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Special Edition

Focus on Egypt

On the Occasion of the 47th Annual General Meeting of the IsDB Group

1-4 June 2022, Sharm El-Sheikh, Arab Republic of Egypt

IsDB

SHARM EL SHEIKH شرم الشيخ Sharm 2022 ANNUAL MEETINGS ISLAMIC DEVELOPMENT BANK GROUP مجموعة البنك الإسلامي للتنمية

"The cooperation between Egypt and all member institutions of the IsDB Group covers various and important areas of development, especially in light of a rapidly changing world with increasing economic uncertainties

H.E. Dr Hala El-Said,
Minister of Planning and Economic Development of Egypt and the current Chairperson of the Board of Governors of IsDB

A Forward from the CEO

This December sees the 30th anniversary of Egypt's accession to membership of ICIEC. In June, we are gathered at the 47th Annual Meetings of the Board of Governors of the IsDB in Sharm El Sheikh, Egypt, when the global economy is faced with new shocks that have stalled economic recovery.

The rebound from the worst effects of the COVID-19 pandemic in 2021 has been tempered by new waves of variant Omicron infections sweeping the world. The war in Ukraine has exacerbated the global macroeconomic outlook especially dampened GDP growth prospects and inflationary pressures, because of the sharp hike in energy prices, commodities, in particular, food staples such as wheat, corn, barley, and sunflower oil, and disruption to supplies from Russia and Ukraine which produce and export a quarter of global wheat output.

These shocks contribute to significant global macroeconomic volatility, which could be with us for a few years to come. Moody's, for instance, projects higher social and political risks over the next 18 months, which "will fuel inflation and weigh on the balance of payments and government finances of net food and oil importers." The Middle East and Africa are among the most susceptible to these risks.

There are also the pressing issues of climate action, a sluggish rebound in FDI flows, and what the IMF calls a "dangerous sovereign global debt burden" at 256% of GDP at the of end 2020, which was already high before COVID. The pandemic unleashed unprecedented levels of public borrowing, only to be aggravated by events in Ukraine and inflationary pressures in all economies. S&P Global estimates that 137 sovereigns will borrow US$10.4 trillion in 2022, nearly one-third above the average before the COVID-19 pandemic.

> **Sharm El Sheikh is a gamechanger for ICIEC's relationship with Egypt. The presence of more than 2,500 anticipated delegates from almost 100 countries representing a wide-ranging of governments, agencies, corporates, NGOs, and civil society entities, provides the ideal platform and opportunity for meaningful discourse and exchange of ideas.**

Egypt is the largest economy in Africa. It is a founder member of IsDB and ICIEC. It straddles the Middle East and Africa, where most ICIEC member states are. It is uniquely placed to be the gateway to the markets in Sub-Saharan Africa (SSA). Egypt's importance to the IsDB Group and ICIEC cannot be overstated. It is the third-largest equity shareholder in ICIEC after the IsDB and Saudi Arabia and is in the Top Ten states that have benefitted from ICIEC services over recent years.

Since its inception, ICIEC has insured operations totalling US$7.6 billion in Egypt. These include US$3.1 billion for the cover of imports of strategic goods, US$2.4 billion in exports credit insurance, US$1.7 billion for insurance of foreign investments into Egypt, and US$0.4 billion for the cover of foreign investments from Egypt into Africa. Our engagement with Egypt will increase substantially over the next few years because of several compelling developments.

- Establishing the IsDB Group regional hub in Cairo will facilitate a smoother and more urgent interaction with partners and counterparties in Egypt.
- ICIEC is increasing its permanent representation in Egypt to offer more client-centric services and manage our exposure.
- ICIEC is working closely with line ministries in Egypt to familiarize a broader universe of Egyptian exporters, manufacturers, and contractors with ICIEC products and services and promote the importance of trade credit and investment insurance as a risk mitigation tool to encourage exporters and investors to penetrate new markets.
- We are expanding our engagements with local banks on lines of financing and other de-risking solutions. We have long-standing relationships with local banks to finance cable manufacturing, construction, electronics, and pharmaceutical industries.
- ICIEC recently renewed its Treaty Agreement with the Export Credit Guarantee Co. of Egypt (EGE) to insure Documentary Credit IP business.
- The Central Bank of Egypt (CBE) is establishing a new export credit agency (ECA) to support the entry and expansion of Egyptian exporters and investors. ICIEC is already engaged with the new ECA and the CBE.

Enhancing Intra-Arab African trade and investment is a core mandate of the OIC, the IsDB Group and ICIEC. Some 20 continental African countries are members of ICIEC. Egypt is also keen for its exporters and companies to penetrate SSA markets.

An essential conduit for enhancing intra-Arab Africa trade and investment is The Arab Africa Trade Bridges Program (AATB) and its Arab African Guarantee Fund (AAGF), which provide scalable structures that aim at mobilizing financial resources and risk mitigation capacity to support trade and investment in Arab and African countries; and ensuring that all-in pricing of transactions is optimized for the end beneficiaries through blended financing structures.

The AATB Program will promote value chain projects to enhance access to Arab and African markets, capitalize on digitization, and forge a just transition to clean energy in line with development objectives. ICIEC re-affirms its commitment to the AATB Program with its unique suite of de-risking solutions. This commitment is underlined by ICIEC closing US$5.6 billion of transactions under the Program in the last decade, accounting for 9% of its business insured during the period.

The MoU signed between ICIEC and the Cairo-headquartered African Export-Import Bank (Afreximbank) in March similarly covers collaboration in risk-sharing and credit enhancement services to promote trade and investment flows between Arab and African countries and to boost support and information exchange to businesses seeking regional market opportunities.

Sharm El Sheikh is a gamechanger for ICIEC's relationship with Egypt. The presence of more than 2,500 anticipated delegates from almost 100 countries representing a wide-ranging of governments, agencies, corporates, NGOs, and civil society entities, provides the ideal platform and opportunity for meaningful discourse and exchange of ideas. These include several important side events on Private Sector engagement. ICIEC is hosting high-level panel discussions on *'Credit and Political Risk Insurance in Facilitating Climate Action'* and *'Digital Transformation in Support of Finance and Investment.'*

We look forward to consolidating our portfolio and activities in Egypt and fostering regional economic and development cooperation and integration!

Oussama Abdul Rahman KAISSI
Chief Executive Officer, ICIEC

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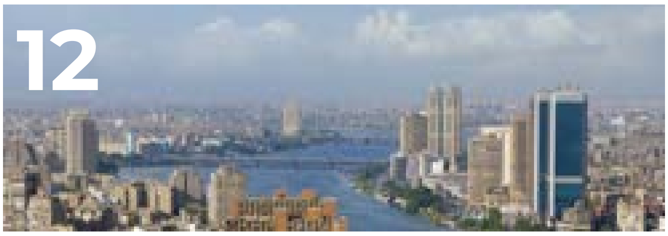

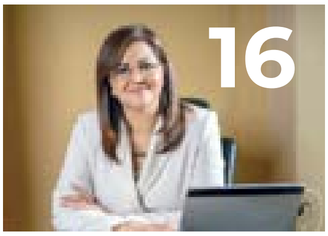

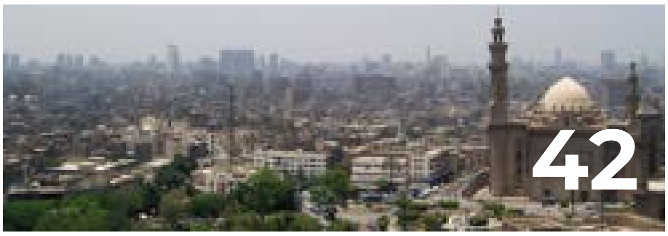

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Message from the President of the IsDB & Chairman of ICIEC Board of Directors

The 47th Annual Meetings of the Board of Governors of the Islamic Development Bank (IsDB) Group in Sharm El Sheikh, Egypt on 3-4 June 2022 comes at a time when the pace of recovery from the impacts of the COVID-19 pandemic is exacerbated by the fallout of the war in Ukraine, especially in disruptions to food supplies and steep rises in energy prices.

Even before events in Eastern Europe unfolded, the global economy had already shown signs of large-scale shocks including rising prices and inflation, subdued GDP growth, a cost-of-living crisis, burgeoning unemployment, rising levels of inequality, and food and energy poverty – all of which have intensified underlying vulnerabilities in Emerging Markets and Developing Economies, many of which are IsDB member states.

This vulnerability is further underlined by the fact that 40% of wheat and corn from Ukraine go to IsDB member states in the Middle East and Africa, which are already grappling with food security issues, and where further food shortages or price increases risk pushing millions more people into poverty. The average percentage hike in prices from January 2022 has been staggering – 88% for wheat, 79% for fertilizers, 42% for maize, and 11% for gold says the OECD. This is in addition to huge rises in the price of crude oil, gas, and coal.

The International Monetary Fund (IMF) in its World Economic Outlook released at the Spring Meetings in April is unequivocal: "War sets back the global recovery." The effects especially for middle-and-low-income states will linger for several years as they work their way through the economic cycle.

This together with the equally important challenges of climate action and sustainable development in support of the UN Sustainable Development Goals (SDGs) agenda and the just transition to clean energy as per the provisions of the Net Zero target set by the Paris Climate Agreement, threaten years of progress in improving the living standards of millions of households worldwide. Notably, Egypt is the Chair and Host of COP27 scheduled to be held in Sharm El Sheikh in November later this year.

The IsDB Group, of which Egypt is a founder member, is a key partner of Egypt in its development effort. Total IsDB funding accessed by Egypt to date amounts to US$17.8 billion. Our evolving relations with Egypt have seen a new

"We are encouraged that the Government of Egypt has agreed to subscribe to the Sixth increase in the Bank's capital. The IsDB Group is keen to consolidate relations with Egypt including developing the private sector, reducing poverty, supporting Egypt's role as an economic gateway to SSA member states, financing projects aimed at empowering women, and providing job opportunities for the youth

urgency underpinned by the opening of the Bank's regional hub in Cairo and resulting in Egypt hosting the 47th IsDB Annual Meetings in Sharm El Sheikh.

Egypt's intra-OIC exports stood at US$12.33 Billion at the end of 2020. Egypt's intra-OIC imports reached US$13,855.3 million in 2020. As such Egypt's total trade with the OIC member states reached US$26,185 million. This is an incentive to boost Egypt's intra-OIC trade, especially through the Egypt Hub which would also serve as a gateway to the Sub-Saharan African (SSA) markets.

We are encouraged that the Government of Egypt has agreed to subscribe to the Sixth increase in the Bank's capital. The IsDB Group is keen to consolidate relations with Egypt including developing the private sector, reducing poverty, supporting Egypt's role as an economic gateway to SSA member states, financing projects aimed at empowering women, and providing job opportunities for the youth.

An important conduit for boosting intra-Arab Africa trade and investment flows is the IsDB Group's initiative, Arab Africa Trade Bridges (AATB) Program.

Food security, poverty alleviation, and zero hunger amongst others are core components of the IsDB's sustainable development strategy for member states whether through bilateral arrangements, co-financing, private sector engagement, trade finance, development finance, and the provision of de-risking solutions through credit and investment insurance.

The IsDB Group also prioritizes digitalization. We are committed to investing more in supporting our member states' efforts to narrow the digital divide between rich and developing countries and within countries and bridge the transition to a more digital economy.

The 47th IsDB Group Annual Meetings in Sharm El Sheikh in June 2022 would be a gamechanger in relations between IsDB and Egypt. It could also be a major boost for intra-IsDB trade and investment flows and for the development of the Islamic finance industry in Egypt. We look forward to a partnership aimed at putting forward practical projects for the private sector and investors so that they will be implemented on the ground in the interest of economic and social development in Egypt. The IsDB has a particular interest in developing the private sector and SMEs that create job opportunities for a large number of citizens in the country.

The annual meetings provide an ideal platform for our 57 member states, the various participating agencies, and economic and civil society entities to deliberate over the pressing issues of today in our collective efforts to bring stability, economic recovery, development, jobs, prosperity, upliftment, and well-being to our peoples in a spirit of cooperation, solidarity, innovation, and hope!

Dr Muhammad Al Jasser

President, Islamic Development Bank (IsDB) & Chairman of ICIEC Board of Directors

News in Brief

ICIEC Landmark MoU with Afreximbank Set to Boost Trade and Investment Flows between Arab and African Countries

Ways to boost Arab African trade and investment and the role of Islamic finance and export credit and investment insurance have featured strongly in recent months. In March 2022, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and The African Export-Import Bank (Afreximbank) signed a landmark MoU in Cairo in a move designed to advance the two institutions' relationship and thereby promote trade and investment flows between Arab and African countries.

ICIEC's mandate is to support exports and imports of strategic goods of Member States through the flow of trade and investments and by providing credit and political risk insurance. Afreximbank's mandate is to facilitate, promote and expand extra- and intra-African trade.

According to Afreximbank, the MoU lays out a dedicated program that focuses on risk-sharing, and credit enhancement for export and import financing, supporting the bank's digitalization transformation, capacity building, and marketing.

The MoU was signed during the Third Board of Governors Meeting of the Arab Africa Trade Bridges (AATB) Program in March in Cairo, hosted by Dr Hala El Said, Minister of Planning and Economic Development of Egypt and Chairperson of the AATB, who stressed the opportunity "to enhance our efforts to develop trade and investment flows between African and Arab countries. We hope to continue and intensify this cooperation in the coming phase."

Dr El Said also stressed the importance of reinforcing the role of regional value chains across Arab and African states in support of the African Continental Free Trade Area (AfCFTA).

The agreement between ICIEC and Afreximbank is very comprehensive, covering collaboration in risk-sharing and

> "We look forward to effecting this wide-ranging MoU with Afreximbank, the leading African trade finance institution whose mandate is to facilitate, promote and expand extra-and intra-African trade
>
> **Oussama KAISSI,**
> CEO of ICIEC

credit enhancement either on a bilateral basis or through the Co-Guarantee Platform for Africa (CGP) for trade and trade enabling investment to/from Africa; in innovative structures such as Sukuk origination, Aviation Financing, Resilient Facilities and Climate Financing; ICIEC's proposed provision of credit insurance to Afreximbank to cover its LC confirmation business through the issuance of a Documentary Credit Insurance Policy; the provision of credit enhancement to support Afreximbank syndications led by IsDB Group entities; and ICIEC partnering with AfrexInsure in underwriting and reinsurance and fronting arrangements.

Afreximbank will endeavour to promote ICIEC's investment insurance services among companies and investors investing in common member states in Africa; providing Direct Consulting Support for ICIEC members for market expansion/entry projects, virtual introductions to associates or potential Joint Venture partners among Arab African countries; and ICIEC supporting Afreximbank's Digital Platforms including the Africa Due Diligence Repository Platform (MANSA) and its TRADAR Club, which includes access to TRADAR Intelligence (TIP) and TRADAR Regulations (TRIP).

Oussama KAISSI, CEO of ICIEC, welcomed the signing of the MoU, the latest initiative in the long-standing cooperation between Afreximbank and the IsDB Group. "We look forward to effecting this wide-ranging MoU with Afreximbank, the leading African trade finance institution whose mandate is to facilitate, promote and expand extra-and intra-African trade. We are confident that the MoU will further consolidate our existing good relations with the bank in our mutual objective of boosting intra-Arab African trade in the Member States common to both entities through ICIEC's tried and tested suite of de-risking and credit enhancement solutions," he stressed.

Professor Benedict Oramah, President of Afreximbank, similarly emphasized that Afreximbank "have for some time enjoyed a constructive and productive relationship with ICIEC, and I am delighted that our co-operation has now been formalized in this Memorandum of Understanding. As Afreximbank continues to expand its activities to accelerate Africa's participation in global value chains, improved trade and investment links with the Arab world will only grow in importance".

Egyptian Government Seeks IMF Support to Implement Comprehensive Economic Program

The rapidly changing global environment and spillovers related to the war in Ukraine are posing important challenges for countries around the world, including Egypt.

"In that context," confirmed Ms Celine Allard, the International Monetary Fund (IMF) Mission Chief for Egypt, "the Egyptian authorities have requested the IMF's support to implement their comprehensive economic program.

"A set of macroeconomic and structural policy measures would mitigate the impact of this shock on the Egyptian economy, protect the vulnerable, and preserve Egypt's resilience and medium-term growth prospects. To this end, the authorities' recent actions to expand targeted social protection and implement exchange rate flexibility are welcome steps," she added.

Ms Allard stressed that continued exchange rate flexibility would be essential to absorb external shocks and safeguard financial buffers during this uncertain time. Prudent fiscal and monetary policies will also be needed to preserve macroeconomic stability.

"Staff is working closely with the authorities to prepare for program discussions to support our shared goals of economic stability and sustainable, job-rich, and inclusive medium-term growth for Egypt," she explained.

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Ms Celine Allard,
IMF Mission Chief for Egypt

ICIEC Chairman HE Dr Al Jassar Warns of Digital Divide and Rising Inequality in Address to IMF/World Development Committee Spring Meeting

The large-scale shocks hitting the global economy create rare opportunities to find innovative development solutions and rethink partnership and cooperation among economies. In this respect, harnessing digitalization for development is a critical undertaking.

This was one of two key messages of IsDB President and Chairman of ICIEC, Dr Muhammad Al Jasser when he addressed the Development Committee meeting at the Spring Meetings of the IMF/World Bank in April in Washington DC. The other message was the importance of sovereign debt sustainability in developing countries.

The Development Committee is, in effect, the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund (IMF) on the 'Transfer of Real Resources to Developing Countries', which convenes at the Spring and Autumn Meetings of the World Bank/IMF.

The IsDB Group, explained Dr Al Jasser, has prioritized the issue of digitalization. "We are committed to investing more in supporting our member countries' efforts to narrow the digital divide between rich and developing countries and within countries and bridge the transition to a more digital economy," he added.

The Bank will also continue to support cross-border regulatory harmonization, which is vital to make full use of opportunities in areas like e-commerce and deal with potential cybersecurity problems." In addition, we stand ready to work with governments, multilateral development banks, other international institutions, and development partners on digital economy initiatives and ensure reliable internet services by providing the needed infrastructure for our member countries."

Before the pandemic, the digital transition was already underway. However, impediments in mobility during the pandemic have hastened the digital change, putting the long-term development trajectory of developing economies at risk.

Dr Al Jassar urged development institutions to narrow the digital divide between and within economies. IsDB can contribute to this endeavour by supporting the establishment of digital infrastructure and human capital formation via skills retraining. He maintains that the digital divide between regions and income groups is profound. For example, according to International Telecommunications Unions' data, there is an internet penetration rate of only 21% in the least developed countries compared to 87% in the developed world.

In Africa and South Asia, many countries have over 75% of their population left without access to the internet, especially in rural areas and among economically vulnerable groups. Addressing the issue of digital exclusion has emerged among the most pressing development challenges today and in the near future.

"Governments in our member states are fully aware of the technological challenges, and many of them have actively embarked upon ambitious digitalization programs. However, there are also critical cross-border issues and risks associated with frontier technologies, which require global cooperation and coordination, notably in cyber-security regulation and technology transfers," he observed.

Digital technologies, he reminded, have an enormous potential to unlock more economic opportunities in activities like agriculture, manufacturing, and services. Industry 4.0 technologies, in particular, are expected to increase factor productivity, which may lead to greater global production. Moreover, in many developing countries, digitalization has the potential to narrow the gap between formal and informal activities, subsequently enlarging the tax base of government revenues. However, such opportunities are not lacking the risks of creative destruction, possibly leading to the displacement of jobs if the digital transition is not coupled with retraining.

The pandemic has also spurred rapid changes in how consumers and companies behave. While the COVID-19 pandemic has accelerated the global transition towards a digital economy, the uneven access to the new technologies has also widened the gaps in access to social services and economic opportunities.

"The COVID-19 crisis," he lamented, "has shaken the development landscape and revealed the vulnerability of globalized economies. Its deep and widespread impacts on economic activity combined with divergent recovery paths widen income gaps between advanced and developing economies. The COVID-19 pandemic crisis has also reversed significant gains in poverty reduction, pushing over 100 million additional people into extreme poverty across the world. In addition, it has caused global hunger to rise again after years of decline."

The recent surge in food and energy prices, fuelled by the conflict in Eastern Europe, will have other devastating impacts on the livelihoods of most people, especially in the least developed economies where multidimensional poverty is widespread, he added.

"Governments in our member states are fully aware of the technological challenges, and many of them have actively embarked upon ambitious digitalization programs. However, there are also critical cross-border issues and risks associated with frontier technologies, which require global cooperation and coordination, notably in cyber-security regulation and technology transfers

Against such a backdrop, "strengthening our capacity as development institutions to swiftly deliver emergency support is critical. But, at the same time, we should not miss opportunities to foster innovations that can accelerate the most-needed structural transformation in our member states," he said.

News in Brief

AATB Board Approves ICIEC Proposal for Establishment of Landmark Arab Africa Guarantee Fund to Boost Intra-Arab Africa Trade and Investment

“ Credit and political risk insurance solutions can boost trade finance volume to meet the objectives of both ATTB and infrastructure investments. The needs of the Arab and the African countries are far more than the capabilities of the member institutions of AATB. It becomes imperative for AATB to seek innovative structures that can leverage the capabilities of the existing member institutions of the AATB and offer appropriate risk mitigation tools to mobilize financial resources from external partners

Oussama KAISSI,
CEO of ICIEC

The Board of Governors of the Arab Africa Trade Bridges (AATB) Program, at their meeting in Cairo in March 2022, has approved a proposal by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) for the establishment of a landmark Arab Africa Guarantee Fund (AAGF).

The establishment of AAGF, says ICIEC, shall provide a scalable structure that aims to mobilise financial resources and risk mitigation capacity to support trade and investment in Arab and African countries; and ensure that all-in pricing of transactions is optimized for the end beneficiaries through blended structures.

The AATB Program was launched by the IsDB, International Islamic Trade Finance Corporation (ITFC), ICIEC, OPEC Fund for International Development (OFID), Afreximbank, Arab Bank for Economic Development in Africa (BADEA), and the Governments of Egypt, Morocco, Senegal, and Tunisia to boost intra-Arab African trade and investment flows. Its potential is underpinned by the fact that ICIEC closed US$5.6 billion worth of transactions under the Program in the last 10 years, which is almost 9% of ICIEC business insured during the same period.

A technical team, led by ICIEC and comprising AATB partners, has started preparing a detailed business plan and strategy for AAGF to be presented to the next Board of Governors meeting scheduled in Tunis in November 2022 for final approval. The AAGF is projected to start operations sometime in 2023.

According to Oussama KAISSI, Chief Executive Officer of ICIEC, “credit and political risk insurance solutions can boost trade finance volume to meet the objectives of both ATTB and infrastructure investments. The needs of the Arab and the African countries are far more than the capabilities of the member institutions of AATB. It becomes imperative for AATB to seek innovative structures that can leverage the capabilities of the existing member institutions of the AATB and offer appropriate risk mitigation tools to mobilize financial resources from external partners." In its capacity as the Leader of the Insurance Pillar of the AATB Program and to fill the above gap, ICIEC proposed to establish AAGF.

The proposed Umbrella Fund will comprise three sub-funds, including an Arab Africa Green Facility, an Arab Africa Food Security Facility, and an Arab Africa Health Facility, which may attract additional partners interested in the respective sectors. In this respect, the AAGF Partners Network hopes to bring together AATB founding partners with other stakeholders, including National ECAs, PRI providers, Donors, MDBs, Regional Development Banks, NGOs, and new AATB members.

