

Egypt

| Egypt's reform commitments/initiatives | Progress in meeting commitments/initiatives | Partner Support |
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| Macroeconomic framework | | |
| <u>Macroeconomic stability</u> | | |
| 2018 | | |
| <p>Manage fiscal risks through the newly established fiscal risk committee.</p> | <p>Fuel subsidy reform advanced in 2019. A regular indexation mechanism committee has been formed and is mandated to monitor global energy prices, with decision on fuel prices domestically taken every quarter with a cap of 10%. Committee changed prices 8 times out of 12 meetings since its formulation. The government enhanced publication and communication of fiscal risks by adding a section on fiscal risks in its annual budget documentation that is shared with parliament and being published to citizens. In 2022, the Government reported: A hedging unit has been established at the Ministry of Finance to look at commodity price developments and monitor and manage potential risks to the budget. The unit has been partially staffed and is working with all banks and traders. A section on fiscal risks has been added also to the published mid-year budget review report. The government is considering publishing a stand-alone fiscal risks report clarifying risks associated with the fiscal and macroeconomic forecasts, financial sector stability, climate, contingent liabilities (potential claims on budgetary resources due to guarantees granted by the government) and debt risks (liquidity and refinancing, interest rate and foreign exchange risks), among others.</p> | <p>The WB is not clear how this stand-alone report would extend the existing published report on fiscal risks, or whether this report is forward- or backwards-looking.</p> |
| <p>Green Budgeting and Climate policies</p> | <p>Egypt MoF was first MIDDLE EAST AND NORTH AFRICA sovereign to issue a green bond in 2020 and we issued first green bond impact report with WBG support in 2021 in line with international best practices. Egypt MoF also was first MIDDLE EAST AND NORTH AFRICA sovereign to conclude a syndicated green loan with regional and international banks in 2021. In 2022, the Government reported that MoF allocated EGP2.3 billion in FY 2021/2022 budget to support a program to replace old vehicles (passenger cars, taxis, and micro buses) with new natural gas vehicles with MoF providing green incentive to households worth 15-25% of price of new car. MoF introduced a green fee on fuel products in 2021.</p> | |
| <p>Announce an IPO action plan to divest stake in public entities</p> | <p>The IPO program has been subject to delays since it was first announced during 2018; with only the secondary offering of 4.5% of Eastern Tobacco stakes in March 2019 taking place. Sale proceeds were EGP 1.7 bln (\$98.6 mln). It is important to mention that foreigners bought around 94% of the shares issued. In October 2021, a 26 % stake in the state-owned payment company e-finance was listed on the Egyptian Stock Exchange. IPO proceeds were EGP 5.5 bln (\$384.6 mln). It is important to note that foreigners bought around 72% of shares issued. In December 2021, a 10% secondary offering in Abu Qir Fertilizers was listed in the Egyptian Stock Exchange. Sale proceeds were of EGP 2.25 bln (\$95 mln). Foreigners bought 67% of shares issued. GoE is making the following legal changes to provide additional incentives for IPOs 50% of the realized capital gains will be added to the acquisition cost when determining the taxable base. This percentage will apply for a period of two years from the date of issuance of the law and will be reduced to 25% No capital taxes will be due at the time of sale of shares by founding shareholders followed by capital increase.</p> | |

