

The first Pan-Arab stock exchange for private sector companies soon in Egypt

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Egypt is a major contributor to intra-trade of the Common Market for Eastern and Southern Africa

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The 2nd Pollution Abatement Project

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A strategy for human resources development

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There's more than one way to invest in Egypt...



Mr. Ali Osman Hegab, Africa & Middle East Fleet Operations Manager - ExxonMobil Egypt S.A.E

" Its not about getting there, its about getting there safely... we believe we [ExxonMobil] can do it through right management commitment, through implementing Road Safety Programmes and through investing to carry out products to our customers", said Mr. Ali Osman Hegab

Speaking at Road Safety and Traffic Management 2006 – Organised by IEP

**Invest In Egypt Newsletter
Compiled & Produced By**

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COMMENT

Egypt's PM comments on emergency law

Prime Minister, Dr. Ahmed Nazif said that the Egyptian government expects to draft an anti-terrorism law within a few months, clearing the way for an end to emergency law in place for a quarter century. President Hosni Mubarak promised during his election campaign last year to replace emergency law with more narrowly targeted legislation but the government has not yet aired its substitute for emergency law, which Mubarak invoked after the assassination of President Anwar Sadat in 1981.

Abolition of emergency law, which enables the authorities to hold people without trial indefinitely, is the main demand of all major opposition groups including the Muslim Brotherhood, the largest opposition force in parliament. "We cannot take the risk of not having a legislative environment that would allow us to fight terrorism and combat it effectively," Dr. Nazif said in an interview with Reuters.

"They are both linked. We are now working on that law. We expect to have it out within the next few months," he added. Once it is passed, Dr. Nazif said, the state of emergency would be lifted. "It will go to parliament, parliament will have to ratify it and then we can end the state of emergency."

Dr. Nazif said Egypt still faced threats from militants seeking to destabilise the Arab country. "You need to strike a balance between an individual's human rights and freedoms granted to citizens, and on the other hand be able to do effective investigations on terrorist acts and combat terrorist networks," Dr. Nazif said.

The prime minister said his government wanted to see stronger opposition parties, which could pose an effective challenge to Mubarak's National Democratic Party (NDP). "We feel political parties in Egypt need to strengthen themselves a bit more. The ruling party is still dominant in politics in Egypt," Dr. Nazif said. Opposition groups say that on the contrary the government has suppressed liberal secularist groups, to the benefit of the Brotherhood, which the government refuses to recognise.

Dr. Nazif said he saw a chance that more than one candidate will be able to run in the presidential election in 2011. "We are hoping by then (2011) more than one political party in opposition will be strong enough to do this," he said. Because of the severe constitutional restrictions on candidacies, the ruling party's nominee would probably be the sole candidate in any presidential elections held before the next parliamentary elections, expected in 2010. "Part of democracy in Egypt is to ensure there is a secular, modern opposition in place within those parties," Dr. Nazif said.

EIU Ranking Egypt

The Economist Intelligence Unit has raised its ranking of Egypt's business climate by 16% for the forecast period 2006-10, compared with the past period covering 2001-05. The EIU has also raised Egypt's world ranking to 50th place, up by two spots. Out of the seven countries that comprise the regional area, Egypt remained firm at number four.

INT'L RELATIONS & TRADE

UAE activation of joint economic cooperation discussed

Minister of Investment, Dr. Mahmoud Mohieldin and Vice-President of the United Arab Emirates Sheik Mohammad Bin Rashid Al-Maktoum and the Ruler of Dubai discussed on 27th March 2006 ways of upgrading economic, trade and investment relations between the two countries with the aim of increasing trade exchange, and creating of more joint ventures.

A statement released by the Ministry of Investment pointed that the minister's meeting with senior officials in both Doha and the UAE is to follow-up President Hosni Mubarak's Gulf tour last February.

Qatari investment in Egypt limited

The volume of Qatari investment in Egypt is limited but could increase by leaps and bounds in the future with removal of several barriers.

Visiting Egyptian Investment Minister, Dr. Mahmoud Mohieldin stated that the investment figures, however, do not reflect the true level of Qatari-Egyptian friendship. He noted that last year, there was a spurt in investment, especially in the areas of real estate and tourism. He specifically mentioned the Thomas Cook project on the Nile Corniche and tourism projects in Sharm el Sheikh on the Red Sea.

The minister interacted with potential investors and officials of United Ahly Bank and discussed the prospects of investing in the Egyptian stock exchange. According to Dr. Mohieldin, Egypt was investing in assorted Qatari construction projects and that such investments would continue in the future.

Problems that had hampered investment in the past included vastly differing exchange rates offered by regular exchange houses and banks as opposed to the rates offered on the black market. He noted with satisfaction that the issue had since been resolved. Qataris and Egyptians would be glad to know that procedures on establishing a company had been simplified to the extent that a new firm could be set up in three days, thanks to the introduction of a single-window system. However, he added, a major issue continued to be the high air and sea freight rates, on transport of material between the two countries. Because of this, several deals have failed, he said.

Egypt keen on attracting more Singaporean Investment

"Egypt has a strong desire to promote relations with Singapore and is keen on attracting more Singaporean investments to the transport sector," said Minister of Transport, Eng. Mohamed Mansour in his meeting with Singaporean Minister of Trade and Industry Lim Hng Kiang on 28th March 2006.

On the other hand Egypt and Singapore agreed on to set up two companies; the first to produce methanol, known as

methyl alcohol, from natural gas, and exporting it to Singapore to be used in ethanol and propane industries. The second venture is establishing a company for petroleum drilling equipment and rigs, with the participation of oil companies in the two countries.

Minister of Petroleum, Eng. Sameh Fahmy and Singaporean Minister of Trade and Industry Lim Hng Kiang signed an agreement in this regard. The agreement will tap new markets for Egypt's natural gas, and increase job openings and the country's foreign currency resources, said Eng. Fahmy.

Meanwhile, the Singaporean minister voiced his country's keenness on enhancing cooperation with Cairo, particularly in the petrochemicals field.

Two Way Flow of People to Promote Malaysia - Egypt Relations

A major factor in promoting closer relations between Malaysia and Egypt is the two-way flow of people, says International Trade and Industry Minister Datuk Seri Rafidah Aziz. "Arrivals from Egypt, though relatively small, have been on an increasing trend," Rafidah said in her address to about 300 Egyptian businessmen at a seminar on "Malaysia-Egypt Business Opportunities".

Rafidah said for the first 11 months of 2005, Malaysia recorded 15 million tourists arrivals, of which arrivals from Egypt increased to 4,365 from 4,225 in the corresponding period of 2004.

“Egypt is a major contributor to intra-trade of the Common Market for Eastern and Southern Africa”.

The mission to Egypt is part of Malaysia's efforts to promote trade with Organisation of Islamic Conference (OIC) member countries. Rafidah said Egypt could serve as a strong partner in the Endeavour as the country is strategically located in the region with the highest concentration of Muslim countries.

The minister also took the opportunity to "sell" Malaysia further by promoting the "Malaysia -- My Second Home" Programme. She said Egyptian citizens are also welcomed to stay in Malaysia under the programme. "Under this programme, foreign nationals who meet the minimum criteria are issued a social visit pass, renewable every 10 years," she told the Egyptian businessmen. "Not only can they buy property in Malaysia, they can also bring along their dependants. This applies to all foreigners, irrespective of age," she added.

On Malaysia's trade with Egypt, Rafidah said it expanded by 24.2% to total US \$492.1 million last year compared to US \$396.2 million in 2004. Malaysia's exports to Egypt expanded by 24.6% to US \$455.3 million last year, while imports from Egypt increased by 19.3% to US \$36.8 million, she said. Malaysia's major exports to Egypt were palm oil, textiles and clothing, wood products, electrical and electronic products, and machinery, appliances and parts. The major imports from Egypt were manufactures of metal,

chemicals and chemical products, crude fertilizers and crude minerals, agriculture products, and textiles and clothing.

According to Rafidah, Malaysia is in a position to competitively supply a wider range of products and services to the Egyptian market. These include furniture, telecommunication equipment, building materials, pharmaceuticals, rubber products, automotive parts and accessories, household electrical and electronic products, information and communications technology (ICT) products, and food products. In recognition of Egypt's strategic importance in the region, Matrade opened an office in Cairo last year. Rafidah encouraged the Egyptian business community to use the services of Matrade's Cairo office to develop business ventures in Malaysia.

Egypt and UN sign cooperation strategy for the coming five years

Egypt and the UN have signed the UN development agreement for cooperation in the coming five years 2007 through 2011.

"The UN will offer about US \$300-400 million to development programmes," said Dr. Fayza Abul -Naga, Minister of International Cooperation, at the press conference held jointly with the United Nations Development Programme resident representative in Egypt Antonio Vigilante.

Dr. Abul-Naga added that the agreement falls within a mechanism adopted by the government to sign cooperation strategy agreements with donor countries over the coming five years.

Egyptian and Czech Prime Minister probe economic cooperation

Prime Minister, Dr. Ahmed Nazif had talks with visiting Czech premier Jiri Paroubek on economic cooperation. Speaking at a joint press conference with Paroubek, Dr. Nazif said the talks dwelt on means to beef up cooperation between the two countries in the various domains. The volume of Egypt-Czech Republic trade exchange is steadily on the rise, said Dr. Nazif, noting that some 170,000 Czech tourists visited Egypt over the past year. Dr. Nazif said he was invited to visit Prague in the autumn for further talks on economic cooperation.

Egypt and the Czech Republic are cooperating in the economic reform domain said Nazif, adding the Prague sought to draw on Egyptian expertise in implementing economic reform programmes, with social conditions taken into consideration. For this part the Czech premier said he discussed with Dr. Nazif trade and investment cooperation. An accompanying businessmen delegation has presented a number of investment projects in Egypt in communications, industry, pharmaceuticals and infrastructure, he said.

Egypt is a promising market for investment with its high calibre and cheap labour, the visiting Czech prime minister told reporters. Paroubek also hailed the recent reform measures adopted by Cairo to render the Egyptian market becoming for luring more foreign direct investments.

The Czech industry minister will visit Cairo in September to resume talks with the Egyptian side, he said. Dr. Nazif said there were promising opportunities for the two sides to increase joint ventures, with the private leading the way, especially in recycling cereals husk into organic fertilizers.

