Business monthly

THE JOURNAL OF THE AMERICAN CHAMBER OF COMMERCE IN EGYPT

June 2024

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SKY INNOVO DEVELOPMENTS HAS OFFICIALLY ENTERED THE REAL ESTATE MARKET WITH A GAME CHANGING PROJECT: PARK ST. EDITION

Over the past few years, the world has become increasingly stressful. That has naturally led to rising awareness of the importance of mental health, with many seeing it as an increasingly vital topic.

Accordingly, mental and emotional peace starts with where one lives and spends their free time. For Ayman Hussien, Chairman of Sky Investments, the holding company of Sky Real Estate, and Bishoy Azmy, CEO of Innovo Group, the priority was that their first joint venture under Sky Innovo Developments would be the project in an urban area located in the middle of New Cairo hustle and bustle.

Please provide us with an overview of Sky Real Estate and Innovo Group.

Hussien: Sky Real Estate is a subsidiary of Sky Investments it is a private investment company established in 1997 by the Hussein family. We have deep local knowledge, experience, and promising business networks in various sectors, including energy, distribution, logistics, real estate, and tourism.

We currently own stakes in 12 Egyptian companies that provide employment opportunities for more than 7000 people.

Our subsidiary, Sky Real Estate, has two commercial projects: Park St. in Shiekh Zayed and soon to be launched Park St. East in New Cairo.

Azmy: Innovo Group started in the UAE and then relocated to the UK, where we attained global expertise in the field of development. Our focus is to achieve a distinguished record of achievements in various projects that include design, engineering, and construction of urban developments.

The group's projects span four continents. Its headquarters are in London, and offices are worldwide: Dubai, Abu Dhabi, Toronto, Cairo, Senegal, Angola, and Riyadh.

Now, we see a massive opportunity in Egypt. However, we needed to partner with a local developer who understands the nuances of the Egyptian market to translate our international expertise to suit the local market.

Please give us an overview of the Park St. Editon project.

Hussien: Our Park St. Edition project's concept is seamlessly blending health and sustainability.

It combines mixed-use buildings, offering a harmonious environment where the physical and mental health of residents is prioritized.

To achieve that, we built the project on a relatively small plot—around 22,000 square meters. It will have 500 residential and commercial units, making it a boutique project with a maximum of 25 to 30 companies and 300 apartments.

There will be no villas in the project. We also designed a three-story underground parking, which is too much for the project. But we know from experience that we should appreciate the number of cars. There will also be a courtyard with commercial spaces exclusively for residents.

The buildings are designed to maximize natural light, green spaces, and adequate ventilation systems to improve air quality and create a calm atmosphere that stimulates productivity and enhances mental and physical health. The apartments' designs follow the same philosophy.

The project's design uses environmentally friendly materials to ensure a healthy, pollutant-free indoor environment. It includes advanced fitness facilities, dedicated areas for meditation and yoga, walking and jogging paths, a SPA, and a range of premium services that meet their health needs and enhance a comprehensive and rejuvenating living experience.

Park St. Edition also focuses on preserving natural resources by using renewable energy sources, high-efficiency lighting, energy-saving devices, and effective waste management systems.

It meets the needs of customers looking for a distinctive lifestyle that combines luxury with health and sustainability, thus providing an exceptional living that meets all professional and personal aspirations and needs.

We will deliver the project once it is fully built and furnished in one batch in 2027.

Azmy: The big challenge with this project is to create an inaugural project, a distinctive mixed-use project/complex in an urban area. The project is not big, which makes it even more challenging to ensure it is isolated from everything outside despite being in the middle of the hustle and bustle outside.

We looked at international and renowned material on how to live better in terms of physical and mental health. That includes reading books on the topic. We sought one of the most renowned experts to help us design the project and develop its criteria.

Around 60% of our built-up area will go to the commercial part of the project. That will include office and retail space. The offices can be fully furnished, requiring the business employees to show up with their computers and laptops to start working. They can also be customized to bigger businesses with bespoke designs and facilities.

Residential units are fully furnished and prepared; the furniture is just missing.

In Park St. Edition, we focused on linking the project's commercial, residential, and entertainment aspects. Our underlying concept is the "plus, plus" concept, where our projects are tied together: the commercial, entertainment, office, services, and residential parts are all interlinked.

Why did you choose New Cairo over other places like New Capital?

Azmy: New Cairo is important because it is still an underserved area, yet you are in a central neighborhood with a lot of economic activity.

The area we chose for Park St. Edition is full of commercial developments. It needs more residential, so we aim to introduce the residential part.

Our focus is Greater Cairo (including New Cairo and Shiekh Zayed City), where over 50% of the country's commercial activity happens. We are also looking at the North Coast for the same reason—commercial activity is very high during the summer holidays.

Hussien: With all our projects, we are looking to be in a "downtown area" where every commercial and entertainment facility, from banks to the gym to the cinema, is within walking distance from our project. We want to promote walking in the street in the open air to enjoy our lovely weather throughout most of the year.

That dictated Park St. Edition's location. It is within 400 meters from all major entertainment venues, including our own Park St. East, among other malls and compounds. Also, many of the project's commercial areas are open to non-residents.

Can you talk us through the project's sustainability?

Azmy: Sustainability in our project starts with ensuring that our materials are locally sourced and as natural as possible. We use materials more efficiently to lower losses, and that includes changing some of the project's designs to reduce waste.

Hussien: When designing Park St. Edition, we included waste recycling infrastructure that would be integrated into the project from day one. We also noted the green areas relative to the number of residents, businesses, and visitors.

Are there future projects for Sky Innovo Developments?

Hussein: We are currently looking at two other projects. One will likely be on the North Coast. Overall, all our future projects will follow the blueprint established with Park St. and Park St. Edition projects.

That means land plots will be smaller than typical surrounding projects, and the "boutique" model will be followed. The projects will focus on calm and peace and promote a healthy lifestyle.

By Hazem Metwally,
CEO of Etisalat
by e& Egypt

THE REINVENTION OF TELCO:
FROM CONNECTIVITY TO TECHNOLOGY

Throughout history our world has been essentially doing one thing, and that is continuously moving forward and evolving. Stepping back and observing that driving force that pushes progress, despite setbacks, is both sobering and revelational. And even though human beings are capable of destruction, they end up building more than they destroy, and progress inevitably happens despite everything.

In recent times, the pace of change has been moving much faster, starting with the invention of computing to the introduction of the internet to many of the new tech trends and sometimes, bubbles. These tech trends enabled a lot of "unlocks" across many industries and sectors. Information, ideas, capabilities and services have been more and more democratized, and all established models are now subject to disruption.

Now, the world is witnessing a tech driven revolution, and it is not just happening in obvious sectors like automotive or manufacturing but also seemingly stable industries like healthcare, pharmaceuticals, and agriculture: all are experiencing seismic shifts. However, one of the most profound transformations is unfolding right before our eyes in the telecommunications industry.

For decades, telcos have been the silent giants, the unsung heroes, consistently working to deliver these trends wherever we are. In fact, telcos have been the main backbone of all those trends finding their way to right in front the customers' eyes. We have always been an essential.

Yet such a role doesn't come without its challenges, the size and the scale of this business, by its nature, meant that we must serve everyone, and we must do so in a way that meets different needs.

And while everything is subject to disruption, telcos need to understand that staying relevant will mean expanding the role we play and harnessing the opportunity of the proximity we enjoy with the customers.

This means that the vision of Telco's transforming into Tech-Co's is not only a matter of staying relevant and delivering more value to all stakeholders, but also a matter of taking the opportunity and choosing to re-invent ourselves for the future.

In my view we must be able to overcome the traditional ways that made Telcos successful in the past era. This does not mean we should abandon the DNA of robustness that is necessary for being a reliable service provider, it means that we need to learn new ways in addition to mastering the legacy ways, that would then differentiate us in the turbulent wider tech sector.

Our formula is about putting customers at the center of business operations, technology and service innovation. We then aim at adding more relevant services to customers and businesses to make their lives richer.

Embracing a Solution Mindset

The first step in this transformation is to shift from a product-centric mindset to a solution-oriented one. Customers no longer want a dial tone or uninterrupted internet access. Infrastructure is a necessary means to an end. Customers and businesses are looking for technology solutions, not product sets. They need well-integrated technology solutions that solve problems.

At e&, we are evolving into a technology group, reimagining ourselves as value-driven partners who understand our customers' needs and offer tailored solutions beyond connectivity.

We've invested in building a robust portfolio of solutions, ranging from entertainment and fintech to enterprise management and micro-finance. We're not just connecting people; we're empowering them with tools that enrich their lives and businesses.

In 2024, we saw significant growth across our digital services, with Etisalat Cash active users increasing by 25% and Twist TV viewership soaring by 93%. We also expanded our offerings with a sports and e-learning platform now accessible through the MyEtisalat app. And this is just a snapshot of an ever changing scene.

About a decade ago, some of this might have sounded like a fanciful tale or wishful thinking. But given contemporary advances in data processing capabilities at scale, the maturity of Artificial Intelligence (AI) and Machine Learning (ML), and a greater focus on personalization, some of these investments have just started to pay off.

Harnessing the Power of AI

The way we are approaching AI and ML is to create shifts on some of the existing business objectives, that are already in the works. The need to serve the customer better and more intuitively can now be transformed from the "big data" and "advanced analytics" era to the era where AI can create a much more customer centric services. We are excited too, as we are rewiring our services pipeline to be AI powered whenever relevant.

AI is more than just a technology; it is a bridge that connects us to our customers on a deeper, and more intuitive level. By anticipating their needs and desires, even those unspoken, we can proactively offer solutions that truly resonate with them. This not only enhances customer satisfaction and loyalty but also fosters a sense of trust and partnership, solidifying our position as a value-driven technology leader.

Listening to Untold Needs

Our obsession to understand and serve our customers on a granular level has yielded significant dividends. Our customers feel heard, understood, and valued, which translates into exceptional levels of satisfaction. But the impact goes beyond sentiment; it is a catalyst for revenue growth. By constantly enhancing our offerings to match what our customers want and need, we've unlocked new revenue streams and cultivated customer advocacy.

The tangible proof of this approach's efficacy is reflected in our Q1 2024 results. Our key customer satisfaction metrics – CSAT (Customer Satisfaction), TRIM (Trouble Resolution Index Metric), and NPS (Net Promoter Score) – have all seen a marked increase, underscoring the direct correlation between our diversification and personalization efforts and positive outcomes. This not only validates our strategy but also reinforces our commitment to continuously refining and expanding our solutions to deliver even greater value to our customers and shareholders.

The Path to Lead

In an ever-changing digital landscape, e& is embracing a new identity, evolving from our roots in telecommunications to become a leading technology group. We are committed to delivering innovative solutions that empower individuals and businesses, but more importantly being customer-focused and driving impact. This commitment to customer-centricity has earned e& the distinction of being named the strongest brand in the Middle East and Africa by Brand Finance, a recognition we deeply value.

We are also proud to be recognized as the fastest-growing technology brand, with a 52% year-over-year increase in brand value.

At e&, we are builders at heart, and our journey is just starting.

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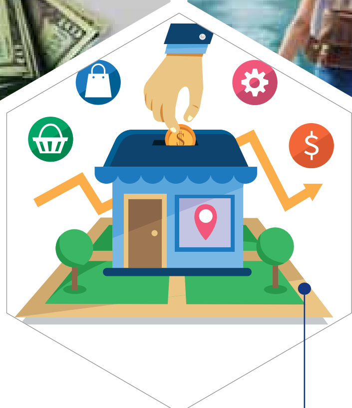
Business monthly

June 2024
VOLUME **41** | ISSUE **6**

Cover Design:
Nessim N. Hanna



A RETHINK

June is usually when families throughout the Northern Hemisphere start preparing for their and their children's summer break. And Egypt, given its unique geographic location (between two holiday-friendly seas) and storied history, is always a prime destination for those seeking sea, sand, sun, history, and a unique cuisine.

That was the scenario in decades past. However, in 2024, the landscape has dramatically changed.

Our cover story this month looks at some international vacationing trends, showcasing how Egypt needs to rethink tourism to meet the needs of the next generation of vacationers.

The biggest talking points start with what Gen Zers (born between 1997 and 2012) want from their holidays, how artificial intelligence is perceived by tourists visiting Egypt (a research paper from Helwan University tells all), and how improper planning for high seasons can lead to overtourism, with disastrous for residents, the government and vacationers alike.

We also examine the government's ambitions to sell summer homes to foreigners. Spoiler: We are not meeting expectations for several reasons, chief among them is that our summer homes are expensive compared to those on the northern Mediterranean coast.

Egypt's tourism sector also faces increasingly stiff competition from GCC nations looking to attract foreign vacationers to help diversify their economies away from oil.

Elsewhere in this issue, we highlight what the IMF had to say about Egypt in its April report. Spoiler: It isn't all good. We also examine how a country's underlying cultural traits impact entrepreneurship.

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NAVIGATING THE RED SEA CRISIS: IMPACT AND IMPLICATIONS

By **Marwan El Sammak**
Chairman, AmCham Transport & Logistics Committee and Chairman & CEO Ship & C.R.E.W. Egypt

Egypt finds itself at the center of a maritime crisis as Houthi hostilities in the Red Sea threaten safe passage through the Suez Canal. This disruption has prompted major shipping lines to alter their routes, bypassing the Suez short transit in favor of navigating around the much longer Cape of Good Hope (CoGH).

The repercussions of this shift are substantial. The Suez Canal, typically bustling with activity, has seen a 50% reduction in transits, with a corresponding shortfall in revenue.

Voyages that once spanned 4,000-5,000 kilometers between Arabian Gulf and Red Sea/ Mediterranean ports now cover 12,000-15,000 kilometers, with transit times increasing by around two weeks.

