ISLAMIC CORPORATION FOR THE DEV. OF THE PRIVATE SECTOR

ISLAMIC DEVELOPMENT BANK GROUP

Islamic Corporation for the Development of the Private Sector

DEAUVILLE PARTNERSHIP INVESTMENT FORUM

25th of June, 2013 – Cairo, Arab Republic of Egypt

SHOW-CASING EGYPT AS A FAVORITE DESTINATION FOR FDI

Islamic Corporation for the Development of the Private Sector

Section 1: IDB Group & ICD Overview

Section 2: Business Regulatory Framework - Egypt

Section 3: Showcasing Egypt as Favorite Destination for FDI

Islamic Corporation for the Development of the Private Sector

Section 1: IDB Group & ICD Overview

Islamic Development Bank Group & ICD

Islamic Corporation for the Development of the Private Sector

- IDB, headquartered in Jeddah, Saudi Arabia, with 56 member countries located in Asia, Middle East & Africa.
- IDB's Board of Governors approved in May 2013 to triple its capital to USD 150bn.
- IDB Group Priorities:
  - Human Development
  - Agriculture Development and Food Security
  - Infrastructure Development
  - Intra-trade Between Member Countries
  - Private Sector Development
  - Research and Development in Islamic Economics, Banking and Finance
- ICD was established in 1999 with an authorized capital of USD 2bn and a membership of 52 countries.

'Globally Secure'

Islamic Corporation for Insurance of Investments and Export Credits (ICIEC)

Islamic Corporation for the Development of the Private Sector (ICD)

International Islamic Trade Finance Corporation (ITFC)

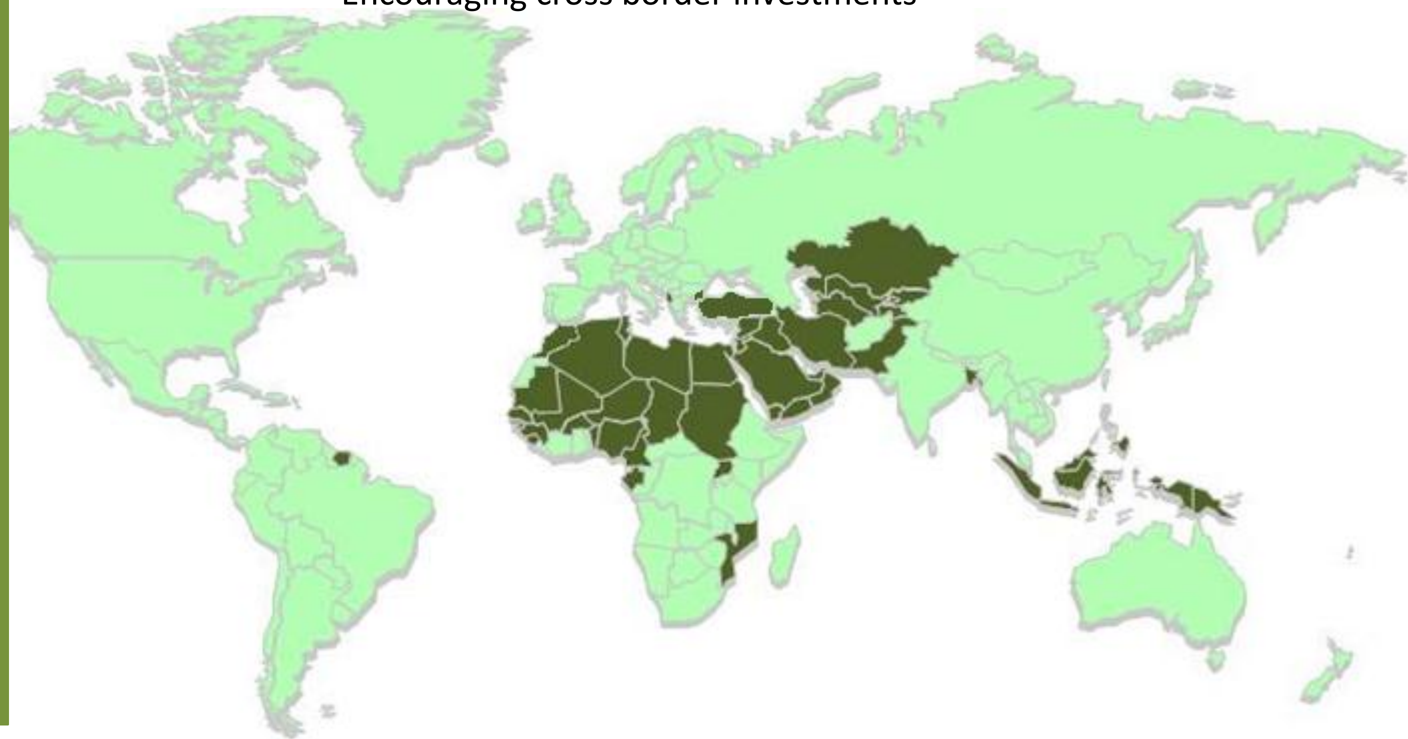
Islamic Research and Training Institute (IRTI)

Islamic Development Bank Group & ICD – *Cont.*

- The Islamic Corporation for the Development of the Private Sector (ICD), is the private sector arm of the Islamic Development Bank (IDB), a multilateral development finance institution

- ICD was established in 1999 with an authorized capital of USD 2bn and a membership of 52 countries.