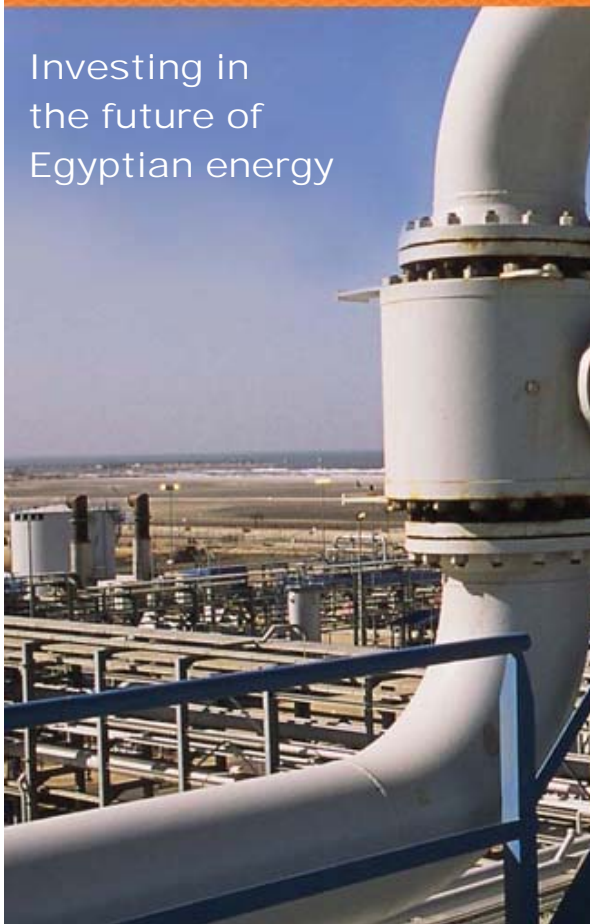
COMESA to establish common investment area

The 19-member Common Market for Eastern and Southern Africa (COMESA), the continent's largest economic bloc, is in the process of establishing a Common Investment Area (CIA) to harmonize investment policies, laws and regulations. A regional investment agency has been set up in Egypt to coordinate the establishment of CIA, said COMESA acting Secretary General Sindiso Ngwenya in Zambia's capital Lusaka. Ngwenya said COMESA is working towards making cross border investment in the region a reality as it is pushing forward to establish the Customs Union in 2008.

BG Group is one of the world's top performing energy companies. By 2006, BG Egypt aims to produce over a third of Egypt's total natural gas output. BG Egypt is involved in projects worth over \$4 billion. BG also distributes natural gas in Upper Egypt and with partners is exporting Egyptian liquefied gas to US and Europe.



Investing in the future of Egyptian energy



Syria and Egypt tightening relations

The Ministry of Economy and Trade has inked with Egypt's Ministry of Foreign Trade and Industry a memo of understanding for cooperation in field of World Trade Organization WTO agreements and to provide technical expertise related to the organization subjects.

Minister of Economy and Trade, Mr. Amer Hosni Lofy and his Egyptian counterpart, Eng. Rachid Mohamed Rachid inked the memo at the end of the first session of Syrian-Egyptian joint trade committee. The two sides also signed a minute of the trade committee meetings that included means of enhancing bilateral cooperation in trade fields and economic institutions in the both countries.

The minute called to formulate a joint committee concerned with finding ways of developing joint trade ties in the future in addition to trying to surmount any obstacles that prevent commodities pouring into each county's markets.

Meanwhile, Minister Lutfi talked with Egypt's Minister of Petroleum, Eng. Sameh Fahmy about aspects of bilateral cooperation between the two sisterly countries in field of oil and natural gas as well as means of developing cooperation in framework of signed accords on bilateral issues and as part of the Arab natural gas line project.

"The Council recommended to reach a suitable mechanism to facilitate procedures of releasing the initial and final bonds presented by the Egyptian side as guarantee for tenders announced in Syria in case these tenders didn't eventually go to the Egyptian companies," Hassan Zido, Head of the Syrian delegation to the Council meetings. He added that the two sides suggested giving incentives and privileges to export the Egyptian cars and trucks to Syria as well as facilitate measures of registering medicines in both courtiers.

"The Council also recommended facilitating exportation of the Syrian products, particularly textiles and wears, to the Egyptian side ... the two sides agreed to activate an agreement early signed to establish an Egyptian-Syrian Chamber and make use of the surplus quantity of Syrian wheat," Zido said.

In a statement to al-Thawra daily, Director of the Arab Relations at the Ministry of Economy and Trade, Mr. Abdul Hakim Qaddah stressed that the Committee will discuss means of increasing economic, trade and investment cooperation between the two countries, as well as cooperation between the economic establishments, particularly in the fields of commercial transport, agriculture and industry. The meeting also will review the agreements, memos of understanding and the executive programmes signed between Syria and Egypt, Qaddah stressed.

The Syrian side is expected to propose a memo of understanding for cooperation in the field of cadre training and coordination with the World Trade Organization and the EU, he said. Qaddah added that the volume of trade exchange between the two countries reached US \$288 million, asserting anyway that it doesn't promote to the level of the countries' aspirations.

Trade between Egypt and Saudi Arabia

The Ministry of Industry and Foreign Trade announced that trade between Egypt and Saudi Arabia has increased by 30% during 2005 from US \$1.0 billion in 2004 to US \$1.3 billion in 2005. In addition, Saudi Investments in Egypt amounted to EGP 28.0 billion (US \$4.9 billion) at the end of 2005.

The bulk of Saudi Investments are concentrated in manufacturing and agriculture. In a related news, Investment in Egypt's new FY07 budget amounts to EGP 135 billion with a 25% increase in the share of the private sector reaching EGP 84 billion.

Turkish interest

Egyptian and Turkish businessmen are stepping up co-operation in the wake of the signing of an FTA between their two countries

A few months after Egypt and Turkey signed a free trade agreement (FTA) late last year and even before its ratification, businessmen on both sides are taking positive steps to bolster their cooperation. Representatives of several Turkish companies visited Cairo last week in order to scout business opportunities, particularly in the textiles and ready-made garments sector.

Adel Gazarin, Chairman of the Egyptian side of Egypt-Turkey Business Council says that the two countries' business communities are keen to see things move ahead, adding that "more contracts have been signed since the FTA was concluded".

According to Bulent Savas, head of the Turkish side of the council, bilateral economic ties had already gained considerable momentum over the past few years. Turkish Direct investment in Egypt currently stands at US \$1 billion, mostly in the textiles, ready-made garments and energy sectors. Turkish interest in Egypt's textiles sector has been particularly strong since the latter signed the QIZ (Qualified Industrial Zones) with the US in December 2004.

According to Savas "more Turkish companies are keen on investing in Egypt in order to make use of the profitable export opportunities to the US under the QIZ agreement." By virtue of the FTA, Turkish companies will have the advantage of operating from inside Egypt while also gaining free access to the US market.

"Turkish companies will also be able to benefit from other advantages such as low operational costs, cheap labour and infrastructure as well as the availability of land upon which to set up their business locations."

The Egypt-Turkey FTA sets guidelines for more trade liberalisation sectors other than textiles, such as agricultural products as well as processed agricultural and fishery products. Typical Egyptian exports to Turkey include rice, fish, fresh vegetables and fruits, while Turkish imports to Egypt are comprised of edible oils and hazelnuts.

Savas says that more Turkish capital is now turning to Egypt for direct investment, while in the near past, Bulgaria and Romania were typical destinations for Turkish investors.

The very modest US \$1 billion Turkish direct investment into Egypt is also expected to double within the next few years.

Safak Gokturk, Turkish ambassador to Egypt, says that Turkish businessmen are now urging their government to accelerate the ratification of the agreement, which, they hope will take place during the current year. "This agreement is not simply about selling products," says Gokturk. "It will hopefully open the doors to greater cooperation in other fields as well such as the exchange of know-how and outsourcing, etc."

The FTA should also help both countries upgrade their competitive edge in exporting to the EU. By virtue of the agreement, an Egyptian factory can import industrial inputs from Turkey, incorporate them in its local product and export it duty-free to Europe under Egypt's partnership agreement with the EU.

Experts believe that bilateral trade between the two countries will also witness a considerable increase in the next few years. "The US \$1 billion trade volume in 2005 does not reflect the potential that already exists," said Ashraf El-Rabei, head of the Egyptian Commercial Representation. In fact, some believe that the volume of trade between both countries could jump to US \$3 billion once the agreement comes into effect.

Turkey is Egypt's sixth largest trade partner. In 2004, Egyptian exports to Turkey increased by 31% compared to 2003, while Turkish exports to Egypt increased by 34% in the same year. Turkey is the second largest economy in the EuroPersian market with an estimated 580 consumers. In 2004, Turkish GDP reached US \$293.3 billion with an exceptional growth rate of 10%.

Egypt re-elected chair of African WAIPA group

"Egypt was re-elected a regional chair of the African group in the World Association of Investment Promotion Agencies (WAIPA) for two more years," said Chairman of Egypt's General Authority for Investment and Free Zones (GAFI), Dr. Ziad Bahaa Eldin. The African countries nominated Egypt for the post in recognition of its efforts to improve its investment atmosphere and for hosting the COMESA investment office. Dr. Bahaa' Eldin added that Egypt is also a member of the WAIPA's steering committee.

Kenya industry fights Egyptian dumping

PETER MUNAITA reports that manufacturers have been petitioning the government to impose protective taxes on Egyptian products, saying they pose a threat to Kenya's industries

Kenyan manufacturers are blaming weak COMESA desks at the country's embassy in Cairo and at the Trade Ministry in Nairobi for the dumping of subsidized Egyptian products in Kenya.

The manufacturers have been petitioning the government to impose protective taxes on Egyptian products, saying they pose a threat to Kenya's industries because of heavily subsidized energy and other costs of production that make the commodities unfairly cheap.

"This is unfair competition to local industries. The government needs to impose the duties in order to have a level playing field for domestic producers," industrialist Manu Chandaria said in a letter to Trade Minister Mukhisa Kituyi.

Dr. Chandaria said that a number of multinationals in Kenya had now been reduced to shells or marketing companies as all their manufactured goods are procured from Egypt or South Africa. An executive committee member of the East African Business Council, Anoop Shah, said failure to correctly apply the Common Market for Eastern and Southern Africa certificates in relation to rules of origin and value addition had led to dumping of products like paper.

"Part of the problem is that the COMESA Desk at the Ministry of Trade is very weak. They need to strengthen both here and at the embassy in Egypt," Mr. Shah proposed in another letter by Mr. Chandaria to the Permanent Secretary in the Ministry of Trade and Industry, David Nalo.

The industrialists want Kenya to take a cue from South Africa, which has created a department within the Ministry of Commerce and Industry that solely attends to the flooding of commodities in the market. It imposes punitive tariffs once complaints of dumping are received and removes dependence on findings from the goods' country of origin. "This has one major effect. It is enabling many industries to survive and flourish in South Africa," Mr. Chandaria observed. Dr. Kituyi had said in January that the government would form a task force to look into the impact of subsidies on trade between Kenya and Egypt before placing the duties in the range of 200%, as proposed by the Kenya Association of Manufacturers (KAM).

The ministry is understood to have held discussions with COMESA secretary general Erastus Mwencha and secured his support for the local manufacturers' case to deal with the dumping while observing the COMESA Treaty provisions. In a reply to Mr. Chandaria, Mr. Nalo says the ministry is convening a meeting with the relevant stakeholders to decide on the way forward.

At the proposed meeting, the business community will be invited to present their grievances and to engage Egyptian embassy officials on the issues, including the COMESA council's decision on wheat flour imports from Egypt and Mauritius.

