Business monthly

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May 2024

NOT FOR SALE

REAPING REWARDS

Build the Future

Egypt needs to accelerate reforms in pre-university education to catch up with competing economies

MARS Inspires Happiness Across Egypt This Ramadan

During the holy month of Ramadan, MARS Egypt embarked on a series of campaigns to fulfill its purpose of 'inspiring moments of everyday happiness.' This article highlights the various initiatives undertaken by MARS to spread joy and make a positive impact on communities throughout Egypt.

Galaxy Jewels Generosity Campaign: One of the standout campaigns executed by MARS Egypt was the Galaxy Jewels Generosity Campaign. The marketing team went above and beyond to extend acts of generosity during Ramadan, organizing activations in major stores across the country. The campaign encouraged consumers to donate books, clothes, and toys, which would be directed to those in need through MARS' campaign partners, Meshwar.

Partnership with the Egypt Food Bank: In collaboration with the Egypt Food Bank, MARS' associates joined forces to pack food boxes and distribute them to individuals facing food insecurity. Over the course of three days, more than 60 associates dedicated a combined 8 hours of their time to participate in three different initiatives:

- Packing Food Boxes: The team successfully packed over 1,000 boxes filled with essential food items.
- Packing Hot Meals: In the EFB kitchens, more than 300 hot meals were prepared and packed, ready to be distributed to those in need.
- Serving Iftar Meals: MARS associates had the privilege of serving over 300 meals to individuals observing fasting during Iftar at one of the EFB's 'mawa2ed al Rahman' locations.

Eid Distribution with Misr El Kheir Foundation:To ensure that happiness extended beyond Ramadan into the joyous occasion of Eid, MARS partnered with the Misr El Kheir Foundation. Together, they distributed Galaxy and Twix chocolates to attendees of Eid prayers across Egypt, adding an extra touch of sweetness to their celebrations.

At MARS, giving back to the community is ingrained in their values. They firmly believe in harnessing the power of people to bring their purpose to life each day, in every endeavor. Through their Ramadan campaigns and partnerships with organizations like Meshwar, the Egypt Food Bank, and the Misr El Kheir Foundation, MARS Egypt exemplifies their commitment to making a positive difference in people's lives

MARS Egypt's Ramadan initiatives truly exemplify their dedication to inspiring everyday happiness. By encouraging generosity, packing food boxes, serving meals, and distributing chocolates, they have demonstrated the power of collective action and the positive impact it can have on communities. MARS Egypt's commitment to giving back is a testament to their values and their belief in creating a brighter, happier world for all.

MARS

بنك الطعام المصري
الغذاء أساس الحياة

مصر الخير

مشوار

Hossam Seifeldin
CEO, Capgemini Egypt

Redefining the offshoring and outsourcing industries in Egypt

Can you give us an overview of Capgemini Egypt?
Capgemini Global Delivery Centre in Egypt opened in 2022 with only one business line and less than 20 employees. In May 2023, we barely reached 100 employees operating in 3 business lines. Today, we have more than tripled our number.

We have four business lines, and we provide digital transformation services to a vast array of global clients across the globe in different industries, from automotive, aerospace, and telecommunications to consumer products and hospitality.

We have four local business lines: Cloud Infrastructure Services, including Azure, AWS, Google Cloud, and Insight Data. Business Services revolving around business process outsourcing, supply chain, finance & accounting, and HR operations.

Engineering and R&D include mechanical product support services, semiconductors, and embedded software—finally, applications, including SAP, Sales Force.Com, and Oracle. Our teams in Egypt deliver end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by our market-leading capabilities in AI, cloud, and data, combined with our deep industry expertise and partner ecosystem.

Ultimately we aim to hire 3,000 employees within three years.

What is the difference between offshoring and outsourcing?
It's possible to outsource work but not offshore it, and you can also offshore business functions but not outsource them.

Outsourcing means contracting out specific business processes or tasks to a third-party provider. This could involve hiring a company to handle customer service, IT support, manufacturing, or other functions that the business may not specialize in or may want to save costs on.

Offshoring specifically involves relocating business processes or entire operations to another country to take advantage of lower labor costs and other favorable conditions.

What makes Egypt stand out in the offshoring business?
Egypt is one of the fastest-growing destinations for offshoring services nowadays. We are seeing companies now more and more inclined to invest here for many reasons, namely:

· Competitive cost structure and ideal time zone: Egypt boasts lower labor costs and operational expenses compared to other offshoring locations, particularly in Europe. Moreover, its advantageous geographical location allows companies to benefit from cost savings while maintaining similar time zones.

· A large and young population: There are 3.7 million students enrolled in higher education in Egypt in the academic year 2022-2023, with a significant percentage of multilingual graduates in technical fields. This abundant talent pool provides companies access to diverse skills, expertise, and languages.

· The Egyptian government is taking considerable steps to create a conducive business environment for technology offshoring, including providing incentives for foreign investors, improving infrastructure, and implementing reforms to streamline business processes.

Egypt has also a rich history of close relationships with Europe and the Gulf. Its diverse and open cultural background makes the country most compatible with Western nations.

How important is the offshoring sector to Egypt's economy?

The potential for Egypt to benefit from offshoring services is extensive and multifaceted. From an economic perspective, companies such as Capgemini, are bringing in foreign Investments, thus boosting Egypt's economic growth. These foreign currency inflows not only help address the export/import trade deficit but also put zero stress on local resources and raw materials because, in reality, all that is needed are laptops, good connectivity, and human capital, which, unlike machinery, will appreciate rather than depreciate by time.

If we talk about the labor market, offshoring creates numerous job opportunities, reduces unemployment rates, and provides competitive wages for the workforce. These jobs often demand highly skilled and talented people, opening up opportunities for upskilling and reskilling, thus creating a more competitive and valuable workforce with an increased global reach.

What are the latest technologies used in offshoring operations?

The future of offshoring is transforming and is driven by emerging technologies and evolving trends. For example, Artificial Intelligence will be used more extensively in offshore operations to facilitate data analysis and improve decision-making. Capgemini realizes the potential of AI technologies. We just announced last month that we won the coveted Google Cloud Global Industry Solution Partner of the Year award for generative AI services.

Also, cloud services are revolutionizing software development and deployment; our software development teams can easily access and use cloud-based resources to develop and deploy software applications.

One of the emerging trends that is expected to shape the future of offshoring is an increased focus on cybersecurity. As businesses increasingly rely on software applications for their day-to-day operations, the risk of cyber threats and security breaches has become a significant concern. Offshore development teams are expected to focus more on cybersecurity in the future, investing in new technologies and best practices to protect their client's data and applications.

Sustainability has become paramount. Our clients are facing probably the most difficult sustainability challenges impacting the planet.

Capgemini recognizes its role and responsibility, so we have developed a portfolio of services designed to support our clients' sustainability hurdles and, at the same time, build innovation and sustainable performance at scale.

What role could AI play in advancing offshoring?

Before evaluating the usefulness of an emerging technology, it is essential to define it properly. So, what is generative AI? Generative AI is a technology that can learn and reapply the properties and patterns of data for a wide range of applications, from creating text, images, and videos in different styles to generating tailored content. This creates a wide range of generative AI applications—from summarizing and translating text to customer service.

AI has touched nearly every industry in the past year, and it's truly awe-inspiring—especially considering that only 18 months ago, most companies weren't using it at all. Generative AI has since become part of nearly every conversation we have at Capgemini, and to leverage its full potential, we're investing heavily in our ability to expand our expertise and offerings.

With offshoring, as with any other industry, the true power of GenAI lies in its ability to augment human knowledge and capability. It will allow our employees to operate beyond their standard capacity, making them more adept and versatile in various situations. By offloading the need to memorize complex procedures or navigate complicated interfaces, GenAI frees up cognitive resources, allowing our teams to focus on more creative and strategic tasks that help our clients transform their businesses.

What are the challenges you face in Egypt?

Establishing a Global Delivery Centre in Egypt, or for that matter, any offshore destination, can present a multinational company with both opportunities and challenges. I find them to be two sides of the same coin.

For example, there are days when some of our teams work from home, and they may face instability with the internet connectivity and power supply. These issues are not faced at our office, so our client work is never disrupted, but they may cause inconvenience for our employees.

Another challenge is finding and retaining skilled digital professionals, as there is a lot of competition in the tech industry for qualified talent. Yet this allows us to work harder to connect with and engage our employees to become the best employers in Egypt.

Complying with local regulations and international data protection laws can be complex and requires us to have highly competent and dedicated resources for legal compliance. We must also implement strong cybersecurity measures and protocols, which are crucial to working with global customers and building trust.

Accordingly, it is important to conduct thorough research, build strong partnerships, invest in team training, and stay updated on industry trends and best practices. Engaging with local networks and leveraging government support programs can also be beneficial.

How can the government help improve the offshoring business environment?

The Egyptian government is already taking significant strides to create a supportive and attractive environment for companies looking to set up operations here. These include:

1. Creating favorable policies, such as providing tax incentives and other financial benefits
2. Improving infrastructure: This means investing in transportation, communication, and technology infrastructure.
3. Streamlining regulations: Simplifying rules and regulations for setting up and operating delivery centers.
4. Providing a skilled workforce: improving education and training programs to ensure a competent workforce is available for offshore operations.
5. Offering support services: Providing support services such as market research, legal advice, and business development.

ZAWAYA: DIGITIZING BUILDING MATERIAL'S SUPPLY CHAIN

Egypt's construction sector is experiencing a significant boom, driven by government-led mega-projects and a burgeoning real estate market. The government has strongly emphasized infrastructure development as a critical engine of urban growth and financial stability, particularly since the initiation of an ambitious IMF-backed economic reform program in 2016.

The rapid expansion of Egypt's road networks, power production capacity, and rail infrastructure can be attributed to several factors, including population growth, a desire to increase exports, and efforts to capitalize on the country's strategic location.

A notable example of such development is the New Administrative Capital (NAC), which is part of a broader drive to decentralize Cairo's population density and develop additional infrastructure to accommodate the growing population1.

Private sector investment is becoming increasingly crucial in meeting the goals of Egypt Vision 2030, especially amid the country's current economic challenges. Public-private partnerships (PPPs) are being promoted to leverage cooperation for project financing, reduce the need for sovereign lending, and ease the burden on the state budget.

However, the sector faces several challenges, including the need for digitalization of construction material supplies, the inability of buyers to compare prices of different suppliers on the spot, and the informality of transactions and delivery activity.

Despite these hurdles, the demand for materials continues to rise as infrastructure projects and real estate developments proliferate, highlighting the need for innovative solutions to sustain the momentum of Egypt's construction market, noted Mohamed Ali Ahmed, Chairman of Zawaya E-Commerce, who developed the Zawaya e-commerce platform where construction material buyers can find the items they need, and sellers can showcase their entire product portfolio.

Can you share the origins of your business?

Mohamed Ali Ahmed: Zawaya E-Commerce is rooted in a family legacy, beginning with my father's diverse entrepreneurial ventures. In 2006, I transitioned from running my architecture consultancy to overseeing our electrical motor factory in Tanta.

My leadership extended to Misr Bani Suef Cement and Gharbiya Islamic Urban Development, among other prominent roles in local enterprises. Our portfolio expanded to include Tanami for Real Estate Investment and Financial Consultancy and Sofiland for Real Estate Development.

In 2024, we boldly integrated technology into the construction materials sector by establishing the Zawaya e-commerce mobile application, which specializes in selling construction materials.

What is the company's vision?

Mohamed Ali Ahmed: At Tanami Real Estate, we aim to become a standout name in Egypt's real estate scene. We're all about crafting flexible and innovative solutions tailored to our clients' unique requirements.

We're deeply committed to earning the market's trust and upholding the highest standards of integrity and professionalism. These core values are the bedrock of our quest to set new benchmarks of excellence in the real estate sector.

What inspired the shift towards technology within the construction sector?

Mohamed Ali Ahmed: My tenure in the construction materials industry highlighted a stagnant market ripe for innovation. Egypt's unique practice of selling unfinished properties presented an opportunity to streamline the process for owners to complete their homes.

Recognizing the vast market potential for construction materials and the need for efficient contractor engagement, we envisioned an application—Zawaya—to bridge these gaps.

How does Zawaya's application function?

Mohamed Ali Ahmed: Our platform mirrors Amazon's user-friendly experience, showcasing product images, specifications, and pricing.

We foster direct relationships with manufacturers or their authorized distributors, offering flexible payment arrangements. The app requires a downpayment to start executing orders, with the balance settled upon delivery through various digital payment methods, ensuring a secure transaction.

How do you maintain product quality and accuracy on the platform?

Mohamed Ali Ahmed: We partner with reputable local producers to guarantee the integrity of product listings. Delivery logistics vary by supplier, with some opting for direct shipment while others rely on us or the buyer for transportation.

Our pre-purchased inventory allows for rapid delivery within 48 hours, enhancing customer satisfaction.

What are Zawaya's objectives for 2024?

Mohamed Ali Ahmed: This is our first full operational year. Our focus is not on achieving target sales volumes or revenues. Our objective this year is rather on creating market awareness and familiarizing prospective clients with our app and website. We also hope to get their feedback and continuously make changes towards improving their overall experience with Zawaya. In the coming years, we hope this would translate to a continuously growing sales volume and revenues.

What challenges does Zawaya face?

Mohamed Ali Ahmed: The primary hurdle is cultivating a culture of trust in digital transactions within the construction materials sector.

Despite resistance to change, we are encouraged by the successful adoption of e-commerce in other industries. With the government's push towards digitization and the implementation of electronic billing, we anticipate a positive shift.

Our platform welcomes formal and informal suppliers, fostering a diverse marketplace catering to a broad audience.

How does Zawaya address the challenge of fluctuating prices?

Mohamed Ali Ahmed: Price volatility is indeed a significant challenge, with fluctuations occurring daily or even hourly. We are committed to constant updates to ensure accuracy.

