

Egypt's Africa Connection

AFTER DECADES OF NEGLECT, EGYPT IS REVIVING ITS IDENTITY AS AN AFRICAN NATION AND PIVOTING TOWARD THE CONTINENT.

At a Glance: Egypt

\$8 bn

FDI investment in 2019.

10% of the world's trade

Passes through the Egypt's Suez Canal.

300,000

Egyptians graduate from University every year.

In partnership with



Egypt's assumption of the presidency of the 55-member African Union in February 2019 marked a turning point in the country's relationship with Africa. At a time when the continent has been attracting attention on all fronts—from former colonial powers leveraging their historical ties to new investments by the Middle East's oil-rich monarchies, amid an influx of Chinese contractors—Egypt is mobilizing from within.

The country last held the annually rotating presidency to raise its profile as an African nation more than half a century ago. Then-leader Gamal Abdel Nasser played a central role in influencing Africa's nationalist movements in their fight for independence from European colonial rule. Egypt was a founding member of the pan-African Organization of

African Unity in 1963, relaunched in 2002 as the African Union to refocus attention from decolonization toward increased cooperation and integration to drive growth.

Since then, however, Egypt has made only sporadic commitments to the continent. On paper, it is a member of the Common Market for Eastern and Southern Africa (COMESA), one of a number of African trade agreements. It is also one of more than 40 countries that have ratified the African Continental Free Trade Area (AfCFTA)—created by the African Free Trade Agreement—which would see COMESA merge with other African trade blocs to create the world's largest free trade area. According to an IMF report in May¹, once fully implemented, the agreement would cover all 55 African countries, with a combined GDP of \$2.2 trillion and a market of more than 1.2 billion people.

In practice, such agreements are yet to bear fruit. Data from the U.N. Conference on Trade and Development show that intra-African trade, defined as the average of intra-African exports and imports, stood at just 2% of total African trade during the period 2015–2017, compared with 47% for America, 61% for Asia and 67% for Europe.² As a result, the continent has missed out on the economic booms that other trade blocs have experienced in recent decades.

What this means is that access to a vast economic bloc—indeed, to the world's youngest continent³—with limited trade barriers offers a plethora of opportunities for Egypt's new policy of rapprochement.

Egyptian involvement in Africa is already expanding. Tanzania's \$3 billion dam on the ►

¹ www.imf.org

² unctad.org

³ www.weforum.org



Q&A

Hussein

Majid Abaza

CEO OF COMMERCIAL
INTERNATIONAL BANK

Commercial International Bank, Egypt's biggest private lender, is leading digital transformation in Egypt's banking sector. Since the pandemic, the bank has introduced a comprehensive suite of digital payment solutions that reduce the need to use cash and visit branches.

How has the pandemic accelerated innovation?

Our early adoption of digital banking has been invaluable in ensuring business continuity and has served as a crucial advantage as we responded to the restrictions and changes caused by the pandemic. We have been at the forefront of Egypt's financial inclusion efforts with the national Meeza prepaid and debit cards, which allow customers to withdraw cash from ATMs, conduct purchases and perform e-commerce transactions.

Tell us some key initiatives

We enhanced our existing platforms to accommodate

the influx of new users. We created offline requests to allow clients to perform more transactions through online and mobile banking services, significantly reducing the number of trips customers have to take to our branches.

CIB is also constantly developing payment services through its mobile application, CIB Smart Wallet, for both banked and unbanked segments of the population, allowing them to pay bills, buy from merchants using QR codes, shop online and send money to other wallet holders in Egypt with relatively low fees.

How has CIB's operations been affected?

CIB ranks No. 1 for domestic digital transfers and government e-payments, and has a market share of 25% in both internet and mobile banking. A large number of customers were using digital products before the pandemic, eliminating the Covid adoption stage and reducing the number of issues faced, and

the need for face-to-face interaction in branches.

How is CIB positioning itself for growth in a post-Covid world?

We need to ensure we are agile and nimble as an organization, and able to harness shifts in technology and respond to the evolving preferences of clients in all segments. In a post-Covid world, we will continue to expand our digital offerings.

We have embraced the alphabet of the future—ABCD: artificial intelligence, block-chain, cloud and data. The future is digital and remote banking. ■

At a Glance: CIB

1.4+ m

Clients

6,900

Employees

EGP 122 bn

Market Cap

207

Branches

Rufiji River is being built by two Egyptian contractors, for example, while financial services firm EFG Hermes has a strong brokerage presence in the local markets in Kenya and Nigeria. More private capital is on its way; Egyptian food producer EDITA is in the process of building a snack food manufacturing facility⁴ in Morocco.

Encouraged by high growth rates coupled with underdeveloped infrastructure, particularly in power, water and rail, Orascom Construction is increasing business in untapped markets in the continent. The company has begun constructing the Jiji and Muluembue Hydropower Plants in Burundi, scheduled to be completed by 2023, and on the Ivory Coast, its partially owned Besix subsidiary is building one of the largest water treatment plants in West Africa.

