Arab Republic of Egypt
The Cabinet

State Ownership Policy

Framework Document

The Arab Republic of Egypt

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Contents

General Context	3
First: State Ownership Policy: Key Objectives and Guidelines	5
Second: Methodology of Determining State-owned Assets and Promoting Private Sector’s Empowerment	7
Third: Implementation Mechanisms of Egypt's State Ownership Policy for Public Assets and Private Sector Encouragement	11
Fourth: The Sovereign Fund of Egypt: Leading Role to Boost Partnership with Private Sector	13
Fifth: Enhancing Public - Private Partnership Approach	14
Sixth: Governing Principles for State's Presence in Economic Activity	15
Seventh: Competitive Neutrality and Favorable Legislative Environment for Economic Activity	17
Eighth: Implementation Framework of State Ownership Policy	19
Appendix (1): Justifications for Maintaining/Increasing State's Investments in Some Economic Activities and Sectors	21

General Context

Over the past decades, the role of the Egyptian State has witnessed several transformations under the economic and social changes and the prevailing economic thought in each era. This included advocates of limiting the State's role to paving the way for the success of liberal systems based on economic freedom versus the advocates of the State's direct involvement in economic activity, including production and distribution systems.

From a wider perspective, this relationship between the State and the citizen is traditionally called the "Social Contract". According to this contract, the State must work on achieving its citizens' social and economic benefits, which vary from one era to another and from one state to another.

In the same context, the presence of the Egyptian State in economic activity varied according to the economic and social conditions. The significant presence of the State in some periods resulted in the expansion of State-owned assets, including several public sector companies and the public business sector. In addition, the State was also present in many sectors, some of which are strategic goods or basic services, while it participated in other sectors to achieve specific economic or social dimensions.

The Egyptian Government fully recognizes that the presence in economic activity is not an objective in itself. Rather, it reflects the aim to achieve social, strategic, and economic goals, if necessary. This involvement ends with the achievement of those goals and their motives. The recurring crises that the Egyptian State has experienced and the accompanying implications on various economic and social levels necessitated, at times, the State's involvement in protecting the Egyptian citizen from such implications.

In the aftermath of the 2013 events, in particular, there was a justified increase in the State's presence in economic activity. It aimed at overcoming numerous challenges, such as low GDP growth rates during that period. This resulted in lower welfare levels; a decline in the most significant sources of foreign exchange, including tourism revenues and foreign direct investment flows; an increase in the balance of payments deficit at unprecedented rates in (30) years; high unemployment rates; and a deterioration of individual's living standards. All these factors resulted in a setback in Egypt's rating in international indices and its performance compared to similar economies.

Therefore, the Egyptian State adopted 3 main directions to correct the economic track:

1. **Injecting government investments to support economic activity,** half of which was directed through the period (2014/2015 – 2020/2021) to infrastructure, transport, education, and health sectors to implement projects in key sectors confined to the State, which the private sector is reluctant to join, such as water sanitation, electricity, roads, and transport infrastructure sectors. This has positively impacted economic activity, improved citizens' livelihoods, and developed the business environment.

2. **Implementing national projects**, where about (33%) of the government investments implemented through the period (2017/2018 – 2019/2020) were directed to implement national projects in key sectors that support growth and employment and promote domestic and foreign investments.

3. **Launching economic reforms to advance economic growth** and contain internal and external economic imbalances, especially during the first phase of the economic reform program (2016-2019). The program's second phase, launched in April 2021, aims at building on the national economic gains that were achieved as a result of the comprehensive economic reform program, which was launched in late 2016. For the first time, it seeks to focus on promoting both the demand and supply sides, and enhancing the green economy, to increase productivity levels, which are the most important means through which the effect of these reforms is transferred to the real sector.

These main directions on which the Egyptian Government worked had a positive effect, reflected in several economic performance indicators and the improvement of Egypt's rating in many international indices, which are considered key factors in attracting foreign direct investments. Egypt leaped several indices due to the Egyptian State's involvement in specific sectors and economic reform programs.

In compliance with Egypt's Constitution, article (27) stipulates that "the economic system aims at achieving prosperity in the country through sustainable development and social justice to guarantee an increase in the real growth rate of the national economy, raising the standard of living, increasing job opportunities, reducing unemployment rates, and eliminating poverty, and the commitment of the economic system to the criteria of transparency and governance. The economic system also targets supporting competitiveness, encouraging investment, achieving geographically and environmentally balanced growth, preventing monopolistic practices, taking into account the financial and commercial balance and a fair tax system, regulating market mechanisms, guaranteeing different types of ownership, and achieving balanced interests of different parties to maintain the rights of workers and protect consumers. The economic system is socially committed to ensuring equal opportunities and a fair distribution of development returns, reducing the gaps between incomes by setting a minimum wage and pension to ensure a decent life, and setting a maximum wage for those working in state agencies as per the law."

In light of the recent developments witnessed in the world and the Egyptian economy, a need emerged for governments with the highest efficiency, dynamism, responsiveness to citizen's needs, and resilience in facing crises and economic shocks. This justified the transformation towards a new role for the State, where a government's efficiency is measured by its ability to provide high-quality public services to its citizens, its pursuit of improving the level of the infrastructure which supports domestic and foreign investments, adopting legislative and regulative frameworks that ensure the attractiveness of business environments, its ability to establish social safety networks that can protect vulnerable groups, and its success in helping individuals and companies to seize opportunities made available by the digital transformation and the fourth industrial revolution.

In this context, the Egyptian Government started to take several steps to cope with these global changes and constitutional commitments regarding adopting economic governance criteria. This started with implementing the economic reform program in 2016, to adopting several reforms and measures recently to improve the performance of State-owned companies, which many international institutions praised. This includes a commitment to governance principles and transparency and disclosure standards, with amendments to law no. (203) of 1991, and the issuance of law no. (185) of 2020, and embarking on implementing the restructuring plan for some State-owned companies, such as textile industries, in addition to adopting the government offerings program.

Recognizing the importance of the private sector as a main partner in supporting economic growth, achieving economic development, and enhancing economic resilience levels, the Government launched the National Structural Reform Program in the first half of 2021, as previously mentioned. The success of this program depends primarily on the responsible role of the private sector in achieving growth, economic development, and enhancing economic resilience. The execution of this program necessitates expanding the role of the private sector in generating output and creating job opportunities.

This document complements the reforms adopted by the Egyptian State to promote the private sector's role in economic activity and create the economic environment that attracts and supports investments to lay the main foundations for the State's presence in economic activity and the State Ownership Policy and the rationale behind it. It is the first stage of setting the Egyptian State Ownership Policy for the State-owned assets, including assets to which the State owns or contributes. This includes companies owned by the public sector; public business sector; economic bodies; holding companies; companies affiliated with the Armed Forces and operating in the economic field; and assets owned by other public entities in a way that contributes to the ideal implementation of the State assets' ownership policy in the next stages.

Based on the above, this paper presents the main features of the Egyptian State Ownership Policy, including the objective of this policy, its most important guidelines, and the methodology of making decisions to maintain presence or exit State-owned assets in the coming period. Furthermore, it highlights the role of the Sovereign Fund of Egypt in this regard; the partnerships between the public and private sectors as a mechanism to further enhance the private sector's role; in addition to the competitive neutrality and the governance principles of State-owned assets, by which the Egyptian State is guided in its ownership of its assets.

First: State Ownership Policy: Key Objectives and Guidelines

Based on the State's vision to encourage the private sector, the Egyptian Government developed an integrated policy for the State ownership of assets, and proposals for enhancing the private sector's role in various sectors, so that there is a rationale behind the State's presence in economic activity, depending on the successful international experiences, and lessons learned from the global crises that affected the State in the past years.

