

COVID-19 EGYPT UPDATE

Special Edition of the **LYNX Industry Notes**
May 7, 2020

Contents

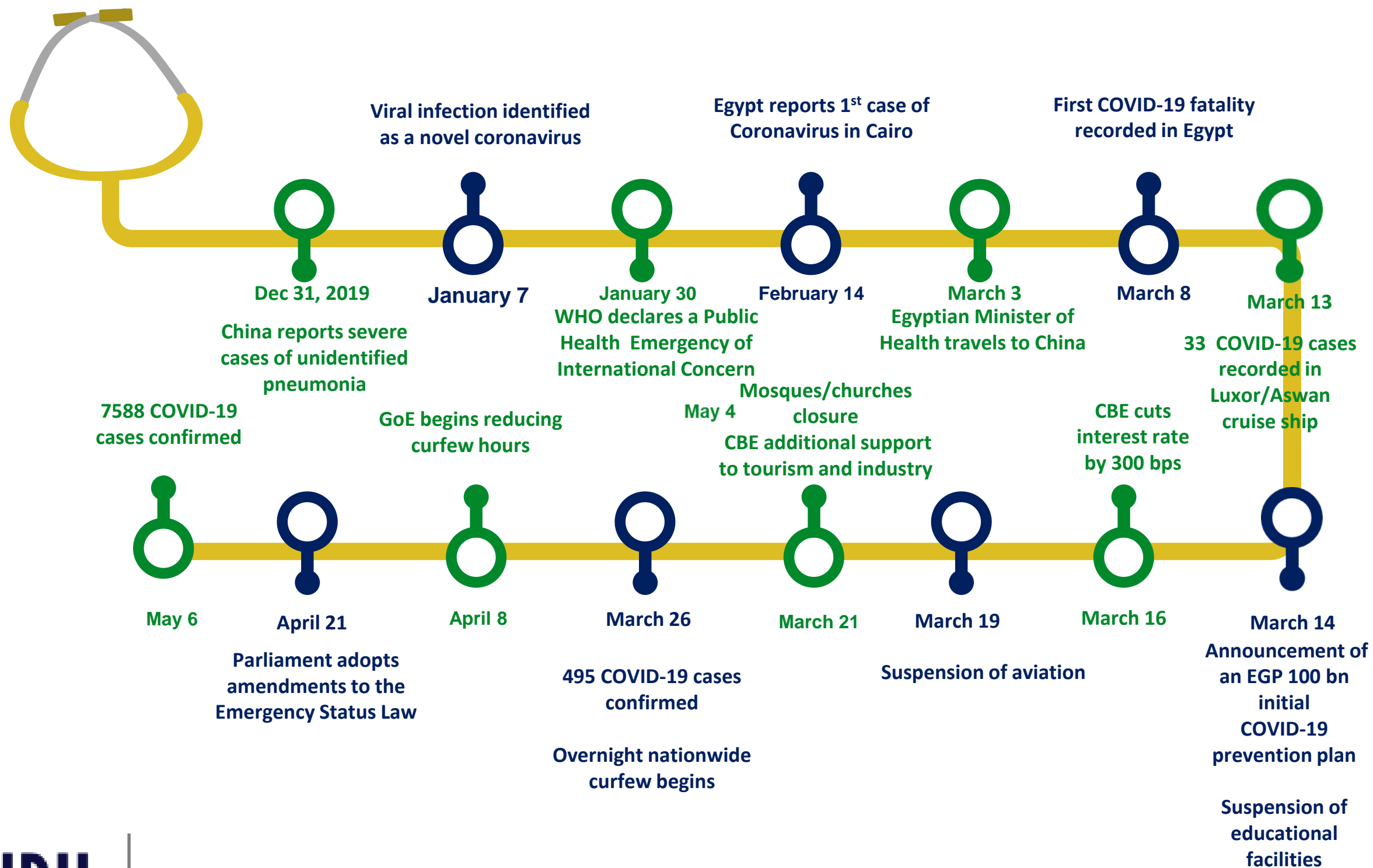
Contents

- An Overview of Egypt's COVID-19 response
- Emergency law updated to address the pandemic
- GoE's COVID-19 response by sector
- Snapshot on selected impacted sectors
- Updated partial curfew regulations
- Recommendations