This shift has led to lower supply levels in key trade routes, a shock that initially drove freight levels to triple for ports in the Arabian Gulf, Middle East, Mediterranean, north continent, U.S. East Coast and Far East. As Hapag Lloyd CEO Rold Habben Jansen aptly remarked, “There is a new normal now.”

Global carriers have rerouted ships around the CoGH, initially causing a hiccup in transshipment volume in the western Mediterranean and straining port and terminal capacities. However, after a few weeks, the situation stabilized. Some shipping lines have adjusted routes from the Far East and the Middle East around the CoGH to include Egyptian Mediterranean ports, using feeders to connect Jedda and Aqaba cargo going through the Suez Canal. Red Sea ports have seen a substantial drop in vessel calling.

For Egypt, the consequences are multifaceted. Reduced supply has led to significantly higher shipping costs with some tripling, though levels normalized after a few months, particularly those between the Middle East and the Far East. Direct services between Egypt and the U.S. have ceased, necessitating indirect routes and even longer transit times and raising freight costs. Sokhna port on the Red Sea has seen a significant drop in volume.

The land freight sector, heavily reliant on trucking, has also felt the impact. With shipping disruptions and extended transit times, truck fleets have been mobilized to serve cross-border transport to Saudi Arabia and the Arabian Gulf. Additionally, trucks are being used for humanitarian aid transport into Gaza, further straining the supply chain and driving up land freight prices.

Even if passing through the Suez Canal is deemed safe again, reverting to pre-Houthi conditions is expected to take at least two to three months.

If the current situation in the Red Sea persists, there would be significant risks for Egypt. The country has positioned itself as the main hub for east Mediterranean container transshipment, with substantial investment in ports and terminals in Alexandria, Damietta, Port Said and Sokhna. Any prolonged disruption could undermine Egypt's strategic maritime position.

It is worth noting that the Suez Canal is a green solution for the world, saving millions of tons of emissions due to its much shorter route for East-West trade.

A LONG-AWAITED CHANGE?

Finally, the long-awaited Cabinet change is happening. At the beginning of June, President Abdel Fattah Al-Sisi accepted the ministers' resignations and directed Prime Minister Mostafa Madbouly to stay in his post and appoint a new Cabinet. By the time you read this, the new ministers should be in place.

The question is: will it really be a change in direction or a perpetuation of the old, die-hard mindset toward governance, a mindset that despite several recent accomplishments did not bode well for the economy. While the choice of Cabinet ministers will also be telling, I believe the choice of prime minister is the most indicative of the way forward in the coming period.

Reactions to the news on social media, which in many ways is a barometer of prevailing national sentiment, covered the spectrum. Some were disgruntled, noting the eroding purchasing power amid bold subsidy reform measures, notably the rising price of bread, a touchy issue, and the electricity prices set to increase by early July. There was public bewilderment at continued power blackouts, extended from two hours to three hours a day, as well as the temporary shutdown of several chemical industrial facilities due to natural gas shortages. Others expressed disappointment, as expectations were high for new faces as a sign of a change in direction.

Meanwhile there is speculation that reappointing Prime Minister Madbouly means that he should continue a reform job that is not yet done. The jury is still out.

Despite the negativity, there are positive indicators. The S&P Global Egypt Purchasing Managers' Index (PMI) is finally inching toward the growth benchmark of 50, net foreign reserves have reached a historic high, remittances are back on track and the float is still working successfully. These are all signs that this positive trajectory will continue.

However, we should not be complacent with a false sense of security. We are not yet out of the woods. Inflation is still above 30% and expected to remain so for a while in view of more subsidy reforms. Interest rates are not expected to fall any time soon, and government debt is still at a record high. The Suez Canal revenue will remain under pressure for the foreseeable future. Tourism has also taken a hit but has weathered the storm, at least for now.

Most importantly, it is still not clear which direction the new government will take toward the divestiture of state-owned enterprises (SOEs). Will it slow down or be accelerated?

With all that in mind, the real mandate for the new Cabinet should be empowering the private sector, attracting foreign direct investment, and embarking on a progressive reform agenda that levels the playing field with SOEs. In his mandate letter to Madbouly, President Sisi clearly spelled out the goal of empowering of the private sector. The real challenge now is walking the talk.

The new Cabinet's most important job is to build on this new environment of confidence and regain the public trust. The ministers will need to work in sync to create unified policies that allow Egypt reach its full economic growth potential.

TAREK TAWFIK
President, AmCham Egypt

Advertorial

MERCEDES-BENZ OFFICIALLY PRESENTS THE **ALL-NEW E-CLASS** IN EGYPT

The All-New E-Class:

A BRIDGE BETWEEN TRADITION & DIGITALIZATION

Cairo, Egypt: 23 May 2024 – In a remarkable leap into luxury, marking a significant step forward for the intelligent business saloons landscape, Mercedes-Benz proudly introduces the all new E-Class in Egypt. The E-Class has rich a sense of tradition like no other. And foremost among its traditions is advancement, pioneering new technologies and redefining standards. With breakthroughs in connectivity, intelligence and user-friendly tech, Mercedes-Benz redefines their business icon with the all-new E-Class.

The All-new E-Class lineup

The E-Class lineup presented by Mercedes-Benz Egypt includes the E300 Sport & the E300 Exclusive. The E300 Sport features the AMG line exterior and interior elements, such as the multifunction sports steering wheel in Nappa leather, the AMG body styling, -19inch AMG light alloy wheels, the highly desirable night package, and an illuminated radiator grill for an overall imposing and robust look. The E300 Exclusive follows an elegant design path, featuring the Exclusive line design for the exterior and the interior, such as the brown open-pore maple wood centre console, -19inch multi-spoke light alloy wheels & the classic grill design & Mercedes-Benz Star on the bonnet.

Both the E300 Sport & E300 Exclusive come with the exceptional Digital light, multicontour climatised seats, MBUX Superscreen with a -12.3inch driver display, 14.4 central display & -12.3inch front passenger display, Burmester® 4D surround sound system WITH Dolby Atmos, Panoramic sliding sunroof, Head-up Display, as well as active ambient light with sound visualization and a Selfie/Video camera. The E300 is equipped with the 9G-TRONIC transmission and a characterful 1,999 litre engine with EQ Boost strongly pumping out 258 hp & 370 nm of torque. An impressive powertrain, lending the E-Class a powerful & enjoyable performance. The E300 can accelerate from 100-0 km/h in just 6.3 seconds, up to a top speed of 250 Km/h.

MBUX Superscreen as a highlight of the interior design

Sporty, high quality, digital, these three attributes describe the interior of the all-new E-Class, a masterpiece on its own. The interior is dominated by the MBUX Superscreen, which extends from the driver to the passenger, boasting a futuristic design, high-res graphics, and the most customizable & friendly UI in the industry. New interior features include the digital vent control, active ambient light with sound visualization, and the selfie/video camera. When it comes to spaciousness, the E-Class shines with more headroom and legroom than in the preceding model.

Classic proportions and iconic lines in the exterior design

The new E-Class features a new luxurious design, oozing with confidence, desirability & presence, thanks to its bigger dimensions. Exterior design highlights include the new daytime running lights, redesigned front end with a black pannel, Powerdomes accentuate the bonnet and the flush-fitting door handles. Highlights at the rear include the LED lights with the unique star motif makes the day and night design of the rear lights unmistakable.

Driving assistance systems have been developed further

The all-new E-Class comes with a plethora of safety & driving assistance systems as standard including Active Distance Assist DISTRONIC, ATTENTION ASSIST, Active Brake Assist, Active Lane Keeping Assist, Blind Spot Assist, Collision preventions Assist Plus & the Parking Package with reversing camera, °360 camera and Speed Limit Assist.

For information about Mercedes-Benz Egypt, please visit **www.mercedes-benz.com.eg**

THE NEWSROOM

EBRD LOAN TO SUPPORT SMALL BUSINESSES

The European Bank for Reconstruction and Development (EBRD) extended an initial $119.5 million A/B loan to the National Bank of Egypt (NBE). The loan aims to support lending to Egypt's micro, small and medium-sized enterprises (MSMEs).

Notably, this EBRD loan is the first with an A/B structure made to a bank in Egypt. The loan includes a B loan mobilized from the Dutch-based and SDG-focused asset manager ILX Fund as part of a potentially more extensive financing program that could be implemented in multiple stages.

The fund aims to diversify the NBE's funding base and support its financial inclusion agenda. Notably, the fund will target businesses with a regional focus owned or led by women or young people.

"This loan is an important milestone in our longstanding cooperation with the National Bank of Egypt," noted Heike Harmgart, EBRD managing director for the Southern and Eastern Mediterranean region.

GOVERNMENT PLANS 10 GIGAWATT WIND PROJECT

The government has inked a land access agreement with an Egyptian-Emirati consortium to build a 10-gigawatt wind farm in Egypt. According to a joint statement, the wind farm would be one of the largest in the world and cost an estimated $10 billion.

Under the agreement, the consortium will access 3,025 square kilometers (1.1 square miles of land in West Suhag. Companies involved will be permitted to conduct development studies necessary to advance the project, such as resource measurement campaigns, geotechnical and topographic surveys, and environmental impact assessments.

The wind project is set to produce 47,790 gigawatt hours per year and cut Egypt's annual carbon emissions by about 9%.

The wind farm will help the country meet its strategic objective of sourcing 42% of its energy from renewables by 2030. The project will save about $5 billion in natural gas costs annually.

"The signing of the Land Access Agreement for the 10GW wind farm project alongside our esteemed partners, Infinity Power and Masdar, marks a pivotal moment," said Amr Allam, co-CEO of Hassan Allam Holding. "This initiative underscores our commitment to clean energy and environmental responsibility, and we are proud to be part of this transformative project that will have a positive impact on our nation's energy landscape and beyond."

IFC, BANQUE DU CAIRE REACH $100 MILLION DEAL

Banque du Caire and the International Finance Corp. (IFC) signed a financing agreement worth $100 million. The partnership allocates $50 million to support micro, small and medium private sector projects, focusing on women entrepreneurs.

Another $50 million will be earmarked for trade financing under the IFC's International Trade Finance Programme.

Another agreement was signed between the IFC, Minister of Finance Mohamed Maait, and the chairman of the General Authority for Health Insurance. The agreement aims to enhance state efforts to provide inclusive healthcare services and health insurance coverage for all citizens by partnering with a network of private-sector providers.

Minister of International Cooperation Rania Al-Mashat said efforts with partners had provided development financing amounting to $900 million, including $400 million from the World Bank, $181.6 million from the French Development Agency, and $326.7 million from the Japanese side.

PARTNERSHIP TO FINANCE, EMPOWER ENTREPRENEURS

Egypt-based Cash for Microfinance, a subsidiary of Beltone Holding, has inked an agreement with Microfinanza Italia to launch a joint project to boost economic support and empower Egyptian entrepreneurs. The project's value is more than 2.2 million euros ($2.4 million).

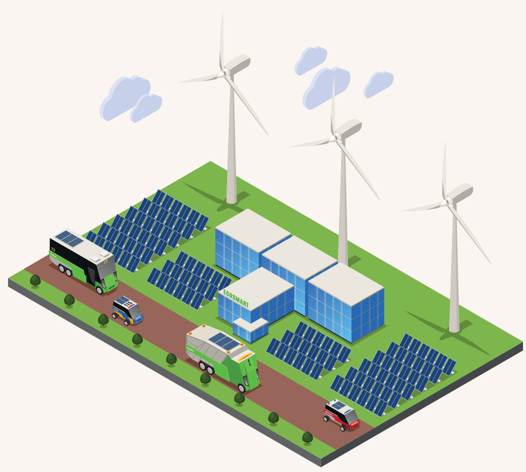
"This protocol is a continuation of our efforts to collaborate with international donors, which aligns with the Egyptian state's directive to strengthen and support small and medium-sized enterprises for economic empowerment," said Morcos Nabil, CEO of Cash for Microfinance, noted that

He added that the project would establish business incubators as hubs for economic development, "nurturing entrepreneurs with unique ideas and innovations that enable productive economic ventures."

Spreading the culture of self-employment is one of the project's goals, as it supports entrepreneurs and enhances national industries. "We will be providing comprehensive training, technical support, and financial support so that we equip startups with the resources and networks needed to navigate challenges, enhance competitiveness, and expand investments," Nabil said.

ENGIE, SCATEC TO BUILD WIND POWER PROJECT

Two renewable energy companies, Scatec of Norway and Engie of France, have joined Orascom Construction to secure land for Egyptian desert wind power projects.



Scatec will develop a 5 gigawatt wind power generation capacity. Engie and Eurus Energy of Japan will develop the other 3GW project.

According to the New and Renewable Energy Authority (NREA), the two projects are worth $9 billion in investments and will offset 17 million tonnes of carbon dioxide emissions annually.

The first memorandums of understanding for these major projects were signed at COP27, hosted by Egypt in 2022.

AFTER THE HYPE

Despite foreign currency reserves jumping 16.4% in two months, April's IMF report on the Egyptian economy shows it still faces risks.

by **Rania Hassan**

For Egypt, the IMF is more than a lender offering support after the exodus of foreign investors. "Staff-level agreements reached with the IMF are [like] an international certificate asserting the economy's strength and resilience and the success of the government's reform program," Parliamentarian Ahmed Abaza said at a hearing in March.

The latest agreement was in April, days after Egypt secured a commitment of $35 billion from the Abu Dhabi Developmental Holding Co. for the Ras El Hikma triangle. The staff-level agreement saw the IMF increase the $3 billion Extended Fund Facility (EFF), which it approved in 2022, by about $5 billion, also to be paid in tranches after periodic reviews until 2026.

"Recent measures toward correcting macroeconomic imbalances, including the unification of the exchange rate, clearance of the foreign exchange demand backlog, and significant tightening of monetary and fiscal policies were difficult but critical steps forward," said Kristalina Georgieva, IMF managing director, and chair, in an April press release. "The authorities' policies are well calibrated to entrench macroeconomic stability while protecting the vulnerable."

