their resilience to climate-related risks and opportunities.

Speakers explained that banks finance renewable energy projects, energy efficiency initiatives, and sustainable infrastructure development. They added that banks can enable businesses to transition away from fossil fuels and embrace clean and renewable energy sources by providing affordable financing options for renewable energy technologies such as solar, wind, and hydroelectric power.

In addition, banks drive innovation in sustainable finance by developing financial products and services that encourage businesses to adopt environmentally sustainable practices, such as green bonds, sustainability-linked loans, and investment funds that provide economic incentives for companies to achieve measurable sustainability outcomes.

Moreover, banks should disclose their carbon footprint and commit to carbon neutrality targets as part of their broader sustainability strategies.

Driving the net-zero transition for businesses through banks represents a strategic imperative for advancing sustainability. As stewards of capital and agents of change, banks have a unique opportunity and responsibility to shape a more sustainable future for businesses, communities, and the planet.

Gamal Moharam,

Founding Member and Former President of AmCham Egypt

We are deeply saddened by the passing of Gamal Moharam, Founding Member, former Executive Vice President (2003-2007) and former President of AmCham Egypt (2009-2013).

Mr. Moharam was a prominent leader in the banking, finance, and business sectors, with a distinguished career spanning over 40 years. After graduating from the commerce department at Cairo University in 1974, he worked in the banking industry in diverse roles ranging from credit and marketing officer at Citibank to assistant vice president of Fleet National Bank and chief representative of the Bank of New York in Cairo. Mr. Moharam was the CEO and managing director of Piraeus Bank Egypt (formerly Egyptian Commercial Bank) from 2002 to 2008, and most recently served as chairman of MGM Financial & Banking Consultants.

Throughout his career, he was renowned for being a visionary and a pioneer in introducing innovative financial products and services to Egypt and the region.

Mr. Moharam was an active member of AmCham Egypt, participating in more than 12 Doorknock Missions to the U.S. and advocating Egypt's potential for investment and trade with the world's biggest economy. During those visits, he met with high-ranking U.S. officials, policymakers, and think tanks.

Mr. Moharam was not only a successful businessman but also a generous and compassionate human being. He cared deeply about his country and his community and was involved in many social and charitable causes. He was also a loyal friend and a mentor to many who admired his wisdom, integrity, and humility.

We extend our heartfelt condolences to his family, friends, and colleagues. We share in their grief and pray for their comfort and strength.

Mr. Moharam's legacy will live on through his remarkable achievements and his positive impact on so many lives. He will always be remembered and honored by the AmCham Egypt family.

May he rest in peace.

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A Glance At The Press

Just checking in on you, as I went to the supermarket and noticed that the prices haven't increased since yesterday.

Al Masry Al Youm, Feb.19

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.

Neferhotep tomb in Luxor opens

The tomb of Neferhotep, the great 18th Dynasty (1550-1292 BC) scribe of Amun, officially opened for visitors in February after more than two decades of restoration.

The tomb, located in the Al-Khokha area on Luxor's West Bank, was inaugurated during a ceremony attended by Mostafa Waziry, secretary-general of the Supreme Council of Antiquities, and Gonzalo Urriolabeitia, Argentina's ambassador to Egypt.

The restored tomb is of high artistic quality, featuring sculptures, reliefs, and wall paintings that attest to the high heritage value of the tomb. The tomb's decorative program reflects changes in funeral practices after the Amarna Period, a time of religious change that saw the capital move from the north of Egypt to the south.

Tomb restoration began in 2000 and was organized by Buenos Aires University in Argentina, which was responsible for recording and studying the tomb's epigraphic and archaeological aspects. In addition, a German team handled the conservation and cleaning of the wall paintings.

Ahram Online, Feb.11

British-Egyptian director wins BAFTA award

British-Egyptian director Yasmin Afifi has won the British Academy of Film and Television Arts (BAFTA) award for Best British Short Film for her film "Jellyfish and Lobster" at the academy's 77th annual ceremony at Royal Albert Hall in London.

Afifi won against Joe Weiland, Elham Ehsas, Abdou Cisse and Simon Woods. The film was written and directed by Afifi and produced by Elizabeth Rufai. It starred American-Egyptian actor Sayed Badreya and British actress Flo Wilson.

Set within a senior living facility, the short film depicts the unexpected and troublesome bond that develops between two individuals as they grapple with their illnesses.

Egyptian Streets, Feb.20

Saladin Citadel towers open to the public

In February, the Ramla and Haddad towers, integral parts of the eastern wall of the Saladin Citadel in Cairo, were opened to the public for the first time.

Secretary-General Mostafa Waziry of the Supreme Council of Antiquities (SCA) said the restoration was Initiated by SCA experts with private-sector funding.

The Ramla Tower is 20.8 meters (68 feet) high in the shape of a three-quarter circle, with two floors and an open roof. The 22-meter semicircular Haddad Tower is one of the Citadel's largest. Both towers were expanded during the reign of Sultan Al-Adil Al-Ayyubi.

During the expansion of the Ramla Tower, the arrow slits were converted into doorways leading to rectangular rooms covered with vaults. Each room ends with a small window.

The addition of the towers is expected to extend the tour inside the Citadel to three or four hours instead of the previous 40 to 50 minutes, Issa said.

The Egyptian Gazette, Feb.18

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