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| | Also, there is a plan for IPOs of two subsidiaries of the military's National Service Projects Organization (NSPO), namely the National Company for Producing and Bottling Natural Water (Safi) and the National Petroleum Company (NPC), also known as Wataniya Petroleum Company. There is also firm announcement by the government to list up to 7-10 state owned companies on the EGX in 2022. Ghazl El Mahalla FC is set to offer a 67.5% stake in its IPO, it is expected to raise a total of EGP 135 mn after attracting EGP 37 mn from institutional investors during the private placement. List of potential issuance in next month include Heliopolis Housing and Development, fertilizer producer Mopco , Misr Ins. Holding subsidiary Misr Life Ins and Banque du Caire. | |
| Continue the transition of the monetary policy framework towards inflation targeting. | The CBE has revised its inflation target to be 7% (± 2 percentage points) on average during the fourth quarter of 2022, down from 9% (± 3 percentage points) on average. | The CBE continues to state its intention to put in place a formal inflation targeting framework to anchor monetary policy once the fundamental prerequisites are met. |
| New Reform Commitments/Initiatives | | |
| New incentive program for Electrical vehicles | MoF along with MoE is finalizing a new incentive program for Electrical vehicles that will be announced before March 2022. The program will include inclusive framework with both financial and non-financial incentives to speed and facilitate transition towards EV manufacturing and usage in the Egyptian market. | |
| <u>Domestic Revenue Mobilization</u> | | |
| 2018 | | |
| Implementation of a simplified SME tax regime | A new MSMEs Development Law No. 152 of 2020 was enacted in July 2020. The Law gives both tax and non-tax incentives to MSMEs. The executive regulations of the Law were issued in April 2021, by Prime Ministerial Decree 654. | |
| Implementation of the international standards on exchange of information for tax purposes | The exchange of information for tax purposes is included in 58 bilateral tax agreements signed with Egypt. In 2022, the Government reported that Egypt is continuing its efforts to expand its international exchange of information instruments to be able to exchange information. Moreover, Egypt is planning to become a party of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. | The OECD continues to provide Egypt with technical assistance to implement the exchange of information under the transparency framework. |
| Implementation of Medium-Term Revenue Strategy (MTRS) starting FY 2020/2021 | A Medium-Term Revenue Strategy has been formulated and approved by Cabinet in December 2020, targeting a 2% increase in tax-to-GDP levels over the course of 4 years up to FY 2024. Tax to GDP ratio have been increasing in FY 21 and during first half of FY 22 despite COVID implications and challenges. In 2022, the Government reported that The MTRS is a live document that is being updated according to current fiscal policies and trends. Measures taken and projected would include reforms on the tax policy and administration sides as well as on international taxation. Reform measures implemented so far includes Changing VAT law (was ratified in FEB 2022) with support provided by OECD to tax e-commerce activities. Introducing a green fee on fuel products in 2021. Increasing taxes on tobacco and cigarettes as well as putting in place a new tax regime to capture new tobacco products. Streamlining and reducing exemptions granted to domestic entities related to their investments in government securities. | IMF, World Bank and OECD have been main partners in developing this strategy, with several technical assistance missions and meetings held with Ministry of Finance to help guide the process. |
| Improving Public Finance Management (PFM) | A new modern PFM Law has been approved by Parliament in 2022. | IMF Support |

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| | The law aims at covering the following: A fiscal responsibility provision that will guide macro-fiscal policy; Mandating medium-term budget framework to all budget entities; Highlighting main elements for the budget calendar; Mentioning the minimum content to be covered by budget documents; Provide robust provisions on reallocation of resources, managing contingency reserve and asking for supplementary appropriations; Setting accounting rules for all public entities including economic authorities. Executive regulation of the law that brings all key reforms into action is pending. | |
| New Reform Commitments/Initiatives | | |
| Dematerialization of tax systems | By end of FY 2022/23 the full automation of tax system would be in place including the roll out of e-payment and e-receipts. By end of 2022 we would have full automation of custom procedures and payments. | |
| Public Investment Management (procurement, PPPs, SOEs, utilities) | | |
| 2018 | | |
| Improve public procurement practices and transparency. | <p>New Public Procurement Law approved in 2018 and Executive Regulations were issued in November 2019. The new law includes provisions to facilitate SME access to and participation in Egypt's public procurement market. Initial findings from an assessment indicate that since implementation of the law, the number of SMEs awarded contracts has increased ~12%.</p> <p>Capacity Building Strategy drafted.</p> <p>Communication Strategy drafted.</p> <p>The Concept Note for an e-GP system according to KOICA model was developed and submitted to the MOF. This concept note was used by the GoE to request KOICA to finance E-GP system and according to the last update from MOF, discussions are ongoing with KOICA to sign the project.) Training on contract management to improve the management of contract under Banks financing projects.</p> <p>In 2022, the Government reported that additional reforms under discussion include (i) disseminating the findings from the study on the SME/public procurement nexus, developing policy briefs to facilitate SME participation in Egypt's public procurement market, and (ii) rapid quantitative assessment of SMEs in Egypt's public procurement market.</p> | MOF/GAGS are currently engaged with KOICA in implementing a comprehensive e-procurement system development and implementation project that includes institutional and organizational structure component. Ministry of Public Business Sector is the primary owner of SOE's reform and MOF is a member in the committee that was formed by a PM decree working on SOE's modernization efforts including procurement. MOF welcomes initiatives that support SOE's procurement reform objectives to be presented to Ministry of Public Business Sector. MOF/GAGS are engaged with WB on SMEs participation support in public procurement market as well as SME's public procurement awareness & communication initiatives. GAGS restructure is undergoing |

