

THE MERGERS &  
ACQUISITIONS  
REVIEW

THIRTEENTH EDITION

Editor  
Mark Zerdin

THE LAWREVIEWS

THE  
MERGERS &  
ACQUISITIONS  
REVIEW

THIRTEENTH EDITION

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# PREFACE

2018 was the year of the mega-deal, with an unprecedented number of big-ticket mergers taking place across a range of jurisdictions and sectors. In the first six months of 2018, global deal value rose by 59 per cent compared to 2017, despite volumes falling by 12 per cent. Although there was a considerable drop off in activity in the second half of the year, 2018 nonetheless saw robust overall performance by market participants, with global activity in 2018 exceeding US\$3 trillion for the fifth consecutive year.

The United States remained the most targeted and acquisitive region globally in 2018; however, the deal-making landscape in the US for the remainder of 2019 presents a mixed picture. On the one hand, tax reform, a more relaxed US regulatory climate and growing cash reserves present a favourable environment for investors. On the other, dealmakers are likely to be concerned by the trade dispute between the US and China – which is already threatening economic growth and, at the time of writing, shows no sign of abating – and the ongoing uncertainty regarding antitrust policies, which may lead to increased scrutiny of M&A deals.

In Europe, after a record-breaking start to the year, the prolonged uncertainty caused by stuttering Brexit negotiations and wider political tensions across the continent finally caught up with dealmakers in the second half of 2018. In line with a softening of the global economy, the value of European deals in H2 plummeted to its lowest level since 2013, and the volume of transatlantic deals between North America and Europe also fell by 29 per cent year-on-year.

One of the main disruptors to M&A activity over the past 12 months has been the rise in political intervention in cross-border deals. In particular, concerns over national security have led to the tightening of foreign investment regimes and antitrust regulations, coupled with more active enforcement by regulators. This growth in protectionism is likely to remain one of the main obstacles facing dealmakers in the near future.

Nevertheless, looking forwards into the remainder of 2019, there is certainly cause for optimism: private equity continues to enjoy record-breaking levels of dry powder, and developments in technology are driving both the sector itself and the facilitation of deals more broadly. Finally, and perhaps most importantly, the past 12 months have highlighted the resilience of companies and private equity firms in their navigation of global political uncertainty and economic shifts.

I would like to thank the contributors for their support in producing the 13th edition of *The Mergers & Acquisitions Review*. I hope the commentary in the following 47 chapters will provide a richer understanding of the shape of the global markets, and the challenges and opportunities facing market participants.

**Mark Zerdin**

Slaughter and May

London

July 2019

# EGYPT

*Omar S Bassiouny and Maha El-Meihy*<sup>1</sup>

## I OVERVIEW OF M&A ACTIVITY

Egypt's M&A value increased by 285.6 per cent, reaching US\$1.5 billion in 2018 compared to US\$389 million in 2017.<sup>2</sup>

M&A deal value grew due to increased interest by foreign investors in the energy, mining, education and utilities sectors. Landmark M&A transactions in 2018 included Mubadala's US\$935 million and Rosneft US\$1 billion acquisition of parts of the Zohr oilfield from Eni, Dr Oetker's acquisition of Tag Al Melouk and Soco International's acquisition of Merlon Petroleum El Fayoum Company.

Egypt's share of M&A deals in the Middle East and North Africa region has increased to 6.3 per cent in 2018, compared to 2.5 per cent in 2017.<sup>3</sup>

For the past 12 months, the Egyptian market and international investors have been monitoring the progress of the implementation of the government's economic and social development plan in light of the US\$12 billion Egypt–International Monetary Fund (IMF) loan agreement, which was associated with a number of important measures including changes in the deposit and lending interest rate announced by the Central Bank of Egypt (CBE) and, most importantly, the removal of all FX controls and the free flotation of the Egyptian pound, which was followed by a severe currency devaluation. The severe devaluation of the pound saw Egyptian assets and securities lose more than 50 per cent of their value and, in conjunction with the positive performance of the government insofar as the IMF loan programme is concerned, as publicly noted by the IMF, had a major positive impact on M&A activity in Egypt.