In the banking sector, CIB, Egypt's largest private-sector bank, established a presence in Kenya this year⁵, acquiring 51% of Mayfair CIB Bank Limited. Its first cross-border operation, the move is in line with CIB's mandate to explore and assess opportunities in Africa, building a bridge for Egyptian customers to benefit from regional integration efforts across the continent and from the prospects available through COMESA and AfCFTA. CIB brings its technical expertise, experienced know-how and vast correspondent banking network, while Mayfair Bank, via its existing shareholders, will provide the local knowledge and navigation vital to success. The bank's aim is to widen the trade corridor between Egypt, Kenya and neighboring countries and facilitate the presence of Egyptian and international corporations with interest in Kenya, while contributing to the growth of ►

⁴ en.yabiladi.com

⁵ www.theafricareport.com

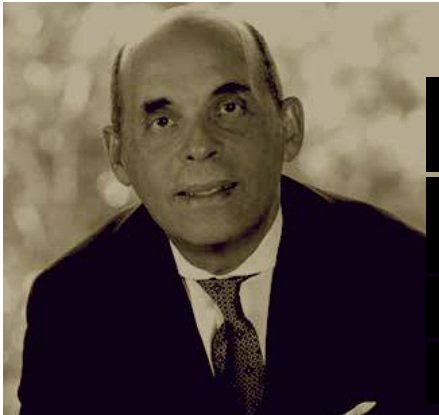
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Q&A

Tarek Fayed

CEO OF BANQUE

DU CAIRE

Banque du Caire (BDC), one of Egypt's largest banks, operates a network of 240 branches and banking units that serve some 3 million customers across the nation. The state-owned lender is recognized for its pivotal role in injecting liquidity to support the national economy across all sectors, with a focus on small, medium and large enterprises.

How has the sector evolved? The Central Bank of Egypt (CBE) has made comprehensive efforts to strengthen the Egyptian banking sector. A restructuring program, partially built on the basis of having well-capitalized banks, facilitated consolidation and M&A to improve fundamentals among the nation's financial institutions.

The other pillar was reforms to improve operating and credit conditions, along with supporting the economic recovery. CBE initiatives to improve the business environment include liberalizing the currency; a financial inclusion program that supported SMEs and other, non-banked customers; and legislative amendments, such as ratifying the New Banking Act.

The undeniable impact of Covid-19 on the banking sector has accelerated the adoption of digitalization, as the CBE launched several initiatives to entice banks to move forward with more digital services, especially with regard to electronic payments. That was coupled with the new CBE law that introduced several technological and digital means that will help with the digital transformation of the banking and financial sector in Egypt.

How has Covid-19 impacted the economy? All three rating agencies—Standard & Poor's, Moody's and Fitch Ratings—reaffirmed Egypt's sovereign evaluation and credit rating thanks to economic reforms carried out by the government that allowed for a rapid and effective response in dealing with the coronavirus outbreak.

These reforms have been accompanied by a massive increase in spending on health care; the expansion of cash transfer programs to include a larger number of beneficiaries; and, in accordance with the CBE initiative, the creation of new programs to support seasonal workers whose daily earnings have been decimated by the crisis.

What have been key achievements in 2020?

The bank continues to achieve positive results and record strong growth rates. The net interest margin (NIM) increased to 5.9% recording EGP 7.5bn in Q3 2020, compared to EGP 6bn or 5.1% in the same period in 2019, reflecting a growth rate of 25%. The bank will continue to implement its precautionary policy, by strengthening allocations for credit losses with the addition of about EGP 1.7bn, which led to achieving net profits about 2.52 billion despite the repercussions of the Covid 19 epidemic.

Banque du Caire has targeted high growth rates across various sectors during 2020, strengthening its role in retail banking, arranging financing for megaprojects and securing SME funds. ■

At a Glance: Banque Du Caire

3m

Customers

240

Branches and banking units

EGP 194bn

(\$12.32 billion) in assets

Kenyan corporates and SMEs. Banque du Caire, meanwhile, has established a subsidiary in Uganda as it seeks to expand its presence across the continent⁶.

Egypt, bolstered by its advantageous location, is also positioned as the gateway to Africa through trade and technology, strong international and domestic transport links, existing trade agreements and its megaprojects, such as the new administrative capital and developments at the Suez Canal.

The canal, through which almost 10% of world trade passes⁷, connects Europe to Africa, and Asia to Africa. This geo-economic advantage is set to be further boosted by the 460-square-kilometer Suez Canal Economic Zone, which aims to bring in foreign investment for export-oriented industries and transform the country into a global logistics hub. Established

as part of Egypt's Vision 2030 sustainable development strategy, the zone has four industrial areas and six seaports, and ongoing port expansion will enable it to take better advantage of the 18,000 ships that use the canal annually.