For purchases made directly through Zawaya, we guarantee that the prices displayed at the time of ordering will match those at delivery. However, orders placed with independent suppliers on our platform may be subject to price changes by the supplier at the time of delivery.

What are Zawaya's plans for payment options?

Mohamed Ali Ahmed: Our vision includes partnering with consumer finance services like valU to offer installment payments.

This initiative aims to support individuals and small contractors, enabling them to finance their purchases and projects more effectively.

What is your perspective on the real estate sector in Egypt?

Mohamed Ali Ahmed: The sector is bifurcated, with large, reputable developers in prime locations experiencing robust sales growth as buyers view these properties as a means to safeguard their investments.

These developers have seen substantial long-term profits through installment-based payment models. Conversely, the secondary market and less reputable developers will likely witness slower activity.

The absence of a mortgage-driven bubble and stringent regulations ensure market stability.

Can you comment on the competitive landscape for Zawaya?

Mohamed Ali Ahmed: Although several major players exist in our market, it remains vast and digitally underserved. Zawaya is poised to carve out a niche in this space. The current market may need to recognize the need for our services, making marketing and awareness crucial.

We are launching a significant campaign to cultivate this new market segment.

The success of delivery services across various product categories indicates a readiness for digital expansion. Price stability and the convenience of our ordering and delivery processes are pivotal to our success.

ZAWAYASTORES.COM

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BACK TO BASICS

As the government and markets finally see Egypt's foreign currency crunch ease with the Ras El Hikma project, the IMF, EU, other multinational lenders, and foreign portfolio investors pouring billions of dollars into the economy, it's time to consider sustaining those efforts.

Accordingly, the state and private sector need to look at fixing the country's primary and secondary school system to ensure the next generation of Egyptians will be qualified to sustain current efforts taking place to advance the economy.

This month's cover story examines government initiatives to improve pre-university education and address persistent and increasingly essential private tutoring (shadow education), which widens the education gap between families with the means to pay for extra classes and those who can't.

Failure to effectively solve the incumbent public education system's problems would invariably mean long-term struggles for Egypt's economy as schools in other emerging and developed nations start to use artificial intelligence and embrace modern solutions to tackle their educational issues.

Elsewhere in the issue, we look at efforts to boost financial inclusion for Egyptian women so the economy can benefit from their participation.

With AI quickly gaining a foothold, we highlight experts' opinions about the challenges — and opportunities — for employees at a time when automation could take over many of their routine tasks at work.

Moving state-side, we talk to a U.S. Development Financial Corp. official about how local companies can benefit from its financing programs. We also wrap up forecasts about what the Federal Reserve will do until 2026 to curb stubborn inflation.

Lastly, there is coverage of the AmCham MENA Council annual conference in Dubai, where attendees discussed investments and economic cooperation under the banner of "One Region, One Voice."

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THE CALM AFTER THE STORM

Exhausted after two years of economic downturn, Egypt's government and business community have been licking their wounds. We have enjoyed the lull, which feels extended by the holy month of Ramadan and a string of back-to-back holidays stretching into early May. Now, however, one would expect things to start rolling out. Yet there is no action in sight.

During the dire economic situation, the government was all ears, engaging in dialogue and looking for solutions, even if they were short-term transactional remedies. But since March, when news broke of the Ras El-Hekma investment and International Monetary Fund (IMF) loan extension, all has been quiet.

Does this mean we are out of the woods? Absolutely not, despite all the positive signs. The real work is yet to start.

For one, there is still no clarity on the state-owned enterprise divestiture plan. Is it the yearly $5 billion that the Minister of Finance talks about? Or is it the $1 billion-plus that the Minister of Planning and Economic Development mentioned?

We are still waiting for executive regulations for the legislation that levels the playing field between public and private sector businesses. How implementable will they be? Is the government committed to having the private sector drive infrastructure projects with the state as offtaker, or are there second thoughts?

Egypt still does not have a clear economic strategy clarifying the role of the state in the economy. And it does not have a clear industrial policy, which, by the way, is coming in vogue not only in the East but even more so in the West, the bastion of capitalism. French President Emmanuel Macron is currently spearheading talks for a revived industrial policy for the Europe Union, in light of the challenges they face from the East and West.

An industrial policy here would support the needs of Egypt's manufacturing sector and set the pace for targeted policies to exploit the country's advantages. It would create a framework for an implementable export trajectory and help accelerate a sustainable industrial economy that would be more resilient to geopolitical shocks. Without such a policy, Egypt will economically still be relying on short-term transactional remedies.

That said, the narrative thus far has been constructive, focused on fiscal consolidation, capping debt and state investments, and a change of monetary course to target inflation rather than the failed policy of targeting the exchange rate. But the recent lack of action is worrisome. Is it a sign of complacency? Could it be that populist forces deep within the state are resurfacing and pushing to derail long-promised reforms?

Assuming the reforms are indeed on track, the most important questions are: How serious and how effective is implementation going to be, and who will be the agents of change?

Rumor now has it that a Cabinet change is no longer imminent. Pundits attribute this in part to the EU-Egypt Investment Conference at the end of June, where the EU commissioner will sign the first EUR 1 billion tranche of a EUR 5 billion economic support package for Egypt. The EU package is similar to the IMF deal, with monitoring and conditionalities.

It seems we behave better under strict measures. Perhaps this will be the catalyst for the long-awaited reform measures.

TAREK TAWFIK
President, AmCham Egypt

American Chamber of Commerce in Egypt

ANNUAL CORPORATE PARTNERS 2024

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THE NEWSROOM

EBRD, HAU ENTER A RENEWABLE ENERGY PARTNERSHIP

The European Bank for Reconstruction and Development (EBRD) will partner with Meridiam and Hassan Allam Utilities (HAU), the investment and development arm of Hassan Allam Holding, to raise capital for HAU Energy BV, a platform investing in renewable energy projects in Egypt and other African countries.

According to the projects investment will "promote the private sector's contribution to Egypt's energy sector, facilitate the government's decarbonization plans by expediting the roll-out of renewable energy projects, and contribute to green energy transition in Egypt."

The project is part of the 10 GW renewables program under Egypt's EBRD-led Nexus on Water, Food, and Energy initiative, which was launched in 2022 at COP27.

"This long-term partnership and the renewable energy projects that will result from it will help support and accelerate Egypt's energy transition program," said Meridiam CEO Thierry Déau. "We will draw on our extensive experience in the renewable energy sector and work with our partners to ensure these projects become a regional reference point."

CBE LAUNCHES WOMEN'S FINTECH PROJECT

CBE's Fintech Egypt launched the "Women for Women in Fintech" initiative to support the expansion of female-owned businesses.

The six-month initiative will provide women entrepreneurs with comprehensive training sessions and workshops on the significance of fintech and encourage the adoption of innovative business solutions.

"This initiative comes within the framework of CBE's fintech strategy and contributes to the efforts that aim to localize FinTech applications through supporting the unique potential and talents of entrepreneurs, and specifically female entrepreneurs," said Rami Aboulnaga, deputy governor of the Central Bank of Egypt.

Aboulnaga emphasized that the initiative also aims to "achieve the right matchmaking between startups and banks via the 'embedded finance' solutions to increase long-term growth and success."

Twelve startups were selected to participate in the initiative, where they will deliver presentations for their business proposals and visions regarding how to benefit from the embedded lending and payment programs.

MINISTRY ANNOUNCES TWO SOLAR PROJECTS

According to the Ministry of Petroleum and Mineral Resources, Egypt plans to build solar power cells with a 10-megawatt capacity valued at EGP 550 million ($11.5 million) at Assiut Oil Refining Co.

The projects align with the Ministry's plans to enhance energy transformation and reduce emissions. The Ministry has assigned Enppi and Petrojet, two ministry-owned energy companies for engineering designs, general contracting, and construction, to implementing the project. The Ministry noted that the project should be completed in the coming months.

The Ministry is also planning a 6.5-megawatt solar project at General Petroleum Co, which is estimated to be worth EGP 500 million.

Minister of Petroleum and Mineral Resources Tarek el-Molla said the projects "are being studied in preparation for generalizing the experiment to various remote production sites, which would contribute to maximizing the added value, reducing the import of petroleum products and dispensing of diesel generators completely."

EGYPT TO GET $20 BILLION FOR RAS EL HEKMA PROJECT

Finance Minister Mohamed Maait said Egypt will receive $20 billion from the second tranche of the Ras El Hekma project by the end of May.

Maait added that Egypt expects to receive $1 billion from the World Bank and EUR 1.07 billion from the European Union, and an additional $820 million from the International Monetary Fund by the end of June.

Furthermore, the minister announced a $230 million contribution from Japan. However, at press time, there was no indication when that influx would arrive.

Maait noted that 50% of the payments received, particularly from the Ras El Hekma project, will be allocated to reduce the country's debt.

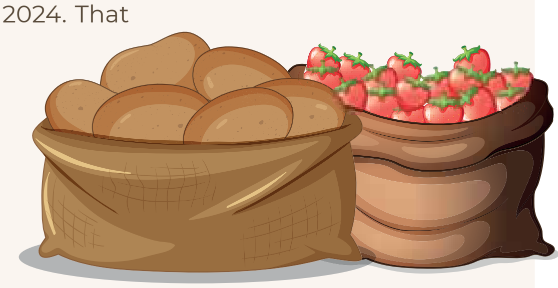
WORTH FOLLOWING

EGYPT TO EXPORT POTATOES, STRAWBERRIES

For the first time, Egypt will export potatoes to Morocco and strawberries to Canada, venturing into new markets and expanding the country's foreign currency reserves, according to the Ministry of Agriculture.

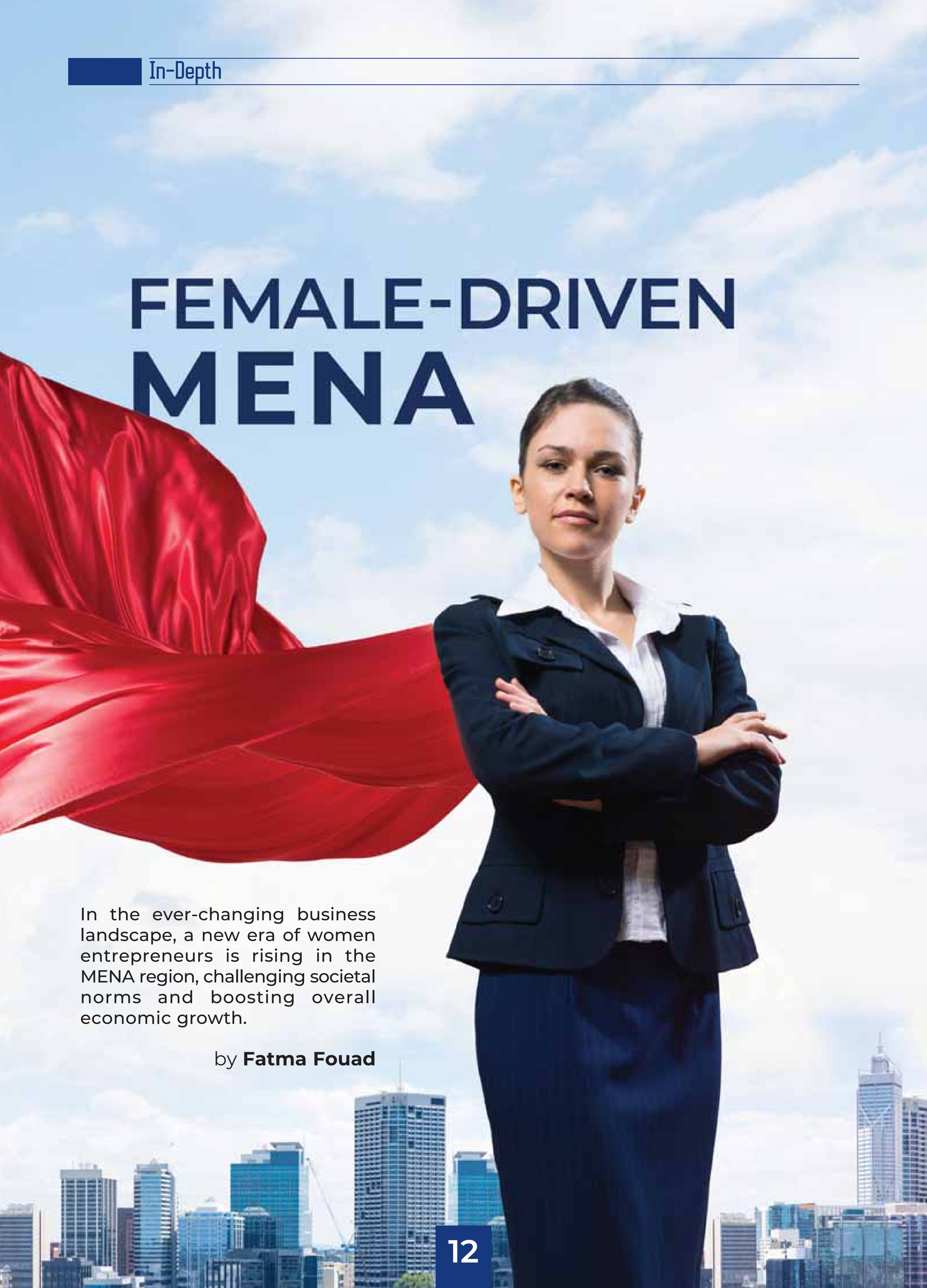
The Ministry announced that the Moroccan National Office of Food Safety approved the importation of Egyptian potatoes, and all necessary procedures have been completed to facilitate the exportation of strawberries, ensuring compliance with technical requirements specified by Canadian authorities.

According to the Agriculture Ministry, Egypt exported more than 2.2 million tons of agricultural products valued at $1.5 billion during the First Quarter of 2024. That represents an increase of $300 million compared to the same period in 2023.