Kenya's ambassador to Egypt, Mary Odinga, has warned that the balance of trade is fast spiraling towards Egypt. "For the first time in many years, we may see Egypt enjoy a favorable balance," Ms Odinga warned, urging the Federation of Kenyan Employers, KAM and the government to take measures to reclaim the market. Ms Odinga said the country can enhance its competitiveness in order to wrest its traditional markets from competition. "Due to new consumption patterns, opportunities abound. Kenyan commodities have the opportunity to prove themselves in some new areas," she said, urging the need to showcase Kenyan products in trade fairs in Egypt.

Free trade, minus the warmth and the longing

In Egypt, just because a couple is engaged doesn't mean they'll get married. Securing and furnishing a flat involves setbacks, some monetary, others not. Just when things look good, the wedding date is postponed. Tensions build between prospective partners, alongside expectations. There are bound to be arguments, followed by warm reconciliations and renewed longing for union.

The Free Trade Agreement (FTA) talks between Egypt and the United States resemble this scenario, minus the warmth and, most recently, the longing. Preliminary discussions have started and stopped on a variety of pretexts since the late 1990s. But recent American demands for political reform have disillusioned even the most stalwart FTA lobbyists.

According to Taher Helmy, president of AmCham-Egypt, "with the 16 Qualified Industrial Zones very generously given by the U.S., we now have open access to their market without the downsides of reciprocity, and without the conditionality that was increasing everyday."

Egypt's business community once felt that an FTA would force their government to abandon its centralized economy and embrace an open, private-sector-driven one. With significant Cabinet postings in the hands of entrepreneurs, Helmy affirms that, "we now have a government with a strong commitment to economic reform, so the FTA is no longer necessary as a catalyst." In other words, thanks but no thanks.

The tune was different earlier this year, with Trade and Industry Minister Eng. Rachid Mohamed Rachid predicting the imminent start of FTA negotiations. But after Vice President Dick Cheney's January 17 meeting with President Hosni Mubarak, a Washington Post editorial linked Egypt's political performance ("autocratic backsliding") with its diminished chances for an FTA. In a subsequent press briefing, State Department spokesman Sean McCormack downplayed intimations of high-level disagreement by describing American relations with Egypt as "good," "broad and deep" and "excellent." On February 17, Secretary of State Condoleezza Rice announced that the FTA was off: "[I]t's not a matter of punishment, it's just ... the timing being not quite right."

While the FTA debacle may embarrass some, the news is far from bad. American FTAs are not the cure-alls for developmental ills they're cracked up to be. In the decade after entering the North American Free Trade Agreement (NAFTA), the percentage of Mexicans living in poverty rose from 58 to 79%; in woman-headed households it rose 50%. More than a million Mexican farmers and families have abandoned their land and livelihoods, unable to compete with U.S.-subsidized food crops. They migrate to cities, or America, posing problems to both. It's hard not to draw predictive comparisons with Egypt.

Egypt's agreement was previously delayed until "the investor environment" improved.

This translates into wider latitude for corporate interests. But when Egypt's economic climate brightened, political conditions were tacked on.

Yet Egyptian commentators tend to view the FTA as economically desirable, a gesture of America's commitment to partnership, a sign of approval, virtually ignoring the potentially grave impacts. By contrast, the Central American Free Trade Agreement (CAFTA) was vigorously opposed by religious, humanitarian, development, labor and public policy organizations based on the distressing outcomes of NAFTA. American FTAs involve stipulations that can effect domestic legislation, advancing investor rather than public concerns. Opponents also argued that the trade agreement should be discussed within a framework of democratic accountability. These issues were hardly raised in Egypt, where people are used to decisions being made for them and complaining afterwards.

Guatemala ratified CAFTA in March 2005, amid tear-gas-dispersed demonstrations that claimed two lives. The agreement was designed as a prelude to the Bush administration's master plan for a Free Trade Area of the Americas (FTAA) covering much of the Western hemisphere. However, the latter has drawn widespread criticism and is currently on hold. Similarly, the U.S. "fast track" trade authority has made deals with five Arab countries, a precursor to a Middle East Free Trade Area, another grand scheme scheduled for 2013. Egypt's stalled FTA allows time for regional groups and governments to seriously question what they stand to gain from these agreements, if anything.

America has long sought to equate free trade deals with democratization, even though the agreements are negotiated behind closed doors without voter participation. Nor is the awarding of FTAs solely dependent on favorable economic conditions.

Indeed, FTAs may be seen as a kind of tip for compliance with U.S. foreign policy. Chile's FTA, for example, was postponed because of opposition to the second United Nations resolution regarding the invasion of Iraq. When the U.S. says its national security is contingent on democratization, prospective partners like Egypt must toe the line, for their own good, of course.

Ostensibly, the U.S. reconsidered Egypt's FTA in response to human rights abuses: voter causalities and poll rigging during recent parliamentary elections, Ayman Nour's imprisonment and the deaths of 27 refugees in Cairo during a police raid. Commentators cite Egypt's stance on Iran's nuclear programme, on supporting Hamas, and on refusing to either pressure Syria regarding the Rafik Hariri assassination investigation or to send troops to Iraq as the real points of contention.

It's hard to know what Washington really wants. Diplomacy may be the art of not saying much, but Rice's role of late has been to say two different things almost at once. In a February 22 interview, Rice remarked that she'd had an excellent meeting with Mubarak, "a wise man" and a "good friend of the United States." She had nevertheless rebuked Egypt's foreign minister in a joint news conference the day before, saying Egypt's political reforms were prone to "setbacks and disappointments."

Just prior to her Mid-East tour she voiced dismay at the rescheduling of Egypt's municipal elections, speaking to a group of Arab journalists. People denied a legitimate outlet "express themselves through extremism," she warned.

At the same gathering, Rice acknowledged America's role in abetting precisely such a lack of expression ("60 years of turning our backs on democracy in the Middle East and favoring 'stability' has given us neither stability nor democracy") - and presumably, therefore, abetting extremism. But she also noted that things were not so rosy in the Middle East in the first place, in other words "before the overthrow of dictatorship in Iraq," saying, "you had such a freedom deficit that people were expressing themselves by flying airplanes into buildings."

Is Rice suggesting that now that America has made things worse, they're somehow actually better? Perhaps this is an example of the new "transformational diplomacy" Rice mentioned to television interviewer Mervat Mohsen, who had memorably asked "when we would see a [U.S.-Egypt] relationship among friends, not [Egyptians] being given commands like ... coolies?" The new diplomacy, Rice explained, involves "working with our partners around the world to try to help people ..."

"Transformational" is a big word, and if appropriate when describing U.S. diplomacy, then only if it suggests the belief on behalf of officials that if they repeat a fallacy long enough, it will somehow be transformed into the truth. With the FTA opportunely tabled, one wonders how the U.S. plans to work with Egypt's wise leader to help his people next.

TOURISM

Indian Tourists in Egypt

According to Mr. Ahmed Al Khadem, head of the Tourism Promotion Authority, Indian tourists visiting Egypt in 2005 have increased by 19.5 % to 54,141 up from 38,493 in 2004. The executive indicated that air transport facilities between Egypt and India represent a major obstacle to increase tourist movement between both countries. Economic boom witnessed in India at present drove the number of Indian tourists to the outside world to grow by 8% to 9 % annually.

Tourist projects in Red Sea increasing

Tourist projects worth EGP 3.2 billion are said to be progressing in the different Red Sea cities involving huge additional hotel capacities. That includes 25,397 hotel rooms, 3,302 hotel chalets and 3,519 tourist housing units. That was announced by Mr. Wahid Rahmi, head of the Red Sea Investors Society indicating the figures cover Hurghada, Al Qosseir and Marsa Alam Cities among other. Mr. Rahmi has further revealed that hotel room's capacity in the Red Sea is now put at 45,198 spread in Hurghada, Safaga, Marsa Alam, Al Qosseir and El Zaaferana, all employing more than 42,000 persons. N.B. Earlier media reports indicated that each additional million tourists would generate 150,000 to 200,000 employment opportunities.

AGRICULTURE

Agricultural Exports

Agricultural exports from Egypt reached EGP 3.804 billion during the period from June to January 2006. The Minister of Agriculture also announced that exports increased for commodities such as potatoes, fresh fruits and peanuts.

The Ministry of Industry and Foreign Trade announced that they will start negotiating with the EU to increase Egyptian agricultural exports to EU countries. Negotiations started on 27th March 2006 with the aim of increasing Egypt's share of exports and adding new crops to the approved export list.

Egyptian exports flowers to the value of EGP 300 million

"Egypt exports Ornamental plants to Europe and Gulf countries to the value of EGP 300 million annually", said Minister of Agriculture Amin Abaza at the opening of the 9th flowers exhibition. He said that spring exhibitions will be staged in all governorates as of next year.

NEW PROJECTS

ADI will sell its investments

Al Ahly Development and Investment (ADI) will sell its investments in nine companies by the end of 2006 as well as its long-term investments held for more than five years. The book value of the portfolio that the company intends to divest is worth EGP 104.3 million.

QNHC, Diar to develop property in Cairo

The Qatar National Hotels Co (QNHC) and the Qatari Diar Real Estate Investment Co have signed an agreement to buy the Thomas Cook property located on the banks of the river Nile in Cairo. The deal was inked by Sheikh Nawaf bin Jassim bin Jabor Al Thani, Chairman, QNHC and Ali Abdulaziz, Chairman, Cinema and Tourism Holding Co, Egypt. Following the agreement, QNHC proposes to develop a superior quality resort on the site offering a variety of amenities to tourists.

The signing ceremony was attended by Dr. Ahmed Nazif, Prime Minister of Egypt, and Dr. Mahmoud Mohieldin, Egypt's investments minister. Shortly after the signing, Sheikh Nawaf bin Jassem held talks with the Egyptian investments minister about development of the property and funding, among other issues.

A new company in Nubareya for the production of sugar

Mohamed Sheta, chairman of the International Group for Investment (IGI), announced his intention to establish a company in Nubareya that produces sugar from sugar beet,

with a production capacity of 300,000 tons/year, on an area of 50 feddans, worth EGP 250 million, in co-operation with a group of Indian companies and Italian Montecatini, the second largest sugar producer in Italy.

Mortgage Finance Funding Company to be established

The IFC will participate in the establishment of a Mortgage Finance Funding Company with a paid-in capital of EGP 100.0 million. Negotiations are currently taking place between the CBE, the Mortgage Finance Authority, and a number of banks. The IFC has announced that it is willing to purchase mortgage-backed bonds that will be issued by the company. The World Bank is studying extending a 17-year EGP 100 million loan at a fixed interest rate to the company.

Infrastructure [Portable Water Treatment Station]

As part of its policy to involve the private sector with highly valued infrastructure projects, the Government has expressed intentions to offer an EGP 3 billion project to build and operate a potable water treatment station in West Cairo among private investors. The project would have a daily design capacity of 2 million M3. The scheme would be complemented with another sanitary drainage station of a daily design capacity of 1.4 million M3. That was announced by Eng. Ahmed Al Maghraby, Minister of Housing and Utilities and quoted in the media.