The State Ownership Policy objectives are as follows:

- **Raising economic growth rates to levels that meet Egyptians' aspirations** by increasing investment rate to a level that ranges between 25% and 30%, which contributes to increasing economic growth rate to what ranges between 7% and 9% to provide jobs that ensure reducing unemployment rates.
- **Empowering the Egyptian private sector** and providing diverse opportunities for its presence in all economic activities help increase its economic contribution to the GDP, the implemented investments, employment, exports, and government revenues.
- **The concentration of the State involvement to inject investments in assets ownership in key sectors** confined to the State, including sectors that the private sector is reluctant to enter. The development of these sectors is directly reflected on improving the business environment for the private sector.
- **Governance of the State's presence in economic activities,** where the government aims at being present in economic sectors according to specific criteria and to shift from managing the State's institutions to managing the State's capital through determining the State's exit mechanisms from the assets owned by it, whether in terms of management or ownership.
- Generating fiscal space that enables supporting the public budget, achieving fiscal discipline, ensuring financial sustainability, and promoting the State's financial capacity to support social safety networks to support vulnerable groups and increase the Egyptian economy's resilience against crises.

In the context of implementing the Egyptian State Ownership Policy, several main guidelines will be considered to ensure the successful implementation of the ownership policy:

1. Phased and gradual implementation, even if the phases are short-term. The exit must be based on the nature of the economic activity and what the nature of domestic and international economic developments dictates.
2. Considering the strategic and security dimensions of economic activities when making decisions related to State ownership. The State will maintain its presence in several activities of priority and strategic dimension.
3. The ownership policy targets improving the method of allocating economic resources.
4. The implementation of State exit from the targeted activities and sectors is determined according to the willingness and the actual response of the private sector by being present in those activities. At the same time, the State commits to continue all the reforms that would enhance and boost the level of business climate attractiveness.
5. Listing all State-owned or joint-stock companies to make a detailed database to determine the feasibility of continuing in those companies and the private sector's participation mechanism.

6. Evaluating State-owned assets on a fair and impartial basis and per the international standards of assets evaluation.

7. Determining a post-exit approach to avoid unfavorable implications (labor, revenues,..).

The implementation of the State Ownership Policy is complemented by the adoption of a complete system of macroeconomic policies by the Egyptian Government to boost the private sector on multiple levels. The Egyptian State is keen on adopting monetary policies that support price stability and enhance the stability of macroeconomics. It also seeks to reduce inflation levels, promote the levels of credit granted, and adopt a flexible exchange rate policy to increase the competitiveness level of Egyptian exports. This, in turn, supports the business environment and achieves macroeconomic targets.

The Egyptian State commits to adopting a fiscal policy that aims at achieving fiscal discipline and moving towards more sustainable paths for public debt, which helps to broaden the fiscal space that supports economic activity. This comes in addition to a system of policies designed to improve the business environment for local and foreign investors, reduce costs, and accelerate the pace of digital transformation in providing government services and continuously improving their quality. The State will also seek, whenever possible, to tackle market failures through public finance tools.

The State will continue adopting reforms that complement and boost the business climate in Egypt, providing a favorable and attractive environment for domestic and foreign investments, especially in priority sectors for the Egyptian State including regulatory, institutional, and legal reforms, and supporting and enabling the private sector. Also, the State is keen on providing incentives to encourage and attract investments, particularly those related to enhancing productivity and competitiveness.

Second: Methodology of Determining State-owned Assets and Promoting Private Sector's Empowerment

A methodology to determine the ownership policy at the level of sectors/activities was adopted. It is based on six key criteria of different significance derived from international experiences and specialized experts. They are as follows:

1. The categorization of goods or services, pointing out their correlation to national security (including goods of everyday needs to the citizen).
2. The importance of the State's roles as regulator, funder, and supportive of the future technological industries related to 4IR to be localized in Egypt.
3. The extent of the sector's/activity's attractiveness to private investments.
4. Public investments shall not crowd out private investments.
5. The State shall exit industries/sectors of saturated markets which do not need the State's support.
6. The State-owned assets' level of profitability.

As per those criteria, three directions were determined for the State's ownership and presence in the economic activity:

1. **Exit:** By identifying the sectors/activities from which the State will exit in 3-5 years.
2. **Maintaining or Reducing the State's Presence:** By identifying sectors/activities where the governmental investments will be maintained or reduced along with allowing the participation of the private sector in some of them.
3. **Maintaining or Increasing the State's Presence**: By identifying sectors/activities where the State will be continuously present, based on strategic or social dimensions, along with allowing the participation of the private sector in some of them.

Applying the said methodology and orientations, mentioned hereinafter are the most prominent features of the State Ownership Policy for Assets at the level of various sectors/economic activities. They are considered an initial orientation agreed upon with the bodies concerned. The final orientation will be drafted and reviewed annually by the bodies concerned with implementing the State Ownership Policy for Assets according to the outcomes of assets valuation and deep sectoral studies, considering the relevant local and international developments. The following is a statement of the initial concept:

1. Exit:

- Some activities in the agriculture sector: horticultural crops, field crops, fish farming, aquaculture, and forestation.
- Activities in the water and sewage sector: stations for drinking water production from desalination plants and projects to transform sludge into energy related to sewage projects.
- Activities in information and communications: software, computer consultancy, and information services.
- Activities related to residence, food, and beverages.
- Retail trade.
- Construction activities: the construction of buildings while the State will continue operating in below-average social housing, civil engineering, specialized construction activities, consulting services, and the operation and management of projects.
- Activities in the river transport sector, such as transporting passengers and goods.
- Financial intermediation activities including commercial insurance and auxiliary activities for financial services.

2. Maintaining/Reducing the Governmental Investments (while allowing the private sector's participation)

- Several activities in the transport sector: establishing, operating, managing, and maintaining the superstructure of container terminals and specialized terminals of all kinds at maritime ports; constructing, operating, managing, and maintaining activities related to maritime transport; managing and operating different maintenance workshops (tractors-cars) at the Egyptian National Railways (ENR); managing, operating, and maintaining cargo trains and new VIP trains at ENR; and managing, operating and maintaining Metro lines and current electric traction projects.

- Several activities in the agriculture sector: fisheries, livestock, and dairy.

- Several activities in the water and sewage sector: drinking water pumping stations and water distribution networks, sewage water collection networks and pumping stations, sewage water treatment plants, treated sewage water reuse, the collection, treatment, and recycling of sediment, sludge, and waste, drinking water and sewage services such as bill collection and meter installation, and the management, operation, and maintenance of networks.

- Mining and quarrying: coal mining, metal and mineral ores mining, and services related to mining like the processing of gold and minerals, samples analysis, digging, studies, and others.

- Wholesale trade.

- Several sports-related activities include clubs, sports cities, indoor halls, and sports and youth development centers.

- Electricity sector: electric power plants, distribution networks, AC supply, and electric power generation from new and renewable energy.

- Activities in the financial intermediation sector: financial activities and services, insurance, providing funds for pensions except for compulsory social security, and social insurance.

- Several activities in information and communications: wireless communications services, landline communications services, and data centers.

3. Maintaining / Increasing the Governmental Investments (while allowing the private sector's participation) [1]

- Several activities in the transport sector: constructing docks and the maritime transport infrastructure, introducing new railway routes, duplicating the single railway routes of high density, expanding the establishment of interchange stations and logistics zones serving the railway routes, introducing new lines for the Metro and electric traction, resuming the high-speed electric train network, establishing dry and land ports, constructing river ports and docks, and maintenance services for the infrastructure of river transport, locks, and floating units.

- Several activities in the agriculture sector: reclamation projects and farm irrigation projects.

- Stations of drinking water production from surface water sources in the water and sewage sector.

- The air transport sector.

- The education sector:

  - Pre-university education: starting from pre-primary and primary stages to the general secondary stage and industrial, agricultural, and commercial technical education, activities related to education, and schools for applied technology and dual education system.

1 - Appendix (1) herein stipulates the justifications for maintaining /increasing State's investments in some economic sectors and activities, considering that this direction is subject to periodic assessment by the Supreme Committee to Implement State Ownership Policy for Assets.

- Higher education and its three levels: a diploma from above-average institutes and technological universities, university level in governmental, technological, private, and national universities and private higher institutes and the likes of which, and post-graduate studies.

