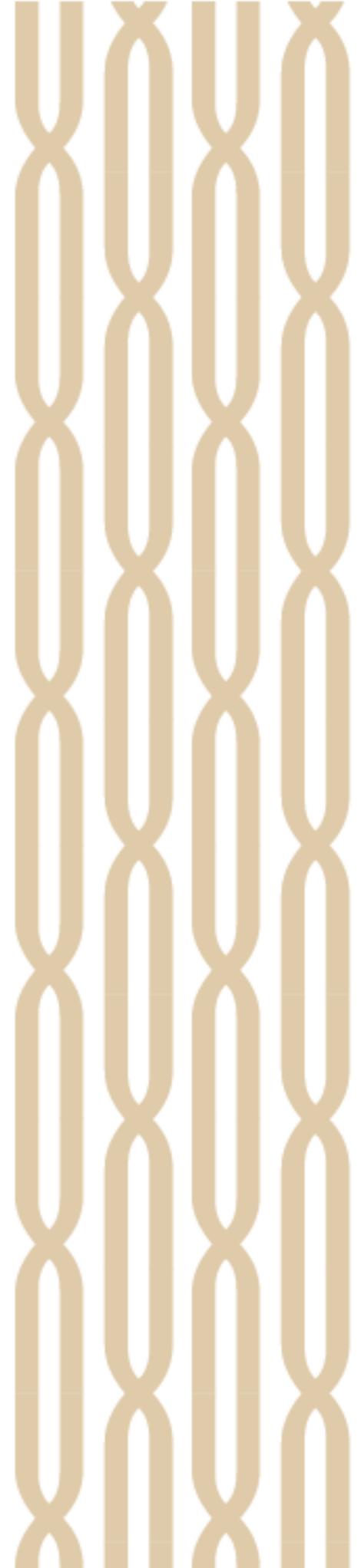


COVID-19 EGYPT UPDATE

Special Edition of the **LYNX Industry Notes**
May 21, 2020



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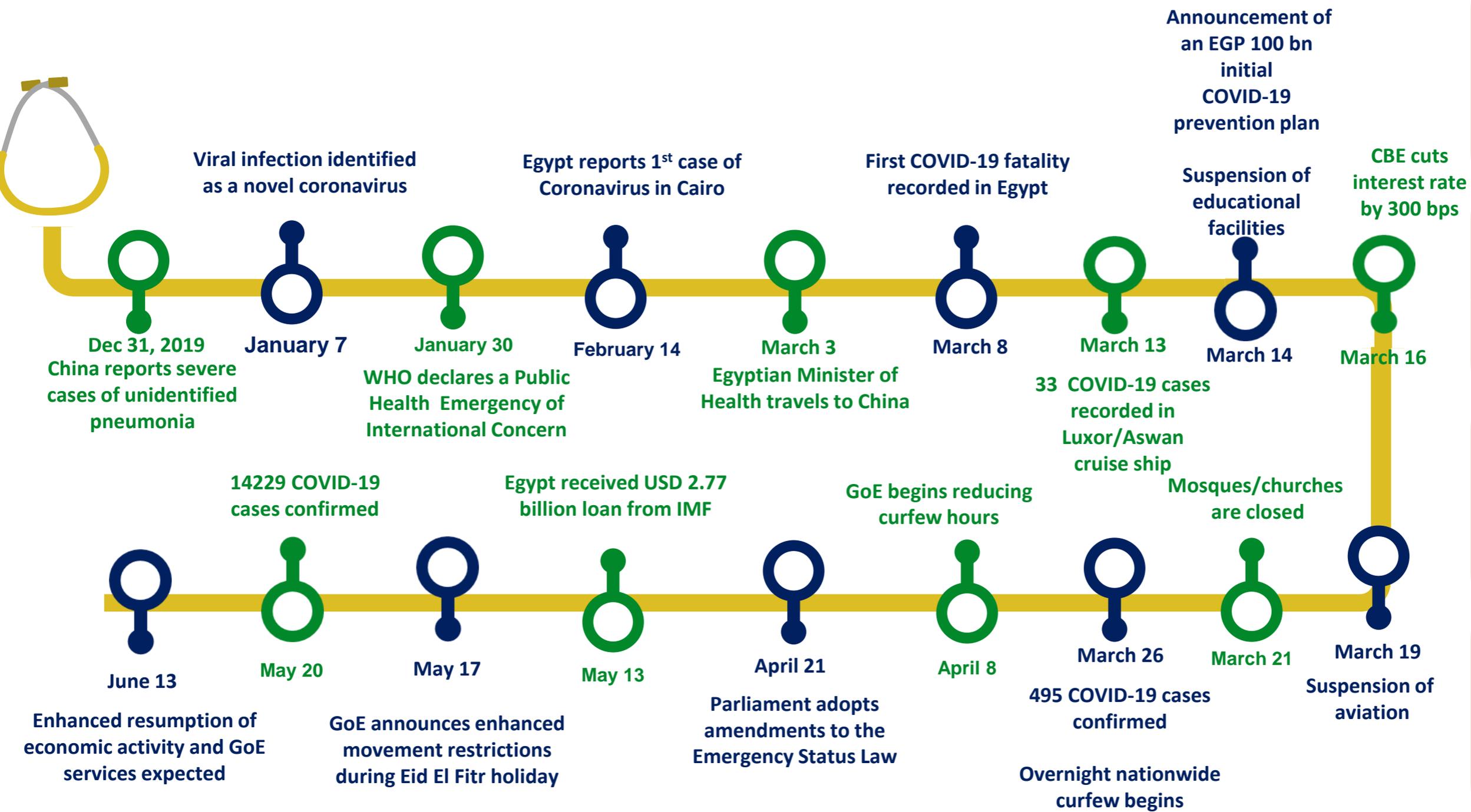
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- An Overview of Egypt's COVID-19 response
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Egypt's Response to COVID-19