However, Egypt does face some risks. "Externally, uncertainty remains high," said Georgieva. "Domestically, sustaining the shift to a liberalized foreign exchange system, maintaining tight monetary and fiscal policies, and integrating transparently off-budget investment ... will be critical."

Additionally, how the government manages the inflow of dollars to contain inflation and limit the risk of future external pressures will be vital, she added.

Achievements

The report accompanying the IMF's April press release said Egypt had a "mixed" start to fiscal year (FY) 2023/2024.

On the plus side, the government has achieved a 2.5% of GDP primary budget surplus, where government revenue is higher than its spending before paying the debt installment, the IMF report said.

Another upside is that the state hasn't accumulated external arrears, has somewhat relaxed currency exchange restrictions, no longer has multiple exchange rates thanks to a "flexible exchange rate regime," and is gradually reducing import restrictions.

The report also praised the Central Bank (CBE) for significantly increasing interest rates from 21.25% to 27.25% in April to limit post-float inflation.

The IMF also commended the Finance Ministry for "overperforming on their indicative target on tax revenue and social spending" by the end of FY 2022/2023.

The report also approved the state's decision to end "the required use of Letters of Credit [as] an instrument for rationing import demand." The other positive is publishing the State Ownership Policy document as a roadmap for divesting state-owned firms.

The IMF also highlighted the positives from "amended aspects of the competition law governing mergers and acquisitions." However, the report said the legislature needs to approve the executive regulation document to fully benefit from its reforms.

Other positive points include "expanding the number of households eligible for social assistance, identifying tax policy measures for the FY 2023/2024 budget, abstaining from granting exemptions for commercial banks, [and] refraining from introducing subsidized lending [via] CBE."

Ultimately, those efforts should create solid buffers for the economy. "Tightening of monetary and fiscal policies, implementation of planned divestments, and program financing [will] ensure the future [net international reserves] targets remain achievable."

Off the mark

By the end of FY 2022/2023, the IMF said, the government had missed its targets to reduce debt and reach more favorable maturity dates for "new domestic debt issuances ... due to the skewing of issuances to short-term bills and notes as authorities sought ... to prevent locking-in high interest rates."

The state also failed to "publish all public procurement contracts that exceed EGP 20 million on the ... government procurement portal." It is also not "continuously implementing the retail fuel price indexation methodology, according to the [preset] formula."

Other unmet targets, according to the IMF, include not publishing the National Central Audit Organization's three most recent annual audit reports nor requiring timely publication going forward.

Other shortcomings noted by the IMF include failure to publish comprehensive annual tax expenditure reports or adopt a risk-based approach to customs procedures to expedite the release of imports.

Additionally, the government still needs to finish converting property records to a new digital register. It also needs to allow the Treasury to monitor and report payment arrears. Lastly, the state has not "enacted the executive regulation of the national public finances management law."

Local, foreign risks

The Egyptian government faces risks, having promised ambitious reforms. "Chief among them would be a failure to sustain the shift to a liberalized foreign exchange system, monetary policy being too loose to bring inflation down," the IMF report said.

It also noted fears about the "failure to deliver a transparent and comprehensive integration of the off-budget investment program into overall macroeconomic policy decision-making."

The IMF report also is concerned about the government's inability to adhere to programs both parties approved before extending the EFF by $5 billion.

Other dangers arise from "failure to execute the [state-owned-enterprises] divestment strategy, [not] building buffers from the Ras El Hikma deal, addressing payment delays to international oil companies and demonstrating early intent to meaningfully reduce the role of the state in the economy, [which] keeps investors on the sidelines and puts additional pressure on the external position."

The second set of risks concerns "delays in boosting tax revenue, implementing the fuel pricing [indexation] formula and generating divestment proceeds for debt reduction." That failure ultimately "further limits fiscal space and increases debt vulnerability."

Meanwhile, "larger-than-expected exchange rate depreciation, weaker growth and higher interest rates" could lead sovereign credit risk companies, like Moody's, Standard & Poor's, and Fitch, to downgrade the government and commercial banks. The IMF report said that is a "high, medium-term" risk that will become "moderate" in the long term "as the debt ratio and gross financing needs are projected to trend downward."

The IMF said internal risks have a "medium relative likelihood" of happening. The list included "social discontent" and "failure to allow the exchange rate flexibility." If either happens, their impact will be "high," the report noted.

Internal risks with "medium [to] high" effect on Egypt's economy include "tourism revenue, remittances and Suez Canal revenue suffering amidst the continued war in Ukraine [and] Gaza." The other is "slower-than-expected structural reform implementation" and "materialization of fiscal contingent liabilities."

The report noted global events with a "high relative likelihood" of happening, such as "intensification of regional conflicts" and "commodity price volatility." Their impact would be "high," the IMF report said.

Meanwhile, the IMF said an "abrupt global slowdown or recession" has a "medium relative likelihood" of happening and would have a "medium" impact on Egypt's economy.

Other external risks to Egypt's economy include "a decline in international oil prices [going from nearly $87 per barrel in April to $78.7 at press time] and the diversion of some domestic natural gas production ... toward domestic consumption."

IMF forecasts

IMF forecasts for FY 2023/2024 put Egypt's GDP growth rate at 3%, reflecting the impact of FX shortages on private sector activity and the war in Gaza. The PMI index, which uses purchase orders, shows that private-sector activity has been shrinking since December 2020.

The other IMF forecast is that the blockage of the Red Sea's southern entrance will lead to a "decline in external recipients." A February working paper by the UN Conference on Trade and Development estimated that weekly transits through the canal dropped 42% in December and January. The government estimates annual losses to range from 40% to 50% of revenue.

Also, this fiscal year should see inflation increase after floating the exchange rate, which is currently about EGP 47 to the dollar, up from EGP 31 to the dollar before March. "The large depreciation at the time of unification and the increase in policy rate will lead to a temporary increase in the debt-to-GDP ratio in FY 2023/2024."

That should be offset somewhat by $24 billion in new inflows from the Ras El Hikma project and the "conversion of existing UAE dollar deposits [$11 billion] at the CBE into local currency."

The IMF anticipates $15 billion will go to the CBE and $6 billion to commercial banks. Meanwhile, the Treasury should receive the equivalent of $12 billion "from the transaction ... recorded in the primary balance, reducing debt by the same amount."

Next fiscal year should witness GDP improving. "A recovery is anticipated in FY 2024/2025 assuming pressures from the [Gaza Strip] conflict and Red Sea disruptions abate and conditions in the foreign exchange market improve."

The second half of FY 2024/2025 should see the first effects of the Ras El Hikma project, as the IMF expects it to "commence in early 2025." That includes "potential impact on imports, new FDI and growth incorporated fully into the macroeconomic framework once there is greater clarity on the medium-term investment program."

In the following three to five years (medium term), the IMF forecasts GDP growth rates to reach 5.5% "as structural reforms to strengthen the business climate take hold and the state footprint [to be] gradually replaced with private [sector] activity."

The IMF said during that time, inflation would "fall toward the CBE's target as base effects unwind and policy tightening takes hold."

Additionally, debt-to-GDP should "follow a downward trajectory after FY 2024/2025, with divestment [reaching] 0.5% of GDP each fiscal year starting FY 2024/2025."

Between FY 2022/2023 and FY 2026/2027, the budget's primary surplus should double to 5% of GDP. The IMF noted that by then, "GDP growth rates should be higher than public debt interest rates."

By 2029, public debt would drop by 38.2% compared to 2023, the IMF said. It would decrease 45.3% by 2034 from its 2029 levels (almost 66.5% from 2023).

Meanwhile, "gross financing needs" should drop by only 13.6% by 2029, then fall at a faster rate until 2034, when it will decrease by 56.1% compared to 2023.

Real GDP growth should stabilize at 5.6% from 2029 to 2034, up from 3.8% in 2023. Inflation should also stabilize at 5.8%, down from 24.8% in the same time frame. Lastly, the "effective interest rate" will go from 16.6% in 2024 to 9.2% in 2034.

The IMF report stressed that "proposed structural reforms will take time to implement and deliver the intended results, [while] reforms aimed at reducing the role of the state may face resistance."

Ultimately, the state's political will to reform will shape Egypt's short, medium, and long-term future. The IMF said, "The ability to assess [the] program's performance hinges on the authorities' commitment and ability to sustain reforms." ■

BRINGING THEM TO EGYPT

Tourists are a vital source of foreign currency for Egypt, exceeded only by the Suez Canal. The government realizes this and plans to further depend on tourism to increase dollar inflows by doubling the number of foreign visitors to 30 million a year by 2028.

Yet the advent of the next generation of travelers and rapid evolution of technology necessitate a shift in approach. Adapting to these changes while avoiding the potential pitfall of attracting too many vacationers is crucial.

By **Tamer Hafez**

TACKLING TOURISM'S TRANSITION

Tourists have long traveled to Egypt for its seas, desert, culture and history. However, the next generation of visitors may not value these factors as much as their predecessors.

With about 5,000 years of recorded history and more than 2,900 kilometers of shorelines along two seas, tourists coming to Egypt are spoiled with choices. In November, Tourism Minister Ahmed Eissa said the sector grew "eight times higher" than the global tourism rate through October," reported state-owned Egypt Today.

That high growth rate is vital for government plans to double the number of tourist arrivals to 30 million annually over the next four years.

To sustain the sector's long-term positive growth prospects, the government and tourist service providers need to attract new generations of travelers. "Younger generations are leading the charge when it comes to a shift in consumer spending habits surrounding ... travel," Paula Twidale, senior vice president of AAA Travel, a travel agency, said in April in a blog. "Gen Z and millennial travelers are taking their trips to the next level by going farther and spending more than other generations."

Next-gen travelers

A survey by Google found "millennials and Gen Zs, or Next-Gen, are the most eager to travel ... These adventurous types consider travel to be vital." Research published in April by AAA Travel and Bread Financial, a credit card service company, found 65% of Gen Z and 58% of millennial respondents either traveled in the past 12 months or plan to travel in the next 12 months.

They prefer taking "water-centric vacations [to escape] heatwaves and climate change," Travel Weekly Asia, a news portal, reported in October. Other popular themes include self-improvement and reboot retreats to help them deal with global instability and hectic lives, embracing the unknown and venturing off the beaten track, according to the report.

"To afford [their trips], approximately two in five millennial (42%) and Gen Z (37%) travelers are willing to dip into their savings," the AAA research said. If necessary, 29% of Gen Zs and 33% of millennials said they would consider a side hustle to pay for their travel, the report said. "The younger generations are also getting creative at cutting costs," the report said. "They would travel internationally to score cheaper tickets."

Research from MySmartJourney, a vacation planning platform, found that "not only are millennials [and Gen Zers] more inclined to spend their time and money going out of town, they are also interested in getting their friends along for the ride."

The report explained that travel for past generations "used to be more of a couple or family activity ... Younger travelers prefer adventuring with their friend groups." That includes "walking mountain trails, swimming at the beach or taking some time to walk around historic destinations."

Given their tight budget, "it is not uncommon [for them] to ... chip in and rent a bungalow or an Airbnb," MySmartJourney's research said. Yet, they can be picky, choosing destinations with "common spaces to mingle and relax," as well as private areas. "Many friend groups will also be delighted by having access to activities they can partake in together," the report said.

In addition, tourist service providers must cater to those who mix work and leisure — called bleisure travelers. "Many people nowadays only need their laptop, a cup of coffee and an internet connection to work," said MySmartJourney. "That means they can sit and 'go' to work wherever the wind takes them."

An undated paid advertorial by Quest Apartment Hotels on the BBC website said this hybrid model is growing in popularity. "Technology has blurred the boundaries between work and play, professional and personal, career and downtime." Those travelers include entrepreneurs, full-time managers and executives, and freelancers shopping for their next gig.

MySmartJourney's research said when bleisure travelers visit or live abroad, they "tend to have a burgeoning interest in local culture and cultural activities and will greatly appreciate having information on local amenities." They also like "trying new and exciting foods."

Regardless of the destination or purpose, Next-Gen travelers want "luxury on a budget, with 56% relying on [artificial intelligence] to upgrade their experiences," Travel Weekly Asia said. That means "destinations with a lower cost of living" are increasingly popular.

Virtual worlds

Aside from "creating digital tourism destination experiences with QR codes and NFC technology," MySmartJourney said, government agencies and holiday service providers need to interact digitally with Next-Gen travelers.

They need to "join the conversation on social media," MySmartJourney's research said. "You'd be surprised at the number of people who wish to do something just because they saw it on social media and liked it ... There's nothing like a picture to commemorate a perfect vacation."

Additionally, websites and mobile apps targeting tourists should contain maps, calendars, notifications and directions to events, festivals and other attractions, as well as other information visitors might find helpful during their stay. The next step is to promote those platforms and their content on social media and private messaging lists (emails or apps like WhatsApp).

Timely, an events management firm, stressed in a March 2023 blog post the importance of having a reliable and detailed yearly event calendar published online for maximum engagement. That calendar should include free tours and event passes, as they are "one of the easiest ways to attract tourists."

Tourists also should get substantial discounts when bundling ticket purchases. "People budget for trips and plan their travels around special discounts," said Timely. "Incorporate different price ranges and discount tiers, such as early bird specials, tiered tickets and VIP tickets ... Through trial and error, you'll eventually ... discern what appeals the most to your audience."

Eco-tourism, of course

COVID-19's lockdowns in 2020 drew attention to humans' impact on the environment. In March of that year, the BBC reported that New York City officials said pollution dropped by "nearly 50% because of measures to contain the virus." Meanwhile, clouds with nitrogen dioxide, which can cause chronic lung disease, "faded away over northern Italy, ... Spain and the U.K.," the BBC report added.

Emissions in China fell 25% at the start of 2020, reported the BBC. That led to the "proportion of days with 'good air quality' [to increase] 11.4% compared with the same time the previous year in 337 cities across China," according to government data.