The AAGF is also benchmarked with other peer blended structures, such as the COVID-19 Emergency Response Initiative (ICERI) launched jointly by ICIEC and the Islamic Solidarity Fund for Development (ISFD), the poverty alleviation arm of the IsDB Group to support member countries in combatting the negative impact of the pandemic; The Africa Energy Guarantee Facility (AEGF) and The Africa Guarantee Fund (AGF).

The ICERI program, according to the proposal, seems to be the most relevant in that it is a tried and tested model which can be replicated and expanded to the Arab Africa region.

Egyptian Government and IsDB Group Agree to Consolidate Constructive Cooperation and Evolving Relationship in Various Development Areas

The IsDB Group and the Egyptian government agreed to continue their constructive cooperation and evolving relationship in the various areas of development, including private sector engagement and supporting Egyptian companies in accessing new markets in Sub-Saharan Africa (SSA).

IsDB President and Chairman of ICIEC, Dr Muhammad Al Jasser hosted Egypt's Minister of Planning and Economic Development, Dr Hala El-Said, who is also the current Chairperson of the Board of Governors of IsDB, during her visit in February earlier this year, where she also met the heads of IsDB entities including ICIEC, ICD and ITFC.

Egypt's engagement with the IsDB Group has increased in recent years and is set to grow following the establishment of the IsDB's fifth Regional Hub in Cairo and the hosting of the 47th Annual Meetings of the IsDB Group in Sharm El Sheikh in June 2022.

Dr Al Jasser praised the constructive cooperation between Egypt and the Bank in various

which he said was reflected in the volume of the Bank's portfolio in the country, which cumulatively to date amounted to US$17.8 billion, and the commitment of the Egyptian government in agreeing to subscribe to the sixth increase in the Bank's capital.

"We look forward to a partnership aimed at putting forward practical projects for the private sector and investors so that they will be implemented on the ground in the interest of economic and social development in Egypt. The IsDB's interest is also in developing the private sector and small-and-medium-sized enterprises that create job opportunities for many citizens in the country," he added.

Minister Dr El-Said similarly affirmed her country's keenness to further develop relations with the Bank to enhance and achieve the common goals of the two sides. In this respect, she concurred that Egypt's hosting of the 47th IsDB Group Annual Meetings and the establishment of the Bank's Regional Hub in Egypt is "an indication of the strength of the partnership between the two sides" and that "it will support the developing relations between them."

Dr El Said also stressed the importance of developing the private sector, projects aimed at empowering women and providing job opportunities for the youth.

Egyptian Resilience in Pandemic Economic Performance Augurs Well for Mitigating Effects of Ukraine Food Supply Disruptions

The headwinds associated with the COVID-19 pandemic have been reinforced by the impacts of the war in Ukraine. The International Monetary Fund (IMF), in its World Economic Outlook released at the Spring Meetings in April, is unequivocal: "War sets back the global recovery." To what extent global GDP growth in 2022 is tempered is a moot point. The effects, especially for middle-and-low-income countries, will linger for several years as they work their way through the economic cycle. Egypt, the largest economy in continental Africa, is no exception. **Mushtak Parker** explores the outlook for the Egyptian economy

The consensus is that Egypt's economy stands out for its resilient economic performance throughout the Covid-19 pandemic, despite relatively limited pandemic-related stimulus by the government. Egypt was one of the few countries in the world that recorded a positive real GDP growth rate at the peak of the pandemic.

The latest IMF data shows that Egypt recorded a real GDP growth rate of 3.6% in 2020 and 3.3% in 2021, which is projected to rise to 5.9% in 2022 before settling down to a projected 5.0% in 2023 and a projected rebound to 5.9% over the medium term in 2027. In contrast, global growth is projected by the IMF to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. Beyond 2023, global growth is forecast to decline to 3.3% over the medium term.

This solid economic performance is underpinned by robust real GDP growth into the 2nd Half of 2021, with a rate of 9.8% year-on-year in the 3rd Quarter of 2021, driven both by exports and domestic demand. "Goods exports have been supported by natural gas and agricultural and manufactured goods, in particular textiles, and a rebound in tourism and shipping through the Suez Canal buoyed the services sector," explains Krisjanis Krustins, Director in Fitch Ratings' Sovereign Team.

Domestic demand has been supported by a continued loose fiscal policy, including public-sector investment. We forecasts a 6% growth in FY2022 and 4.5% in FY2023, with the caveats of looming tighter monetary conditions posing significant risks.

Positive GDP but COVID Challenges Linger

The reality for economies around the world is that although many countries appear to be moving past the acute phase of the COVID-19 crisis, deaths remain high, especially among the unvaccinated. Moreover, recent lockdowns in China's key manufacturing and trade hubs will likely compound supply disruptions elsewhere.

In May 2022, the World Health Organisation estimated that the actual death toll of the coronavirus at 14.9 million excess deaths during the pandemic is almost three times higher than the officially reported figure of 5.4 million deaths WHO believes that many countries undercounted the numbers who died from COVID-19, with upper and lower-middle-income countries accounting for 28% and 53% of undercounting and, therefore, excess deaths.

Egypt reported 513,790 confirmed cases of COVID-19 and 24,641 deaths by 6 May 2022. As of 30 April 2022, 82,017,392 vaccine doses have been administered.

"A severe double-digit drop in GDP for Ukraine and a large contraction in Russia are more than likely, along with worldwide spillovers through commodity markets, trade, and financial channels. Even as the war reduces growth, it will add to inflation. Fuel and food prices have increased rapidly, with vulnerable populations - particularly in low-income countries - most affected," predicts the IMF.

In addition, elevated inflation will complicate the trade-offs central banks face between containing price pressures and safeguarding growth. Interest rates are expected to rise as central banks tighten policy, exerting pressure on emerging markets and developing economies. Moreover, many countries have limited fiscal policy space to cushion the impact of the war on their economies. The IMF data for Egypt shows rising inflationary pressures from an actual 4.5% in 2021, projected to rise to 7.5% in 2022 and 11.0% in 2023 before settling down to 7.4% in 2027 over the medium term.

However, the chaotic impact of supply chain disruptions caused by the war in Ukraine is matched by the volatility in key financial indicators. On 10 May 2022, Egypt's annual consumer price inflation rose to 13.1% year-on-year in April from 10.5% in March, according to CAPMAS, the Egyptian state statistics agency. The rise is attributed to higher food prices. Annual food inflation was up 26% - 7.6% increase on a monthly basis compared with 3.3% monthly in January-September 2021. According to Moody's, the Food Weight in the CPI Basket is 32.7%, and Egypt has a 48.2% cereal import dependency.

Similarly, the economy faces a projected current account deficit of 4.3% in 2022, rising to 4.6% in 2023 before tempering to 2.6% in 2027.

How well the government deals with the ramifications of the Ukraine shock and any ongoing trajectory for the pandemic remains to be seen, but Egypt entered the crisis with solid growth and fiscal performance, although the country's external position had been weakening.

The decision by India in May 2022 to ban wheat exports because of the severe drought and hot weather conditions will further impact Egypt's cereal imports, given that India, after Russia and Ukraine, was the third-largest supplier of wheat to the North African country.

Currency Woes

Central banks face a challenging task in navigating monetary policy to contain inflation, rising prices, and currency volatility, especially in middle-income countries. In March, in a special meeting, the Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) raised the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 100 basis points to 9.25%, 10.25%, and 9.75%, respectively. The discount rate was also raised by 100 basis points to 9.75%. The CBE's inflation target for its monetary policy horizon in Q4 2022 is 7% (±2 percentage points) on average.

According to the CBE, Egypt's economic reform program and the hard-won macroeconomic gains "have provided the central bank with a strong toolkit to implement its monetary policy and maintain price stability over the medium term and with solid buffers to insulate the economy from excessive volatility."

EGYPT – Key Economic Indicators % Change

	2019	2020	*2021	*2022	*2023	*2027
Real GDP	5.6	3.6	3.3	5.9	5.0	5.9
GDP Current Prices US$bn	302.33	364.02	402.84	435.62	450.36	584.92
Inflation	13.9	5.7	4.5	7.5	11.0	7.4
Current Account Balance	(3.6)	(3.1)	(4.6)	(4.3)	(4.6)	(2.6)
Official Reserves (US$bn)	37.2	41.1	44.1	47.6	51.8	**55.1
General Government Gross Debt % of GDP	84.2	89.6	93.5	94.0	89.6	80.7
Gross Domestic Debt % of GDP	71.1	72.4	71.4	69.4	67.0	**64.4
Gross External Debt 5 of GDP	18.9	19.6	18.4	17.6	16.4	15.4
Unemployment Rate %	8.6	8.3	7.3	6.9	6.9	***6.8

Source: IMF May 2022 Compiled by Mushtak Parker *projections **for 2024 ***for 2025

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How well the government deals with the ramifications of the Ukraine shock and any ongoing trajectory for the pandemic remains to be seen, but Egypt entered the crisis with solid growth and fiscal performance, although the country's external position had been weakening

However, the ongoing COVID-19 pandemic and the Russia-Ukraine conflict have amplified global inflationary pressures due to supply chain and other disruptions. In the case of Egypt, rising international commodity prices and country risk sentiments added to domestic inflationary pressures and external imbalances.

For the MPC, inflation is a significant threat, especially with its potential impact on socio-political stability regarding rising prices of staples and the cost of living in general. “The objective of raising policy rates,” confirms the MPC, “is to anchor inflation expectations and contain second-round effects of supply shocks stemming from exogenous factors outside the scope of monetary policy. Achieving low and stable inflation over the medium-term supports real incomes and sustains the achieved competitiveness gains of the Egyptian economy.”

The markets welcomed the CBE move. According to Elisa Parisi-Capone, Vice President, Senior Analyst at Moody's, “the decision by the Central Bank of Egypt to hike the policy rate by 100 basis points and allow the currency to depreciate by 13.7% will help safeguard the narrowing foreign exchange reserve buffer amid renewed capital outflows as a result of tightening global funding conditions, and the higher food and energy import bill triggered by the Russian invasion of Ukraine.”

Moody's expects temporary fiscal slippage due to a higher subsidy bill to absorb part of the significant consumer price increases for socially sensitive staples like bread and energy, with the government likely to secure a new IMF program to access concessional funding and anchor fiscal policy credibility.

In April, the IMF announced that the Egyptian authorities had requested the Fund's support to implement their comprehensive economic program. “A set of macroeconomic and structural policy measures,” explained Celine Allard, IMF Mission Chief for Egypt, “would mitigate the impact of the Ukraine shock on the Egyptian economy, protect the vulnerable, and preserve Egypt's resilience and medium-term growth prospects. To this end, the authorities' recent actions to expand targeted social protection and implement exchange rate flexibility are welcome steps. Continued exchange rate flexibility will be essential to absorb external shocks and safeguard financial buffers during this uncertain time.”

An IMF facility would help fund the wider current account deficit. Notwithstanding Egypt's already large borrowings from the IMF at about US$19 billion, the government may access additional funding under the IMF's Exceptional Access Criteria, especially if the war in Ukraine persists and capital outflows put extra pressure on foreign exchange reserves, thus increasing external vulnerability risks.

Cairo in mitigation is attracting huge support from the Gulf Cooperation Council (GCC) countries in mitigating its immediate balance-of-payments risks. They have collectively made US$22 billion of financial commitments to Egypt. Saudi Arabia made a US$5 billion foreign currency deposit to directly buttress Egypt's foreign exchange reserves, in addition to another US$10 billion earmarked for investments.

Economic Impact of War in Ukraine

Just as the global economy was finding its footing, the Russia-Ukraine military conflict has

threatened to exacerbate the adverse effects of the pandemic for many emerging market

sovereigns. According to Moody's, the risks to sovereigns from Russia's invasion of Ukraine are not as broad-based as those from the pandemic shock. Sovereigns with the strongest economic and financial links to Russia and Ukraine are most at risk.

Egypt, rated ‘B2’ with a stable outlook by Moody's, has an overall food import bill which is comparatively modest. The destabilizing effect of the war in Ukraine comes from the fact that Egypt is the largest importer of wheat in the world, importing around 23 million tonnes, worth US$5.6 billion, in 2020. According to International Trade Centre data, some 86% of these imports came from Russia and Ukraine in 2020 (26% from Ukraine and 60% from Russia, leaving it particularly exposed to any trade and supply disruptions caused by the conflict. According to COMTRDAE and Moody's, Egypt is the 13th most exposed country to a food price shock. Its food imports as a share of GDP is a middling 4.8%.

According to a Chatham House study on the impact of the Ukraine War on food security, consumer prices rose in Egypt by 8.8%, driven by a 17.6% increase in food and beverage costs in February 2022. “The prices of grain, bread, and vegetables are expected to rise further as the war in Ukraine continues. For the Egyptian government, the rising costs of wheat imports will be compounded by the financial burden of bread subsidies available to over 88% of the population and by the high cost of sunflower oil (around 40% of the country's sunflower oil imports are usually sourced from Russia and Ukraine). The country was already facing high public debt levels before the crisis. If sustained, a spike in borrowing costs would weaken debt affordability ratios because Egypt already has high-interest bills or large borrowing requirements.

There are compelling reasons for the government to stabilize and mitigate the impact of the Ukraine-Russian War on food imports and, in the medium term, overhaul its food security strategy. Egypt, like other countries, significantly relies on exports from this region for the caloric intake of its citizens. WHO data suggests that over 70% of the population is already unable to afford a healthy diet, and any increase in food prices has the potential to stoke consumer discontent.

According to the IMF, rising prices and food insecurity are also likely to increase social and political risks and slow governments' plans to reform subsidies. After all, in the case of Egypt, there is a sense of déjà vu. Rapid food price inflation in 2011, 2019, and 2020 did contribute to household economic insecurity. Then as now, a shortfall in wheat exports from Russia and Ukraine was central in driving up prices.

Like other affected economies, Egypt imposed export bans on staple crops in March 2022. While these imports are essential for its domestic consumption, Egypt also processes some of these commodities to export to Eastern Africa, which has a knock-on effect across several other countries.

IMF Managing Director Kristalina Georgieva, in a roundtable discussion on Ukraine at the IMF/World Bank Spring Meetings in Washington DC in April, was to the point when she maintained: "I worry for Egypt. If we have sustained high food and energy prices, how this is going to impact people in Egypt. In that sense, we are already engaged in discussions with Egypt on how to target vulnerable populations and businesses and how to soften the impact."

Rethinking Food Security

The Ukraine War has once again highlighted the issue of food security, which keeps resurfacing thanks to the effects of climate change, natural disasters, plagues of pests, deforestation and soil erosion, opposition to genetically-modified seeds, battery farming of livestock, disease outbreaks, and supply-chain disruption as in the COVID-19 pandemic.

The sight of empty food shelves in supermarkets, especially in the wealthy West, was as humbling as predictable. Yet countries insist on sleepwalking into food security inertia because the issue is not a priority, is misunderstood and underestimated, becomes stalled in policy inertia and procurement issues, and most countries lack a clear Agricultural and Land Reform Strategy.

The true impact will become clear later as the supply disruption kicks in and the data lag becomes apparent. Developing countries have a lot to lose. Food systems inequality is as impactful as food import dependency, vaccine inequality and poverty and a host of other such metrics, which affect the lives of millions daily.

The OECD estimates global GDP growth will be over 1% lower this year because of the Russo-Ukraine conflict, while inflation, already high at the start of 2022, could rise a further 2.5% on aggregate worldwide. OECD Secretary-General Mathias Cormann warns, "the commodity supply squeeze resulting from this war, is exacerbating supply chain disruptions brought on by the pandemic, which will likely weigh on consumers and business for some time to come. We need both sensible near-term and longer-term action."

According to the OECD, in emerging market economies, "steeper declines are projected for those major commodity importers. Higher food and energy prices are expected to push up inflation more than in advanced economies. The threat of cereal shortages, in particular, underlines the need to ensure that trade keeps flowing."

Flower shortages have already impacted several IsDB member states, including Egypt, Lebanon and Somalia. Egypt imports 86% of its wheat from Russia and Ukraine and 73% of its sunflower oil from Ukraine. Prices have escalated, and the spectre of food protests looms if the government fails to intervene to bring sanity to supplies and prices.

The statistics of dependency on Russo-Ukrainian food supplies are revealing. According to the OECD, Russia and Ukraine account for 30% of world wheat exports and 14% of world maize exports. Ukraine accounts for 16% of global corn exports and 12% wheat. Ukrainian corn output has grown 140% in the last decade to reach 42m tonnes in 2021, during which Ukraine produced 33m tonnes of wheat and 10m tonnes of barley. Ukraine is also the top exporter of sunflower oil in 2021 at 23m tonnes.

Forty percent of wheat and corn from Ukraine go to the Middle East and Africa, which are already grappling with hunger issues, and where further food shortages or price increases risk pushing millions more people into poverty. Russia is also the world's largest fertilizer producer. Even before the conflict, spikes in fertilizer prices last year contributed to a 30% rise in food prices.

According to the OECD, the average percentage hike in prices from January 2022 has been staggering – 88% for wheat, 79% for fertilizers, 42% for maize, and 11% for gold. This is in addition to considerable rises in crude oil, gas, and coal prices.

The Islamic Development Bank (IsDB) Group, of which Egypt is a founder member, is a crucial partner of Egypt in its development effort, especially in helping to achieve the UN Sustainable Development Goals and the transition to clean and just energy under the Net Zero targets of the Paris Climate Agreement.

The total interventions of the IsDB Group in favour of Egypt to date amount to US$17.8 billion. Food security, poverty alleviation, and zero hunger are core components of the IsDB's sustainable development strategy for member states, whether through bilateral arrangements, co-financing, private sector engagement, trade finance, development finance, and the provision of de-risking solutions through credit and investment insurance.

Arab Republic Of Egypt – Key Geopolitical Data 2022

Capital	Cairo
Total Area	1,001,450 km² of which Total Land Area - 995,450 km² and Total Water Area - 6,000 km² Egypt has an unbalanced spatial dispersion since over 95% of the population live on a mere 5% of the land, most of which lies along the banks of the Nile River and the Delta region.
Currency	Egyptian Pound
Official Language	Arabic
Population	104.664 million (2022) - The majority of the Egyptian population is young with about 33% falling in the 0-14 age group and 62% in 15 to 64 group.
Real GDP Growth 2022 (Projected)	5.9%
Consumer Prices Change (Projected)	7.5%
CBE Gold Reserves at Q1 2022	124.97 tonnes
Gold Reserves Monetary Value at Q1 2022	US$7,803.63 million
CBE FX Reserves Q1 2022	US$32,389.1 million
CBE Gold Holdings % Q1 2022	19.42
CBE Total Reserves Q1 2022	US$40,192.72 million
UN Human Development Index	0.7070000 Index Value (2019)
UN Human Development Index Rank	116
UN SDG global ranking	82 out of 165
SDG Progress Index Score	68.65 – regional score 71.4
Date of IMF Membership	27 December 1945
Special Drawing Rights (SDR)	147.97 million
SDR Quota	2037.1 million
Outstanding IMF Purchases & Loans (SDR)	13,994.35 million (31 March 2022)

Source: Compiled by Mushtak Parker from data of Egyptian Ministry of Finance, IMF, Fitch Ratings, World Gold Council May 2022

Interview
Dr Hala El-Said,
Minister of Planning and Economic Development of Egypt & the current Chairperson of the Board of Governors of IsDB

A Resilient Egypt with an Evolving Vision of Socio-economic Sustainability, **Equality and Wellbeing for all its Stakeholders**

Egypt is literally and metaphorically at a crossroads. Juxta-positioned between the Middle East/Asia and Continental Africa, Egypt is positioning itself as the main gateway to economic and business opportunities in Sub-Saharan Africa and is a keen supporter of Africa's push for regional integration through the AfCFTA in line with the priorities of the Africa 2063 agenda. Egypt is also one of the few countries to register a positive GDP growth rate at the peak of the pandemic, underpinned by the government's economic reforms. With the new global shocks of the disruptions caused by the war in Ukraine, especially on energy and grain supplies and prices, the ongoing Covid pandemic with the emergence of new variants and lineages, the resultant inflationary and sovereign debt pressures, Egypt like other economies is rushing towards incorporating resilience and sustainability in its policy response and strategy.

Dr Hala El-Said, Minister of Planning and Economic Development of Egypt and the current Chairperson of the Board of Governors of IsDB, discusses with ICIEC the state of the Egyptian economy, its ongoing responses to the global shocks, the importance of Arab-Africa economic cooperation and integration, the prerequisite of inclusive growth through gender balance and empowerment, the latest on the country's imminent debut sovereign Sukuk issuance and the flourishing cooperation **with the IsDB Group.**

Focus on Egypt: Egypt is hosting the 47th Annual Meeting of the IsDB Group in Sharm El-Sheikh in June. Egypt, to date, has received $16bn in project and trade finance and grants from the IsDB Group, in addition to $7.3bn in trade and investment insurance from ICIEC, the IsDB Group Multilateral Insurance Institution. The IsDB's Group opening of a Regional Hub in Egypt is a further consolidation of its ties with Egypt. What are the priorities for Egyptian-IsDB Group cooperation going forward?

Dr Hala El-Said: The Egyptian-IsDB Group's constructive cooperation has created continuously evolving relations between both parties in various fields of development, which is reflected in the volume of the Bank's portfolio in Egypt. The cooperation between Egypt and all member institutions of the IsDB Group covers various and important areas of development, especially in light of a rapidly changing world with increasing economic uncertainties.

This includes insurance and export credit activity through cooperation with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), trade finance activity through cooperation with the International Islamic Trade Finance Corporation (ITFC), and the Islamic Corporation for the Development of the Private Sector (ICD) is working with all concerned institutions and organizations in Egypt to consider providing the necessary financing to achieve food security and financing micro, small and medium projects to support their working capital.

These are very important partners for the Government of Egypt as they help in achieving comprehensive sustainable development, through the existing cooperation with the IsDB for enhancing the role of the private sector.

Going forward, the priorities for the Egyptian-IsDB Group cooperation are in the following sectors: green and clean energy sectors, especially renewable energy, as well as digitalization, and trade finance. Furthermore, there is ongoing cooperation in the field of capacity-building and training provided by ITFC and the various member institutions of the IsDB Group. Capacity-building is of paramount importance to Egypt and is also one of the cross-cutting pillars of the various areas of development plans and programs of the Egyptian state, both in the field of trade, industry and other economic and development fields.

The existing cooperation between the IsDB Group and Egypt is not only a testament to the strong economic ties, but it points to extremely promising and fruitful endeavours in moving forward.

Egypt was one of the few emerging countries that experienced a positive GDP growth rate in 2020 at the height of the pandemic. It was, however, badly affected by other fundamentals – a sudden drop in tourism revenues, workers' remittances, forex earnings, and tax revenues. Similarly, the war in Ukraine has severely disrupted Egyptian grain imports from there. The economy is also faced with high inflation. In oil and gas dynamics, Egypt being self-sufficient is not affected, albeit planned energy price hikes will continue. What is the current situation regarding the above factors, and how effective are the policy measures adopted?

We are all witnessing the challenges that the world is currently facing, especially in light of the repercussions of the spread of the COVID-19 virus and the resulting losses on economic activities, labour markets, financial markets and international supply chains, which still have not fully recovered as a result of this crisis, which inflicted losses on the global economy estimated at US$22 trillion (between 2020-2025 according to the IMF). This situation has been exacerbated by the Russian-Ukrainian crisis that the world is currently witnessing.