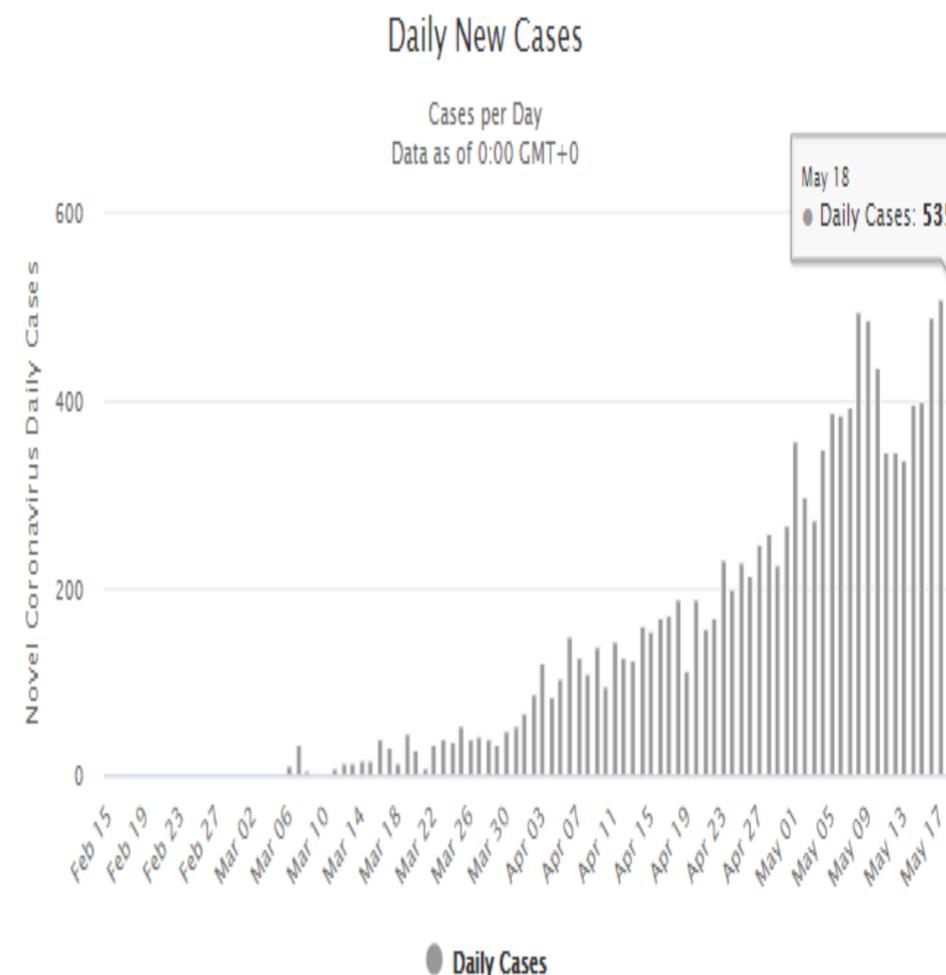
An Overview

COVID-19 Timeline: Egypt



Evolving strategy

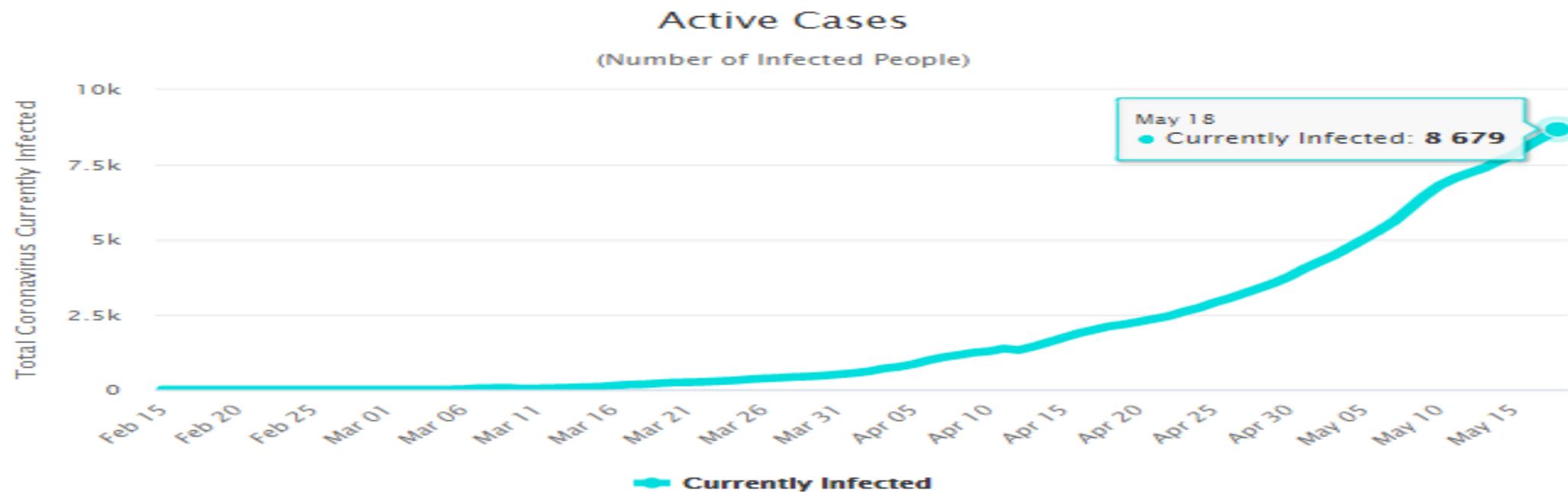
- Since the beginning of the COVID-19 crisis, the Government of Egypt (GoE) moved early and gradually with an integrated approach to address the pandemic's impact on Egypt's health and business sectors. An initial budget of EGP 100 billion (equivalent of USD 6.4 billion) was allocated for this effort. The GoE continues to adopt sector-specific measures rather than a broader economic rescue program. It has yet to announce bailouts and continues to extend credit support to businesses, cash transfers and deferred taxes. Employment aid has also been provided, including three-month stipends to seasonal employees, scheduled to continue until June 2020.
- In recent weeks, the GoE shifted to adopting gradual- but quick- measures to reopen the economy and “co-exist” with the pandemic. Restrictive social engagement measures were further relaxed on the occasion of the Holy Month of Ramadan, a number of government services were re-introduced to ease economic pressures on a number of sectors, hotels have been permitted to operate with 25 percent capacity on May 15, and legislations were adopted to fortify the GoE's ability to deal with the crisis and jump start the economy, including a long-awaited law on incentivizing small and medium enterprises. However, movement restrictive measures will be enhanced during the extended Eid El Fitr holidays (May 24-29, 2020) as an attempt to curb the rising number of COVID-19 cases and pave the way for the resumption of economic activities.



Source: <https://www.worldometers.info/coronavirus/country/egypt/>

Enhanced resumption of economic activity expected

- The GoE indicated that additional measures would be adopted in mid-June to further open up the economy, including the reopening of restaurants and other public areas. There GoE is also considering resuming civilian aviation to and from Egypt, and may further relax- if not terminate- curfew measures during the 2nd half of the year.
- On the other hand, the GoE continues to shore up finances to cover the current spending to mitigate the crisis. Levies were approved on mobile phones, sporting contracts, pet food, among other sectors. A draft law mandating a one percent wage cut for civil servants and employees of the public and private sector (and a half percent cut in pensions) to provide additional funding to the GoE's COVID-19 response, has been submitted to Parliament for approval.



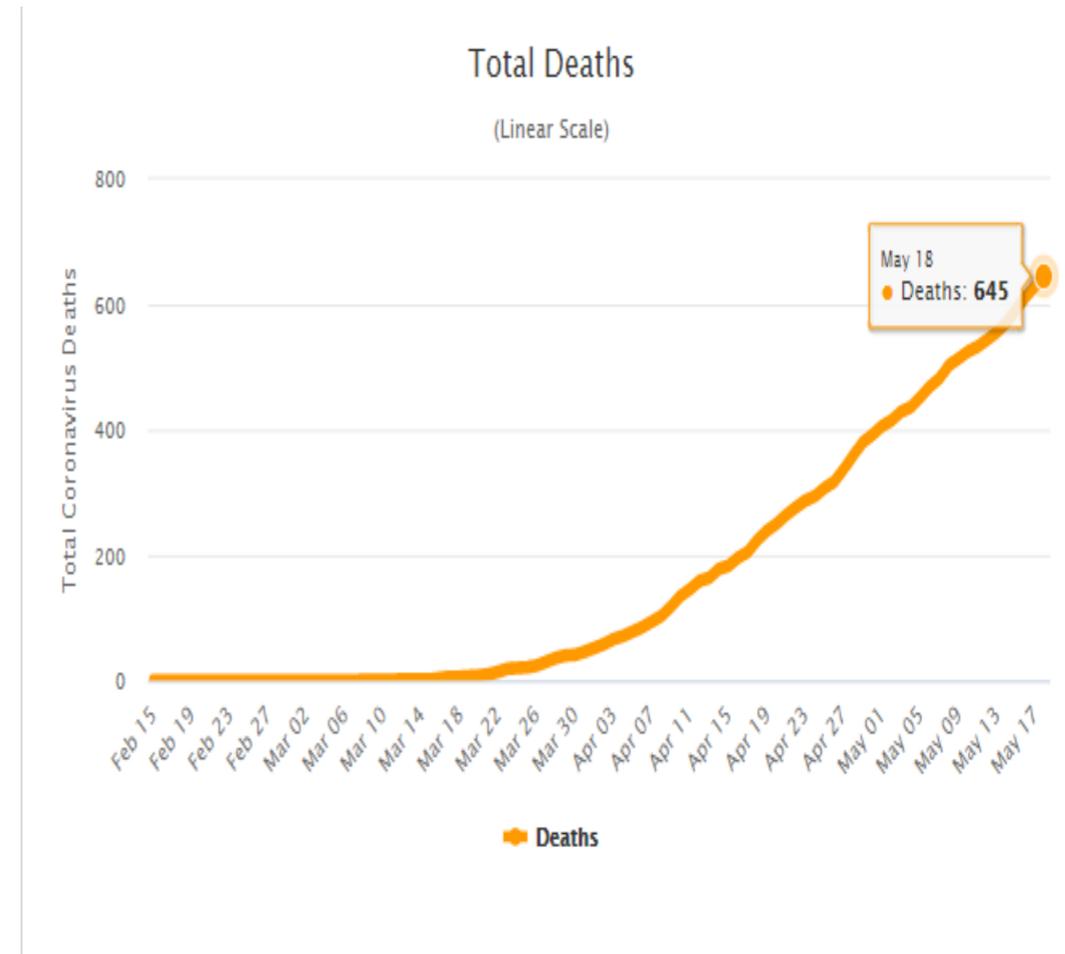
Source: <https://www.worldometers.info/coronavirus/country/egypt/>

Resort to international financing

- The GoE also turned to the International Monetary Fund (IMF) for support in the form of a one-year “rapid financing” facility (RFI) to help address shortfalls in the country’s balance of payments, in addition to a separate stand-by funding arrangement (SBA) to support fiscal reform. It remains to be seen where the funding will be allocated as Egypt looks to weather this unprecedented global storm.
- On May 13, 2020, Egypt’s received the first tranche of a loan, worth USD 2.77 billion, from the IMF. According to press reports, a second tranche of IMF/RFI funding is expected to arrive in June 2020. The Fund is currently in discussions with the GoE on additional SBA funding, reported to amount between USD 5 billion and USD 5.5 billion.
- The Institute of International Finance (IIF) expects the IMF to lend Egypt a total of USD 8.4 billion through the RFI and SBA facilities, including a USD 2.8 billion loan (100% of quota) under the RFI to allow the GoE to bolster health and welfare spending, provide relief to SMEs, and bolster foreign reserves. According to the IIF, the IMF will likely approve a two-year SBA giving Egypt access to funds worth 200% of its quota (around USD 5.6 billion). The figure Egypt receives from the SBA will depend on financing needs, repayment capacity, and Egypt’s track record on using previous IMF funds. However, the conditions are expected to be less stringent than under the recent USD 12 billion IMF extended fund facility, with the SBA having a shorter repayment period and fewer conditions.
- From its part, the World Bank initially allocated USD 7.9 million to fund Egypt’s COVID-19 emergency response measures and on May 17, announced the approval of a USD 50 million funding for Egypt as an emergency response under the World Bank Group’s new Fast Track COVID-19 Facility. The project will focus on the immediate and critical areas of support identified by the GoE’s national COVID-19 response plan, including supporting Egypt on procuring and distributing medical equipment and supplies necessary for the COVID-19 response, as well as social distancing measures.
- Furthermore, the Central Bank of Egypt announced that it will be seeking further financial support of USD 9 billion from an array of international organizations.