The General Authority for Control of Exports and Imports' recent report, issued by the Ministry of Trade and Industry, "confirms that agricultural exports currently stand as the second-largest source of foreign exchange income for Egypt."

The report showed agricultural exports generated $939 million in the first two months of 2024.



FEMALE-DRIVEN MENA

In the ever-changing business landscape, a new era of women entrepreneurs is rising in the MENA region, challenging societal norms and boosting overall economic growth.

by **Fatma Fouad**

With women representing nearly half of the region's population, according to the World Bank, MENA nations have a valuable human capital resource that could foster economic growth. Yet, gender gaps in the financial sector are stark. "The region is home to the largest gender gap in the world, evidence of the urgent need to unlock the potential of women in order to promote widespread growth," according to the Union for the Mediterranean (UfM), an inter-governmental organization.

Nasser Kamel, UfM secretary-general said less than 5% of businesses in MENA are led by women, far below the global average of 23% to 26%. The region's female unemployment rate is 15.5%, compared to 6.7% for men.

The UfM estimates the lack of female economic participation in the MENA region results in an annual economic cost of $575 billion. Accordingly, MENA countries should work to close those gender gaps, starting with the financial sector. "It would be foolish to throw away the talents of half the population," noted Paul Donovan, chief economist at UBS Global Wealth Management in September.

Unlocking the full potential of the female economy is vital for achieving higher levels of GDP growth. The World Economic Forum in June 2023 stated that "Increased female participation in the workforce could add $2.7 trillion to the [MENA] region's economy by 2025, so a growing trend of female entrepreneurship could be a game changer for job creation and the expansion of workforces."

Perks of inclusion

Financial inclusion is vital when tackling the informal economy. Heifer International, a nonprofit organization, said, "Financial inclusion serves as a bridge to full-scale participation in the formal economy."

Financial inclusion can foster entrepreneurship and support the growth of micro, small, and medium-sized enterprises (MSMEs). "Increasing access to finance for MSMEs and women-owned businesses can help to create jobs, boost economic growth, and reduce poverty," Sérgio Pimenta, IFC vice president for Africa, said in October,

That could greatly benefit low and middle-income nations, like Egypt. In August, Anthon Garcia, a journalist at Economy Middle East, reported, "Access to financial services lifts people out of poverty by providing them with opportunities to save, access credit, and build assets." This, in turn, helps them invest in education, healthcare, and businesses.

"A well-functioning and inclusive financial system promotes stability by reducing reliance on informal and unregulated financial channels," Garcia noted. "This would allow people to effectively manage financial risks, build resilience, and withstand economic shocks."

Untapped wealth

On the sidelines of the International Women's Day regional conference in March which UfM and the Union of Arab Banks (UAB) organized, Kamel estimated the lack of participation by women in the financial sector reduces MENA GDP as much as 14%, or about $600 billion.

Gender gaps also exist in terms of pay and access to jobs. NBS, a human resources management company said in a blog post published in May 2023 on Linkedin, that women in the MENA region typically are employed informally or in low-paying sectors and "earn 23% less than men."

Women entrepreneurs also face challenges in scaling up their businesses. NBS noted that "only 7% of the women in the MENA region have access to financial services."

A 2022 research report by Wamda and TiE Dubai found that 66% of women who start businesses in MENA say investors exhibit less interest in funding their startups. "Female startups received less than $50 million in investments during the first nine months of 2022, constituting approximately 2% of total startup investment in the region," the report said.

MENA nations need to establish empowering environments for women entrepreneurs. "Mediterranean women entrepreneurs have an even more pivotal involvement towards economic and social development but they need better opportunities and better access to financing to help ensure a more equitable, sustainable role in business development in the region," said Ahmed El Wakil, president of the Association of the Mediterranean Chambers of Commerce and Industry. "We need to promote potential mechanisms to bring together investors, regulators, and financial institutions to accelerate lending to women-led firms."

The goal, he said, is to foster collective action and "challenge the regional and international financial community to commit to tracking and growing financing to women".

Jeni Mundy, global senior vice president of Visa told AmCham members in February that "women-led small businesses need extra help." She added that barriers to starting a small business are declining. Mundy cited a study by She's Next, a Visa-supported initiative to digitize women-owned startups, that found 95% of applicants were interested in learning more about digital payments.

Visa cooperated with Commercial International Bank to launch the She's Next program in 2023 to support the digitalization of women-owned businesses in Egypt. Visa's statement said the program aims to overcome "unequal funding distribution, limited access to capital, weak digital infrastructure and lack of mentorship" for Egyptian women entrepreneurs.

Conforming to this, one way to accelerate women's inclusion in the financial sector is through fintech services. Leveraging fintech makes financial services more accessible, affordable, and user-friendly, according to Abdul Qavi, managing editor at Rasmal, a digital media agency.

A 2023 report from First Abu Dhabi Bank and WealthBriefing attributes the rise of women's wealth across the region to digital channels, which "empower women with greater access to information, diverse cultural perspectives and participation opportunities within the workforce and financial systems."

Egypt's inclusion

In Egypt, the Financial Inclusion Datahub indicators showed a significant increase in the percentage of citizens aged 16 years and above who have access to bank accounts, Egypt Post saving tools, mobile wallets, and pre-paid cards. In December, that percentage reached 70.7%, a 174% growth from 2016 to 2023.

According to the Central Bank (CBE), the indicators showed the number of women with access to formal

financial services reached 20.3 million out of 32.3 million women at the end of 2023, with a growth rate of 244% compared to 2016. That signifies an inclusion rate of 62.7%.

Despite these positive numbers, Egypt ranked 134th out of 146 countries in the World Economic Forum's 2023 Gender Gap Report. The report said women comprise 19.7% of board members in Egypt, the lowest among 47 countries. According to the report, "the total early-stage entrepreneurial activity (TEA) rate is 31.3%," less than half of that seen for men.

Saad Sabrah, senior country head of IFC Egypt, also noted during the UfM and UAB's regional conference in March that the finance gap for women-led MSMEs in Egypt is estimated to be $15 billion.

This year in Egypt has already been busy with initiatives that support women-owned businesses. Basil Rahmi, CEO of the Micro, Small, and Medium Enterprise Development Agency, a government body, announced the launch of the "Aziza" initiative in March to bolster women-owned MSMEs.

The initiative offers low-interest loans with relaxed terms and conditions to women seeking to enhance existing enterprises or start new ventures. The initiative also extends comprehensive support in terms of technical expertise, training, and marketing.

Also in March, the CBE initiated a six-month program called "Women for Women in Fintech" to provide intensive training and workshops highlighting the significance of fintech and guiding entrepreneurs in integrating solutions into their ventures.

CBE Deputy Governor Rami Aboulnaga said the initiative's goal is to "equip women with the skills to use fintech applications and achieve the right matchmaking between startups and banks via embedded finance solutions."

Maximizing participation

The key to increasing women's access to finance and closing the existing gender gap in the region is to provide them with educational training and business opportunities. "There is a need for conversation, education, and systemic support for women in the MENA region to better engage in discussions around finance, investment, and entrepreneurship," said Emma Wheeler, head of women's wealth at UBS Global Wealth Management.

The UBS report showed that "Women in the MENA region were moderately experienced with financial information (53%) and investment information (42%), but less so regarding different investment forms."

The report also showed interest among women in the Middle East in taking a more active role with finances, with 62% indicating they would like more information on how to invest, 55% on sustainable investing, and 39% on private markets.

Furthermore, lack of education about finances and investing was cited as an obstacle by 52% of those surveyed, and a lack of investment opportunities was cited by 56%," the report noted.

In the Middle East, the Institute of Chartered Accountants in England and Wales (ICAEW) launched a mentorship initiative in March titled "Future Female Leaders Programme," which hopes to develop the next generation of female finance leaders in the region.

"By offering a platform for seasoned female finance leaders to share their experiences and insights with emerging professionals, ICAEW is helping to create a supportive ecosystem where women can empower each other to thrive," said Amanda Line, an ICAEW chartered accountant. "It's through women supporting women in finance that we will move closer to bridging the gender gap within our industry."

CLOSING THE **EDUCATION GAP**

Egypt's primary and secondary school system, which educates most of the country's students, faces its most formidable challenges to date.

On the one hand, the Ministry of Education must overcome decades of insufficient funding, a lack of trust from parents in the system, and obsolete curriculums and teaching skills.

On the other hand, artificial intelligence and other modern solutions are improving public education worldwide, widening the gap between Egypt and other nations. That invariably makes the country less competitive as a destination for direct investment.

By **Tamer Hafez**

PATH TO GLOBAL INTEGRATION

With 44% of Egypt's population still in school, the pressure is on to reform pre-university education to align with international standards.

One of the long-standing differentiators between developed and developing nations is the quality and accessibility of their education systems. To bridge that gap, the Egyptian Ministry of Education and Technical Education (MoETE) published a five-year pre-university education reform plan called the Education Sector Plan (ESP) 2023-2027. Its implementation started in the academic year 2023/2024.

The plan seeks to "transform the Egyptian education system to ensure universal access to high-quality education and training, foundational learning for all, and skills for a sustainable future." Its mandate covers "kindergarten to Grade 12." It also includes community education and adult literacy programs.

Its "key elements" are access to equitable, inclusive education, raising awareness on the importance of digitizing education and developing early childhood education. "By implementing ESP, Egypt hopes to develop a new generation of highly qualified, competent individuals on the global stage," said Reda Hegazy, MoETE minister, in the ESP document.

Past reforms

The government acknowledges the deficiencies of Egypt's primary and secondary education system. "Despite data showing recent improvement, the education sector suffers from persistent challenges in access, quality, equity and outcomes," Hegazy said. That has made "young people in Egypt face considerable barriers when [transitioning] from school to work."

The problem has severe long-term consequences. The government estimates that last year 60 million people would need better education to find jobs in the coming decade. MoETE projects that between 2015 and 2030, the number of those aged 14 to 25 will increase by 33% (5 million).

Accordingly, reforming and advancing the education ecosystem is crucial. It started with the 2014 constitution, which decreed that "education is compulsory and free from primary until the completion of secondary stage or its equivalent." It also stipulated public education budgets would be at least 4% of the previous year's GDP. AUC's Alternative Policy Solutions shows spending declined from 3.6% of GDP in FY 2015/2016 to 1.9% allocated for FY 2023/2024.

In 2018, the government announced "Education 2.0," which the EPC document said: "Aligns with the National Strategic Vision 2030, in which education plays a key role in realizing core goals of sustainable development, social justice and sustained growth."

Education 2.0 focuses on "learning and life skills and tackles critical issues, such as moving from rote-learning to competency-based learning, preventing discrimination against women, addressing the challenges to globalization, citizenship, [and] climate change." The 2018 reforms also saw a significant "move toward integrating technologies in education."

Persistent issues

MoETE's EPS 2023-2027 plan aims to overcome challenges the 2018 reforms failed to successfully address. The first is "teacher hiring not keeping pace with enrollment growth," the ESP document said. "The scarcity of teachers in some specializations and their inadequate [geographical] distribution ... diminish the quality of learning."

The ESP document said the reason for the disparity in the number of teachers relative to students is that there are no "distribution standards."

Less well-off cities and rural areas suffer significantly low education levels. "Children in rural areas are almost twice as likely not to complete primary education" compared to urban residents, said the ESP document.

That percentage goes up in secondary education, with teenagers in rural areas nearly four times less likely to finish school. "Lower demand for secondary education in rural areas [is] mainly due to higher poverty rates and social norms," the EPS document said.

Also, "digital illiteracy of most teachers is one of the most important bottlenecks hindering efficient integration of technology." That is despite efforts to integrate ICT into school curriculums, such as introducing the Egyptian Knowledge Bank, a 2014 initiative giving pre-university students free access to paid education content; distributing tablets for senior students to take their exams and present their coursework; and integrating ICT in the school's administrative system.

Other ongoing challenges include "the unavailability of a comprehensive system for data collection, inadequacies in evaluation monitoring, and lack of integrated results-based monitoring and assessment within the education sector," the ESP document said. That "adversely affects decision-making processes and monitoring of learning outcomes."

The other significant factor still hindering Egypt's education system is school budgets' "inefficiencies and inequality." MoETE sets annual budgets for public schools based on staff numbers rather than the quality of education outputs.

However, even the largest public schools are underfunded because national spending on education is tied to GDP growth, which is significantly lower than inflation rates. The ESP document estimates that "after adjusting for inflation, budget allocations for pre-university education declined by 11% [between] FY 2016/2017 and FY 2020/2021."

"Of the public spending on pre-university education, 84% ... was allocated to recurrent costs in [FY] 2020/2021, while the remaining 16% [went] to development projects." That distribution also crippled the construction of new schools. "250,000 classrooms need to be built to accommodate [the] current student population," said the ESP document. "Today, only 15,000 ... are built annually."

ESP 2023-2027

The ESP 2023-2027 document talks of "establishing new agencies to drive quality improvements in education system management and quality assurance [that] support the preexisting education system and enhance [its] effectiveness."

It also proposes developing new accreditation standards for schools and establishing a unit to ensure that educational institutions uphold those standards.

The third target is "increasing investment and creating an appropriate level of fiscal space to fund additional resource requirements ... generated by additional waves of the school-aged population." That money will likely come from outside the government's budget, as the ESP document stressed that "existing resources will not suffice."

The document also highlighted the "greening of education in Egypt [by making] schools [eco-friendly], safer and climate-proof, [while] ensuring the curriculum contributes to raising student awareness and skills to support development of sustainable solutions."

ESP 2023-2027 plans to increase access and participation by "building and refurbishing [public] schools ... where most needed," increasing supply in rural areas, "especially frontier governorates and Upper Egypt." Those facilities would accommodate formal, community and informal education.

MoETE will increase teacher recruitment and improve deployment distribution, career development, working conditions, remuneration, standards and accountability.