The CBE has modernised its monetary policy framework, focusing on inflation under a flexible exchange rate regime. Its monetary policy stance has been appropriately calibrated, helping to reduce inflation from 33 per cent in July 2017 to 13 per cent in April 2019 despite occasional supply-side shocks and excessive volatility in some food prices.<sup>4</sup>

Overall, 2018 was a progressive year for M&A in Egypt. Private equity, investment managers and financial institutions become more active in terms of the number of deals and their value. M&A transactions were closed in several sectors including:

- a* media;
- b* education;

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1 Omar S Bassiouny is a partner and Maha El-Meihy is an associate at Matouk Bassiouny & Hennawy.

2 <https://www.egypttoday.com/Article/3/62303/Baker-Mckenzie-expects-Egypt%E2%80%99s-M-A-IPOs-activities-to-rebound>.

3 <https://egyptoil-gas.com/news/egypt-ma-soar-to-1-5-b-in-2018-mergermarket>.

4 <http://sis.gov.eg/Story/139960/IMF-team-reaches-staff-level-agreement-on-5th-review-for-Egypt's-EFF?lang=en-us>.

- c* oil and gas downstream;
- d* petrochemicals;
- e* telecommunications;
- f* renewable and traditional energy;
- g* manufacturing;
- h* food processing;
- i* education;
- j* fintech; and
- k* healthcare.<sup>5</sup>

In 2019, M&A is likely to continue in the same positive manner in the Egyptian market, and to rank third in terms of combined value in the region, whereby M&A business is expected to reach US\$1.372 billion in 2019, while trans-border M&A are likely to stand at US\$2.93 billion and rise to US\$3.14 billion in 2020.<sup>6</sup>

## **II GENERAL INTRODUCTION TO THE LEGAL FRAMEWORK FOR M&A**

The Egyptian legal system is a civil law system, which is influenced mainly by Islamic shariah and the French civil code. Hence, it is based on written legislation, rather than depending on judicial precedents as in common law countries. That said, the Egyptian Civil Code<sup>7</sup> plays a prominent role in the legal framework since it governs and regulates all the general principles pertaining to contract law, including but not limited to all types of sale and purchase transactions. In other words, in the case of M&A transactions governed by Egyptian law, the Civil Code is one of the main pillars regulating such transactions.

In addition to the general rules stipulated under the Civil Code, M&A transactions are regulated in Egypt by diverse specific legislation depending on whether a transaction is public or private.

Key rules pertaining to M&A can be particularly found under the Egyptian Companies Law<sup>8</sup> and its Executive Regulations, as amended, the Capital Market Law<sup>9</sup> and its Executive Regulations, as amended, and the Egyptian Exchange Listing Rules, as amended.<sup>10</sup>

Furthermore, decisions and decrees issued by the following concerned key regulatory authorities constitute an integral part of the regulatory framework: the Egyptian Stock Exchange (EGX), the Financial Regulatory Authority (FRA) and the General Authority for Investment and Free Zones.

Subject to the specify activity of a target company, other regulatory bodies might be involved such as the CBE and various key ministries.

As a general rule, acquisitions involving transfer of title of shares of joint-stock companies and quotas of limited liability companies are the most common acquisition structures in Egypt. The transfer of unlisted shares is conducted over the counter (OTC) through an accredited broker registered with the EGX and appointed for such purpose.

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5 <https://www.ifrr.com/Article/3860935/2019-M-A-Report-Egypt.html?ArticleId=3860935>.

6 <https://english.mubasher.info/news/3385713/Egypt-s-M-A-business-to-boom-in-2019-Report>.

7 No. 131 of 1948.

8 No. 159 of 1981.

9 No. 95 of 1992.

10 The Board of Directors of the Financial Regulatory Authority Decree No. 11 of 2014.

OTC transactions are not subject to the same level of regulation as public transactions. Any transaction exceeding 20 million Egyptian pounds must be, inter alia, pre-approved by each of the EGX Pricing Committee, which convenes on a weekly basis to study and resolve on each envisaged transaction; and the FRA.

### **III DEVELOPMENTS IN CORPORATE AND TAKEOVER LAW AND THEIR IMPACT**

2018 witnessed several legislative amendments that have impacted the M&A market, including an increase of the mandatory tender offer trigger from 2 to 5 per cent in the shareholding of a public company. Further, the FRA introduced numerous specific regulations regarding the acquisition of notable stakes in financial services companies.

The legislative amendments that have impacted the M&A market include an amendment of the Companies Law in relation to shareholders' agreements and preferred shares.