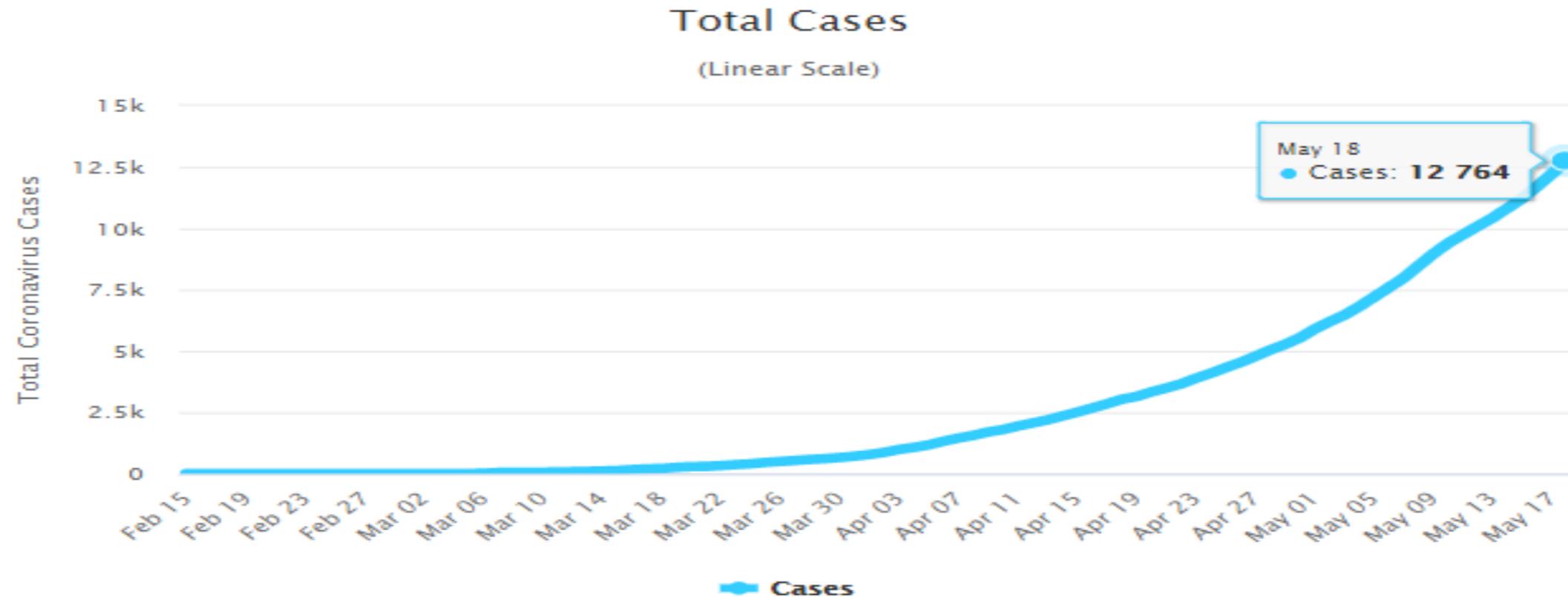
Strategic investments

- The GoE signaled its intention to adopt a more strategic approach to enhancing Egypt's education, healthcare, and R&D sectors through a substantial increase in spending on each of these sectors in the FY20-21 budget. This is a positive sign for investors on Egypt's priorities and ability to adapt to the requirements of a post-COVID-19 world. It remains to be seen whether this shift will impact the GoE's huge spending on construction projects and whether it will lead to a review of the current role of the state in the economy.
- The Cabinet of Ministers approved a request to the World Bank for an increase in the funding package allocated from the Bank (USD 250 million) to support Egypt's new comprehensive health care system, to USD 400 million. The funding is will support Egypt's efforts to upgrade hospitals and enhance coverage for the most vulnerable groups across governorates.
- The GoE announced on May 20 its intention to expand its COVID-19 testing services to 320 government hospitals. It continues to come under heavy pressure from members of the House of Representatives and business leaders to expand testing methods for COVID-19 to include private sector facilities, particularly as the Government seeks to re-open the economy.



Source: <https://www.worldometers.info/coronavirus/country/egypt/>

Upsurge in COVID-19 cases



Source: <https://www.worldometers.info/coronavirus/country/egypt/>

- The relaxing of restrictive measures comes at a time when the curve of confirmed COVID-19 cases in Egypt continues to rise, further indicating that Egypt has yet to reach its peak in COVID-19 infections. On May 20, Egypt reached its highest numbers of recorded COVID-19 cases in a single day; 745 cases.
- In the meantime, the GoE began announcing its evolving “co-existence” strategy with COVID-19 as well as expected gradual measures to open up the economy.

GoE's Co-Existence Strategy with COVID-19

Sanitary Guidelines

to be imposed on specific entities including corporate offices, malls, markets, construction sites, factories, and transportation means.

E-Payment Methods

shall be promoted along with increased reliance on delivery services.

General Guidelines

for entities looking to reopen including allocating a quarantine room for suspected cases, temperature inspection upon entries, set scheduled disinfection routine for venues.



Closure

of venues with high crowd density and transition to e-government services

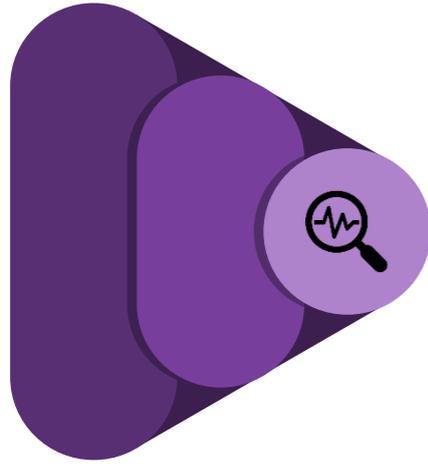
Awareness Raising

on general sanitary and public safety guidelines and procedures

Re-evaluation

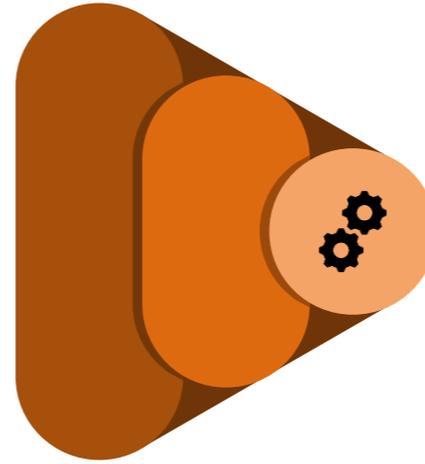
of adopted measures to combat COVID-19 every 14-days

Measures leading up to the opening of the economy



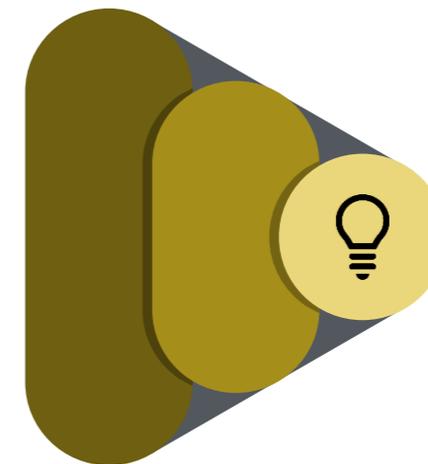
May 24- 29

- Daily curfew implemented until May 29th between 5 PM – 6 AM
- Public transportation between and inside cities suspended. Ride-hailing services are exempted from these measures.
- Malls/ markets/commercial shops/ workshops have been ordered to close.
- An extended national holiday (Eid El fitr) for the private and public sector was granted by the GoE.



May 30

- Wearing protective masks will be mandatory in public places and closed spheres with severe penalties imposed on violators
- Curfew hours become 8 PM–6 AM



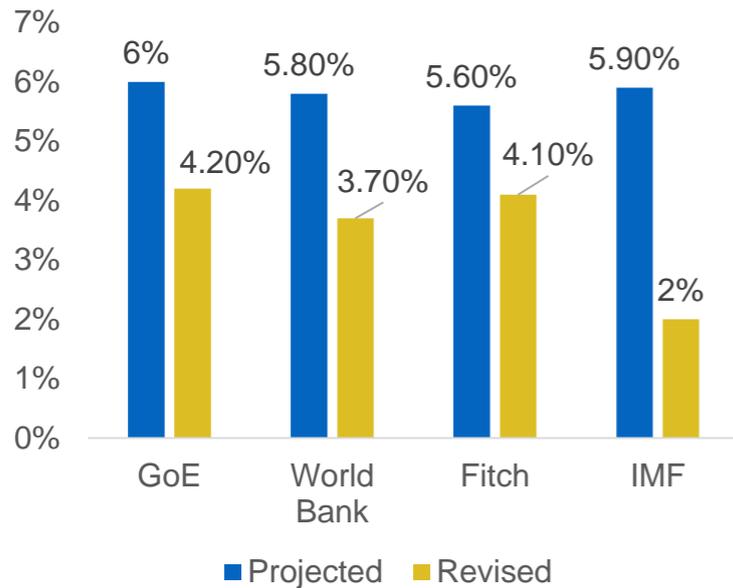
Mid June

- Youth centers/ sports clubs may reopen.
- Reopening of dine-in restaurants/ mosques/churches will be considered
- Thanaweyya Amma end of year to be held, beginning June 21.

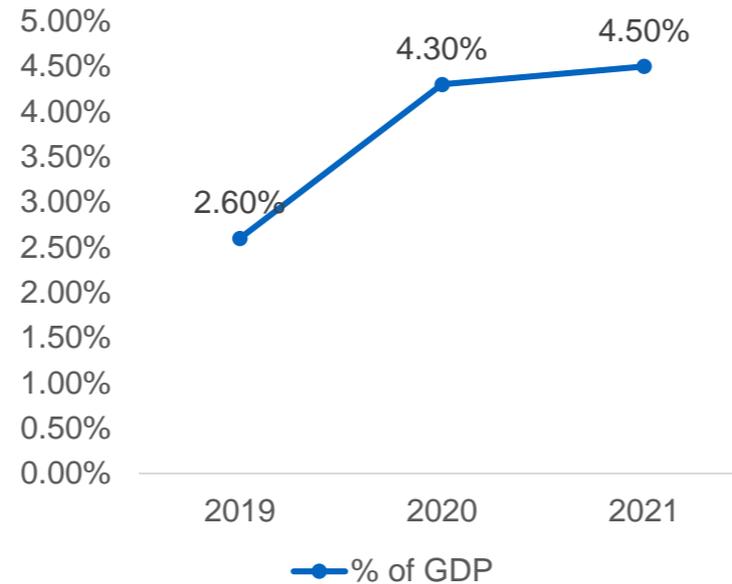
- The protective measures adopted during the Eid El Fitr holiday reflects the GoE's interest in stepping up physical distancing efforts without striking a full economic lockdown.
- The GoE's ban on all public transportation measures aims to limit at least 60-70% of movement and travel during the week, slow down the increasing pace of recorded COVID-19 cases witnessed during the month of Ramadan, and providing breathing room for medical facilities dealing with COVID-19 cases.
- These measures reflect the GoE's intention to adopt a more cautious, gradual approach to the expected gradual reopening of the economy in June as a result of the recent surge in COVID-19 infections.