The ministry also plans to raise parents' awareness of the importance of education and "reduce the financial and social barriers to education" by offering fiscal support, exemptions, provisions for uniforms and school meals.

The ESP 2023-2027 plan would improve the "quality of learning and teaching" through ongoing teacher training programs, curriculum and assessment reforms, smaller class sizes, advanced technologies and promoting innovation.

The plan aims to "decentralize ... main education functions," granting schools and governorates the ability to "plan and manage [their] resources, modernize funding mechanisms, improve the use of financial data for planning and management, and enhance planning and budgeting."

Finally, the ESP 2023-2027 plan calls for building more comprehensive and interlinked databases for "evidence-based decision-making," as well as working with "development partners, the private sector [and] civil society organizations."

TUTORING CASTS A SHADOW

Pre-university private tutoring is illegal in Egypt. Clamping down on it is difficult, as parents see it as the best chance for their children to survive the country's poor formal education system.

For most Egyptian families, if they could afford to pay for private tutoring (shadow education) alongside their kids' formal education, the decision would be a no-brainer. Those classes are almost always with their kids' "regular school teachers," the Ministry of Education and Technical Education (MoETE) said in its 2023-2027 strategy.

Hassan Shehata, dean of curriculums at the Faculty of Education at Ain Shams University, told Al Masry Al Youm in November, "There is now no difference between students in public or private language schools. They all take private tutoring."

MoETE estimates "81% of students in ... secondary schools receive private tutoring, 64% of those in preparatory education, 56% of those in primary education, and 28% of those attending public technical secondary schools."

Such a high dependence increases the education gap between children of parents with financial means and those from low-income families. That ultimately impacts their career options, MoETE said.

For the past two years, the ministry and Parliament have debated how to reduce the negative impact of private tutoring while capitalizing on its core benefit -- helping students who need additional support.

Concerning landscape

Parents seek private tutors because of Egypt's poor public schools. Data Pandas, a data curation portal, ranked Egypt 120 out of 177 countries in its Education Index, which considers education levels, literacy rates, and years of school.

The Mahmoud Bin Rashid Al Maktoum Foundation and the UN Development Programme ranked Egypt 80 out of 133 in "pre-university education." The country's worst ranking factors were expenditures to enroll in schools (104th), government funding (105th for primary students and 90th for secondary students), outcomes of the education process (90th), and gross enrollment ratio in early childhood education (101st).

At a November 2022 Parliament hearing, MoETE Minister Reda Hegazy said Egypt's private tutoring was an EGP 47 billion ($975 million) business in fiscal year 2021/2022. The Ministry of Planning said the government spent just over EGP 53.8 billion on education that fiscal year.

Such a close gap shows parents are no longer confident in the formal education system, said Shehata of Ain Shams University. They feel teachers don't explain appropriately in the classroom and that kids learn better in private classes.

In an August public session, Parliamentarian El Sayed Shams El Din said

private tutoring has "spread to every city, neighborhood and even rural village."

Parliamentarian Gihan Baoumy said at a public hearing in February that pre-university private tutoring alongside formal education has become more of a "social norm." She said parents even reserve places with private tutors before the academic year starts.

Supplementary books by private publishers are another part of Egypt's education problem, giving "model answers" to questions that appeared in past exams. "Those books ... undermine the formal education system," Shehata said.

High-risk solution

Despite originally aiming to help underachieving students, the fallout from Egypt's shadow education is significant. "Private tutoring is the number one risk facing the formal education system," said an August news report by state-owned Ahram Gate.

One of those dangers is that private tutoring increases academic disparity: Parents with financial means can afford the best tutors in more subject areas and with smaller groups.

MoETE's 2023-2027 strategy document estimates the "richest 20% of households spend seven times more per student than the poorest 20%." The wealthiest households also can allocate a larger share of their total spending (13%) to education than the poorest households (4%).

The other major problem is that private tutoring is an "additional financial burden on families, especially if they have more than one kid in school," noted Iman Abbas, who wrote the Ahram Gate report. Meanwhile, with inflation nearly five times the Central Bank target of 7% plus or minus 2% the past few years, family budgets are more stretched than ever.

Private tutoring also cripples implementation of MoETE's plans to improve education systems and curricula. Shehata said teachers making more money from tutoring will not be eager to implement changes that hurt their income.

Tough regulation?

Private tutoring has long been illegal in Egypt. Minister of Local Development Khaled Kassem told El Watan News in May 2023, "Tutors and centers that offer them teaching space are legally liable under that law."

Realizing that outlawing private tutoring failed to prevent its spread, Hegazy presented a draft law to Parliament in November 2022 to regulate private tutors and the centers that support them. The aim is to ensure those tutors and centers don't "take advantage of Egyptian families and to oversee that 'parallel' education process," Hegazy said.

Parliamentarians rejected the proposal, saying that officially recognizing private tutoring undermines the importance of formal education and MoETE. In November 2022, Parliamentarian Reham Abdel Naby told the BBC such recognition also would "increase financial burdens on Egyptian families, as it effectively becomes part of the formal education system."

In a November 2022 public hearing, Alaa Essam, a member of Parliament, said regulating private tutoring would only reinforce the rote-learning model by giving students "model answers" for likely exam questions.

In September, MoETE announced alternatives to the private tutoring ecosystem. The first is to increase the number of support classes given after official school days end for all basic subjects and languages.

The ministry said it would cost a nominal fee and offer the same setup as private tutoring, including significantly fewer students per class. MoETE would compensate teachers for giving those classes and allow students to choose their tutor.

Hegazy also said MoETE would produce more videos explaining all basic subjects' lessons and post them on YouTube, the ministry's website, and social media. Comment sections will allow students to interact with teachers. "That content would be free to all students, and we will choose the best teachers for those videos," Hegazy said.

He said school inspectors would also conduct school surveys to determine the efficacy of printed formal material and textbooks, with the results and recommendations going to MoETE for evaluation.

The minister also announced in September 2023 that a new decree would investigate and penalize teachers who give private classes.

Real solutions

Those efforts don't address the root cause of Egypt's education system. Hegazy stressed that "private tutoring ... is a 'symptom' of a 'disease.' We have to treat that disease."

Experts say MoETE needs to enhance teacher capabilities and facility infrastructure. They also need more supportive, adaptive, and practical education methods and curricula. Accordingly, the "treatment" should include extra support for the least privileged students, improving teacher pay and work environment, and increasing cooperation with the private education sector.

Implementing such solutions will require "civil society support," stressed Shehata of Ain Shams University. It would also require immediate "uploading of what teachers explained to various [digital] platforms and ensuring exams only come from that content, not parts they skipped in the subject books."

MEET THE NEW TEACHER

Artificial intelligence is the topic of the hour. Its impact on education systems should yield long-term benefits. However, schools will need to eliminate risks and overcome challenges.

Despite the advent of computers and the internet in classrooms, most see that current education systems are lagging, especially in emerging markets. "It is striking to reflect on how little education has changed in recent decades," The Economist said in January. "Laptops and interactive whiteboards hardly constitute disruption."

That stands in stark contrast to how much younger generations embrace technology. "Many parents bewildered by how their children shop or socialize would be unruffled by how they are taught," the Economist said. "The sector remains a digital laggard."

Accordingly, it is unclear how much AI will change education systems. "We're still learning how AI ... will integrate into education sectors as they develop," Ilana Hamilton, a writer and update editor for education at Forbes Advisor, Forbes' research arm, wrote in December. "We don't yet have a full picture of how AI will affect critical issues of ethics, equity and data safety."

AI benefits

AI technologies in educational games, for example, already are changing some aspects of schooling. "Teachers have long recognized the value of play-based learning," Hamilton said. Some games, such as the Oregon Trail, date back to 1974. "Today, AI-powered games can deliver targeted learning thanks to user-responsive programming," noted Hamiton.

Existing educational AI systems, such as those offered by Carnegie Learning and Knewton, also allow "adaptive learning platforms ... that customize learning activities and content in real-time," she said. This allows for "immediate feedback and helps the system adjust its approach."

Such platforms help teachers meet students' needs based on individual needs, strengths and weaknesses, learning styles, and preexisting knowledge. "That means delivering customized support and instruction," Matthew Lynch, the author of "My Vision of Artificial Intelligence in Education," told The Edvocate, a specialized platform.

Hamilton also noted that AI can "automate grading and feedback systems." Lynch said such systems "can zero in on the specific information or concepts students are missing, so educators can deliver targeted improvements in materials and methods."

Meanwhile, AI-powered chatbots can make students "feel more comfortable making the mistakes necessary for learning and receiving the feedback they need for improvement," Lynch said. Hamilton explained those chatbots "stimulate the one-on-one experience of working with a human tutor [for] a single subject."

Lynch's book, "26 Ways that Artificial Intelligence Is Transforming Education for the Better," highlighted other benefits, ranging from "classroom [and] behavior management" to "parent-teacher communication, staff scheduling, finance, transport, plagiarism detection and analyzing student success metrics."

Challenges to implementation

Decision-makers in schools who want to implement AI face multiple challenges, most relate to funding or raising awareness of the technology's benefits.

A 2021 International Finance Corp. (IFC) paper noted the "lack of digital literacy [among] teachers and students ... in some emerging markets, especially low-income countries." Even digitally savvy teachers and students "lack expertise, [as] AI is in its infancy in the educational sector in emerging economies." The result is a "lack of formal data management strategy" to support AI implementation.

Accordingly, investing heavily in school and national digital infrastructures is essential. "In developed countries, issues like smartphones, other ... gadgets and internet connections that help aid [AI] activities ... are easily accessible," Mercy Awofiranye, a reporter for the specialized portal After School Africa, said in a February article. "For students from developing countries .... this is certainly not the case," as such devices "can be very expensive."

The IFC paper also noted the importance of deploying ultra-high-speed reliable internet networks. "Smart classrooms using 5G and AI will be able to deliver rich content that encourages users on a multitude of devices to interact and engage at the same time, with no drops in connectivity."

Risks and policies

Educators will face serious risks when implementing AI without policy updates. It starts with "the issue [of] ethics and transparency in data collection and use ... as AI relies on data to function effectively," said Awofiranye. "Issues like personal data concentration, data privacy and ownership, confidentiality, transparency and ethics [need] a lot of work."

If students are "overly dependent on AI, it would limit their critical thinking skills and cognitive abilities," said

Awofiranye. This will hinder them from learning what it means to multitask or push themselves to be creative, as their assignments will now be made easier through the use of AI."

AI's proliferation in schools could also lead to "technology addiction among students and even teachers, [as they] now have to use smartphones, iPads or laptops for educational activities."

A "special report" published in February on EducationWeek, a specialized publication, noted that to overcome such risks, "each district will have to think about its unique context when determining how to implement AI. [However,] there are some common strategies."

The first strategy is to "align AI use with the district's mission, vision and goals." That alignment requires provisions to prevent "plagiarism, misinformation, bullying, unequal access, diminished teacher and student agency, and compromised data privacy."

The second set of policies should focus on developing AI literacy among students, teachers and staff. That should include "a solid understanding of [the technology's] limitations and the ethical considerations when using it," the special report said.

Having a written AI policy is essential. "It should be clear to educators and students how and when they can use AI in their work, as well as the consequences for not using the tools responsibly," the special report said.

Schools and ministries of education also need to "protect students' and educators' data privacy." For students, "districts should think about obtaining parental consent for students to use AI tools in school."

Schools also should "catalog the AI tools they use, their purposes and the information they require; craft policies that are clear about who can use AI tools and for what purposes, [while keeping] technical details and security implications of the tools in use."

Schools and education districts need to "vet ...and assess the impact of ...AI tools," similar to what happens with new books or new equipment students use. "Districts should also find out how AI tools are created and what data sources were used to train the models." the report said.

New vision

A paper by the Global Council for the Promotion of International Trade (GCPIT) published in March stressed, "The future of education with AI is most effective when it fosters a collaborative environment."

That includes "human-AI collaboration," where "teachers leverage AI tools for personal learning, while AI tutors can offer targeted support [to] create a more effective learning environment."

Meanwhile, teachers and students would "focus on critical thinking and creativity," the GCPIT report said. "AI excels at tasks like automation and data analysis, [but] it's ill-equipped for critical thinking and fostering creativity. Education will need to emphasize these vital human skills alongside the technical skills AI can help develop."

Accordingly, "teachers will need training to effectively utilize AI tools and integrate them seamlessly into their teaching practices," GCPIT said. Governments also need to develop "a global learning community [where] AI can transform education from a one-size-fits-all model to a personalized and engaging experience for every student."

SAVING OUR SCHOOLS

Deteriorating education systems are a global phenomenon. A February McKinsey & Company report highlights the extent of the problems and possible solutions.

In today's increasingly complicated, uncertain and intertwining world, high-quality elementary and secondary education is vital. "In addition to preparing students for the workforce, education systems are increasingly being asked to participate in resolving broader societal issues," said a McKinsey & Company report in February. Those issues include mental health challenges among young people, political polarization and climate change.

Despite their importance, education systems worldwide are noticeably deteriorating. "Student learning improvements are not keeping up with these demands," the McKinsey report said. "More children than ever are in school, but many are not mastering basic skills."

The decline is most evident in low and middle-income countries, where "seven in 10 students ... are living in 'learning poverty,'" said the World Bank's Education Overview note published in October. "More than 90% of children live in countries where average educational outcomes are below poor, poor or fair."

Additionally, the education gap between wealthy nations and the rest is vast. The OECD estimates most high-school students in emerging economies are, on average, "10 or more years behind their peers in Europe, North America and East Asia."

Governments need to implement effective education reforms quickly to ensure economies and societies can meet future demands. "It is more important today than ever before to improve the quality equity of education systems around the world," the McKinsey report said.

No progress?

"In the decade preceding the COVID-19 pandemic, student performance in most school systems globally stagnated or declined," said the McKinsey report. "Of the 73 [surveyed] countries ... over the past decade, only 23 managed to achieve significant, sustained and consistent improvements in student outcomes."