#### **i Shareholders' agreements**

Legal provisions exist to govern the concept of the shareholders' agreement. Shareholders' agreements are typically concluded between the founders and shareholders of a company in order to organise the relationship between the partners that are not contained in the articles of association that is ratified by the General Authority for Investments and Free Zones on a designated form. Although there is no legal requirement to conclude agreements between sellers, buyers and target companies for share acquisitions, it is however customary in large acquisitions that parties conclude transaction agreements such as share purchase agreements and shareholders' agreements, as long as such shareholders' agreements do not include any contractual restrictions on the free tradability of the listed shares, since otherwise the same would be null and void.

Egyptian law does not explicitly regulate or recognise the concept of the drag-along right. There are no publicly available Court of Cassation judgements addressing the validity or enforceability of drag-along or similar rights. In addition, in practice, the General Authority for Investments and Free Zones does not accept the inclusion of drag-along right provisions in a company's articles of association. Accordingly, drag-along right provisions fall under the scope of application of the general provisions of the Civil Code and the Executive Regulations of the Companies Law, and qualify as a conditional contractual obligation. Hence, the drag-along right is valid under Egyptian law since the fundamental conditions that trigger the drag-along right (i.e., a third-party bona fide purchaser wishing to acquire a majority or all of the capital of a target) do not conflict with the Civil Code. However, its enforceability remains untested.

It is worth noting that the same is applicable to put option provisions. Accordingly, put option provisions fall under the scope of application of the general provisions of the Civil Code and the Executive Regulations of the Companies Law and arguably qualifies as a promise to contract.

In light of the foregoing, the introduction of a regulated shareholders' agreement will give parties to M&A transactions further comfort, since rights such as drag-along rights and put option rights will be incorporated into such shareholders' agreement.

**ii Preferred shares**

In the past, a company was not allowed to issue preferred shares unless its by-laws contained a provision allowing that at incorporation. In this respect, the new amendments to the Companies Law allow companies to issue preferred shares, even if such was not provided for in their by-laws at incorporation, so long as an extraordinary general assembly of such company vote representing three-quarters of the company's capital is obtained. At the outset, preferred shares were assumed to be incorporated with no limitations. However, shortly after the issuance of the new amendment of the Companies Law, GAFI issued a circular to limit the voting powers of holders of preferred shares to be capped at two to one. Preferred shares are advantageous for parties who wish to enjoy more voting and financial rights and contribute with the same capital, as opposed to ordinary shareholders.

**IV FOREIGN INVOLVEMENT IN M&A TRANSACTIONS**

Investing in Egypt was subject to a period of instability following the 2011 and 2013 revolutions. Although the devaluation of the Egyptian pound against the United States dollar in 2016 should have increased foreign investment into the country, political instability throughout the Middle East and North Africa have had a greater negative influence. Another problem that slowed down foreign direct investment was the high level of bureaucracy. However, several steps have been taken to enhance public service delivery and the domestic investment environment, and to re-attract significant foreign direct investment inflows.<sup>11</sup>

Egypt was one of the African countries that received some of the largest amounts of foreign direct investment inflows in 2018. According to the Central Bank of Egypt, foreign direct investment inflows increased to US\$10.2 billion, while outflows stood at US\$4.2 billion, which led to an increase of net foreign direct investment inflows to US\$6 billion between July 2017 and March 2018. In parallel, total foreign investment reached US\$14.9 billion due to portfolio investments. Further, the discovery of the largest gas reserves in the Mediterranean Sea, first in the country's western desert and then in the Zohr offshore field, has positively affected inflows into Egypt. As a result, Egypt saw around 1.6 per cent of growth in inflows in relation to the oil industry in less than a year.

Foreign investments mainly come from countries with which Egypt has signed a bilateral treaty, including EU and Arab countries, and the United States. Notwithstanding this, the United Kingdom remains by far the largest investor in Egypt. Such direct investments mainly target the oil sector, followed by the construction, manufacturing, real estate and financial services sectors.

The countries that have been key players in M&A deals in Egypt include the United Arab Emirates, which currently enjoys very strong diplomatic and economic ties with Egypt; a large number of UAE public and private companies have been consolidating their presence in the Egyptian market via M&A.

Egypt is a party to more than 100 bilateral investment agreements with, inter alia, the majority of the European Union Member States, the United States, and some African, Middle Eastern and Asian countries. In addition, Egypt signed an agreement with the Mercosur bloc of Latin American nations in 2010.