Egypt's Response to COVID-19

An Overview

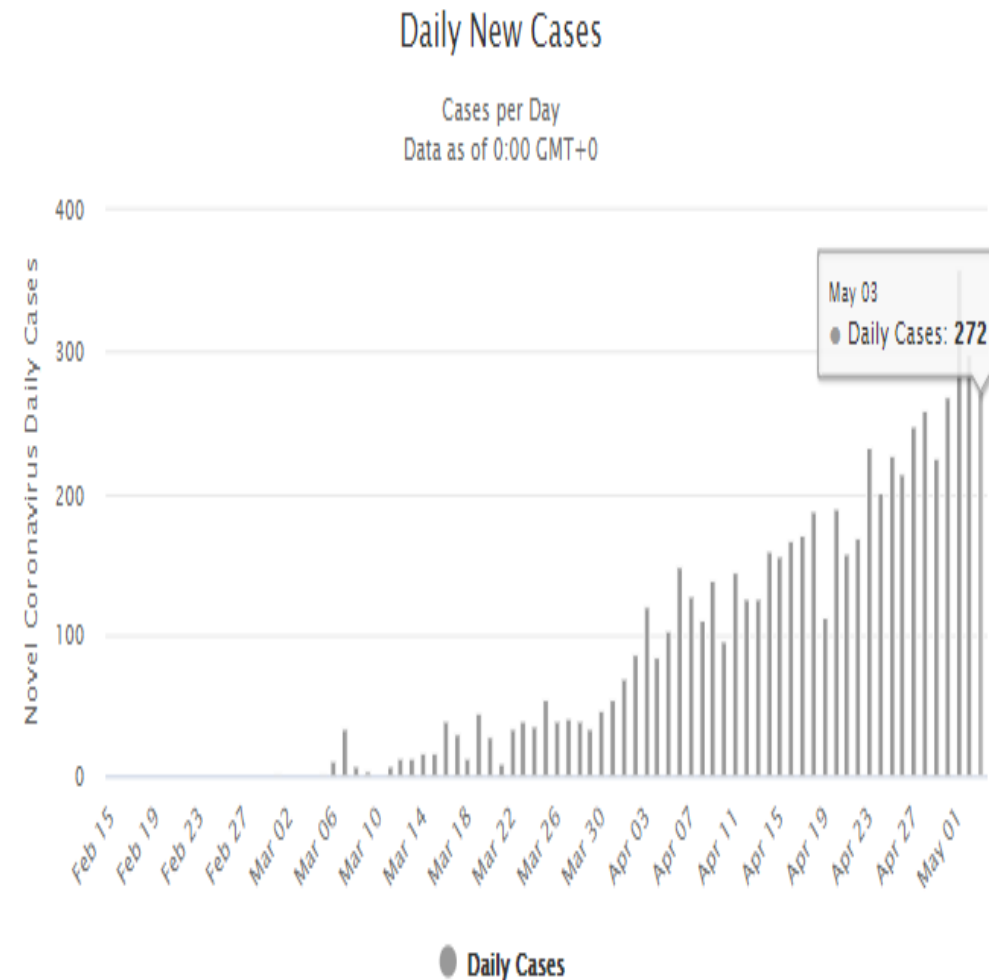
COVID-19 Timeline: Egypt



A shift in strategy

- Since the beginning of the COVID-19 crisis, the Government of Egypt (GoE) moved early and gradually with an integrated approach to address the pandemic's impact on Egypt's health and business sectors. An initial budget of EGP 100 billion (equivalent of USD 6.4 billion) was allocated for this effort. Almost half of it has already been spent. The GoE continues to adopt sector-specific measures rather than a broader economic rescue program. It has yet to announce bailouts and continues to extend credit support to businesses, cash transfers and deferred taxes. Employment aid has also been provided, including three-month stipends to seasonal employees, scheduled to continue until June 2020.
- In recent weeks, the GoE shifted to adopting gradual- but quick- measures to reopen the economy and “co-exist” with the pandemic. Restrictive social engagement measures were further relaxed on the occasion of the Holy Month of Ramadan, a number of government services were re-introduced to ease economic pressures on a number of sectors, hotels have been

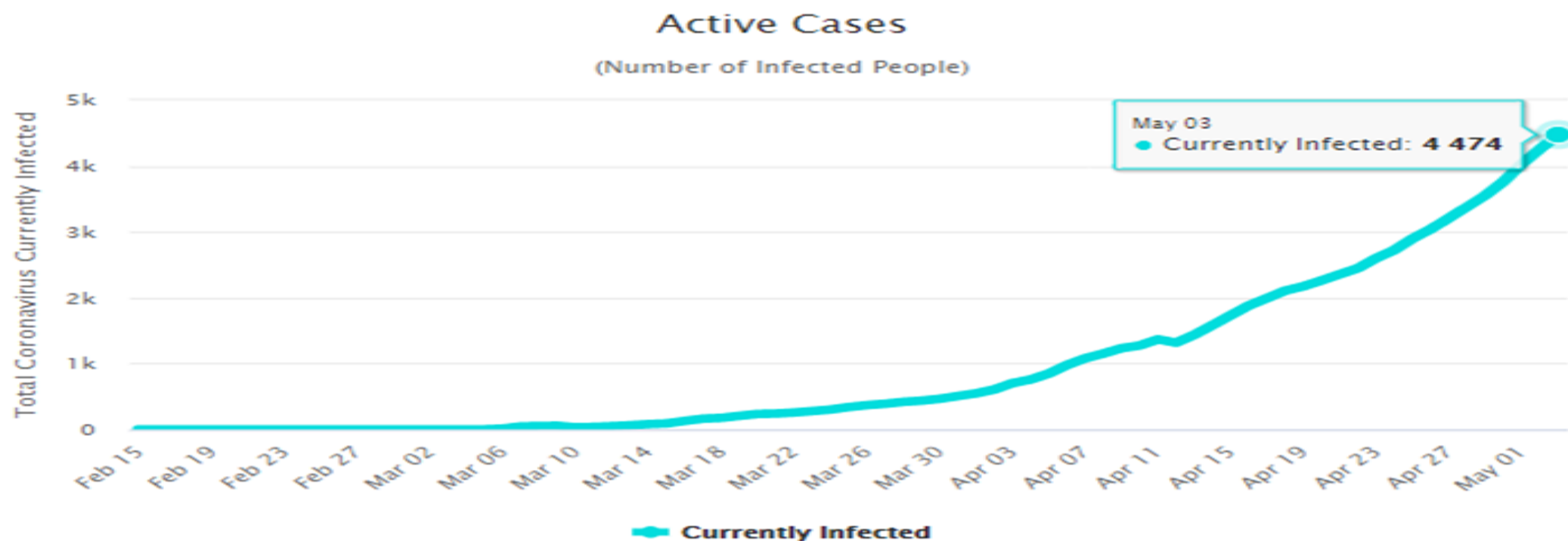
permitted to operate with 25 percent capacity on May 15, and legislations were adopted to fortify the GoE's ability to deal with the crisis and jump start the economy, including a long-awaited law on incentivizing small and medium enterprises.



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

Further measures expected

- The GoE indicated that additional measures would be adopted after Ramadan to further open the economy, unless the virus' spread necessitates new restrictive measures. There are signals that the GoE is considering resuming civilian aviation to and from Egypt, as of May 16 and may further relax- if not terminate- curfew measures after Ramadan.
- On the other hand, the GoE continues to shore up finances to cover the current spending to mitigate the crisis. New levies were approved on mobile phones, sporting contracts, pet food, among other sectors. A one percent wage cut for civil servants and employees of state-owned enterprises is also being considered to make additional funding available to the GoE.



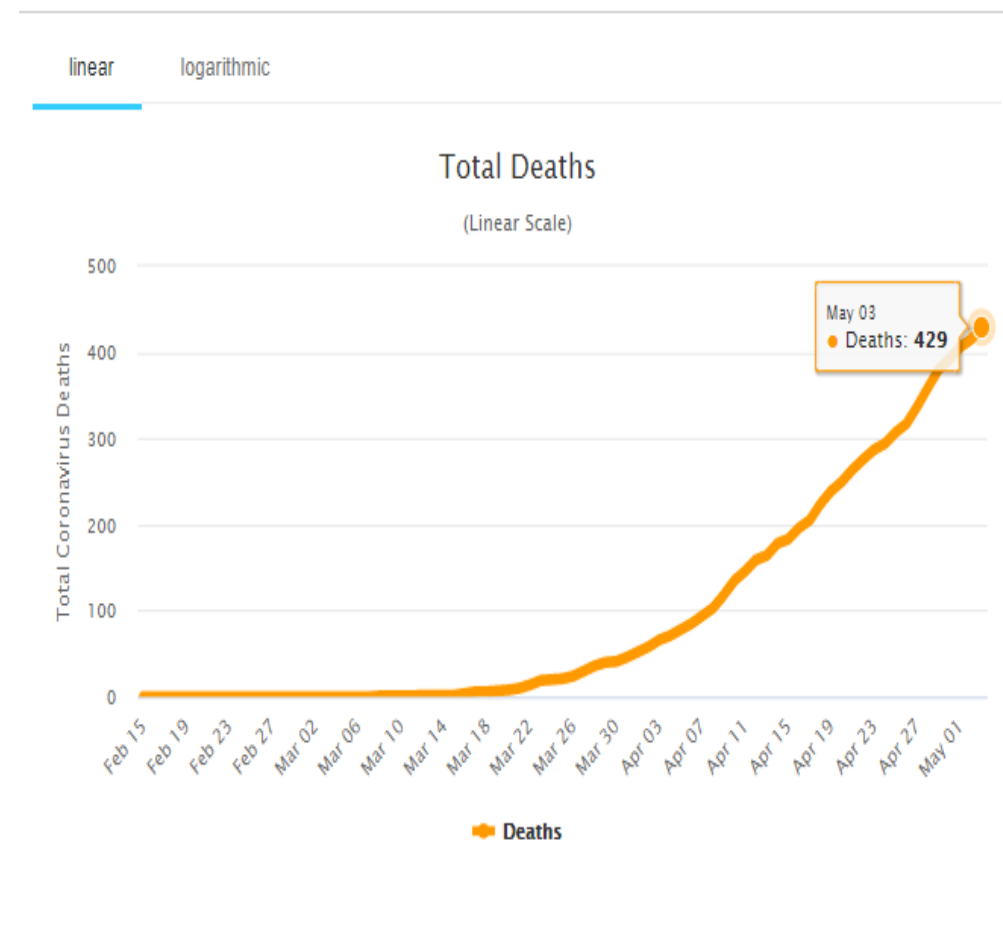
Source: <https://www.worldometers.info/coronavirus/country/egypt/>