The country looks to enhance its intra-African relations, the Suez industrial and logistical hub is expected to create value chains across the continent, becoming a manufacturing and exporting base for commodities and raw materials from the region. Thanks to its pan-African trade agreements, Egypt has the potential to attract large pools of public- and private-sector investment from all over the world to drive new business in the continent.

For international investors, Egypt's attraction goes beyond its strategic geographical location. About half the country's 90 million ▶

⁶ www.kampalapost.com

⁷ www.reuters.com

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بنك القاهرة
Banque du Caire

people are under the age of 30, and its young and educated workforce provides a well-trained and highly competitive talent pool. Each year, approximately 300,000 Egyptians graduate from university—around 200,000 as trained engineers, and 15,000 with European language skills. IT and telecom, energy, building materials and pharmaceuticals are particularly strong skillsets among graduates⁸.

The country has long been known as a regional net exporter of educated and skilled labor, but as the economy expands, young Egyptians are increasingly opting to stay in their home country. Their passion and creativity, together with legislative support, is seeing Egypt aggressively staking its claim as one of the world's fastest-growing entrepreneurial hubs⁹.

Covid's impact notwithstanding, Egypt's economic climate has remained positive. In 2019, the country's GDP grew at the highest rate in a decade¹⁰. And foreign capital that was lost after the revolution in 2011—which was followed by regime change and terror attacks—is returning. Although annual foreign direct investment (FDI) halved to around \$5 billion in the past five years compared with \$10 billion seen in 2005–2010, as investors from the

U.S. and Europe retreated, FDI numbers have improved, hitting almost \$8 billion in 2019, a trend that should gain pace going forward.

Macroeconomic stability is being restored thanks to an IMF program the nation embarked on in 2016, which the institution has hailed as one of its most successful ever. The government won praise from international investors for enacting tough reforms, supported by a \$12 billion IMF loan package that concluded in November 2019. The three-year program focused on reviving the economy, and included a significant currency devaluation that is making Egypt an attractive hub for re-exports for multinationals.

Now that its African Union presidency has come to an end, Egypt's mission is to maintain its focus on Africa. In a post-Covid environment, where developed countries are struggling with low growth and unemployment, the time is ripe to continue this pivot toward emerging markets, to connect all the African countries and increase trade between them. Egypt has a vital role to play in the region in 2021. ■

8 www.investinegypt.gov.eg

9 www.wamda.com

10 data.worldbank.org



Q&A

Osama Bishai

CEO OF ORASCOM CONSTRUCTION



Orascom Construction is a leading global engineering and construction contractor active in the Middle East, Africa and the U.S. The company enjoys a leadership position in all major segments of the construction industry.

How has Covid-19 impacted operations? The safety and well-being of our people and communities have always been our top priority, and we took a number of immediate steps to ensure precautionary measures at our sites and offices in accordance with the highest standards.

We have reinforced our focus on important elements of our business, including project execution and controls, cash preservation and collection and cost optimization. We continue to be vigilant, and are confident in the long-term fundamentals of our markets.

Can you tell us about the Grand Egyptian Museum project? The GEM is an iconic project that will house Egypt's civilization of over 5,000 years. Once inaugurated next year, it will be the largest archaeological museum in the world.

What other key megaprojects are planned? The Cairo Monorail will be the world's longest monorail system. The first monorail line will extend 54 km from East Cairo to the New Administrative Capital and have 22 stations and

a depot. The second, 42 km line will connect the Giza Governorate to 6th of October City and have 12 stations and a depot, the first public transport link between the cities.

We are also involved in building a range of infrastructure and commercial projects for two new cities, the New Administrative Capital and Al Alamein; the former includes a 537m² opera house and cultural center, an Olympic stadium and large-scale government buildings.

The Group is building one of the largest water treatment plants in the world with a capacity of 5 million m³/day, and one of the largest wastewater treatments plants in Egypt that will serve 6 million people. In 2019, we delivered the first renewable energy project of its kind and size in Egypt—the Ras Ghareb Wind Farm, with a capacity of 262.5 MW.

What is the outlook for construction next year?

Egypt is the Middle East's most populous nation, with more than half its people under the age of 30 and significant requirements for infrastructure and industrial investment. Our competitive edge, business development

efforts and Egypt's solid market fundamentals have allowed us to secure a sizable inflow of high-quality projects and maintain a healthy project pipeline.

We expect continued investment across multiple sectors, including water, transportation, healthcare, new cities and data centers. We also anticipate more involvement from the private sector in the development of infrastructure, through public-private partnerships and build-own-operate structures. ■

At a Glance: Orascom Construction

60k

Employees worldwide

\$5.3bn

Backlog

Notable projects:
 Water mega projects
 Greater Cairo Metro
 World's longest monorail project
 Grand Egyptian Museum
 Two mega combined cycle power plants, 4.8 GW each