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| Reform the process for appraisal, selection and monitoring of public investments: to improve quality of public investment portfolio consistent with macro-economic framework | <p>In September 2020, Law No. 185 was issued amending the Public Business Sector Law No. 203 of 1991, which covers a subset of SOEs in Egypt. The amendments mainly aimed to enhance corporate governance and to bring this law closer to the General Companies Law, which covers private sector corporations. For example, the amendments require: (i) separating the positions of the chairman of the board and the CEO; (ii) limiting the labor representative seats on the board of directors of subsidiary companies to two members only, down from 50%; and (iii) requiring SOEs that are not listed on the Egyptian stock exchanges to publish semi-annual performance reports.</p> <p>Infrastructure sector governance reform and openness to private sector participation.</p> <p>The government reduced the price of natural gas and decreased electricity tariffs to all industries whilst fixing these tariffs for at least the next three years, in order to improve their cost structures and price-predictability.</p> <p>In 2022, the Government reported that a new draft planning law is currently being discussed at the Parliament. The new law will cover in more detail a revised framework for public investment management</p> | |
| Amend the Law no 67 for the year 2010 | <p>The PPP Central Unit at the Ministry of Finance suggested some amendments in the provisions of Law no 67 for the year 2010 which have been issued (on 18th Dec. 2021) by Law No. 153 for the year 2021. These amendments include the following: Acceleration of tendering and contracting procedures. Apply new forms of contracting methods (direct order – unsolicited proposal – limited tender to meet the needs of the tendering authorities and expanding the investment of PPP projects. Creation of a new committee between MOF & MOP to select the relevant PPP Projects in the Pipeline. The Executive Regulation of the new Law is being prepared.</p> <p>In 2022, the Government reported that 4 projects under the new law have been tendered including: 10th of Ramadan Dry Port and Logistics Center (with an estimated investment cost of \$200 million) Phase 2 of the PPP new schools project (estimated cost: \$65 million) 8 Waste-to-Energy Plants PPP Project (estimated cost: \$550 million) 4 Strategic Warehouses for Strategic Commodities (\$210 million for the 4 sites).</p> <p>Several projects are in the pipeline for 2022 currently under studying. They include projects from the Ministry of Transportation, Ministry of Higher Education, and the Ministry of Housing.</p> | |
| New Reform Commitments/Initiatives | | |
| Strengthening the procurement by SOEs | New areas for support include: (i) providing support to the development of the e-GP system; and (ii) strengthening the procurement by SOEs. Strengthening the procurement by SOEs is a very important topic. Specific activities include, e.g., rapid assessment of the actual performance of procurement system, review and provide inputs to SOEs' own procurement procedure to identify gaps and recommend areas of improvements, provide technical support on the development for one of SOE's e-procurement strategy | |
| Business Framework | | |
| <u>Regulations and Institutions</u> | | |
| 2018 | | |
| Trade | New customs law/regulations have been approved by the Parliament in November 2020; Ministry of Finance finalized the executive regulations on the 31 st of August 2021 by Decree No. 430 of 2021. | |
| Implement National Single Window in preparation for Regional Single | Rollout of the National Single Window <i>Nafeza</i> is underway in ports and airports since April 2021. This will be finalized throughout Egypt by next June 2022. | |

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| Window (RSW) and International Single Window (ISW) | Several constraints to the full and effective implementation of Nafeza need to be removed for its desired potential and full utilization to be achieved. These constraints are mostly related to legislation and business processes, which need to be streamlined to take full advantage of the new electronic environment. The institutional basis for the governance and operation of Nafeza also needs to be strengthened by introducing formal lines of control between the governing body and the operating entity. The accountability of the operator to the users and Government also needs to be strengthened in order to offer clients and government the necessary guarantees of quality of service. | |
| Introduce systems integration | Egypt recently ratified the WTO Trade Facilitation Agreement (TFA). | |
| Implement the Single Administrative Document (SAD) for custom clearance and realize full integration between the entities of International trade. | Four reforms implemented that will facilitate the business environment: Starting a Business, Protecting Minority Investors, Getting Credit and Paying Taxes. | |
| Industrial development | The industrial licensing law introduced in 2017 has streamlined processes. | |
| Facilitating industrial land provision through the General Authority for Industrial Development and the Industrial Licensing Law through a transparent process. | Reform of industrial land allocation process to include open, transparent, and competitive bidding process. | |
| Pass amended competition law | Revised draft competition law approved by the Government and submitted to the Parliament. The new law promotes the independence of Competition Authority and introduces provisions for merger and acquisition control. | Submission of the revised Competition and merger control laws to the Parliament are part of two subsequent IMF programs |
| Adopt amended competition law to strengthen Competition Authority. | Adopt amended competition law to strengthen Competition Authority. | |
| New Reform Commitments/Initiatives | | |
| Introduction of Advanced Cargo Information (ACI) | Customs Authority recently introduced the Advanced Cargo Information (ACI) system in October 2021. | |
| Investor protection and dispute resolution | | |
| 2018 | | |
| Effective implementation of the Bankruptcy law | Amendments to the newly introduced insolvency law have been approved by the Government and submitted to the Parliament. The amendments aim to encourage restructuring and improve the balance between creditor and debtor rights. | WB is providing TA to the MoJ on a range of justice issues including on the insolvency law. |
| New Reform Commitments/Initiatives | | |
| Revision of the Bankruptcy law | Revised bankruptcy law enacted by the President and published in the National Gazette | WB is providing TA to the MoJ on a range of justice issues including on the insolvency law. |
| Financing Framework | | |
| Investment risk mitigation | | |