Seeking IMF support

- The GoE also turned to the International Monetary Fund (IMF) for support in the form of a one-year “rapid financing” facility (RFI) to help address shortfalls in the country’s balance of payments, in addition to a separate stand-by funding arrangement (SBA) to support fiscal reform. It remains to be seen where the funding will be allocated as Egypt looks to weather this unprecedented global storm. The GoE’s resort to the IMF also aims to assure investors that Egypt’s economic reform program is on the right track.
- According to press reports, the GoE will receive USD 2.7 billion from the IMF on April 11 as a first tranche of funding. The second tranche is expected to arrive in June 2020. The Institute of International Finance (IIF) expects the IMF to lend Egypt a total of USD 8.4 billion through the RFI and SBA facilities, including a USD 2.8 billion loan (100% of quota) under the RFI to allow the GoE to bolster health and welfare spending, provide relief to SMEs, and bolster foreign reserves. According to IIF, the IMF will likely approve a two-year SBA giving Egypt access to funds worth 200% of its quota (around USD 5.6 billion). The figure Egypt receives from the SBA will depend on financing needs, repayment capacity, and Egypt’s track record on using previous IMF funds. However, the conditions are expected to be less stringent than under the recent USD 12 billion IMF extended fund facility, with the SBA having a shorter repayment period and fewer conditions.
- From its part, the World Bank recently allocated USD 7.9 million to fund Egypt’s COVID-19 emergency response measures.

Strategic investments

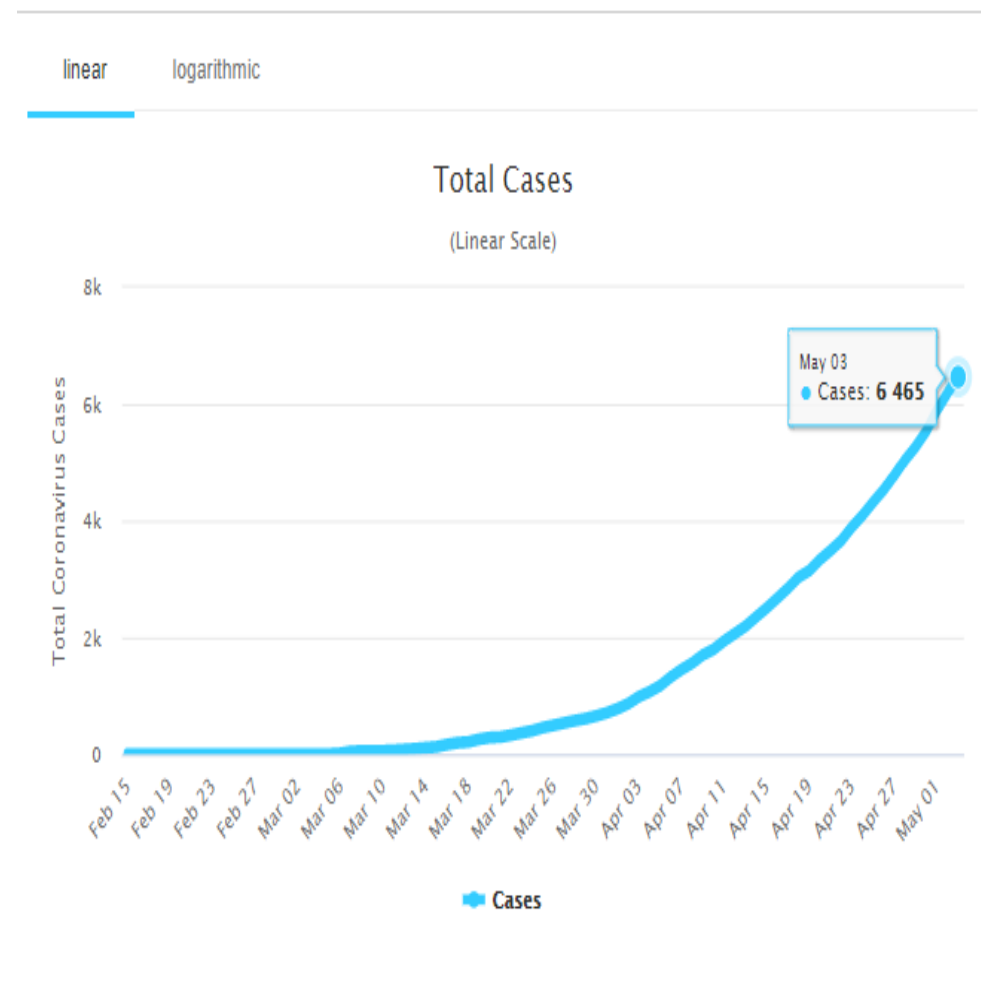
- The GoE signaled its intention to adopt a more strategic approach to enhancing Egypt's education, healthcare, and R&D sectors through a substantial increase in spending on each of these sectors in the FY20-21 budget. This is a positive sign for investors on Egypt's priorities and ability to adapt to the requirements of a post-COVID-19 world. It remains to be seen whether this shift will impact the GoE's huge spending on construction projects and whether it will lead to a review of the current role of the state in the economy.
- The Cabinet of Ministers approved a request to the World Bank for an increase in the funding package allocated from the Bank (USD 250 million) to support Egypt's new comprehensive health care system, to USD 400 million. The funding is will support Egypt's efforts to upgrade hospitals and enhance coverage for the most vulnerable groups across governorates.
- The GoE's recent decisions to rollback restrictive measures and reopen the economy attracted some praise but also subjected it to criticism for adopting what some consider an "ill-timed risky strategy" of conflicting signals. For example, opponents of the decisions maintain that while the GoE's statements continue to urge citizens to adopt physical distancing measures, the curfew regulations adopted during Ramadan have in fact encouraged social gatherings. The opening of malls and retail outlets throughout the week, while at the same time extending the closure of mosques and churches, were also highlighted as "inconsistent policy."