Such news further increased individuals' awareness of the need to be eco-friendly. In a January blog on Linkedin, Charlain Delator of Atlantis Resorts wrote, "Due to the urgent problems posed by habitat destruction, species extinction and climate change, tourists are looking for methods to reduce their carbon footprint and support places that [prioritize] environmental preservation."

To create such a destination, a U.N. paper in October 2022 said governments and businesses have to "ditch single-use plastics," be "water-wise," market 100% locally produced goods, create certifications for "ethical operators," develop tourist-friendly public transport options, promote national parks and sanctuaries.

Despite apparent similarities in Next-Gen preferences, "these generations are not a cohesive group, but diverse people with various preferences and behavioral styles," Galagents Cruises said in June 2022. "Understanding [the] target market, offering value-added solutions and building their trust and loyalty are the keys to success."

FOR FOREIGNERS ONLY?

Egypt should be a prime location for foreigners to buy vacation homes, given its geography, weather and project variety. However, the market is significantly underperforming.

After approving an increase in Egypt's extended fund facility from $3 billion to $5 billion in March, the IMF, Egypt's top creditor, wants the government to reduce its dependency on loans.

In April, Era Dabla-Norris, IMF deputy director for fiscal affairs, told state-owned Ahram Online, "The fund's program focuses on reducing Egypt's debt by putting the general government debt as a share of GDP on a downward path through continued fiscal discipline." The IMF wants Egypt to drop its debt from 92.7% of GDP in 2023 to 76.4% in 2028.

One way to quickly chip away at the debt-to-GDP ratio and attract foreign currency is to sell vacation homes to foreigners, as property construction is already thriving. Minister of Housing and Urban Communities Assem El-Gazzar told the media in October that "inhabited land" nearly doubled to 13.7% between 2014 and October 2023, while the population only grew by nearly 18%.

"Demand for summer homes in Egypt is increasing, particularly among foreign investors and expatriates," Amr Hosny, a reporter for Invest-Gate, a specialized news portal and think tank, said in September.

That demand comes as the government and private sector accelerate the planning and building of top-tier beachside properties and marinas along the Mediterranean and Red Sea. "The summer home market, in particular, has seen remarkable growth in recent years," noted Hosny.

Targeting vacationers

The government realizes the untapped potential of vacation homes. Hosny of Invest-Gate remarked that the government usually renews talks about real estate exports at the beginning of the summer season to grab the attention of potential international vacation home buyers.

The annual Alamein Festival in New Alamein City, which overlooks the Mediterranean, lasts 45 days starting mid-July "to promote properties in this new city and encourage investors to purchase real estate in the country using foreign currency," Hosny said.

In September, Osama Saad El-Din, general director of the Real Estate Development Chamber, an industry body, told Invest-Gate it is "organizing [another] international real estate conference ... to introduce various real estate opportunities in Egypt to foreign citizens."

He noted most opportunities would be vacation homes. A portion would be along the Red Sea, which Saad El-Din said attracts vacation home buyers from Italy, Germany and Gulf Cooperation Council countries. The rest would be in Ras El-Bar; New Mansoura, which has 14 kilometers of coastline along the Mediterranean; Alamein; and sites on the western North Coast coastline.

The government has also reformed laws to entice foreigners to buy property in Egypt. In 2012, it allowed state-owned bodies like the New Urban Communities Authority and the private sector to build, market and sell units to foreigners.

In July 2023, the government updated a 1996 law to allow non-Egyptian residents and non-residents to own unlimited residential units or vacant land, up from only two previously, each in a different city. The headline condition is that payment be made in dollars transferred from an overseas bank account to a local state-owned bank.

In October, the government announced foreign homeowners will be eligible for a five-year renewable residency if they buy one or more properties with a combined value of $400,000 or more. Those who buy properties worth $200,000 get a three-year renewable residency. Meanwhile, those buying properties under construction must deposit at least 40% of the unit's price, worth at least $100,000, to be eligible for a residency.

Suitable value?

Khaled Nasser, regional director for U.S. real estate brokerage RE/MAX, said in an August 2019 op-ed that local public and private sector developers realized they need to sell properties to foreigners after the pound floated in 2016. "The economic scene changed drastically" between 2017 and 2019," he said.

That resulted in "prices increasing beyond the reach of most Egyptians," said Nasser. "It was necessary for the real estate industry to enter the bigger global market … [because] prices [should be] quite affordable for foreigners and Egyptians living abroad."

Despite that realization, developers fell short of the government target of selling $3 billion in property to foreigners annually. The highest inflow was $976 million in fiscal year (FY) 2021/2022. It dropped to $700 million the following fiscal year, and in the first nine months of FY 2023/2024, non-residents only bought $315.2 million worth of properties.

One explanation for that decline is that local property prices in dollars have been increasing. Talking to Daily News Egypt in December, Tarek Shoukry, head of the Real Estate Development Chamber of the Federation of Egyptian Industries, said property prices had nearly doubled compared to 2022 levels, and he predicted an additional 30% jump by the end of 2023 (Total 130% jump from 2022). Between 2022 and 2023, the pound lost nearly 60% of its value against the greenback on the black market.

Nasser of RE/MAX also noted foreigners have high standards when buying summer homes outside their home country, saying, "Targeting foreign buyers … is entirely different from targeting local buyers."

The primary criterion is "the quality of the units .. Clients living in Europe or the Gulf area are used to a certain level of quality, one that is not easily found in Egypt," Nasser said. "If Egyptian developers want to attract these … buyers, they must provide properties with very high standards."

Knowing your target audience is crucial. "Most Western buyers are interested in summer homes … mainly in the Red Sea area," Nasser said. "Buyers coming from the Gulf usually look for [vacation] units in central areas like Cairo [or North Coast]; their requirements are more luxury-focused and the more facilities, services and entertainment available around the unit the better."

Lastly, developers have to consider the growing awareness of international vacation home buyers regarding the importance of living in an eco-friendly property. "More homebuyers are prioritizing eco-friendly homes and sustainable building practices when looking for their next property," Properstar, a property matchmaker, said in a March 2023 LinkedIn blog post. "In response to this demand, the green real estate market has been growing rapidly."

Translating those efforts and insights into signed contracts with overseas buyers could prove important for Egypt's sustained fiscal health. Alaa Fekry, first vice chairperson of the Real Estate Development and Contracting Committee at the Egyptian Businessmen Association, told Daily News Egypt property sales to foreigners should noticeably "limit the decline of the pound value … and the speculation operations that have deepened the difference between the official and unofficial price."

TOO MUCH OF A GOOD THING

The government wants more and more tourists to bolster foreign currency inflows. Could its plan backfire?

Egypt's tourism sector is on fire. Government data shows foreign visits reached an all-time high of over 14.9 million last year, adding 3.62 million visitors from a year earlier (27.7% growth).

The government needs to maintain the sector's annual growth between 25% and 30% for five years to achieve its goal of doubling the number of arrivals to 30 million annually by 2028.

That would require a lot of investment. According to the State Information Service (SIS), as of September, Egypt has 216,000 hotel rooms "capable of accommodating 15 [million] to 16 million tourists annually ... Thus, there is a pressing need to construct what was built over a span of 70 to 80 years within just four years."

Such an ambitious plan comes with risks, as fast-paced construction typically increases in usually tranquil locations, disrupting vacationers and residents. Also, as tourist numbers increase beyond a destination's capacity to handle them, they disrupt residents' daily routines and pressure infrastructure. Research published by the Faculty of Tourism and Hotels at Alexandria University (FTH) in 2021 said Egypt's biggest coastal cities have long suffered because of visitors, resulting in "anti-tourism sentiments."

Too many visitors

The Oxford Dictionary defines "overtourism" as a "situation in which a place of interest is visited by too many tourists."

Data Appeal, a think tank, said the concept was first used in the context of integrated coastal zones management in 2008 and on X, formally Twitter, in 2012. It played a role in the 2015 municipal elections in Barcelona, and in 2018 overtourism made the shortlist for the Oxford Dictionary's Word of the Year.

MDPI, a research platform, said overtourism is "aggravated by seasonality; too much adverse visitor impact (e.g., noise, rowdiness and other annoyances); [and] too much physical impact on the visitor economy (e.g., touristified city centers and destruction of natural resources)."

According to FTH's research, this can alienate residents and increase rents, noise, crowding and prices. It also adds pressure to daily life, changes the place's features and exacerbates the leakage of tourism's economic benefits.

Governments also suffer from overtourism, given the increased pressures on infrastructure and services, including hygiene and transport. "Tourists create challenges in terms of energy consumption and waste management [as well as] damage to nature through pollution and overuse of natural resources such as water, beaches, forests, and wildlife," FTH said.

Overtourism also is bad for tourists. An article in National Geographic said it "can ruin the experience of sightseeing for those trapped in long queues, unable to visit museums, galleries and sites without advance booking, incurring escalating costs for basics like food, drink and hotels, and faced with the inability to experience the wonder of a place in relative solitude."

Those problems are amplified "when tourists' culture is at odds with the host communities," an October paper by the World Economic Forum (WEF) said. "This might manifest as breaching of public norms, irritating habits, unacceptable behaviors, place-based displacement and inconsiderate occupation of space."

Solutions' foundations

The FTH research paper noted that for Egypt to prepare for overtourism, the government needs the correct building blocks, "regardless of whether [or not] a destination or a visitor attraction is facing overcrowding."

The first step is "building a comprehensive database [of locations and the number of visitors] updated regularly and developing analytic capabilities to improve ... development strategies." The second is "long-term planning to encourage sustainable growth and mitigate or even ban ... overtourism."

Developing those plans needs to "involve all stakeholders," including public tourism authorities and the private sector. The government also needs to "find innovative approaches to encourage [the private sector to] invest in infrastructure and sustainability ventures," the FTH paper said.

Lessons to learn

Europe is becoming a proving ground for the effectiveness of overtourism solutions. In December, CNN listed "some of the most prominent destinations around the world whose overtourism issues made headlines in 2023." Of the top eight, five were in

Europe. Specialized publication Time Out said in an October article that six of the top 12 destinations suffering from overtourism are European.

The WEF report said one of the more popular solutions Europe adopted has been to "shift to quality or higher-yielding tourists." The problem is that defining "high-value" or "high-yielding" tourists can be tricky. JoAnna Haugen, the founder of Rooted, a consultancy, said that for most destinations, "the term' high-value travelers' notes they are likely to spend more, stay long, and disperse beyond hotspots." That means "more money [from] fewer people."

However, she stressed those travelers may have a more destructive impact on the local tourism economy, as they tend to consume more and have a carefree attitude compared to "socially conscious" travelers.

Another solution is "dispersing tourists outside hotspots," Haugen said. The straightforward approach is introducing (or increasing) fees to access popular destinations. To enter Venice, tourists must pay 5 euros from 8:30 a.m. to 4 p.m. as of April. Meanwhile, Barcelona now requires non-residents to pay both a citywide surcharge and a regional tourist tax.

However, those charges may not be enough to create "sufficient interest to go off the beaten track," the WEF said. That is partly because "social media influencers and travel writers continue to give attention to touristic hotspots."

Some governments have tried "advocacy and awareness campaigns against overtourism," WEF said. However, the report doubts "whether appeals to tourists asking them to curb irresponsible behaviors have had any impact."

Long-term solutions

Overtourism is a perpetually increasing risk. The UN Tourism (UNWTO) estimates the number of tourists will increase by 300 million between 2019 and 2030 to reach 1.8 billion.

One long-term solution is for governments to develop and market destination dupes. They "are destinations that are a little unexpected, sometimes more affordable, but every bit as delightful as the tried-and-true places travelers love," said Melanie Fish, chief trend tracker for Expedia Brands, a digital travel platform. "Destination dupes are the latest travel trend for 2024."

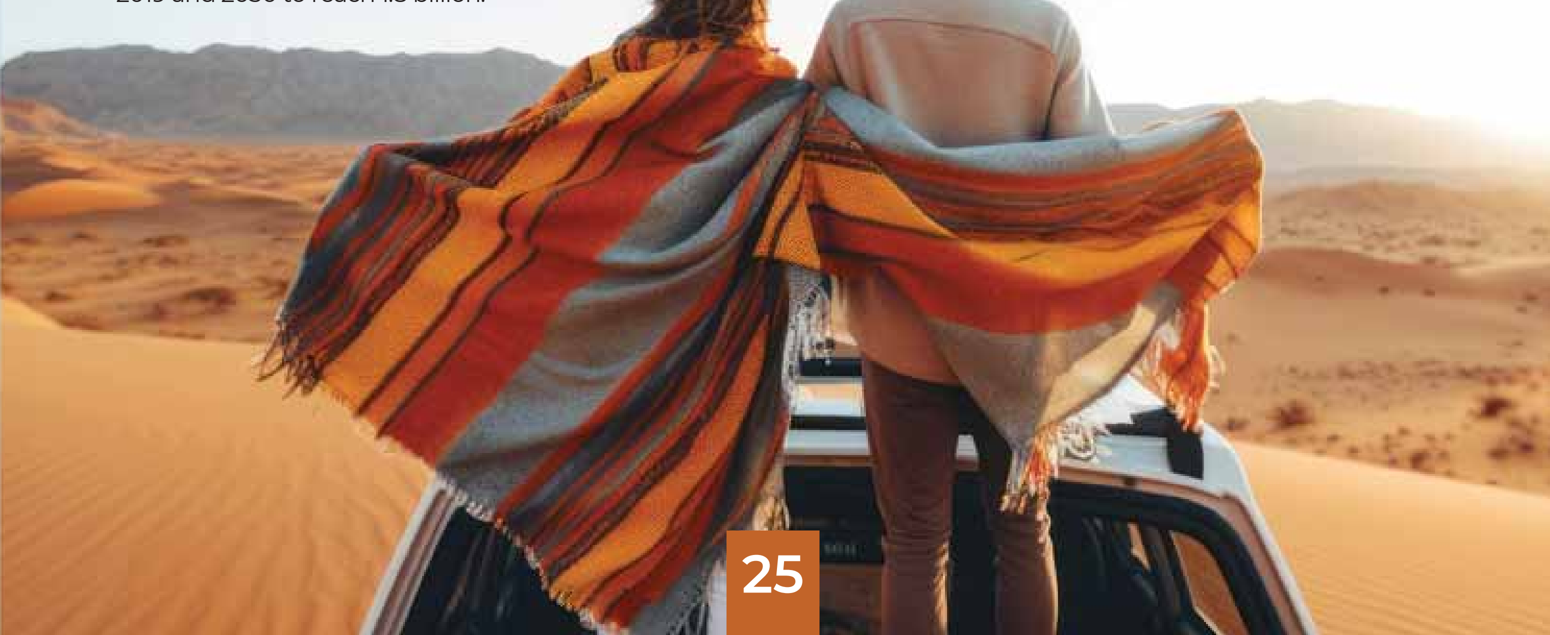
Selective investing is also essential. Giang Thi Phi, a professor in the Faculty of Humanities at Aalborg University in Denmark, said in a research paper, "Those investing in tourism should support initiatives that elevate local priorities and needs, and not simply exercise a model of maximum extraction for shareholders in the supply chain."