- Activities related to the Suez Canal and vessels crossing it.
- The health sector: university hospitals, other hospitals of the Ministry of Health and affiliated authorities outside the health insurance system, primary healthcare units and centers inside and outside the health insurance system, public health and preventive services, environmental health services, and activities of central labs and water, air, and food monitoring facilities.
- Compulsory insurance related to risks currently uncovered in the financial intermediation and insurance sector.
- Several activities in information and communications: infrastructure for wireless and landline communications and modern post services units.
- The distribution and production of programs, videos, films, and radio and television broadcasting.
- Electricity transmission networks.
- Petroleum and natural gas extraction activities.

As for the manufacturing industries level, by applying the mentioned methodology and as per the criteria, mentioned hereinafter are the most prominent features of the State Ownership Policy for Assets at the level of such industries:

1. Exit:

- Activities in the leather industry: shoemaking, leather products, shoes and leather products requirements, and leather tanning.
- Activities in the engineering industry: appliances and electronics.
- Activities concerned with wood and furniture: furniture of different types, wooden products, wood cutting and processing, the diffusion and drying of wood and plywood, wood and clay products, and frame and panel construction.
- Food and beverages industries: slaughterhouses, vegetables and fruits production, crops, dairy, and juice manufacture.
- Activities in the chemicals industries: ink and paint, paper and cardboard, plastic and rubber, tires, matchsticks, batteries, resin and glue, glass and fiberglass, sponge and foam, acids and alkalis, and waste recycling.
- Activities in the textile industries: crafts related to curtains, artificial silk, garments and knitting, carpets and moquette, ready-made clothes, home furnishing, and the requirement of the production of ready-made clothes and furnishings.
- Activities in the printing and packaging industries: printing and binding books, commercial printing, textbooks, corrugated fiberboard manufacture and printing, outdoor advertising, social media platforms, pre-printing preparation process, packaging materials manufacture and printing, copybooks and stationary, and paper converting.
- Activities in pharmaceutical industries: perfume and make-up manufacture and aromatic packages.

2. Maintaining / Reducing the Governmental Investments (while allowing the private sector's participation)

- Raw material and production input for wood products and furniture: panel construction and accessories related to furniture.
- Several activities in food industries: meat, poultry, and fish processing, fodder processing, and cigarettes and tobacco.
- Several activities in the metallurgical industry: ferrous and non-ferrous metals, gold and precious and non-precious metals, metal forming such as iron and copper, raw material, and production input.
- Activities in the chemicals industries: industrial and medical gases, industrial detergents and disinfectants, charcoal and coke, laboratory and specialized chemicals, and liquid chemical compounds.
- Several activities in the textile industry: wool and cotton weaving and ginning, cotton pressing, manufacture of synthetic fiber and polyester threads, dyeing, and textile construction.
- Chemicals necessary for the manufacture and tanning of leather.
- Several activities in the pharmaceutical industry: veterinary drugs.

3. Maintaining / Increasing the Governmental Investments (while allowing the private sector's participation)

- Several activities in the engineering industries: equipment and machinery, semiconductors, vessels and boats construction, and new energy.
- Several activities in food industries: oil and sugar manufacture.
- Several metallurgical activities including casting for all ores, aluminum and copper manufacture, and stainless steel.
- Several activities in the printing industry: secure printing and banknote printing, newspaper and magazine printing, offset printing, digital printing, print advertising, and publicity in the official media outlets.
- Several activities in the pharmaceutical industry: medical supplies, biological industries, vaccines manufacture, medicinal plants, pharmaceutical raw materials, chemicals for the pharmaceutical industry, medical devices, surgical scalpels manufacture, medical syringe & needle, catheters, coronary stents, hemodialysis machines, laboratory reagents manufacture, urologic and cardiac surgeries' supplies, blood gases, and food industry.
- Fertilizers and pesticides manufacture in chemical industries.
- Petroleum refining processes.

Third: Implementation Mechanisms of Egypt's State Ownership Policy for Public Assets and Private Sector Encouragement

In pursuit of implementing the State Ownership Policy for Public Assets, the Egyptian Government will adopt a plethora of mechanisms to promote the private sector's role across economic activities, completely or partially. Such a role will differ according to the economic sector, the State-owned public asset, and the objective of the private sector's participation in State-owned assets. Several mechanisms are selected to maximize the economic benefit of the private sector's participation, increase the macroeconomic benefits of market liberalization, promote competitiveness levels, enhance consumers' surplus, and achieve the highest profitability and economic efficiency of such assets. The best international practices and specialized expertise in these fields shall serve as a reference to ensure an efficient implementation of the State Ownership Policy for Public Assets.

Several alternatives for implementing Egypt's State Ownership Policy for Public Assets and encouraging the private sector shall be considered, including:

1. Offering State-owned Assets through the Egyptian Exchange (EGX) to Expand the Ownership Base Completely or Partially:

Offering some State-owned enterprises in EGX through the Government Offering Program — completely or partially— is considered one of the most prominent mechanisms adopted to promote the private sector's role in economic activity. The objective is to benefit from expanding the ownership base and transform such enterprises into public joint-stock companies. Therefore, these enterprises' economic performance and capital; commitment to governance, disclosure and transparency; and individual and institutional investors' participation in the benefits and profits of some enterprises and public assets shall be improved.

2. Injection of New Private Sector Investments in Existing Structure of State Ownership (Involvement of Strategic Investors and Promoting Private Sector's Participation in Ownership Structure)

Partnership with the private sector is another proposed alternative to implement the State Ownership Policy for Public Assets through injecting new investments in a government enterprise's existing structure of state ownership by a strategic investor. This shall help enhance the private sector's ownership levels in such public assets and benefit from the resulting advantages, whether in terms of increased capital or adoption of new technologies for production, management, or marketing.

3. Public Private Partnerships (PPPs)

Many forms of partnership between the public and private sectors shall be adopted to implement the State Ownership Policy for Public Assets, especially concerning infrastructure and public services projects. The goal is to enhance the level of such services, improve their quality, and promote the Government's ability to expand such projects qualitatively and quantitatively. This must be in line with economic growth and high population growth rates. Such efforts also aim at benefiting from utilizing the private sector's administrative, technical, technological, and funding capabilities and the best risk management practices of these projects.

Such mechanisms vary significantly, including concession contracts, participation in management and performance-related contracts. They also entail other forms of the private sector's participation in processes of construction, funding, design, operation, and public assets ownership transfer according to the targets set by the Egyptian Government to manage every public asset. Methods of partnership, which maximize the economic and social benefits of such assets in line with the best international experiences, shall be selected. They take several forms, including:

- **Concession Contracts**

The Government shall grant the concession owner a long-term right to use the assets of infrastructure projects. The assets shall remain State-owned and will be returned to the State after the concession period ends. Such contracts empower concession owners to manage current assets and build and operate new assets according to pre-determined quality standards.

- **Build-Operate-Transfer (B.O.T) Projects**

Mechanism of Build-Operate-Transfer (B.O.T) projects shall be approved to further encourage the private sector's participation in implementing integrated solutions for designing, building, and operating infrastructure projects according to contracts that extend for specific periods. This shall allow the private sector —during such period— to cover the project's costs and generate revenues. Worthy of mentioning, these contracts are appropriate solutions to face the challenges of operating and maintaining infrastructure utilities and selecting suitable technology, especially in governorates and local authorities. The ownership of such projects shall be returned to the State after the contract term ends.

- **Build–Own–Operate–Transfer(B.O.O.T) Contracts**

Within the B.O.O.T contracts, the Government —or its representatives— gives the right to the private sector to build, own, and operate a government project or a public asset under the supervision of state bodies. The aim is to ensure that the project or asset presents the services according to certain quality levels and that the private sector benefits from all its revenues during that period. In return, the private sector shall transfer the ownership of the public asset —in good condition— to the State after the contract term ends.

- **Build-Operate-Own (B.O.O) Contracts**

According to B.O.O. contracts, the Government —or its representatives— gives the private sector the right to build, operate, and own a government project or a public asset for a long period under the supervision of state bodies. The objective is to ensure service quality for the private sector to benefit completely or partially from the project's revenues. The ownership of the asset shall be transferred to the private sector after the contract term ends.