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11 <http://www.mof.gov.eg/MOFGallerySource/English/Strategy.pdf>.

## V SIGNIFICANT TRANSACTIONS, KEY TRENDS AND HOT INDUSTRIES

Regional, international and local private equity and financial institutions are empowering the Egyptian economy. The renewable energy sector, and consumer-focused sectors such as food and drink, healthcare and education, have been the most active sectors.

The past year witnessed the acquisition by Mubadala Petroleum of a 10 per cent stake in the Shorouk concession in Egypt's Zohr gas field for US\$934 million as well as SOCO International's acquisition of Merlon Petroleum El Fayum Company.

Further notable transactions were:

- a* EFG Hermes' acquisition of a Cairo-based elementary schools' portfolio from Talaat Moustafa Group Holding, Egypt's largest listed real estate developer, for 1 billion Egyptian pounds;
- b* Tag El Melouk (a market leader in the production of baking powder, vanilla and salt, among other products) selling 100 per cent of its shares to Dr Oetker; and
- c* Solvay Alexandria Sodium Carbonate (CCI) selling 100 per cent of its shares to three state-owned companies in a US\$15 million buyout of CCI by state-owned companies Egyptian Ethylene and Derivatives Company, Sidi Kerir Petrochemicals Company and the Egyptian petrochemicals holding company, EICHEM.<sup>12</sup>

While 2019 will be more focused on government IPOs, the first two quarters of 2019 witnessed some notable transactions.

Bank Audi announced through its acquisition to the National Bank of Greece in Egypt (NBG). This acquisition included a book of 'mostly of Egyptian-risk loans, deposits and securities (total assets of around €110 million), a branch network of 17 branches and c.a. 250 employees'. The exit of NBG from the Egyptian market is in accordance with a wider restricting plan for reducing its overseas presence.

Cleopatra Hospital Group has also acquired the real estate assets of El Katib Hospital, and is currently finalising the business transfer agreement. El Katib Hospital is expected to add around 100 beds to the existing capacity and introduce of a new urology centre of excellence.

New challenges have been seen due to a more difficult external environment, given the constricted global financial conditions. Egypt has successfully weathered recent capital outflows. Nevertheless, further strengthening of the policy buffers, including by containing inflation, enhancing the exchange rate's flexibility and reducing the public debt will all be essential.<sup>13</sup>

According to CBE monthly inflation developments, the nationwide annual inflation declined to 12.5 per cent in April 2019 as the rural annual inflation declined to 11.9 per cent, from 13.8 and 13.4 per cent in March 2019, respectively.<sup>14</sup>

According to the IMF review, the continued reinforcement of tourism and construction, and the rising production of natural gas are expected to increase GDP growth to 6 per cent due to the ongoing implementation of structural reforms, and should translate into stronger private investment. Inflation is expected to reach single digits in 2020. The current account

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12 <https://www.ifr.com/Article/3860935/2019-M-A-Report-Egypt.html?ArticleId=3860935>.

13 IMF, 'Arab Republic of Egypt: Fourth Review Under the Extended Arrangement Under the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for the Arab Republic of Egypt'.

14 [https://www.cbe.org/en/MonetaryPolicy/MonthlyInflationNoteDL/IN\\_April%202019\\_EN.PDF](https://www.cbe.org/en/MonetaryPolicy/MonthlyInflationNoteDL/IN_April%202019_EN.PDF).



deficit is projected to gradually narrow from 2.4 per cent of GDP in 2017 and 2018 to under 2 per cent of GDP in the medium term, and general government gross debt is expected to continue to decline to 74 per cent of GDP by 2022 or 2023.<sup>15</sup>

In parallel, the significant investment liberation measures that are currently being undertaken by the government – by way of example, the introduction of a new law for the setting up of a natural gas regulatory authority charged with licensing – aims at opening the gas market to competition.

Furthermore, the issuance of the New Industrial Law<sup>16</sup> has made the establishment of manufacturing facilities easier through the introduction of a one-stop shop mechanism as an addition to the current practice of the General Authority for Investment and Free Zone, under which the same concept is applied to establishing companies. These have encouraged local investors to establish companies or manufacturing facilities, or to expand their existing facilities, without being concerned about regularising the status of such facilities.

The free float of the Egyptian pound has affected inbound foreign investments through the contributions of non-residents' purchases into real estate, and the net purchase by non-residents of companies and assets. Although purchases by non-residents have increased foreign direct investment into real estate, the real estate sector is still mostly being affected because of the increase in price of all the raw materials involved, which has affected costs and purchase prices, leading to stagnation.