According to the OECD's 2022 Programme for International Assessment (PISA) questionnaire, student performance declined by half a year of learning or more in 17 systems between 2010 and 2020.

The research noted, "Every system that participated in the PISA shows gaps in performance correlated with socioeconomic status." The McKinsey report said this comes despite "per-capita education spending ... over the past decade ... increasing in all countries of all income levels."

That decline comes from "education not seen as a priority, resulting in an inability to raise ... funds needed to deliver," the McKinsey report said. "Goals are too numerous, too far out in the future and hard to measure, and there is a lack of coherence across the individual elements of reform."

Meanwhile, if governments announce reforms, they "may falter [due to] pushback from communities and educations who don't feel consulted," said McKinsey. "Top-down policies may not actually work once they reach the classroom."

The other issue is lagging implementation from "insufficient coordination and pace of change, limited implementation capacity, [operating] without sufficient data [and trying to] solve today's problems with yesterday's solutions."

COVID-19 "exacerbated these challenges," the McKinsey report said. "Lost learning time widened equity gaps within and between countries, with students ending up, on average, eight months behind where they would have been absent the pandemic."

The pandemic also accelerated demand for innovative digital services, resulting in a rising need for tech-savvy employees. "This created a scissor effect: learning losses colliding with an increased need for higher skills," McKinsey's report said.

Making it work

Several education systems "are beating the odds and producing meaningful gains in student learning year after year," said the report. "They ... exist on every continent and at every level of national development."

Despite their diverse contexts, the McKinsey report highlighted common success factors. First, education leaders "choose evidence-backed strategies relevant to their starting position and prioritize foundational learning, particularly in systems with limited resources." They also "focus first and foremost on teachers and the content they deliver."

Successful education systems also create a "few cohort priorities, rallying stakeholders around them to ensure everyone — from system leadership to principals to teachers — is on board. They invest in authentic, two-way communication with families, educators, and communities to better design policies and build deeper buy-in."

The report added that education system decision-makers need to "move quickly from strategy to implementation." That happens by having "dedicated delivery teams" and systems that "rigorously measure... student learning outcomes and use transparent data to improve [government] interventions."

The McKinsey report said those measuring systems help implement "tried-and-true methods while creating space for innovation and measuring what they innovate, [which] feeds back into the evidence base of what works."

Tailoring solutions

The February McKinsey & Company report stressed that national and local school systems should not simply "lift and shift best practices from a system that operates in vastly different contexts."

Factors to "consider [include] their starting student performance, their financial resources, and the capabilities of their teachers and school leaders."

In advanced or developed countries, "increasing levels of school and teacher autonomy are possible, paired with effective accountability, capacity building and peer learning," McKinsey said.

In developing low and middle-income nations, the "focus [is] on foundational literacy and numeracy, ensuring that instructional materials are available on a one-to-one basis, and scaffolding teachers through structured lesson plans and in-situ coaching."

Meanwhile, low and middle-income nations whose education systems are improving "need to ensure the basics are in place [before] expanding selective earned autonomy, broader competency-based curricula tied to economic pathways, and incentives for teachers and school leaders to develop top talent."

Once implementation starts, local education leaders must acknowledge that local "schools range from below poor to great." That requires taking different approaches to improve schools based on their starting points. Education leaders also need to concede that "the journey is not perfectly linear for any system," noted Mckinsey. "And there are multiple paths to system improvement."

Tech question

The McKinsey report stressed that unquestioningly adopting new technologies like generative artificial intelligence solutions is "not a silver bullet."

Maximizing the benefits of technology in education systems requires "focusing on the ability of software to address specific use cases," the McKinsey report said. Such cases need to "align with the existing curriculum, involve significant professional learning and support for teachers, and consider putting technology in the hands of teachers rather than just the students."

Meanwhile, the 2022 PISA questionnaire results show that "while learning outcomes were often better for students who used devices in school for learning than for those who did not, the benefits were strongest for those who used their device for less than an hour a day."

Give it time

The key to sustainable education reform is designing and implementing policies and institutionalizing reforms to outlast civil servants and political leaders. "True transformation can take a decade," the McKinsey report noted. Education leaders need to "build a deep bench of talent at the central office, at the middle layer and across schools."

Additionally, the report said education leaders must insulate education from politics by distancing the work from political structures, embedding them into difficult-to-reverse policies, or creating a greater ecosystem of experts who can support policy development and implementation.

Separating education reform from political systems might be difficult, yet governments have no other option. "If we do nothing," warned the McKinsey report, "the implications for economic growth and political stability ... will be tremendous." ■

DOWNHILL FROM HERE?

The U.S. Federal Reserve's monetary policies should ease through 2026. How will global events affect those plans?

By **Tamer Hafez**

Since mid-2023, the U.S. Federal Reserve has kept inflation rates below 4%, down from an all-time high of 9.1% in June 2022, by raising its benchmark interest rate from 0.25% in March 2022 to 5.5% since August. "The [Fed] has done an excellent job bringing down inflation," Forbes Advisor Wayne Duggan said in a January op-ed.

However, the Fed faces a new dilemma in 2024 and beyond. Should it raise the interest rate to force inflation closer to the Fed's 2% target, risking stagnation or even recession, where GDP shrinks in two consecutive quarters as borrowing costs increase and spending decreases? Or should the Fed cut the rate to protect GDP growth at the risk of higher inflation.

The Fed is in no rush to change its monetary policy because America's GDP remains strong. Data aggregator Trading Economics shows the U.S. economy matching its pre-COVID-19 quarterly growth pace, hovering between 2.1% and 6.2% since the fourth quarter of 2020. The exception was the first half of 2022, when the U.S. economy shrank, resulting in a temporary recession.

Another factor influencing Fed monetary policy decisions will be global geopolitical events in southern Europe, the Red Sea and Middle East, given that the United States is the world's second biggest trading nation.

Starting point

The Fed prefers using the personal consumption expenditures (PCE) price index when measuring inflation. The "core" version excludes energy and food prices because they are typically dictated by external factors. Trading Economics shows a gradual drop in the PCE Index from 7.12% in June 2022 to 2.45% in February.

That contrasts with the more popular consumer price index (CPI), which data curation platform Trading Economics shows reached 9.1% in June 2022, dropping to 3.2% in February.

CPI has a smaller basket of goods and services than PCE. "For example, PCE includes the price of all medical goods and services purchased by employer-provided insurance as well as public programs such as Medicare," said a September blog published on the White House website. "CPI … only includes medical items purchased out-of-pocket by [urban] households."

The blog also noted "the two sometimes take different approaches to measuring the same item." PCE "also weighs [some] items differently than CPI," the White House blog said. "Housing makes up 33% of the CPI basket, but only 15% of PCE."

Accordingly, when PCE is lower than the CPI, it "implies that it gives less weight to prices that have been growing more quickly in the CPI," the White House blog explained.

Another feature of U.S. inflation is that "certain segments of the economy are responding extremely well to higher interest rates [i.e., prices are going down], but others [are] proving to be problematic," Duggan said.

Housing is one of the "stubborn" sectors. Prices increased 6.5% in November compared to a year earlier. Food is another, as prices were up 2.9% in the same period.

Wage growth also has helped fuel inflation by increasing disposable income. It grew 4%, outpacing PCE and CPI inflation rates. That "offsets the impact of higher prices for many consumers," said Duggan, leading to more consumer spending.

On the other hand, energy prices decreased. From November 2022 to November 2023, consumer prices were down 5.4%. "Gasoline prices were down 8.9% year-over-year in November and 6% compared to October," Duggan said. Fuel oil saw a 24.9% drop from November 2022 to November 2023, while natural gas prices decreased 10.4% in the same period.

Forecasts 2024

In the first quarter of 2024, CPI and PCE inflation followed similar trajectories. CPI inflation fell 0.4% in January compared to December 2023. It then increased month-on-month by 0.3% in February and March. PCE dropped 0.2% from December to January but rose by 0.02% in February versus January. PCE March figures weren't available at press time.

That is the opposite of what happened in 2023. CPI inflation rates started the year by dropping 0.1% from December 2022 to January 2023. In February 2023, it fell by 0.4% compared to January 2023, while March 2023's CPI inflation decreased by 1% compared to February 2023.

PCE rose slightly from December 2022 to January 2023 (nearly 0.04%) but dropped by 0.3% in February 2023 versus January 2023 and 0.7% in March 2023 compared to February 2023.

In April, Fed Chairman Jerome Powell told the media inflation in 2024 would remain high "longer than expected."

Nevertheless, the Fed expects inflation to decrease by the end of the year. The Federal Open Market Committee's official forecast published in January said inflation would decrease from 3.2% in 2023 to 2.4% in 2024.

That aligns with a January survey of market experts published by the Federal Reserve Bank of St. Louis and Goldman Sachs, which said inflation would drop to 2.5% and 2.4% by the end of 2024. "The auto, labor, and housing rentals markets [would] spearhead the disinflation," Goldman Sachs said.

That is not good news for local industry, as prolonged elevated inflation means interest rates will take longer to drop from the current 5.5% toward near-zero levels pre-pandemic. Speaking to AP News in March, Micheal Pearce, an economist at Oxford Economics, said, "A June rate cut now looks more likely than the May cut we ... previously expected."

Peterson Caldwell, a senior U.S. economist at Morning Star, a think tank, expects the Fed to cut interest rates from the current 5.5% to between 4% and 4.25% by the end of 2024. However, the Fed's "dot plot," a graph showing expert expectations, predicts rates will be 4.6% by the end of 2024.

Forecasts 2025/2026

According to Duggan, if 2024 projections are correct, 2025 will have a new problem to tackle: "sticky inflation," which is the "final phase of the [Fed's] war on inflation."

The sectors to look out for include children's clothing, auto insurance, medical care products, rent and public transportation, as they "can be slow to respond to monetary policy adjustments," Duggan said.

Yun Li, a reporter for CNBC, said in December that interviewed market experts forecast the core PCE Price index would drop to 2.2% in 2025 from the forecasted 2.4% in 2024. They align with the Fed's December 2023 expectations that core PCE will fall to 2.3% in 2025 from a forecasted 2.6% in 2024.

Even though inflation will not reach the Fed's 2% target in 2025, Caldwell expects interest rates of 2.5% to 2.75% by year's end, down from a forecasted 4% to 4.25% in 2024. That contrasts with the March Fed's Summary of Economic Projections (SEP), which expects interest rates to reach 3.9% in 2025.

The following year could be a breakthrough year for the U.S. economy as the Fed could finally reach its core PCE inflation target of 2% in 2026, Li reported.

Caldwell said that between 2024 and 2028, the "average" annual inflation rate should drop below the Fed's target, reaching 1.9%. "The continual downtrend in inflation will be owed greatly to the unwinding of price spikes as supply constraints ease and the pace of economic growth slows."

Accordingly, interest rates should drop further, though none of the projections put it at the pre-pandemic's near-zero levels. The March SEP report forecasts interest would only fall to 3.1% in 2016, down from 3.9% in 2025.

The Fed dot plot graph shows experts anticipating three interest rate reductions in 2026 to bring interest rates between 2% and 2.25%. Caldwell of Morning Star is more optimistic, forecasting interest rates between 1.75% and 2% by the end of 2026. "After that, the Fed will be done cutting," he said.

Global effects

U.S. inflation and interest rates are noticeably affected by global inflation, as the country is a historic net importer of goods and services. According to the World Bank, the world's biggest economy saw imports as a percentage of GDP reach a seven-year high in 2022 (15.6% of GDP).

A January IMF research note highlighted the diverse array of global inflation's "upside" and "downside" risks across developed and emerging economies until 2026.

The report said "upside risks" include "faster-than-expected" drops in inflation in many advanced and emerging markets. That would be due to "stronger-than-expected pass-through from lower fuel prices, further downward shifts in the ratio of vacancies to unemployed [individuals] and a compression of profit margins to absorb past cost increases."

Additionally, some governments may be reluctant to withdraw fiscal support from their respective economies, "implying higher than projected global growth in the near future," the IMF said. That could "exacerbate inflation and, with elevated public debt, result in higher borrowing costs and a more disruptive policy adjustment."