Gulf Energy Consortium

A group of Gulf investors stated that they would be launching an international market for futures headquartered in Energy City Qatar (ECQ), that's being established by Qatar. The Gulf Energy Consortium, which includes consultants and investors in the field of energy, signed a preliminary contract with The Qatar Financial Center Regulatory Authority to establish the futures exchange and participate in its management.

New plans for NESCO

Nesco Group of Saudi Arabia has announced a package of new projects it plans to implement in Egypt involving huge investments. That includes a new tourist project in Marsa Alam, an international curing complex (SPA) in Sharm El Sheikh, a giant (US \$1 billion) hotel complex on Cairo Nile and a huge factory in Abu Zeneima, in Southern Sinai, to produce and process marble and granite. Chairman of the Group, Sheikh Omar Ibn Saleh Al Hamedi, has also expressed interest to participate in a US \$1 billion new venture to involve with the operation of vessels to handle passengers and cargo between Egypt and Saudi Arabia.

New National Plan

New national investment plan for FY 2006/ 2007 totaling EGP 135 billion, up by EGP 25 billion above its level for FY 2005/ 2006 put then at EGP 110 billion. Private investments are projected to cover 62% of the figure equal to EGP 84 billion. New in the plan is the serious promotion of private sector participation in infrastructure projects and in services project particularly related to transport, education and health care.

Adhesives manufacturing project

EGP 20 million project was recently completed by the United National Investment Co in the 6th October City to produce adhesive materials on 4,000 M2 area. Chairman and CEO of the company, Dr. Eng. Mohamed Farid, said the project would produce monthly about 4,000 tons of adhesives with 60 % of the output planned for export. Main targeted export markets include Sudan, Saudi Arabia and Lebanon.

Local units project investments up by EGP 600

Minister of Planning and Local Development, Dr. Othman Mohamed Othman said his meeting with the governors, that the total of investments earmarked for projects carried out in the local units in development plan will increase to EGP 3.6 billion the as against EGP 3 billion this year.

contained several interesting figures and indicators on the different segments of that market. N.B. Figures still send reasonably promising news to a wide variety of feeder industries and services.

More awareness for the local manufacturers

The Egyptian Federation of Industries will start implementing a scheme in cooperation with the Arab German Chamber of Industry and Commerce to provide local manufacturers with technical support and consultancy services in production and marketing. The project is expected to increase Egyptian engineering industries exports from US \$1.3 billion in 2005 to US \$3 billion within the next five years.

On the other hand, the Ministry of Industry and Foreign Trade declared that the number of contracts for importing unrefined sugar has been concluded in order to make use of the refining energy available to local manufacturers.

INDUSTRY PROGRESS

Textile to be exported to EU and USA

According to Al Allam El Youm, negotiations are taking place between Amwal Al Khaleej Commercial Investment Company and Arab Cotton Ginning to form a holding company with investments reaching EGP 1.0 billion targeting acquisition of cotton and textile companies to export to the European and American markets.

Technology Transfer

A reasonably sized project to manufacture and export automotive parts and components under license from the 3 German automobile giants, Mercedes, BMW and Volkswagen, seems in the pipelines inclusive of relevant technology transfer. That was announced by Egypt Minister of Trade and Industry, Eng. Rachid Mohamed Rachid, while accompanying President Mubarak in his recent visit to Germany and other European countries.

Weeks earlier the Minister was quoted in the media indicating that Egypt national automotive feeder industry has matured and is well placed to acquire an advanced post in the region. The Minister stressed the fact that world market for such automotive parts and components reaches annually almost US \$800 billion. He revealed that a large conference would be soon held in Cairo to discuss and promote the issue.

Vehicle's industry

Total vehicle sales during January 2006 have reached 11,069 units marking 47.3% increase above their level during the same month of 2005. That was mainly backed by a 51.5% increase in passenger vehicle sales, 83.1% increase in buses, mini and minibuses sales and 21% increase in pickups and trucks sales. Sales of locally assembled cars increased by 23.6% while those of imported cars increased by 82.6%. A quarter page reportage on the issue, published in the media, quoting a recent released bulletin of AMIC – Automobile Market Information Council,

POWER AND ENERGY

Increasing the power plant capacity

According to Zawya, the OPEC fund for international development signed a US \$23.4 million loan agreement with Egypt to help finance the expansion of a power plant in West Cairo. The project aims at increasing the plants capacity by 650 megawatts and is expected to be fully operational in 2009.

Denton Wilde Sapte wraps up Egypt's largest private acquisition of the year

Denton Wilde Sapte's Cairo office has advised Powertek Berhad on its US \$360 million acquisition of three Egyptian subsidiaries of energy giant EDF. The firm advised on all stages of the acquisition process, from due diligence and documentation to negotiation and closing.

The deal - Egypt's largest private acquisition of 2006 - gives Powertek control of 10% of Egypt's total generation capacity through the purchase of Suez Gulf Power and Port Said East Power (each of which owns a thermal power plant) along with their operator, the Egyptian Operating Company.

WATER

Egypt's keenness on reaching agreement with Nile basin countries

The meetings of Water Ministers of Nile Basin countries kicked off in the Ethiopian capital Addis Ababa, where they discussed the final draft of a proposed new cooperation authority before submitting it to the heads of state and government for final approval.

The meeting discussed the offers presented by the World Bank that represents the international donor organizations to support the new cooperation initiative, by devoting US \$2

billion every year to carry out joint projects already approved by the ministers.

On the other hand, "The continued decline in the average rainfall may affect the Nile water coming to Egypt", said Minister of Water Resources and Irrigation Dr. Mahmoud Abu Zeid. The Minister added that the effect of climate changes could have its impact if not at present then in future. He gave these remarks before leaving for Ethiopia to attend the meetings of Nile Basin countries' ministers.

Dr. Mahmoud Abu-Zeid said that Egypt was keen on reaching an agreement on cooperation with Nile Basin countries as soon as possible.

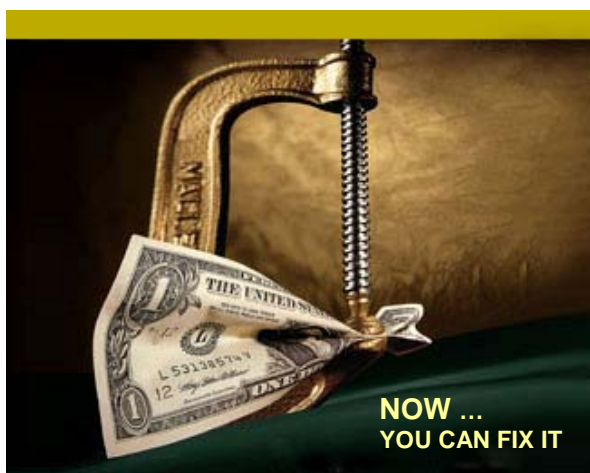
Delivering his speech at an extraordinary meeting, Dr. Abu-Zeid underlined that Egypt accepted several compromises, along with- taking initiatives over the past two months to narrow the gap among Nile Basin member states in order to clinch an agreement within the framework of the Nile Basin Initiative (NBI).

Ten countries share the Nile-Burundi, the Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda.

Recognizing the need to take concrete steps to realize the development potential of the Nile, the riparian countries took a historic step towards cooperation in establishing the NBI that was launched in February 1999. The NBI provides an agreed basin-wide framework to fight poverty-and promote economic development in the region. The initiative is a transitional arrangement until a permanent framework is in place.

Egyptian firm, US \$206m UAE deal

The Abu Dhabi Water and Electricity Authority has awarded a US \$206.6 million contract to the Egyptian Contracting Company to lay a pipeline and build water storage facilities, reported WAM citing Egypt's Investment Minister Dr Mahmoud Mohieldin. He also predicted foreign direct investments in Egypt would rise by 15-20% from US \$3.9 billion in 2005.



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TRANSPORT AND AVIATION

Ways of upgrading railways network

General Electric of the US is to support Egypt revamping its railways network, related locomotives rehabilitation and signals to improve safety and security aspects therein. A memorandum of understanding on the issue was recently signed with the Ministry of Transport, providing also for availing finance to ENR – Egyptian National Railways Authority to buy new locomotives, modernize its workshops and raise their efficiency. According to Eng. Mohamed Mansour, Egypt Minister of Transport, ENR disposes at present on 701 locomotives, of which 139 are overage and other 170 operating since more than 20 years and in need of comprehensive rehabilitation. The Minister has further revealed that only 15% of the country railway network is covered by electrified signals with the rest served by old mechanical signaling systems.

Prime Minister, Dr. Ahmed Nazif reviewed at a meeting on 27th of March 2006 means of developing Egypt Railways as one of the vital means of transport in the country. The meeting was attended by Minister of Finance, Dr. Youssef Boutros Ghali, Minister of Planning and Local Development, Dr. Othman M. Othman and Minister of Transport, Eng. Mohamed Mansour.

Following the meeting, Cabinet spokesman Magdy Rady said that the ministers probed a plan presented by the Minister of Transport for developing railway services. Nearly 1.4 million passengers a day, and around 450 million a year use Egypt railways, Rady said. Moreover, Rady added, Egypt railways are the means of transport that carry around 12 million tonnes of cargo per year.

Cairo teams with Fraport to develop hub strategy

Cairo International Airport has a clear-cut ambition: "We want to become both a passenger and cargo hub, particularly in the MENA region," says Ibrahim Ahmed Manaa, chairman of Egyptian Holding Co. for Airports and Air Navigation. "We want to rise to global competitive levels according to international standards and start to gradually apply air transport liberalization policies."

The aim to elevate CAI's function and future started just over three years ago when the Egyptian Ministry of Civil Aviation formed two holding companies, one for national carrier EgyptAir incorporating seven subsidiaries and a second for airports and ATC activities. EHCAAN controls four companies: Cairo Airport Co., Egyptian Airports Co., National Air Navigation Services and Aviation Information Technology. CAA is the regulatory body.

The first steps in Cairo Airport's privatization coincided with the launch of a "very aggressive" investment programme to upgrade existing facilities and build a new Terminal 3, Manaa tells AE&T. The airport, located about 20 km. northeast of the city, has seven arrival and departure halls spread out over two terminals. Terminal 1, also known as the Old Airport, was inaugurated in 1963 and has an annual passenger capacity of 6.5 million. Terminal 2 dates from 1984 and can accommodate up to 3.5 million passengers annually. T1 has 67 check-in counters, T2 60. T1 has 12 gates, three of which are double-level for large aircraft and

all of which use bus transfer between terminal and aircraft. T2 has seven gates with 10 passenger boarding bridges.

There are 131 aircraft stands, of which nine are contact stands, and three runways. Runway 05R/23L is 3,300 m. long, 05L/23R has a length of 4,000 m. and 16/34 is 3,180 m. All are 60 m. wide.

Plans for a fourth runway, to be built south of the existing airfield, have been approved. It will be 4,000 m. by 65 m. "and thus A380 compliant," Manaa notes. He proudly adds that the new T3 will have three contact gates able to accommodate the giant. He admits that no carrier has yet indicated it might operate the A380 into Cairo, but he laughs, "We hope that maybe Emirates will do so. Why not?"