Economic indicators

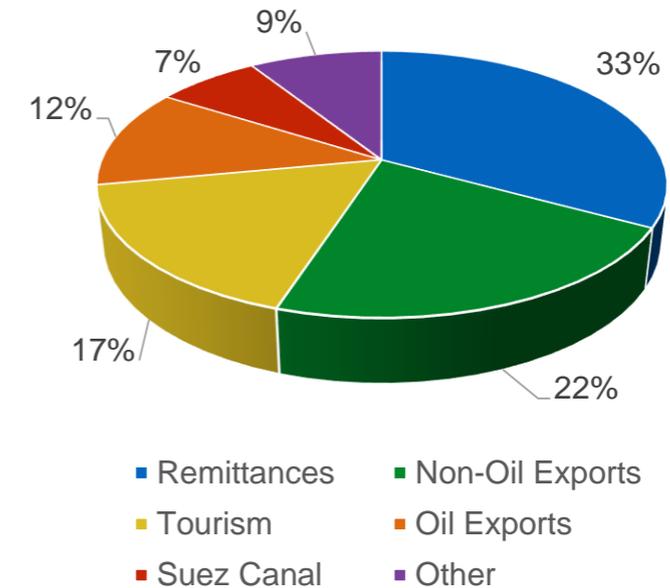
Revised projections – Growth Rate 2020



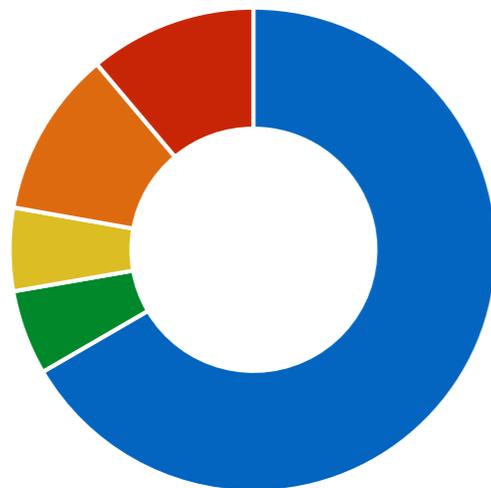
Current Account Deficit



Current Account Inflows - % by Source



Stimulus Package Update – May 2020

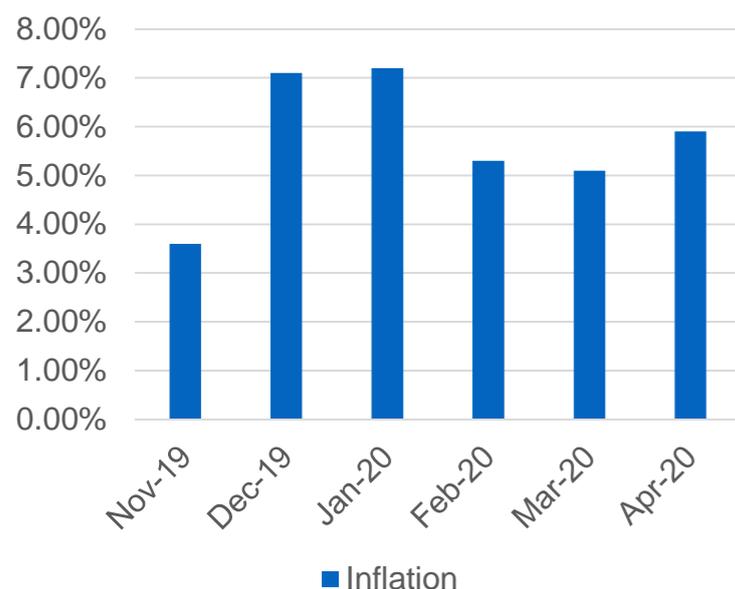


- TBD
- Ministry of Health
- Ministry of Supply
- Payables for Construction Sector
- Tourism Sector
- Financial Assistance to Affected Sectors

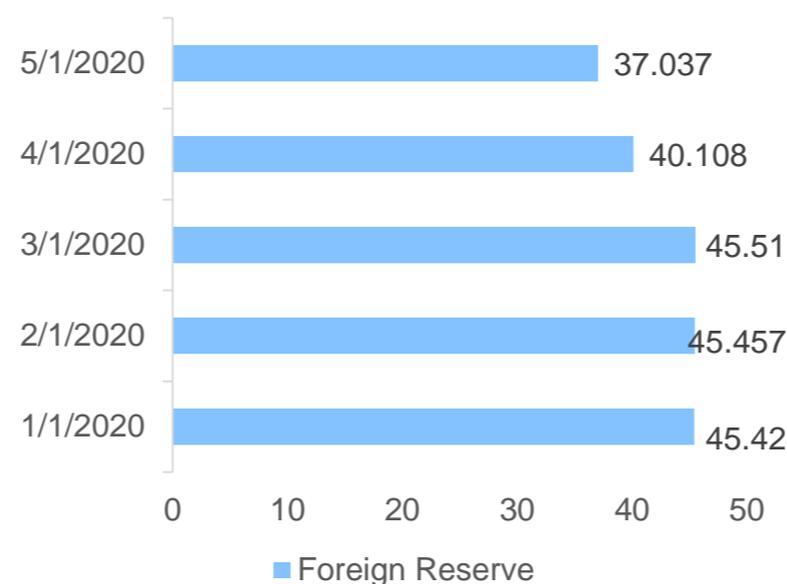
- The GoE issued its revised growth rate for FY19/20, bringing it down to 4.20% due to the decline in tax revenues estimated at EGP 65 billion.
- The Minister of Planning and Economic Development revised downward the government's growth outlook for FY2020-2021 to 2% from 3.5% should the COVID-19 pandemic continue into December. She added that private sector investment may also fall by up to 30% in FY2020-2021 if the crisis extends to December. She expects the majority of Egypt's economic growth next fiscal year to be concentrated in its second half, with 1H2020-2021 expected to see very low growth.
- The Minister of Finance warned that Egypt's budget deficit could widen to 7.8% of GDP in FY2020-2021 if the COVID-19 crisis continues until the end of the year. The GoE had expected to narrow the deficit to 6.3% in FY2020-2021.

Economic indicators

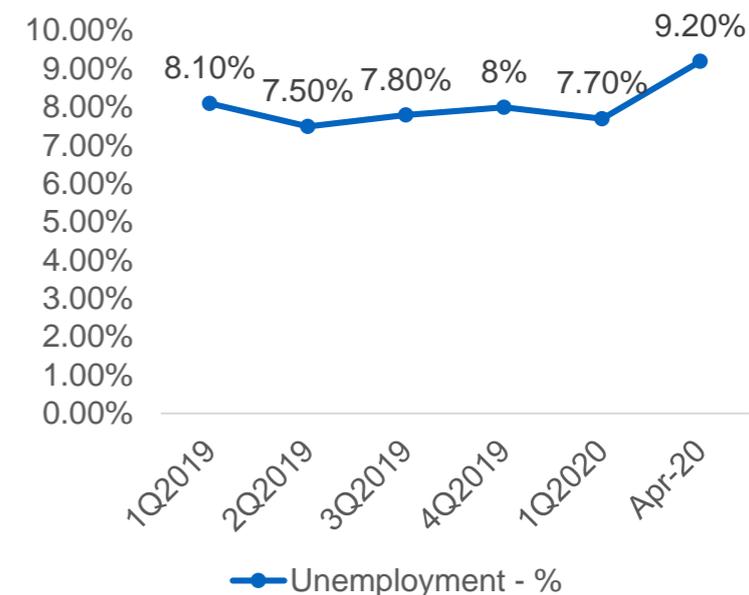
Inflation Rate – y-o-y %



Foreign Reserve (Bn USD)



Unemployment Rate



- Tax exemptions extended to businesses, as well as the postponement of payments of other dues, have severely impacted the financial revenues and inflows of the state, thus accelerating the GoE's steps to resume economic activity and diversify sources of additional funding.
- The CBE has managed to control the rapid outflow of foreign investments in financial instruments amounting to USD 14 billion (50% of total) through the support of local banks' inter-bank liquidity and the foreign reserve which resulted in a sharp decline of USD 8.47 billion (18%).
- The GoE introduced a number of regulatory and monetary measures in order to avoid any hyper-inflationary activities with regard to certain goods and services by sustaining the pipeline of consumer goods and monitoring the markets' activities. The inflation recorded a slight increase to 5.9% in April 2020.
- Egypt's unemployment rate rose to 9.2% in April from 7.5% in 2Q2019 due to the GoE's COVID-19 precautionary measures
- According to IHS Markit's purchasing managers' index (PMI), non-oil business activity in Egypt fell to an "unprecedented rate" in April as Government measures to stem the COVID-19 outbreak caused a "severe decline" in business conditions. According to the report, the PMI gauge fell to a record low of 29.7 in April, down from 44.2 in March as output, new orders and exports plunged due to muted demand. (PMI readings above 50.0 indicate expansionary activity, while a reading below means it is contracting.)
- The GoE is expected to add new investments into the construction sector and other labor-intensive sectors to absorb the unemployment wave resulting from the stagnation of the hospitality and other sectors.
- Government investments are expected to increase from EGP 211 billion in FY 19-20 to 280.7 in FY20-21 (33% increase)