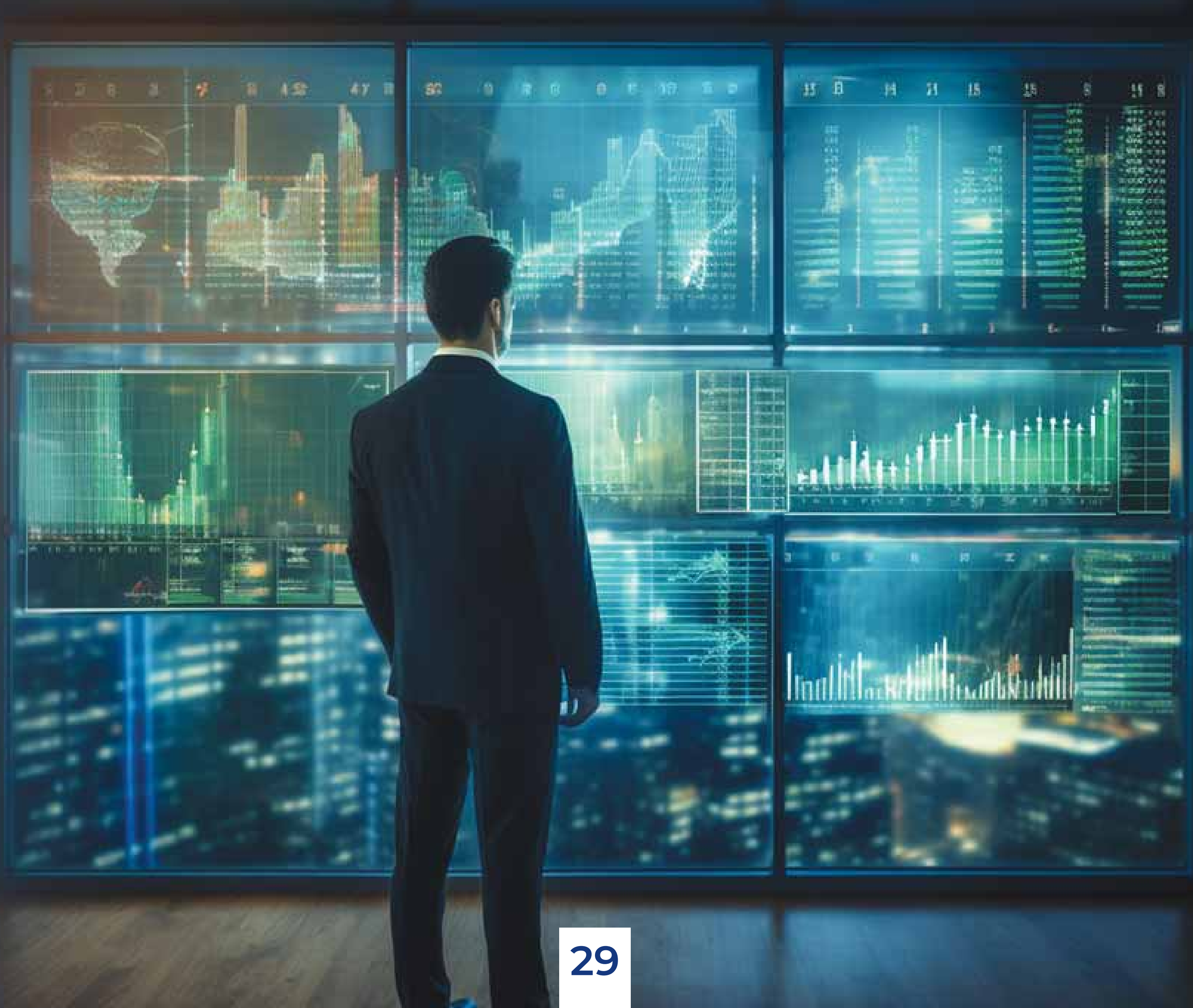
The IMF report also noted China, third-biggest trading partner of the United States, could see its GDP recover faster than expected. That would mean higher global inflation as its imports increase to meet booming local demand. According to the World Bank, China is the world's second-biggest importer of goods and services.

Other sources of global inflation that could affect the U.S. include "commodity price spikes amid geopolitical and weather shocks," the IMF note said. "The conflict in Gaza and Israel could escalate further into the wide region, which produces 35% of the world's oil exports and 14% of gas exports."

That conflict also impacts cargo traffic in the Red Sea, which accounts for "11% of the world's trade flows -- and the ongoing [war] in Ukraine risks generating fresh adverse supply shocks to the global recovery, with spikes in food, energy and transportation costs," the IMF said.

An OECD paper from February estimates the impact of such disruptions will last 18 to 20 months. "We expect inflation to be back to central bank targets by the end of 2025 in most G20 economies," the report said.

However, governments should not quickly decrease interest rates to fuel GDP growth. "Monetary policy should remain prudent," the OECD report said. "Central banks could start to lower interest rates this year, provided ... inflation continues to ease."



Market Watch

Stock Analysis

Bears overtaking bulls

The positive start so far this year may turn out to be short-lived. Coming off the holy month of Ramadan, the market was on vacation for almost a week for Eid El-Fitr. That may have led to a fall in liquidity, a vital factor for momentum to continue. Meanwhile, volatility continued throughout this period, which ran from Mar. 15 to Apr. 15, as all major indices ended down.

The EGX 30 fell 5.4%, while EGX 70 EWI fell 2.7%. While the two indices held their year-to-date gains at 19% and 22%, respectively, both fell in the following days—further paring their gains into single-digit territory.

Volatility was apparent from the start of the period, with EGX 30 — the market's main index — falling more than 2% over seven trading days. Seeing the market fall four days in a row has become prevalent. Technically, the market has officially turned bearish after falling more than 20% off its peak. By April. 24, the EGX 30 and EGX 70 EWI were down 22.4% and 23.6% from their peaks. EGX 30's peak was registered Mar. 11, while the EGX 70 EWI's was Feb.. 22. In hindsight, the EGX 70 EWI beat the EGX 30 into bearish territory on Mar. 19.

Declines outnumbered advances by a ratio of almost 2-to-1, with defensive and cyclical stocks feeling the brunt of the downtrend. Underperformers included large-cap names, such as Juhayna Food Industries (JUFO, -28%), Contact Financial Holding (CNFN, -25%), Arabian Food Industries (DOMT, -20%), and Orascom Development Egypt (ORHD, -16%). But it was not all red throughout the period, with some retail-favorite stocks leading the outperformers' list. For instance, Iron & Steel for Mines & Quarries (ISMQ, +30%), Ataqa Steel (ATQA, +25%), and Rowad Tourism (ROTO, +25%) all registered double-digit gains during the period.

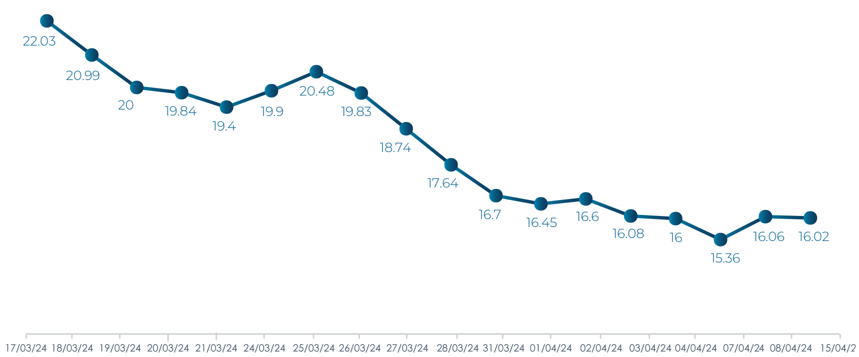
Investors are looking for reasons behind the market's massive sell-off in the last few weeks.

Some attribute the drop to local institutions off-loading their holdings to lock in capital gains. Others attribute it to macro factors that are playing out. For instance, stocks have long been touted as a good inflation hedge. But after March inflation surprisingly fell below market consensus, economists began to tone down their expectations for the remainder of the year to the point that a Goldman Sachs economist penciled in the Central Bank of Egypt (CBE) cutting interest rates as early as May.

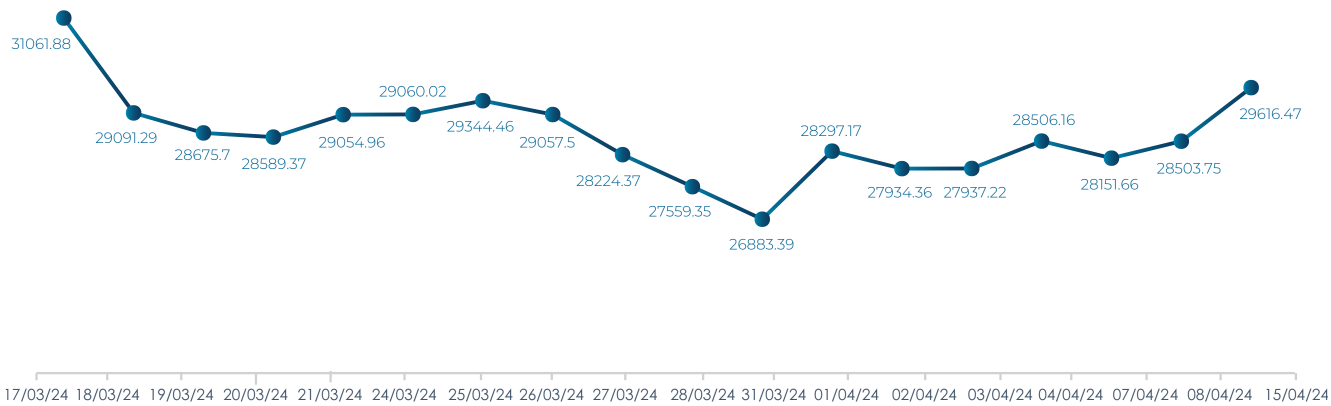
That may have led some institutional investors to cash out in favor of Treasuries, which offer annual yields of more than 20%. They may have wanted to capture currently high yields before they begin to fall later in the year. But regardless of the reason behind the market sell-off, volatility is here to stay at above-average levels.

Juhayna Food Industries (JUFO)

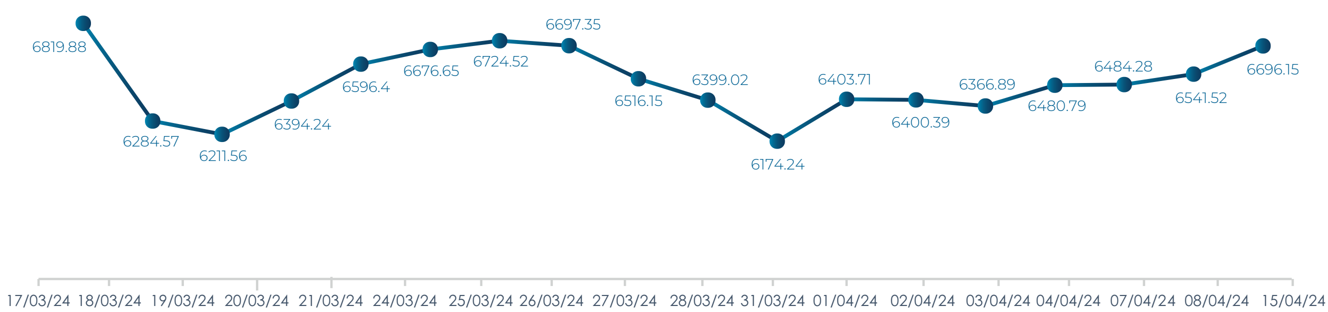
In times of volatility, defensive stocks present themselves as a safer option for investors. However, Juhayna Food Industries (JUFO) was an exception. The stock fell 27.9% during the period, from EGP 22.23 to EGP 16.02, before losing more. The company reported its 2023 financials, where foreign currency-related losses muted its strong price-led operational growth. The government's initiative to reduce prices may have cast a shadow over its prospects. Some 30 million shares, or 3.2% of the company's listed shares, worth EGP 525 million, changed hands during the period.



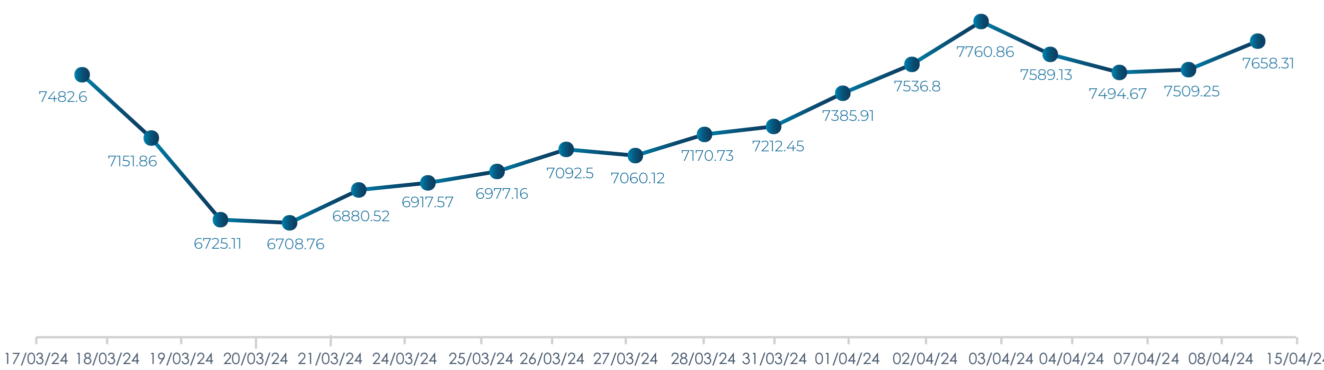
EGX 30



EGX 70



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.

Securing financing for development

U.S. DFC highlights the opportunities, terms, conditions, and steps for Egypt's private sector to seek financing.

By **Tamer Hafez**

The U.S. International Development Finance Corporation (DFC) is the development finance agency of the U.S. Government with a focus on supporting private sector projects in low- and middle-income nations.

DFC is authorized under the Better Utilization of Investments Leading to Development (BUILD) Act passed in 2018 and began operations in January 2020. The BUILD Act consolidated, modernized and reformed the U.S. Government's development finance capabilities – primarily the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority (DCA) of the U.S. Agency for International Development (USAID) – into a new agency.

The agency offered these responses to Business Monthly's questions about how Egypt's private sector can gain access to funds and the sectors the agency is prioritizing.

Responses were edited for clarity and length.

What is the DFC's mandate regarding financing the private sector in emerging markets, such as Egypt?

Our mandate is to mobilize private capital to address development challenges, while advancing U.S. foreign policy priorities.

DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. DFC invests across multiple sectors, including energy, healthcare, infrastructure, agriculture, small business, and financial services.

DFC investments adhere to high standards and respect the environment, human rights, and worker rights.

Please give us highlights of various financing programs for which the Egypt-based private sector might be eligible.

DFC is addressing pressing challenges around the globe through the use of its development finance tools, such as political risk insurance, debt and equity financing, investment funds, feasibility studies, and technical assistance.

Egypt-based private sector enterprises are eligible for the full suite of DFC tools, including political risk insurance. Political risk insurance coverage is available up to $1 billion against losses due to events such as currency inconvertibility, expropriation, and political violence. Political risk insurance protects equity and debt investors against political risks such as inconvertibility, expropriation, and political violence. DFC's political risk insurance can also be applied to bond issuances in capital markets.

Debt financing offers direct loans and guaranties of up to $1 billion for tenors as long as 25 years, and programs targeting small and medium-sized businesses.