Foreign Know-how

In 2004, local authorities decided to outsource the management of CAI and five regional airports Sharm El-Sheikh, Hurghada, Luxor, Aswan and Abu Simbel to an international airport operator. Two separate tenders were launched; Fraport won both, but under the bidding rules a company could be awarded only one of the projects. Fraport indicated its preference for managing the Egyptian capital's international gateway and the contract for the regional airports was awarded to Aeroports de Paris.

The CAI management contract runs for eight years with the option to extend it twice by one year. Under the terms of the contract, Fraport is not required to invest in either Egyptian Airport Co. or the airport's infrastructure.

"It is the first time for Egypt to have a non-Egyptian airport operator. This is a major change," states Cairo Airport Co. Chairman Mohamed Fathalla Refaat. He admits it has been "a very tough process to try to understand and to interact" but he describes the move as positive and necessary. "We want to develop our human resource capacity to improve our performance and our level of service," he explains. "Moreover, we want to get the know-how on how to implement an international hub strategy. Historically CAI is essentially a point-to-point airport, but we want to increase the connectivity with our neighboring airports.

“We want to develop Cairo as the main transit point for the MENA region”

He argues that CAI has the necessary ingredients to become a successful hub: "We are located at the crossroads of Africa and the Middle East, Europe and the Gulf area. In addition to this central location, Egypt enjoys all-year-round excellent weather, allowing for smooth ATM throughout the year."

Fraport began work in February 2005 and seconded five senior executives to CAC in the positions of executive director, CCO, CFO, chief technical officer and COO. "Together with our Egyptian colleagues, we introduced practices to improve the efficiency and increase the productivity in a short term of the airport and of the staff," says CCO Jean-Pierre Tabet.

There are two kinds of training programmes: A 60-day course including 20 days in Frankfurt for senior executives, and training for around 100 middle management that also includes a few days in Frankfurt. Tabet says, "Frankfurt is one of the most efficient hubs and developed airports in the world. It is important to gain hands-on understanding of how it works at FRA rather than listen to us explaining how it is done."

In the first six months of the contract, some 14 different teams came from Frankfurt Airport to help draw up so-called "diagnostic reports" on all aspects of CAI's operations. "We looked at everything, going from engineering and insurance to finance, operations, commercial activities, safety, security, health," Tabet recalls. "We identified some aspects that needed immediate adjustments and started implementing the recommendations."

One of the first areas of Fraport input visible to passengers is the improved food and beverage offerings. Refaat says, "In fact, we did not have any variety in F&B. EgyptAir provided all catering. Now we have more variety and more concepts." A new coffee bar, Ritazza, operated by Louis Catering/Compass Group, was opened at the new International Arrival Hall 3 in T1 in August 2005 and was followed by a similar outlet in T2.

Terminal 2 mainly serves international carriers whereas T1 is considered the EgyptAir terminal. The public area in Departure Hall 1 in T1 saw the addition of a Pianola food outlet and a new Food Village was set to open in mid-February in T2. A themed AirMall is currently in the pre-opening preparation phase. It fits into Fraport's concept of AirportCity and is the first of its kind in Egypt.

New Terminal

The T1 and T2 renovation and development plan was finalized last year and represented an initial investment of EGP 0.5 billion. It contains some 43 projects, some of which were reconstruction of the infrastructure, electricity, water, drainage and air-conditioning systems. It also includes demolishing the old Hall 3, previously used for domestic arrivals and departures, to construct a new hall for international arrivals.

Meanwhile, work started on a new passenger terminal, T3. The 23-gate complex, scheduled to open in late 2007, will include a main three-level structure and two concourses and will be capable of handling initially up to 11 million passengers yearly. An aerial walkway will link the 164,000-sq-m facility with T2. T3 is being co-financed by the World Bank, Egyptian government and National Investment Bank of Egypt. Cost of the project is almost EGP 2.2 billion.

"A new ATC tower and a fourth runway and a new five-star hotel, which will be connected with T3 through a 330m long bridge", Manaa sums up.

"We want to achieve the highest level of activity and return on investment. Concretely, this means that we are reviewing everything, also landing fees, parking fees and departing passenger taxes. We are benchmarking CAI against surrounding airports. Cairo Airport is government-owned yet not subsidized by the government."

PETROCHEMIALS

Uhde to construct a turnkey fertilizer complex in Egypt

The Suez-based Egyptian company Misr Oil Processing Company (MOPCO) has awarded Uhde Dortmund, Germany, a contract to construct a turnkey fertilizer complex.

It is now the fourth contract for almost identical fertilizer plants to be won by Uhde in Egypt within the past two years. The complex will be located in the Damietta free trade zone, some 200 kilometres east of Alexandria, and is due to start production mid 2008.

Uhde is a company in the Technologies segment of the ThyssenKrupp Group. The company's activities focus on the design and construction of chemical and other industrial plants.

The terms of the agreement were not disclosed, although industry experts estimated the contract is worth about € 200 million.

First Egyptian-Canadian fertilizer project to start work

First Egyptian-Canadian nitrogenous fertilizers project will start production this year. The US \$850 million investment project will be laid down in Damietta and provide 2500 job opportunities. The project will produce raw materials required for integrated industries as well as urea fertilizers.

Minister of Petroleum, Eng. Sameh Fahmy, Canadian ambassador in Cairo, Philip MacKinnon, and P. Watermand, CEO of a Canadian company for fertilizers, witnessed the first general assembly of the company branch in Egypt to which Egypt contributes 40%. The project will lure foreign investments and contribute to the implementation of Egypt's economic plans.

OIL AND GAS

Bulgaria's move to import gas should trigger market development

If Bulgaria proceeds with potential plans to begin importing Egyptian gas, the move will have positive effects on its small, though potentially much larger, gas market. However, given Bulgaria's role as a transit state, the benefits of increased security and diversity of supply arising from the Egyptian imports will also be felt elsewhere in the region.

Advertisement Bulgaria's Ministry of Energy and Economy has indicated that the country may begin importing gas from Egypt from 2008 onwards if the proposed Egypt to Turkey pipeline link is developed. If imports from Egypt begin, there will be a number of positive impacts felt by the currently very small Bulgarian gas sector.

Current levels of gas demand in Bulgaria are extremely low at less than 3 billion cubic meters per annum. Given the country's population of less than 4.5 million people, this equates to per capita demand levels of less than 400 cubic

meters per person per annum - well below the majority of markets in the EU 25 and only around a third of the average level seen across the EU as a whole. Similarly, at less than 15% of primary energy demand, the penetration of gas into the Bulgarian energy economy also lags significantly behind that seen in the majority of other markets.

Somewhat unusually, demand levels have fallen in recent years, a direct contrast to the majority of other markets in and around Europe. Demand peaked at 6.3 billion cubic meters per annum in 1989, more than twice the current level. Over the past decade demand has fallen by an average of 5% per year a situation largely driven by economic decline in the early and mid 1990s. However, despite this historically weak demand pattern, there is significant future demand growth potential, particularly since the economy began to recover in 1997. Currently the non-residential sectors are by far the largest end users of gas, a key factor in the sensitivity of the gas market to fluctuations in the economic cycle. At just 6% of total demand, the potential for increased residential gas use is significant if investment in the distribution network can be secured.

Currently all but a minute proportion of Bulgarian gas demand is supplied under the terms of a long term take or pay contract with Russia's Gazprom. By importing Egyptian gas, the market will benefit from a much needed element of supply diversity and will give Bulgaria a stronger and much enhanced bargaining position for contract renegotiations with Russia when the current contract expires in 2010.

The dangers of Bulgaria's current lack of security of supply were highlighted in January when, in the wake of the Russia-Ukraine supply dispute, Bulgaria and Russia were temporarily in dispute over gas transit pricing issues.

The final benefit of diversifying gas import supply sources is that the associated development of the gas industry will provide further impetus to Bulgaria's ambitions for accession to the EU.

Despite being a small market, Bulgaria has a key role in the wider gas sector owing to its role as a transit state for gas consumed in Macedonia, Turkey and Greece. The advancement of the Bulgarian gas sector resulting from greater security and diversity of supply, coupled with greater transit gas volumes resulting from the import of Egyptian gas, will provide Bulgaria with longer term advantages beyond the procurement of the gas itself and would be a judicious and highly advantageous development.

Negotiation to construct a new natural gas distribution grid

Egypt Gas Company stated that they are currently negotiating with a Qatari investor to construct a new natural gas distribution grid for household and industrial consumption in Qatar. In addition, the company formed an alliance with PETROJET and Town Gas to compete for pipeline transporting gas to Abu Dhabi. Finally, the company launched a project to supply six million housing units with natural gas over the next six years.

Egypt Petroleum minister says in talks with 2 banks on Midor refinery IPO

Egypt's Petroleum Minister, Eng. Sameh Fahmy said he was in talks with Merrill Lynch & Co. (MER) and Morgan Stanley (MS) about advising on an initial public offering of the state-owned Middle East Oil Refinery, or Midor.

Eng. Fahmy said: "We want to negotiate with the two banks," adding "they have priority" over other possible advisers. Eng. Fahmy said the banks had made separate proposals to advice on the IPO. He added he hoped to strike an agreement with them by mid-April. The London-based daily said the IPO would be followed by the sale of a 51% stake of the refinery to a strategic investor. The Egyptian government owns 98% of the refinery while the Suez Canal Bank (CANACI) holds the remainder.

Alkyl benzene production plant

Ministry of Petroleum announced the construction of an alkyl benzene production plant has begun. The project will cost approximately US \$375 million and produce 100,000 tons per year of alkyl benzene, the essential ingredient used in the production of industrial cleaners. This comes as part of the national plan for petrochemicals, the initial phase of which involves the establishment of 8 petrochemical plants with total investments estimated at US \$4.6 billion.

Shareholders of the project include the Petroleum Sector, the Ministry of Finance and the National Investment Bank. Alkyl benzene is deemed a major feed stock for the industrial detergents industry. Main contractor for the project is Petrojet.

Egypt eyeing increase of its gas reserves by 30 tcf in five years

Egypt Minister of Petroleum, Eng. Sameh Fahmy, revealed that the sector exports now make up 55% of the country total commodity exports and they are projected to reach US \$10 billion in 2006. That is taking place after covering the country local requirements thereof worth US \$16 billion at world prices. Meanwhile subsidies to petroleum products prices are set to reach in FY 2005/ 2006 almost EGP 41 billion (about US \$7.5 billion).

Eng. Sameh Fahmy has said that his government expects to double its gas exports and at the same time have an increase of its gas reserves by 30 tcf within the next five years. Gas exports will get a big boost through the expansion of two liquefied natural gas plants and increased sales through the Arab Gas Pipeline.

"Currently Egypt's gas output stands at 55 billion cubic meters a year, of which 17 billion are exported," Eng. Fahmy added that "The government in Cairo is currently reassessing its strategy for the gas sector, with a view to maximizing returns from gas exports and boosting exploration".