- **Design-Build-Operate (D.B.O) Contracts**

The State shall approve D.B.O contracts when financial resources are available in the budgets of ministries and local authorities to carry out infrastructure projects, such as water, wastewater, and electric grids projects, and when it intends to rely on the private sector to design, build, and operate such facilities, ensuring considerations of economic and technical efficiency.

- **Build-Finance-Operate-Transfer(B.F.O.T) Projects**

The mechanisms of B.F.O.T contracts shall be adopted in some cases when the State is positioned to lift the financial burden off the public budget and encourage the private sector's participation in the implementation of projects. The private sector shall build, fund, and operate infrastructure projects for a specific period and then transfer their ownership to the State. The best practices in several developing countries must guide this practice. De facto, B.F.O.T contracts are used on a large scale to fund projects that serve economic development purposes.

- **Performance Contracts**

The mechanisms for encouraging the private sector to implement the State Ownership Policy include performance contracts. They are signed with private sector enterprises to efficiently overcome any operational challenges in supply chains of public services and face certain problems based on approved criteria for performance improvement, such as solving problems of waste and water leakage.

- **Management Contracts**

According to management contracts, the State shall give the right to manage some public projects for the private sector and companies that adopt standards of efficiency and competitiveness. The objective is to operate and manage economic units under market rules and competitiveness in return for a specific sum or a part of the net profits of such projects. Outsourcing processes of presenting government services falls under management contracts as a form of partial privatization.

- **Restructure and Privatization of Public Institutions**

The State shall be positioned to restructuring some projects, improving their attractiveness levels to the private sector, as well as maximizing the economic benefits of such projects. Thus, part of their stocks shall be offered to the private sector later, whether completely or partially, if the Government wants to ensure that the asset adds to the public treasury.

Fourth: The Sovereign Fund of Egypt: Leading Role to Boost Partnership with Private Sector

The Sovereign Fund of Egypt (TSFE) plays a pivotal role in implementing the State Ownership Policy for Assets, aligning with its goals to attract investments to the Egyptian economy. It targets projects that maximize revenue for the next generations and achieve development as per the Sustainable Development Goals (SDGs) and Egypt's Vision 2030.

According to its founding law no. 177 of 2018, amended by law no. 197 of 2020, and articles of association issued by the Prime Minister's resolution no. 555 of 2019, some provisions of which were amended by resolution no. 1938 of 2022, TSFE targets positively contributing to the economic development process and attracting private investments, especially foreign. It intends to boost economic growth and employment and optimally utilize and maximize the revenue of the State's assets.

Indeed, the foreign investment represents a key resource that lifts the funding burden off the shoulders of the State, across all sectors, upon implementing projects and promoting the national economy. Thus, TSFE works on attracting numerous investors interested in Egypt and others specialized in certain sectors. Several investors, whether from inside or outside Egypt, contact TSFE to get acquainted with the projects in which TSFE can invest. Notably, TSFE is resilient and has gained institutional support; specialized cadres are the pillars of TSFE as they can address the investment climate and create new investment opportunities for investors, benefitting all State sectors.

Infrastructure has turned out to be a key sector capable of attracting investments. A global trend emerged calling for a regulatory and supervisory role for the State through which the private sector directs its expenditure on various infrastructure projects like water stations, power stations, roads, communications, and others as per the technical determinants specified by the State. Later, the State pays for these utilities' services over a long period. In other words, it will not bear considerable burdens, and the services' quality will be maintained as the private sector adheres to their maintenance and delivery to the State by the end of the project's lifetime in excellent condition. The State will not have to invest once more in establishing an alternative for these utilities after a long time.

TSFE's ability to attract investors and its working mechanisms lead to advantages for TSFE's participation in expanding the scope of infrastructure projects establishment, in general, and the State's assets consolidation, in particular, without crowding out the private sector. Hence, substantial funding sources are provided, and the cost of establishing projects will be reduced amidst a competitive atmosphere among investors. In addition, several industries can be localized along with implementing infrastructure projects that support economic growth in the medium and long term.

TSFE also operates in numerous other sectors: banking services, non-bank financial services, agriculture, agricultural production, logistics services, manufacturing industries, transport and storage, and waste management. It also works in green fuel and renewable energy under its orientation towards green economy projects in commitment to its responsibility towards sustainable development.

Through its partnership with the private sector, TSFE supports some key social sectors, such as education and health. It enters into partnership contracts with the private sector to invest in education and health in line with TSFE's efforts to utilize the moveable assets and offer high-quality education and health services.

Regarding the investment agreements made by TSFE in this field, some projects have been implemented at attractive investment returns for:

- Encouraging private investments and lifting the funding burden off the shoulders of the State.
- Promoting industry and attracting foreign direct investments (FDI).
- Boosting competitiveness among the services provided by the State in various sectors after implementation by the private sector.
- Maintaining the State's strategic dimension in key sectors.
- Maximizing revenues regarding State-owned assets.

Fifth: Enhancing Public - Private Partnership Approach

The significance of forging partnerships between the public and private sectors has become evident midst the State's interest in adopting a program to increase the efficiency of State-owned assets and empower the private sector. The aim is to promote the private sector's participation, especially regarding implementing infrastructure projects. At the same time, there is a gap in funding the related projects estimated by the World Bank at roughly USD 230 billion. Partnerships with the private sector can empower Egypt to benefit from the substantial economic gains offered by the technologies of the Fourth Industrial Revolution (4IR), most prominently artificial intelligence (AI). International estimates indicate that the Egyptian economy could attain economic gains amounting to around USD 43 billion by 2030 (7.7% of GDP) due to implementing such technologies.

The Government has sought to adopt a legal, regulatory, and institutional framework to enhance the partnership approach between the public and private sectors to encompass several sectors such as infrastructure, transport, energy, communications, and healthcare. The sectors could include the implementation stages of such projects as designing, funding, construction, operation, and maintenance, as well as forging contracts on some or all of them. Therefore, further opportunities are offered for the participation of a larger number of private companies in these projects. Partnership projects between both sectors will be an integral part of the development strategy of the Ministry of Planning and Economic Development.

In addition, the Ministry of Finance seeks to expand funding projects under the partnership system between the public and private sectors according to specific standards. The projects that can be established per the partnership system between both sectors shall be chosen and listed as per the said standards in the economic and social plan; a joint committee determines the standards between the Ministries of Finance and Planning and Economic Development. The standards are to be generalized among all ministries and governmental bodies to ensure the implementation of all suitable projects per the specified standards of the partnership system between sectors. Consequently, the private sector's role can be promoted in economic activity and economic development.

The program concerned with increasing the efficiency of State-owned assets will focus on forging partnerships with the Egyptian private sector to implement joint projects for investing in some sectors. Such sectors target increasing productivity, promoting the Egyptian economy's competitiveness, managing economic resources smartly, building the Egyptian labor's capacities, adopting technical upgrades, and digitalizing the current manufacturing system. The program shall also encourage introducing new joint projects in fields related to 4IR, especially artificial intelligence, water and food security future, smart agriculture and irrigation systems, cloud computing, smart transport system, 3D printing, logistics services, modern financial technologies, big data, and other 4IR-related fields.

The implementation mechanism is forging partnerships with the private sector to establish pioneering projects in different 4IR fields to benefit the economic sectors, the Egyptian industry sector particularly, and increase the 4IR applications in the Egyptian factories. This is to boost the State's industrial competitiveness capacity, reduce costs, increase productivity, enhance quality and safety, and create new job opportunities.

As part of Egypt's attempt to acquire a leading regional position in 4IR technologies by 2030, it will prepare an environment commensurate with shifting to 4IR technologies. The role of the National Fourth Industrial Revolution Union should be, thus, enhanced; it is funded by the Academy of Scientific Research and Technology (The Ministry of Higher Education and Scientific Research) under the chairmanship of the Ministry of State for Military Production. It shall be guided by the current projects that present a reference to the sectors targeting the usage of 4IR technologies in coordination with the Federation of Egyptian Industries (FEI).