Equity investments via direct equity investments of up to 30 percent of total equity capital provide support to companies committed to creating developmental impact.

Debt and equity investments support emerging market private equity funds that help address the shortfall of investment capital.

With feasibility studies, DFC provides support for the analysis of a potential project to determine its viability and support for development outcomes. And with its technical assistance, DFC helps increase the developmental impact and/or commercial sustainability of existing projects or to develop potential new projects.

What are the eligibility terms and conditions for Egypt-based companies? Do they differ from one sector to another?

Egypt-based companies are generally eligible for all DFC products. Projects are assessed based on their credit analysis, risk assessment, development impact analysis, environmental and social analysis, know-your-customer determination, and assurance that the project is not in one of DFC's prohibited sectors, which include military equipment and tobacco products, among other sectors. Our website, www.dfc.gov, has a full list of prohibited sectors.

DFC focuses on financing companies where the private sector owns a majority stake and DFC may also support companies and financial institutions that are involved in public-private partnerships.

How can an eligible Egypt-based private sector company apply for financing?

An eligible private sector company can apply for DFC support through the DFC website. Visit the section that shows priority sectors. Click on a link for a particular sector to generate an email to the appropriate contact.

If a sector is not shown, it does not mean DFC cannot support the project. Please contact merryl.burpoe@dfc.gov with questions about how to reach the right department.

How do you decide which type of financing to offer an applicant? How long does it typically take for an applicant to receive approval or denial of funds?

In initial conversations with DFC – assuming that DFC criteria are met – a business analysis is undertaken to identify what support is potentially needed for the project.

If there is a match with the support DFC can provide, the project moves on to the application stage.

Applications include various documents that outline the project details, including relevant information on company ownership, management experience, company-audited financial statements, business plans, financial projections, marketing plans, etc.

The first step is for a project application to be presented to a screening committee to determine its eligibility.

For financing, that is followed by a review by a credit committee or equity review committee. Political risk insurance goes through a political risk insurance underwriting review.

Projects will also be reviewed by environmental and social analysis experts, as well as the economic development impacts team.

Depending on the results of those reviews and the size of the project, the next steps may be Investment Committee and Board approval.

The time allotted for project approval depends on the complexity of the project and the efficiency with which the investor delivers the required information.

Do you account for foreign exchange risk when assessing an applicant's request for funding? How significant is that risk for the Egyptian pound?

Since DFC is evaluating a project for credit risks when offering a loan, it is important to understand the ability of a project to repay its loan and meet its other financial obligations. Foreign exchange risk may be a factor in that review.

However, there may be ways to mitigate that risk depending on the project specifics.

DFC political risk insurance can protect against inconvertibility risks, but it does not protect against currency devaluation.

DFC typically lends in hard currency, so for sectors where only local currency is earned, it may be preferable for DFC to lend to a financial institution that then lends in local currency for small and medium-sized businesses and to others that find hard currency loans challenging.

Are companies that secure funding restricted in how they can use the money? Does the DFC monitor how the funds are spent?

DFC will inquire into the intended use of funds and make its determination about whether or not to lend to or invest in a project based on that information.

Depending on the project and investor type, funds may be used for operational expenses or working capital, for "on-lending" – lending to businesses or individuals, generally facilitated through banks, debt funds, or other financial intermediaries – or for additional liquidity, etc.

DFC will normally have specific conditions precedents that must be met before funds are disbursed.

DFC monitors projects to evaluate whether funds are being used for the intended purpose, project requirements are being implemented, and to measure developmental outcomes.

DFC requires regular reporting, which will be outlined in loan documents or equity investment documentation.

Which are the most exciting sectors in Egypt for the DFC?

DFC sees Egypt as an important country of focus.

Egypt has many areas in which high-quality companies are investing that have strong development impact potential, including renewable energy, water, transportation infrastructure, critical minerals, agriculture and food processing, small and medium-sized business development, and health, among others.

Egyptian financial institutions have the potential to be strong partners in providing capital to microenterprises and underrepresented populations, including women business owners.

DFC looks forward to building our portfolio in Egypt to mobilize private capital, to contribute to the achievement of important economic and social development objectives, and to support the expansion of sustainable businesses. ■

Chamber News

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U.S. Limited Special Mission

17-23 March

Discussing developments in U.S. bilateral relationship

A limited delegation of Board Members and senior executives representing AmCham Egypt visited Washington, D.C. for a Special Mission during March 17-23, 2024.

Over the course of five days, delegates took part in more than 30 meetings with Members of the United States Congress, Administration and Executive Branch officials, think-tanks, senior media representatives, and leaders from the U.S. business community. The itinerary featured eight meetings with Congress Members and their staffers, including senior representation from the House Foreign Affairs Committee and Senate Armed Forces Committee, as well as six meetings with the Executive Branch, including senior officials at the Departments of State, Treasury and Defense. Delegates also met with the U.S. International Development Finance Corporation (DFC) and the U.S. Agency for International Development (USAID).

In addition, the delegation met with senior representatives at Washington's prominent think-tanks and multinational financial institutions, including the World Bank, International Monetary Fund (IMF), Carnegie Endowment for International Peace, Washington Institute for Near East Policy, Congressional Research Service (CRS), Atlantic Council, Center for Strategic and International Studies (CSIS), and Middle East Institute (MEI), among others.

The mission took place at a critical time for the Middle East, the U.S and Egypt. Regionally, global attention is focused on the Israel-Hamas War and related developments. The AmCham delegates arrived two weeks after President Biden's annual State of the Union address, amid yet another clash between the White House and Congress over the Federal budget, with both political parties gearing up for the 2024 election cycle. And while the delegation was in Washington, details of the $35 billion Ras El-Hekma project, USD 8 billion IMF agreement and other measures to alleviate Egypt's challenging financial position were becoming public.

During their meetings, delegates promoted dialogue on important commercial issues and shared their perspective on social and political topics of bilateral importance. The impact of external global shocks, the current regional war and other geopolitical challenges on Egypt's economy was a common topic in all meetings.

Members of the delegation provided an overview on key developments on the economic front and reflected on their impact on private sector operations and Egypt's ability to attract foreign direct investments. These updates included:

- The March 6 decision by the Central Bank of Egypt (CBE) to raise benchmark interest rates by 6% and fully float the Egyptian currency.
- The USD 35 billion Ras El-Hekma deal that gave Egypt the liquidity needed to undertake the currency float.
- The announcement of an IMF staff-level agreement to increase Egypt's current USD 3 billion Extended Fund Facility to a total of USD 8 billion.
- Additional financing from multilateral and international partners, such as the European Union, World Bank, Japan, United Kingdom, and others.
- The Egyptian Government's plan to improve fiscal and monetary discipline, with structural reforms that are set to restore global and local confidence in Egypt's economy.

The delegation also highlighted the government's efforts to set up regulatory mechanisms aimed at limiting the public sector role and expanding the private sector's role in the economy. These efforts include slowing public investments and national projects by state-owned enterprises (SOEs), economic authorities, and other public entities, and establishing the Central Audit Authority with the mandate of limiting public investments to EGP 1 trillion a year, as recommended by the IMF.

The delegation discussed other reform measures being put into place to ensure a level playing field and added that the government is prioritizing efforts to reduce inflation.

Delegates also shared that Egypt is being uniquely challenged by the Suez Canal disruptions caused by the Houthi hostilities in the southern Red Sea, which have caused all major shipping lines to divert their vessels from the Suez route to the much longer Cape of Good Hope route around the southern tip of Africa. As a result, the Suez Canal has seen a 50% reduction in transits, amounting to around $5 billion in losses on an annualized basis.

Egypt's economy is also under pressure from the recent influx of refugees fleeing Sudan's ongoing civil war, adding to the more than 10 million refugees already residing in Egypt and integrated in the economy. The delegation called for the U.S. to consider these pressures in assessing potential support programs to Egypt.

In meetings with the IMF and associated organizations, there was a consensus that Egypt's reform efforts must focus on privatization, to include reducing the role of the government in the economy, reducing the number of large-scale national projects, creating a better investment climate, empowering and ensuring a level playing field for the private sector, and creating conditions for sustained macroeconomic stability.

In the atmosphere of a new IMF agreement, the delegation sensed an eagerness from several U.S. Government agencies to pursue opportunities in Egypt and encourage more direct investment by U.S. firms. The DFC expressed interest in engaging in a pipeline of projects in sectors they see as most promising, including tourism, healthcare, education, agriculture, renewables, and transportation. The DFC was particularly interested in offering assistance to Egyptian businesses, especially small and medium-sized enterprises (SMEs), through EGP-denominated loans. The U.S. Treasury Department expressed full support of the IMF agreement, which they believe will offer Egypt a unique opportunity to turn the corner and generate sustained economic growth.

During their meeting with the AmCham delegates, representatives from the U.S. State Department's Bureau of Energy Resources noted that lowering methane emissions and lowering flaring was a priority, and that methane leaks should be addressed immediately. Delegates also discussed Egypt's green hydrogen production opportunities, and the incentives for foreign investment in the Inflation Reduction Act, which sets very high standards and makes it very hard for developers not to compare with other opportunities.

The announcements of the IMF agreement, Ras El-Hekma investment, several SOE divestitures and other positive measures came at an opportune moment and has now allowed the economic crisis to take a back seat and Egypt to resume its traditional position as a regional leader. The delegation sensed a strong appreciation of Egypt's strategic importance, with the country viewed as indispensable to advancing peace in the Middle East.

Several events were held on the margins of the visit:

- A special reception hosted by the U.S. Chamber of Commerce on March 19, in honor of the AmCham Egypt delegation and featuring remarks by Ms. Suzanne Clark, President and CEO of the U.S. Chamber of Commerce.

- A limited dinner for the AmCham Egypt Inc. Advisory Board and the AmCham Egypt Board hosted on March 21.

- A special breakfast briefing hosted by the U.S. Chamber on March 22, featuring remarks by Mr. Curtis Dubay, Chief Economist, and Ms. Ashlee Rich Stephenson, Senior Political Strategist.

Overall, the delegation ended their mission with a sense of optimism that Egypt has a lot of support on the highest levels. The delegation noted that Congress, the Executive Branch and the think tank community continue to perceive AmCham Egypt as a strategic partner for advancing peace in the Middle East, and an independent and credible voice with which they can have an honest and open dialogue. AmCham Egypt's U.S. affiliate – AmCham Egypt, Inc. – will be maintaining regular dialogue with stakeholders in Washington and communicating Egypt's ongoing economic developments.

Pre-annual General Meeting

2 April

Egypt's economy: the road ahead

El Kholy said Egypt now has a golden opportunity fueled by a well-funded economic stabilization program to reverse the dollarization trend and resolve the liquidity crisis. "Building on the learning of the past, armed with the firepower provided by the economic support program, spearheaded by the UAE and supported by the IMF, World Bank, and the EU, Egypt has a golden opportunity to move forward," he said.

However, El Kholy noted a lack of significant long-term foreign direct investment, which is essential for productivity, employment, and the sustainability of structural adjustment programs.

Ahern highlighted the World Bank's role in supporting Egypt's structural reforms. He said Egypt should promote long-term capital flows within its reform agenda by transitioning from short-term capital inflows towards sustainable, long-term investments. That involves a strategic focus on exports and attracting diverse FDI.

In addition, the reform agenda should enhance export competitiveness by addressing challenges such as limited integration into the global value chain and inefficiencies in port operations.

Ahern said the World Bank supports initiatives to streamline logistics, reduce costs, and improve trade facilitation measures, which would enhance Egypt's competitiveness in international markets.

He stressed the need for prompt and fair resolution of commercial disputes, saying the World Bank collaborates with Egypt's Ministry of Justice to streamline processes and implement reforms that enhance the efficiency and reliability of the legal system.

On the sidelines of the pre-annual general meeting and Iftar hosted by AmCham Egypt on Apr. 2, a panel of economic and investment experts offered their views on "Egypt's Economy: the Way Forward," discussing progress in reforming the economy and rebuilding investor trust.

Moderated by AmCham President and Chairman of Cairo Poultry Group Tarek Tawfik, the panelists included Alex Segura-Ubiergo, senior resident representative to Egypt, International Monetary Fund; Omar El Husseiny, head of treasury group, CIB; Ayman Soliman, CEO, Sovereign Fund of Egypt; Sherif El Kholy, managing partner Middle East and Africa, ACTIS; and Mark Ahern, lead country economist, The World Bank.

Segura-Ubiergo highlighted the success of the recent pound float, supported by its alignment with macroeconomic goals. He shed light on the contribution of the Ras El Hekma deal, which bolstered liquidity. He showcased the project's positive indicators, such as the disappearance of the parallel market spread, unmet dollar demand, and increased dollar trading in banks.

These positive indicators led the IMF to complete its first and second reviews on Mar. 29 and disburse $820 million.

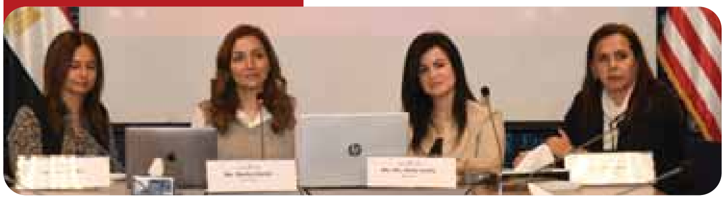
Segura-Ubiergo stressed the importance of sustaining the current momentum and adhering to the reform system. He said a floating exchange rate is just one facet of broader macroeconomic reforms, including fiscal discipline, transparency, and implementing inflation-reducing mechanisms.

However, El Husseiny noted that despite increased liquidity, with significant foreign currency inflows to banks from retail, corporate, and carry trade activities, individuals are still reluctant to purchase foreign currency, resulting in a supply-demand disequilibrium.

Soliman discussed the state's ongoing privatization program, noting that it would be more focused on financial services and public infrastructure and would benefit from currency stability.