- **The Mission of ICD** is to complement the role played by IDB through
  - Providing Islamic financial services and products
  - Promoting competition and entrepreneurship in member countries
  - Advising governments and businesses
  - Encouraging cross border investments



Section 2: Business Regulatory Framework - Egypt

Regulatory Framework (Laws, Decrees & Regulator's Perception)

Islamic Corporation for the Development of the Private Sector

I. Investment Regime

I.A. Inland Investment
- Law No. 8 of 1997 Concerning Investment Guarantees and Incentives
- Law No. 159 of 1981 – Corporate Law

I.B. Investment Zones
- Law No. 19 of 2007
- Prime Minister's Decree No. 1675 of 2007

I.C. Southern Egypt Development Program
- Law No. 8 of 1997
- Law No. 159 of 1981

I.D. Special Economic Zones (SEZ)
- Law 83 of 2002 established Special Economic Zone (SEZ)

I.E. Qualifying Ind. Zones (QIZ)
- The QIZ Protocol signed in December 2004

I.F. Free Zones

I.G. Public-Private-Partner. (PPP)
- The Public Enterprise Law 203 of 1991
- Power Sector: BOOT introduced by amendments to Law 100 of 1996, amending Law 12 of 1976
- Telecoms: Law 19 of 1998
- Public Private Partnership Law No. 67 of 2010

II. Banking & Financial Laws

2.A. Banking Regulations
- Law No. 120 1975 - Central Bank of Egypt and the Banking System
- Presidential Decree No. 205 of 1990 - Law of Confidentiality of Bank Accounts
- Presidential Decree No. 59 of 1993 - Statutes of the Central Bank of Egypt
- Presidential Decree No. 187 of 1993 - Regulations of the Banks and Credit Law
- Foreign Exchange Law 38 of 1994
- Law No. 155 of 1998 - Private Sect.'s Particip. in Capital of Public Sect. Banks
- New Central Bank, Banking System and Foreign Exchange Law no 88 of 2003
- Presidential Decree No. 64 of 2004 - Statue of the Central Bank
- Rules & Regulations approved in January 2006 for the Credit Bureau

2.B. Real Estate Finance/Mortgage Laws.
- Real Estate Finance/Mortgage Law No. 148 of 2001
- Prime Minister's Decree No. 465 of 2005 Amending Real Estate Finance Law No. 148 2001

2.C. Capital Markets Regulations:
- Capital Markets Law No. 95 of 1992
- Brokerage Executive Regulations of the Law, as issued by virtue of Decree No. 19 of 1998
- Central Securities Depository and Registry Law No. 93 of 2000

2.D. Insurance Law 10 of 1981 and Money Laundering Laws

III. Business & Commercial Laws

3.A. Commercial Laws
- Law No. 8 of 1997
- Comp. Law No 159 for 1981 as amended by Law No. 3 of 1998
- Commercial Law No. 17 for 1999
- The Tenders and Bids Law 89 of 1998
- Investment & Corp. Law No. 94 of 2005
- Law on Est. of LLC & Comm. Agency Law No. 120 of 1982
- Commercial Register Law No. 34 of 1976 and amendments No. 98 of 1996

3.B. Tax Laws:
- Inc. Tax Law (157/1981) & (91/2005)
- General Sales tax: Law (11/2002), Law No. (17/2001) and Tax Law No. (11/1991).
- Sales Tax Law No. 11 of 1999 was amended by Law No. 9 of 2005
- Tax Exemptions of Inv. Law (8/1997)
- Executive Regulations of the Income Tax Law No. 91 of 2005

3.C. Environmental Laws
- Nature Protection Law & Law (4/1994) for Environment Protection.
- International Treaties (various)

3.D. Labor Law
- Labor Law of 1981
- New unified Labor Law (12/2003)

3.E. Property Rights & Patent Laws
- IP Rights (IPR) Law (82/2002) and Prime Ministerial Decrees (1366/2003) & (49/2005)
- Patents/Industrial Designs Law (132/1949), Trademark (57/1939), Copyright (354/1954) & its amendment (38/1992)
- International Treaties

3.F. Land & Real Estate Ownership Laws
- Laws No. (15/1963), (143/1981), (230/1996) and (94/2005) amending laws (159/1981 & 8/1997)
- Prime Ministerial Decrees (548/2005) & (350/2007) Regarding Ownership of Real Estate by foreigners and companies/entities.