The effects of recent crises on emerging markets vary according to their degree of integration into the global economy as well as according to their degree of dependence on the supply chains associated with the crises. As a result, there are expected losses on the economies of these countries. For example, the African Development Bank estimated that the GDP of the African continent will shrink by 0.7% in 2022, and inflation will increase by 2.2% in 2022, especially in light of the recent crisis between Russia and Ukraine.

When it comes to Egypt, even though it was impacted by recent global developments, the country managed to achieve an economic growth rate of 3.3% in 2021, and 9% in the first half of FY 2021/22, and unemployment remains low at 7.3%. This signals a strong comeback after the initial blow of the pandemic. The recent global developments have prompted us to revise our initial growth projections for FY 2021/22 at approximately 6% (conservative estimate). The International Monetary Fund (IMF) raised its forecast for the growth of the Egyptian economy during FY2022/21 to 5.9 percent, compared to 5.6 percent in its previous forecast.

In line with the economic reforms, Egypt was able to take immediate steps in the face of the recent crisis, prioritizing social protection and human development. During the pandemic, a stimulus package (2% of GDP) was provided to mitigate the economic impact of COVID-19, and more recently the Central Bank's decision to take protectionist measures to provide liquidity and contain inflation, and the Government approving a package of about US$8 billion of financial and social protection measures. In addition, the government has ensured that approximately 60% of citizens have been vaccinated, and EGP2.7 billion has been allocated to include 450,000 new families as beneficiaries of the Takaful and Karama Cash Transfer programme.

The government of Egypt has also taken several measures in response to the recent global developments. The purpose of these measures is to cushion the inflationary pressures on the most vulnerable segments and enhance the economy's capacity to withstand the far-reaching repercussions.

Despite the challenges that have resulted from recent global developments, the various economic measures taken by the Egyptian government in this regard have proven effective during the current period and the country was able to face the rising global inflation crisis and disruption of supply chains by increasing the stock of all commodities and basic materials.

Moving forward, Egypt is looking to increase the volume of foreign investments in the most attractive sectors such as renewable energy, water desalination, medical services, ICT, and agro-industries. The government is keen to create a favourable environment for investment that encourages the business community to expand investment and production activities, thereby maximizing exports and enhancing competitiveness in global markets.

At the AATB Governing Board meeting in Cairo in March, you talked about the opportunity "to enhance our efforts to develop trade and investment flows between African and Arab countries. We hope to continue and intensify this cooperation in the coming phase." Can you expand on some of the priorities and measures required to take Arab-Africa cooperation to the next level and Egypt's increasing role as the gateway to Sub-Saharan Africa?

Due to the lack of the necessary infrastructure in the world, which presents one of the challenges facing the development of trade and joint investments and reduces opportunities for strengthening regional value chains, it is important to focus on creating regional value chains within emerging markets in order to maximize the use of comparative advantages enjoyed by each country, including the size of the country, the available resources, and the current industrial base, in the strategies for restructuring the manufacturing sector, and then creating job opportunities that are appropriate to the conditions of each country.

There is a great deal of human capital potential between Arab and African countries, which is not reflected in intra-African trade indicators. This potential should be maximized in strengthening regional value chains and developing joint trade and investment agreements.

Given that Egypt is the largest market in the MENA region with a growing youth population, it is viewed as a main gateway to the African market, as it is becoming an increasingly popular destination for nearshore companies to outsource their business services. Africa's push for regional integration through the AfCFTA is envisioned to create new opportunities for businesses, ease travel across the continent and beyond, encourage the diversification away from Africa's traditional commodity exports, and avoid the volatile prices which

have affected the economies of many of our countries.

With Egypt's support towards regional integration, it has been working closely with African countries to incorporate the priorities of the Africa 2063 agenda into the planning and follow-up systems of its programs, namely within the sectors of economic and regional integration.

The continent is facing challenges, which have been exacerbated by the pandemic. These challenges include weak infrastructure, bureaucratic inertia, logistical constraints, tariff, and non-tariff barriers, regulatory constraints as well as limited capacity in keeping up with digitization, e-commerce, and technology, therefore, investment in research and development, as well as collaboration between all Arab and African nations have become an increasingly critical factor to take Arab-Africa cooperation to the next level.

Egyptian economists and scholars have been pioneers of the contemporary Islamic finance industry. However, most of their achievements have been mainly outside their home country in Malaysia and the GCC region. In the last few years, Islamic finance has gained a newfound policy recognition in Egypt. How can Islamic finance contribute to sustainable development, clean energy transition, gender empowerment, wealth creation and poverty alleviation in Egyptian society?

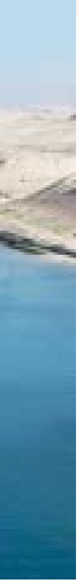
To deliver the SDGs, the UN estimates that between US$5 trillion to US$7 trillion per annum needs to be mobilized by 2030. Developing countries face an annual funding gap of US$2.5 trillion to achieve the SDGs. Low-income countries will require the largest increases in public expenditure relative to GDP to fill this gap. To increase the share of resources available for development purposes and to ensure that these resources reach those most in need, Islamic finance provides a novel option.

Islamic finance is increasingly adopting sustainability criteria, so it is well-positioned to maximize social impact and address the SDGs. It provides an emerging opportunity that could be harnessed by investors and development partners, such as multilateral development organizations.

Islamic finance has great potential in supporting developing countries' efforts to finance the SDGs agenda. The SDGs require unprecedented mobilization of funds to support their implementation. Islamic finance offers an effective non-traditional means of financing for sustainable development activities and projects in developing countries.

Islamic financing focuses on the real economy, which comes very much in line with the National Structural Reform Programme that the Government of Egypt launched in 2021, which focuses on tackling the root causes of imbalances in the real sector, through the creation of decent jobs, diversifying and develop production patterns, improving the business climate, localizing manufacturing, and enhance the competitiveness of Egypt's exports. Many countries have started to reap the benefits offered by Islamic financing options which lower their debt-to-equity ratios for capital intensive projects. Over the next few years, Islamic finance will be considered as one of the primary financing strategies, especially for Egypt.

The Egyptian parliament and Government have recently adopted a Sukuk Issuance Framework.



There are reports that the Ministry of Finance is planning a debut sovereign Sukuk offering. Sukuk is now a mainstream fund-raising instrument that even non-traditional markets are utilizing, including the UK, South Africa, Luxembourg, and Hong Kong. The IMF and G20 have commended Sukuk as an ideal way to finance infrastructure. How do you view the potential of Sukuk in the Egyptian economy – both sovereign and private sector?

The government is seeking to diversify the sources of funding; by introducing innovative financing tools, in order to battle the SDG financing gap, such as issuing green bonds, sukuks, and climate/SDG debt swaps, and co-financing, blended finance, and results-based financing. In Egypt, for example, we also prioritize advancing public-private partnerships mainly through the Sovereign Wealth Fund of Egypt. Egypt pioneered the first sovereign green bond in the Middle East and North Africa - worth USD 750 million- tapping investors interested in financial and environmental returns. Its first impact report shows 46% of proceeds earmarked for clean transport (the Cairo monorail), and 54% for sustainable water supplies and wastewater management.

The Government of Egypt is preparing to issue the first sovereign Sukuk over the next period in order to contribute to providing the necessary funding for investment projects included in the economic and social development plan in the state's general budget, to achieve development goals in a manner consistent with the state's efforts to enhance aspects of spending on improving the standard of living of citizens. The executive regulations of the sovereign sukuk law have been prepared in cooperation with Al Azhar and the Egyptian Financial Regulatory Authority, as well as local and international law firms to cover all legal aspects.

ICIEC has a good track record of risk mitigation business in the Egyptian market, where the demand for insuring export credit and investment is increasing. ICIEC is launching a strategic plan for expansion in the Egyptian, emphasizing covering infrastructure, trade, and FDI risks, including Egyptian trade and investments into and from Sub-Saharan Africa. What is your Government doing to facilitate the culture of credit and investment insurance, especially to boost trade and investment with Africa?

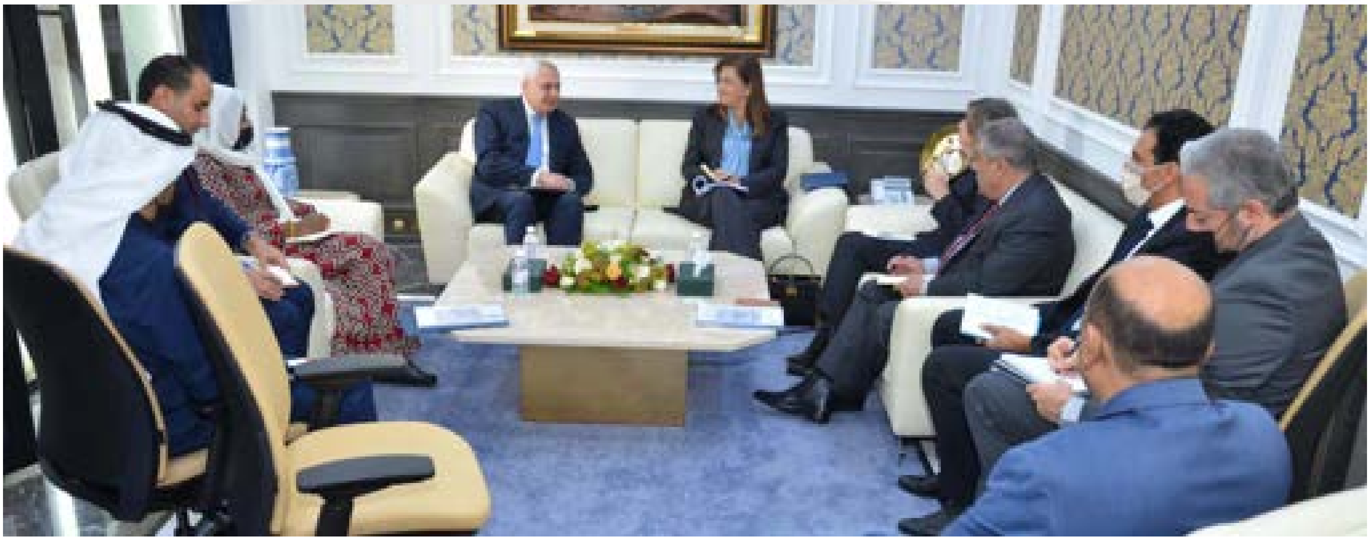
The strategic partnership between Egypt and ICIEC, which is the insurance arm of the IsDB Group, is very important for Egypt. The total value of ICIEC operations in Egypt had reached US$7.35 billion, covering areas related to import and export, credit service on exports and securing foreign investments. The executive plan to strengthen Egyptian exports to Africa by 2025 include developing an action plan for a comprehensive strategy aimed at doubling Egypt's exports to African countries by 2025.

The plan includes a detailed analysis of the current situation of Egyptian exports to Africa, the nature of the competitive environment in African markets, and strengthening connectivity by providing means of land, sea, rail, and air transport and linking ports, having commercial representation offices, foreign trade companies, logistics centers, and financial and banking services (where ICIEC services play a crucial role, especially with insurance of investment and export credit), and providing technical and financial support for importing countries.

"In Egypt, for example, we also prioritize advancing public-private partnerships mainly through the Sovereign Wealth Fund of Egypt. Egypt pioneered the first sovereign green bond in the Middle East and North Africa - worth USD 750 million- tapping investors interested in financial and environmental returns. Its first impact report shows 46% of proceeds earmarked for clean transport (the Cairo monorail), and 54% for sustainable water supplies and wastewater management.

El Sewedy Electric is a prime example of the successful synergy between ICIEC and Egypt, which helped open new markets, especially for its cable and optic fiber exports, including to markets in the West, such as Germany. Can you expand on the success stories of IsDB Group-Egyptian cooperation in recent years?

Egypt has made significant progress to increase the renewable energy's share of Egypt's energy mix to 20% in 2022, to reach 42% in 2035, through the implementation of key projects in Aswan's Benban Solar Park; in the Gulf of Suez (Gabal El Zeit); and E-mobility projects such as the Monorail, Speed Trains, converting gasoline-powered vehicles to natural gas, and many more. The IsDB Group-Egyptian cooperation includes the construction of gas power plants in Assiut, West Damietta Port Said, Hurgada and Sharm El Sheikh, as well as Aswan's Benban Solar Park.



Egypt is the host of COP27 in November this year. Egypt is also the largest emitter of CO2 in Africa. In your own portfolio of planning and economic development, how entrenched are SDGs and ESG considerations?

The government of Egypt is making strides in combating climate change by shifting toward a green and sustainable economy, and by preserving environmental and natural resources, while ensuring that the key principles of "Inclusive Growth" and "Leaving No One and No Place Behind" are put in place. Egypt would seek to enhance international climate action to achieve the goals of the Paris Agreement during the country's presidency of the COP27, and affirming this will achieve the interests of the global community.

Egypt has made significant progress to increase renewable energy's share in Egypt's energy mix to 20% in 2022, to reach 42% in 2035, through the implementation of key projects, including:

1. Aswan's Benban Solar Park through a public-private partnership comprising around 32 companies, producing approx. 1500 MW.
2. Gulf of Suez (Gabal El Zeit), the world' largest wind farms with 300 turbines covering 100 square kilometers, generating a total capacity of 580 MW.
3. E-mobility projects such as the Monorail, Speed Trains, converting gasoline-powered vehicles to natural gas, etc.
4. Preparing the "National Strategy for Climate Change" as a coherent framework to address all aspects of climate change including mitigation, adaptation, means of implementation, in addition to monitoring, review & verification (MRV). This national dialogue on climate change is a message to the world that COP 27 is primarily an executive conference in which Egypt sends its message of "Peace of Nature from the Land of Peace".
5. Preparing the "National Strategy for Hydrogen" to promote the use of blue and green hydrogen as a low to zero-emission energy source.

Regarding ESG and SDG considerations, the government has also recently announced tax incentives to boost the green economy and other emerging sectors and has widened the number of companies eligible for tax incentives under the Investment Act as it aims to stimulate investment into strategic sectors, including renewable energy, in particular, Green Hydrogen and ammonia, energy efficiency, waste management including waste-to-energy, electric & clean mobility, and pharmaceutical industries, and also establishing schools, technical education colleges, and universities in this regard.

Tax incentives include allowing companies to deduct 30-50% of their investment costs from their tax bills, offering a flat 2% customs rate on machinery imported for the project, and a five-year exemption from stamp duty and notary fees on certain expenses. Other incentives include flexible arrangements for land tenure, promoting green public procurement and financial support/subsidies for green exports.

Gender balance and empowerment are now an entrenched global diversity discourse component. As a senior female minister, do you think much more can be done in Egypt and the OIC countries to enhance the participation of women in their respective societies based on primus inter pares and on merit in all the sectors of society in political representation, board representation, the economy, finance, corporate life and so on?

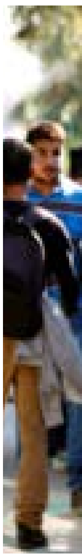
Investing in the economic empowerment of women is a prerequisite for gender equality, gender diversity, poverty eradication and inclusive economic growth. Gender equality is both a moral and economic imperative. Closing the gender gap must be a central part of any strategy to create more sustainable and inclusive, resilient economies and societies - and women's economic empowerment is the most effective catalyst to economic growth and prosperity.

While there is still more work to be done to achieve gender equality globally, there are important areas of improvement. Progress in identifying the problem, investing in regulations, supporting business culture reform, and, most significantly, generating more and more role models throughout the world.

Globally, in 2020, less than half (46.9%) of all women participated in the labour force, a decrease from 51.0% in 1990. Nearly three in four (74.0%) men participated in the labour force, down from 80.2% in 1990. Women represented 38.8% of all participants in the labour force.

There has, however, been progress. Women's representation in senior management is steadily increasing around the world. The proportion of women in senior management roles worldwide increased to 31% in 2021, the highest level ever recorded. As of 2021, 90% of companies around the world have at least one woman in a senior management position. Women accounted for 26% of all CEOs and managing directors in 2021, compared to only 15% in 2019.

In light of recent global developments, government interventions in helping to reduce and eliminate barriers to women's participation in the formal labour force are critical. Governments must lay the groundwork for women to be successful in the workforce. There have been several



initiatives and positive changes aimed at empowering women and increasing their participation in the labour force in recent years.

The Government of Egypt has taken unprecedented steps to empower women economically and politically increasing the representation of women and their leadership responsibilities both within the public sector, and across society at large focusing on gender parity, building a diverse workforce and ensuring an inclusive workplace.

Women's empowerment and gender equality are cross-cutting in Egypt's Vision 2030, and integral to the achievement of all 17 SDGs. Egypt's National Strategy for Women Empowerment was launched in 2017, and closely aligns with the nation's Vision 2030. It emphasizes Egypt's commitment to support women's empowerment, and advance women's rights and highlight the vital role Egyptian women play in developing our country.

Of course, there is more work to be done, but as women leaders in the public sector, it is our collective responsibility to empower women, which entails striving towards increasing women's engagement in the public sector and overall workforce.

Empowering women is critical to the development of resilient economies. We must address cultural norms at their source. The true impact that each individual has in their hands is not only telling, but also shows everyone around us why women's empowerment is so important. With constant collective and multi-stakeholder engagement, active support, and exemplary success stories, we are all champions in moving this agenda forward.

"Investing in the economic empowerment of women is a prerequisite for gender equality, gender diversity, poverty eradication and inclusive economic growth. Gender equality is both a moral and economic imperative. Closing the gender gap must be a central part of any strategy to create more sustainable and inclusive, resilient economies and societies - and women's economic empowerment is the most effective catalyst to economic growth and prosperity.

The consensus is that the socio-economic impacts of the pandemic and the war in Ukraine will be with us for many years to come. The new watchwords are building resilience through innovative future finance initiatives. Taking into consideration climate action, clean energy, sustainable debt, cost of living, commodity prices, currency fluctuations etc. What are Egypt's resilience planning and building priorities for the next few years?

The government of Egypt has taken several measures in response to recent global developments. The purpose of these measures is to cushion the inflationary pressures on the most vulnerable segments and enhance the economy's capacity to withstand the far-reaching repercussions.

Egypt's efforts to confront the crisis included implementing a package of financial and social protection measures to mitigate the effects of global economic repercussions on the Egyptian citizen, and continuing to achieve food security, with the formation of a governmental committee to discuss the impact of the crisis on strategic commodities.

These efforts consist of food security measures and financial and social protection measures. They include but are not limited to:

- Granting an additional supply incentive for the price of local wheat for the current agricultural season to encourage farmers to supply the largest possible quantity.
- Working to diversify the sources of providing basic food commodities and strive to increase their stock for a future period of no less than 6 months.
- Pricing unsubsidized bread to reduce its high price and appointing the Supply Investigations Department to ensure that the new pricing is implemented.
- Providing a safe stock of wheat, which includes i) allocating EGP36 billion to purchase 6 million tons of locally grown wheat; ii) allocating EGP130 billion to deal with the repercussions of global economic challenges and mitigating their effects on citizens; iii) allocating EGP2.7 billion to include 450,000 new families for beneficiaries of "Takaful and Karama" scheme; iv) allocating EGP190.5 billion to the National Social Insurance Authority to disburse the pension increase by 13%, with a minimum of EGP120, starting from 1 April 2022; and v) increasing the tax exemption limit by 25% from EGP24,000 to EGP30,000 to relieve pressure off citizens.

Despite these challenges, the various economic measures taken by the Egyptian government in this regard have proven effective during the current period and have made the economy more resilient and the country's ability to face the rising global inflation crisis and disruption of supply chains by increasing the stock of all commodities and basic materials. The government continues to strike a balance between mitigating the economic effects of the pandemic, and geopolitical conflicts while also ensuring sustainability.

While this is a difficult challenge, it enables us to increasingly focus on new areas of resilient sectors such as education and health, digitization, logistics, agriculture, manufacturing, and green economy. Our vision is to place a special focus on sectors that stimulate economic growth and those that provide decent and productive job opportunities.

This balance and the measures taken in the face of recent global developments have been increasingly praised by international institutions and development partners.

A 'Living' Vision for One of the Most Comprehensive Frameworks for Sustainable Development

By any standard The Sustainable Development Strategy (SDS) of Egypt Vision 2030, launched in February 2016, is understandably ambitious – some would say too ambitious both in its scope, core objectives, and timeframe! **Mushtak Parker** considers the strengths and challenges of Vision 2030.

Now into its sixth year, Egypt Vision 2030 "is a national agenda that reflects the country's long-term strategic plan to achieve the principles and goals of sustainable development in all areas, and to mainstream them in the different state agencies."

It is characterized by "a multi-stakeholder approach" and based on the principles of "comprehensive sustainable development" and "balanced regional development" reflecting the economic, social, and environmental dimensions of sustainable development – very much in line with the UN Sustainable Development Goals (SDG) Agenda and the Net Zero target set by the Paris Climate Agreement in the just transition to clean energy.

The catchall objective is implicit. "By 2030, the new Egypt will achieve a competitive, balanced, diversified, and knowledge-based economy, characterized by justice, social integration and participation, with a balanced and diversified ecosystem, benefiting from its strategic location and human capital to achieve sustainable development for a better life to all Egyptians."

In a world of ongoing and ever-emerging multiple uncertainties, how realistic is this ambition and what are the chances that Vision 2030 can deliver on its key performance indicators (KPIs) and targets?

In the original Egypt Vision 2030 Report, for instance, the actual real GDP growth rate was 4.2% in 2016 and the target for 2020 was 10%. The actual rate for 2020 was 3.6%, albeit largely due to the impact of the unexpected COVID-19 pandemic that swept the world from March 2020 and is still going on through its Omicron variant and its various lineages. The target for 2030 is 12%.

Many of the KPIs and targets for the economic development dimension are similarly unrealistic relating to narrowing the budget deficit and the public debt to GDP ratio; trebling the GDP per capita to US$10,000 by 2030; the unemployment rate, the net FDI inflow to US$30 billion by 2030, etc.

The Egyptian Centre for Economic and Social Rights in its analysis of the Egypt Vision 2030 strategy was to the point: "The defining feature of the framework for Egypt's national sustainable developmental strategy is the lack of a detailed roadmap to achieve several key goals, especially reducing poverty and unemployment and tackling the informal sector, for which it also lacks indicators. This is in addition

to the lack of clarity in implementation mechanisms and the lack of consistency among the goals, despite the overarching strategy. The indicators used to measure the goals reflect the Government's continuation of the neo-liberal approach, which is contingent on the development of the private sector and dependent on it to finance the development goals."

Impact Updates

In mitigation, as Egyptian Minister for International Cooperation Dr Rania Al-Mashat

maintains, Egypt Vision 2030 is a "living" process and therefore subject to continuous revision and updating.

The first version of the Egypt Vision 2030 was put in place in 2015. To keep pace with evolving events and developments both at home and abroad, updates that are consistent with these have been applied to the Vision 2030. The initial update was because of the "successful economic reforms that were implemented from 2016 to 2019, and which have changed the goals the Egyptian state aspires to achieve."

Dr Hala El Said, Minister of Planning and Economic Development, recently concurred that

Vision 2030 was updated in January 2021 presumably to include the health, economic and social impacts of the pandemic.

Given the new global shocks of Ukraine; stagflation sweeping many countries across the world; supply chain disruptions in food and energy supplies; a cost-of-living crisis similarly affecting most countries; rising energy, fuel and food prices, a larger than anticipated update or even revision of the targets and KPIs of Egypt Vision 2030 may be inevitable.