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

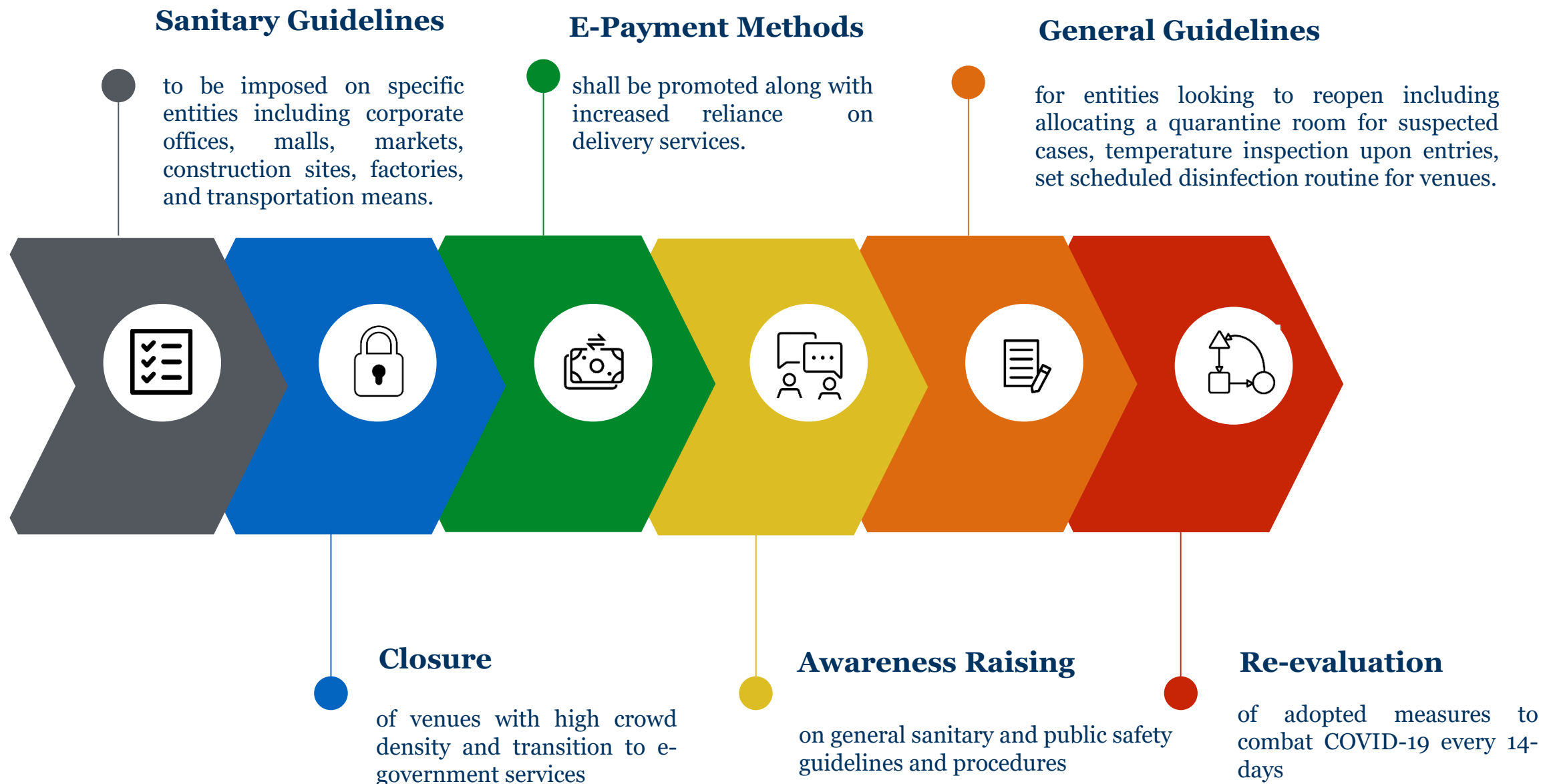
Upsurge in COVID-19 cases

- The GoE continues to come under heavy pressure from members of the House of Representatives and business leaders to expand testing methods for COVID-19, particularly as the Government seeks to re-open the economy.
- The relaxing of restrictive measures comes at a time when the curve of confirmed COVID-19 cases in Egypt continues to rise, further indicating that Egypt has yet to reach its peak in COVID-19 infections.
- On May 5, Egypt witnessed its highest daily increase in COVID-19 cases (388 cases) since the beginning of the crisis. The number of confirmed COVID-19 cases in Egypt, which is expected to rise in the coming period, reached 7588 on May 6. On April 23, the number of infected cases stood at 3891. Thus, the number of COVID-19 cases in Egypt have nearly doubled within 2 weeks, and quadrupled in one month (1699 infected on April 9.)
- In the meantime, the GoE began announcing its evolving “**co-existence**” strategy with COVID-19.



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

GoE's Co-Existence Strategy with COVID-19



Economic indicators

- On May 5, 2020, the Minister of Finance warned that Egypt's budget deficit could widen to 7.8% of GDP in FY2020-2021 if the COVID-19 crisis continues until the end of the year. The GoE had expected to narrow the deficit to 6.3% in FY2020-2021. The minister did, however, signal slight improvement on previous budget forecasts released in April, adding that the primary surplus is expected to fall to 0.6% in the coming fiscal year if the crisis continues through to December, compared to the 2% surplus currently expected by the GoE. Accordingly, debt would also rise to 88% of GDP under this scenario from current projections of 83%. This indicates the GoE belief that the short-term impact of the pandemic on public finances may not be as severe as previously thought.
- On May 3, the Minister of Planning and Economic Development revised downward the government's growth outlook for FY2020-2021 to 2% from 3.5% should the COVID-19 pandemic continue into December. She added that private sector investment may also fall by up to 30% in FY2020-2021 if the crisis extends to December. With a 33% increase in state investment to EGP 281 billion allocated in the draft FY2020-2021 budget, the GoE expects EGP 740 billion in total investments in the coming year.
- [According to IHS Markit's purchasing managers' index \(PMI\)](#), non-oil business activity in Egypt fell to an "unprecedented rate" in April as Government measures to stem the COVID-19 outbreak caused a "severe decline" in business conditions. According to the report, the PMI gauge fell to a record low of 29.7 in April, down from 44.2 in March as output, new orders and exports plunged due to muted demand. (PMI readings above 50.0 indicate expansionary activity, while a reading below means it is contracting.)
- Low demand and falling output is forcing businesses to make cuts, including reducing input spending and labor costs. Furthermore, April saw an acceleration of layoffs, causing employment to decline at the fastest rate in over three years. The cutbacks resulted in input costs rising at the slowest pace since the survey began in 2011. Falling foreign sales and tourism contributed to a decrease in purchasing activity at the start of 2Q2020. Supplier delivery time continued to increase, marking the second month in a row it has increased since April and the longest wait times recorded since October 2017. The slowdown has mostly been attributed to held up stocks at ports.