FY 2020-2021 Budget Overview

 4.5% y-o-y targeted growth rate/ revised from 6.4%

 47% decrease in the **fuel subsidy bill**

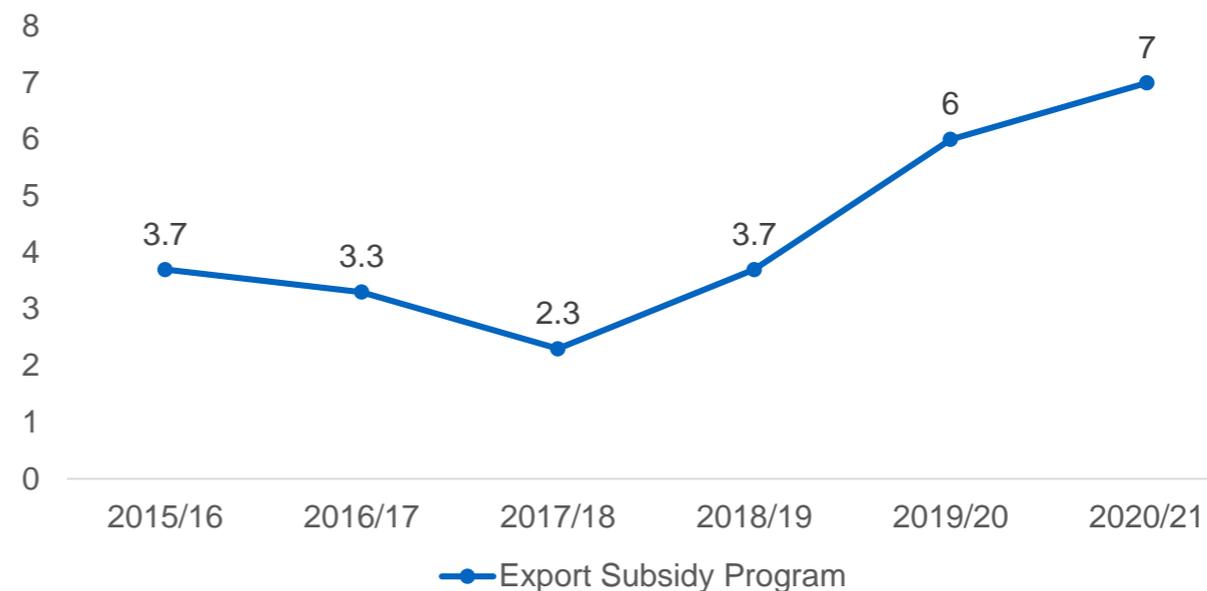
 32.9% increase in government-led investments

 45% increase in healthcare expenditure

 14.8% increase in education expenditure

 6.3% (% of GDP) targeted budget deficit

Export Subsidy Program Budget – 2020/21



- The GoE is planning to keep building/maintaining the gains of its Fiscal Reform Program (FRP) through capitalizing on the current dip of the oil prices which will save 47% of its Fuel Subsidy Bill y-o-y in comparison with FY 2019-20 budget while setting the price for oil barrel at USD 61 as a precaution for any surges that may occur during the 2nd half of 2020-2021.
- The GoE is focusing on expanding and developing its taxation system/matrix through emphasizing on e-system/bookkeeping and payments.
- The GoE plans to move forward towards the inclusion of the informal economy through the incentive-based approach of the newly adopted MSMEs Law.

Stated Objectives

- Maintain a primary budget surplus of 0.5-2%; dependent on the state of the COVID-19 crisis
- Expand social security nets/measures such as **Takaful wa Karama**
- Direct the COVID-19 stimulus package towards the most affected sectors in order to limit the damage of unemployment
- Increase infrastructure investments to elevate the livelihood and services provided to the citizens
- Sustain the financial pipeline directed to maintaining strategic reserves of goods
- Amend the Public Private Partnerships (PPP) law

Emergency Law Updated

Emergency law updated

- On April 21, 2020, the House of Representatives [approved](#) a number of amendments to the Emergency Status Law #162/1958. The amendments were introduced as an attempt to allow the President to adopt swift measures, decrees, and executive actions to address health pandemics and prepare for the next waves of the COVID-19 pandemic.
- The additional exceptional powers extended to the President in the (currently enforced) emergency status law include the following:
 - Easing financial burdens off individuals and businesses by permitting a waiver, payment in installments of certain dues (electricity/gas/water), in addition to providing grace periods for tax dues
 - Postponing deadlines for tax declarations or the payment of some/all of the tax dues for a maximum period of 3 months (subject to renewal for periods of 3 months each)
 - Providing financial/in-kind support to affected economic sectors, while setting the guidelines for the aid's disbursement to entities, corporations, and projects
 - Suspending work- partially or totally- within ministries and their respective entities, governmental bodies, local administration units, public authorities, public sector enterprises and corporations, and other companies owned by the state or the private sector
 - Postponing educational processes in K-12 schools, universities, institutes, any other educational facilities, or any educational assemblies
 - Allocating schools, youth centers, public enterprises, or other locations owned by the state to be utilized as temporary field hospitals

Emergency powers during pandemic

- Halting all operational processes across the country if necessary and allowing for the use of private and public institutional facilities (medical/other) to accommodate COVID-19 patients
- Delaying procedural deadlines for cases being dealt with by public prosecution authorities
- Authorizing price fixing of commodities, services and products
- Banning the export of certain products
- Restricting the circulation, sale, transportation, or possession of some products/goods
- Limiting public gatherings, protests, celebrations, or any other form of assembly including private gatherings
- Specifying methods of financial/in-kind donations collection for emergency causes and setting the guidelines to allocate those donations
- Monitoring scientific, medical, and research laboratories on dealing with biological substances, tightening regulations on their possession, transportation, usage, as well as setting disposal regulations for biological waste
- Requiring inbound travelers to abide by quarantine procedures according to healthcare guidelines set by the GoE.
- According to the law, the armed forces have been granted the authority to implement the measures adopted by the President, including the jurisdiction to conduct necessary arrests and procedures against those who violate such measures. Furthermore, the Military Prosecution has been authorized to support the Prosecutor General in investigating the crimes committed in this regard, with the final authority in the investigations granted to the public prosecution authorities.

GoE's COVID-19 Response By Sector

Stakeholders leading Egypt's response

President of the Republic

House of Representatives

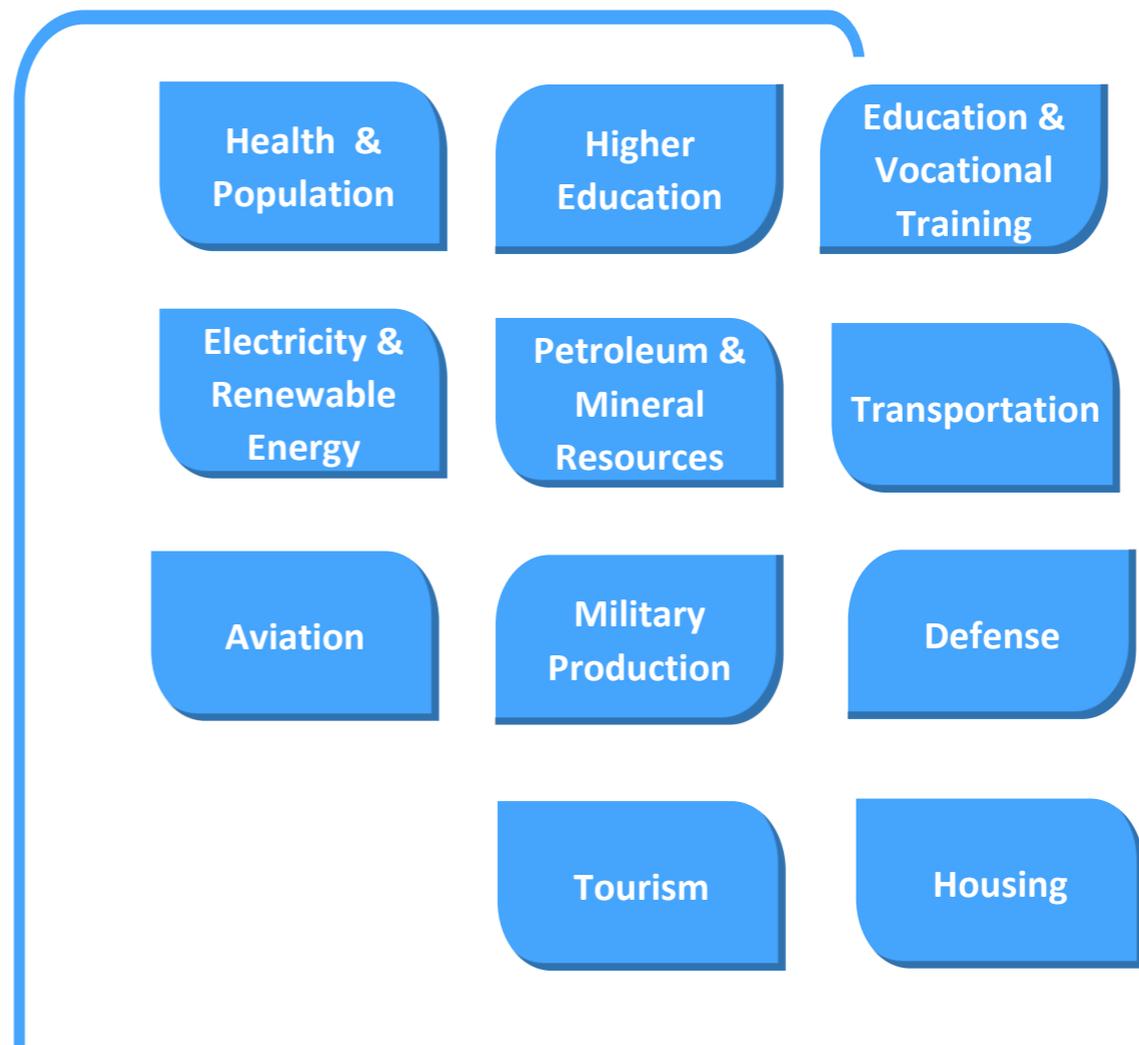
Prime Minister

Central Bank of Egypt

ECONOMIC BRANCH MINISTRIES



SERVICES AND OTHER MINISTRIES



GoE decisions by sector

Health

- Additional quarantine specialized hospitals (QSH) continue to be assigned for COVID-19 cases in each governorate (27 in total).
- The Ministry decided to expand testing for those showing symptoms of the virus in 320 government hospitals nationwide. According to the GoE, COVID-19 cases will be identified based on blood and chest scans followed by the performance of swabs if an infection is confirmed. Accordingly, cases will be classified based on three categories:
 - Low Symptoms: will be home-isolated and will receive a medical package that include PPE and medicines.
 - Mild Symptoms: will be transported to public dormitories and youth houses allocated for quarantining.
 - Severe Symptoms: will be directed to QSHs and placed under medical supervision.
- COVID-19 testing limited to government healthcare facilities only. No foreseen shift in GoE policy to allow for private testing.
- University Hospitals ordered to cut non-emergency admission to free beds for potential COVID-19 patients.
- University Hospital outpatient clinics ordered to cut their patient intakes by 50% and create specific, isolated facilities for patients emerging with respiratory problems.
- Body temperature checkups conducted on travelers across airports, state institutions and construction sites.
- Mandatory 7 day quarantine for anyone returning to the country from foreign travel (recently reduced from 14 days). Travelers who test negative after a week will reportedly be released from quarantine on the condition they self-isolate at home for another seven days.
- Outpatient private clinics ordered to close nation-wide. To be used for ICU operations as required.
- Pharmacies permitted to dispense three-months of medical supplies for chronic illness beneficiaries of the public healthcare insurance program.