Nevertheless, Egypt Vision 2030 is one of the most comprehensive framework

"Egypt Vision 2030 is one of the most comprehensive framework for sustainable development with its seventeen pillars which include Economic Development; Energy; Knowledge, Innovation, and Scientific Research; Transparency and Efficient Government Institutions; Social Justice; Health; Education, and Training; Culture; Environment; and Urban Development

for sustainable development with its seventeen pillars which include Economic Development; Energy; Knowledge, Innovation, and Scientific Research; Transparency and Efficient Government Institutions; Social Justice; Health; Education, and Training; Culture; Environment; and Urban Development.

Dr Al-Mashat, a former Advisor to the Chief Economist of the International Monetary Fund (IMF) in Washington DC and Egypt's current Governor to the World Bank Group, in a meeting with Reta Jo Lewis, the President of the US Eximbank, during her participation in the 2022 Spring Meetings of the World Bank/IMF Group in Washington

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Egypt's national strategies ensure that all stakeholders are working under a strategic umbrella to achieve a sustainable economy and a diversified Egyptian energy sector, which represents around 13% of current GDP

in April 2022 confirmed that her ministry's “ongoing development financing portfolio includes 372 projects worth US$26.5 billion in a variety of sectors, prioritizing an inclusive and accelerated transition to a green and digital economy.

In March this year, Dr Al-Mashat, in a speech at the European Bank for Reconstruction and Development (EBRD), noted that the lessons learned during the COVID-19 pandemic can be replicated during the current crisis, including the impacts of the Russian invasion of Ukraine especially in supply chain disruptions of grains and the steep rises in energy prices and its consequent global inflationary pressures, “as the COVID-19 pandemic has shown that unity and cooperation are crucial for the international community to withstand global shocks.”

Referring to Egypt Vision 2030, the Minister noted that “Egypt's national strategies ensure that all stakeholders are working under a strategic umbrella to achieve a sustainable economy and a diversified Egyptian energy sector, which represents around 13% of current GDP. By identifying a set of targeted indicators to be reached by 2020 and 2030, the strategy calls for 20% of Egypt's power generation to be based on renewables by 2022 and 42% by 2035, as per the country's Integrated Sustainable Energy Strategy.”

Egypt also launched the National Climate Change Strategy 2050, and in light of its presidency of the United Nations Conference Climate Change in November this year (COP27), the role of development partners and the private sector has become crucial to mobilize development finance.

She conceded that the current context would have a negative impact on investments by the private sector, which

is why international financial institutions should scale up development financing and double financing to the private sector to ensure the SDG targets are put back on track. This also comes in light of the increasing attention paid to renewable energy as a replacement for soaring oil prices, and the private sector has played a key role in Egypt's clean energy transition.

Development Finance Portfolio

Vision 2030 is primarily financed from Overseas Development Assistance (ODA) contributions, loans, grants and special facilities from multilaterals, including the IMF, the World Bank, the Islamic Development Bank Group, EBRD, and various national and regional development agencies. But the overwhelming funding will have to come from private sector involvement.

With development partners, Egypt is seeking to promote innovative financing, including blended finance, stimulate de-risking tools, encourage private sector participation in development and enhance climate action. According to the Ministry of International Cooperation, US$4.7 billion has been secured in development financing for the private sector from multilateral and bilateral development partners in the last two years. In this respect, the objectives of the Multi-Stakeholder Engagement Framework within the government's sustainable development strategy, including Vision 2030, are to maximize socio-economic returns from ODA, ensure the alignment of development interventions with national objectives as well as with the UN SDGs, and enhance the management of development cooperation for better implementation of development projects within Egypt.

Ongoing independent project evaluation is a key component of the Framework. In February this year, for instance, the Independent Office of Evaluation of the International Fund for Agricultural Development (IFAD), a UN agency, on a visit to Egypt, inspected progress towards on-ground projects being implemented and interviewed beneficiaries, reflecting the

effectiveness of development cooperation projects being implemented by the country in cooperation with developing partners and relevant entities.

Minister Al-Mashat, in her discussions with the IFAD evaluation delegation, referred to the strategic cooperation and strong partnership between Egypt and the IFAD, “which contributes to developing the agricultural sector, achieving rural development, and supporting the country's commitment to achieving sustainable development within the framework of its 2030 vision.” The minister confirmed that the Government of Egypt is looking forward to expanding the scope of cooperation with the IFAD through new development projects, in line with presidential initiatives, to improve the livelihoods of citizens in rural Egypt.

The ongoing portfolio for development cooperation includes development financing worth US$2.8 billion for 28 projects that target SDG: 13 (climate change), including the Bahr El-Baqar wastewater treatment plant, and 46 projects in mitigation, worth a total of US$7.8 billion, including the flagship Benban Solar Park.

Egypt's development cooperation portfolio has attracted billions of dollars of financing from key partners over the last decade or so, much of it to support the goals of Vision 2030. These include:

- The World Bank's Egypt portfolio totals US$5.4 billion, supporting the development of several sectors such as transportation, education, housing, health, social safety nets, petroleum, housing, sanitation, local development, and the environment. A key project is the Upper Egypt Local Development Program (UELDP), which was funded by the World Bank to the tune of US$500 million. The World Bank has also contributed US$200 million for the ‘Greater Cairo Air Pollution Management and Climate Change’ project, which is aimed at reducing harmful gas emissions, and US$8.1 million to the ‘Organic Pollutants Management’.

- The US Eximbank has extended US$5 billion between 2009-2019 to finance various development projects in Egypt involving the private sector.
- The Islamic Development Bank (IsDB) Group, of which Egypt is a founder member, is a key partner of Egypt in its development effort. Total IsDB funding accessed by Egypt to date amounts to US$17.8 billion.
- The Gulf Cooperation Council (GCC) countries, in mitigating Egypt's immediate balance-of-payments-risks in March 2022, collectively made US$22 billion of financial commitments to Egypt. Saudi Arabia made a US$5 billion foreign currency deposit to directly buttress Egypt's foreign exchange reserves, in addition to another US$10 billion earmarked for investments.
- The EBRD since 2012 to date has extended €8.6 billion for 145 projects at the state level, of which 76% is to finance the private sector and 24% to the public sector.
- The European Union's current cooperation portfolio in Egypt amounts to about €1.35 billion in grants to support several sectors, including transport, small and medium enterprises, energy, environment, social protection, governance, capacity building and civil society. The EU is also extending €152 million towards Egypt's budget support programs. The final tranche of €134 million was disbursed in May 2022.
- IFAD has a total development cooperation portfolio with Egypt of US$1.1 billion, supporting the development of 14 projects with the participation of various development partners, of which IFAD financed US$520 million. These projects are aimed at creating sustainable agricultural development and increasing the income and resilience of small farmers, alongside 3 major projects including the Promotion of Rural Incomes through Market Enhancement (PRIME) project; the Sustainable Agriculture Investments and Livelihoods (SAIL) project; and the Promoting Resilience in Desert Environments (PRIDE) project; all of which, says IFAD, will promote rural development and achieve sustainable economic growth by focusing on the agriculture sector, one of Egypt's most vital economic sectors.

“ In February this year, for instance, the Independent Office of Evaluation of the International Fund for Agricultural Development (IFAD), a UN agency, on a visit to Egypt, inspected progress towards on-ground projects being implemented and interviewed beneficiaries, reflecting the effectiveness of development cooperation projects being implemented by the country in cooperation with developing partners and relevant entities.

Egypt, in October 2021, also started a 3-Year Country Programme aimed at supporting a “structural reform agenda by providing analysis, advice, and guidance to inform the design and implementation of policies to help address Egypt's main economic challenges.” It will also serve as guidance for the implementation of Egypt Vision 2030.”

The Country Programme, says the OECD, envisions 35 projects with a co-ordination function to ensure that it is implemented and monitored effectively. It will cover five thematic pillars - Inclusive and sustainable economic growth, innovation and digital transformation, Governance and anti-corruption, Statistics to improve data, and Sustainable development.

All pillars, according to the OECD, will have a strong focus on gender equality and the inclusion of women and young people in the economy and society, as well as on supporting the formalization of SMEs. “Currently, informality accounts for up to 40% of GDP and unemployment rates for youth and women are among the highest in the MENA region, at 30% and 22% respectively,” added the OECD.

It would be naïve to suggest that the Road to Egypt Vision 2030 is bereft of challenges. There will be serious challenges ahead. Moody's, in its latest report stressed that countries in the Middle East and Africa are most susceptible to the shocks of the ongoing pandemic, albeit growingly contained and dependent on the levels of vaccinated populations, the war in Ukraine and global inflation, which could lead to unrest, discontent and instability.

What is also vital is that the goals of Egypt 2030 are consistent with the UN's SDGs because it would facilitate the process of international measurement and comparison with what has been achieved in each of the goals.

Egypt faces several other challenges in which Vision 2030 does not give equal prominence nor development finance. These include controlling population growth rates and dealing with the issue of water scarcity exacerbated by disputes with neighboring countries, especially Ethiopia, on riparian rights over the waters of the Nile River – all of which have serious economic and social implications.

Interview
Krisjanis Krustins,
Director in Fitch Ratings

A Resilient Economic Performance Throughout the Pandemic Underpinned by Strong GDP Growth but **Tempered by the Ukraine Shock and High Public Debt**

Krisjanis Krustins, Director in Fitch Ratings' Sovereign Team, discusses with ICIEC the outlook for the Egyptian economy, the impact of the on-going pandemic and the fallout of the war in Ukraine, primarily from a sovereign credit focus

Focus on Egypt: What is your outlook for the Egyptian economy in 2022/2023? How did the government perform in its Covid response and now in its response to the impact of the Ukraine War?

Krisjanis Krustins, Fitch Ratings: Egypt's economy stands out for its resilient economic performance throughout the COVID-19 pandemic, despite relatively limited pandemic-related stimulus by the government. How well the government deals with the ramifications of the Ukraine shock remains to be seen, but Egypt entered the crisis with strong growth and fiscal performance, although the country's external position had been weakening.

The economy performed strongly into the 2nd Half of 2021, with real growth of 9.8% year-on-year in 3rd Quarter 2021, driven both by exports and domestic demand. Goods exports have been supported by natural gas as well as agricultural and manufactured goods, in particular textiles, and a rebound in tourism and shipping through the Suez Canal buoyed the services sector. Domestic demand has been supported by a continued loose fiscal policy, including public-sector investment. We forecast 6% growth in Fiscal Year (FY) 2022 and 4.5% in FY 2023, although tighter monetary conditions pose significant risks.

Rising sovereign debt is a major threat to the global economy and individual countries, especially in developing countries including in MENA and Sub-Saharan Africa (SSA). The Central Bank of Egypt recently announced that the external debt had risen to US$145.5 billion in the 2nd Quarter of FY 2021/2022 compared to US$137.4 billion in the First Quarter. Is Egypt's rising public debt burden a case for concern and to what extent could it undermine the country's Vision 2030 strategy?

High public debt is Egypt's principal rating weakness. We expect government debt/GDP to fall to about 91% in FY 2022 from 92% in FY 2021 and to remain on a slight downward trend, despite the impact of currency devaluation. Egypt has an established record of surpluses in recent years, but weaker growth presents a risk to the debt dynamics, particularly amid higher interest rates. In this context, Egypt's government will face a tough balancing act between its economic priorities including Vision 2030 and keeping debt in check.

However, some features of public debt are favourable. More than half of government external debt is owed to multilateral institutions, with which Egypt has good relations, and the large domestic banking sector is a captive investor in local-currency debt.

Egypt has been particularly impacted by the war in Ukraine. It imported 85% of its wheat from Ukraine. Apart from supply chain disruptions, shortages of staples, and rising prices, what other impacts have there been? I am thinking of a decline in a net foreign asset position, and non-resident capital outflows.

The most immediate impact of the Ukraine war has been the large outflows of non-resident investment from Egypt's bond market, as the war came on the back of tightening global financial conditions, as well as pre-existing investor concerns about Egypt's external funding needs in the absence of an IMF programme, the impact of rising inflation on Egypt's real interest rates, and the sustainability of Egypt's exchange-rate level, after significant real appreciation in recent years.

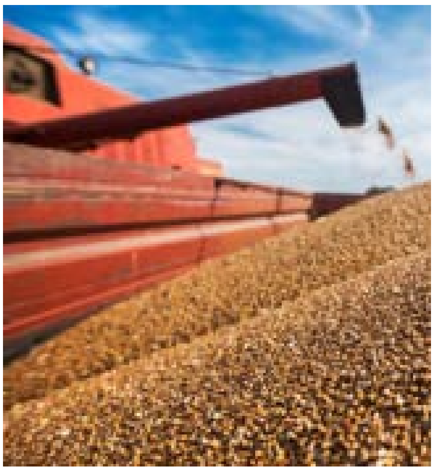
Foreign holdings of Egyptian pound-denominated government debt dropped to US$17.5 billion by mid-March, a decline of US$11 billion from end-2021 and US$16 from their all-time high in September 2021.

> “Egypt has an established record of surpluses in recent years, but weaker growth presents a risk to the debt dynamics, particularly amid higher interest rates

A drop in tourist numbers from Russia and Ukraine will hurt Egypt's tourism recovery, as tourists from these countries accounted for about one-third of arrivals and less than one-fifth of receipts. However, the increasing trend before the Ukraine shock means that there will still be a year-on-year increase in FY21/22. Travel receipts reached nearly US$3 billion in 4th Quarter 2021 a level last seen in 4th Quarter 2019.

Saudi Arabia, the UAE and Qatar have made financial commitments totalling US$22 billion in recent weeks. At the same, the Egyptian Central Bank in March decided to hike the policy rate 100 basis points and allow the currency to depreciate about 15%. To what extent is this credit positive, given the implications for FX reserves and drawdown?

Non-resident portfolio holdings stabilized in the final week of March, as the depreciation of the Egyptian pound against the US dollar, a policy rate hike and news of GCC support helped restore a degree of investor confidence. In our view, the Central Bank of Egypt is likely to hike interest rates further to maintain positive real policy rates, tame inflation, and support the EGP exchange



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rate and attractiveness of EGP assets. We assume a further 300 basis points in rate hikes by the end of FY 2023/2024. We assume some recovery in non-resident portfolio holdings, to US$20 billion by end-FY 2021/2022 and US$25 billion by end-FY 2022/2023, helping restore Egypt's gross external buffers.

On the fiscal side, the government's US$7 billion (1.7% of GDP) support package provides targeted income support measures to mitigate the fallout from higher food and energy prices without reinstating subsidies. How sustainable is this support? After all Egypt is indebted to the IMF to the tune of US $19 billion and it has just put in another request under the IMF's Exceptional Access Criteria.

The government expects to accommodate the cost of most of these support measures within existing spending allocations and contingency reserves. We expect that this will be possible, given relatively strong fiscal performance relative to budget targets and the government's record of hitting its primary surplus target in recent years.

We forecast general government fiscal deficits of 7.4% of GDP in FY 2021/2022 and 7.0% of GDP in FY 2022/2023, from 7.2% of GDP in FY 2020/2021, wider than the 'B' median (rating category). These forecasts are conservative and imply further spending to mitigate the effects of inflation and enhance social protection beyond announced initiatives. The central government deficit was 7.1% of GDP (annualized) from July 2021-March 2022.

Egypt's Ongoing Covid Response

Egypt's Resilient COVID-19 Response and **Proactive Economic Policies Mitigated Well the Impacts of the Pandemic**

The consensus is that Egypt responded to the COVID-19 pandemic with timely and prudent fiscal and monetary easing, which helped mitigate the health and social impact while safeguarding economic stability, debt sustainability, and investor confidence.

In fact, Egypt was one of the few countries in the world that recorded a positive real GDP growth rate at the peak of the pandemic. According to the latest IMF World Economic Outlook 2022 data, Egypt recorded a real GDP growth rate of 3.6% in 2020 and 3.3% in 2021, which is projected to rise to 5.9% in 2022 before settling down to a projected 5.00% in 2023 and a projected rebound to 5.9% over the medium term in 2027.

The IMF Executive Board, chaired by Deputy Managing Director Ms. Antoinette Sayeh, in its 2021 Article IV Consultation with Egypt, observed that the country "entered the COVID-19 crisis with sizable buffers, thanks to reforms implemented since 2016. Faced with unprecedented domestic and global uncertainty, the authorities' policies struck a balance between ensuring targeted spending to protect necessary health and social expenditures and preserving fiscal sustainability while rebuilding international reserves."

"The Egyptian authorities," stressed Ms Sayeh, "have managed well the economic and social impact of the COVID-19 pandemic. Proactive economic policies shielded the economy from the full brunt of the crisis, alleviating the health and social impact of the shock while maintaining macroeconomic stability and investor confidence. The economic recovery is underway, but the outlook is still clouded

In fact, Egypt was one of the few countries in the world that recorded a positive real GDP growth rate at the peak of the pandemic

by uncertainty related to the pandemic. High public debt and large gross financing needs leave Egypt vulnerable to shocks or changes in financial market conditions for emerging markets.

"The budget target for FY2021/22 strikes an appropriate balance between supporting the recovery and keeping public debt on the projected path. The envisaged pickup in growth should allow a return to the pre-crisis primary surplus from FY2022/23 to put public debt back on a firmly downward trajectory. Continued progress on fiscal structural reforms is critical to ensure additional space for high priority spending on health, education, and social protection."

Egyptian Finance Minister Dr Mohamed Maait has prioritized health sector allocations and spending throughout the pandemic to mitigate and minimize the health impacts of the virus. Globally, there were 511,965,711 confirmed cases of COVID-19, including 6,240,619 deaths, reported to WHO on 3 May 2022. A total of 11,560,378,840 vaccine doses have been administered. Egypt has reported an aggregate 513,468 of confirmed Covid-19 cases by 3 May 2022, of which 24,606 people died. Some 59.45% of Egyptians have received the primary doses of the Covid vaccine, but only 21.47% have received a booster vaccination.

Health Sector Allocations

Dr Maait confirmed at the end of 2021 that the health sector's allocations "have exceeded the established constitutional entitlement ratio in the FY 2021/2022, to hit EGP275.6 billion. "The Ministry of Finance is ready to manage any additional appropriations through an open budget for the health sector during the actual execution of the budget, to enhance its capabilities and provide necessary funds for continued purchases of COVID-19 vaccines," he added.

In addition, EGP3 billion has been ring-fenced to purchase vaccines to ensure that the largest number of citizens is immunized against the virus, especially in light of the emergence of the fourth wave of the Covid-19 Omicron variant in several countries.

In a statement, Dr Maait stressed that "scientific studies have confirmed the effectiveness of vaccines against any mutation of the virus, its ability to limit health impacts, and enhance citizens' safeguarding."

In addition, there is a close correlation between any return to pre-coronavirus economic performance indicators and the expansion of the vaccination programme. He reiterated his confidence that the Egyptian Economy will build back stronger

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scientific studies have confirmed the effectiveness of vaccines against any mutation of the virus, its ability to limit health impacts, and enhance citizens' safeguarding

from the COVID-19 pandemic, "thanks to the achievements of the economic reform programme which contributed to enable the government to deal flexibly with the COVID-19 crisis through its proactive package that included prudent and timely fiscal and monetary easing measures, and which helped mitigate both the health and social impacts of the pandemic, while maintaining health stability."

The Egyptian economy, he reminded, ranked second globally in The Economist Index for the return to pre-pandemic market conditions. The major global credit rating agencies all maintained Egypt's credit rating with a stable outlook. In contrast, the ratings and outlooks were downgraded for more than 50% of African and Middle East countries. This, he added, "reflected the effectiveness and balance of the economic and fiscal policies of the Egyptian Government during the past three years."

Latest New Measures

Going forward, the government's COVID-19 mitigation policies are based "on the balance between keeping the wheels of production in continuous motion and preserving citizens' health. This will be achieved through moving forward to stimulating economic activity, providing support and assistance to production and economic sectors and to the most affected categories, as well as deepening the development partnership with the Private Sector; in a manner that contributes to raise the living standards of citizens and enhance the quality of service provided."

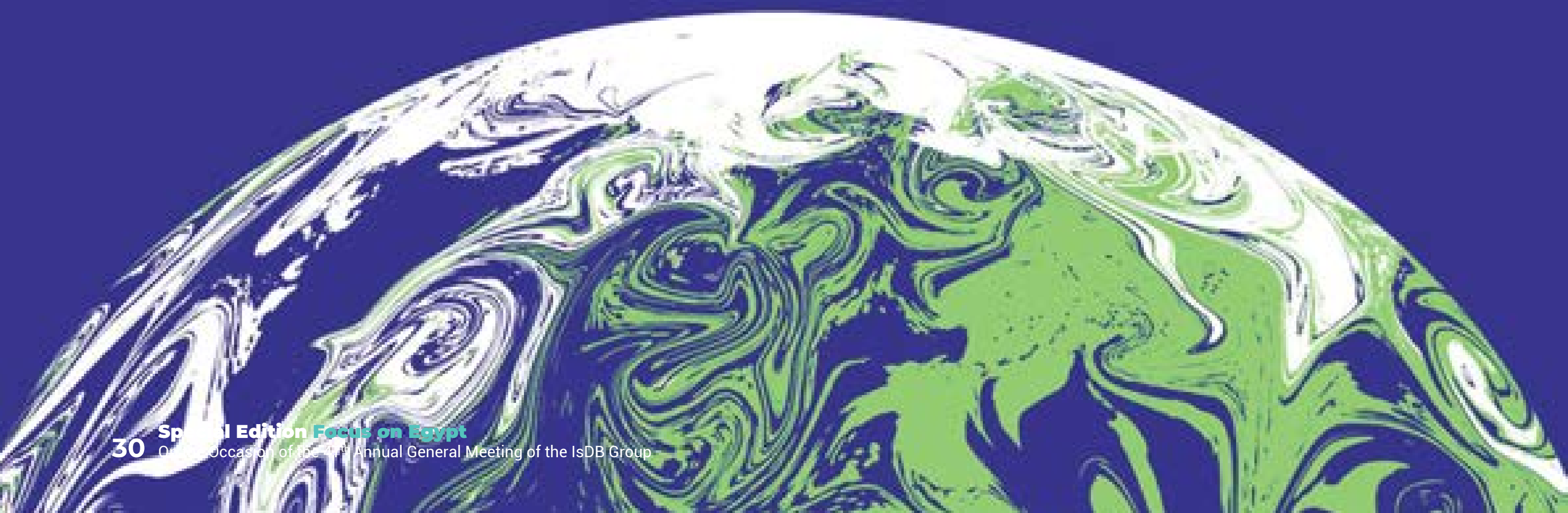
Given the resurgence of the pandemic in late 2021 and early 2022, especially through the Omicron variant and the latest associated lineages, the Central Bank of Egypt (CBE) introduced 18 wide-ranging measures in April 2022 to offset the ongoing impact of the virus.

These include cutting interest rates; debt payment holidays for corporates, individuals and SMEs; limiting cash transactions; promoting the use of electronic payments; requiring banks to adopt necessary credit limits to finance imports of Strategic Commodities and to support the sectors strongly affected by the pandemic; providing finance to the hospitality and tourism sector to renovate and refurbish facilities; helping distressed companies and indebted individuals; support for key sectors such as the industry, agriculture, construction and the private sector; fixed rate mortgages for the middle-income group; allowing Board Meetings of financial institutions to be conducted virtually; amending some of the Credit Registry Rules; exempting Banks from Calculating Additional Capital Requirement for Concentration Risk of the Top 50 Borrowers until the end of December 2022; implementation of IFRS 9 till further notice; increasing the number of ATMS by 6,500 to give customers easier access to withdraw or deposit cash thus pre-empting the necessity to visit branches and to promote social distancing; enhancing the role of the Credit Risk Guarantee Company in initiatives to support the tourism, industry, agriculture, and construction sectors; and amending and simplifying know-your-customer (KYC) regulations to further promote financial inclusion.