He stressed that "national tourist offices and destination management organizations must support development that is nuanced [and] in tune with the local backdrop rather than simply mimicking mass-produced products and experiences."

However, governments and tourist service providers need to take a measured approach when "redirecting tourism beyond popular honeypots like urban heritage sites or overcrowded beaches ... to avoid shifting the problem elsewhere," the WEF report said.

Governments also need to manage the use of the phrase "overtourism." The WEF report said it is crucial to "avoid the rise of moral panics and the swell of anti-tourism social movements ... While simply cutting back on tourist numbers seems like a logical response, whether the economic tradeoffs of fewer tourists will be tolerated is another thing altogether."

Nevertheless, the WEF warned against "pretending the phenomenon does not exist, or dwelling on semantics, [which] won't solve the problem."



AI IN TOURISM: CAN IT HELP YOU?

A research paper by Helwan University professors at the Faculty of Tourism and Hotels surveyed tourists' perceptions of using AI in the tourism and hospitality sector.

Integrating Egypt's thriving tourism and hospitality sector with artificial intelligence (AI) is part of the government's long-term strategy to improve tourists' experience. "The application of [AI] in the Egyptian tourism and hospitality sector is in line with … Egypt's Vision 2030," said a 2022 research paper from the Faculty of Tourism and Hotels at Helwan University.

The integration should be seamless. The "tourism and hospitality industry [in general] is considered one of the first industries to adopt new technologies, such as robotics and AI," the paper said. It noted every aspect of those two sub-sectors would benefit, including agencies, airports and airlines, hotels, restaurants and even destinations like museums.

Accelerating such integration is crucial to remaining competitive domestically and internationally. "The travel industry is unquestionably going to be significantly disrupted by AI," said a November report by McKinsey. "It's quite clear that if you work through the customer journey … AI significantly eases the process of travel discovery."

However, while the benefit would be significant and undeniable for local operators, the report noted, "AI in tourism and hospitality services in Egypt faces many challenges."

Survey details

Researchers' questions covered both the tourism and hospitality sub-sectors. The former includes "travel agencies and tourist companies." These companies "mainly depend on the internet to provide their [AI] services as tourists prefer to check websites" to access relevant services.

The report's tourism sub-sector also includes airports and airlines, where travelers can access AI services via the web, mobile phones, and self-service check-in kiosks. The surveyed sample also said AI could be used to check in travelers and their bags and strengthen security checks.

The hospitality sub-sector includes hotels, where AI is used to register visitors, manage check-in and check-out, choose rooms and read the hotel's policy and rules. The report noted that such solutions gained popularity during COVID-19.

Restaurants can also benefit from AI. A local case in point is McDonald's, whose branches feature large vertical touchscreens for customers to order, modify, and pay for their food. The report also said, "Chatbots [can] be very useful [in] booking, buying food or answering questions."

The report bundled "tourist destinations" under hospitality. These include museums, tour guides, car rental offices and satellite kiosks where visitors interact with dedicated AI-powered devices to answer specific questions or execute transactions on the spot.

AI in tourism

The research paper said two types of AI systems are used in tourism and hospitality. The first is "pure digital hybrids that can only carry out the cognitive process." They include "online check-in systems and mobile boarding passes." The other is "digital physical hybrid [systems], which can perform both manual and cognitive operations (robots)."

Those models can be used in "chatbots, self-service, virtual reality, digital assistants, robots, and self-check-in and self-checkout kiosks, … enabling customers to obtain services independently without … human help."

In Egypt, AI applications in the tourism and hospitality sector are still limited, with only a few tourist companies, airlines, restaurants, and hotels using them, the report said. "QR codes are the commonly used form by tourists in tourism and hospitality services (63.2% and 61.6%, respectively)," it added.

The second most popular tools are "AI search platforms and websites for tourism services (40.6%) and booking engines (50%) for hospitality services." The third most popular use of AI in local facilities is "digital voice assistance" (38.7% of tourism companies and 47.5% of hospitality facilities).

The report said the slow adoption and limited use of AI systems locally starts with reluctance to change, as following existing best practices noticeably stalls the transition. "Hotels and airports in Egypt are [among] the best areas to apply AI due to their infrastructure and design, but they still depend on traditional systems."

Another reason is that "most Egyptian tourism companies are small and medium-sized [firms] that use simple forms of [AI] such as bookings, emails, text messages, chatbots, digital kiosks, virtual reality and ticket machines."

Value for AI

Surveyed tourists see significant advantages to hospitality and tourism companies offering AI systems. For the latter, the sample said the "fun" and "entertainment" elements when interacting with AI systems are "the most important advantages." The second aspect surveyed tourists enjoy is that AI "devices are faster than human employees."

The "faster than human" reply is the top benefit when dealing with the local hospitality sub-sector. The second perk is that "services provided by AI devices are more accurate with [fewer] human errors." The third benefit is the "fun" factor.

Other benefits for both sub-sectors include "AI devices are always patient, no matter how many questions you ask or tasks you require." The second is "AI devices are more polite than human employees [and provide] more consistent service [and] information, ... are more dependable, [and] predictable."

Surveyed tourists also cite AI's ability to "provide information in more languages than human employees [and] avoiding inefficient personal contacts" when dealing with AI.

However, surveyed tourists highlight noticeable "disadvantages" for local tourism and hospitality companies. They primarily relate to a lack of AI awareness and skill. That means "using AI devices takes too much ... time [as they are] so difficult to understand and use. [Accordingly,] learning how to interact with AI devices takes too long."

Other local factors preventing AI systems from completely replacing humans include a preference for human contact in service transactions, AI's inability to understand emotions, and AI devices misunderstanding an order or a question.

Feelings matter

Research from the National Center for Biotechnology Information, a U.S. federal body, in 2021 noted, "Technology acceptance is a key variable reflecting whether AI virtual assistants are accepted by users ... Trust can reduce human users' negative emotions about and affect their tendency to accept new technologies."

In local tourism and hospitality sub-sectors, the Helwan University report said "the sample feels satisfied while interacting with AI devices." Other positive emotions from the sample include "feeling pleased, hopeful, relaxed and contented."

Meanwhile, negative feelings about using AI-powered devices included boredom, melancholy, despair and annoyance."

In the long term, surveyed tourists are optimistic about the proliferation of increasingly advanced AI systems. The sample's top response was: "Given the opportunity, I will use AI devices." The second most popular response was that they would "recommend that others use AI devices."

The report said those replies indicate the local trend is that "interaction in tourism and hospitality will shift" from human-to-human to human-to-machine."

However, that doesn't mean local tourism and hospitality companies should focus solely on advancing their AI systems and relegating human employees. The report stressed the sector is still a "humane industry and cannot be separated from human interactions." ■

GCC NATIONS EMBRACE TOURISM

Ongoing efforts by GCC countries to diversify their economies involve a substantial focus on the tourism sector. The region presents itself as a connected destination that fosters seamless travel and maximizes economic growth.

by **Fatma Fouad**

In recent years, the six Gulf Cooperation Council (GCC) countries have emerged as leading tourism destinations. UAE Minister of Economy Abdulla Bin Touq said in May, "The GCC tourism sector continues to witness increased growth and has successfully demonstrated its potential as a key contributor to the growth of our national economies."

Gulf countries' tourism ambitions are driven by economic stability, developed infrastructure, and an encouraging investment climate. "GCC countries can become some of the most important tourist destinations worldwide because of advanced infrastructure at the level of transportation, hospitality, etc," Qatar Tourism Chairman Saad bin Ali Al Kharji said at the 8th Meeting of the GCC Tourism Ministers in February. "Their strategic location makes them a link between East and West, which enables our countries to accommodate large numbers of visitors."

Within the GCC, Saudi Arabia and the UAE lead the way. According to the Global Travel Trends Report 2023 by ForwardKeys, a data management company, Saudi Arabia and the UAE are among the top 10 tourism destinations globally in the growth of international visitors.

Mohamed Al Rais, deputy managing director at Al Rais Travel, based in the UAE, noted in November that "Saudi Arabia and the UAE ... complement one another's tourism offerings and can encourage visits to both, similar to central Europe, where visitors tour several countries during one trip."

Tourism Overview

All six GCC nations — Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the UAE — are investing heavily to diversify their respective economies away from oil.

That has accelerated progress in other sectors, such as tourism. "The increasing diversity of offerings, the quality of the hospitality industry, and the natural beauty in so many places are turning previously untapped touristic destinations into destinations of choice," said Adel Afiouni, a partner and head of Europe and the Middle East at finance platform Exos in March.

He said tourism is a "huge opportunity" for growth in the region, adding that Abu Dhabi and Saudi Arabia can become global destinations similar to Dubai.

According to the GCC Destination Tourism Market Insights, 2023 update report, "The total number of international arrivals in GCC countries amounted to 49 million in 2022. The region garnered total inbound expenditures of $66 billion in 2022."

To accommodate the influx of tourists, GCC countries have expanded their hotel infrastructure. By the end of 2022, the number of hotel establishments had increased to over 10,600, with a total of more than 674,800 rooms.

This showcased the impact of tourism inflows on GDP throughout the region. According to the UAE Ministry of Economy's data in May, "The total contribution of the GCC tourism sector to their collective GDP in 2021 was $109 billion." The ministry said GCC countries aim to increase tourist spending by 8% annually to reach $188 billion by 2030.

The report added that "leisure is the most popular purpose for travel, accounting for more than 60% of all international arrivals. The leading destination for leisure is the UAE, followed by Kuwait."

Lower barriers

As part of ongoing efforts to elevate tourist inflows, the GCC is introducing a unified tourist visa. Al Kharji believes such agreements and similar mechanisms will significantly increase tourism integration and cooperation among the Arabian Gulf nations.

The unified visa project was approved during the 44th GCC Summit in December. Its ultimate goal is to create a tourism and travel synergy among GCC nations by allowing seamless travel between them.

"The development of a unified tourism route connecting all GCC countries and drawing the features of the tourist trip for visitors will further promote tourism and economic integration at the regional level," Touq, the UAE official, said in May. That should increase hotel revenue, tourist expenditures, and length of stay.

Furthermore, that should also lead to more economic diversification as tourism increases its contribution to those countries' GDPs. Kuwait Minister of Media and Culture Abdulrahman Badah Al Muteri added, "Promoting the concept of intra-tourism and working to improve the quality of this vital and important sector to open the doors of tourism to visitors and enhance a vital environment for economic growth and provide opportunities."

Focusing on tourism is a sustainable strategy. GCC Secretary-General Jassim Mohamed Al Bedawi said in February, "By enhancing tourism cooperation and developing joint strategies, we can make the most of our rich history, natural and cultural resources, and the uniqueness of our region to upgrade our position as a leading tourist destination in the world."

However, to get the most from the unified visa, Gulf countries must prioritize collaboration and enhance visitor experience. "While it's clear that healthy competition will continue to play an important role in strengthening the GCC's world-class tourism offering, it was also encouraging to hear how collaboration is enabling the region to become more than the sum of its parts in terms of attracting global travelers," said Danielle Curtis, exhibition director, Arabian Travel Market.

Saudi Surge

Saudi Arabia's tourism represents a promising future for the country, providing an avenue for economic diversification beyond oil exports. According to the BMI's Saudi Arabia Tourism Report 2023, Saudi Arabia's annual arrival rate is expected to grow 18.9% in 2024 to 31.3 million.

Ahmed Al-Khateeb, Saudi minister of tourism, noted during the Manafea Forum in Medina in March that by the end of 2023, the sector was responsible for 5% of GDP. He added that the country aspires to raise the sector's share of GDP to 10% by 2030.

The latest trends report 2024 from Almosafer, Saudi Arabia's travel company, revealed that domestic tourism plays a significant role, with 40% of bookings and 83% of local travelers prefer luxury accommodations.

Mecca, Riyadh, Jeddah, Al Khobar, and Abha are the most visited destinations. Tabuk, Hail, and AlUla are the fastest-growing destinations, given the popularity of luxury resorts like Banyan Tree AlUla.

Adventure and nature-based activities are also significant trends appealing to domestic travelers. Muzzammil Ahussain, CEO of Almosafer, said, "Our latest data showcases the continued growth of domestic tourism in Saudi Arabia, reflecting the Kingdom's rise as an attractive destination for local travelers who are increasingly showing a preference to explore the wealth of both natural and cultural landscapes and experience the growing range of unique entertainment and adventure-based activities."

The growth of the Saudi tourism sector also contributes to reducing unemployment. As reported by Arab News in March, Al-Khateeb said the country has 940,000 tourism and hospitality jobs and aspires to reach 1 million by 2030.