3.G. Competition Regulations & Consumer Protection
- Competition and Monopoly Practices Law (3/2005) and Ministerial Decree (1316/2005)
- Con. Protection Law (67/2006) and Ministerial Decree (886/2006)

IV. Ind. Sectors & Trade Laws

4.A. Explor., Mining & Oil/Gas
- Mines and Quarries Law No. 66 for 1953 as amended by Law No. 86 for 1959 and its Executive Regulations
- Law 20 of 1976 Establishing the Egyptian General Petroleum Company as amended

4.B. Telecommunications
- Egyptian Telecommunications Law 10 of 2003
- Ministry of Telecommunication & Information Technology Decree No. 258 of 2003 giving NTRA exclusive authority to issue licenses
- Ministry of Justice Decree No. 3295 of 2009 issued by the Ministry of Justice (prosecution Capacity of NTRA)
- Limitations on Imports for the Sector Pursuant to Decree No. 34 of 2009 issued by the Ministry of Defense and Military Production

4.C. Pharmaceuticals:
- Pharmaceuticals Law No. 127/1955 Regulating the Practice Pharmaceutical Profession in Egypt
- Drugs pricing pursuant to Ministry of Health Decree 373/2009 & later

4.D. Trade Laws:
- Import and Export Regulation (118/1975) & Import Registration (121/1982)
- Anti-Dumping Law (161/1998)
- Export Promotion Law No. 155 of 2002
- Customs Laws & Exemptions (186/1986)
- Customs Law (95/2005) amends Customs Law (66/1963)
- Tariff Structure (8/9/2004)
- Competition Law No. 3 of 2005

4.E. Trade Treaties:
- Aghadir Free Trade/ Bilateral Inv. Treaties (69 countries)/ COMESA/ Double Taxation Treaties (61 countries)/ Egypt & EFTA Free Trade Agreement/ Egypt & EU Association Agreement/ GAFTA Free Trade Agreement (Arab States)/ Egypt & MERCOSUR Free Trade & Investment Agreement/ QIZ Protocol /Egypt & Turkey Free Trade Agreement

- *Sources: GAFI, Baker Mckenzie "Doing Business in Egypt" 2011, other*

Regulatory Reform – "Better Regulation"

Islamic Corporation for the Development of the Private Sector

Agenda for Regulatory Framework Reform

- MENA-OECD Investment Programme *"Business Climate Development Strategy – Egypt, Business Law & Commercial Conflict Resolution, April 2010"*, key outcomes:
  - ✓ *Comprehensive & Centralized Regulatory Reform Commission / task force*
  - ✓ *Key legal areas: Collateral & secured transactions laws, land laws & titling, insolvency & reorganization laws*
  - ✓ *Strengthening contractual enforcement & conflict resolution mechanisms (e.g. economic courts)*
- Key dimensions of Regulatory Reform:
  - ✓ *Review and improvement/reorganization of old business/commercial laws*
  - ✓ *Introduction of key needed business legislations*
  - ✓ *Simplification of regulatory framework (land & labor issues, Presidential/ministerial decrees…etc)*

Recent Observations / Islamic Finance Facilitation

- Regulatory Framework Amendments:
  - ✓ *Assets Registration and title transfer process/costs/time.*
  - ✓ *Accounting and tax treatments of Islamic Financing Structures*
  - ✓ *Government & Private Sector contract enforcement and conflict resolution*

Initiatives Towards Business Climate Improvement

- Regulatory Reform Initiatives:
  - ✓ *USAID & Egyptian Government: National Committee for Review of Economic Legislation (Decree 1816/2004)*
  - ✓ *Ministry of Justice Sponsors Consultative Committee for Regulatory Reform (decree 1071/2005)*
  - ✓ *Egyptian Regulatory Reform and Development Activity (ERRADA) vide decree 1089/2008.*
- Reduction of the Administrative Burden of the Regulatory framework (ERRADA)
- Business Incorporation/start-up, Licensing Procedures & Legal Compliance During Operations

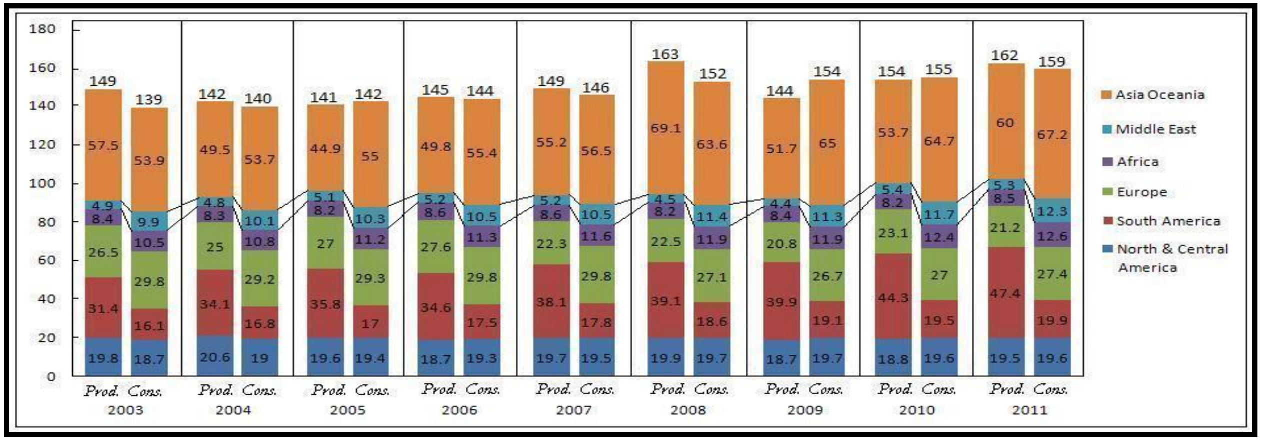
- *Sources: MENA-OECD Assessment Report, ERRADA publications, other*