Eng. Fahmy revealed that the Petroleum Ministry was considering the addition of two gas trains in Idku and one train in Damietta. He also said that ultimately, Egypt expected to add between 100 and 120 tcf to existing proven gas reserves, of which some 30 tcf would be added in the next five years.

The Egyptian Petroleum Minister said that talks were under way with Syria, Turkey, Romania and Bulgaria aimed at integrating Egyptian gas exports into the planned 3,300 Km-long Nabucco pipeline, which be able to convey 30 billion cubic meters of gas per year. The final investment decision on the Nabucco pipeline, expected to cost more than 5.5 billion dollars, will be taken next year.

INFORMATION TECHNOLOGY

No more idle chatter

Telecom Egypt has raised its charges in order to finance further investment in services

Telecom Egypt's (TE) recent announcement that it is increasing its rates to customers has come as a shock to consumers still reeling from other utility price increases. From 1st April TE's monthly subscription will increase from EGP 8 to EGP 10 for home users and from EGP 13 to EGP 16 for commercial lines. The number of call minutes home users receive free of charge will fall from 166 to 50 minutes, and when billing kicks in charges for local calls will be EGP 0.06 for the first minute rather than EGP 0.05 and each subsequent minute for EGP 0.02.

As Egypt's sole fixed line monopoly subscribers have no alternative to TE. It is a situation about which they are far from happy. The attitude of Howaida El-Amir is typical: she says her household telephone bill has already increased since the advent of mobiles, as people began using fixed line numbers to contact cell phones. Now, she says, she will have to cut down use of the phone across the board in order to keep her bills in check.

Ali Salama, vice-chairman for financial and commercial affairs at TE, says the increases are essential to finance new investment. Adding a million telephone lines per year, he points out, costs EGP 2 billion and "to continue to offer services and improve them we found it necessary to increase rates". Currently, he said, the EGP 1.5 billion in revenue generated by local calls and connection fees from fixed lines does not come close to covering the investment needed.

"If we do not increase the rates we will return to bad old days of waiting lists," he warned. In the not too distant past it could take up to 10 years to secure a land line.

TE's current subscriber base of 10.4 million represents a penetration rate of just 14.3%. While El-Amir believes that the presence of fixed line competition would automatically result in lower rates, industry experts disagree.

Salama points out that the increase in fees has been approved by the National Telecommunications Regulatory Authority (NTRA), the body entrusted with regulating competition in the telecommunications sector and granting licenses for services. Local calls, he says, have long been

subsidized by the company and even after the increase fees will not reflect the real value of the service. In fact, as Akil Beshir, the chairman of TE has repeatedly pointed out, the real cost of installing a line is EGP 2,500, while the company collects only EGP 500.

The NTRA has yet to contemplate offering a license for a fixed line operator to enter the market because of a simple double bind: the enormity of the costs involved in establishing a new operation would deter investors while the much higher charges necessary to pay for the new operators' roll out costs would deter subscribers. Consumers were angry, though, not just at the increase in fees but because they were scheduled to be applied to first quarter bills due for payment this month. With consumers up in arms TE decided to back off and will apply the increase from 1st April.

The approach to billing customers has been transformed since 1998, when TE was created to replace the Arab Republic of Egypt's National Telecommunications Organisation (ARENTO). Following a major management shake-up in 2000 rates were increased and TE began quarterly billing rather than collecting fees on an annual basis.

The drive to maximize revenues has been lent impetus by the fact that the company is no longer solely owned by the government. In December 20% of the company's shares were sold, attracting 250,000 new shareholders. And with two international gateway licenses being offered by NTRA, TE will soon lose its monopoly as the provider of international gateway services, which generated around EGP 2 billion, or 27% of TE's total revenue, in 2005.

But it is not only by digging into customers' pockets that TE is trying to make up for expected losses in its international connection services. It has embarked on a regional expansion programme and is part of the consortium that successfully bid for a 15-year license to build and operate a national fixed line network in Algeria.

TE posted net profits after tax of EGP 1.8 billion for 2005, up from EGP 1 billion on the previous year.

Turkcell Eyes Egypt

After experiencing disappointment in Iran, one of Turkey's leading GSM companies, Turkcell, announced a decision to apply for the pre-elimination process of the third GSM license bid in Egypt. Seventeen companies have received related documents for the tender so far. Turkcell will offer its investors a 27.4% cash dividend and 18.6 bonus shares during its general body meeting on 28th April.

Telecom Italia joining the race

According to Reuters, Telecom Italia is currently studying bidding for Egypt's third mobile phone license, whereas according to the Egyptian government 17 companies had bought the prospectus for the license so far. Moreover, Qatar's Qtel is also considering bidding for Egypt's 3rd mobile phone license, and announced that should it decide to bid, the offer will be presented to the Egyptian government next April

Qtel set to enter Egyptian market

Qatar Telecommunications (Qtel) is set to enter the Egyptian mobile phone services market, following its successful venture in the Sultanate of Oman. This was revealed by Dr Nasser Marafih, Qtel Chief Executive Officer pointing out that Nawras, its subsidiary in Oman has signed up 300,000 new customers, which represent 20% of the Omani mobile market during its first year of service.

Qtel is currently exploring several investment opportunities in the region as part of its expansion plan, Dr Marafih told reporters on the sidelines of a function held in honor of the company's outstanding customer service employees. Answering to a query on Qatarisation of jobs in the company, Dr Marafih said Qtel was sponsoring a number of students and graduates from the College of North Atlantic and is also conducting training courses for national workforce within the company's departments that have led to an increase in the number of Qatari employed at Qtel.



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ANALYSIS

Human development first

A strategy for human resources development is prerequisite for improved economic and social performance.

The lack of a clear strategy to develop human resources is considered by experts to be the key obstacle to economic and social development. At a seminar organised by the Arab Management Association (AMA) and the National Society for Technology and Economic Development (NSTED), experts argued that although the Egypt Human Development Report recently issued by the United Nation's Development Programme offers a reliable strategy for improvements in human development, the concerned Egyptian cabinet ministries have no idea about the findings of the report. NSTED Chairman Essam Eddin Galal argued that Egypt's participation in global competitiveness depends upon the application of a balanced national plan for realising human resource development. Such a plan should include promoting investments in human capital "in a comprehensive manner which is supported by training". Galal also underscored the importance of an effective educational system capable of coping with fast-paced global developments.

Chairman of AMA Ali El-Selmi added that changing the government's perception of what human resources actually are, is as important as applying a strategy for human development. "The government always regards population as a consuming power instead of a productive one," he said. Professor of engineering Abdel-Malek El-Asfoury said that Egyptian human capital is only "partially used" since only 5% of existing total human resources is actually utilised.

El-Selmi argued that at a time when it should be giving top priority to developing human resources, the government continues to single out population increase as the prime factor hindering economic development.

A strategy must be developed to promote the labour force according to internationally accepted standards, El-Selmi added in support of this argument. He said that such a strategy should encompass all elements of the labour force "which would include workers and scientists". He said that "training labour on how to be committed to the technological and economic global environment (is important) when developing its capabilities. The government must at the same time guarantee that the educational system fulfils the market's needs."

El-Asfoury cited the instance of South Korea which has allocated 8.8% of its total GDP to education since 1998. The result is zero illiteracy rate "which has become the basis for improving economic performance, among many other things". South Korea now competes with developed countries like Japan and Britain El-Asfoury said, adding that the budget allocated for education in Egypt stands at the relatively modest amount of EGP 24 billion annually, representing around 4.5% of GDP.

Referring to the continuing brain-drain in the developing countries El-Asfoury said that World Bank statistics show that labour immigration from the developing to developed countries has become a "real threat" to these developing countries. According to a World Bank study, 50 % of

university graduates in the developing countries immigrate to the more advanced economies. El-Asfoury described this as "an alarming figure".

Hanafi Soleiman, a professor of commerce at Al-Zagazig University said that "more than EGP 11 billion is currently spent on private lessons". He suggested that the government's current subsidising of education needs to be reconsidered. "It would be better if students paid a small part of the cost of [good] educational services instead of receiving [inadequate education] completely free of charge."

Author: Mona El-Fiqi

Globalisation simplifies entrepreneurship, says Egyptian

Globalisation is one of the great facilitators of entrepreneurship. This statement was made by the Egyptian Abdel Hamid Mamdouh, director of Trade at the Services Division of the World Trade Organization (WTO). Mamdouh is a lawyer and has been working for the WTO, in Geneva, Switzerland. Before that he was the trade negotiator for the Egyptian government.

According to Mamdouh, the objective "is to liberalise trade as it is newly defined, to encompass movement of capital and movement of people, to liberalise it through agreements between governments, in order to open up new investment opportunities for entrepreneurs, to open their horizons."

He recalled, however, that liberalisation does not mean eliminating regulation and that it is important for globalisation to take place in an organised manner. The WTO operates in the regulation of world trade.

Mamdouh stated that the current generation of entrepreneurs is the best that the world has ever seen. "IT and technology have greatly helped entrepreneurs supplying them with tools that did not exist in the past, providing them with information about markets that were not available for previous entrepreneurs. Their work is simplified by market globalisation and by the reduction of barriers between countries," stated the Egyptian.

PROFILE

Mr. Ali Osman Hegab
Africa & Middle East Fleet Operations Manager
Fuels Marketing
ExxonMobil Egypt S.A.E

Ali Hegab is responsible for the Transportation of Fuel products in Africa & Middle East. His scope includes Operations and Safety for company owned and contracted truck Fleets.

Ali has been occupying this position since September 2002 and in addition to providing support, guidance, training and stewardship on Fleet Operations in Africa, has contributed to various programs and projects:

- ☛ Implementation of VSMG (Vehicle Safety Management Guidelines) for trucks, drivers and haulers serving EM Affiliates in Africa

- ▣ Implementation of driver safety and competency programs and initiatives
- ▣ Hi-grading and development of Fleet contractors serving EM Affiliates in Africa
- ▣ Implementation of Fleet productivity and haulier / truck rationalization programs
- ▣ Design and procurement of high capacity light weight legal weight compliant semi-trailers in Egypt, Nigeria, Tunisia and Cyprus
- ▣ Fleet upgrade projects through competitive fleet tenders in Cyprus, Kenya, Ethiopia, Cameroon, Tunisia and Egypt
- ▣ Africa Green day initiative aiming at achieving minimum Industry Safety standards for Fuels Transportation in Africa

Ali has been working with Mobil Oil Egypt and Exxon Mobil Egypt since 1996 and has worked in Terminal, Fleet and Marine Operations in Egypt addition to SH&E before his current job. He was born in October 1974 and holds a Bachelor of Science in Aeronautical Engineering from Cairo University. Ali is married and has one daughter.

STOCK MARKET

When the Bubbles burst.....

What is happening to the Egyptian stock market? The question has been asked repeatedly since stock market prices began to drop a month and a half ago. The CASE 30 index, which represents the top 30 listed companies in terms of liquidity and activity, fell 28 per to close at 5892.73 on 14th March -- Black Tuesday. On 1st February the index stood at 8139.96 points.

It was on 1 February that investors began to take their profits, a day ahead of the extraordinary general assembly meeting (EAGM) of EFG-Hermes which would decide on whether to go ahead with a private placement for the first tranche of its capital increase.