He said the government has allocated nearly $100 million annually to train over 100,000 Saudi nationals for positions in the tourism sector.

Saudi Arabia is also working to diversify its tourist destinations. Since 2017, the Kingdom has been actively working on the Red Sea Project developed on the west coast of Saudi Arabia.

John Pagano, group CEO of Red Sea Global, said in an interview with Economy Middle East in May that, upon completion, the project should generate SAR 22 billion ($5.9 billion) for the country's economy. Pagano said the project promotes investment opportunities, and "Red Sea Global has awarded SAR 64 billion worth of contracts since construction began, with over 70% going to Saudi businesses."

Booming market

According to the UAE minister of economy, as of May, "the non-oil sector … accounts for 74% of the country's total GDP."

The World Travel and Tourism Council's (WTTC) 2024 Economic Impact Research (EIR) has revealed that in 2023, the UAE tourism sector "grew by more than a quarter (26%) to contribute a record-breaking AED 220 billion ($59.9 billion) to GDP representing 11.7% of the entire economy."

That growth should continue this year. The WTTC forecast indicates the sector's contribution to the country's GDP will exceed AED 236 billion ($64.25 billion) in 2024. The report added travel and tourism accounted for 809,000 jobs by the end of 2023.

"The remarkable growth in both employment and visitor spending is a testament to the UAE's strategic vision and commitment to enhancing its travel and tourism," said Julia Simpson, WTTC president and CEO,

According to the report, international visitor spending surged 40% in 2023 to AED 175 billion ($47.6 billion). By the end of 2024, that should grow by 10%.

While the UAE promotes travel in all seven emirates, Dubai, the second biggest emirate in the UAE, and Abu Dhabi, UAE's capital, have taken the lead in investing in tourism.

In an interview with Economy Middle East in May, Issam Kazim, CEO of Dubai Corporation for Tourism & Commerce Marketing, said it welcomed a record 17.15 million international overnight visitors in 2023, representing 19.4% year-on-year growth. During the first quarter of 2024 alone, the city welcomed 5.18 million international overnight visitors.

The UAE also works to boost Abu Dhabi tourism. In May, Saleh Al Geziry, director general for tourism at DCT Abu Dhabi, told Economy Middle East the plan is for Abu Dhabi's contribution to GDP to nearly double by 2030.

Invest and market

While the tourism travel sector holds promise for the region, the GCC needs to prioritize investment in infrastructure to accommodate expected growth. Abdullah Al Saleh, undersecretary of the UAE Ministry of Economy, noted in 2023 that GCC countries "look forward to capitalizing on the destination and tourism boom witnessed by the region to support the sustainable growth of this vital sector and stimulate more investments in it."

He said countries should undertake marketing efforts to promote the GCC region as a unified destination and develop integrated tourism packages that cover multiple markets.

The WEF Travel and Tourism Development Index 2024 noted that while promoting traditional tourism has much potential, the GCC must think ahead. "There exists a clear opportunity for developing economies to use their tourism resource potential as a catalyst for broader economic development, provided they … invest in sustainable tourism practices."

Market Watch

Stock Analysis

Playing down market fears

Warren Buffett once said: Be fearful when others are greedy, and greedy when others are fearful. The market so far seems to be full of fear after plunging off its mid-March all-time high. The period from April 15 to May 15 saw the market extend its losses into double digits. The EGX 30 fell 14.5%, and the EGX 70 EWI 18.2%, almost wiping out their year-to-date gains. Declines far outnumbered advances. Still, TMG Holding (TMGH, down 14.2%) was the star performer among large caps, up 144% on a year-to-date basis. Among gainers during the period were U.S. dollar-denominated stocks, like Maridive & Oil Services (MOIL, up 8.1%) and Faisal Islamic Bank of Egypt (FAITA, up 2%).

But there was some major news surrounding certain stocks. For example, gainers during the period were led by companies impacted by merger and acquisition (M&A) talks, like CIRA Education (CRAI, up 18.9%), which received an offer at a 9% premium to the pre-announcement market price. Also, Taaleem Management Services (TALM, up 9.8%), another education stock, rose in tandem with the CIRA news.

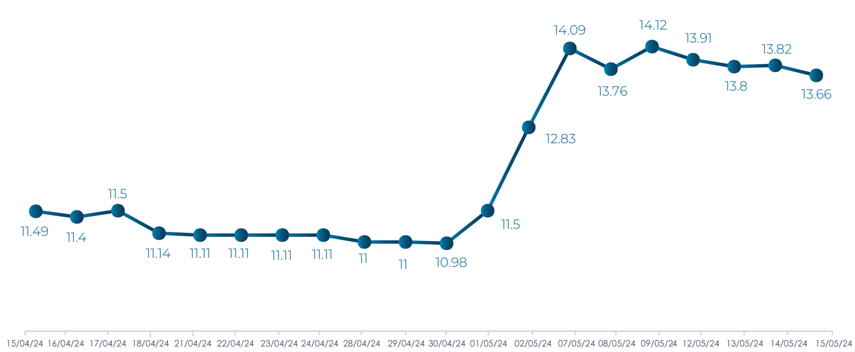
On the other end of the spectrum, Qalaa Holdings (CCAP, down 28.6%) witnessed high levels of volatility. It rose to a high of EGP 3.21 on May 7, after the company said main shareholder Citadel Capital Partners reached an agreement with international creditors to settle CCAP's $231 million debt by paying 20 cents on the dollar based on the debt principal, which is equivalent to 12 cents on the dollar when including accrued interest. However, the stock later fell to EGP 2.35 after disclosures about the potential deal that leveled the playing field for all shareholders to participate in this debt settlement, which should eventually be converted into equity at a par value of EGP 5 a share.

Meanwhile, many large-cap stocks reported solid annual earnings growth, led by banks. CIB (COMI, down 9.7%), Credit Agricole Egypt (CIEB, down 11.2%), and Abu Dhabi Islamic Bank – Egypt (ADIB, down 12.4%) saw their earnings driven by higher net interest income and FX gains. However, these stocks continued to trade at valuation multiples lower than their historical averages despite reporting high return on equity ratios.

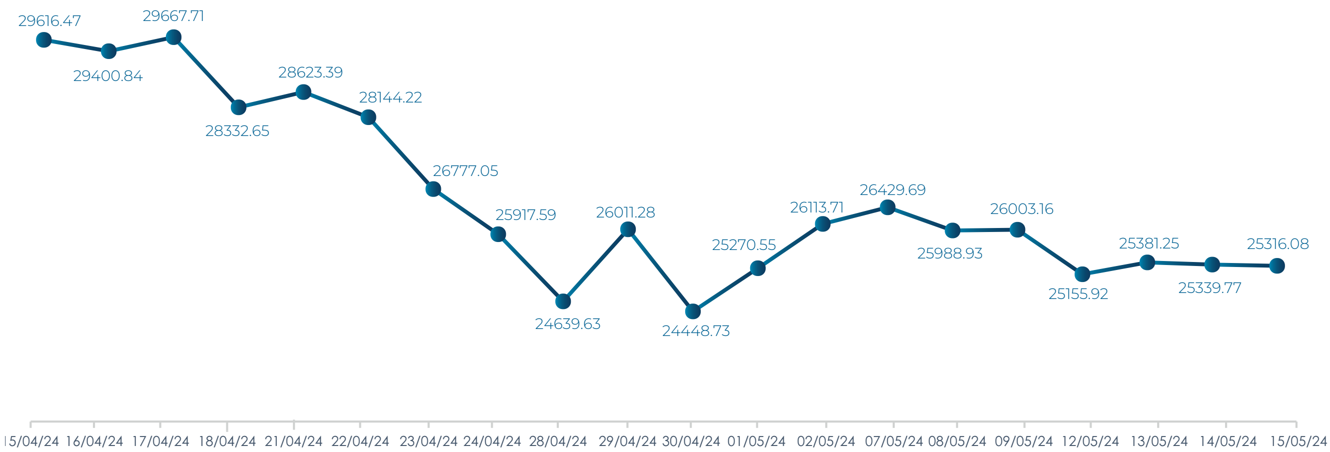
What seems to be driving the market is liquidity flows. TMGH was added to the MSCI Emerging Markets index, replacing EFG Holding (HRHO, down 18.3%). Investors usually bet on inflows from one stock to another, but this can create mispricing that eventually will attract bargain hunters.

CIRA Education (CIRA)

CIRA Education (CIRA) is controlled by the El-Kalla family (51.2%) through Social Impact Capital Ltd. The rest of the shares are held by 2,500 shareholders, led by Sustainable Capital Africa Alpha Fund (7.5%) and Waha Capital Investments (5%). Social Impact Capital Ltd. offered to buy 75-100% of CIRA at EGP 14 a share through the Saudi Sovereign Public Investment Fund. About 58 million shares changed hands, with the stock ending the period up 18.9%. It traded between a low of EGP 10.10 on April 29 and a high of EGP 14.89 on May 7.



EGX 30



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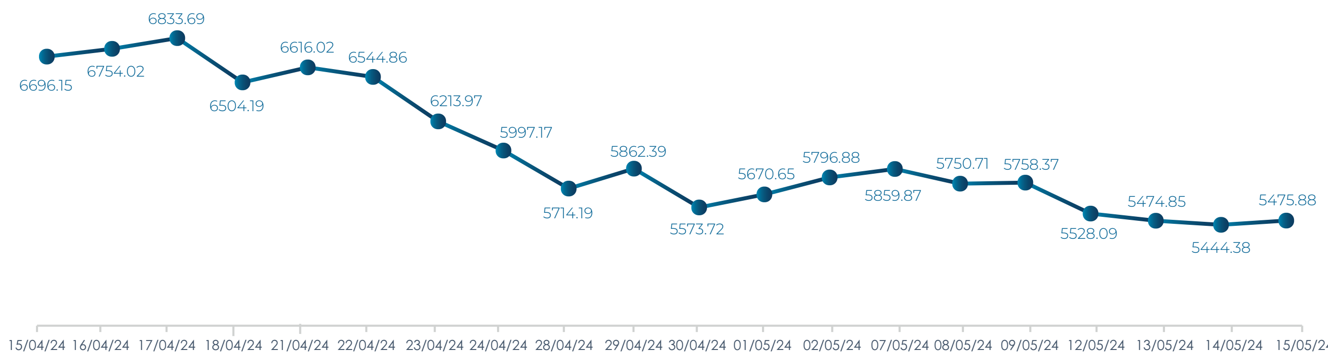
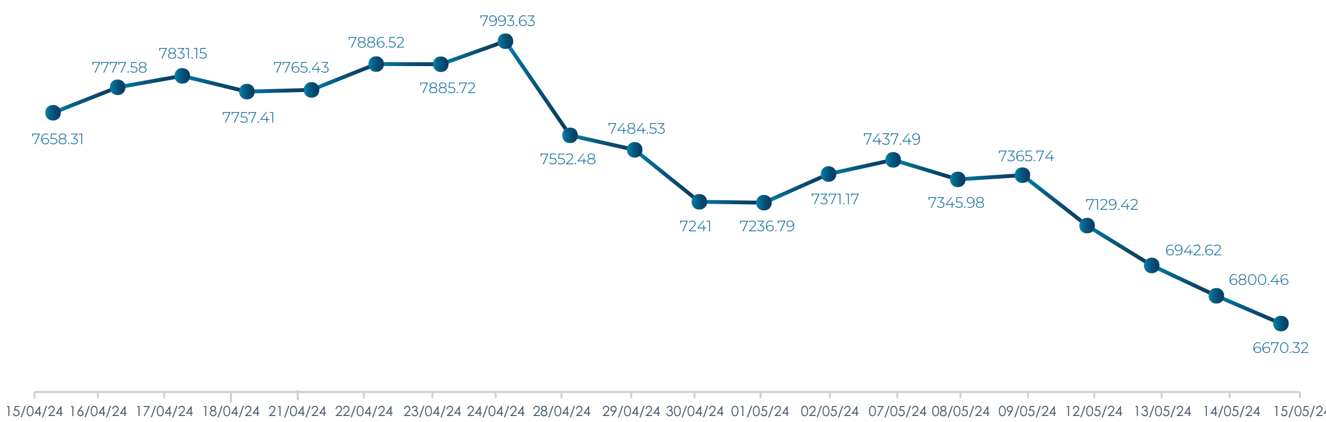
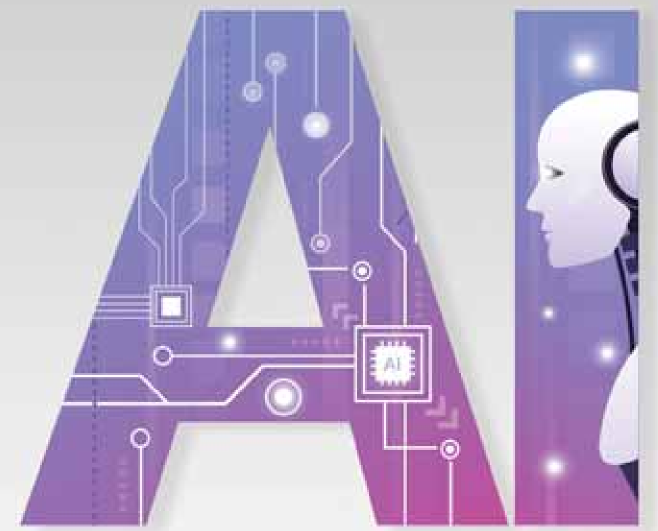


Tamayuz



Tamayuz index is an all-new weighted index, launched on June 23rd. It comprises companies with high free cash flows from operations. EGX stresses that this is not an endorsement of those stocks.



AND JOB SECURITY

The fast-paced development of artificial intelligence is raising questions about the need for humans in some positions. To keep their jobs, employees must ensure they are indispensable.

by **Rania Hassan**

Business leaders are quickly realizing artificial intelligence (AI) will be an indispensable tool to guarantee growth regardless of their sector. "We are on the brink of a technological revolution that could jumpstart productivity, boost global growth and raise incomes around the world," IMF Managing Director Kristalina Georgieva said in a January blog post.