## **VI FINANCING OF M&A: MAIN SOURCES AND DEVELOPMENTS**

M&A are typically financed through equity, third-party financing, which includes credit financing, or a combination of equity and financing. Buyers tend to provide sellers with a warranty, or documentary evidence, or both, confirming the availability of the acquisition financing. Typically, the payment of the purchase price is a condition precedent to a transfer of shares. Hence, if finance is not available, a transaction will never be closed.

There are no typical seller's assistance obligations. However, there are some regulatory restrictions under Egyptian law that could impact the financing structure, including the CBE regulatory instituted limitations and regulatory framework regulating acquisition financing; and financial assistance rules that under Egyptian law restrict a company from lending or guaranteeing the obligations of any of its board members.

Furthermore, in the case of a mandatory tender offer, a proposal submitted to the FRA must include a confirmation from a licensed bank in Egypt evidencing the availability of the financial resources to fund and cover an offer. Accordingly, short of a financial solvency confirmation, the FRA should not accept an offer proposal.

Subject to the parties' commercial agreement, financing may be structured as a condition (among other conditions) in asset-based transactions, where the transaction documents may reflect procurement of financing as a condition as supported by guarantees, warranties and the provision of evidence confirming the availability of financing.

It is, however, not customary to enshrine a seller's obligations to assist in relation to a buyer's financing in the transaction documents.

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<sup>15</sup> See footnote 9.

<sup>16</sup> No. 15 of 2017.

Private equity, investment managers and financial institutions recently become more active in terms of the number of deals and their value. 2018 witnessed a deal flow of 30 per cent in favour of strategic investors and 70 per cent for private equity firms. Hence, private equity firms still dominate the private M&A scene in the Egyptian market.

## VII EMPLOYMENT LAW

The relationship between employers and employees is governed by the Egyptian Labour Law<sup>17</sup> and decrees of the Ministry of Manpower. Generally, the Employment Law favours and protects employees as supported by several court precedents issued in favour of employees. Although Egyptian law does not oblige employers to obtain approval of or consult employees during an acquisition process, the law has still restricted an employer's ability to make changes to the workforce during this process. In an acquisition, employees' rights (including their acquired rights) remain protected and may not be discretionally limited or changed by the employer. Employees' dismissals take place by virtue of court orders and are limited to specific major events. Further, any redundancies during acquisitions must take place in coordination with the Ministry of Manpower and subject to its approval.

The Labour Law obliges buyers to have all the employees of the seller remain with the target company or transfer to the buyer in the case of an asset deal. The application of such transfer varies whether an acquisition is for assets or shares. In a share transfer, employees do not transfer, since they remain with the target company; hence, an acquisition of shares does not involve an employee transfer process.

In an asset sale, pursuant to the Labour Law, in the event an establishment is transferred from one employer to another, employees of the transferred establishment are transferred automatically to the new employer. Both the former and new employers will be jointly liable for the fulfilment of their entire obligations as set out under the employees' employment contracts. Article 9, Paragraph 2 of the Labour Law states the following:

*merging the establishment with another or transferring it by inheritance, bequeath, donation, or sale – even by public auction – or by assigning or leasing it or other such disposing actions shall not terminate the employment contracts of the existing employees. The successor employer shall be responsible jointly with the former employers for implementing all obligations arising from these contracts.*<sup>18</sup>

Based on Article 9, the Labour Law neither defines an asset sale nor sets out parameters to include a sale of business, whether in whole or partial. Hence, some sellers tend not to apply the conservative approach and have employees transferred. Although the Labour Law recognises the concept of employees' automatic transfer in the event of an asset sale, practically the transfer of employees cannot automatically be implemented before the Social Insurance Authority due to bureaucracy.

That said, it should be also noted that in transfer of assets constituting a business, employees' and tax-related liabilities will remain shared, from a statutory standpoint, by both the purchaser and the seller. A new labour law has been discussed in the Parliament since

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17 No. 12 of 2003.

18 <https://www.lexology.com/library/detail.aspx?g=01a631cc-1d7f-417e-b458-b39e22810afd>.