A correction in the market was inevitable following a huge surge in prices and the capital influx that followed three partial privatizations -- of Sidi Krir Petrochemicals (SIDPEC), Alexandria Mineral Oil Company (AMOC) and Telecom Egypt (TE) -- that successfully attracted small retail and much larger Gulf investors to the market. The response to Telecom Egypt's, coupled with some exciting news about other market participants, provoked a state of irrational exuberance.

Though financial experts and traders had anticipated the correction some investors panicked, linking the performance of the Egyptian securities market with those of both Saudi Arabia and the UAE, though no significant correlation exists between them. But inter-Arab capital flight isn't enough to cause a market melt down. With respect to relative pricing, Egyptian securities valuations are far more fairly priced than those of Saudi Arabia and the UAE, especially when the expected growth in companies' bottom lines is taken into account, and a vibrant economy expected to grow by 6%.

So why did the stock markets of Saudi Arabia and the UAE crash? First, the UAE Securities Market had three gigantic IPOs running simultaneously, and after a two-year bubble cross the board a corrective movement was overdue. The reasons for the collapse in Saudi Arabia's market are even

simpler. It is the most expensive market in the region with respect to the average trailing P/ E ratio, which stood at 42.6 times. Saudi Arabia and the UAE do, however, enjoy exceptional economic growth which, together with new companies being listed in the market, could ensure returns over the next year at a more reasonable and relatively modest level compared to other regional markets.

In 2006 the profits of market participants in Egypt will grow dramatically, making CASE the third cheapest securities market in the region after Oman and Kuwait, with a forward P/ E ratio of around 12.7 times if prices remain relatively constant, attracting local, regional and international investors. If the privatisation programme in Egypt continues as planned, it will become more attractive relative to other regional markets.

What augmented the situation, however, was mismanagement on the part of Egypt's stock market regulators which led to an intensification of the market correction causing Black Tuesday's crash. The fact that the boards of directors (BOD) of many companies were selling their stakes, held directly or indirectly, at high speed, and in some cases completely exiting by selling directly in the market, conflicts with market regulations.

Market liquidity had, moreover, been tight owing to a large number of rights issues and Misr Aluminum's IPO running almost simultaneously. To cover these, some EGP 11.3 billion (US \$1.97 billion) needed to be injected in the market within a very short time frame. Regulators should have ensured the market would not reach such a saturation point. As a result, several rights issues were not covered and had to be re-opened while Misr Aluminum's IPO attracted little investor attention.

Relative Pricing Indicators for the MENA Region

Country	PE 05	P/B 05	PE 06E	03 - 06 CAGR	PE/G
Saudi Arabia	4206	10.5	38.6	32%	1.33
UAE	20.3	5.1	19.1	53%	0.38
Kuwait	13.5	3.2	11.9	30%	0.44
Qatar	20.5	3.6	18.9	36%	0.57
Oman	11.9	2.7	10.4	26%	0.46
Egypt	16.5	4.6	12.7	57%	0.29
Jordan	21.5	4.1	18.8	41%	0.52

Source: Shuaa Capital, Saudi Scenarios [March 2006]

In the meantime the Capital Market Authority (CMA) had refused to allow the private placement -- tranche I of EFG-Hermes's capital increase -- to qualified investors, a move that was supposed to protect the preemptive rights of ordinary investors but in effect did the opposite. EFG-Hermes's rights issue/private placement became an undeclared form of IPO that led to a drain on liquidity.

Stock market regulators should also have stepped in earlier -- as soon as the market had fallen by 1% -- to halt trading on Black Tuesday.

So what should investors do?

The market has approached the bottom with reference to fundamental technical analyses, and if things go smoothly with government attempts to rebalance the market then share prices can be expected to climb, albeit modestly. This rising trend would need to be supported by improved liquidity and positive financial statements for the first quarter of 2006 for the market to illustrate that it is attractive to long-term investors. Investors need to cool down: nobody likes to lose money, but investors have to become more reasonable

about fluctuations in market prices. Entering and exiting the market frequently leads to investors incurring an extra layer of charges and contributes to their accumulated losses. Investors, euphoric when the market it is peaking, seem to become hysterical when the bubble bursts, hardly a healthy approach to investment.

Author: *Waleid Gamal Eldien*

PAN-ARAB STOCK EXCHANGE TO OPEN IN EGYPT

The first Pan-Arab stock exchange for private sector companies will be launched within a few months in Egypt. The stock exchange will be managed by a Kuwaiti cooperation, said CEO of the Kuwait and Middle East Financial Investment Company (KMEFIC), Mr. Hamid 'Salih A-Seif.

The Management of Future Projects Company will be the name of the corporation which will manage the bourse. It will be composed of a number of Kuwaiti and Egyptian companies, said Mr. A-Seif, who will himself be the company's CEO. Today, most - if not all - of the companies in the leading sectors of oil and gas in the Arab world are owned by the local governments.

Market Report [2nd of April]

The market gained ground after the dramatic losses of recent weeks as local funds, as well as individual investors, began once again to buy. The CASE30 closed 5% up, ending the week at 6,708 points.

The value of transactions came in at EGP 4.3 billion which, while low compared to the heady days of December and January when transactions often came in at the EGP 8 billion mark, suggests that investors are regaining their balance with many holding onto stocks in a wait and see mood.

The Cairo and Alexandria Stock Exchange (CASE) is also pursuing greater interregional linkage. CASE, Abu Dhabi Securities Market and Misr Clearing, Settlement and Central Depository have signed an agreement allowing for dual listings and trading on both markets. CASE's supervisory body, the Capital Market Authority, has also signed a Memorandum of Understanding with the Securities and Commodities Authority in UAE in an attempt to upgrade investor protection and market efficiency.

EASTERN TOBACCO: The government is considering transferring ownership of the company's real estate to a specialized real estate entity in which the government's 53% stake would then be offered for sale.

Minister of Investment, Dr. Mahmoud Mohieldin announced last week that five international and local institutions had been short-listed as possible advisors for the offering. First, though, a scheme will have to be devised to deal with the company's monopoly over cigarette manufacturing and to guarantee workers' rights. EFG-Hermes upgraded EC's fair value to EGP 451, 28% higher than the traded value.

According to an HC report on the company issued last June the book value of EC land had reached EGP 219.7 million, of which EGP 172 million was accounted for by its 6th of October City complex with the balance of EGP 47.7 million being made up by EC land holdings in Giza, Alexandria, Talbia and Menouf. The market value of the real estate was estimated at EGP 1.57 billion.

MISR ALUMINUM: Misr Aluminum's general assembly approved a fiscal year 2006/2007 budget which projected net profits at EGP 420 million, up from EGP 405.5 million. The meeting also shed light on the impact of the 5.1% increase in electricity prices, to 10.3 piastres per kilowatt hour, on MA's results. The increase has seen the Cost of Goods Sold item on its income statement grow by EGP 21 million. The company also decided to double its capital to EGP 1 billion and modify company by laws accordingly.

The Holding Company for Metallurgical Industries also announced that Misr Aluminum's right's issue will be postponed as the slow down in the market during the last two months has negatively affected demand.

SIDI KRIR PETROCHEMICALS (SIDPEC): The company-Egypt's monopoly producer of ethylene and polyethylene - posted an 8.2% increase in net income during 2005 compared to the previous year, with net profits coming in at EGP 794.7 million. Revenues were up by 2.2% increase to EGP 1.7 billion. Production of ethylene fell slightly during 2005, while sales dropped 317,000 tonnes in 2004 to 311,000 tonnes in 2005. The company plans to increase its ethylene production capacity by 460,000 tonnes over the next three years.

SIDPEC exports more than 30% of its polyethylene production though, as highlighted in an HC Securities news bulletin, the increase in international prices of polyethylene has not been reflected in the company's profits given that it sells through forward contracts at pre-fixed prices. With shares trading at EGP 103 on the day it posted results, SIDPEC's Price/Earning ratio is 12.97 times compared to a global average of 11.24 times, suggesting it is slightly overvalued. Even so, the company ended the week up at EGP 116.2.

ORASCOM CONSTRUCTION INDUSTRIES (OCI): One of the most actively traded stocks of the week, OCI was also one of the heaviest gainers, ending the week with a 6.49 % increase to close at EGP 228.58. Interest in the company is being fed by its ambitious regional expansion plans. OCI is the largest regional manufacturer of construction and building materials. It ranks ninth internationally in terms of cement production capacity and is among the world's top 150 construction companies.

OCI, which operates in more than 20 countries, is currently expanding its natural gas based fertilizer operation. Since Egyptian law stipulates that company loans cannot exceed half of capital OCI launched a rights issue of EGP 2.3 billion to finance its expansion.

COMMERCIAL INTERNATIONAL BANK (CIB): Last week's CIB general assembly approved an EGP 410 million increase in legal reserves, and an increase in the bank's authorized capital to EGP 5 billion compared to its current EGP 1.5 billion. It was also decided to issue EGP 2 billion worth of callable convertible bonds with a five- 10 year tenor. CIB shares raised EGP 2 to close the week at EGP 69.

ARAB COTTON GINNING (ACG): ACG was this week's top performer, making up for at least some of the losses sustained earlier in the month. It gained a massive 60.82 % to close at EGP 13.75.

ACG, set up in 1963 as a state-owned entity, was fully privatised in the early 1990s. It has followed an aggressive expansionary plan, acquiring majority stakes in some other textiles companies and merging with others. The company's former chairman Amin Abaza stepped down three months ago following his appointment as minister of agriculture and land reclamation. ACG was one of the best performing shares of 2005, surging by 653 % during the year to end at EGP 25.9.

95% of Bourse companies apply good governance

Dr. Hany Sarie Eldin, Chairman of the Capital Market Authority, revealed that more than 95% of the companies registered at the Egyptian Stock Market managed to apply the rules of good governance. "Companies which did not comply with good governance were 164 out of 700 in 2004", Dr. Hany said, noting that there are only 10 companies now which have not given sound information about their adherence to governance.

In a press conference, Dr. Hany asserted that the government had set 19 governance criteria which are being considered by the Ministry of Investment and expected to contribute to increase the application of governance across the companies at the stock market.

He pointed out that Capital Market Authority had established a central department for governance with the aim of the protection of investors, reduction of risks, and realisation of transparency and attraction of further investments to Egypt.

Encouraging Emirati companies to join CASE

An agreement has been reached between the Egyptian and Emirates capital market authority to protect investors and increase safety measures through providing foundations for cooperation and free transmission of information within the countries law.

Maged Shawky, chairman of the Cairo and Alexandria Stock Exchanges (CASE), negotiated with several representatives of Emirati companies, to encourage them to list the companies on the CASE. Among the companies was Emaar, Amlaak, Dubai Islamic Bank, Dubai National Bank. In related news, March 20th will witness the signing of a bilateral agreement concerning the co-operation in monitoring of capital markets between the Capital Market Authority (CMA) and the Emirates Securities and Commodities Authority (ESCA).