The revolution is impacting global job markets. "Historically, automation and information technology have tended to affect routine tasks, but one of the things that sets AI apart is its ability to impact high-skilled jobs," a January IMF Analysis paper said. It forecasts 40% of jobs in emerging markets will be affected by AI.

To protect their careers in the AI era, employees need to improve their technical and personal skills, mindsets and office politics. "The question on many minds is, 'How can I protect my job from AI?'" Hireduo Resources Private Limited, an HR consultancy, said in a February LinkedIn blog post.

AI future

The idea that jobs will change significantly because of increasingly advanced technologies started before the commercialization of generative AI (GenAI), which "understands" natural language and responds using available online data.

In 2019, three years before the launch of ChatGPT, the first free GenAI tool, the OECD predicted that "within 15 to 20 years .. new automation technologies are likely to eliminate 14% of the world's jobs and radically transform another 32%."

In 2020, a World Economic Forum report estimated 85 million jobs worldwide could be eliminated by 2025. An undated report from PricewaterhouseCoopers said by the "mid-2030s, up to 30% of jobs could be automatable."

Those are "sobering numbers," Jorge Tamayo, an assistant professor at Harvard Business School, said in a September blog. "And they didn't even factor in ChatGPT and the new wave of GenAI that has ... taken the market by storm."

Brandon Cornett, a reporter for MachineWatch, a newsletter focusing on AI, said in a September blog on Linkedin two "facts" have emerged since ChatGPT launched: AI is currently advancing faster than ever and its pace is accelerating, and AI will soon be able to do almost everything an office worker does.

That means the job market "will experience a combination of AI-related job loss, job modification, corporate restructuring and even workplace augmentation scenarios (where humans and AI team up to get the job done)."

Research published in January by Nexford University estimated AI can add "$13 trillion ... to economic activity ... by 2030, or about 16% higher cumulative GDP." That will mainly come from the "substitution of labor by automation and increased innovation in products and services."

Employees whose skills become redundant because of AI will find it increasingly challenging to find new jobs. "By 2030, ... simulation shows that some 70% of companies will have embraced the AI revolution," said Nexford University's report.

Risky vs. safe jobs

Nexford's research found that customer service representatives are among the jobs most at risk. Most customer queries now happen on digital platforms instead of a telephone. In addition, "queries and problems of customers are repetitive," and they "do not require high emotional or social intelligence."

Other client-facing jobs at risk include receptionists; salespeople, as "advertising has shifted toward web and social media landscapes"; insurance underwriting and retail.

AI also could threaten backend jobs requiring specialized and advanced skill sets. The Nexford report cited accountants and bookkeepers, research and analysis, and warehouse management.

However, other occupations will likely remain safe as GenAI proliferates. The Nexford report's list includes teachers; lawyers and judges; directors, managers and CEOs; and human resources professionals.

Also safe are psychologists and psychotherapists; surgeons; computer system analysts, who "run maintenance work, update, improve, correct and set up complex software and hardware systems"; and artists and writers.

AI impact

Bernard Marr, author of "Generative AI in Practice: 100+ Amazing Ways Generative Artificial Intelligence is Changing Business and Society," said the first step for employees to keep their jobs in the coming AI era is to educate themselves.

In a March blog on Forbes, Marr stressed employees first need to come to grips with gen AI. "Learn what it can do, play with tools like ChatGPT to see what they're capable of, use it in your free time and have fun with it," he said.

The next step is to research AI's potential impact on their job description. "Once you have a good idea of what generative AI can do, compare that to your job," Marr said. "How might the work you do change because of generative AI? It's unlikely that generative AI will replace your job altogether ... It can probably take on some of your daily tasks." Nevertheless, such streamlining could entice companies to lay off employees or reduce hiring by merging jobs "exposed to AI."

Safety in skills

Formal training is essential, shifting from helping employees "excel at [their] work to rise to the top, [to] needing it ... just to stay afloat," noted Cornett of MachineWatch. Such training is accessible, as Marr said, "There are tons of free (and paid) courses ... that cover the gamut of generative AI education."

That can pressure employees to allocate time to identify trends and receive training. "Monitoring industry trends ensures you not only maintain your current skill set but also anticipate the skills of the future," said Hireduo Resources.

Beyond technical proficiency, employees need to advance their soft skills. "Knowing how to work effectively with AI is important," noted Marr. "It's also important to [be proficient] with [what] AI can't do."

That includes "creativity, complex decision-making, strategic thinking, leadership empathy [and] interpersonal relationships," Marr said. A July 2023 survey by Upskill Training found the top three in-demand cognitive skills are problem-solving, creativity, and the ability to learn. Hireduo Resources said those are "innate qualities that make us distinctly human."

Emotional intelligence is another human skill "AI cannot replicate," Hireduo Resources said. "Emotional intelligence can become the catalyst for fostering a positive work environment."

Cultivating diverse technical and soft skills is also essential. "Cross-functional training positions you as a dynamic professional capable of contributing to a wide array of tasks and projects," said Hireduo Resources. That makes you a "coveted asset."

Find your place

Good old-fashioned office politics is another factor that can make employees indispensable. "AI won't take your job; it's somebody using AI that will take your job," said

Richard Baldwin, a professor at Geneva Graduate Institute, at a World Economic Forum session in May 2023.

Employees must "position [themselves] as someone who can harness GenAI in [their] work," Marr said. It usually starts by using AI to "polish an email ... use it as a productivity tool, brainstorm ideas, summarize a lengthy report [and] assist in content refinement."

Employees can also become indispensable if they complement the intrinsic limitations of AI-powered tools. "They don't do so well when there are a lot of 'moving parts' involved, such as multiple interconnected teams and processes," Cornett explained. "That's where [human] problem solvers ... come in."

Accordingly, an employee should build a reputation as a "fixer," said Cornett. "You'll be able to protect your current job and improve your candidacy for other jobs. You want to be the one they call when a creative solution is needed."

Focusing on a niche part of the company's organization is also an effective strategy. Hireduo Resources said employees must become "savvy professionals who embrace the idea of specializing in niche areas — carving out a unique space where their skills and expertise are indispensable."

Those "niches" require attaining "Industry-specific knowledge and expertise, [acting as] potent shields against the automation tide," Hireduo Resources said. "While AI excels at processing vast amounts of data, it lacks the contextual understanding that comes from years of immersion in a specific field." Ultimately, an employee needs to become a "linchpin. The person colleagues turn to for insights that extend beyond algorithms."

Having an extensive professional network is also vital. Hireduo Resources stressed it "is not just a recommendation — it's a strategic imperative." Cultivating such a network goes beyond "merely expanding your contact list; it involves creating a support system, gaining insights and securing opportunities in the ever-evolving realm of work."

Compensation question

With AI making employees more productive by relieving them of repetitive and time-consuming routine tasks and making them more organized and insightful, "it's tempting to believe wages will evolve," Megan Morrone, BBC's features correspondent, said in July. "After all, if job descriptions are changing and workers are contributing more, compensation should theoretically follow."

However, a 2019 Massachusetts Institute of Technology report noted, "The implications of technological change for employment and wages are a source of controversy."

Automation "reduces the labor share in industry value added and tends to reduce the overall labor share in the economy." That means "slower wage growth ... The reason why we have had rapid wage growth and stable labor shares in the past is a consequence of other technological changes that generated new tasks for labor and counterbalanced the effects of automation on task content."

Another reason wages would be unlikely to increase is the nature of capitalism. "Average labor productivity has grown faster than the average real wage ... What this suggests is that only part or even none of the productivity gains ... are shared with workers," said an undated study by the White House Council of Economic Advisors.

Morrone said extra revenues are "generally absorbed by the company, [going] to shareholders and not to salaries."

Another phenomenon arising from the proliferation of AI is a narrowing of the pay gap between experts and AI users. In July, David Autor, an MIT economics professor, told the BBC, "AI may be able to lower the barrier to entry for highly skilled positions by eliminating the need for a traditional, elite higher education usually required for a top role."

That means "the experts who were once scarce might see a dip in their wages as they see more competition in the labor market," Marrone said. "More workers – and a more diverse pool at that – would receive a higher salary than they might currently be making in lower-skilled jobs" with no support from AI. ■

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Chair: Manal Hussein AbdelRazek, New City Housing & Development
Co-Chairs: Sherine Nehad, Shell Egypt

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Talent Management

13 May

Tackling today's HR challenges

AmCham Egypt celebrated the 10th anniversary of HR Day on May 13 at a time when both local and multinational companies in the country face mounting personnel challenges.

Part of the problem is alarmingly high inflation, which has exceeded 30% for the third year, and top executives are under immense pressure to protect their employees and businesses.

Speakers stressed that while monetary compensation is critical to attracting new talent, it is not enough to retain it.

Session 1: Salaries and inflation

Seda Tamur, senior director of people experience for Turkey, the Middle East, and Africa at Pfizer, said high inflation puts companies under pressure to retain talent as purchasing power diminishes.

Pfizer began monitoring inflation and monthly living costs to set annual salary raises and merit pay, Tamur said. In some cases, the company adjusted salary and benefits monthly because month-on-month inflation was so high.

Pfizer's "flexible benefits system was adjusted to work" in Turkey, Tamur said. "We also changed the company's early retirement policy to adapt to the new reality" there.

Najla Najm, partner and career business leader at Mercer Middle East, highlighted the pros and cons of various hiring models for companies working in GCC countries, especially Saudi Arabia.

"We have three types of hires. The first is 'buying talent,' where we secure talent from outside the company," Najm said. "This is a swift but costly way to secure talent. 'Building talent' is the least expensive way to secure talent, but it takes longer. The third is 'renting talent,' which is gaining regional popularity."

She also stressed salary alone is insufficient to attract and retain talent. "There will always be a bigger competitor more capable of offering more money," she said, noting that trust between the CEO, top management and the rest of the organization is the first step in retention.

Session 2: Jobs and technology

Sharon Nishi, chair and managing director of GM Egypt and North Africa, stressed the growing HR challenges her company faces in finding employees with the skills to allow the company to cope with the latest tech trends.

"We are quickly moving from internal combustion engine vehicles to electric vehicles to autonomous-driving cars," said Nishi. "Changes in the coming decade will be more than in the past 50 years."

Accordingly, that means the "need for new skills," she said. However, she stressed the importance of building the right corporate culture for highly skilled employees to thrive and benefit the company and themselves. "We can have the best strategies, but culture trumps all."

Mahmoud Khattab, CEO of B.TECH, stressed that HR and top executives in companies need to be flexible when implementing policies and rules. "We are managing the most sophisticated asset on earth -- human beings," he said. "Their moods and motives can change every day.

It is therefore imperative to talk their 'future language' and not our 'past language.'"

Session 3: Global trends

Battina Schaller, president of the World Employment Confederation, said that her work with the UN International Labour Organization, the OECD, G20, World Bank, and IMF shows that the challenges facing employers in attracting and retaining top talent are almost the same.

The list includes "labor laws not fit for the changing world of work, labor skills shortage, informal and undeclared workers, lack of mobility of talent and changing workplace demographics," said Schaller.

She highlighted the big challenge of generative artificial intelligence and how, while companies already use many aspects of the technology in their HR departments, governments want to ban or significantly curb its use. "AI in HR is such a vital technology," she said, "that we have excluded it from the EU's latest AI legislation document, awaiting the next elections to discuss it with the new regulators."

Digital transformation

24 April
Egypt's New Personal Data Protection Law

On April 24, the AmCham Digital Transformation Committee hosted a session titled "Egypt's New Personal Data Protection Law."

The guest speakers included Suzanne El Akabaoui, Advisor to the ICT Minister for Data Governance, Mariam Farouk, Legal Consultant and Technical Assistant to the Advisor of the ICT Minister for Data Governance, and Saad Mahdy, Senior Legal Consultant, all from the Ministry of Communication & Information Technology (MCIT).

The panel introduced the Data Protection Law and its functions. They announced plans to launch a data protection center soon and are working on the executive regulations. The law aims to establish international standards in coordination with EU standards and is part of the Egypt Vision 2030 agenda, which seeks to transition Egypt into a digital society.

The panelists outlined the six guiding principles of the data protection law: transparency and legitimate purposes for all users, data minimization to prevent excessive data hoarding, accuracy and security, lawful data processing, and storage limitation to ensure data collectors don't hold personal data beyond its intended purpose.

They also highlighted various complex issues that the data law will address, such as the issuance of licenses and classifications for companies seeking data management accreditation. El Akabaoui stated that the accreditation process, facilitated through the center, would help diversify the needs and expertise of Egypt's tech workforce by developing a wide range of skill sets. It also ensures that companies consistently meet the necessary employee and service standards.

Lastly, Mahdy emphasized the critical role of the data center in enhancing cybersecurity measures in the country.

The data protection law introduces new classifications, particularly concerning external data (i.e., data from outside the country) and multinational companies that deal with various data flows.

Breakfast

16 May
FRA chairman reports on updates

On May 16, Financial Regulatory Authority (FRA) Chairman Mohamed Farid updated AmCham members on the latest insurance law reforms and how the authority plans to introduce carbon credits.

Farid said the reforms started in August 2022 "as penetration ratios were very low and the capacity of insurance companies to adopt the latest technologies remains critically low."

The draft law, pending Parliament approval since 2019, would implement the International Financial Reporting Standard (IFRS) 17. The new law also would allow insurance companies to reevaluate their assets using IFRS 17. "If they choose to do that, they must perform that evaluation yearly," said stressed. The FRA will also apply the Solvency 2 standard to assess the capitalization risks of local insurance firms.

The new law would ensure pricing is "based on the company's historical performance, and standardized math will be used to ensure future certificates are profitable for them," Faird said.