By **Dr Mahmoud Mohieldin**,
UN Climate Change High-Level
Champion for COP27

COP27 is Where We Start Turning Words into Action

On the one hand, the climate action agenda has transformed since the Paris Agreement was clinched in 2015, with pledges to reach net zero emissions by 2050 from across the economy. On the other hand, greenhouse gas emissions have yet to fall, while the impacts of climate change are worsening. For many, especially in developing and emerging economies, there is an urgency to adapt and build resilience to impacts such as droughts, floods, extreme heat and wildfires – while growing sustainably.



We aspire that COP27 in Sharm El-Sheikh will be an important milestone in this decisive decade for climate action through undertaking an urgent, ambitious, impactful, and transformative agenda, guided by a holistic approach to sustainable development, based upon the principle of equity and informed by science.

COP26 saw an unprecedented convergence of pledges from national governments, cities, regions, businesses, investors, philanthropists and others in areas ranging from road transport to end deforestation by 2030 to methane and reach 100% zero-emission vehicle sales worldwide by 2040. While acknowledging the complexity of the different political, economic and developmental challenges, it is incumbent on us all to raise the threshold for needed action at COP27.

In light of the goals and objectives of the Convention and Paris Agreement and building on the outcomes of previous UNFCCC COPs, we will promote a stronger focus on implementation, transforming commitments into actions and translating the pledges of the summits into solutions in the field.

When we strengthen and mainstream the global response to the threat of climate change, we are acting on all 17 of the UN's Sustainable Development Goals for 2030 – so that climate action simultaneously advances issues such as poverty eradication, gender equality, food and water security, employment, education and access to energy. Climate action can be a golden thread that leads to sustainable development. We aim to ensure a balance between mitigation, adaptation and means of implementation, prioritizing the scaling up of adaptation and mitigation, and facilitating an effective just and equitable transition.

Through the Glasgow Financial Alliance for Net Zero, over US$130 trillion in assets is committed to reaching net zero emissions before 2050. Now that finance needs to build resilience and reduce emissions within the 2020s, along with the US$100 billion per year of public and private finance that developed countries pledged to mobilize by 2020. An exceptional push on the scale, quality, and composition of investment and finance, particularly to developing countries, is required: to close the adaptation gap, to build resilience and protect the vulnerable from climate change; to drive systemic change and innovation for carbon neutral transformation in the context of just transition; and to protect and restore natural capital.

Grant and concessional finance, including innovative financing instruments and investments that do not exacerbate debt burdens, must take priority over the traditional debt-based instruments. To this end, we will put greater efforts into and focusing on, identifying the principles and priorities of post-2025 finance so as to explore practical options for innovative finance, including debt reduction mechanisms (e.g. debt for climate/nature investment). Now finance needs to start flowing to a pipeline of projects that will achieve what has been promised.

Regionalization is also key, and we are working on setting up five regional forums to be convened in collaboration with the COP27 presidency and the regional UN economic commissions in June and July 2022. This will help to promote the adoption of a more holistic approach at the regional level while facilitating the matchmaking of potential projects with the available financing and investment opportunities.

Addressing transitional challenges encountered for workers, communities and countries as the shift to a resilient, low-carbon economy takes place is crucial. If we only focus on reducing emissions, we risk leaving communities out of the transition and creating more poverty and inequality. Replacing fossil fuels with clean energy, for example, could also disrupt labour markets, shifting jobs from one community to another and requiring some skills over others. Climate action should therefore be a part of the race to meet the Sustainable Development Goals as a whole in the context of just transition.

We also need to ensure the integrity of commitments. They cannot be used for corporate greenwashing. The work of the UN's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities will be crucial in setting standards for credible commitments from the private sector and sub-national governments and creating alignment on what counts as an appropriate ESG investment. In parallel, the UN Climate Change High-Level Champions are working with an expert peer review group of scientists, academics and practitioners to review the UN-backed Race to Zero campaign's criteria and drive convergence on best practices, and will continue to do so every year.

On the momentous occasion of being held in Africa, COP 27 shall advance the climate action agenda in Africa, and it will represent and reflect the needs of the whole of Africa – where more than 600 million people still lack access to energy and are feeling some of the worst impacts of climate change including food and water insecurity, crop losses, disease and weather extremes.

Finally, the support and contribution of all parties, governmental and non-governmental, are crucial to achieve the desired success at Sharm El -Sheikh. All non-state actors will have to adjust and adapt to the new realities imposed by climate change and to be part of the solutions needed to address it. As UN Climate Change High-Level Champion for Egypt, I will build upon and push forward the intensive level of dialogue and practical interaction with all non-state actors across the globe to ensure their participation, with a special focus on developing countries. To make Sharm El-Sheikh an implementation COP, we need all non-state actors to be even more integrated into the center of international climate solutions.

By pushing progress across these different actions, I believe that we will leave COP27 with signs of real climate impact within the 2020s, with a tangible elevation of adaptation and resilience work to the level of mitigation.

We are already living in an era of climate change. The time for promises and pledges is behind us – the challenge now is to show the world that we can put those words into action.

Climate Action & Renewable Energy

Egypt's Renewable Energy Promise

Egypt is the most populous nation in the Middle East and North Africa (MENA) region and the host nation of this year's Climate Conference COP27. Located in north-eastern and bordered by the Mediterranean Sea to the north and the Red Sea to the east, Egypt is at the crossroads between Europe, the Middle East, Asia and Africa. It is also the largest emitter of CO2 emissions in Continental Africa. But as **Salih Suwarelzahab,** Senior Legal Counsel and ICIEC's Climate Action Team Lead, maintains, the growth potential for technological and climate financial innovation and opportunities for clean and just energy projects in the renewables sector are huge.

With a growing population and economy, Egypt's growing energy demand needs are key to its development. Egypt is blessed with the natural conditions that are conducive to renewable energy production with its abundance of land, solar radiation and consistent high wind speeds.

The objective of developing renewable energy in Egypt is not only for the pressing attainment of its socio-economic energy needs, but also for creating new jobs, promoting domestic value chains and contributing towards nationally congruent international public policy goals including sustainable development and fulfillment of the United Nations Framework Convention of Climate Change commitments.

Through ambitious blueprints under Egypt's Vision 2030, which aim for a diversified, competitive and balanced economy, and the Integrated Sustainable Energy Strategy (ISES) 2035, quantitative targets have been set to achieve energy security, stability and sustainability through the widespread adoption of renewable energy technologies totalling 42% of the national energy mix by 2035, with wind providing 14%, hydro power 2%, photovoltaic (PV) 22%, and concentrating solar power (CSP) 3% by 2035. The private sector is expected to deliver most of this capacity.

The government of Egypt has remained institutionally cognisant of the centrality of growing energy demand to economic development, and specifically to the contribution that the renewables subsector may offer by housing it under the New and Renewable Energy Authority (NREA) within the Ministry of Electricity and Renewable Energy.

The NREA plays a strategic role in implementing the government's renewable energy plans. To date, the country's total installed capacity of renewables amounts to 3.7 gigawatts (GW), including 2.8 GW of hydropower and around 0.9 GW of solar and wind power. Egypt currently has about 1,340 MW wind units under development. The Egyptian government's renewable energy plan for 2015-2023 includes 3.2 GW of government projects, including 1.25 GW under BOO (Build-Own-Operate) mechanism and 920 MW as IPPs (Independent Power Producers).

As specified in the ISES, the Egyptian government has set renewable energy targets of 20% of the electricity mix by 2022 and 42% by 2035.

Increased local content is an integral goal under Egypt's Vision 2030 and is already reflected in the renewables sector, with 30% local content for wind farms achieved in 2018. The local content target for CSP projects was 50% by the end of 2020.

Major renewable energy projects are now under development, reflecting the government's resolve to turn this vision into reality. Several recent tenders have attracted strong international interest and promising proposals, which could further help ramp up renewable power generation in the coming years.

Wind Energy

Egypt enjoys excellent wind along the Gulf of Suez with an average wind speed of 10.5 m/sec. According to the International Renewable Energy Agency (IRENA), Egypt is one of 38 countries in the world with a published National Wind Atlas. Egypt's wind generated power capacity is expected to reach 7 GW by 2022, making it an important contributor to the renewable energy mix.

In fact, Egypt has been capitalizing on this renewable energy source since 2001 through the establishment of a series of large-scale wind farms with a total capacity of 1.2 GW in cooperation with international agencies and companies, including the German Development Bank (KFW), the Danish International Development Agency (DANIDA); Spain's Siemens Gamesa, a world leader in the renewable energy industry; and the Japan International Cooperation Agency (JICA).

In the Gulf of Suez, for instance, a 540 MW project is under construction, with another 580 MW project near financial close. In addition, a feasibility study is underway for a 200 MW project in the West Nile. More projects are under preparation in cooperation with Germany's KFW (200 MW), France's Agence Française de Développement (AFD) (200 MW), the European Investment Bank of the European Union (200 MW), Abu Dhabi's MASDAR (200 MW), and JICA (200 MW).

In addition, the Egyptian Ministry of Electricity and Renewable Energy allocated around 7,845 square kilometers in the Gulf of Suez region and the Nile Banks for NREA to implement additional wind energy projects. One of the first projects to be commissioned is the 262.5 MW Ras Ghareb wind farm project near the Gulf of Suez, which came on stream in December 2019. Executed by a consortium led by the French company Engie (Engie 40%, Toyota Tsusho 40%, and Orascom 20%), the farm aims to supply power to approximately 500,000 households.

According to IRENA, the Ras Ghareb wind farm is the first project in wind energy to follow the BOO model. A second BOO project is the Lekela's West Bakr Wind Farm, located in the Gulf of Suez, which will generate 250 MW of clean energy.

Solar Energy

Egypt's Solar Atlas states that Egypt is considered a "sun belt" country with 2,000 to 3,000 kWh/m2/year of direct solar radiation. The sun shines 9-11 hours a day from north to south, with few cloudy days – which are optimum conditions for generating solar energy.

Egypt's first solar thermal power plant was built in 2011 in Kuraymat, with a total installed capacity of 140 MW, with a solar share of 20 MW based on parabolic-trough technology integrated with a combined-cycle power plant using natural gas. The Kuraymat solar power plant was financed by the Global Environmental Facility (GEF), which was established on the eve of the 1992 Rio Earth Summit to act as a catalyst for action on the environment and JBIC.

The country's solar energy blueprint is underpinned by the Egyptian Solar Plan, which was approved in 2012 and includes adding 3.5 GW (2.8 GW CSP and 700 MW

"Egypt's Solar Atlas states that Egypt is considered a "sun belt" country with 2,000 to 3,000 kWh/m2/year of direct solar radiation. The sun shines 9-11 hours a day from north to south, with few cloudy days – which are optimum conditions for generating solar energy

PV) of solar energy by 2027. The Ministry of Electricity and Renewable Energy signed seven memoranda of understanding worth US$500 million for solar and wind projects in Egypt.

The government announced an interim target for the first regulatory period (2015-2017) to contract 4,300 MW of both solar and wind energy and a feed-in tariff (FIT) which would allow Egypt to procure 4.3 GW of solar and wind power production by 2017. Its breakdown is as follows: 300 MW for small solar systems, 2,000 MW of medium- and large-size solar plants, and 2,000 MW of medium- and large-size wind plants.

Similarly, a 10 MW solar power plant has been operating in Siwa since 2015, and the remaining plants are expected to be implemented and operated consecutively.

A flagship project is the 37 square kilometer Benban Solar Park near Aswan in Egypt's Western Desert which was completed in 2019 with financing provided by the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and other international financial institutions.

Composed of 32 individual plants, each producing 20-50 MW, the park generates almost 1.5 GW of power, which includes leveraging wind turbines, wind towers, photovoltaic panels and related technologies, and concentrating solar power equipment and technologies.

According to IRENA's Wind and Solar Atlas, the East and West Nile areas have the potential to produce around 31,150 MW of wind power and 52,300 MW of solar energy. Egypt is also considering financing options to conduct feasibility studies for the following projects:

- A solar-thermal power plant using CSP technology for both electricity generation and water desalination.
- Solar-thermal power plants for industrial purposes.
- Designing a technical financial mechanism to promote the use of solar water heaters in Egypt's residential sector.
- Local manufacturing of renewable energy equipment.

ICIEC's Participation

Consistent with its policy to increase its Green Finance and Sustainable Finance exposure in projects in member states, ICIEC has been active in several projects in Egypt.

ICIEC, for instance, recently provided Breach of Contract and Political Risk Insurance (PRI) cover under its Foreign Investment Insurance (Equity) Policy to the UAE-based Alcazar Energy for its US$68 million equity investment in the Benban Solar Complex in Aswan. The cover is for 7 years. The complex involves the construction and operation of four 50 MW solar power plants, providing the generated electricity to the Egyptian national grid under a 25-year power purchase agreement.

ICIEC also provided a Non-Honouring of a Sovereign Financial Obligations (NHSFO) policy for US$56 million covering the participation of Japan's Sumitomo Mitsui Banking Corporation (SMBC) in the Syndicated Green Term US$3 billion Loan arranged by Emirates NBD Capital and First Abu Dhabi Bank in favour of the Ministry of Finance of Egypt to finance Green Projects including clean energy and water, and waste treatment projects.

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Future Promise

The deployment of renewable energy in Egypt, says an IRENA Report, presents considerable opportunities for socio-economic benefits and local value creation. Besides increasing energy security, enhancing energy access, and mitigating climate change, renewable energy projects present opportunities along with different segments of the value chain, including the sourcing of raw materials, manufacturing and assembly of components, construction and installation, and operations and maintenance (O&M).

Egypt's renewable energy strategy could be a model for other IsDB member countries to follow, especially in maximizing local content and local factors, including manufacturing input and capacity, employment, and proactive government support.

Building on its established wind market, Egypt's electricity sector has successfully localized 30% of overall wind farm requirements. A target of 70% by 2020 has been established, along with 50% for CSP plants. "For solar PV, only 30% of installed costs are spent on modules (and 10% on inverters) and the rest is on the balance of system. As such, 60% can be localized just through the balance of system, which comprises construction works, mounting structures and cabling. Following the installation of a project, considerable value is created in O&M" says IRENA.

As for manufacturing, Egypt has the potential to meet a local manufacturing content of more than 80%, according to EIB/IRENA data. Egypt is considered an industrial leader in the Middle East and African markets, and it can leverage its mature steel, glass and cable industries to produce solar and wind components locally. For example, the three international float glass companies active in Egypt, Saint Gobain, Sphinx and Guardian, all have production facilities that can produce high-purity silica sand used for different industries, including PV module production. Egyptian steel companies can also supply the necessary support structures for modules.

Moreover, Egypt can advance its technical and human capabilities through policies that facilitate foreign domestic investments and joint ventures with multinational companies. For example, SWEG (Elsewedy for Wind Energy Generation) is generating local jobs through joint ventures in wind turbine and tower manufacturing and the production of cables and transformers. For onshore wind, one incentive for local manufacturing of bulky parts such as blades and towers is their high cost of transport and lower need for technological advancement

From antiquity, the Nile and the sun have formed the bedrock of Egypt's civilization as a dyad central to irrigation, food security, and prosperity. In the 21st Century, water and solar radiation form two of the primary sources of renewable energy in Egypt and the world at large.

Coming Home - Egypt’s Pioneering Islamic Finance Journey

For a country whose economists and legal scholars contributed much to the pioneering development of the contemporary Islamic finance industry since the 1960's, albeit largely in jurisdictions abroad, Egypt has a lot of catching up to do at home. But, there are encouraging signs that Egypt's Islamic banking proposition is fast gaining traction, offering not only exciting cross-sectoral and cross border opportunities but also a cornucopia of challenges.

As a valuable alternative source of resource mobilization, which in some respects has become mainstream in the international financial system prioritized by the likes of the World Bank Group and accessed by several non-traditional countries, including the UK, Luxembourg, South Africa and Hong Kong, Islamic finance has arguably weathered the volatilities of the COVID-19 pandemic, the war in Ukraine, and global inflationary pressures leading to cost of living crises due to rising food, energy prices, better than its conventional counterpart.

Issuance of US dollar denominated Sukuk in Emerging Markets (EMs), for instance, says Fitch Ratings in a recent report "has been less affected than bonds amid the volatilities in Q1 2022. A Fitch-analysed Sukuk index outperformed an EM bonds index in the quarter largely due to the higher weight of oil exporters in the Sukuk index." The G20 has repeatedly stressed that Islamic finance, with its unique risk-sharing, sustainability, and ESG-based development features, is particularly well suited to play an important role in financing the huge infrastructure needs in OIC member countries.

Egyptian Finance Minister Mohamed Maiit's confirmation in April 2022 that the country plans to issue its debut sovereign Sukuk before the end of the current fiscal year and recent legislative and regulatory changes to facilitate a suite of Islamic financial products including Sukuk, is welcome news for the global industry and investor universe.

It suggests that Islamic finance has finally come home to its rightful place to play an equally important role in the socio-economic development of the country, in expanding vital infrastructure, in wealth creation options, and in financial inclusion.

Egyptian Pioneers

Spare a thought for those Egyptian pioneers who have helped lay down the foundation of a unique alternative faith-based nascent system of financial management and intermediation, albeit in the UAE, Kuwait, Qatar, Bahrain, Malaysia, Turkey, and even in a modest way in the UK, Luxembourg and Denmark, which in a mere five decades according to S&P Global is on track to amass assets under management projected at US$3.6 trillion by 2025.

They include Sheikh-ul-Azhar Sheikh Mahmoud Shaltut, Ex-Prime Minister Abdul Aziz Hegazy, Dr Ahmed El Naggar, Prof Mohammed Abu Saoud, Sheikh Dr Zaki Badawi, Sheikh Muhammed Khater, Ahmed Fouad, Dr Gamal Attia – to name a few. Dr Badawi, for instance, gave the original fatwa for the establishment of Lembaga Tabung Haji (the Malaysian Pilgrim's Management Fund) in 1969 following a positive feasibility report by Royal Professor Engku Aziz. The fatwa was whole-heartedly endorsed by Sheikh Shaltut. Today Tabung Haji is a multi-billion-dollar institution regulated as a special non-banking social financial entity by Bank Negara Malaysia with further oversight by the Prime Minister's Office.

Its core mandate is to oversee the door-to-door arrangements of Malaysians going on the Hajj

pilgrimage to Makkah to ensure a smooth spiritual experience and at the same time serve as a savings institution for Malaysians.

Not that Egyptians such as Dr El Naggar did not try to start up Islamic finance in their home country. The first formal attempt to put Islamic banking theory into practice took place in the Egyptian delta town of Mit Ghamir in 1963 when Dr El Naggar established the Mit Ghamir Savings Bank, which was akin to a credit union. It paved the way for some 11 small Islamic financial institutions that opened between 1965-67 with a combined client base of a million, which for manifold reasons, were subsequently closed down by the Egyptian government.

In 1971, President Anwar Sadat, under his financial inclusion policy, allocated EGP1.2 million in development capital for the establishment of Nasser Social Bank (NSB), with its catchy sobriquet - 'The Bank for ALL Egyptians'. It is endeared by people across the world as the first Islamic Bank for Social Development and for many years, the only Social Bank in Egypt.

Its mandate is to offer microfinance and micro takaful facilities for poor individuals, MSMEs, rural farmers and the unbanked in a cost-effective manner to fight poverty and to give millions access to basic banking services. Its mandate has widened to include social financing for recovering drug addicts, financing nursery education, and provision of basic insurance services. Its capital has increased and today has over a hundred branches providing employment to over 106 Egyptians.

NSB is not regulated by the Central Bank of Egypt but is a special agency under the purview of the Ministry of Social Solidarity, the government body responsible for providing social safety networks for Egypt's most vulnerable citizens. In fact, the Minister for Social Solidarity, Nevine el Qabbaje also serves as the Chair of the Board of NSB.

After almost four decades of relative inertia, NSB got a new lease of life when in 2016, the African Development Bank (AfDB) approved funding for a two-phase Restructuring of Nasser Social Bank, of which Phase One was completed in 2020.

> "The G20 has repeatedly stressed that Islamic finance, with its unique risk-sharing, sustainability, and ESG-based development features, is particularly well suited to play an important role in financing the huge infrastructure needs in OIC member countries

"The Project," maintained the AfDB in a progress report in March 2022, "is expected to assist the Ministry of Social Solidarity represented by NSB in re-organizing the latter's structure and reforming its work mechanisms and supporting systems to provide best in class financial and non-financial solutions to low and middle-income citizens, poor individuals and MSEs in Egypt. It will also enable the bank to improve its performance through better credit management. NSB has had an important social role in Egypt, including providing young people with free-yield social loans, financing social housing projects and other social programs such as providing support to divorced women."

The dividends are implicit. In January this year, NSB signed a cooperation protocol with the Haya Karima Foundation within the framework of the presidential initiative "Haya

Karima" to develop the livelihoods of the Egyptian countryside. In April, it also provided two hospitals with advanced medical equipment, including an MRI machine, to help the ongoing COVID-19 pandemic mitigation effort.

Other developments in the 1970s include the establishment of the Faisal Islamic Bank of Egypt (FIBE), the country's first Islamic commercial bank in 1979, whose main shareholder was Dar Al Maal Al Islami (DMI), headed by Saudi Prince Muhammed Al Faisal. Prince Amr Al Faisal, following the passing of his father today, serves as the Chair of FIBE. Total assets of the Bank reached EGP107.8 billion at the end of 2020, with the number of customer accounts exceeding 1.7 million and the branch network topping 38.

There was also the International Islamic Bank for Investment and Development set up by Ahmed Fouad as the first wholly owned Egyptian private Islamic bank.

Opportunities for Egypt's Islamic Banking Proposition

There is no doubt that as a major OIC member country and the largest economy in Africa, Egypt offers exciting prospects for Islamic finance – retail banking services because of pent up demand from large young demography; development finance for its huge infrastructure needs; trade finance; corporate finance including instruments to boost Basel III capital requirements for banks; FDI flows, 'monetizing' social finance such as Waqf, Zakat and Sadaqah to finance a gamut of social safety net projects; and of course export credit and political risk insurance solutions especially in today's uncertain times of pandemic and conflict-related disruptions and the growing effects of climate change, catastrophe events and natural disasters.

Egypt – Key Islamic Finance Market Indicators 2021

	2021	%Change YoY
Number of Authorised Islamic Banks	3	0%
Number of Banks with Islamic Banking Windows	11	
Total Islamic Banking Assets	EGP429 billion	17.4%
Market Share of Total Banking Sector Assets	5.0%	
Total Value of Islamic Bank Deposits	EGP350.4 billion	14.1%
Market Share of Total Banking Sector Deposits	7%	n/a
Total Value of Islamic Bank Financing	EGP328 billion	n/a
Market Share of Total Banking Sector Financing	5.4%	12.2%
Number of Islamic Banking Products Available in the Market	60	n/a
Number of Sukuk Issued in the Egyptian Market to Date	4 transactions	0%
Total Value of Sukuk Issued in the Egyptian Market to Date	EGP7.6 billion	0%
Total Number of Islamic Banking Branches	248	n/a
Market Share of Total Banking Sector Branches	5.6%	n/a

Source: Egyptian Islamic Finance Association (EIFA) May 2022 Compiled by Mushtak Parker

The stark reality is that the Islamic finance sector in Egypt, comparatively speaking, is very nascent, with a meager concentration of top market players and innovative product offerings. The lack of quality data and differentiation on Islamic financial institutions and products is a serious deficit. The Prudential and Structural Islamic Financial Indicators (PSIFIs) for Islamic Banks of the Islamic Financial Services Board (IFSB) lists three Islamic banks in Egypt, namely FIBE, Al Baraka Bank of Egypt, and Abu Dhabi Islamic Bank Egypt – the same ones in the official bank list of the CBE. The IFSB data is only up till 2019 – an aggregate of 138 branches, offering 480 ATMs and employing 5051 people. Even here, there is no data on assets, the direction of financing, and performance ratios.