Section 3: Showcasing Egypt as Favorite Destination for FDI

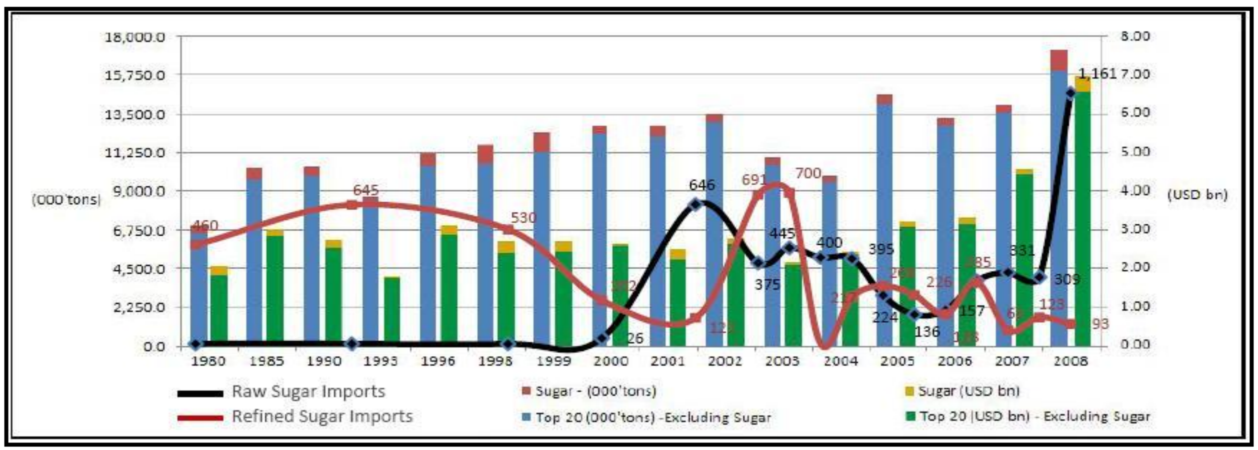
Agribusiness Sector: Al-Nouran Sugar Production & Beet Cultivation Project

Islamic Corporation for the Development of the Private Sector

International Market (Sugar)



Egyptian Market (Sugar)



- **MENA & Egypt's annual imports of sugar are 6 and 1 Million tons respectively.**
- Al-Nouran Advanced Agriculture (ANAA) is specialized in sugar beet cultivation using advanced methods, seeds & processes.
- Al-Nouran Sugar (ANS) is a greedfield project for sugar production from beet with capacity of 12,000 tpd beet.
- ICD's involvement:
  - ✓ Equity & mezz. investment.
  - ✓ Structuring of financing and arranging equity/mezzanine.
  - ✓ Advising sponsors on the terms of local senior facility.

- *Sources: ICD research, Ministry of Industry & Trade Publications*

Egyptian Agricultural Land – Overview

- Egypt's agribusiness is highly fragmented, 80% of Egypt's agricultural land is in the hand of small farmers
- The remaining 20% balance of Egypt's agricultural land is in the form of organized and well structured farms such as: Pico, Mafa, Dina, Salheya
- Growth in agricultural production averaged around 2.6% during the eighties, reaching 3.4% during the nineties and around 6.4% during 2006-2007
- Agricultural reform efforts between 1981 through to 2007 were successful in reclaiming and reforming 2.4 million feddans brining total arable land to 8.6 million feddans
- Egyptian agricultural exports surpassed EGP 2Bn in 2008
- New Investments in agriculture amounted to EGP 7.88Bn in '07/'08 up 1.2% from EGP 7.79Bn in '06/'07

Egyptian Agriculture

Cultivated Area by Governorate in Feddans 2010

	Old Land	New Land	Total
Alexandria	13,527	157,308	170,835
Behera	808,436	55,539	863,975
Gharbia	373,860	-	373,860
Kafr El-Sheikh	541,225	9,015	550,240
Dakahlia	620,721	19,979	640,700
Damietta	103,990	630	104,620
Sharkia	763,528	88,861	852,389
Ismailia	156,460	206,971	363,431
Port Said	-	89,088	89,088
Suez	14,687	23,707	38,394
Menoufia	328,348	50,086	378,434
Qalyoubia	177,376	610	177,986
Cairo	1,884	10,237	12,121
Helwan	38,220	7,720	45,940
6th October	138,110	17,884	155,994
Giza	9,709	6,247	15,956
Beni suef	247,027	42,877	289,904
Fayoun	395,287	49,924	445,211
Menia	425,931	78,318	504,249
Assiut	299,492	42,536	342,028
Suhag	263,855	44,079	307,934
Qena	274,542	92,502	367,044
Luxor	43,303	5,363	48,666
Aswan	117,013	68,242	185,255
New Valley	-	191,794	191,794
Matruh	-	294,410	294,410
Red sea	-	15,231	15,231
North sinai	-	184,801	184,801
South sinai	-	13,106	13,106
Noubaria	-	759,618	759,618
Total	**6,156,531**	**2,626,683**	**8,783,214**