Emergency Law Updated

Emergency law updated

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

Emergency powers during pandemic

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

GoE's COVID-19 Response By Sector

Stakeholders leading Egypt's response

President
of the Republic

House of
Representatives

Prime Minister

Central Bank of
Egypt

ECONOMIC BRANCH MINISTRIES

SERVICES AND OTHER MINISTRIES



GoE decisions by sector

Health

- Quarantine specialized hospitals (QSH) assigned for COVID-19 cases in each governorate (27 in total).
- Hospitals used to isolate covid-19 patients have already reached full capacity. The Ministry of Health is considering plans that would phase out designated isolation centers and instead isolate and treat COVID-19 patients in hospitals that are open to non-infected patients. The Ministry issued an advisory to all private hospitals to create isolation wings that could house COVID-19 patients.
- 78 pulmonary hospitals currently being prepared as QSHs; 34 of which to start operations within 45 days.
- University Hospitals ordered to cut non-emergency admission to free beds for potential COVID-19 patients.
- University Hospital outpatient clinics ordered to cut their patient intakes by 50% and create specific, isolated facilities for patients emerging with respiratory problems.
- Self-sterilizing ambulances dispatched to transport infected patients to QSHs.
- COVID-19 testing continues to be limited to government healthcare facilities only.
- Body temperature checkups conducted on travelers across airports, state institutions and construction sites.
- Mandatory 14 day quarantine for anyone returning to the country from foreign travel.
- All mild-condition/asymptomatic COVID-19 patients may be transported to pre-prepared and quarantined public university dormitories, among other locations.
- Outpatient private clinics ordered to close nation-wide. To be used for ICU operations as required.
- Pharmacies permitted to dispense three-months of medical supplies for chronic illness beneficiaries of the public healthcare insurance program.

GoE decisions by sector

Health

- The use of face masks by employees is strongly encouraged.
- Smoking of water pipes (*shisha*) is prohibited in public areas.
- Outpatient private clinics ordered to close nation-wide. To be used for ICU operations as required.
- Pharmacies permitted to dispense three-months of medical supplies for chronic illness beneficiaries of the public healthcare insurance program.
- Construction companies required to monitor their workers' temperatures and provide them with face masks and disinfectants as precautions against COVID-19. Ambulances will also be required to remain on sites that have more than 100 workers.
- Mothers benefitting from programs to expand access to baby formula also be allowed to stock up.
- Plasma therapy trials approved for COVID-19 patients using plasma extracted from recovered cases.
- The first shipment of *Remdesivir* is ordered (funded by the WHO). *Remdesivir* is a broad-spectrum antiviral medication developed by the biopharmaceutical company *Gilead Sciences*; currently being tested as a specific treatment for COVID-19.
- E-Payments were introduced as a payment method for all healthcare services in public hospitals.

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

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

GoE decisions by sector

Health

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

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

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

GoE decisions by sector

Central Bank of Egypt

- Interest rate was cut by 300 bps on March 16, 2020. CBE's deposit rate fell to 9.25% from 12.15%; in single digits for the first time since March 2016. The Bank's lending rate is 10.25%. The main operation and discount rates are both at 9.75%. (CBE left rates on hold during its previous meetings, having lowered them by 450 bps between February and November 2019).
- The Governor of the CBE explained that the rate cut was "a sacrifice to the economy" and aimed to lend additional support to public and private companies, including by enabling them to preserve profits. The measure also aimed to lift the pressure on the Ministry of Finance by providing it with additional financial resources to pump in various sectors of the economy.
- CBE's Monetary Policy Committee meeting on April 2nd maintained the current interest rates. The Committee is expected to meet on May 14 to review interest rates.
- Egypt's foreign reserves have decreased by USD 5.4 billion, reaching USD 40 billion by end of March 2020.
- EGP 20 billion pipeline were extended to the Egyptian Stock Market.
- CBE launched an initiative for credit defaulters of loans less than EGP 1 million; on the condition of paying 50% of the dues, the CBE will lift defaulters from the credit probation list until March 2021. The initiative will benefit 940,000 customers with a total of EGP 11.3 billion.
- EGP 50 billion have been allocated to support the tourism sector, including to support affected hotels.
- Interest rates under the CBE Tourism Sector Support Initiative were reduced to 5% (previously 8%).
- Lending rates for industrial and housing finance were reduced from 10% to 8%.
- SMEs and other credit facilities installments were postponed for 6 months, subject to individual and corporate loans.

GoE decisions by sector

Central Bank of Egypt

- ATM withdrawal fees were waived temporarily.
- Third party online transaction fees between local banks were waived.
- Under pressure from the business community, the CBE raised as of April 24th the withdrawal and deposit limits imposed on corporations and enterprises at the end of March. The limits on withdrawals via ATM machines increased from EGP 5,000 to EGP 20,000, while the deposit/withdrawal rates for transactions via bank branches have increased from EGP 10,000 to EGP 50,000.
- On April 16, the CBE circulated a [note to banks](#) regarding the mechanism of repayment of interest calculated over the postponing period of credit dues

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

(CBE statement on March 16, 2020)