According to more up-to-date data for 2021 from the Egyptian Islamic Finance Association (EIFA), in addition to the above three Islamic banks, there are 11 Islamic Banking Units (IBUs) at conventional banks offering Shariah compliant products. FIBE is the largest bank offering Islamic banking services with a business volume of EGP131 billion, giving it a 30.6% market share of the Islamic banking industry in the Egyptian market; followed by the IBU of Banque Misr with a business volume of EGP95 billion and a market share of 22.2%; Abu Dhabi Islamic Bank Egypt with a business volume of EGP89.5 billion with a market share of 20.9%; and Al-Baraka Bank Egypt with a business volume of EGP82.3 billion and a market share of 19.2%.

Total Islamic banking assets reached EGP429 billion (a 5% market share of total banking sector assets); the volume of Islamic deposits amounted to EGP350.4 billion (7% market share of the total banking sector deposits), and the total value of Islamic bank financing amounted to EGP328 billion (5.4% of the market share of the total banking sector financing) respectively.

The double-digit growth trajectory for Islamic banking assets, deposits, and financing, together with the growth in bank branches and product offerings, augurs well for the future direction of the industry, albeit with much greater market depth in terms of critical market players product diversification and innovation are needed.

"Islamic banking," observed Moody's Investor Services in a recent report, "has made little headway in Africa despite the continent's large Muslim populations. Africa has around 20% of the world's Muslim population, but its Islamic finance assets make up only 1% of such global assets. Egyptian, Moroccan and Nigerian banking sectors are among the largest in Continental Africa, but penetration of Islamic banking is low. The reasons include low levels of banking inclusion, low public awareness, limited domestic savings, and - until recently - scant government attention."

But these are changing times. "We expect Islamic banking assets in Africa (including Egypt) to increase noticeably," maintained Sean Marion, MD-Financial Institutions at Moody's. "Africa has huge potential for growth in Islamic banking due to large Muslim populations, a low starting base, and growing government interest in the sector. For governments, sector expansion would diversify the funding sources of their economies and reduce financing shortfalls exacerbated by the pandemic."

To him, Egypt, Morocco, Sudan, South Africa, Nigeria and Senegal will lead this growth trajectory in Africa. They (except South Africa) have large Muslim populations and existing and/or rapidly evolving regulatory and supervisory structures in place for rapid growth. They (except Egypt) also have a history of Sukuk issuance.

The challenge for market penetration should not be underestimated. In North Africa, with its 90% plus Muslim population, there are only 13 Islamic banks out of a total of 107 banks. Islamic assets, according to Moody's, have a paltry market share of total banking assets of only 0.5% in Morocco, 5.5% in Tunisia, 2.8% in Algeria and 5% in Egypt.

Some observers feel that the Post-COVID recovery is increasingly driven by resurgent trade and investment relations, and Islamic finance - especially trade and infrastructure finance can play a vital role.

> The aim of the Egyptian government is to diversify its sources of funding universe and its investor base. The Egyptian economy, like in most countries, has been badly affected by the economic and social impact of the COVID-19 pandemic and the war in Ukraine

The Promise of Sukuk

Following the approval by Parliament and the Senate of a new Sovereign Sukuk Law in May 2021, Egypt is set to issue its debut sovereign Sukuk. Egyptian Minister of Finance Mohammed Maait confirmed that the country is preparing to issue its first Sukuk, albeit the country's debt management institutional structure is still gearing up to accommodate this new fund-raising instrument and asset class. The law was passed after approval by the Sharia'h Council of Al-Azhar University, the Financial Regulatory Authority (FRA), and other regulatory entities.

After a market and ministerial consultation, the Egyptian Cabinet in April 2022 further approved the executive regulations of the Sovereign Sukuk Law No. 138 of 2021. This should expedite the issuance of the maiden sovereign Sukuk, but whether it will meet the stated ambition of an issuance in the First Half of 2022 remains a moot point.

The aim of the Egyptian government is to diversify its sources of funding universe and its investor base. The Egyptian economy, like in most countries, has been badly affected by the economic and social impact of the COVID-19 pandemic and the war in Ukraine. The government is also seeking to introduce new financial instruments to diversify its sources of financing for the budget deficit and investment, economic, and developmental projects. The Egyptian economy, like in most countries, has been badly affected by the economic and social impact of the COVID-19 pandemic.

"Egypt entering the Sukuk market has been on the horizon for a while," explains Bashar Al Natoor, Global Head of Islamic Finance at Fitch Ratings. "Sovereigns typically issue Sukuk because they either want to develop the Islamic finance market or because they have a significant Islamic banking sector and want to ensure banks have access to short and long-term debt or to attract the wider Islamic investor. With Egypt, the intention is clearly to unlock the potential of Islamic finance and to further diversify its funding sources."

This, added Al Natoor, is another step towards diversification of funding after last year's issue of green bond and becoming the first sovereign issuer from the Middle East and North Africa to issue a green bond. "Once sovereign issues and develops a yield curve and a benchmark, this might open the door to other non-sovereign issuers in the country, and Sukuk might become an option," he stressed.

Africa has been left behind in Sukuk issuance. According to the Islamic Financial Services Industry Stability Report 2020, global Sukuk outstanding totalled US$543.4 billion at the end of 2019, of which South-East Asia and the Middle East accounted for US$520 billion. Africa accounted for a mere US$1.8 billion.

Egypt, however could learn from the Nigerian sovereign Sukuk issuance experience. The Debt Management Office (GMO) of Nigeria's Ministry of Finance issued its fourth Sukuk in December 2021, bringing the aggregate naira denominated Sukuk issuance to 612.57bn (US$1.49bn), building up a yield curve for the instrument in the process.

"We consider Sukuk to be one of the useful and accepted products for raising funds," explained Patience Oniha, Director-General of the DMO. "The proceeds from the issuance will be used solely for the construction and rehabilitation of 44 arterial roads across the six geopolitical zones of the country. The significant improvement the Sovereign Sukuk has brought to road infrastructure across the six (6) geopolitical zones and the Federal Capital Territory in Nigeria, which in turn has increased credence in the financial product as a result of its evidential impact."

According to Oniha, sovereign Sukuk diversifies the product range available to investors in the domestic financial market, widens the investor base, and promotes financial inclusion by attracting several first-time retail investors. The Nigerian Sukuk embodies two key sustainability features – infrastructure and financial inclusion, which the Egyptian Ministry of Finance and the Ministry of Planning and Economic Development both espouse.

The very low share of African Sukuk issuance of the global Sukuk market underlines the huge gap compared with developed Islamic finance markets but at the same time, the huge opportunities beckoning because of the low base. Nigeria's share of the global Sukuk market at 0.15% is the highest among African countries, ahead of Egypt (0.04%), Senegal (0.04%), and Morocco (0.02%) at the end of 2020.

Despite the absence of a yield curve for Egyptian sovereign Sukuk simply because a debut offering has hitherto not been issued, corporate Sukuk issuances from Egypt continue to gain traction with the successful closure of Contact Financial Holding (CFH's) second Sukuk issuance in July 2021.

The EGP2.5 billion (US$159.22 million) Sukuk Mudaraba, with a tenor of 7 years, was issued through Sarwa Sukuk Company, a special purpose vehicle subsidiary of CFH, Egypt's leading consumer and structured financial services provider. The proceeds are being used for further expansion of Contact Credit and its affiliate companies.

This issue is the second transaction which brings the total Sukuk issuances of Contact Financial to EGP5 billion. In November 2020, Sarwa Capital (now CFH) similarly raised EG2.5bn through its maiden issue. This transaction comes as a result of a combined effort from reputable banks, financial institutions, and the Financial Regulatory Authority (FRA), which showed strong support during the process. Sarwa Sukuk Company was the first to obtain Sukuk issuance approval in Egypt by the FRA in July 2019.

Ayman El Sawy, Group Chief Financial Officer, CFH, stressed that the company could tap the Sukuk market periodically in the future as part of a source of funding diversification strategy.

The Egyptian Islamic Finance Association (EIFA), at the time of writing, stressed that several corporate Sukuk issuances are in the pipeline in 2022 with an expected value of about EGP10 billion. These include an EGP3.251 billion offering by Palm Hills Development Company, the proceeds of which will be used to finance Palm Hills' Badya Integrated Residential Complex on the 6th of October City.

Sharm El Sheikh Meetings Poised to be a Gamechanger in IsDB-Egyptian Cooperation

Egypt is a founder member of the Islamic Development Bank (IsDB), having acceded to its membership on 12 August 1974. The relationship between Cairo and Jeddah over the last four decades has been functional, concentrating on trade finance, credit and investment insurance, and private sector engagement.

In recent years, the evolving relations between Egypt and the IsDB Group have seen a new-found urgency underpinned by the opening of the Bank's regional hub in Cairo and culminating with Egypt hosting the 47th Annual Meetings of the IsDB Board of Governors in Sharm El Sheikh in June 2022.

At her meeting with IsDB President Dr Muhammad Al Jasser at the Bank's HQ in Jeddah in February, Dr Hala El-Said, Egypt's Minister of Planning and Economic Development and the country's Governor to the IsDB, affirmed her country's keenness to consolidate relations with the Bank including developing the private sector, reducing poverty, supporting Egypt's role as an economic gateway to Sub-Saharan African (SSA) member states, financing projects aimed at empowering women and providing job opportunities for the youth.

Dr Al Jasser, in turn, "praised the constructive cooperation between Egypt and the IsDB in various fields of development and the continuous development in the relations between the two sides, which was reflected in the volume of the Bank's portfolio in the country."

All this is in the context of the growing demands of achieving the targets set out by the UN SDG Agenda and the just transition to clean energy and Net Zero under the Paris Climate Agreement to which Egypt is a signatory and is in fact, the Chair and Host of COP27 scheduled for Sharm El Sheikh in November later this year.

Sustainable finance, ESG, and impact investment are core features of the IsDB Group's operations. In April, the Egyptian Minister for International Cooperation, Rania A Al-Mashat, reiterated in a hybrid multi-stakeholder platform meeting on fostering "Sustainable Development Solutions", organized jointly with UNDP, the vital role of South-South and Triangular Cooperation, and opportunities for international partnerships.

"Hosting multi-stakeholder platforms is one of the principles of the Ministry of International Cooperation's country-led engagement framework, where we strengthen dialogue and partnerships through regular interactive and participatory consultations with all development partners to achieve value-centric results," she tweeted.

The platforms attracted the participation of the various UN agencies, and all the major global and regional multilaterals, including the IsDB and its trade fund, the International Islamic Trade Finance Corporation (ITFC).

Gender Empowerment in Sustainable Development

The fact that Egypt's development strategy is led by several prominent and highly effective women ministers - Dr Hala El-Said, Minister of Planning and Economic Development; Ms Nevine Gamea, Minister of Trade and Industry; Dr Rania A Al-Mashat, Minister of International Cooperation; Dr Yasmin Fouad, Minister of Environment and Ms Nivine El Qabbaje, Minister for Social Solidarity – is a welcome marker but also a timely rejoinder to the IsDB Group and its partners, and to the world at large, of the slow progress towards women empowerment, equality in the workplace and emancipation in society.

> **"Without gender-inclusive growth, countries cannot achieve long-term economic resilience. IMF research shows that mainstreaming gender and closing gender gaps can stimulate growth, strengthen macroeconomic and financial stability, and reduce income inequality**

Without gender-inclusive growth, countries cannot achieve long-term economic resilience. IMF research shows that mainstreaming gender and closing gender gaps can stimulate growth, strengthen macroeconomic and financial stability, and reduce income inequality. The 'Gender Balance Index 2022' launched at the April Spring Meetings of the World Bank/ IMF Group by OMFIF, the London-based independent central banking think tank, shows that progress is gradual but not fundamental in the representation of women in the upper echelons of global finance, including in multilaterals.

In this context, ITFC is also working to support Egyptian women in global trade through the "She Trades" project, which has been implemented since 2020 under the supervision of the Corporation and co-financed by the Assistance for Trade Initiative Programme for Arab Countries (AFTIAS) and the Islamic Development Bank.

Allied to this is a proposal to establish an Export Academy in Egypt with the cooperation of ITFC and boost the SME sector by developing a training program for Egyptian women, especially business owners, to allow them to export their products, especially to neighboring and IsDB member states.

In her statement at the 46th IsDB Group Annual Meetings in Tashkent, Uzbekistan in September 2021, Dr Hala El-Said urged "the IsDB Group, which is known for its diverse and integrated development activities, to maintain its efforts and continue to apply its participatory approach - which we believe to be the most suitable - to cooperate with the Arab Coordination Group member financial institutions and the other regional and international financing institutions to provide co-financing for the massive financing needs requiring by member countries' efforts to address the economic and social repercussions of the COVID-19 crisis."

This would be in addition to the other ongoing development projects, especially infrastructure projects required for achieving regional connectivity, facilitating intra-trade and joint investment among member countries, and achieving sustainable growth.

Boosting Intra-Arab African Trade and Investment

Similarly, a conduit for boosting intra-Arab African trade and investment flows is the Arab Africa Trade Bridges (AATB) Programme, launched by the IsDB, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), ITFC, OFID, Afreximbank, BADEA, and the Governments of Egypt, Morocco, Senegal, and Tunisia.

Egypt and The IsDB Group Data At A Glance

Date of Accession to IsDB Membership – 12 August 1974
Date of Accession to ICIEC Membership – 30 December 1992
Other IsDB Group Memberships – IRTI, ITFC
Total Equity Capital to IsDB – ID3,579 million
Of which Called Up - ID641.9 million
Of which Callable ID2,937.7 million
Of which Paid up ID420.0 million
Percentage of Total IsDB Subscribed Capital – 7.07%
Percentage of Total Subscribed Capital in ICIEC – 4.53%
Egypt Governor to IsDB: H.E. Dr Hala Helmy El Said, Minister of Planning & Economic Development
Egypt Alternate Governor to IsDB: H.E. Dr Mohamed Maait, Minister of Finance
Number of IsDB Equity Shares - 357,965
Number of Voting Rights - 336,272
Percentage of IsDB Voting Rights – 7.14%
Total IsDB Funding Accessed to Date – US$17.8 billion
Total Number of Projects Funded by IsDB – 367, of which
Total Number of Projects Completed with IsDB Funding – 303
Total Number of Projects Active with IsDB Funding – 64
Total Contribution of ICD Funding to Egypt – US$217.611 million
Total Number of Projects with ICD Involvement in Egypt – 27
Egypt Intra-OIC Exports – US$12,329.9 million (2020)
Egypt Intra-OIC Imports – US$13,855.3 million (2020)

Source: IsDB Group May 2022 Compiled by Mushtak Parker

"We look forward to a partnership aimed at putting forward practical projects for the private sector and investors so that they will be implemented on the ground in the interest of economic and social development in Egypt," stressed IsDB President Dr Al Jasser in his February meeting with Minister Dr Hala El-Said

At the 3rd AATB Board of Governors meeting in Cairo in March 2022, Egyptian Minister of Trade and Industry, Mrs. Nevin Gamea, emphasized: "A vital role of the AATB Programme is promoting regional and continental trade and investment cooperation between Egypt, Arab countries, and African countries. The Programme promotes critical areas such as capacity building programs to support women in trade, supporting SMEs, and exporters, while addressing the negative effects of the coronavirus on Arab and African economies through vital interventions in health and food security."

A Strong Foundation for Ongoing Cooperation

The importance of Egypt as a key member state of the IsDB Group cannot be overstated. The future trajectory of cooperation seems to be on a sound footing based on commitments, engagement, and development leadership.

These include:

- Capital: The government of Egypt has agreed to subscribe to the Sixth increase in the Bank's capital. Egypt's current Total Equity Capital in the IsDB is ID3,579 million, of which Called Up Capital amounts to ID641.9 million, Callable Capital to ID2,937.7 million, and Paid-up Capital stands at ID420.0 million. Egypt's percentage of Total IsDB Subscribed Capital is 7.07%.
- Voting Rights: Egypt currently has 357,965 IsDB Equity Shares – the seventh-largest equity subscriber after Saudi Arabia, Libya, Iran, UAE, Nigeria, and Qatar. As such, it has 336,272 Voting Rights, some 7.14% of the total IsDB Voting Rights.
- Hub Ascendancy: Of all the IsDB Regional Hubs, the Egyptian Hub received the largest allocation at US$1.13 billion of approvals in 2020 from the IsDB Ordinary Capital Resources (OCR).
- Resource Mobilisation: Total IsDB funding accessed by Egypt to date amounts to US$17.8 billion. The total number of projects funded by IsDB in Egypt is 367, of which the total number of projects completed with IsDB funding is 303, and the total number of projects active with IsDB funding is 64.
- Trade Potential: Egypt's intra-OIC exports stood at US$12,329.9 million at the end of 2020. Egypt's intra-OIC imports reached US$13,855.3 million in 2020. As such, Egypt's total trade with the OIC member states reached 26,185.2 million, with a trade deficit of US$1,535.4 million. This is an incentive to boost Egypt's intra-OIC trade especially through the Egypt Hub, which would also serve as a gateway to the Sub-Saharan African markets.
- Direction of IsDB Financing: Based on 1975-2020 figures of cumulative financing for Egypt of US$13,233.7 million, Egypt received US$2,381.5 million in project financing, US$10,844.1 million in trade financing – the two main areas for approvals and disbursements. This has increased to US$17.8 billion in 2021. In 2020, the IsDB contributed US$220 million to co-finance along with the governments of Saudi Arabia and Egypt, the US$1.7 billion Egypt and Saudi Arabia Electricity Inter-connection project to support the existing unified electricity system, which is one of the largest in the region. Given the disparity between the load profiles of the two countries, the project will facilitate the dispatch of electrical power from Saudi Arabia to Egypt and vice versa with a maximum capacity of 3,000MW via load sharing.
- IsDB Innovate (Crowdfunding Platform): Egypt is the seventh-largest recipient in terms of donor funding and resources.

The 47th IsDB Group Annual Meetings in Sharm El Sheikh in June 2022 is poised to be a gamechanger in relations between the multilateral and the host country. It could also be a major boost for intra-IsDB trade and investment flows and for the development of the Islamic finance industry in Egypt.

"We look forward to a partnership aimed at putting forward practical projects for the private sector and investors so that they will be implemented on the ground in the interest of economic and social development in Egypt," stressed IsDB President Dr Al Jasser in his February meeting with Minister Dr Hala El-Said. The IsDB has a particular interest in developing the private sector and SMEs that create job opportunities for a large number of citizens in the country.

He also praised Egypt's support for the IsDB Group at all stages of its development, including its commitment to the sixth increase in the bank's capital.

A 30-Year Smart Partnership Set to Flourish as **Africa's New Frontier Markets Beckon**

This December sees the 30th anniversary of Egypt's accession to membership of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the insurance arm of the Islamic Development Bank (IsDB) Group. ICIEC explores the strength of this relationship and the exciting developments and opportunities that lie ahead

Following the OIC Investment Agreement, the Board of Governors of IsDB Group, at its 16th Annual Meeting held in Tripoli, Libya, in February 1992, approved the Articles of Agreement of ICIEC, declaring its establishment. Egypt became a member of ICIEC in December 1992, albeit the Corporation started operations in 1994.

Egypt (4.53%) is the third-largest equity shareholder in ICIEC after the IsDB (51%) and Saudi Arabia (20.29%). Together the three account for 76.4% of the Corporation's equity. Not surprisingly, Egypt is in the Top Ten countries that have benefitted from ICIEC services.

Since its inception, ICIEC has insured operations totalling US$7.6 billion in Egypt. These include US$3.1 billion to cover imports of strategic goods, US$2.4 billion in exports credit insurance, US$1.7 billion insurance of foreign investments into Egypt, and US$0.4 billion for the cover of foreign investments from Egypt.

Importance of Egypt

"This attests to the importance of Egypt as a market for ICIEC activities," maintains Oussama KAISSI, CEO of ICIEC. "We are increasing our permanent representation based in our Egypt office who are responsible for our activities there. This commitment marks our strong commitment to the people of Egypt and the National Development Plan."

"We have excellent communications and cooperation with our line ministries and ICIEC Governor for Egypt, Dr Hala El-Said, the Minister of Planning and Economic Development, who is helping us with guidelines and feedback on how to improve our operations and services in the country. The potential in Egypt is huge; hence our approach is to increase our local representation to offer more client-centric services and manage our exposure in the country. During the COVID-19 period, Egypt was one of the few Member States to experience a positive GDP growth, which is impressive for a country with over 100 million in population. Egypt remains one of our top targeted countries in the MENA region for our operations."

ICIEC's consolidated its relationship with Egypt following the signing of an MOU with the Egyptian Ministry of Trade and Industry in January 2016. Several seminars and workshops followed this milestone in collaboration with the Ministry and various agencies, including the Egyptian Export Council, Chambers of Commerce, and investor and business organizations.

ICIEC plans to work very closely with the Ministry of Trade and Industry towards providing the necessary awareness about the importance of trade credit and investment insurance services as a risk mitigation tool to encourage exporters and investors to penetrate non-traditional and new markets, especially those in Sub-Saharan Africa (SSA). In this respect, ICIEC, in the First Quarter of 2022, participated in a webinar organized by the Federation of Egyptian Industries to upscale the importance of credit and political risk insurance to Egyptian exporters and investors looking to increase their activities in the SSA region.

The aim is to familiarize a broader universe of reputable Egyptian exporters, manufacturers, and contractors with ICIEC products and services, including the Documentary Credit Insurance Policy (DCIP), Non-Honouring of Sovereign Financial Obligations (NHSFO) Policy, Bank Master Policy, Credit Insurance Products, and the Sovereign Sukuk Insurance Policy.

"We are targeting the financial services sector. We are already engaging with many banks with our lines of facilities and other de-risking solutions. We have long-standing relationships with financing the cable manufacturing sector, the electronics industry, the pharmaceutical sector and the construction industry. The cable industry, including Elsewedy Electric, which we have supported over the last few decades, is now exporting to top EU markets, including Germany. We also support Egyptian contractors operating in SSA markets," explains Mr KAISSI.

Further to strengthening its relationship with existing partners, ICIEC will also cooperate with Egyptian banks to provide comprehensive financing and insurance packages to reputed exporters and contractors to help them penetrate new markets, especially in SSA.

In this respect, ICIEC recently renewed its Treaty Agreement with the Export Credit Guarantee Co. of Egypt (EGE) to cover DCIP business. ICIEC also supports the Central Bank of Egypt (CBE) in various areas, including technical support. The CBE recently established a new export credit agency (ECA) to support the entry and expansion of Egyptian exporters and investors, especially in the African markets.

ICIEC is already engaging with the new ECA and is poised to sign MoUs with the new entity and the CBE. ICIEC will also support the new Egyptian ECA in joining the AMAN Union, whose members comprise global CPR insurers and reinsurers.

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Egypt as a Strategic Hub for Intra-Arab Africa Trade

A key component of ICIEC's relationship with Egypt is the latter's importance as a strategic hub for expanding business in the SSA region. Enhancing Intra-Arab Africa trade and investment is a core mandate of the OIC, the IsDB Group, and ICIEC. Some 27 continental African countries, combining North African and Sub-Saharan African (SSA) states, are members of the IsDB Group, of which 20 have acceded to ICIEC membership.