Source Sugar Crops Council, 2011

Egyptian Agricultural Market

Agricultural Production

Tons 000's	2006	2007	% Δ
Wheat	8,041	8,274	2.9%
Maize	6,826	6,909	1.2%
Rice	6,124	6,755	10.3%
Sugar Beet	3,430	3,905	13.8%
Onions	1,302	1,609	23.6%
Barely	167	136	-18.6%
Sorghum	834	887	6.4%
Beans	282	257	-8.9%
Lentil	2	1	-50.0%
Total Agricultural Production	**27,008**	**28,733**	**6.4%**

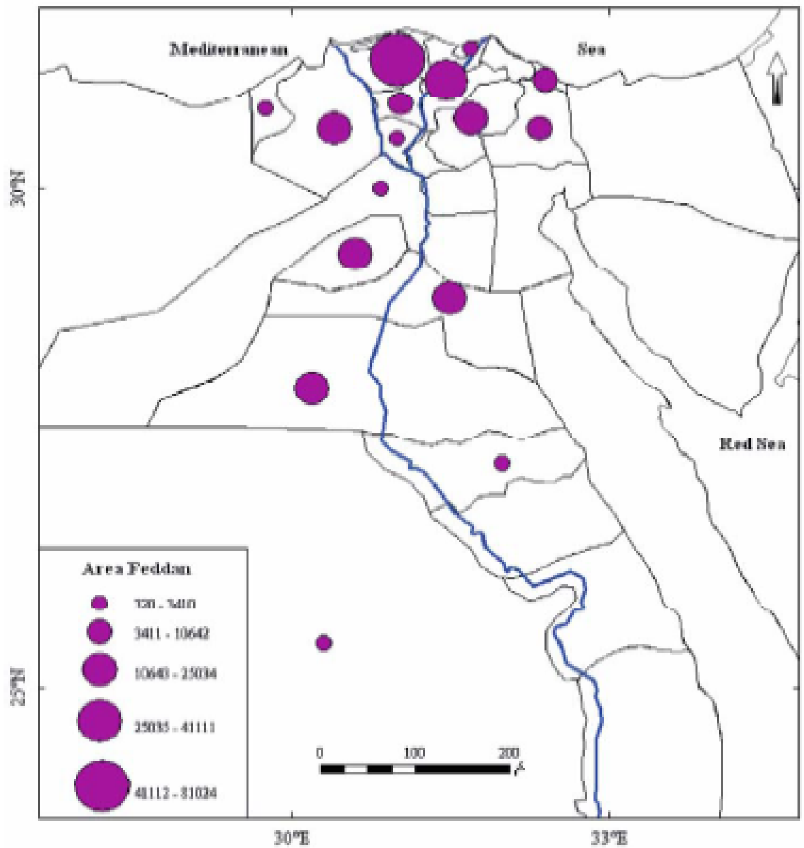
Source CAPMAS – Egypt in Figures 2009

- *Sources: Sugar Crops Council, Ministry of Agriculture, HC Securities Research*

Egyptian Agricultural Land – Beet

- Sugar beet is a temperate region crop which needs moderate weather conditions but needs less water than sugarcane and can survive in sandy and salty soils
- Cultivation of sugar beet is concentrated in the Northern Delta region as well as desert parties in the governorates of Kafr El-Sheikh and Noubaria, although recent years have seen this planting area extend further southwards to the governorates of Beni Suef and Fayoum as well as some of the lower provinces of Egypt to include Damietta, El Garbia and El Dakahliya
- The cultivation season for beet starts in August through the middle of October and the beets stay in the ground for around six months before they mature, these are very critical dates which have a significant impact on sugar beet crops and sugar content
- Sugar beet must be grown on a rotational basis where the same plot can not be used for two years after each campaign, failing to do so will give rise to the Nematoda disease

Sugarbeet Cultivated Area
Feddans



Source Sugar Tech: Sugar Industry in Egypt (2008) - Soltan Foly Hassan - Mahmoud Imam Nasr

Sugar Beet by Governorate
Cultivated are in Feddan for 2010

Governorate	Area (feddan)	%
Kafr El-Sheikh	108,737	30%
Daqahlia	45,128	12%
Beheira & Nouba	39,433	11%
Sharkia	35,597	10%
Beni-Suef	31,602	9%
Fayoum	30,458	8%
Gharbia	13,103	4%
Al-Minia	6,692	2%
Port-Said	6,278	2%
Alexandria	4,327	1%
Ismailia	4,023	1%
Others	5,322	1%
Companies	33,590	9%
Total	**364,290**	**100%**