GoE decisions by sector

Health

- The use of protective face masks is mandatory in public places and GoE entities, as of May 30, 2020. Everyone will be required to wear a mask in banks, private offices, GoE buildings, malls, retail outlets, and all forms of mass transport. Violators will be subject to a fine of EGP 4,000.
- Smoking of water pipes (*shisha*) is prohibited in public areas.
- Pharmacies permitted to dispense three-months of medical supplies for chronic illness beneficiaries of the public healthcare insurance program.
- Construction companies required to monitor their workers' temperatures and provide them with face masks and disinfectants as precautions against COVID-19. Ambulances will also be required to remain on sites that have more than 100 workers.
- Mothers benefitting from programs to expand access to baby formula also be allowed to stock up.
- Plasma therapy trials approved for COVID-19 patients using plasma extracted from recovered cases.
- The first shipment of *Remdesivir* is ordered (funded by the WHO). *Remdesivir* is a broad-spectrum antiviral medication developed by the biopharmaceutical company *Gilead Sciences*; currently being tested as a specific treatment for COVID-19.
- E-Payments were introduced as a payment method for all healthcare services in public hospitals.

“Egypt’s COVID-19 outbreak is ‘not insignificant’ but remains under control, and we still have several options for how to handle the situation.”

World Health Organization (WHO) Egypt representative
John Jabbour on April 5, 2020

GoE decisions by sector

Health

- The House of Representatives [approved](#) amendments to Law # 137/1908 on the GoE's powers to address contagious diseases. The amendments seek to address a number of imminent issues and authorized the Minister of Health to issue restrictive decrees during times of crises, including:
 - Authorizing the Minister to issue a decree obliging citizens to wear protective gear outside their homes, and impose fines for non-compliance,
 - Enhancing the Minister's authority to set physical distancing and other precautionary measures at work-places,
 - Imposing penalties and freedom-restricting measures on those who seek to obstruct funerals and burial sermons for deceased COVID-19 cases.

The Ministry of Health set a **definition** for suspected/recorded COVID-19 cases, noting 3 scenarios:

- Fever/breathing problems following recent travel or recent contact with a recorded case and/or healthcare worker,
- A case of severe pulmonary symptoms, cough, and fever with no clear diagnosis,
- A case of at least two of COVID-19 symptoms/ Chest X-Ray with signs of COVID-19/ Total leukocyte count with a recorded decrease in lymphocytopenia.

GoE decisions by sector

Central Bank of Egypt

- Interest rate was cut by 300 bps on March 16, 2020. CBE's deposit rate fell to 9.25% from 12.15%; in single digits for the first time since March 2016. The Bank's lending rate is 10.25%. The main operation and discount rates are both at 9.75%. (CBE left rates on hold during its previous meetings, having lowered them by 450 bps between February and November 2019).
- CBE's Monetary Policy Committee meeting on May 14th maintained the current interest rates.
- Egypt's foreign reserves have decreased by USD 8.4 billion since the beginning of the crisis in March, reaching USD 37.037 billion by end of March 2020. These reserves are still "substantial." The CBE announced that the reserves have been used to guarantee the availability of strategic commodities. The CBE has recently honored USD 1.6 billion- worth of external obligations – including a USD 1 bn Eurobond that matured in April.
- EGP 20 billion pipeline were extended to the Egyptian Stock Market.
- CBE launched an initiative for credit defaulters of loans less than EGP 1 million; on the condition of paying 50% of the dues, the CBE will lift defaulters from the credit probation list until March 2021. The initiative will benefit 940,000 customers with a total of EGP 11.3 billion.
- EGP 50 billion have been allocated to support the tourism sector, including to support affected hotels.
- The CBE will guarantee 80% of each loan that banks make under the CBE's EGP 100 billion stimulus program for industry. This program (established in December 2019) provides subsidized loans with a declining 8% interest rate to medium-sized factories. The program was expanded to include agricultural companies in March and contractors in May.
- Interest rates under the CBE Tourism Sector Support Initiative were reduced to 5% (previously 8%).
- Lending rates for industrial and housing finance were reduced from 10% to 8%.

GoE decisions by sector

Central Bank of Egypt

- SMEs and other credit facilities installments were postponed for 6 months, subject to individual and corporate loans.
- ATM withdrawal fees were waived temporarily.
- Third party online transaction fees between local banks were waived.
- Under pressure from the business community, the CBE raised as of April 24th the withdrawal and deposit limits imposed on corporations and enterprises at the end of March. The limits on withdrawals via ATM machines increased from EGP 5,000 to EGP 20,000, while the deposit/withdrawal rates for transactions via bank branches have increased from EGP 10,000 to EGP 50,000.
- On April 16, the CBE circulated a [note to banks](#) regarding the mechanism of repayment of interest calculated over the postponing period of credit dues
- CBE included the construction sector to its industrial sector initiative.
- The EGP has held firm since the start of the COVID-19 pandemic, despite the shut down of the tourism sector and large outflows of foreign investment.

“MPC’s preemptive decision provides appropriate support to domestic economic activity given the current challenging external environment, while the inflation outlook remains consistent with achieving the inflation target of 9% (+/-3%) in 4Q2020. “The MPC will continue to closely monitor all economic developments and will not hesitate to adjust its stance to achieve its price stability mandate over the medium term.”

(CBE statement on March 16, 2020)

GoE decisions by sector

Finance

- Annual salary increase of 7-12 % for government employees. Effective June 30, 2020. Total cost of EGP 31 billion.
- Companies operating in the industrial and tourism sectors were granted a three-month real estate tax holiday. Such companies will be permitted to repay existing real estate tax liabilities in monthly installments over the next six months.
- Credit probation lifted off debtors are subject to a 10% payment off their dues.
- Deadline for individual taxpayers to file returns were extended (from March 31) to April 16, 2020. Fees for online submission of taxes for individuals and businesses lifted to encourage service usage.
- Annual allowance increase for pensions raised to 14% as of June 2020.
- Pensions to immediately include 5 previously unallocated increases (between 2005-2010). Total cost of EGP 27.6 billion.
To benefit 2.4 million families/ 10 million citizens
- Waiver of property tax was adopted for industrial and touristic properties for a period of 6 months.
- Deadline deferred for payable dues from touristic facilities for 3 months without interest/fines.
- Payment of real estate taxes were deferred for 3 months with the option of an interest/fine free installment plan.
- Six months deferral of electricity, water, and gas consumption payments, and other dues from touristic facilities and private aviation companies. Payments to resume in October 2020 with the option of scheduling payments in installments.
- Government support including and tax holidays will be contingent on companies upholding employment and salaries.
- The Ministry allocated EGP 256.8 billion for the health sector spending in FY 2020-21 draft budget, including a 75% increase in wages and bonuses for medical workers.
- Amendments to the Customs Law's Executive Regulations were adopted. They aim to secure cash reserves from companies with direct cooperation with the Customs Authority besides listing the fees to be paid to facilitate out-of-venue custom evaluation procedures.

GoE decisions by sector

Finance

- A draft law mandating a one percent wage cut for civil servants and employees of the public and private sector (and half percent cut in pensions) to provide additional funding to the GoE's COVID-19 response, was submitted to Parliament for approval. Proceeds from the levy would be deposited into an account to fund the GoE's efforts to address the economic implications of COVID-19. If adopted, this measure is expected to be challenged in courts on the basis of its possible violation of the Constitution.
- Annual corporate tax returns on companies and establishments deferred to June 30. The Cabinet of Ministers defined the sectors that would benefit from its previous decision to postpone the submission of tax declarations, payments of all/most tax dues for Income Tax or Value Added Tax or both for a period of 3 months. These sectors are: aviation/ tourism and antiquities (restaurants and coffee-shops included)/ hotels/ media and newspapers/ ICT companies (except landline and mobile telecom operators)/ sports/ transportation and cars/ hospitals/ construction/ industrial (particularly exporters) with the exception of food and beverages, pharmaceuticals, healthcare, and detergents. Companies operating in these sectors will not be subject to any fines or delay fees should they decide to pay their taxes by June 30, provided that they submit their payments in regular installments in accordance with the following schedule:
 - 20 percent of due taxes paid in April 2020
 - 30 percent of due taxes paid in May 2020
 - 50 percent of due taxes paid in June 2020.
- The Cabinet also opened the door for the extension of the June 30 deadline for an additional three months, should a request be submitted and approved before that date.