Furthermore, Egypt seeks to upgrade the legislative and regulatory environment to support the shift to 4IR. All bodies concerned shall unite their efforts to ensure the enforcement of legislations and regulatory frameworks related to cyber security, the State's strategic vision, personal data protection, intellectual property rights, industrial models, AI systems governance, and patents and trademark registrations.

The State will also provide the necessary funding for such projects, depending on TSFE's prominent role in investing in such strategic projects to attract economic returns. Distinguished international experiences shall guide it in this field. A package of incentives to attract local and foreign investment shall be offered in the 4IR sectors.

Sixth: Governing Principles for State's Presence in Economic Activity

Concerning the State-owned assets that the government will maintain, the Egyptian State will be guided by the OECD Guidelines on Corporate Governance of State-owned Enterprises. They are an international reference to governments that help ensure that State-owned enterprises work in an efficient, transparent, and accountable way. They distinguish between the State's role as an owner of some assets and enterprises and its role as a regulator of economic activity. On one hand, the guidelines guarantee fair competition between hand, all parties in the economy. On the other among all, the State can practice its inherent role as an unbiased and independent organizer and regulator of economic activities.

In addition, the establishment of new State-owned enterprises should depend on the same foundations and criteria concerned with the State-owned assets in implementing the orientations stipulated in the State Ownership Policy for Assets.

The Egyptian State will be guided by OECD Guidelines on Corporate Governance of State-owned Enterprises about the State-owned assets in which the State's presence will be maintained. They are an international reference to governments that help ensure that the State-owned enterprises' work is efficient, transparent, and accountable.

These principles represent an internationally agreed standard concerning how governments practice the ownership of assets. They were first developed in 2005 and then updated in 2015 to highlight the execution experience and address new issues of State-owned enterprises that emerged locally and internationally. The Guidelines aim at the following:

- Rendering the State a professional owner.
- Obliging the State-owned enterprises to work in a manner characterized by efficiency, transparency, and accountability similar to the private enterprises that follow good governance practices.
- Ensuring that the competition between the State-owned and the private enterprises, if available, is staged as per a competition-favorable atmosphere.

The Guidelines address seven aspects:

1. Justifications for the State's ownership

Given that the State practices the right to ownership in its enterprises for the benefit of the public, it is required to adhere to standards that guarantee transparency and accountability. Hence, the justifications are offering public goods or services, facing natural monopoly when market regulation is impossible or inefficient, and achieving economic and strategic objectives on a wider scale.

2. The State's role as an owner

The role of the State as an owner needs to be based on the governance standards for the public and private sectors, especially OECD Guidelines. All the legal forms according to which the State-owned enterprises operate ought to be unified; in addition, the State-owned enterprises must enjoy full autonomy at the operational level to achieve objectives by determining the authority of the State-owned enterprises' boards of directors and allowing them to carry out their responsibilities.

3. State-owned enterprises in the market

The legal and regulatory framework of the State-owned enterprises guarantees equal treatment for all contributors and fair competition in the market when conducting economic activities. State-owned enterprises should adhere, in case of conducting economic activities related to public policy objectives, to the highest standards of transparency and disclose pertaining costs and revenues. The State shall be committed to not exempting the State-owned enterprises which conduct economic activities from applying general laws, tax laws, and regulations. The relationship between State-owned enterprises and all financial and non-financial institutions must be sheer commercial.

4. Equal treatment for other contributors and investors

If the State-owned enterprises are listed on the stock exchange or their owners include non-governmental investors, the state and enterprises must acknowledge the rights of all the shareholders and guarantee equal treatment. They must have equal access to the enterprises' information; moreover, all contributors must be treated with utter and absolute transparency and equality.

5. Relationships with stakeholders and responsibly practicing business

The responsibilities of State-owned enterprises towards stakeholders must be fully recognized, and their relationships with stakeholders must be reported. Some State-owned enterprises may have special governance structures regarding the rights granted to stakeholders, such as staff representation in the board of directors. The importance of the relationships established with stakeholders is evident in building sustainable and financially sound partnerships; they are essential to fulfilling public service duties.

6. Commitment to disclosure and transparency

The State-owned enterprises must commit to the highest standards of transparency and be subject to the same high-quality standards of accountability, disclosure, and audit as those listed on the stock exchange. Transparency is a key factor in enhancing the accountability of the State-owned enterprises' boards of directors and enabling the State to be an enlightened owner. As for the small State-owned enterprises that do not engage in activities related to public policy, the disclosure requirements may be limited in order not to hinder their competitiveness. Large companies that seek to achieve public policy objectives must be characterized by a high level of transparency and disclosure.

7. Responsibilities of the State-owned enterprises' boards of directors

The boards of directors of State-owned enterprises must have the necessary authorities, competencies, and objectivity to carry out their functions regarding strategic direction and management supervision. They have to act impartially and be held accountable for their work through several principles. The most important principles entail that the State-owned enterprises' boards of directors fully shoulder the responsibility for the enterprises' performance, clearly determine their roles as per the Companies Law, outline strategies, and supervise management based on wide-scale objectives.

Seventh: Competitive Neutrality and a Favorable Legislative Environment for Economic Activity

Egypt's economic policy relies on promoting competitiveness and ensuring a competitive environment for practicing any economic activity. This is stipulated in article (27) of the Constitution of the Arab Republic of Egypt. Accordingly, the new State Ownership Policy requires applying principles of competitiveness neutrality in Egyptian markets. The objective is to promote the Government's efficiency in presenting high-quality public services to citizens, developing infrastructure that can lead to further local and foreign investment flows, and raising the efficiency of State-owned enterprises. This shall positively affect economic growth rates, consumers, and the economy.

Applying competitive neutrality is an effective method to ensure free competition with no need to consider the percentage of State ownership in various markets, whether it exits completely or partially. This will not be achieved unless a package of legislative and regulatory frameworks is adopted to ensure the implementation of competition policies and the promotion of competitive neutrality.

Worthy of mentioning, competitive neutrality aims at verifying that all enterprises operating in the market —whether private, foreign, or State-owned enterprises— compete on a level playing field according to the same regulatory framework without any discrimination. State-owned enterprises can refer to economic entities managed or supervised by government institutions.

Activating policies of competitive neutrality is a top priority for all competition protection agencies all over the world. This falls within the framework of playing their roles in promoting competition policies. Hence, the Egyptian State approved the 2021-2025 strategy of the Egyptian Competition Authority (ECA) in line with Egypt's Vision 2030 and the UN Sustainable Development Goals (SDGs). The Strategy's second strategic goal was to limit any legislations, policies, or decrees restricting free competition. This measure has been defined in competition as a "promotion for competition policies and competitive neutrality". That being said, the Egyptian Competition Authority formulated a strategy for competitive neutrality.

On ensuring competitive neutrality, the State shall be keen on aligning with the principles of competitive neutrality recently announced by international organizations. Principles related to tax neutrality, debt neutrality, regulatory and legislative neutrality, and neutrality in public procurement were particularly ascertained **to ensure equality between State-owned enterprises and private ones and among private enterprises.**

Tax Neutrality

Applying the same tax system to all enterprises operating in the market means that all such enterprises abide by the same tax rates and exemptions.

Debt Neutrality

Empowering all enterprises operating in the market to obtain the same capital at the same cost.

Limiting preferential access to financing through State-owned banks.

Regulatory/ Legislative Neutrality

Ensuring that all enterprises operating in the market, whether State-owned or private, abide by the same regulatory framework through committing all enterprises to the same regulations and legislations —including competition laws— to prevent granting a competitive advantage to some enterprises without granting the same to others.

Neutrality in Public Procurement

Adopting competitive offering methods in public contracts, ensuring transparency concerning the participation in contractual processes, and providing an opportunity for all enterprises to participate.

Applying a competitive neutrality policy shall promote economies, especially those recently liberalized. The following part presents some of the positive outcomes:

- Removing barriers to entering or expanding in the markets and preventing the creation of dominant entities in various markets.