Source Egyptian Sugar Crops Council - 2010

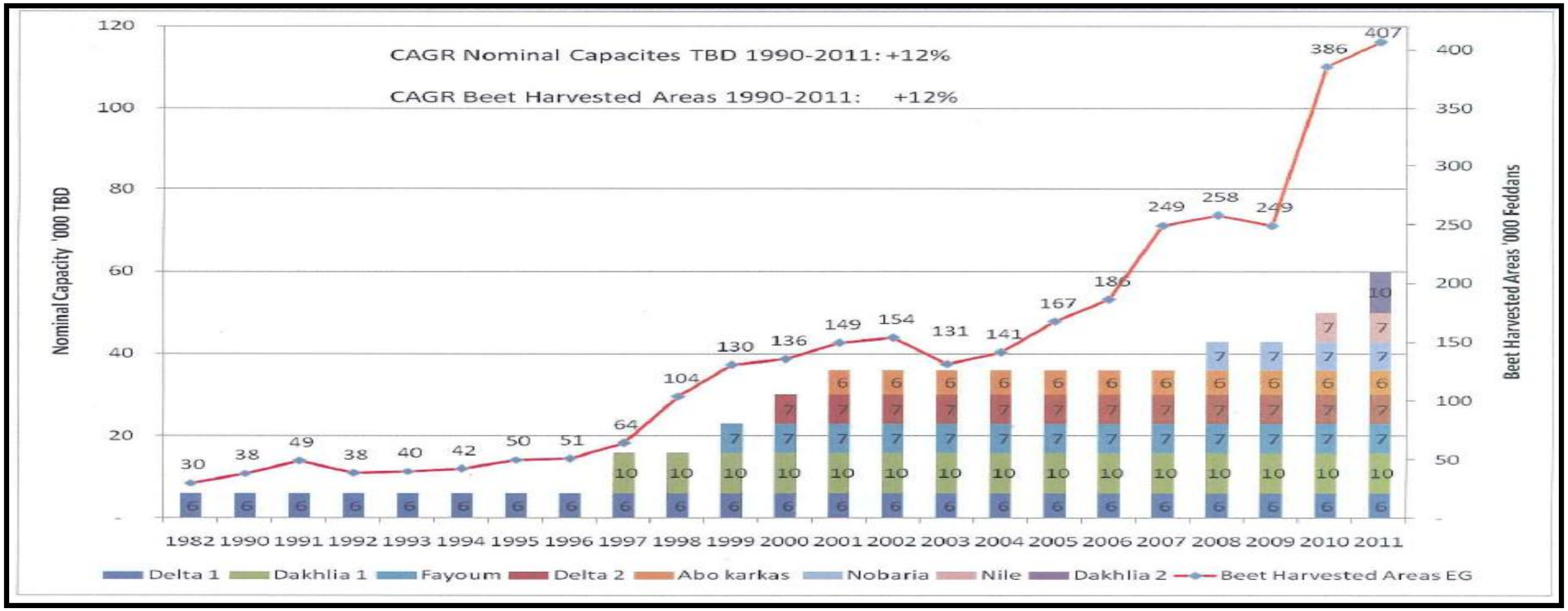
Sugar Beet Productivity
Tons per Feddan for 2009

Section	Productivity
Lower Egypt	19.97
Central Egypt	21.07
Upper Egypt	16.84
National Average	**20.60**

Source Egyptian Sugar Crops Council - 2010

- *Sources: Sugar Crops Council, Ministry of Agriculture, HC Securities Research*

Egyptian Sugar Market – Area of Beet Cultivation

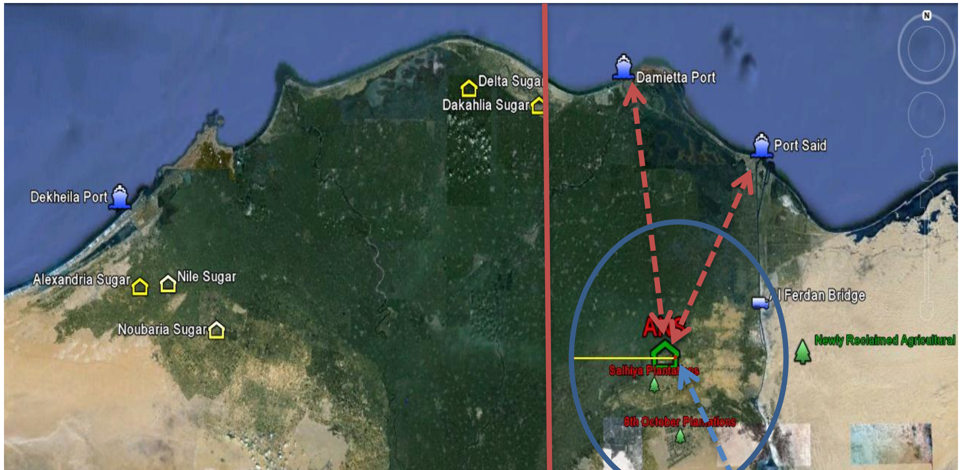


- Sugar beet is the crop of choice both by producers and Egyptian government to satisfy sugar demand in the future given its material advantages of sugar cane, traditionally harvested in Egypt.
- In the past 10 years, all production capacities in sugar production either focused on adding refining capacity or including sugar beet processing capacity.
- The above figure shows all production capacities added by various sector players in sugar beet processing since 1982 and corresponding expansion in harvested sugar beet areas.