GoE decisions by sector

Finance

- On May 4, the House of Representatives approved amendments to the State Revenues Development Law # 147/1984. The amendments, in general, aim to increase the state's revenues by imposing a *development fee/ levy* of a specified percentage/amount per unit to limit the impact of the COVID-19 crisis on Q4 FY19-20 revenues. The amendments are expected to yield EGP 15 billion (USD 937 million) to the state budget, and can be summarized as follows:
 - Players' contracts: 3% of annual contracts less than EGP 1 million/ 4.5% of annual contracts between EGP 1-2 million/ 6% of annual contracts between EGP 2-3 million/ 7.5% of annual contracts between EGP 3-5 million/ 9% for contracts between EGP 5-10 million/ a newly introduced article of 10% of annual contracts more than EGP 10 million EGP
 - 0.5% of sporting companies' capital to be paid as a development fee; per its establishment or per renewal of its license
 - 25% on pets' feed receipts whether raw or packaged
 - 5% on mobile phones and accessories/spare parts
 - EGP 1.5/KG on raw tobacco/tobacco papers
 - EGP 3/ KG on finished tobacco products and their derivatives
 - 10% on custom dues for iron/steel/raw iron components
 - 2.5% of internet service bills for corporations
 - 3% of each item sold at duty-free markets on items exceeding USD 5 (foreign diplomats and honorary consuls exempted)
 - EGP 0.30/litre of benzene; EGP 0.25/ litre of solar diesel (this levy is already included in the price of benzene and solar diesel, and thus won't lead to a price increase). The legislation will lead to the Ministry of Finance replacing the state-owned Egyptian General Petroleum Corporation (EGPC) in collecting the proceeds of fuel development fees.

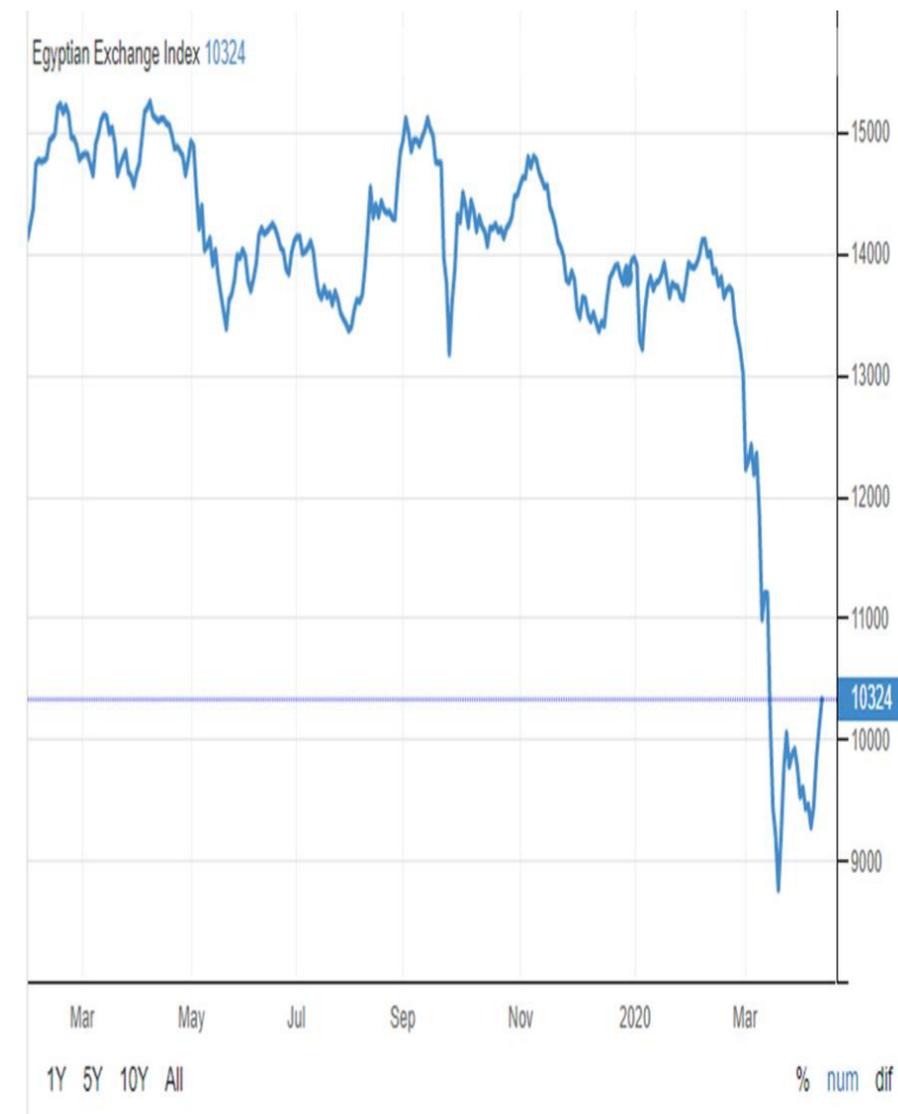
GoE decisions by sector

Financial Regulatory Authority

- The Financial Regulatory Authority (FRA) donated a total of EGP 250 million to Egypt's COVID-19 crisis fund.
- Financial statements submission deadline for EGX-listed companies for 1Q2020 extended until June 15.
- Extension of payments for medical and car insurance clients was granted for 30 days.
- MSMEs granted a six-month grace period to pay insurance premiums.
- Sixty days grace period granted for life insurance clients to pay late dues.
- Remote voting means for corporate general assemblies were mandated.
- Leasing and real estate credit facilities dues were postponed for 6 months.

Egyptian Stock Exchange

- Foreign investors to pay stamp tax on EGX transactions at reduced rate of 0.125% (instead of 0.15%.) Residents to pay 0.05% stamp tax, down from 0.15%. Spot transactions on EGX also exempt from stamp tax.
- Indefinite full exemption of capital gains tax for foreign investors
- Full exemption of capital gains tax for residents until January 2022
- The Egyptian Exchange (EGX) ended April 2020 in a semi-collective rise, adding EGP 202 million to market capitalization, amid Egyptian purchases.



Source: <https://tradingeconomics.com/egypt/stock-market>

GoE decisions by sector

General Authority for Investments and Free Zones

- The General Authority for Investment and Free Zones' (GAFI) Investment Services Center and Documentation Offices have resumed their operations, thus enabling companies to fulfil their business documentation and registration requirements.
- GAFI's Acting Chairman issued a decree that allows for factories operating in the free zones (particularly those producing medical supplies, medicine and food commodities) to add production lines and expand their operations on products beyond their current mandate by only notifying GAFI.

Ministry of Manpower

- Public sector daily workforce reduced by 50% on rotational basis.
- The GoE will begin distributing the second unemployment benefit payment of EGP 500 to seasonal workers registered in the database of the Ministry of Manpower through post offices and selected banks. The GoE previously announced that such payments would be disbursed for 3 months, ending in June 2020.
- The Minister of Manpower issued a decree granting the private sector a (Eid El fitr) long holiday, from May 24- 28 as an attempt to curb the spread of the virus.
- The Ministry postponed its plans to resume the issuance of work permits for foreign residents until mid-June.

GoE decisions by sector

Education

Higher Education

- Closure of all nurseries, K-12 educational facilities, universities, and educational centers continues across Egypt.
- The Ministry of Education launched a new digital library available for free to every student with learning material (digital objects) extracted from EKB and sorted out/assembled for G1-G12 students in both Arabic and English.
- Ministry of Education deployed a customized version of the Edmodo Learning Management System at around 55,000 schools and train teachers to create their own virtual classrooms and invite their own students.
- The Ministry of Education is considering new measures for teaching in public schools in the fall, including a rotation system for schools that would see a six-day school week with students divided into three groups, each of which would spend two days in the classroom and four days learning from home each week.
- The Supreme Council of Universities announced that in-person oral and written university exams will be replaced by either research papers or online exams for the second term.
- Thanaweyya Amma tests to be held starting 21st of June with health precautions measures taken.

Ministry of Social Solidarity

- Sixty thousand households were added to Takaful & Karama benefit program. An additional one hundred thousand households will be added in FY21. Budget for the program will increase to EGP 19.3 billion, compared to EGP 18.5 billion.
- Payments to women leaders in rural areas increased to EGP 900 per month (up from EGP 350) to ensure gender equality.
- The Ministry supplied 6,185 beds for quarantine facilities (EGP 25 million) at university dormitories, youth centers and hostels.

GoE decisions by sector

Ministry of Petroleum

- Price of natural gas decreased to a unified rate of USD 4.5/mmBtu for industrial use. This is a 25 percent price cut for cement companies which were paying USD 6.00/ mmBtu, and an 18 percent cut for metallurgy and ceramic manufacturers which were paying USD 5.50/ mmBtu.
- Egypt's Fuel Automatic Pricing Committee recently decreased the prices of all three types of gasoline products (80/92/95) in the local market by 25 piasters (\$0.15) per liter.

Ministry of Electricity

- Electricity price decreased by USD 0.1/KW and fix the price for the next 3-5 years.
- Price of electricity per kWh lowered by 10 piasters for medium, high and ultra-high voltages, and will be frozen for the next 3-5 years. Electricity price cuts could cost around EGP 6 billion.
- Hotels have been exempted from paying electricity bills until October.

Ministry of Housing

- The completion of the first phase of the New Administrative Capital was postponed (from June 2020) to 2021.
- The Ministry announced the expansion of social housing mega projects to include 250,000 units beside 100,000 units dedicated to inhabitants of endangered areas. Total cost of EGP 40 billion.
- The Ministry promised to disburse EGP 3.8 billion in arrears to contractors to expedite construction, specifically in national projects and help contractors pay their workers.

GoE decisions by sector

Ministry of Aviation

- All international aviation in/outbound Egypt has been suspended since March 19th. The suspension remains indefinitely, awaiting the recommendations of the International Air Transport Association. Cargo operations are not affected by the suspension. Domestic (aviation) routes are still operating.
- Loans to be provided for impacted airlines, with a two-year grace period for the industry; The Ministry of Finance to provide Egypt Air with a 2 Bn EGP to be repaid when the company reclaims 80% of its operations based on 2019 figures.

Ministry of Transportation

- Cairo metro is running on an amended schedule. Measures in place to avoid passenger crowding in public transportation.