He added Egypt has moved beyond survival mode and should work on sustaining efforts to address challenges effectively.

Marketing



3 April

Ramadan's marketing trends, strategies

"When we look at how Egyptians perceive advertisements in the month of Ramadan, we see that 82% believe that ads are [first] aired during Ramadan, and 68% believe that Ramadan has become more commercialized over the years," said Heba Arafa, Vodafone's managing Executive for Brand and Entertainment, at an AmCham event titled "2024 Ramadan Marketing Trends and Strategies Unveiled." Rasha Karim, managing director of UM MENAT, was guest speaker at the Apr. 3rd event.

This year's advertising strategies encompass various sectors, including telecom, banking and finance, real estate, NGOs, FMCGs, home appliances and more. "Some companies invest 25% of their marketing budget in advertisements during Ramadan, and some companies advertise only during Ramadan," said Arafa. The month is crowded and costly for advertisers, so an appropriate marketing budget and clear goals for the brief campaign are crucial.

Ramadan campaigns typically follow established strategies, such as song-based ads, celebrity endorsements, emotional appeals, and a PR teaser phase before the launch.

"Ramadan is the Egyptian Super Bowl," said Karim. Media consumption experiences a significant surge as soon as Ramadan begins, with 81% of people spending more time watching TV and streaming online content. There's a 71% spike in entertainment and gaming app installs during Ramadan, and social media use jumps 20%. Statistics also indicate that 64% of people play games during the fasting hours. Of those, 39% spend 30 minutes to two hours playing mobile games daily.

TV viewership drops immediately after Ramadan, whereas VOD (video on demand) viewership continues at a 23% decrease. To address the supply shortage and stand out amidst the clutter, channels have begun offering new placements to advertisers. Consequently, advertisers are leveraging VOD through virtual placements and creative advertisements to reach their target audience.

HR (Talent Management)

18 April

HR executives offer corporate culture tips

The HR (Talent Management) Committee hosted a session on "HR Transformation: From HR to People and Culture" on Apr. 18, with guest speakers Alexandra Saad, founder and managing partner of Culture Leads & Co.; Jady Fakhry, country HR head of Siemens Energy; and Shereen Mansoury, HR director of Procter & Gamble.

The session began with speakers discussing changes leading to more cohesive work environments.

Transforming HR into People and Culture means shifting the perception of HR as an internal company regulator to a business partner who aims to enhance people's lives in an organization. Saad listed critical reasons for the shift: diversity in the workplace, the development of technology, and greater awareness of mental health.

Speakers emphasized the importance of leadership in internalizing the changes. Furthermore, they recognized that every member of the organization plays a role in ensuring that HR changes are implemented, saying it takes people to change a culture.

Speakers addressed the influx of Gen Z talent and emphasized the importance of utilizing technology, such as using social media to learn the interests of different generations and what they prioritize. Offering flexible work hours, roles, and a general well-being package highlights the company's culture for its employees.

Lastly, the speakers agreed on the importance of agile learning and leadership when it comes to implementing culture, as company goals and employee roles may change over time. Implementing their creativity to align with the organization's goal is critical to ensuring people feel their work is integral to the organization.

AmCham MENA Regional Council Conference (Dubai)

18-19 April

Aligning the region on timely topics

As incoming chair of the AmCham MENA Regional Council, AmCham Dubai hosted the council's 12th annual conference on Apr. 18 to 19 with the theme "One Region, One Voice."

Opening Remarks delved into the importance of regional cooperation and trade during turbulent times and the impact of geopolitical challenges and economic instability on the private sector.

Martina Strong, U.S. ambassador to the UAE, emphasized the importance of U.S.-MENA trade and investment relations for regional stability.

U.S. Chamber Vice President of International Relations Khush Choksy highlighted the vital role of AmChams as advocates of U.S. businesses, which serve as partners to regional companies, strong economic relations, and responsible business practices.

Attendees were welcomed by AmCham Egypt Executive Vice President Tarek Mohanna on behalf of the AmCham MENA Chairmanship and Permanent Secretariat at AmCham Egypt and Sammy Bousaba, AmCham MENA Council's incoming chair and president of AmCham Dubai.

"Cybersecurity Innovation Technology" focused on enabling innovation technology in the MENA region.

The second session explored the impact of global trade trends on the region, protectionism and trade wars, opportunities for regional integration, trade barriers, and sustainable practices.

"Forging a Sustainable Tomorrow: Post-COP28 Strategies for Ongoing Climate Momentum" outlined the outcomes of COP28 and the role of the private sector in advancing governments' environmental goals.

Keynote speaker Nenad Pacek, founder of EMEA Business Group and president of Global Success Advisors, shared a comprehensive overview of regional economic updates and identifying MENA financing strategies.

"Food and Water Security" discussed the region's dire need for resource security and the impact of sustainable agricultural practices. The session also defined the relationship between water management and food security, with panelists exploring strategies to ensure sustainable access to water for agriculture and the role of innovation in the sector.

In "Financing Energy Transition," Geoffry R. Pyatt, United States Assistant Secretary of State for Energy Resources, emphasized the U.S. commitment to energy transition in the region, highlighting the MENA's vast potential and the importance of prioritizing clean energy.

On the second day, the AmCham MENA Council signed a letter of intent/MoU to launch menasourcehere.com, a virtual marketplace for members of different AmChams to list their products and services.

Bousaba, managing director of sales MEIA at FedEx, and Gamal Abou Ali, executive vice president of legal affairs at AmCham Egypt and a partner at Hassouna & Abou Ali Law Firm, witnessed the MoU signing ceremony.

During the closing session, "Unleashing the Potential of AI," a panel discussion provided a comprehensive overview of the current landscape of artificial intelligence (AI) in the MENA region, exploring existing applications, challenges, and successes. Panelists delved into the region's unique opportunities for AI advancement and discussed strategies to harness its full potential.

Membership Type:
Associate Resident

CHEMICAL PRODUCTS

Fertiglobe
Ahmed El Hoshy
CEO

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Website: https://fertiglobe.com/

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INFORMATION & COMMUNICATION TECHNOLOGY

Vodafone International Services L.L.C (VOIS)
Rania ElHakim
Head of HR CARE & Egypt Centre

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FOOD & BEVERAGE

Fort Capital Group
Nader Awad
Chairman

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Membership Type:
Associate Non-Resident

SERVICE PROVIDERS

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Membership Type:
Foreign/ Regional-Non-resident

INVESTMENT

Egypt Gulf Connect Limited
Ismail Shoukry
Founding Partner & CEO

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Tel: (00-97) 15045-65783

For any change to contact information, please contact the Membership Services Department at the Chamber's office

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E-mail: membership@amcham.org.eg

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Ahmed Khalifa
CFO, Lafarge Cement Egypt, a Member of LafargeHolcim Group

Zahra Dewidar
HR & Communications Director, Lafarge Cement Egypt, a Member of LafargeHolcim Group

Chemical Products
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Merna Rizkalla
Quality Manager, Silver Light Foods

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Legal, Privacy, Risk & Comp Senior Manager, Vodafone International Services L.L.C (VOIS)

Mohamed Sami
Head of Technology Management Overhead, Vodafone International Services L.L.C (VOIS)

Pharmaceuticals

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Market Access Manager, Hikma Pharma Egypt

Nadim Youssef
Marketing Manager, Luna Group

Rana Humic
Head of Finance CFO, Siemens Healthcare SAE

Hesham Yousef
Finance Controller, Abbott Laboratories, S.A.

Ahmed Kishta
Corporate Affairs Director, AstraZeneca

Retail

Hesham Fahmy
Group Categories Head, B.TECH

Mervat Hamed
Chief People Officer, B.TECH

Shady Makary
Executive Vice President Finance, B.TECH

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Chief of Party, Education Development Center Inc
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Sector: Education/Research and Professional Development

Sally El Guindi
General Manager Egypt, MARS North Africa and Levant
Category: General
Sector: Food & Beverage

Kareem Yassin
Vice President Egypt, Procter & Gamble Egypt, Ltd.
Category: General
Sector: Pharmaceuticals

Karim Ossama Abbas
Board Member, Orchidia Pharmaceutical Industries
Category: Affiliate
Sector: Pharmaceuticals

Maha Nagy
Chief Communications Officer, Orange Egypt for Telecommunications
Category: Affiliate
Sector: Service Providers

Change in Member Company

Akef Abdel Latif El Maghraby
Chief Executive Officer & Managing Director, Suez Canal Bank
Category: General
Sector: Financial Sector

Change in Member's Category

Tamer Refaat
Commercial Director, Waldorf Astoria Cairo Heliopolis
Category: General
Sector: Hospitality/Tourism/Travel

Mohamed Mahmoud El Etreby
Chairman, Banque Misr
Category: General
Sector: Financial Sector

Abou Ghaly Motors

Contact:
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for London Cab
reservation: 19670
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Abou Ghaly Motors Group (AGM) has the pleasure to extend its exclusive benefits to AmCham members on various products as follows:

- Automotive:
Test drives, priority on delivery, periodic promotions & special offers on the following brands: Jeep, Mercedes, Chrysler, Dodge & Ram, Alfa Romeo, Subaru.
Competitive price on trade-in deals.
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Accessories voucher worth EGP 2,000 when purchasing Subaru, Jeep, Chrysler, KTM and Alfa Romeo.

- Vehicle Services:
3.5% discount on insurance; 5% discount on spare parts; 10% discount on labor work, free of charge in case of accident on towing to AGM service center; 20% discount on vehicle detailing and polishing; and 20% discount on rental during services.

- Transportation:
10% discount on short-term car rentals from SIXT.
London Cab: 10% discount and 20% discount on second leg for airport shuttle.
5% discount on Limozeenak.

This offer is valid until December 31, 2024

B.TECH

Contact:
Ahmed Yousry:
01030880008
Ahmed Gaber:
01099144618

1-Seasonal offers:
-The MC Mega promotion is running now, with product discounts of up to 75% on 5-year payment plans.
-Buy on a 2-year payment plan & pay the interest of a 1-year plan.
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-Exclusive offers, running all month long| Product discounts based on payment plan tenure: 10% on 2 years, 15% on 3 years & 20% on 4 years.

2.Get an instant 250k EGP credit line
This exclusive offer for AmCham Egypt Members applies at the following stores:
·Mall of Egypt | Contact Hazem: 01283182276 or Mohamed: 01000848788
·CFC Branch | Contacts Yasmin: 01284070455 or Islam: 01155967108

This offer is valid until December 31, 2024

Egyptair

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090070000
Astra Travel
Tel: (20-2) 3333-2200
Shobra Branch:
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Egyptair is pleased to extend the protocol agreement for the year 2024.

This agreement entitles all AmCham members and their first degree family members to a special preferential reductions on Egyptair INTERNATIONAL flights ONLY.

Up to 18% Discount over Egyptair's special fares, depending on the booking class.

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*This deal is applicable on trips from and to Egypt.

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

For more offers, please visit AmCham Cyberlink on www.amcham.org.eg

A Glance At The Press

Lowering prices
Shark fin: Inflation

Al-Masry Al-Youm, Apr. 24

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.

Submissions for 7th El Gouna Film Festival

El Gouna Film Festival is seeking submissions through July 15 for the festival's seventh edition scheduled for October.

Selected films will compete for the El Gouna Star awards and a total cash prize of $234,000.

The festival's website says movies focusing on humanitarian topics can vie for the Cinema for Humanity Audience Award. While the films tackling environmental concerns have a chance to win the El-Gouna Green Star Award.

"Our film submissions have seen a remarkable rise, climbing from around 400 in 2017 to over 1,400 in 2023," said Artistic Director Marianne Khoury.

In addition to showcasing films, the festival offers a diverse array of industry events, networking opportunities and panel discussions. These initiatives are specifically designed to encourage dialogue and collaboration among filmmakers, industry professionals and audiences.

"Through our film screenings and industry events, we aim to cultivate a vibrant community of storytellers and film enthusiasts who share a passion for the transformative power of cinema," said festival Executive Director. "We are firmly committed to fostering connections among professionals … enriching the collective experience for all."

El-Gouna Film Festival, April 16

Egyptian champions prevail at Black Ball Squash Open

Mostafa Asal and Nouran Gohar have been crowned the Black Ball Squash Open 2024 champions after defeating Ali Farag and Olivia Weaver in their respective finals in Cairo.

Known as "the raging bull" and the No.2 seed in the men's draw, Asal clinched his second title of the season by defeating the world number one, Ali Farag in a superb four-game performance.

In the first game, Asal saved three game balls and won it in a tiebreak. Asal recorded 14 winners, while Farag managed only two.

Asal has also claimed the PSA World Tour Gold-level title. d "It's an incredible moment," he said. "Wwinning another title has boosted me up for sure for the El Gouna Championships and the World Championships."

Gohar claimed her third successive Black Ball Open title after a powerful straight games victory over No.2 seed Weaver of the United States.

World No.3 Gohar has won her first PSA World Tour title of the season against Weaver with a 11-7, 11-5, 11-7 scoreline in just under 40 minutes.

PSA World Tour, April 16

Head of Ramses II statue finally returned

The stolen 3,400-year-old statue of King Ramses II returned home from Switzerland in April. The statue was smuggled out of Egypt from Ramses II's temple in Abydos 30 years ago.

The artifact was part of a group statue depicting the ancient Egyptian ruler alongside various deities.

Shaaban Abdel-Gawad, head of the department responsible for the repatriation of antiquities, noted that the statue was "confiscated in Geneva as part of criminal proceedings and handed over to the Egyptian embassy in Bern last July." Such repatriation, he added, highlights the joint commitment of Switzerland and Egypt to combat the illicit trade in cultural property.

Mohamed Ismail Khalid, secretary-general of the Supreme Council of Antiquities said, "The "repatriation is part of the ongoing efforts by the tourism ministry to recover Egyptian artifacts smuggled out of the country."

Ahram Online, April 21