- Promoting competition on the merits, which allows enterprises effectively using their resources to excel and own the largest market shares, positioning less efficient enterprises in later ranks in terms of market shares or their presence in the market.
- Achieving legal certainty promotes investors' trust in entering the market and encourages local and foreign investment flows, especially greenfield foreign direct investments.
- Creating a competitive environment for small and medium-sized enterprises to facilitate entering and competing in the market and provide new job opportunities.
- Raising the level of consumers' welfare through lower prices, better quality, and further innovation and development.
- Enhancing effective allocation of resources in the Egyptian economy, whether among activities of different productivity rates or among business enterprises within the same activity.

Principles of competitive neutrality are of utmost importance to push investment and innovation and raise productivity and employment rates. Thus, the State aims at creating a competitive space for all enterprises concerning owning, regulating, or conducting activity in the market through the following measures:

1. Activating CPA's Competitive Neutrality Strategy through:

- Formation of the Supreme Committee for the Promotion of Competition Policy and Competitive Neutrality, chaired by the Prime Minister and with the membership of several ministers and representatives of relevant bodies. The CPA is the secretary of this committee to ensure reviewing any decrees, legislations, regulations, and policies that may limit competition.
- Establishing a department for promoting competition policy and competitive neutrality inside CPA, aiming at receiving complaints from citizens and investors and pre-emptively and effectively monitoring any regulatory tools harming competition. The department was enforced in May 2022.
- Committing the State's administrative bodies to apply the provision of the article (11/5) of the Competition Protection Law by seeking the opinion of the CPA on the decrees, legislations, regulations, and policies that may limit competition.
- Setting guidelines for promoting competition policies and competitive neutrality by CPA.
- Building the culture of competitive neutrality among workers in the State's administrative bodies.

2. Reviewing and Assessing All Adopted Measures to Ensure Competitive Environment

- Conducting a periodic assessment of the impacts of the State Ownership Policy by relevant bodies through various performance and other economic indicators.
- Preparing periodic reports of the Government's shares in State-owned enterprises and assessing the performance of such enterprises similar to the assessment conducted in private enterprises by relevant bodies to draw up plans for reform and performance improvement.
- Assessing rules of transparency and disclosure regarding the performance of State-owned enterprises and public business activities, as well as activating all principles and laws that include fair conditions for competition in government procurement processes to ensure that no institution —regardless of its ownership, nationality, or legal form— obtains an ineligible advantage.

3. Promoting the Effectiveness of CPA

- Swiftly approving amendments to the Competition Protection Law was approved in principle by the Economic Affairs Committee at the House of Representatives in February 2021, allowing CPA to pre-monitor economic concentration.
- Enhancing CPA's role through granting it full independence to ensure enforcing competitive neutrality and effectively applying the law. This shall surely allow CPA to act pre-emptively to set government policies that limit any hindrances to entering the markets, increase investment and trade liberalization, and reduce unnecessary government intervention in the market.

Eighth: Implementation Framework of State Ownership Policy

The implementation mechanisms of the State Ownership Program for Public Assets entail an annual announcement by the Egyptian Government of an implementation program for the State Ownership Policy for Assets. Orientations of the Ownership Policy has three main aspects as follows:

1. Table of Government Offerings for public and business sector projects shall be privatized either completely or partially.
2. Joint projects carried out within PPP.
3. Joint Projects carried out by TSFE.

Furthermore, to ensure its success, the **Supreme Committee to Implement State Ownership Policy for Assets** affiliated with the Egyptian Cabinet has been formed. It includes Ministers of Finance, Public Business Sector, Planning and Economic Development, Trade and Industry, Agriculture, and Electricity and Renewable Energy as members, along with other ministries and relevant bodies. TSFE, CPA, and General Authority for Investment (GAFI) are on top of such bodies, similar to the best international practices. The Committee is tasked with coordinating with all relevant bodies to ensure:

- Implementing the State Ownership Policy for Assets according to pre-determined timeframes and overcoming all challenges.
- Setting the optimal approach to encourage the private sector's participation across economic activities and sectors in light of their needs and readiness.
- Determining a mechanism for exiting across activities and enterprises working in each activity per the most appropriate method and detailed sectoral studies of sectors and industries, as well as determining the best timing for implementation. Exit shall take place over 3-5 years, depending on the nature of the economic activity and the response of the private sector to participate in it.
- Verifying all standards adopted for a fair assessment of State-owned assets, benefitting from trustworthy neutral bodies, and periodically updating the portfolio of State-owned assets through a comprehensive survey.
- Reviewing regulatory and legal frameworks and identifying necessary amendments to encourage the private sector to participate across various sectors.
- Periodically reviewing the status to check if State-owned enterprises are still needed in light of the strategic perspective set forth. Thus, reviewing assets portfolio shall reflect the local and global economic developments and their repercussions —such as the State's role in some sectors during the COVID-19 pandemic— and considerations of restructuring processes.

In addition, a technical secretariat of the Supreme Committee to Implement State Ownership Policy for Assets was formed inside the Egyptian Cabinet's Information and Decision Support Center (IDSC). The secretariat is assigned to:

- Surveying all enterprises that the State owns or has shares in, as well as developing detailed databases to assess government efforts to decide their feasibility and a mechanism for the private sector's participation.

- Coordinating with government bodies to create an annual list of the assets that the State would —completely or partially— exit and approving it by the Egyptian Cabinet.

- Drawing up necessary timeframes to implement the State Ownership Policy for Assets, following up on all implementation phases in coordination with relevant bodies, and submitting a periodic report in this regard to the Supreme Committee to implement State Ownership Policy for Assets.

- Publishing a report within 60 days after the end of the fiscal year that shall include the assets that the State —completely or partially— exited, legislative and legal frameworks adopted in this regard, the total assets the State exited, the transaction value and uses of the financial resources obtained, and bodies participating in the process.

- Preparing an annual report within 60 days from the end of the fiscal year that shall include a brief of the progress and corresponding reforms.

- Coordinating with relevant bodies to adopt **a strategy for community engagement** to raise citizens' awareness of the importance of the State Ownership Program and its objectives, highlighting its role as a regulator of economic activities to ensure community engagement to implement the program successfully.

- Adopting a national system for follow-up and assessment that includes several impact assessment indicators. The target is to assess the total impact of implementing the State Ownership Policy in light of the indicators related to the percentage of the private sector's participation in the gross domestic product, investments, and employment in addition to indicators of the efficiency and profitability of State-owned assets compared to others gained by the private sector either over different periods, economic sectors, or the type of assets portfolio. This surely contributes to redirecting the State's path in the medium and long run. Key Performance Indicators (KPIs) shall also be considered throughout implementing the State Ownership Program for Assets.

Appendix (1)
Justifications for Maintaining / Increasing State's Investments in Some Economic Activities and Sectors

The State Ownership Policy for Assets encompassed some economic activities and sectors in which the State's investments shall be maintained or increased given their strategic or social dimensions or their correlation to the public interest. Meanwhile, the private sector will be allowed to participate in them, provided that this orientation is subject to periodic evaluation by the Supreme Committee to Implement State Ownership Policy for Assets. Mentioned hereinafter are justifications for the State's orientation toward maintaining/increasing investments in those sectors:

1. Agriculture, livestock, fishing, and forests

Activities where the State's investments will be maintained or increased:

o Land reclamation projects.

o Field irrigation projects

Strategic activities correlated to the provision of daily food to the Egyptian citizen require considerable investment to pave the way for the private sector's participation in later stages.