The law will increase insurance firms' minimum capitalization requirement, which has been unchanged since 2008. It also expands mandatory insurance, requires more stringent cybersecurity and infrastructure standards, makes non-tangible assets insurable, and increases training.

Farid discussed the introduction of carbon credits, regulated by the FRA and the Ministry of Environment. "It is a new tool we need to understand better," he said. We consider it a financial tool, aligning with the EU regulations." The credits will be traded on EGX and accredited by ISO 14000 and ISO 17000.

He concluded by highlighting the FRA's efforts to digitize banks, non-banks, insurance companies, e-identification, e-KYC, e-contracting, and e-registries. "The law decrees that any of those digital documents is a legal document that can be submitted to the local courts."

Transport and Logistics

23 May
Egypt Post welcomes Courier Services subcommittee

The American Chamber of Commerce (AmCham) Courier Services Subcommittee, operating under the umbrella of the Transport and Logistics Committee, recently visited the Egypt Post Office located at the New Administrative Capital on May 23.

This visit aimed to foster deeper connections between AmCham members and key officials within Egypt Post.

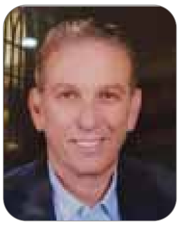
Upon arrival, Sharif Farouk, the Chairman of Egypt Post, welcomed the Subcommittee Members. The visit provided a unique opportunity for AmCham representatives to share their insights and learn about Egypt Post's operations, initiatives, and future plans, fostering a mutual exchange of knowledge.

The tour of Egypt Post's facilities was both informative and impressive. The state-of-the-art building showcased modern infrastructure and efficient logistics systems. Members explored various departments, witnessing firsthand the organization's commitment to excellence. The tour culminated in a roundtable discussion, during which Farouk highlighted Egypt Post's pivotal role in enhancing services and facilitating e-commerce in Egypt.

One of the key takeaways from the discussion centered around Egypt Post's efforts in digital transformation. The organization has embraced technology to streamline processes, improve customer experiences, and enhance efficiency.

Additionally, Egypt Post's postal financial services were a focal point. These services have significantly promoted financial inclusion, especially in remote areas where traditional banking services may be limited.

NEW MEMBERS

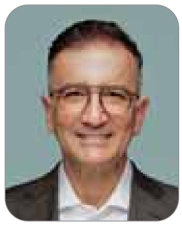


Membership Type:
Associate Resident

CONSTRUCTION ENGINEERING SERVICES

El-Saeed Contracting & Real Estate Investment Co. (SCCD)
Sabry Salama, *CEO*

Address: 10 El Shaheed Mohamed Abdel Hady Street, Ard El Golf, Heliopolis, Cairo.
www.elsaeed-contracting.com



Membership Type:
Associate Resident

RETAIL

MAGRABi Retail Group
Yasser Taher, *Chief Executive Officer*

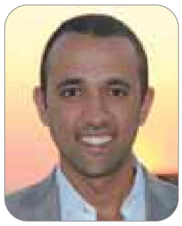
Adddress: State Plaza, Floor 6, Plot 185, Street 90, Second District, Fifth Settlement, New Cairo
www.magrabi.com

Membership Type:
Associate Resident

INDUSTRIAL MACHINERY

Groupe SEB Egypt- Zahran for Household Appliances S.A.E
Kassem Hassan, *Managing Director*

Address: Twin Towers, Building B, Floor 3, Sheikh Zayed, Sixth of October City, Giza. Tel: (20-2) 3793-9056
www.groupeseb.com



Membership Type:
Associate Resident

TEXTILES

Garbed - Saleh for Manufacturing
Mohamed Saleh, *Chairma*

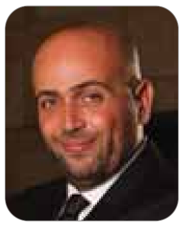
Address: Ismailia Free Zone, Ismailia
www.garbed.com

Membership Type:
Associate Resident

PETROLEUM

Access Middle East Oil Services
Yasser Hosny, *Chairman*

Address: 19 Area B, South Academy, 90 Street, Fifth Settlement, New Cairo
www.accessoilservice.com



Membership Type:
Foreign Regional Non-Resident

PETROLEUM

TAQA (Industrialization and Energy Services) Company
Moataz Serag,
Egypt Country Director

Address: Mivida Office, Fifth Settlment , New Cairo
www.tq.com

REPLACEMENTS IN MEMBER COMPANIES

Mona Azer
HR Director, Centro Global Solutions
Category: Affiliate
Sector: Information & Communication Technology

Rodney Noonoo
Country General Manager, Xerox Egypt, SAE
Category: General
Sector: Information & Communication Technology

Hossam Mohamed
Sales Manager - Strategic Account Operations, Xerox Egypt, SAE
Category: Affiliate
Sector: Information & Communication Technology

Tamer Fouda
Director Asset Management, Al Futtaim Real Estate Development, SAE
Category: Affiliate
Sector: Real Estate

Heba Abdallah
Director of Marketing, Al Futtaim Real Estate Development, SAE
Category: Affiliate
Sector: Real Estate

Mohamed Moussa
Chairman and CEO EGYPTAIR Airlines Company, EGYPTAIR Airlines
Category: General
Sector: Transportation

Change in Member Company

Nermine Fawzy
Chief People Officer, MAGRABi Retail Group
Category: Affiliate
Sector: Retail

NEW AFFILIATE MEMBERS

Construction Engineering Services
Sherif Ahmed
Chief Executive Officer, Board Member, SIAC Holding

Consultancy
Mina Migally
Vice Chairman, Investment Advisory, WW Consultant

Menatalla Sadek
Board Member, MGM Financial & Banking Consultants

Financial Sector
Ihab Negmeldin
Chief Audit Executive, Agricultural Bank of Egypt

Amr Tawfik
Chief Finance Officer, Agricultural Bank of Egypt

Sami Abdelsadek
Deputy Chairman of the Board, Agricultural Bank of Egypt

Food & Beverage
Amr Abouzeid
CEO, Food Basket

Insurance
Karim Zidan
Chief Digital Officer, Medmark Insurance Brokerage

Legal Services
Ali El Hawary
Partner, Head of Banking & Finance,Nour & Partners in Association with Al Tamimi & Company

Esraa Abdelmoniem
Partner, Sharkawy & Sarhan Law Firm

Petroleum
Hussam Abuseif
VP AFI Region, TAQA (Industrialization and Energy Services) Company

Tameer Nasser
CFO AFI Region, TAQA (Industrialization and Energy Services) Company

EXCLUSIVE OFFERS

Aramex International Egypt

Aramex International is pleased to offer AmCham Members a special discount on Online Shopping & Shipping Membership plans: A 50% off on FLEX annual subscription.

And a 30% discount on all Personal Domestic Services, and a 20% discount on the international cash rates.

This offer is valid until December 31, 2024

Contact:
Short No.16996
Email: SaraK@aramex.com

Baron Hotels & Resorts

Baron Hotels & Resorts has the pleasure to offer a 15% discount on published rates, to AmCham members, in addition to the below privileges:
- Welcome drink upon arrival
- Early check-in and late check-out (subject to Hotel availability)
- Coffee and Tea facilities
- Fruit Basket

The offer is applicable on Baron Palace Sahl Hasheesh, Baron Resort Sharm El Sheikh, Baron Palms Sharm El Sheikh and Baron Cairo.

This offer is valid until December 31, 2024

For the reservations in Baron Palace Sahl Hasheesh and Baron Resort Sharm El Sheikh): Emad Fathy

For the reservations in Baron Hotel Heliopolis, Cairo: Abdalla Hussein

Contact:
Emad Fathy
Tel: (20-2) 2241-9206/207
Ext: 225/ 286/ 117;
2414-0929; 2290-1836

Abdalla Hussein
Tel: (20-2) 2291-5757

Emails: reservation@baronhotels.com; reservation @baronsharm.com; reservation@baronpalacesahlhasheesh.com; reservation@baroncairo.com

Ramy Saad Eldin,

On behalf of AmCham Egypt's Members, Board of Governors and staff, we extend our deepest condolences to the Saad Eldin family and their friends.

Ramy Saad Eldin, Managing Director, Saad Eldin Group of Companies, joined the Chamber in 2012 and was active in representing the Petroleum sector.

He will be dearly missed. May he rest in peace.

AmCham members can claim these discounts by presenting their AmCham 2024 membership card.

Think Big for Shipping and Logistics

Think Big for Shipping and Logistics is pleased to offer AmCham Members a special discount on Transportation services, as below:
- 30% Discount on Land Freight and clearing support fees.
- 20% Discount on Sea & Air Freight.

This offer is valid until December 31, 2024

Contact:
Noorhan Youssef
Tel: (20-3) 481-0127/ 01026880187
Email: noorhan@thinkbig-gih.com

United Sons Moving Services

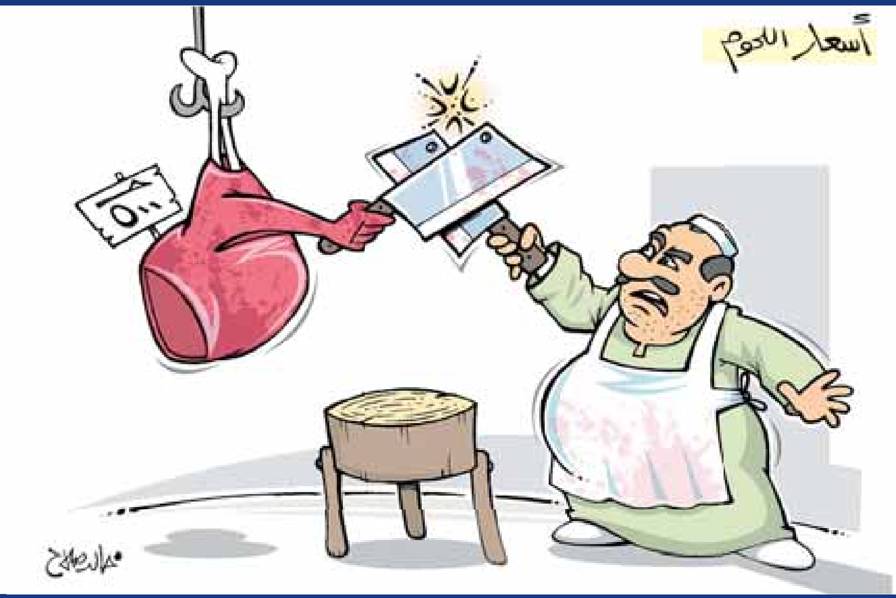
United Sons is pleased to offer AmCham members the following exclusive benefits:

- 15% Discount on any local move within Cairo city limits (up to a 50 km radius)
- 10% Discount on any local move within Egypt
- 5% Discount on any international move
- Priority booking for member companies' requests
- No overtime charge for services provided after working hours
- Free storage at our warehouse for all international moves

This offer is valid until December 31, 2024

Contact:
Samer Elhamy
Tel: (20-2) 2754-4974/94 or (20-10) 6210-1998
Email: info@unitedsons.org

A Glance At The Press



Meat prices

Al Masry Al Youm, May 17

Media Lite collates a selection of some the most entertaining offbeat and lighthearted news items published in the local press. All opinions and allegations belong solely to the original source publications and no attempt has been made to ascertain their veracity.

Salma Abu Deif recognized at Cannes Film Festival

Egyptian actress Salma Abu Deif received an award from the Women in Cinema initiative, which was hosted by the Red Sea International Film Festival and Vanity Fair Europe during the 77th Cannes Film Festival.

Abu Deif was honored alongside director Ramata-Toulaye Sy; Saudi actress Adhwa Fahad and singer and actress Aseel Omran; Indian actress Kiara Advani; and Thai actress and singer Sarocha Chankimha.

Abu Deif also participated in a panel discussion during which she shared her journey, sources of inspiration, and challenges that women face in the entertainment industry. She highlighted her 2017 cinematic debut in "Sheikh Jackson" and her role in the acclaimed 2024 Ramadan drama "A'la Nesbet Moshahda."

Abu Deif also discussed her recent role in the "Ela El Talaaq" series with Eyad Nassar and Dina El Sherbiny. She talked about her participation in the "Byn Al Sutoor" series, which garnered massive attention on social media and further solidified her star status. The series starred Saba Mubarak and Ahmed Fahmy, was written by Mariam Naoum, and was directed by Wael Farag.

May 19, Cairo Scene

Tripadvisor ranks Hurghada as a top nature destination

The global travel website Tripadvisor has named the Egyptian Red Sea coastal city of Hurghada as the third-best nature destination in the world.

The list of award-winning destinations was selected from a pool of 8 million sites. The Tripadvisor Travelers' Choice Awards "Best of the Best" title recognizes the highest level of excellence in the travel industry based on ratings from the Tripadvisor community.

With its stunning beaches, captivating coral reefs, and world-class snorkeling and diving, Hurghada has captured the attention of travelers, according to Tripadvisor.

Tripadvisor added that visitors are further enticed by the abundance of water activities available, such as windsurfing. In Hurghada, travelers can also explore destinations like the Giftun Islands and Eastern Desert region.

Hurghada's prestigious recognition underscores its status as a top-tier destination for nature enthusiasts and adventure seekers worldwide. The top two were Kathmandu, the capital of Nepal, and Halong Bay in Vietnam.

Tripadvisor reported that less than 1% of the 8 million destinations worldwide attained "Best of the Best" status.

May 19, Egyptian Gazette

United Media Services promotes documentaries

The documentary production section of United Media Services (UMS) has announced the launch of a weekly drawing on the Al-Wathaeqya channel's official page.

The initiative aims to encourage and develop the culture of watching documentaries and encourage social media users to read.

The documentary section said the competition will involve a weekly question about one of the films produced by UMS. The winner will be chosen randomly from the comments section, and the award will be a collection of books in diverse fields of knowledge.

May 16, Egypt Today