Ministry of Tourism

- The inauguration of the Grand Egyptian Museum has been postponed to 2021.
- Hotels are permitted to receive guests as of May 15 on the condition they take precautionary measures against the spread of COVID-19. Hotel operations are capped at 25% capacity for the first two weeks of the re-opening before increasing this to 50% by June 1st. Precautionary measures include; installing sterilization equipment, screening incoming guests for high fever, limiting reservations to online bookings, and refraining from hosting weddings, entertainment events or offering *shisha* on-site.
- After meeting the GoE's health and safety standards, forty-four hotels and resorts have reopened in Alexandria, Matrouh, the Red Sea and South Sinai governorates. In Cairo, the number of hotels allowed to open stands at eighteen.

GoE decisions by sector

Ministry of Defense

Ministry of Military Production

- The army deployed troops from its chemical warfare units to deep clean GoE institutions, universities and metro stations. Tens of thousands of government offices, places of worship, schools and public gathering spots have been disinfected by sanitation crews.
- Increased preparedness of 45 military hospitals with a capacity of 12,300 hospital beds, including 1870 ICUs and 1,100 ventilators
- Dedicated 22 quarantine hospitals with a capacity of 4000 hospital beds, including 300 ICUs and 140 ventilators for the civilian sector
- Prepared 4 field mobile hospitals with a capacity of 502 hospital beds
- Dedicated 11 mobile labs with a capacity of 2,200 tests/day
- Prepared 1000 ambulances including 472 ICUs with a total evacuation capacity of 4000/day
- Expanded medical masks supply chains in relevant factories to produce 4-4.5 million masks/day
- Military production factories producing ethyl alcohol at 10 tonnes/day
- Production of hazmat suits with a capacity of 1000 suit/day
- Distributed face masks for citizens in public transportation and other areas.

Ministry of Supply

- The Ministry continues to securing strategic goods reserve sufficient for at least 9 months.

GoE decisions by sector

Ministry of Trade & Industry

- The GoE announced the decline of Egypt's imports by 39 percent in 1Q20; reaching USD 13.81 billion in 1Q 2020 compared to USD 18.23 billion in 1Q19. Egypt's non-oil exports slightly increased by 2 percent during the same period (USD 6.72 billion 1Q20 compared to USD 6.58 billion in 1Q19).
- The GoE allocated EGP 1 billion to the Export Subsidy Fund (ESF) to pay arrears to exporters in March/April. Additional funds will be available in June 2020. 30% payment of ESF dues to exporters before the end of FY20-21 via individual transactions no less than EGP 5 million each. Some businesses complain from delays and red tape in receiving payment arrears. The Minister of Trade and Industry announced that EGP 2.9 billion in payments will soon be issued for 2056 companies.
- The Minister of Industry and Trade issued a decree banning the export of alcohol and medical masks to meet local demand. Egyptian companies producing and importing medical supplies were instructed to supply their products and inventory to the Unified Medical Procurement Authority for 3 months.
- The Minister of Industry and Trade issued a decree halting the export of all kinds of legumes for a period of three months in order to meet local market needs. Green beans, green peas and peanuts were exempted from this decision.
- The Prime Minister issued the [decree # 17/2020](#) which determines the prices of a number of products necessary to combat COVID-19, including sanitizers, medical-alcohol, masks, and other medical accessories. The decree labelled these products as 'strategic' in accordance with the provisions of (Article 8 of) the Consumer Protection Law.
- The Ministry's MSMEs Development Agency will launch an exceptional loan program for small businesses struggling during the economic downturn. Labor-intensive and industrial businesses will be given priority to apply for one-year loans of up to EGP 1 million and can apply at the Agency's branches or by calling 16733.

MSMEs law adopted

- On April 21, the House of Representatives approved the micro, small, and medium enterprises (MSMEs) development law. The law allows the GoE to pave the way for informal economy establishments and businesses to settle their legal and tax status by providing a number of financial and other incentives.
- The incentives and the direction of the law in general reflect the GoE's interest in decentralizing the start-ups and MSMEs scene and promoting the business establishment culture. Under the law, the GoE may provide and authorize tax breaks and discounts for lengthened periods for entities that seek to settle their legal status through funding available via the SMEs Development Fund.
- The law sets an EGP multi-billion annual budget to be disbursed as financial incentives to MSMEs that fulfil certain criteria.
- The law focuses on promoting entrepreneurial entities/start-ups and their growth by providing incentives to investment/private equity funds that fund start-ups or provide equity-based funding. The law establishes an incentive-based program for investment funds/companies that indulge in SME funding with the incentive to be collected when the aforementioned entities liquidate their shares in the MSMEs. According to the law, this funding should be in cash, with a maximum of EGP 20 million per year, should not exceed 51 percent of the enterprise's shares, and the shares should be maintained for a period no less than two years. The incentive shall not exceed the amount of the initial funding. The enterprise shall neither be publicly traded in the stock exchange market nor fall under the status of a venture capital, infrastructure, construction, real estate development, or insurance company.

Definitions in the Law

Micro Enterprise: any company/establishment with annual revenues less than EGP 1 million, or any newly established company/establishment with a paid-in capital less than EGP 50 thousand.

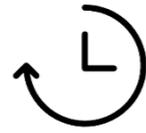
Small Enterprise: any company/establishment with annual revenues EGP 1-50 million, or any newly established company/factory with a paid-in capital between EGP 50 thousand-5 million, or any newly established company/non-industrial establishment with a paid-in capital between EGP 50 thousand-3 million

Medium Enterprise: any company/ establishment with annual revenues between EGP 50-200 million, any newly established company/factory with a paid-in capital between EGP 5-15 million, or any newly established company/non-industrial establishment with a paid-in capital between EGP 3-5 million.

MSMEs law adopted

- The law highlights the main sectors targeted for paced-growth by the GoE, mainly focusing on labour-intensive and ICT sectors.
- The law authorizes reducing both bottom/top line for annual revenues, paid-in capital, or invested capital by a maximum of 50 percent and to add or state any other specifications to define projects according to the nature of their respective economic sector. It authorizes the increase of the bottom/top line for annual revenues, paid-in capital, or invested capital by maximum 10 percent.
- The law allows the MSME Authority's Board of Directors to provide financial incentives to informal economy companies seeking to settle their legal status, including exemption from tax, registration fees, establishment fees, IP registration fees, credit facilitation fees, and mortgage fees for a period of 5 years from the day of official registration. These and other non-tax exemptions will be provided to entrepreneurial projects, digital transformation and artificial intelligence projects, industrial projects or projects that aim to increase locally produced components. It applies to projects specialized in maintenance, development, machinery replacement, technological systems related to production processes, projects serving agricultural, poultry, meat production. ICT projects, industrial, technological systems innovation projects, renewable energy projects (and new future sectors), will also benefit from these incentives.
- The law also authorizes the MSME Board of Directors to provide additional incentives pertaining to the set-up of the project's utilities, employees technical training, allocating land plots for free (or minor fee), repayment of a maximum of half the project's land plot cost, and providing exemptions from submitting various required guarantees during the project's initial phase.
- The MSME Authority may also grant some of the aforementioned incentives to incubation projects that may include the establishment of industrial/production/crafts complexes for MSMEs and entrepreneurial incubators.
- A unified custom tax of 2 percent to be imposed on imported machinery, systems, and equipment required for their projects (with the exception of passenger cars). The law provides for exemptions from the capital tax on the sale of assets, equipment, machinery of the projects if the sale revenues were reinvested in buying new equipment, assets, and machinery within a year of the initial sale.
- The law is expected to enhance agricultural MSMEs by providing ready-to-develop land plots in certain geographic territories, besides helping the investors with developing their utilities' network.

Partial Curfew Regulations
An Update



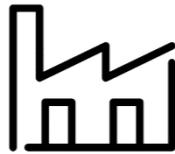
Overnight Curfew

May 24-29: from 5PM- 6AM
May 30- June 13: from 8 PM - 6 AM
(subject to renewal or expansion)



Shops and retail stores,

including malls, ordered to close May 24-29.
To resume operations as of May 30, 7 days a week.
between 5 PM - 6 AM



Factories

allowed to continue operating at full capacity to ensure that
demand for food commodities is met



Cafes,

bars, casinos, nightclubs, and sporting clubs ordered to close



Exemptions

from curfew to: supermarkets, bakeries, grocers, and pharmacies,
(except for those inside malls), warehouses, harbours, customs
authorities, factories, construction sites, internet and telecom
operators, e-commerce and delivery courier services



Restaurants

and other food services ordered to close for table service.
May run deliveries throughout the day



Hospitals

and all medical facilities exempted from
the curfew and will remain open



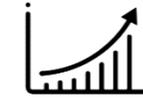
**Media professionals, e-commerce couriers, delivery
personnel and industrial workers**
are allowed to move freely during the curfew





Banking sector

Closed from May 24-30.
To resume operations as of May 31



EGX

Closed from May 24-30.
To resume operations as of May 31



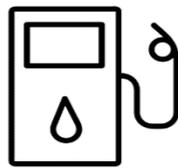
Customs Authority

operational hours: 8 AM- 4:30 PM, prioritizing the release of food, medical supplies and other strategic products.
Running two shifts at airports.



The GoE

extended its decision to reduce the number of civil servants/ employees at public sector companies and institutions. Limited government services such as civil documentation, traffic department licensing and registration, and notary office services have resumed. E-services to be promoted



Petrol stations

may operate during curfew
Tankers delivering petroleum products are exempt from the ban on movement



Penalties

for breaking the curfew: EGP 4000 fine and/or jail sentence.
Repeat offenders to face both fines and jails. First-time offenders would only get fined.

Resumed GoE Services



Investment registration services through the General Authority for Free Zones and Investment's (GAFI) Centers for Investment Services and Registration Offices



Courts operational for inheritance hearings only. Courts to resume operations on June 13



Official registration services (limited to: official rent contracts/ certification of commercial books/ recording and submission of a will/power of attorney to receive pensions/ declarations)



Registration and licensing of new vehicles

Thank you

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