• Justification for the State's view of those activities as strategic projects:

o The State has to be involved in land reclamation and irrigation projects to increase the area of agricultural lands. According to the UN's estimates, it must address the expected population growth to 150 million persons by 2050 and meet the projected increase in the demand for crops in the next two decades. Securing citizens' food needs tops the State's economic and strategic priorities.

o The State targets increasing the share of the agricultural sector in total exports to 25% by 2024 instead of 17% in 2020, creating 430 to 530 thousand new job opportunities, and promoting the entrance of small-scale farmers to the field by 2024 to achieve several SDGs and reduce poverty.

o The State's investments in land reclamation projects shall be maintained to accomplish the national target of increasing the area of cultivated land by roughly 1.5 million feddans until 2030 and consolidate the private sector's activity in the sector. There are projects, such as the New Delta Project, that require substantial investments that cannot be pumped except by the State; its presence in those sectors shall pave the way to the private sector's investments later on.

o Joint companies can be established with the private sector, benefiting from the presence of strategic investors to enter into new operations in those projects. The quality of implementation must be enhanced in light of the national megaprojects being implemented by the State, especially canal lining projects, technical updates of the irrigation system, and the water wheels and ways upgrade project. In addition, joint projects for horizontal expansion and land reclamation can be implemented and provided with well drilling, road networks, and infrastructure reform. Thus, cash is required to be injected into those enterprises; modern technologies should be adopted; and investments should be pumped into innovative technologies supporting agriculture, agricultural research and development, and smart and sustainable agricultural systems. The aim is to address the scarce water resources and open new markets for Egyptian agricultural exports.

2. Electricity supplies, natural gas and steam transmission networks, and AC

Activities where the State's investments will be maintained or increased:

o Electric power transmission networks

Natural monopoly activities correlate to market failure and are strongly attributed to the public interest; they are related to the critical infrastructure affecting Egyptian national security.

• Justification for the State's view of those activities as strategic projects:

- o Those activities are inherently subject to natural monopoly in several countries because of the high fixed cost required for the establishment of electric power transmission and production projects. The State incurs considerable costs to install cables and electric supplies at capacities the private sector cannot fulfill, especially when the market's size is small.
- o The State's role has to be maintained in managing and operating electric power transmission networks of high and ultra-high voltages; those activities are related to the critical infrastructure affecting the public interest. The private sector shall be allowed to construct transformers pertaining to these voltages.
- o According to the shift to the Complementary State approach, the State seeks to strengthen partnerships with the private sector in the fields of electric power production and distribution. Hence, the activities' competitiveness will be boosted, and the services offered to citizens will be enhanced.

o Natural gas transmission networks

• Justification for the State's view of those activities as strategic projects:

- o Those activities are inherently subject to natural monopoly in several countries because of the high fixed cost required for natural gas transmission projects. The State incurs considerable costs to extend pipelines at capacities the private sector cannot fulfill, especially when the market's size is small.
- o The State's role has to be maintained through the Gas Regulatory Authority, established as per law no. 196 of 2017. This aims at ensuring the availability of gas networks and facilities to others, realizing free competition, and avoiding monopoly in the gas market activities.
- o Those activities have a key social aspect; natural gas must be provided to houses of different categories -medium- and low-income residents- to maintain social balance and reduce reliance on the import of liquefied petroleum gas (LPG).

3. Water, sewage, recycling, and reuse

Activities where the State's investments will be maintained or increased:

- o Stations for drinking water production from surface water sources

> Activities related to the public interest directly impact citizens' lives.

• Justification for the State's view of those activities as strategic projects:

- o They are sectors related to the public interest and directly impact citizens' lives. So, the State is keen on maintaining its presence in them; this does not necessarily mean that the private sector will not be present in these sectors. The private sector can coexist with the State in this sector. However, the major share of investments will be allocated to the State in these sectors, especially since they require considerable investments that the private sector cannot fulfill solely.
- o According to the shift to the Complementary State approach, the State seeks to strengthen partnerships with the private sector in some of the value chains to boost efficiency and sustainability. Special focus shall be placed on activities related to seawater desalination in coastal governorates, reducing water loss, and expanding the installation of pre-paid meters and handheld and water consumption rationalization systems. The private sector is encouraged to participate in the networks of drinking water and sewage collection, pumping stations, and sewage water treatment activities.

4. Construction

Activities where the State's investments will be maintained or increased:

- o Social Housing

> Activities related to the State's social responsibility regarding the provision of decent housing to medium- and low-income citizens.

• Justifications for the State's view of those activities as strategic projects:

- o Social activities require substantial investments according to a societal commitment. Decent housing must be provided to medium- and low-income residents, contributing to maintaining social balance.

5. Transport (land/river/maritime/air)

- o Activities where the State's investments will be maintained or increased:
- o Constructing the docks and the infrastructure.
- o Establishing railway routes.
- o Duplicating the single railway routes of high density.
- o Expanding the establishment of the interchange stations and logistics zones serving the railway routes, whether diesel or electric traction.
- o Introducing lines for the Metro and electric traction.
- o Resuming the high-speed electric train network.
- o Establishing dry and land ports.
- o Constructing river ports and docks.
- o Infrastructure maintenance services.
- o Floating units.
- o Navigational locks.
- o Air transport.

Some of these activities are correlated to natural monopoly and market failure mechanisms and are strongly associated with the public interest. They are related to the State's commitment to the community in terms of offering the above-mentioned services at adequate prices. The presence of the private sector in some of them requires benefiting from the State's resources in these fields.

• Justifications for the State's view of those activities as strategic projects:

- o The infrastructure of the transport sector requires substantial governmental investments to create an atmosphere suitable for the private sector's participation in its investments in this field, whether in terms of cargo or passenger transport or the operation of river ports.
- o The State's commitment to the community necessitates offering those services to millions of citizens at adequate prices.
- o The private sector is present in some value chains in the transport system, especially regarding the management and operation activities, while it abandons some of those activities, paving the way for the State's presence.
- o It is essential to increase governmental investments in the establishment of river ports and docks in partnership with the private sector. The private sector's presence in the field, indeed, requires benefiting from the resources of the River Transport Authority (RTA).
- o Infrastructure maintenance services are one of the goals for which RTA was established.
- o Some of the floating units serving RTA are necessary for inspecting and controlling all the licensed river floating units to ensure safety and the application of safety procedures.

6. Communications

Activities where the State's investments will be maintained or increased:

- o The infrastructure of wireless communications.
- o The infrastructure of landline communications.
- o Post services/ modern post services units.

Activities are related to the high investment costs and are supportive of the national orientation towards accelerating digital transformation.

• Justifications for the State's view of those activities as strategic projects:

- o Those activities are related to the high investment costs required for the implementation of these projects and are supportive of the sector's infrastructure. There is a national need to expand those activities in the foreseeable future to serve the goals of Egypt's digital transformation and financial inclusion initiatives; they need to be offered at adequate prices.

7. Publishing

Activities where the State's investments will be maintained or increased:

- o Distribution and production of programs, videos, films, and records.
- o Radio and television broadcasting activities.

A sector related to activities supportive of the national media that convey social messages consolidating the national identity.

• Justifications for the State's view of those activities as strategic projects:

- o The sector is correlated to the necessary presence of activities supportive of the national media that convey social messages consolidating the national identity.

8. Financial intermediation and insurance

- o Compulsory insurance on currently uncovered risks

Indispensable social activities that contribute to the State's plans and initiatives targeting increasing the levels of financial inclusion.

• Justifications for the State's view of those activities as strategic projects:

- o The insurance sector provides an essential service that impacts citizens; thus, the State has to play a role in it in a professional way and in partnership with the private sector in all activities in which it participates to strengthen the presence of the private sector.
- o They are indispensable social activities that contribute to the State's plans and initiatives targeting increasing the levels of financial inclusion. In turn, the latter aids the consolidation of economic growth and SDGs accomplishments.

9. The Suez Canal

Activities where the State's investments will be maintained or increased:

- o Activities related to the Suez Canal.
- o Vessels crossing the Canal.

Activities strengthening the role of the Suez Canal as a strategic sovereign facility, global waterway, and key foreign exchange resource.

• Justifications for the State's view of those activities as strategic projects:

- o Maintaining the State's assets portfolio in the Suez Canal Sector, given its significance as a strategic sovereign facility, contributes to strengthening its strategic role as a global waterway and key foreign exchange resource.
- o Partnerships are to be forged with the private sector in some economic activities related to establishing logistics zones to reinforce global supply chains, develop the Canal's area, and create further job opportunities.