Issuing certificates tracking CASE30 - Deutsche Bank

Deutsche Bank started issuing certificates tracking CASE30, to be listed and traded in Frankfurt and Stuttgart stock exchanges according to the agreement with the CASE for attracting foreign investments and promoting the Egyptian market in the international markets. Mr. Maged Shawky, Chairman of CASE added that the bank is supposed to issue 1 million certificates for an average price of €100/ certificate. This is the second issue of its kind after

ABN Amro's debut of CASE certificates on the Swiss Exchange in November of 2005.

FINANCIAL CHALLENGES

Report on non-banking financial firms

The Investment Ministry report on the first quarter of the fiscal year 2005/2006 pointed out that many developments occurred in the Egyptian Exchange Market (EEM) during that period.

The most significant of those developments is allowing getting dealing systems on the same day in the bourse. The report stated also that EEM witnessed high ups under the optimistic climate that prevails especially as the presidential elections proved successful. The report elaborated that the local indications that monitors the EEM performance have boosted during the period from July to September 2005 by about 17.52% while the international indications boosted by about 86.9%. As for the enlisted shares and bonds that were circulated during the period from July to September 2005, they went up to reach EGP 39.9 billion compared to about EGP 8.22 billion in the same period last year. On the other hand, the report stated that the volume of enlisted circulated shares and bonds during the period from July to September 2005 rose up to record about 926.9 million papers compared to about 438.8 million papers during the period from July to September 2004.

The profitability rate doubled to record 18.67% by the end of July to September 2005 compared to about 14.45 % by the end of the same period 2004. The report also stated that the market capital (MC) went up to reach to EGP 387.95 billion by the end of September 2005 compared to about EGP 203.6 billion by the end of September 2004 at increase rate of about 90.5%. The report added that due to such developments the MC rate to total local product according to expenditure aspects reached about EGP 474.4 billion in 2003/2004 at a rate of 81.78 by the end of September 2005 compared to about 49.07% by the end of September 2004.

The total of new issuances has generally risen during the first quarter of the fiscal year 2005/2006 went up compared to the same period last year. The total issuances of the foundation shares and capital and bonds increase reached about EGP 19,031 million compared to EGP 6,190 million. The new issuances for bonds rose during the period from July to September 2005 to reach about EGP 8,000 million compared to about EGP 10 million in the period from July to September 2004. The capital increase reached about EGP 10,023 million compared to about EGP 4,186 for the same period of the previous year.

On the other hand, the Investment Ministry seeks to develop and modernize the insurance sector via developing the legislations and rules that govern the market. It also targets restructuring and privatizing insurance companies so as to promote this sector's capabilities in attracting national savings being the main source in financing investments especially long-range ones. Besides, the ministry sets a strategy to develop and reform private insurance funds whose role is as important as that of the national companies.

The report mentioned that the insurance market has achieved growth rate of development reaching 10.5% during the fiscal year 2004/2005 as the total installments rose from EGP 4.341 billion in 30/6/2004 to reach EGP 4.797 billion in 30/6/2005. The total compensations covered by insurance market during fiscal year 2004/2005 were about EGP 2.777 billion compared to EGP 1.98 billion during the fiscal year 2003/2004 at an increase rate of 40.3%. The Ministry of Investment has announced on April 4th 2005 for offers by investment banks and organs to restructure public insurance firms.

Ministry of Finance brief

A recent report issued by Egypt's Ministry of Finance for the past 7-month performance revealed an increase in non-tax revenues by 35.3% to reach EGP 22.6 billion up from EGP 14.6 billion in the comparative period, and an increase in tax revenues to reach EGP 61.7 billion up 17.7% from the comparative period. Moreover, total salaries and wages recorded EGP 24.5 billion, up 11.2% from EGP 22.0 billion in the comparative period. Finally, foreign debt balance reached EGP 29.6 billion last September, up by 0.6% from EGP 29.4 billion in the comparative period.

Deficit FY 06/07

Highlights of the FY06/07 point towards a deficit of 9.2%. Government budgeted expenditures are at EGP275 billion, up from EGP 214 billion in FY05/06. Subsidies at EGP59 billion, of which petroleum subsidies are EGP40 billion; total wages at EGP 52.0 billion, up from EGP 45 billion in FY05/06. Investment expenditures are budgeted at is budgeted at EGP 22.0 billion, up from EGP 17.4 billion in FY05/06. Government budgeted revenues are EGP 162 billion, up EGP32 billion from FY05/06.

EGP 109 billion worth of foreign investments in three months

The State-Owned Assets Management Programme has succeeded in attracting direct foreign investments at a value of EGP 109 billion in the latest three months, said Minister of Investment, Dr. Mahmoud Mohieldin.

The minister said that selling public companies presents 23% of net value of foreign direct investments. Investment increase was due to the increase in the number of new companies, he added. On the other hand, the minister dismissed as false reports that the value of Omer Effendi deal worth about EGP 1 billion.

LOANS AND GRANTS

US \$20 million loan to finance 2nd phase of Second Pollution Abatement Project

The World Bank has approved a US \$20 million loan to finance the second phase of the Second Pollution Abatement Project (SPAP) for the Republic of Egypt.

One of the main objectives of SPAP is to demonstrate applicability of market-based instrument for promoting industrial pollution abatement in hotspots locates in the areas of Alexandria and Greater Cairo. This project will provide assistance to the Egyptian government for improving its environmental management capabilities in continuation of the successful collaboration that was developed during Phase 1 over the past several years.

"With this [Second Pollution Abatement Project] project, Egypt is considered the first country to receive the largest resources on pollution control from the World Bank and its partners. It is a demonstration of global commitment to the Millennium Development Goals," commented Hocine Chalal, the project's Task Team Leader. "SPAP negotiations were conducted in a spirit of cooperation and collaboration to find the most appropriate and efficient formula for the SPAP partnership," Chalal added.

The World Bank US \$20 million loan succeeded in attracting an additional US \$145 million of concessionary lending and grants from: The Japan Bank for International Cooperation (JBIC); The European Investment Bank; Agence Française de Développement; and the Government of Finland are now completing the steps for securing their participation to SPAP. The project will be also accompanied by a parallel operation to be financed by the Global Environment Facility (GEF) for an estimated amount in the order of US \$7.5 million. GEF's support will focus on the conservation, protection and development of Lake Mariout of Alexandria, one of the pollution hotspots in Egypt. This will also address the regional concern of pollution of the Mediterranean.

SPAP includes essentially two components: An Environmental investments component that will focus on pollution abatement in major hot spots in Alexandria and Greater Cairo areas. These investments will target the industrial sector through soft loans targeting pollution abatement measures. The second component is a technical assistance one to provide the necessary expertise to the financial sector, the beneficiary companies to be selected and the Egyptian Environmental Affairs Agency on regulatory and institutional aspects.

In addition, a Carbon Finance sub-programme will be developed in parallel that will consist in promoting Clean Development Mechanism (CDM) projects for which the Bank will purchase Carbon emission reduction credits with a particular focus on ensuring significant local sustainable development contribution. This initiative aims also at contributing to Egypt's effort in addressing Climate Change. A share of the revenues generated through this purchase will be transferred to the Egyptian Environmental Protection Fund for the establishment of a financing system that can contribute efficiently to the sustainable development agenda of Egypt.

"Our support through carbon finance is expected to contribute to public financing needs for environmental protection consistently with the goals set forth in the Country Assistance Strategy," commented Dr. Emmanuel Mbi, World Bank Country Director for Egypt. "Egypt is also the first country for which, as part of a finance project by the World Bank, the national standards for Environmental Assessment will be used instead of the World Bank guidelines."

BANKS

Audi Bank acquiring Cairo Far East Bank

Lebanese Audi Bank acquired a 99.69% (2.6 million shares) stake in Cairo Far East Bank, at US \$35.65/share. Audi had previously signed agreements with Cairo Far East's shareholders owning 88% of its stake to buy their shares including Audi obligation to increase the capital to EGP500 million in a period not less than six months.

Egypt to close sale of Bank of Alexandria by August

The sale of Egypt's Bank of Alexandria is likely to close by August after it provides detailed information on the offering to a large investor by the end of March, the country's investment minister said. "The process is going to be starting effectively in April and normally these big deals take 3 to 4 months to be finalized," Minister, Dr. Mahmoud Mohieldin told Reuters on the sidelines of a conference. The Egyptian government said last month it would announce an offering of 75% to 80% of the bank to a large private investor by March 31 and then offer a further 15% to 20% of the bank to the public. The minister said that another 5% would be offered to employees of the bank, which is one of Egypt's four main state-owned banks.

TENDERS

International manufacturers for the combustion turbine generators

Request of offers from eligible international manufacturers for the combustion turbine generators package pertaining to Noubariya Power Station III 750 MW combined cycle project. Finance for the project has been requested from EIB - European investment Bank. The scope of work includes, but is not limited to, design, fabricate, deliver, transport to the site, unload, store, erect, start-up & commission of 2 X 250 MW combustion turbine generators & auxiliaries including all related mechanical & electrical works required for a complete operational system.

Deadline: 17th April 2006
Specs Fees: US 3,000
Bid Bond: US 2,000,000

Project Consultant is PGESCO, 105 Omar Ibn El Khattab St., Heliopolis, Cairo, Tel. 02 - 4675863 & Fax. 02 - 4675862. Tender documents would be released against a receipt for US \$3,000 from National Bank of Egypt, Zizinia Branch, Alexandria, in favor of account No. 1100000111.

WDEPC - West Delta Electricity Production Co.

Address: 7 Riad Pacha St., Glim, Alexandria.
Phone: 203 576 1375
Fax: 203 576 1375

Establishing the Government Certification Authority (GOV - CA) - Ref. 8/ 005/ 2006.

Deadline: 7th May 2006
Specs Fees: EGP 50,000
Bid Bond: EGP 500,000

Ministry of State for Administrative Development

Address: 3 Salah Salem St., Nasr City, Cairo
Phone: 202 4023770/ 4024289

A modern automotive test Station

Request of offers from specialized companies for a license to build & operate for 15 years [B.O.T.] a modern automotive test station for all types of vehicles at Alexandria Traffic Dept

Deadline: 16th April 2006
Specs Fees: EGP 5,000
Bid Bond: EGP 350,000

Alexandria Governorate, General Dept. for Finance, the Contracts & Purchases Dept.

Address: 90 El Horria Ave., Alexandria
Phone: 203 484 5419 / 592 3433

A project for the relocation of tanneries

Implementing of phase 1 of the establishments pertaining to a project for the relocation of tanneries from Misr El Adima Zone to Al Robeiki area in Badr City including the different production lines, workshops, warehouses, a fire brigade building & a subsidiary services building. Bidders need be classified by the Contractors Federation at grade 1 for buildings, steel structures, foundations, auxiliary and specialized works.

Deadline: 9th April 2006
Specs Fees: EGP 5,000
Bid Bond: EGP 1,500,000

IMC - Executive Org. for Implementing Industrial & Mining Complexes

Address: 14 El Alfi St., El Thawra Bldg., Cairo
Phone: 202 588 3230/ 588 9002

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