GoE decisions by sector

Finance

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

GoE decisions by sector

Finance

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

GoE decisions by sector

Finance

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

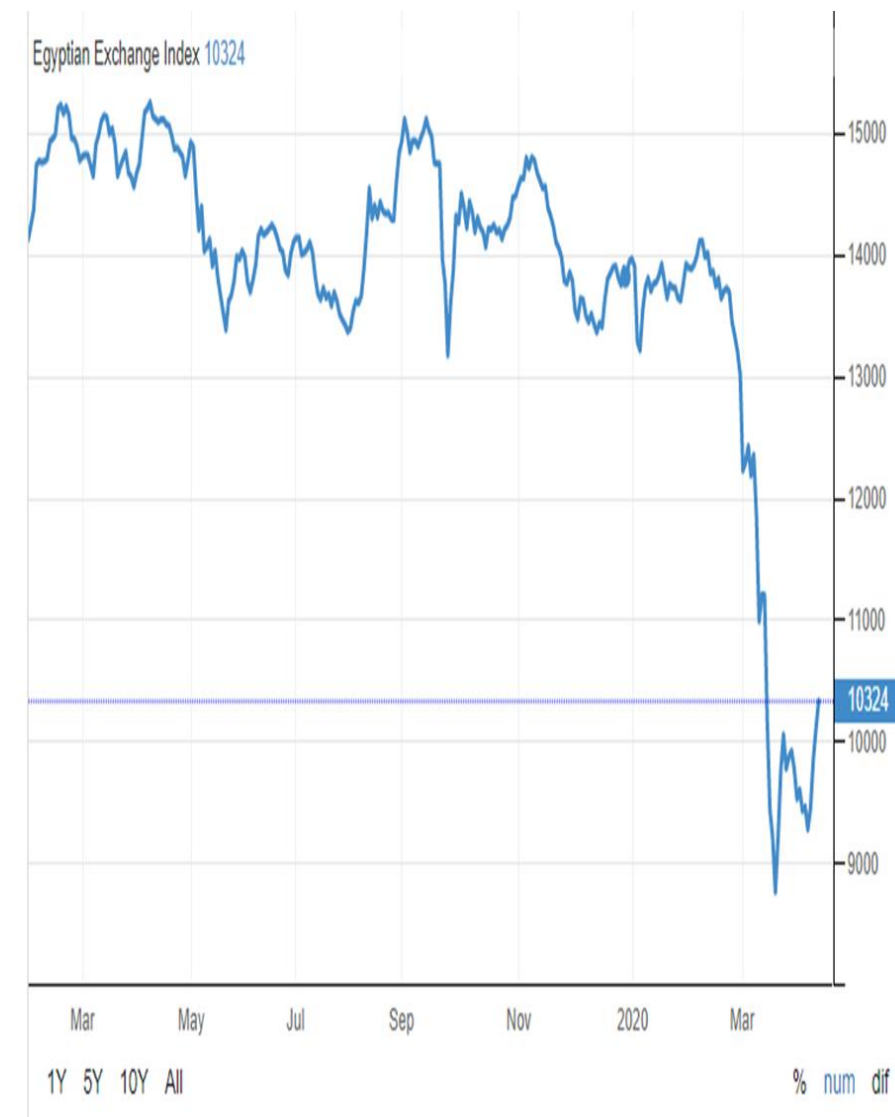
GoE decisions by sector

Financial Regulatory Authority

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

Egyptian Stock Exchange

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



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

GoE decisions by sector

General Authority for Investments and Free Zones

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

Ministry of Manpower

- Public sector daily workforce reduced by 50% on rotational basis.
- The GoE began distributing the second unemployment benefit payment of EGP 500 to seasonal workers registered in the database of the Ministry of Manpower through post offices and selected banks. The GoE previously announced that such payments would be disbursed for 3 months, ending in June 2020.
- The Ministry resumed the issuance of work permits for foreign residents.

GoE decisions by sector

Education

Higher Education

- Closure of all nurseries, K-12 educational facilities, universities, and educational centers continues across Egypt.
- Primary and middle school students exempted from mid-term and end of year examinations.
- Preparations for other exams are in order. Exams for higher education students postponed to May 30, 2020.
- The Ministry of Education launched a new digital library available for free to every student with learning material (digital objects) extracted from EKB and sorted out/assembled for G1-G12 students in both Arabic and English.
- Ministry of Education deployed a customized version of the Edmodo Learning Management System at around 55,000 schools and train teachers to create their own virtual classrooms and invite their own students.
- The Ministry of Education considering new measures for teaching in public schools in the fall, including a rotation system for schools that would see a six-day school week with students divided into three groups, each of which would spend two days in the classroom and four days learning from home each week.

Ministry of Social Solidarity

- Sixty thousand households were added to Takaful & Karama benefit program. An additional one hundred thousand households will be added in FY21. Budget for the program will increase to EGP 19.3 billion, compared to EGP 18.5 billion.
- Payments to women leaders in rural areas increased to EGP 900 per month (up from EGP 350) to ensure gender equality.

GoE decisions by sector

Ministry of Petroleum

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

Ministry of Electricity

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

Ministry of Housing

- Completion of the first phase of the New Administrative Capital postponed (from June 2020) to 2021.
- The Ministry announced the expansion of social housing mega projects to include 250,000 units beside 100,000 units dedicated to inhabitants of endangered areas. Total cost of EGP 40 billion.

GoE decisions by sector

Ministry of Aviation

- All international aviation in/outbound Egypt is suspended. Cargo operations are not affected by the suspension.
- Egypt Air accepting bookings for its flights as of May 15.
- Loans to be provided for impacted airlines, with a two-year grace period for the industry

Ministry of Transportation

- Cairo metro continues to run on an amended schedule. Measures in place to avoid passenger crowding.

Ministry of Tourism

- The inauguration of the Grand Egyptian Museum has been postponed to 2021.
- Hotels will be permitted to receive guests as of May 15 on the condition they take precautionary measures against the spread of COVID-19. Hotel operators will be capped at 25% capacity for the first two weeks of the re-opening before increasing this to 50% by June 1st. Precautionary measures include; installing sterilization equipment, screening incoming guests for high fever, limiting reservations to online bookings, and refraining from hosting weddings, entertainment events or offering *shisha* on-site. Doctors must be stationed at the premises. Hotel employees must be tested when entering resorts and all hotels will need to have a designated quarantine area to house people suspected of carrying the infection. Hotels found in violation of these measures will have their licenses revoked.

GoE decisions by sector

Ministry of Defense

Ministry of Military Production

- Army deployed troops from its chemical warfare units to deep clean GoE institutions, universities and metro stations. Tens of thousands of government offices, places of worship, schools and public gathering spots have been disinfected by sanitation crews.
- Increased preparedness of 45 military hospitals with a capacity of 12,300 hospital beds, including 1870 ICUs and 1,100 ventilators
- Dedicated 22 quarantine hospitals with a capacity of 4000 hospital beds, including 300 ICUs and 140 ventilators for the civilian sector
- Prepared 4 field mobile hospitals with a capacity of 502 hospital beds
- Dedicated 11 mobile labs with a capacity of 2,200 tests/day
- Prepared 1000 ambulances including 472 ICUs with a total evacuation capacity of 4000/day
- Expanded medical masks supply chains in military production factories to produce 100,000 medical masks/day by end of April 2020, while maintaining a strategic reserve of 5 million masks
- Military production factories producing ethyl alcohol at 10 tonnes/day.
- Production of hazmat suits with a capacity of 1000 suit/day
- Distributed face masks for citizens in public transportation and other areas