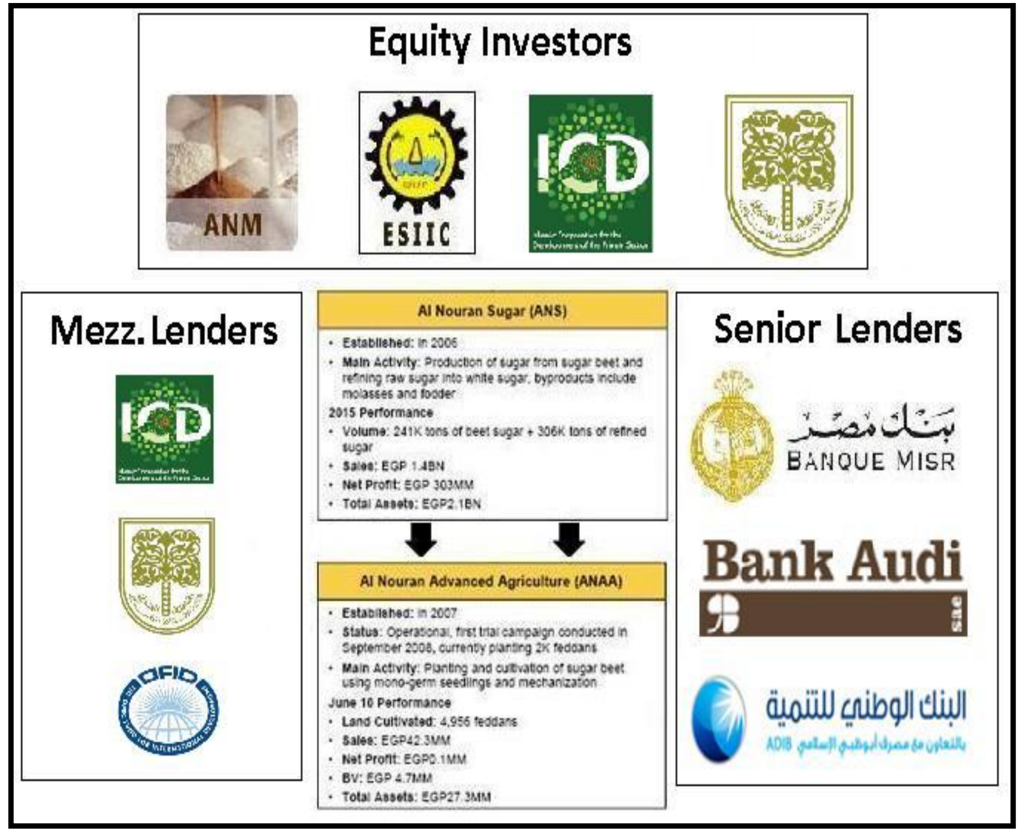
Parties Involved: a case of collaboration

(Private – Public/SOEs – DFIs – Private Banks)

Islamic Corporation for the Development of the Private Sector



Mark	ID	Function	Distance Km.
	Damietta Port	1-Import Raw Sugar 2-Export White Sugar * 3-Export Molasses + Fodder	88
	Port Said	1-Import Raw Sugar 2-Export Molasses + Fodder	71
	Sokhna Port	Export to Comesa + Gulf	100
	Ferdan Bridge	Access to Sinai Reclaimed land	38
	40 km Radius	Access to 1.2 million feddans	40
	1.2 Million Feddans		40
Other	Salhiya	40 K Feddans Pivots	5
	6th October	40 K Feddans Pivots	20
	Cairo	Major Market	95



Al Nouran Sugar (ANS)

- **Established:** in 2006
- **Main Activity:** Production of sugar from sugar beet and refining raw sugar into white sugar, byproducts include molasses and fodder

2015 Performance

- **Volume:** 241K tons of beet sugar + 306K tons of refined sugar
- **Sales:** EGP 1.4BN
- **Net Profit:** EGP 303MM
- **Total Assets:** EGP2.1BN

Al Nouran Advanced Agriculture (ANAA)

- **Established:** in 2007
- **Status:** Operational, first trial campaign conducted in September 2008, currently planting 2K feddans
- **Main Activity:** Planting and cultivation of sugar beet using mono-germ seedlings and mechanization

June 10 Performance

- **Land Cultivated:** 4,956 feddans
- **Sales:** EGP42.3MM
- **Net Profit:** EGP0.1MM
- **BV:** EGP 4.7MM
- **Total Assets:** EGP27.3MM