"We strongly believe that trade and investment have an important role to play in building back better and fairer in the post-COVID-19 economic recovery. Despite uncertainties caused by the ongoing pandemic, WTO's World Trade Report 2021 shows that global trade has been more resilient than during the 2008-09 financial crisis. During the latter, global trade touched US$4.8 trillion, while during the pandemic, it reached US$6.2 trillion, despite the economic, health, and social impacts, especially supply chain disruptions," says ICIEC CEO KAISSI.

A vital conduit for enhancing intra-Arab Africa trade and investment is The Arab Africa Trade Bridges Program (AATB), established in 2010.

The AATB Program has demonstrated its importance as an entry point to enhance further the mandates of participating stakeholders, particularly in transaction origination, co-financing, technical support, expertise, and tailored risk mitigation solutions to increase bankable transactions. ICIEC's commitment to ATTB is further underlined by its closing of US$5.6 billion of transactions under the Program in the last decade, accounting for 9% of its business insured during the period.

Economic recovery in Africa depends on access to vaccines and their timely rollout. Trade and investment will flourish once shocks begin to dissipate, both in imports and exports. Given the current uncertainties and challenges of climate change, the AATB Program is an important conduit to promote value chain projects to enhance access to Arab and African markets, capitalize on digitization, and forge a just transition to clean energy in line with the development objectives. ICIEC re-affirms its commitment to the AATB Program with its unique suite of de-risking solutions.

ICIEC-AATB cooperation assumes greater importance in the context of the African Continental Free Trade Agreement (AfCFTA), unlocking Africa's economic potential, enabling more significant cross-border trading, and developing industrial capacity, which will take advantage of the continent's natural wealth.

Credit and political risk insurance solutions can boost trade finance volume to meet the objectives of both ATTB and infrastructure investments. The needs of Arab and African countries are far more than the capabilities of the member institutions of AATB. It becomes imperative for AATB to seek innovative structures that can leverage the capabilities of the existing member institutions of the AATB and offer appropriate risk mitigation tools to mobilize financial resources from external partners.

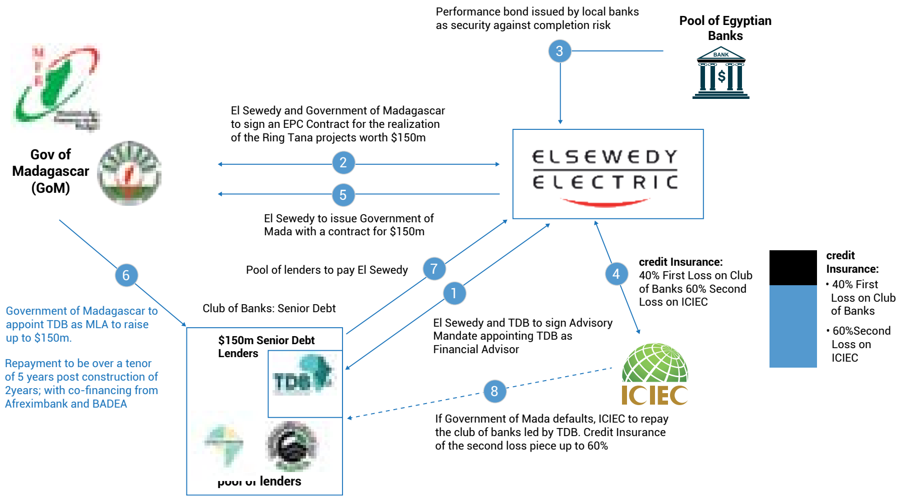
The AATB Board, at its meeting in Cairo in March 2022, approved a proposal from ICIEC in its capacity as the Leader of the Insurance Pillar of the AATB to establish an Arab African Guarantee Fund (AAGF).

The establishment of AAGF shall provide a scalable structure that aims to mobilise financial resources and risk mitigation capacity to support trade and investment in Arab and African countries; and ensure that all-in pricing of transactions is optimized for the end beneficiaries through blended structures. The proposed Umbrella Fund will comprise three sub-funds, including an Arab Africa Green Facility, an Arab Africa Food Security Facility, and an Arab Africa Health Facility, which may attract additional partners interested in the respective sectors.

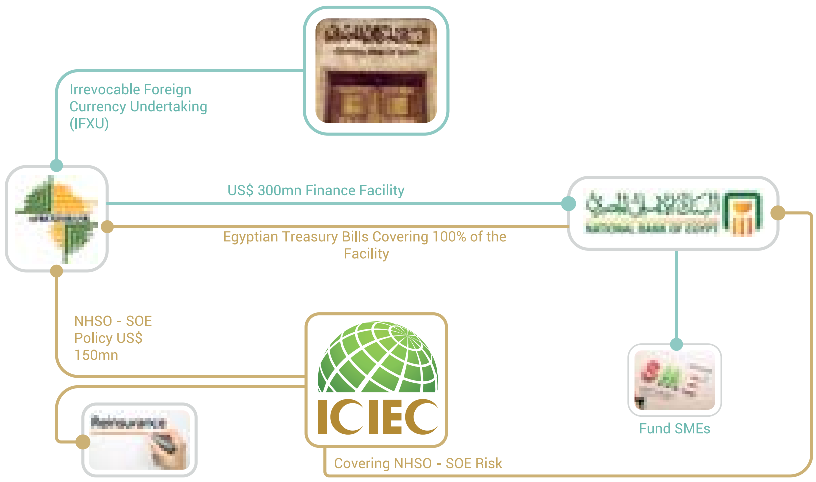
ICIEC, together with its partners, is preparing a detailed business plan and strategy to be presented to the 4th Board of Governors meeting in Tunis in November 2022 for approval and operational establishment. The AAGF Partners Network hopes to bring together AATB founding partners with other stakeholders, including National

Recent ICIEC Transactions with AATB Partners in Egypt

NHSO/ SOE Project Finance



NHSO/ SOE Trade Finance



Source: ICIEC April 2022

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A key component of ICIEC's relationship with Egypt is the latter's importance as a strategic hub for expanding business in the SSA region. Enhancing Intra-Arab Africa trade and investment is a core mandate of the OIC, the IsDB Group, and ICIEC.

ECAs, PRI providers, Donors, DFIs, Regional Development Banks, NGOs, and new AATB members.

Arab Africa cooperation also received a significant boost when ICIEC signed a comprehensive MoU with the Cairo-headquartered African Export-Import Bank (Afreximbank), the leading multilateral African trade finance institution. Under the MoU, the two entities cooperate to promote trade and investment flows between Arab and African countries and boost support and information exchange to their businesses seeking regional market opportunities.

The MoU covers collaboration in risk-sharing and credit enhancement either on a bilateral basis or through the Co-Guarantee Platform for Africa (CGP) for trade and trade, enabling investment to/from Africa; in innovative structures such as Sukuk origination, Aviation Financing, Resilient Facilities and Climate Financing; ICIEC's proposed provision of credit insurance to Afreximbank to cover its LC confirmation business through the issuance of a Documentary Credit Insurance Policy; the provision of credit enhancement to support Afreximbank syndications led by IsDB Group entities; and ICIEC partnering with AfrexInsure in underwriting and reinsurance and fronting arrangements.

Afreximbank promotes ICIEC's investment insurance services among companies and investors investing in common member countries in Africa; providing Direct Consulting Support for ICIEC members for market expansion/entry projects, virtual introductions to associates or potential Joint Ventures partners among Arab African countries.

ICIEC also promotes African trade and investment through its ordinary business operations, including lines of financing, insurance, and reinsurance cover and guarantees. In 2020, US$3,492 million (35.31% of the total) of Business Insured was directed to SSA member countries. The above developments are crucial components of the strategy to consolidate Egypt as the gateway for business and investment in SSA.

ICIEC's Oussama KAISSI is confident that the MoU with Afreximbank "will further consolidate our existing good relations with the bank in our mutual objective of boosting intra-Arab African trade in the Member States common to both entities, through ICIEC's tried and tested suite of de-risking and credit enhancement solutions."

A sentiment which Professor Benedict Oramah, President of Afreximbank, strongly shares: "We have for some time enjoyed a constructive and productive relationship with ICIEC, and I am delighted that our co-operation has now been formalized in this MoU. As Afreximbank continues to expand its activities to accelerate Africa's participation in global value chains, improved trade and investment links with the Arab world will only grow in importance".

Case Studies

Recent ICIEC Green Finance Facilities for Projects in Egypt

NHSFO Cover for Syndication Facility to Egyptian MoF for Green Projects	
Country	Egypt
Volume	US$56 million
Tenor	3 years
Product	Non-Honouring of a Sovereign Financial Obligation (NHSFO)
Client	Sumitomo Mitsui Banking Corporation (SMBC)
Context	SMBC's participation in a US$3 billion syndication facility to the Ministry of Finance (MoF), Egypt to finance Green Projects
ICIEC's Role	ICIEC provided an NHSFO policy for US$56 million covering the SMBC participation in the Syndicated Green Term US$3 billion Loan arranged by Emirates NBD Capital and First Abu Dhabi Bank in favour of the Ministry of Finance of Egypt.
SDG Targets	SDG 7 - Affordable and Clean Energy SDG 6 - Clean Water and Sanitation
Development Impact	· Egypt is highly vulnerable to the impacts of climate change, as such climate adaptation projects aiming to increase resilience and adaptive capacities are highly vital to the country. · The Eligible Green Projects are expected to have a significant positive impact on the environmental and social programs of Egypt. · The projects include seawater desalination plants with the most energy-efficient technologies that reduce water consumption or improve the efficiency of resources e.g., collection, treatment, recycling, or reuse of water, rainwater, or wastewater. · 1.2 million people in four Egyptian governorates expect to have access to better sanitation and sewerage upon completion of the Sanitation and Sewerage Infrastructure Project.
Key Results	· The projects support the creation of employment for locals given the needed manpower to execute these projects. · The potential impact of the proposed projects is that they will improve the governance of climate change in Egypt. · The projects are likely to contribute to the achievement of SDG 6, Clean Water and Sanitation. · The projects include infrastructure for the transport and treatment of wastewater.

PRI Cover for Equity Investment in Solar Power Project in Aswan, Egypt	
Country	Egypt
Volume	US$68 million
Tenor	7 Years
Product	Foreign Investment Insurance Policy-Equity
Client	Alcazar Energy
Context	Construction and operation of four 50 MW solar power plants, providing the generated electricity to the Egyptian national grid under a 25-year power purchase agreement. The project is located in the Benban Solar Complex in Aswan.
ICIEC's Role	ICIEC provided Breach of Contract and PRI cover to the UAE-based investor for their equity investment in the Benban Solar Complex.
Development Impact	ICIEC support promoted FDI inflows into Egypt and energy security with a focus on supporting the development of the country's power industry and renewable energy sources.
Key Results	Member Country Development & Energy Security

Source: ICIEC April 2022

Building a Continental African Economy Resilient to Global Shocks

The African Export Import Bank (Afreximbank)is the leading multilateral African trade finance institution, whose mandate is to facilitate, promote and expand extra-and intra-African trade. It has played a crucial role in mitigating the trade impact of the COVID-19 pandemic and the disruptions caused by the war in Ukraine. The Bank is a strong supporter of the African Continental Free Trade Agreement (AfCFTA) and The Arab Africa Trade Bridges Programme (AATB) to drive intra-Africa trade and investment flows between the Arab and African countries.

Here **Professor Benedict Oramah**, President and Chairman of the Board of Directors of Afreximbank, discusses the impact of the pandemic and the Ukraine crisis on African economies, trade, and investment; the potential for African trade and business relations with the OIC countries; the role for Islamic trade and infrastructure finance including Sukuk; and the importance of de-risking and credit enhancement solutions for trade finance and investment.

Focus on Egypt: African economies, like others the world over, are faced with a myriad of challenges, including commodity price shocks in the wake of the war in Ukraine, a significant drop in tourism, and disruption to supply chains and export manufacturing due to the impact of the pandemic. There are also sudden declines in financial flows, including a drop in trade and project finance, migrant remittances, portfolio investment and FDI flows. How are your member countries coping in their ongoing efforts to build back better, fairer, and more resilient in their socio-economic recovery?

Professor Benedict Oramah: The past two years have been highly challenging for African economies. As the continent was emerging from the COVID-19 pandemic, the war in Ukraine erupted, further worsening the myriad of challenges you mentioned in the question. Africa's approach to coping with these problems is two-pronged.

First, our member countries are dealing with the short-term ramifications of the COVID-19 pandemic. Through the launch of the Pandemic Trade Impact Mitigation Facility (PATIMFA), we ensured access to essential medical and food supplies and assisted the continent in dealing with the tightening financial conditions by availing US$7 billion to the African government's central banks and commercial banks to meet maturing debt obligations.

Afreximbank also launched the Ukraine Crisis Trade Adjustment Programme for Africa (UKAFPA) to deal with the impact of the Ukraine crisis on African countries. UKAFPA enables African countries to import essential goods, including fertilizers, fuels, and food items such as wheat.

We are also working with our member countries towards strengthening their resilience and diversifying their sources of growth to weather the aftermath of the crises. In this regard, Afreximbank is supporting efforts to economic diversification and structural transformation with a focus on long-term developmental objectives, including boosting cross-border trade, especially in the context of the African Continental Free Trade Agreement (AfCFTA), building local and regional infrastructure, and attracting foreign investments, which will consequently eradicate poverty.

We are also providing critical support to our member countries through a wide range of funded and unfunded financing programs that respond to their trade and project financing needs. The planned growth in our balance sheet for the next five years attests to our unwavering support for the long-term developmental aspirations of African countries.

Intra-Africa trade has been static at about 17% of the continent's total trade for the last seven years. How confident are you that as AfCFTA takes off as more states ratify the accession agreement, there will be greater traction in this respect?

At Afreximbank, we firmly believe that the AfCFTA is not just another trade agreement but a continental initiative geared to transform the structure of and build a resilient African economy. Optimism about the prospects of the AfCFTA is driven by several fundamental forces that will catalyze the realization of the goals of the free trade agreement, including a strong political will among African governments to chart a new path to economic self-reliance. This is reflected in the rapidity with which member states ratify the Agreement. Another essential element is the presence and commitment of African Multilateral Financial Institutions to support the implementation of the AfCFTA. This is why Afreximbank has been at the vanguard of AfCFTA implementation.

Afreximbank is a member of The Arab Africa Trade Bridges Programme (AATB), which has closed some US$5.6 billion of transactions in the last decade, particularly in deal origination, co-financing, technical support, expertise, and tailored risk mitigation solutions to increase bankable transactions. The potential for Arab-African trade and economic cooperation is much higher. What further measures need to be adopted to accelerate and realize this potential?

We must aggressively build on the successes of the AATB by deepening our trade and project finance and technical assistance initiatives, as well as creating innovative products that directly support intra-African trade and Arab-Africa trade. We should, therefore, create bespoke trade finance programs that will further drive trade and investment flows between the Arab and African Countries.

The US$1.5 billion Collaborative COVID-19 Response Facility (COPREFA), which we collectively deployed to support African economies at the height of the COVID-19 crisis in 2020, is an excellent example of what is possible. We also need to mobilize resources from member institutions and donor agencies to promote the objective of AATB and to further support new opportunities. We need to promote and market digital trade and investment information products to provide requisite compliance, KYC, and trade and investment information, among others, to potential Arab investors to unlock opportunities that abound in the African continent. We need to create a marketplace (e.g., forums, exhibitions etc.) to enhance engagement among different stakeholders of the two regions.

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We are also working with our member countries towards strengthening their resilience and diversifying their sources of growth to weather the aftermath of the crises

> The partnership between ICIEC and Afreximbank enables us to attract much-needed support to accelerate Africa's participation in global value chains and provides an opportunity for growth in trade and investment links between Africa and the Arab world

Is Africa adequately supplied with trade finance, insurance, and policy support to meet the above challenges ahead? ICIEC's proposed Arab Africa Guarantee Fund (AAGF) to mobilize funds, increase risk mitigation capacity, and ensure optimized all-in pricing of transactions assumes much greater importance?

A publication by Baker McKenzie in May 2022 showed that Africa's trade finance gap remains significantly high at over US$90 billion, and the participation rates of African banks in the trade finance space have been declining at a fast pace. Also, the trade insurance and guarantee markets remain underdeveloped to provide the kinds of protections that traders and commercial banks would require to provide financing for cross border trade. Africa is, therefore, not adequately supplied as financial institutions are not able to meet the increasing opportunities that abound because of not having sufficient capital. There is also risk aversion to certain sectors.

There is a need for adequate capitalization of financial institutions to respond to the continent's financing gap in trade and infrastructural needs. Furthermore, institutions like ICIEC, Afreximbank and other Africa-focused institutions should be able to support the financial institutions to lend to critical sectors that will drive growth through the provision of guarantees and insurance, which will serve as a de-risking tool and unlock capacity.

The AAGF is a good tool for this as it will serve the purpose of reducing premiums as well as the overall pricing charged by Guarantee/Insurance entities as well as provide first and second-loss coverage on transactions, thereby supporting investment flows to critical sectors, which will lead to economic growth and development in the African continent.

Afreximbank has enjoyed strong cooperation with the Islamic Development Bank Group, especially with ICIEC, its ECA, and ITFC, its trade finance arm. Do you see this cooperation progressing to the next level? How important are Islamic finance facilities, such as Murabaha syndications and instalment sales, as part of your funding mix?

We have established a strong partnership with the IsDB group, culminating in several facilities. We have been supported, in an amount of US$600 million, by entities like ITFC and ICIEC. Discussions are underway to expand these resources. We believe this cooperation is strategic as it represents a unique funding source for the bank, providing the needed diversity in our balance sheet. Other merits include increased knowledge in Islamic finance and providing additional flexibility to the bank in terms of product offerings to our clients. We have built a solid relationship, and through ITFC, we are training our people on essential aspects of Islamic banking. ICIEC is also supporting us in this area. Plans are underway to collaborate with IsDB Institute for expanded capacity building.

Several Pan-African institutions, including AFC, have issued Sukuk as part of their fund-raising tools. Does Sukuk issuance feature in Afreximbank's future fund-raising plans both in terms of capital raising and funding some of your programs in trade facilitation and digitization?

Yes, Sukuk issuance is in our future fund-raising plans as it provides for further diversification in our funding mix, including the flexibility to offer new trade finance solutions to our clients, particularly those that require Islamic finance products.

Export credit and investment insurance tend to be underdeveloped in many emerging markets partly because the culture is evolving, and many countries do not have national ECAs. You recently signed a wide-ranging MoU with ICIEC. What are the priorities under this agreement?

The partnership between ICIEC and Afreximbank enables us to attract much-needed support to accelerate Africa's participation in global value chains and provides an opportunity for growth in trade and investment links between Africa and the Arab world. Under the terms of the MOU signed between ICIEC and Afreximbank, the two institutions collaborate on risk-sharing arrangements, joint business development initiatives, fund mobilization, information exchanges, and capacity building to promote trade and investment flows between Arab and African countries. The collaboration will enhance the capacity of the Bank in our trade facilitation program to optimize capital and mitigate the overall risk of transactions. In addition, the MoU enables ICIEC to access Afreximbank's digital platforms to enhance Arab-African trade.

Afreximbank, ITFC, and BADEA launched the US$1.5bn COPREFA to support African economies with rapid financial assistance to reduce the impact of the pandemic.

The IMF has projected that SSA will be the slowest to recover from the effects of the pandemic. Are you increasing and renewing your Covid-response financing to member countries?

The COVID-19 pandemic and its impacts have both short-term and long-lasting effects on African economies, and the fact that countries are now focusing on recovery from the pandemic, the relief and support provided by COPREFA is being extended further to support these recovery efforts of the continent. Beyond that, the

Ukraine Crisis has emerged, creating new challenges we must all deal with. Afreximbank has responded by launching a US$4 billion Ukraine Crisis Adjustment Trade Finance Programme (UKAFPA).

In November, Egypt will be hosting COP27. Achieving climate action and SDG targets will affect African countries strongly, given that many are commodity producers. All sectors are asked to contribute to the transition to clean energy. How has and what more can the trade cycle contribute to a better carbon footprint?

The 27th United Nations Conference of the Parties (COP 27), to be hosted by Egypt, provides another platform for Africa to review the impacts of climate change on the continent. Although Africa remains the least emitter of carbon, the effects of climate change are more prevalent in the continent compared to other regions of the world. This is evidenced by the physical and economic manifestations of the consequences of climate change in several parts of the continent in the form of droughts, rising sea levels, rising temperatures, declining agricultural production, etcetera.

The push for a transition to cleaner energy sources has been multisectoral. Still, there is more emphasis on the commodity and fossil fuel sectors that Africa's economies rely on for their livelihood. The fossil fuel and commodity-rich and dependent countries in Africa are at the centre of the energy transition debate, given that they are significant contributors to the continent's total carbon emissions. Indeed, there are opportunities to address the challenges of carbon emission using the vehicles of interventions designed to propel Africa to full recovery and set the continent on the path of sustainable development.

This is primarily a result of the correlations between trade cycles and emissions; emissions tend to increase in periods of economic expansion or GDP growth, and vice versa during contractions. Therefore, the strategies to support the continent's recovery, improve economic growth, and reduce carbon emissions must consider the continent's development priorities. Climate considerations should be factored in as the continent devices ways to improve growth and achieve economic recovery. This can be in the form of financing the development of sustainable infrastructure and investments designed to ensure food security, resource efficiency and other ventures that promote the wellbeing of the continent's population.

As Africa prepares for the COP 27 event in Egypt later in November, there is a need for concerted efforts among countries in the continent and development partners to coordinate Africa's response to the climate change agenda by evaluating the costs, benefits and agreeing on a suitable pathway for financing its energy transition program, especially for the commodity-dependent countries.

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Indeed, there are opportunities to address the challenges of carbon emission using the vehicles of interventions designed to propel Africa to full recovery and set the continent on the path of sustainable development

Going forward, what are the mitigation priorities for Afreximbank over the next few years, especially in the context of the ongoing impacts of the pandemic, the burgeoning sovereign debt crisis facing your member countries, and the effects of the war in Ukraine on commodity prices, especially energy and grains?

Since its establishment, the Bank has gained experience in introducing and implementing various emergency programs, facilities, and interventions in response to various crises occurring on a global scale, with a negative impact on African economies. The Bank successfully deployed the Counter-Cyclical Trade Liquidity Facility (COTRALF) and Pandemic Trade Impact Mitigation Facility (PATIMFA), respectively, in 2015 and 2020, which were essentially crisis management tools to support its member countries.

COTRALF was introduced in 2015 to avert trade debt payment defaults arising from the crash in commodity prices of trade interest to Africa, to help the member countries and central banks to meet maturing L/Cs and other trade debt payment obligations, and enable them to adjust in an orderly manner. It was in high demand across member countries, such that the Bank disbursed over US$10 billion over the period 2015 to 2017. Underscoring the Bank's relevance to its member countries, PATIMFA was launched just nine days after COVID-19 was declared a pandemic by the World Health Organization in March 2020 to minimize the health and economic impact of the pandemic on African countries and to contribute to an expeditious economic recovery. The Bank has disbursed over US$8.23 billion under PATIMFA as at the end of December 2021.