Ministry of Supply

- Securing strategic goods reserve sufficient for at least 9 months

GoE decisions by sector

Ministry of Trade & Industry

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

MSMEs law adopted

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

Definitions in the Law

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

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

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

MSMEs law adopted

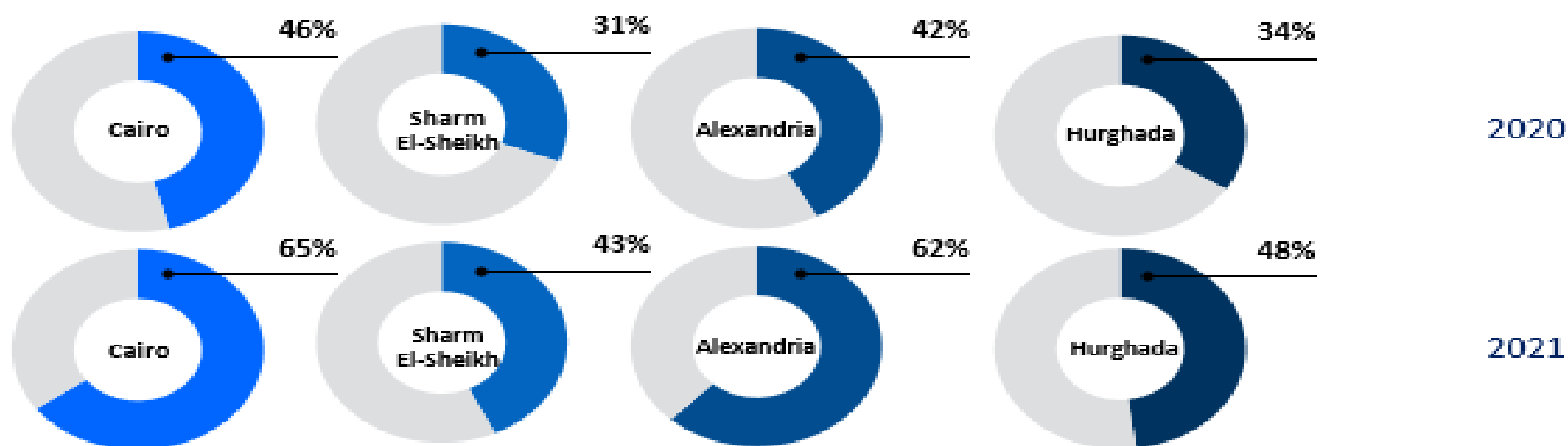
- The law highlights the main sectors targeted for paced-growth by the GoE, mainly focusing on labour-intensive and ICT sectors.
- The law authorizes reducing both bottom/top line for annual revenues, paid-in capital, or invested capital by a maximum of 50 percent and to add or state any other specifications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

Snapshot on Selected Impacted Sectors

Snapshot: Tourism

- The tourism sector, and its associated industries including travel, hospitality and attractions, has been hit the hardest during the COVID-19 crisis. Expected losses, at least until August 2020, will exceed EGP 80 billion (USD 5 billion).
- According to the Central Authority for Public Mobilization and Statistics (CAPMAS), the tourism sector represented, in FY2018-2019, 2.8 percent of total GDP and employed 3.1 percent of the total number of employees in Egypt. Tourism revenues represented 16 percent of total current account receipts during the last financial year, making it the third highest source after remittances and non-petroleum exports.
- The Egyptian tourism industry has been reportedly losing approximately USD 1 billion per month since the beginning of the crisis, while the aviation sector has reported losses of EGP 2.3 billion (USD 143 million) in March only.
- With a total number of 220,000 hotel rooms across Egypt, the industry is currently preparing for gradual reopening with 25 percent of its capacity until the beginning of June, which it would expand to 50 percent.
- Experts predict a slow revival of the industry due to the current travel restrictions and the lingering psychological impact of health risks associated with travel. Colliers International has provided the following [projections](#) on hotel occupancy rates in various Egyptian cities during 2020 and 2021:

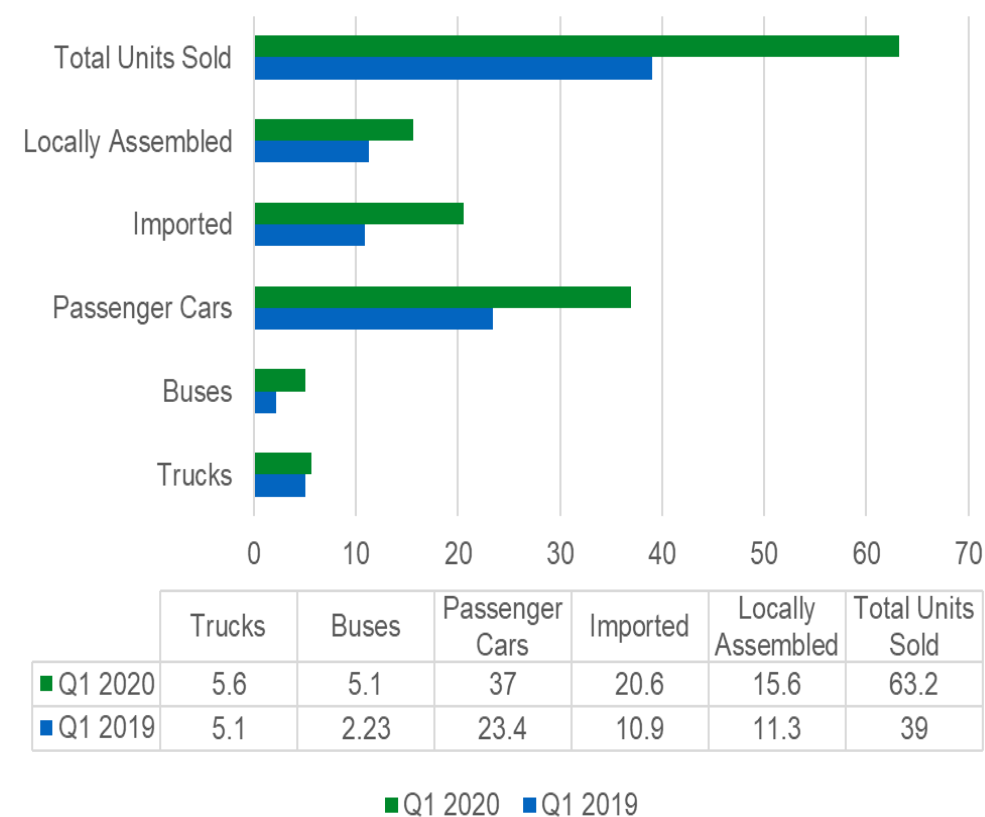
Expected Hotel Occupancy Rates 2020-2021