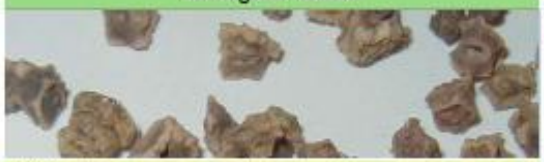
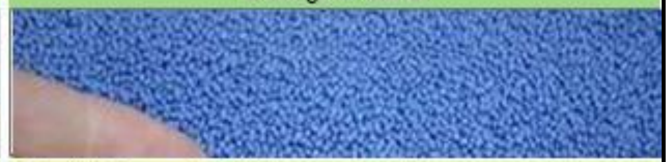
Al-Nouran Sugar (Product from beet)

Greenfield Investment

Capacity (Upgradable by 100%)	Beet Processing : 12,000 tpd (241,000 tons of sugar p.a.) Raw Sugar Refining : 1,768 tpd (306,000 tons of refined sugar p.a.)
Cost & Financing Plan	USD 372.0 million (approx. EGP 2.5 billion) Debt : Equity 60 : 40
Products	White Sugar, Molasses and Fodder (with other possible related value added products)
Location	Salhiya City, Sharkiya Governorate – Egypt
Project Parties	**Sponsor** : Al Nouran Multitrading Company (ANM) **Main Shareholders** : ICD, AFESD and ESIIC (Technical Partner) **Senior (local) Lenders**: Banque Misr, Audi Bank and NBD (ADIB) **Mezzanine Lenders** : ICD, AFESD and OFID **Project Advisors** : Various
Construction Period	24-30 months starting from financial close.
Project Site Size	422.5 Feddans (177.45 Hectares)
Implementation Status	(a) Government Permits Obtained (1) Armed forces (2) Governorate of Sharkiya (3) Ministry of irrigation (4) Ministry of Environment (5) Ministry of agriculture (6) Ministry of Petroleum (7) Ministry of Electricity (8) Ind. Dev. Authority (b) Project land is acquired (c) Shareholders agreement signed in 30/4/2013 and currently drafting financing documents. (d) Tender Books ready for tendering

Potential for Modern Agriculture Practices

- Mixed cultivation of large scale cultivation (Pivots) using highly mechanized plantation and harvest methods as well as partnership model with small farmers to balance social and economic impacts.
- Utilization of advanced seeds and accurate agricultural planning to achieve yield targets
- Agricultural season management to meet industrial needs in the harvest season.

	Multi-germ Seeds	Mono-germ Seeds
		
Main Characteristics	Yields the average sugar content	Genetically improved, to yield higher sugar content
Sprouts produced per seed	Between 5 and 7 sprouts per seed	Only one sprout per seed
Mechanization vs. Manual	Manual planting and harvesting	Mechanical planting and harvesting
Health of Sprouts	The 5-7 sprouts compete over the nutrients present in the ground, producing relatively weak sprouts, that are not resistant to diseases and pests	The only sprout produced comes with an initial boost of nutrition, increasing its survival chances and making it relatively healthier and more resistant to diseases and pests
Thinning	The extra sprouts are removed one month after being planted, leaving only one to continue growing	Mono-germ seeds do not need thinning, as only one sprout is produced for every seed
Birth Date	Birth-date of the sprout starts after thinning (one month after planting)	Birth-date starts on the day of planting (a month earlier than sprouts from multi-germ seeds)
Cultivation Period	Between 210-240 days, as the beet is harvested 180-210 days after birth-date, which starts in the case of multi-germ after thinning (a month after planting)	Approximately 180-210 days because sprouts produced from mono-germ seeds do not need thinning
Price	Relatively cheaper (EGP250/unit)	Relatively more expensive (EGP500/unit)
Yield Per Feddan	In Egypt, the average is 16-20 tons/feddan	By using mono-germ, yields can surpass 30 tons/feddan
Sugar Content	In Egypt, the average is 16.7%	Using mono-germ can produce beet with sugar content of +20.3%
Shape	Non-uniform shape	Uniform shape

- *Sources: HC Securities Research & Company Research*

Al-Nouran Advanced Agriculture (ANAA)

Advanced Agricultural Methods in Beet Cultivation

S.N	Season	Area Harvested – Feddans *(Hectares)*	Sugar Content (16 - 19%)	Yield ton / Feddan	Average Egypt Yield
1	2008/2009	606 *(254)*	20.30%	22.6	20
2	2009/2010	6,353 *(2,668)*	24.12%	23.5	18
3	2010/2011	1,600 *(672)*	16.74%	33.4	17
4	2011/2012	2,000 *(840)*	22.08%	38.1	19

- *Sources: Company Research*

Thank you

For inquiries:

Dr. Ahmed El Bakry
Head – Corporate Equities Division
Direct Investment & Financing Dept.
Islamic Corporation for the Development of the Private Sector (ICD)
Islamic Development Bank Group
Email : ael-bakry@isdb.org
Direct : +966 2 646 8115
Mobile : +966-54 764 4899