10. Pre-university Education

Activities where the State's investments will be maintained or increased:

- o Pre-primary Education.
- o Primary Education.
- o Preparatory Education.
- o General Secondary Education.
- o Agricultural Education.
- o Industrial Education.
- o Commercial Education.
- o Education-related Activities.
- o Schools of Technical Education, Applied Technology, and Dual Education.

A strategic sector correlated to constitutional entitlements to provide pre-university education at affordable prices and invest in the coming generations.

• Justifications for the State's Vision on Such Activities as Strategic Projects:

- o Providing pre-university educational services for all social segments at a reasonable cost, fulfilling the constitutional entitlements and in line with the State's role in investment in human capital. This falls under national security considerations in all countries.
- o The State is keen on allowing the private sector to be present in the sector's activities. The private sector's presence in pre-university education should be proportionate to the State's exit from the sector. The aim is to expand the base of partnerships with the private sector and develop the entire sector.
- o Meanwhile, the State strives to forge partnerships with the private sector to promote some highly important social sectors, most notably education. This is to be conducted according to partnerships committing TSFE to sign contracts with the private sector. Such contracts are for investment in pre-university education in light of TSFE's efforts to utilize movable assets and provide high-quality educational services for middle-income classes.

11. University education

Activities where the State's investments will be maintained or increased:

- o University and higher education.
- o Education-related activities.

> A strategic sector correlated to the constitutional entitlements to provide university education at reasonable prices and invest in youth.

• Justification for the State's view of those activities as strategic projects:

- o Providing university educational services for all social segments at a reasonable cost, fulfilling the constitutional entitlements and in line with the State's role in investment in human capital. This falls under national security considerations in all countries.
- o The State is keen on allowing the private sector to be present in the sector's activities. The private sector's presence in university education should be proportionate to the State's exit from the sector. The aim is to expand the base of partnerships with the private sector and develop the entire sector.
- o Meanwhile, the State strives to forge partnerships with the private sector to promote some highly important social sectors, most notably education. This is to be conducted according to partnerships committing TSFE to sign contracts with the private sector. Such contracts are for investment in university education in light of TSFE's efforts to utilize movable assets and provide high-quality educational services for middle-income classes.
- o Investment in building technological capacities and research and development (R&D) to develop Egypt's national treasuries.
- o Investment in university education in light of TSFE's efforts to utilize movable assets and provide high-quality educational services for middle-income classes.
- o Investment in building technological capacities and research and development (R&D) to develop Egypt's national treasuries.

12. Health

- o Activities where the State's investments will be maintained or increased:
- o University hospitals.
- o Hospitals of the Ministry of Health and affiliated authorities outside the health insurance system.
- o Primary healthcare units and centers inside and outside the health insurance system.
- o Public health services and preventive services.
- o Environmental health services.
- o Activities of central labs and water, air, and food monitoring facilities.

> Highly sensitive activities correlated to Egyptian national security, as they are directly linked to citizens' health and lives

• Justification for the State's view of those activities as strategic projects:

- o Providing health services for all social segments at a reasonable cost, fulfilling the constitutional entitlements.
- o Meanwhile, the State strives to forge partnerships with the private sector to promote some highly important social sectors, most notably health. This is to be conducted according to partnerships committing TSFE to sign contracts with the private sector. Such contracts are for investment in the health sector in light of TSFE's efforts to utilize movable assets and provide high-quality health services.

13. Oil and Natural Gas Extraction

Activities where the State's investments will be maintained or increased:

- o Oil and Natural Gas Extraction.

A strategic sector correlated to natural resources as public properties according to the Egyptian Constitution.

- Justifications for the State's view of those activities as strategic projects:

- o These activities are related to the natural resources stipulated in the Egyptian Constitution as public properties. In addition, all agreements pertaining to the oil and mining sectors are issued according to concession laws with the private sector.

14. Engineering Industries

Activities where the State's investments will be maintained or increased:

- o Equipment and machinery.
- o Vessels and boats.
- o New and renewable energy.
- o Semiconductors

The strategic sector correlated to promoting capital supporting the industrial sector, achieving SDGs, and pushing the national orientation to localize industries of the future. The State's presence therein promotes the private sector's presence.

- Justifications for the State's view of those activities as strategic projects:

- o The equipment and machinery industry needs huge investments and represents the cornerstone for providing capital assets for several strategic industries that the private sector may not be interested in.
- o The State's presence in the new and renewable energy sector is crucial to achieving SDGs and Egypt's commitments in the Paris Climate Agreement, as well as empowering Egypt to achieve the national target to raise the percentage of renewable energy to nearly 42% of the total electricity generated in 2030.
- o Egypt's presence in the semiconductors sector is essential in light of the national orientation to localize industries of the future, including the electric chips industry.
- o The State's presence and increased investments in such sectors shall attract the private sector according to models promoting private investment.

15. Food Industries

Activities where the State's investments will be maintained or increased:

- o Oil manufacturing.
- o Sugar manufacturing.

Strategic sector correlated to the national food security, provision of strategic commodities to Egyptians, and reduction of reliance on imports.

- Justifications for the State's view of those activities as strategic projects:

- o They are industries correlated to national food security and the provision of strategic commodities to Egyptians. They are also the main industrial activities to reduce reliance on imports.
- o They are existing assets, where the State aims at maximizing their benefits and managing them well to gain the aspired revenues. The State also targets increasing private sector investments to boost competitiveness.

16. Metallurgical Industries

Activities where the State's investments will be maintained or increased:

- o Castings for all ores.
- o Aluminum and copper manufacture.
- o Stainless steel panels.

Strategic industrial sectors, some of which correlate to activities of military production.

• Justifications for the State's view of those activities as strategic projects:

- o Such industrial sectors correlate to activities of military production that require regular related manufacturing processes.
- o It is a vital industry entering a plethora of other small and medium-sized industries. Their existence in Egypt is essential for the entire industrial sector and the national economy.

17. Chemical Industries

Activities where the State's investments will be maintained or increased:

A strategic industry correlated to promoting the State's ability to help farmers and peasants, as well as strengthening Egyptian food security.

- o Fertilizers and pesticides.

• Justifications for the State's view of those activities as strategic projects:

- o It is a strategic industry correlated to promoting the State's ability to help farmers and peasants, as well as ensuring food security for all Egyptians.

18. Printing and Packaging

Activities where the State's investments will be maintained or increased:

- o Secure printing and banknote printing.
- o Newspaper and magazine printing.
- o Offset printing and digital printing.
- o Print advertising.
- o Publicity in the official media outlets.

Some of such activities correlate to national security, and others correlate to injecting huge investments in the sector. They—in nature—promote the private sector's activity.

• Justifications for the State's view of those activities as strategic projects:

- o Secure printing and banknote printing are related to national security.
- o Newspaper and magazine printing require huge investments that could promote the private sector's activities in this field.

19. Pharmaceutical Industries

Activities where the State's investments will be maintained or increased:

- o Medical supplies.
- o Biological industries.
- o Vaccine manufacture.
- o Medicinal plants.
- o Medical raw materials.
- o Pharmaceutical chemicals.
- o Medical devices.
- o Surgical scalpels manufacture.
- o Catheters.
- o Supplies of urologic and cardiac surgeries.
- o Coronary stents.
- o Hemodialysis machines.
- o Laboratory reagents manufacture.
- o Blood gases.

Strategic industries directly related to citizens' health, Egyptian national security, and combating epidemics and pandemics.

- Justifications for the State's view of those activities as strategic projects:
  - The pharmaceutical sector is concerned with securing citizens' needs for pharmaceuticals. It entails huge investments that may not interest the private sector.
  - It is necessary that the State maintains and expands its presence in the vaccine manufacturing sector in light of the spread of epidemics and pandemics and the need to provide them to millions of citizens at an acceptable cost.
  - There are interlinkages between the pharmaceutical chemicals sector and the pharmaceutical industry.
  - The State needs to be present in industries related to medical devices and supplies and provide health services to all citizens at a reasonable cost in line with the constitutional entitlements.

20. Petroleum Refining Activities

Strategic industries are closely related to Egyptian national security.

- Justifications for the State's view of those activities as strategic projects:
  - These activities impact the national security and local needs of petroleum products.