Snapshot: Automotive

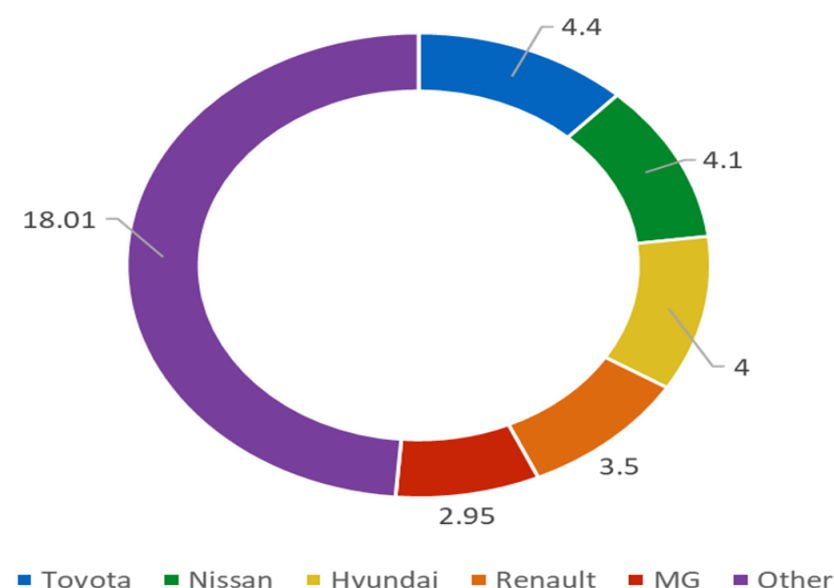
- Prior to the COVID-19 lockdown, Egypt's automotive industry recorded a notable growth of 62 percent y-o-y during January/February 2020.
- The COVID-19 crisis has severely impacted the industry leading to a recorded decline (60-70 percent) in sales by major dealers across Egypt with the implementation of physical distancing measures, including the suspension of licensing and registration services (which have recently resumed.)
- While a surge in vehicles demand is expected as the economy begins to open up, the automotive industry will continue suffering from disruptions in global supplies of vehicles and components locally used in their production. Furthermore, the priority placed on expediting the release of imports of medical equipment in customs will also impact the market. As a result, an increase in car prices in the Egyptian market is projected, at least during 2Q and 3Q of 2020.
- On the other hand, the GoE is in the process of finalizing its long-awaited automotive strategy to boost Egypt's local industrial capacity. The strategy is expected to include notable changes in the vehicles' import customs scheme, as well as the relevant taxes scheme to support an industrial promotion fund. Additional incentives will also be provided for locally produced vehicles according to specific gross domestic components requirements.

Automotive Sales (Thousand Units)



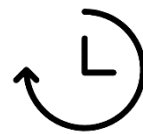
Source: AMIC Egypt, [May 2020](#)

Passenger Cars Sold Q1 2020 (Thousand Units)



Partial Curfew Regulations

An Update

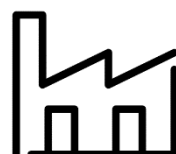


Two-week

overnight curfew from 9 PM - 6 AM ending on May 7, 2020
(subject to renewal or expansion)



Shops and retail stores,
including malls, may operate 7 days a week.
Ordered to close between 5 PM - 6 AM



Factories

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



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



Exemptions

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



Restaurants

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

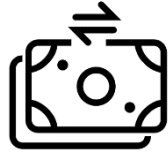


Hospitals

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

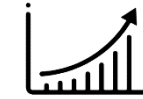


**Media professionals, e-commerce couriers, delivery
personnel and industrial workers**
are allowed to move freely during the curfew



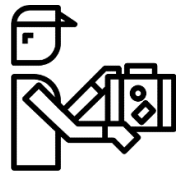
Banking sector

working hours: Employee working hours between 9 AM - 2 PM.
Banks are open to the public 9:30 AM - 1:30 PM.



EGX

trading day shortened: 10 AM - 1:30 PM.
Price discovery will begin at 9:30 AM.



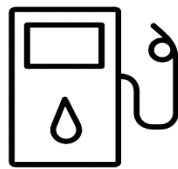
Customs Authority

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



The GoE

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



Petrol stations

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



Penalties

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

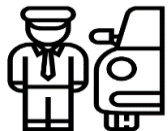
Resumed GoE Services



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



Work Permits
to be issued by the
Ministry of Manpower



Registration of
new vehicles



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



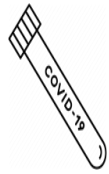
Courts
operational for
inheritance
hearings only.
State Council to
resume operations
in the coming days

Recommendations

Recommendations



The GoE may consider adopting a **cautious approach** on lifting restrictive measures. Given the uncertainty surrounding the pandemic's economic and health implications and the development of a vaccine, as well as the notable upsurge in COVID-19 infections in Egypt on the other hand, the GoE is advised to think thoroughly any future decisions lifting already existing restrictive measures, at least until there's a decline in new cases, COVID-19 testing measures are ramped up, and aggressive contact tracing and stricter violation measures for people exposed to the virus are put in place.



The GoE is advised to reconsider its current **COVID-19 testing strategy**. To reopen the economy, we need to ensure that we are testing enough people to detect emerging hot spots and intervene quickly, as well as enhance the health and safety of citizens and businesses. A sustained rapid scale of GoE monitored testing of COVID-19, in government and non-government facilities, is needed. It is also important for Egypt to invest in its future needs for testing kits on a medium-long term basis as it develops its containment measures for next waves of the pandemic, including in the fall of 2020.



The GoE is advised to consider **reassessing its decision to open hotels** on May 15, at least until progress is achieved on containing the pandemic's spread. There are major reputational risks associated with this decision not only to hotels but to Egypt's tourism industry as a whole. Instead, the GoE is urged reassess its priorities on the sectors that may be opened up in the upcoming period to boost the economy.

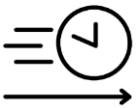
Recommendations



The GoE is encouraged to intensify current **awareness raising campaigns** on the importance of physical distancing and other measures to combat COVID-19. The responsiveness of significant portions of the population to the GoE's physical distancing guidelines has not been adequate, which adds an additional burden to the challenges facing Egypt in responding to the spread of the virus and re-open up the economy. Calling on citizens to wear face masks in public areas and while using transportation means is also encouraged.



The GoE may consider expediting the implementation of the amended **MSMEs law** as well as the **automotive industrial strategy** to enhance Egypt's entrepreneurship and industrial potentials, increase government revenues, and attract foreign investments.



The GoE is advised to expedite the **automation of government services** in different sectors, in addition to the implementation of the Digital Transformation and Restructure Project of Public Sector Enterprises to limit losses and enhance productivity during the crisis.



The GoE is advised to **communicate** to the public, in the clearest possible terms, the economic impact of COVID-19 and the GoE's plans to finance the needs of the pandemic and its economic repercussions. Enhanced transparency is an effective tool to counter rumors surrounding the current business environment.

Thank you

www.lynxegypt.com info@lynxegypt.com 4 Latin America Street, Garden City, Cairo +2 02 27944331