It is in the same context that the Bank introduced the "Ukraine Crisis Adjustment Trade Financing Programme for Africa (UKAFPA)", as Afreximbank's contribution towards mitigating the immediate adverse impact on African economies of the Ukraine crisis, which has led to abrupt price spikes in food, fuel, fertilizers, and other commodities as well as a significant reduction in tourism revenues and increased pressure on the fiscal and current account balances of African countries. The Bank has over US$15 billion in aggregate demand inquiries, of which nearly US$9 billion in specific applications have been received as of 31st March 2022, and disbursements have already been made.

Given the frequency of these external shocks, the Bank is finalizing a dedicated emergency crisis mitigation program focused on emergency crises, including pandemics that impact adversely on African economies. When in place, this pre-approved program will enable the Bank to more swiftly respond to the emergency crisis of all nature to avert or significantly mitigate the impact of such emergency crises as well as support the member States to adjust in an orderly manner.

While dealing with the current shocks, Afreximbank's priority is to help build an African economy resilient to global shocks. That is why the Bank is prioritizing the implementation of the African Continental Free Trade Agreement (AfCFTA). The Agreement will help expand intra-African trade, diversify economies, increase the scale and scope of economies and achieve AfCFTA-led industrialization. This will help Africa gain some economic independence and minimize the impact of global shocks on the African economy.

The Bank's suite of intra-African trade product offerings, and the AfCFTA initiatives, including the African Trade Gateway, the Transit Guarantee, and the Adjustment Facility, are among the amour created to help the continent realize its medium to long term vision. Strong international partnerships are equally crucial to achieving the goals of an integrated African market. Therefore, collaboration with the IsDB Group will be paramount to leveraging continental and global resources to promote the implementation of the AfCFTA.

Export Promotion &
Investment Strategy

'Back to the Ancestors' Ambition for Egyptian Trade with Sub-Saharan Africa

Moataz Zawam, Lead Underwriter for Insurance Operations and Sovereign Risks at ICIEC, discusses the structural reforms needed for Egypt to maximise its export potential especially in new gateway markets in Sub-Saharan Africa (SSA) to serve the economy through greater job creation, productivity and to narrow the country's chronic trade deficit.

On the 21st of March 2022, the Egyptian pound dropped by almost 17% against the US dollar. The main driver behind the depreciation comes from the Russia-Ukraine war and the global inflationary pressures in the food supply chain, and on oil and gas prices. However, the root cause of the problem is Egypt's chronic trade deficit, as imports have grown at a faster rate than exports, primarily due to the rise of strategic commodities such as petroleum and wheat imports.

Egypt has been recording trade deficits since 2004. Egypt's total exports reached US$3.9 billion in Feb 2022, while the total imports recorded US$6.4 billion recording a trade deficit of US$2.5 billion. The country as such needs to secure more foreign currency by supporting exports and promoting foreign direct investment. Egypt has a long and deep history with Africa based on cultural, religious, trade and geographical relations over time. This relationship goes back to the Pharaonic era. The Egyptian Queen Hatshepsut described her trip to Puntland as "Back to the Ancestors."

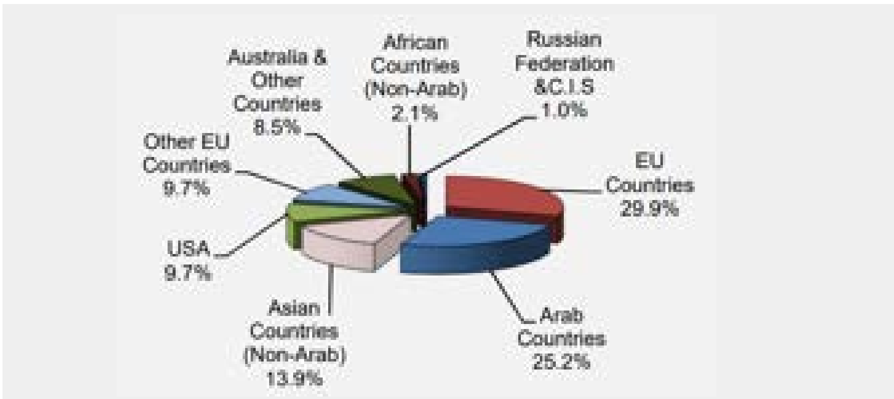
Egypt and Africa are one continuous human network. There is no contradiction when we say that the Egyptians are Arabs or Africans. Egypt, throughout history, has been linked to Africa. It is a history stretching into the future. During the Islamic era, Egyptian African relations took a significant dimension as various Africans came to study at Al-Azhar University, including Ibn Khaldun from Tunisia, Al-Gabarti from Ethiopia, Al-Zela'i and Al-Harari from Somalia, and Al-Takrouri from West Africa, among many others.

The question is, how can Egypt bridge this trade finance gap and how can Egypt succeed in penetrating international markets and which countries could be the best option for Egyptian exports? To achieve this objective, Egypt should concentrate on products and industries where competitiveness can be established and sustained and where markets with significant growth potential can be identified.

The external position of the Egypt Economic Report published by the Central Bank of Egypt from July 2020 to March 2021 reflected that the total Egyptian exports to African countries (non-Arab) comprise merely 2.1% of the total exports. Egypt's export market is highly concentrated, with 55% of exports going to ten countries (UAE, USA, UK, Switzerland, Saudi Arabia, India, Italy, Germany, and Turkey).

Monthly Egypt Trade Balance 2012-2022

Direction of Egyptian Exports 2020-2021



Source: Central Bank of Egypt, External Position of the Egyptian Economy (July/March 2020/2021)

So, could the African continent be the potential gateway markets for Egypt?

Egypt is part of various trading and investment agreements such as the Agadir Agreement, the Grain and Feed Trade Association (GAFTA), and Common Market for Eastern and Southern Africa (COMESA), the African Continental Free Trade Agreement (AfCFTA).

According to UNCTAD's maritime index, Egypt is the second-most-connected country in Africa (after Morocco) and the 22nd-most-connected in the world. However, Africa accounted for only 15.4% of Egypt's exports between 2018-20.

The Economic Commission for Africa (ECA) has made a comprehensive analysis of the export potential of Egypt to Africa, assuming different scenarios. The study revealed that Egyptian exports to Africa could increase substantially (21%-30%) depending on the ambition of its economic and trade liberalization strategy. This increase is potentially more pronounced in the agricultural and food sectors, followed by industrial sectors.

Egypt's exports to the rest of Africa could increase by more than 25% in textiles and wearing

apparel, leather, wood, and paper, machinery, vehicle, and transport equipment (for industrial sectors) and by over 25% in cereals, plant-based fibers, milk, and dairy products, and vegetable oils, as well as meat products.

The Government of Egypt realizes the pivotal role and strategic depth of the continental African markets and the importance of strengthening relations with African countries. Accordingly, the Government has adopted a Roadmap to develop trade with Africa. The depreciation in the Egyptian Pound which has resulted in significant inflationary pressures. However, this could be an opportunity for Egyptian exporters to benefit from the competitive pricing of their products in the international markets and the relatively cheap labor costs, allowing them to stave off stiff competition, particularly from their Chinese rivals.

The Egyptian Government aims to increase its exports to Africa from US$5 billion a year

> **Egypt has succeeded in developing one of the most effective pillars for promoting trade and investment by establishing the essential foundations and transportation networks (roads, railways, ports, etc.) and the power facilities. Egypt has a strategic position linking Africa, Europe, and the Middle East**

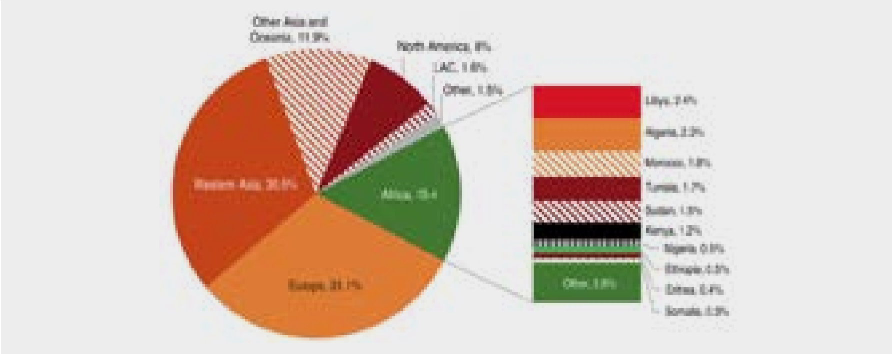
to reach US$10 billion by 2025. The strategy focuses on giving support and incentives to Egyptian exporters to African markets. The Government for instance bears 80% of the freight value of Egyptian goods in Africa. In addition to special export finance and tax incentives to explore new markets, providing more support to companies to increase the proportion of local content will be of great help. As well as special incentives for new sectors within the export support programme, including pharmaceuticals and medicines, focusing on industries in which Egypt has a competitive advantage.

Moreover, Egypt has succeeded in developing one of the most effective pillars for promoting trade and investment by establishing the essential foundations and transportation networks (roads, railways, ports, etc.) and the power facilities. Egypt has a strategic position linking Africa, Europe, and the Middle East. This has given it an advantage with regard to maritime transport through the Suez Canal, which handles 7.5% of world maritime traffic.

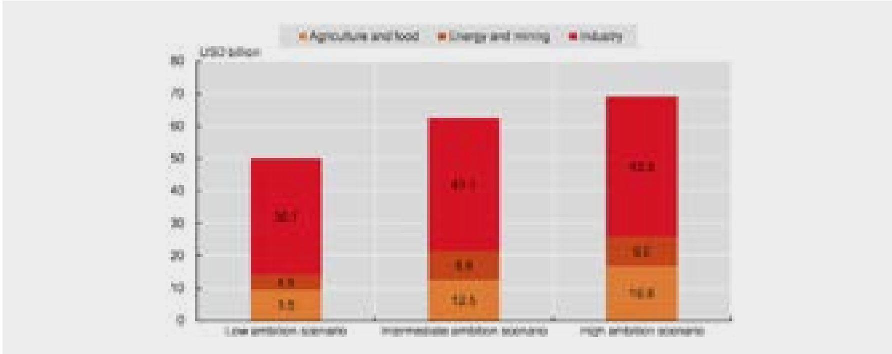
However, Egypt can take several new measures to empower the private sector and strengthen its trade and investment promotion capacity. For instance, Egypt needs to develop and integrate the information systems and logistics of the ports and adopt proper coordination among the different transportation modes.

Egypt needs to pay more attention to manufacturing, a crucial feedstock to the export sector. The local manufacturing structure will help Egypt meet the population's domestic needs, limiting the reliance on imports and directing its surplus production to export. Egypt has to emphasize the production and export of products that have a significant domestic value-added and are desirable in the African markets. The growth in exports with higher value-added will occur with higher backward integration and the development of non-commodity sectors that will allow Egypt to move into the manufacturing Global Value Chain.

Dynamics of Egypt's Foreign Trade and Trade Policy Ambitions Scenarios



Source: Authors' elaboration based on UN Comtrade (2021[8]), Database, https://comtrade.un.org.



Source: ECA (2020[9]), "An empirical assessment of the African Continental Free Trade Area modalities on goods"

Egypt Main Export and Import Indicators 2020

Total global exports merchandise trade 2020	US$17,070bn
Total global imports merchandise trade 2020	US$17,376bn
Total Egypt exports merchandise trade 2020	US$26.118bn
of global merchandise trade exports %	0.2%
Total Egypt imports of merchandise trade fob 2020	US$60.701bn
of global merchandise trade imports %	0.4%
Egypt trade deficit 2020	US$34.583bn
Total Egypt exports in world trade in commercial services (excluding intra-EU trade) 2020	US$14.376bn
Total Egypt imports in world trade in commercial services (excluding intra-EU trade) 2020	US$17.127bn

Source: Compiled by Mushtak Parker from WTO trade data May 2022

Egyptian exporters have an excellent opportunity to explore new African markets, benefiting from the zero-Covid policy in China that has hampered production and logistics within China and through its ports. Promoting Egyptian exports requires exerting more efforts on capacity building, improving the efficiency and skills of the human capital working in this field, improving the business environment, and easing the export process for companies.

The success of the Egyptian export promotion pathway in the African continent comes from a tailored and targeted approach. It requires assessing the needs of each targeted African country and work to fulfill its needs. The Egyptian exporters need to collaborate and share their experience and the lessons learnt to improve their brands and reach the best customer satisfaction.

Export is the cornerstone for Egyptian economic growth and stability as it is for most countries, and Africa could be the springboard for a significant rise in Egyptian exports. While export promotion is a sophisticated matrix and requires a lot of coordination among stakeholders, the economic and financial returns from this process is potentially rewarding. The key benefit is securing the hard currency needed to procure the country's strategic commodities, covering the trade deficit, and allowing Egyptian products to reach and compete in the international market.

Egypt has taken the first mile in this long journey 'Back to the Ancestors!'

Interview

Ahmed El Sewedy,

President and CEO, Elsewedy Electric

A Smart Partnership that Incorporates Clean and Just Energy Transition, ESG and Risk Mitigation

Elsewedy Electric is one of Egypt's largest and leading integrated energy solutions providers in the Middle East and Africa region, with over 22 production facilities across 15 countries. Its relationship with ICIEC spans 17 years, during which export credit and investment insurance solutions have proven to be a valuable risk management tool in enhancing the company's exports and participation in turnkey projects, thus paving the way for opportunities in new markets in Sub-Saharan Africa, especially in the renewable and clean energy sector.

Ahmed El Sewedy, President and CEO, Elsewedy Electric, here discusses with Mushtak Parker the scope and future potential of the company's cooperation with ICIEC and the strong correlation between in-built ESG and Sustainability and shareholder and social value.

Focus on Egypt: Elsewedy Electric is one example of the successful cooperation between ICIEC and Egypt, which helped open new markets, especially for its cable and fiber optic exports. How vital are this cooperation and the risk mitigation solutions ICIEC has offered to Elsewedy over the years?

Ahmed Elsewedy: Since the commencement of Elsewedy Electric's relationship with ICIEC started in 2005, we have consolidated this relationship into a strong one that is solely dedicated to the enhancement and flourishment of both businesses. ICIEC has been and is still a major contributor to the constant growth of Elsewedy's export business and turnkey projects over the years. In this respect, ICIEC has been our partner in exploring new opportunities and providing us with the tools to seize such opportunities.

ICIEC credit insurance policies were and still is a vital contributor to the development of Elsewedy's export business. As of today, Elsewedy's export business accounts for around 34% of the total revenue, which explains the importance of our export business as a part of the overall growth of the company. Our vision is to become a world leader in delivering energy, services and value. To establish such a vision and create value for our customers, we thought that the easiest, fastest and most efficient way is to insure our open account receivables through credit insurance services in order to offer our clients flexible payment terms and simultaneously guaranteeing our payments.

> "Elsewedy Electric's relationship with ICIEC started in 2005, we have consolidated this relationship into a strong one that is solely dedicated to the enhancement and flourishment of both businesses. ICIEC has been and is still a major contributor to the constant growth of Elsewedy's export business and turnkey projects over the years. In this respect, ICIEC has been our partner in exploring new opportunities and providing us with the tools to seize such opportunities

Our business with ICIEC has constantly been growing over the years. As of 2022, we have almost 50 active insured buyers under ICIEC's insurance policy in different continents (Africa, Europe and Asia) with an exposure of around US$50 million. We are happy we have been partnering with ICIEC, and we see many more years of future collaboration and success.

Can you outline some of the milestones in this cooperation and the real economy reasons why it has proliferated to such an extent? What prompted Elsewedy to access ICIEC risk mitigation solutions instead of conventional credit and investment insurance services?

Elsewedy and ICIEC's relationship started in 2005 when ICIEC approved to support the Elsewedy Company through insuring a contract worth US$59.6 million for the supply and installation of electrical cables, substations and transformers for the National Electricity Corporation (NEC) in Khartoum, Sudan. El Sewedy considers this as one of the biggest milestones in our relationship with ICIEC, taking into consideration the professionalism and efficiency in concluding the insurance approval and the claim request submitted under the same transaction.

Since then, ICIEC has supported Elsewedy with insurance cover for their short-term receivables for different clients in different continents which helped the company to grow their export business as most of the clients request an open account payment structure which makes credit insurance a requisite condition by Elsewedy management to cover non-payment risk.

ICIEC has also supported Elsewedy by providing insurance cover for long tenor contracts up to a 7-year credit period. ICIEC, for example, provided insurance cover for a total of US$75 million and EUR115 million receivables for the Ethiopian Electric Power Corporation under supply contracts for transmission lines, sub-stations, cables, transformers, and related electrical products.

Elsewedy Electric is a leading integrated energy solutions provider in the Middle East and Africa region with over 22 production facilities across 15 countries. The group says it is structured to face the challenges and complexities presented by the energy sector. In a world increasingly defined by achieving the UN SDGs and net zero targets of the Paris Agreement to clean and just energy transition, to what extent is Elsewedy Electric operations and projects tied into these ambitions? Where are the growth opportunities in renewable energy? What is your carbon footprint in the above respect?

For years, Elsewedy Electric has been a leader in bringing innovative and sustainable solutions to the Egyptian and international markets. We are one of the first Egyptian industrial companies, since 2017, to quantify and disclose our carbon emissions according to the GHG protocol and covering all three Scopes: 1, 2, and 3. Our 2020 carbon emissions amounted to 84,457 mtCO2e with a remarkable decrease of 17% in Scopes 1 and 2 emissions as compared to our 2017 baseline year activities. Moving forward, as part of our Decarbonization Plan, all GHG reduction targets of Elsewedy Electric factories have been set in alignment with the Science-based Targets initiative (SBTi). We will be committing to achieving 20% reduction in Scope 1 and 2 emissions by 2025 and achieving Net-Zero emissions for all our operations by 2050.

In our recently published Sustainability Strategy 2020-2023, we have set rigorous environmental, social, and

human rights goals and targets for the year 2030, including reduction of our energy consumption by 20% and water consumption by 40%; developing of Environmental Product Declarations (EPDs) for all our products and turning 50% of our fleet to electric. Social and human rights targets include reaching 30% women within our workforce, among others and appointing at least 2 female directors on our board of directors, reinforcing the company's gender-diverse orientation, and reaping the value of the contribution of women in Elsewedy Electric.

During the past years, we have heavily invested in renewable energy projects. In 2021, we effectively harnessed the resources generated from economic recovery across our value chain. The newly emerging dynamics allowed us to expand our footprint in the region and extend our contribution to the renewable energy transition, resilient infrastructure, and digital society. We kept using our technologies, talent, and solutions to enable more people in more places to enjoy the benefits of modern society while ensuring that all our achievements are as sustainable as possible, and we plan to continue with targets of 2x investments in renewable energy, climate and water projects by 2025.

Egypt is one of the largest carbon emitters in Africa. It is hosting COP27 in November in Sharm El Sheikh. How does a country like Egypt close the gap between the demanding aspirations of global policy in climate action with the real economy demands of economic development, job creation, poverty alleviation, wealth creation, and social cohesion? From a corporate point of view which takes precedence – shareholder value or climate action through the requisite climate finance?

Egypt was the second largest GHG emitter in Africa in 2020, according to Statista. However, it is also fair to mention that Egypt's emissions only account for less than 0.6% of global GHG emissions. The Government of Egypt is well aware of the environmental challenges that Egypt is facing and has been gradually introducing new laws and imposing penalties such as single-use plastic on one hand, and incentives on the other hand.

More importantly, the Ministry of Environment has recently announced Egypt's National Climate Strategy 2050 during COP 26, in which Egypt aims to convert half of its national projects into green projects by 2024, among other objectives and collaborations with the public and private sectors.

Since reporting is the first step towards managing and transitioning to a low carbon economy and achieving tangible transformational change, Egypt's Financial Regulatory Authority (FRA) has mandated all companies listed on the Egyptian Stock Exchange (EGX), and companies operating in non-bank financial activities to quarterly submit their non-financial (ESG) performance reports, beginning of 2022.

In addition, companies with annual revenues of over EGP500 million are required to disclose their climate performance in accordance with the TCFD recommendations. Elsewedy Electric began to disclose its non-financial performance since 2017 including ESG KPI year-on-year progress in accordance with globally recognized ESG frameworks and standards.

Elsewedy Electric has taken this a step further out of its belief that sustainable development does not contradict economic or social development. On the contrary, it increases its shareholder value. Adopting resource efficiency, circularity, green building measures, and renewable energy have proven to not only be a profitable but a sustainable investment that leads to both operational cost and carbon emissions reduction.

In fact, Elsewedy Electric is a strong believer that following a sustainability approach from the start, will immensely fortify its brand's reputation and resonate with global sustainability and circularity efforts – which is becoming essential and required for export purposes, for instance, and opening new markets and reducing risk. In fact, the past few years have proved that companies that have incorporated ESG considerations into their strategy have gained increased market trust and value for shareholders.

Can you expand on Elsewedy Electric's Sustainability Strategy and Vision?

During the past century, energy has been crucial to improving the quality of life and providing basic services to the global population. Those achievements came along with significant pressure on the Planet, and today we face the need to reconcile this contradiction. Based on this knowledge, we believe that a sustainable future is the only future we can afford.

As a company with over 22,000 employees, 950 suppliers, and working in 110 countries, we have a share to contribute. To continue providing our customers with high-quality, reliable, and affordable energy products, the Group should also be sustainable and resilient over the long term. We can only do this if our business strategy and development are aligned with nature, sustains us, and provides abundant resources.

With this new sustainability strategy, we aim to extend and enhance our positive impact, providing energy services to a growing customer base, driving decarbonization, digitalization and sustainable transition in Egypt and beyond. At the core of our vision are the UN Sustainable Development Goals, Paris Climate Agreement, Egypt's 2030 vision, and National Renewable Energy Strategy 2035.

We envisage a sustainable, inclusive, and resilient energy future for all. We will achieve it by action, spanning across our value chain and engaging everyone to leverage the full-scale transformation of the energy system towards sustainability. We strive to support Egypt in becoming a leader in sustainable and renewable energy generation and smart energy infrastructure, showing that fast and profound transformation towards sustainability is possible and feasible. Our initial steps will aim at improving sustainability governance to ensure an effective and smooth transition.

We will further fully employ the power of digitalisation and innovative technology to drive decarbonisation and resource efficiency while supporting employees and customers in leading sustainable, healthy and prosperous lifestyles in a busy and fast-paced world. Sustainable financial growth aligned with low-carbon scenarios will assure our shareholders and investors are on board with the evolving business, increasing coverage and positive impact locally and worldwide.

Ultimately, we will pursue a culture of innovation, diversity, transparency and trust, which is essential to keep the efforts grounded in what matters to all our stakeholders and the flourishing future we strive to create. The strategy is aimed to assist in fulfilling our broader strategic vision and long-term commitments, distilled across four pillars: Planet & Resources; Technology & Innovation; Governance & Economy; and People & Communities. It highlights the strategic measures which we will adopt over the short, medium and long term in line with the global commitments and targets.

COVID-19 impacted manufacturing, exports, and resource mobilization the world over. To what extent was Elsewedy Electric affected, and what was your COVID response strategy? What are the lessons learned, and How did ICIEC help your company in mitigating some of these impacts?

COVID-19 definitely affected many aspects of our business. However, Elsewedy has proudly mitigated underlying risks, at least in terms of maintaining business performance for the longest possible period. At the time of disruption, when everything was uncertain and unstable, we worked hard to maintain our business, and our response strategy was to align with all business units, partners, and stakeholders to remain flexible and agile given the huge fluctuation in market dynamics. Happily, we were able to successfully maintain our export business operations in terms of value during 2020 compared to 2019, which is almost 34% of total revenues.

Mitigating **Development Risks** in the Post-Pandemic Recovery

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