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| 2018 | | |
| Promotion of a cashless society | <p>Law No. 18 of 2019 mandating the use of cashless payment by public and private entities was signed by President Abdel Fatah El-Sisi on April 19th, 2019. The Law puts an obligation on all public authorities and entities as well as state-owned companies to pay certain payments that include taxes, customs, duties, and related fines (if they exceed the limit identified by the executive regulations) through cashless means of payment.</p> <p>If entities and companies do not stick to the above requirement, a fine will be imposed. Online tax payment is already implemented. The suspension of all cash transactions was made through the imposition of administrative fees in case of cash payment.</p> | IBRD and IFC providing TA on financial inclusion and financial infrastructure. IBM and EY in the implementation of the tax automation projects. |
| New Reform Commitments/Initiatives | | |
| Dematerialization of tax and commercial transactions | Egypt has also launched several projects like the tax automation, e-invoice, and e-receipt (currently being rolled out) in order to ensure that all commercial transactions can be monitored by the Egyptian Tax Authority via a real-time electronic system. | IBRD and IFC providing TA on financial inclusion and financial infrastructure. IBM and EY in the implementation of the tax automation projects. |
| Establishment of entity in charge of licensing and regulation of fintech companies | In addition to the above, the Parliament passed a Law on January 5 th , 2022 (pending ratification) stating that the FRA would be the only entity in charge of licensing and regulating fintech companies. It would also set transparency and governance standards and be charged with protecting consumer rights. | IBRD and IFC providing TA on financial inclusion and financial infrastructure. IBM and EY in the implementation of the tax automation projects. |
| <u>Mobilization of private and institutional investments</u> | | |
| 2018 | | |
| Domestic debt market | | |
| Establish Clearing, Settlement and Depository for Government Securities system | After the publication of a medium-term debt strategy (MTDS) for FY2018/19-FY2020/21 in May 2019, an update of the MTDS was published in December 2020 to cover FY2020/21-FY2024, supported by a MTDS mission delivered by the World Bank in November. The Government designed and launched a new issuance policy and of a robust Central Securities Depository company with sophisticated clearing and settlement functionalities, as well as anew trading system for government bonds. | |
| Safeguard sound debt management | | WB team is providing TA to strengthen debt reporting and transparency. |
| Diversification of debt portfolio, improving domestic market liquidity to extend debt maturity beyond 5 years by 2025. | Re-inclusion into JP Morgan Index: In April 2021, JP Morgan announced that Egypt has fulfilled all the needed requirements and therefore Egypt was put on the Watch List for the following indices: 1- JP Morgan Government Bond Index for Emerging Markets Global Diversified (GBI-EM) with an estimated weight of 1.78% representing 14 bonds (issuance) with a total value of USD 26 billion, which amounts to approximately 30% of the total debt under review for the eligibility. 2- JP Morgan Environmental, Social and Governance Index (JESG) On the back of the green bond's issuance in October 2020, Egypt is eligible for the inclusion in the JESG Index with an estimated weight of 1.14%. The inclusion in the GBI-EM Global Diversified will pave the way for Egypt to be added to the GBI- AGG Diversified, which tracks liquid local currency government bonds across developed and emerging markets. With the inclusion, Egypt will join South Africa as the only other country from the Middle East and Africa region. 3- FTSE Russel's Government Bond Index for Frontier and Emerging Markets with a weight of 10% which is the highest weight per country in that index. | JP Morgan team |

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| | Egypt has been re-included in the JP Morgan Index end of January 2022. | |
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| Publication of new debt report covering central government debt | A new debt report that covers central government debt performance up to June 2021 is being prepared and will be published by FEB 2022 | |
| Utilizing new debt instruments such as the Green Bonds. Egypt successfully established a green bonds framework in September 2020 with an issuance of \$750 million. Egypt also successfully obtained the first Green Loan from the region in 2021 worth \$1.5 billion. | Egypt is currently establishing a Sukuk issuance framework (should be issued soon) as well as for a potential Samurai bond issuance. The Government is also looking into issuing SDG related bonds. | |