2017, and the draft of that law has kept a provision to the same effect. Other provisions that are irrelevant to the M&A have been either amended or introduced to grant employees more benefits (e.g., four months of maternity leave instead of three months<sup>19</sup>).<sup>20</sup>

## VIII TAX LAW

Taxation in Egypt is governed by a number of pieces of legislation mainly comprising the Income Tax Law<sup>21</sup> and the Value Added Tax Law.<sup>22</sup>

Recently, capital gains realised from the sale of listed Egyptian shares by both resident and non-resident shareholders have been taxable at a rate of 10 per cent.<sup>23</sup> For listed securities, the application of this tax was suspended for two years as of 17 May 2015. Such suspension was extended for an additional period of three years that ends on 16 May 2020. Accordingly, no capital gains tax shall be collected or withheld before 17 May 2020 with respect to shares listed on the EGX.

On the other hand, the sale of unlisted Egyptian shares by both resident and non-resident shareholders is subject to capital gains tax at a rate of 22.5 per cent on the gain realised.

Another applicable tax on sales of securities, whether listed or unlisted, is the newly introduced stamp duty tax whereby the purchase and sale of shares representing less than 33 per cent of a company's issued capital (during a consecutive period of two years) up to 31 May 2019 was subject to stamp duty at a rate of 0.3 per cent of the total consideration, while as of 1 June 2019 the rate increased to 0.35 per cent. As per the Stamp Duty Law,<sup>24</sup> stamp duty should be borne equally by the seller and the buyer. If the transferred shares represent 33 per cent or more of a company's issued share capital (as bulk in one transaction), the buyer shall pay stamp duty at a rate of 0.3 per cent and the seller shall also pay 0.3 per cent.

Further, although value added tax may seem irrelevant to M&A activities, its application is crystallised in the acquisition of assets – in the context of asset deals rather than stock deals – since a sale of assets is subject to value added tax at different rates according to the sold assets.

Further, Article 107 of the Income Tax Law stipulates that if the Tax Authority finds that the rights of the public treasury are liable to be lost, the President of the Authority may request the competent summary matters judge to issue a warrant on petition for levying an attachment on the funds or assets deemed adequate for collecting rights that may be lost, whatever the holders of such funds.

Additionally, as per Article 1139 of the Civil Code, sums due to the state treasury for taxes, duties and any other dues are privileged in accordance with the conditions laid down by the laws and regulations issued in this connection. These sums shall be paid out of the proceeds of the sale of a property charged with this privilege, in whosoever's hand they may be, and before all other rights, whether privileged by a lien or secured by a mortgage, except the costs of legal proceedings.

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19 Article 91 of the Labour Law.

20 <https://drive.google.com/file/d/0B7TbC7kyvm9KVThUU1Jva09NZTA/view>.

21 No. 91 of 2005.

22 No. 67 of 2016.

23 Article 46 bis 5 of the Income Tax Law.

24 No. 11 of 1980.



stipulated in Article (22) of the Competition Law: each party to the horizontal agreement shall be punished by a fine ranging between 2 and 12 per cent of the total revenue of said party that was generated from trading the product or products that are the subject of the horizontal agreement during the violation period. In the event the competent court is unable to determine the aforementioned revenue, each party shall be punished by a fine amounting to no less than 500,000 Egyptian pounds and not exceeding 500 million Egyptian pounds. Such fines will be doubled in the case of recurrence.

The Cabinet and the President have recently approved draft amendments to the Competition Law, including a provision by virtue of which the penalty for failure to serve post-closing notifications upon acquiring, inter alia, assets, usufruct rights, shares or the joint management of two or more parties in the event that the combined annual turnover of the concerned parties in Egypt exceeds 100 million Egyptian pounds) according to their latest financial statements, will be calculated on a daily basis and until the required notification is made. However, such amendments have not yet entered into force.

## **X OUTLOOK**

Considering that Egypt achieved an economic GDP growth rate of 5.5 per cent for the second half of 2018 (the highest growth in the Middle East according to the IMF), implemented the vast majority of the medium-term reform plan agreed upon with the IMF, stabilised the Egyptian pound foreign exchange rate, secured the relative availability of foreign currency within banking channels and realised a notable increase in the forex reserves at the Central Bank, a large number of analysts and practitioners remain optimistic insofar as foreign direct investment and M&A activity are concerned.

In an attempt to reduce Egypt's increasingly large foreign currency debt (which is close to US\$100 billion), a wave of privatisations of public sector assets, including power stations, financial institutions and infrastructure, is expected, whether in the form of direct sales or flotations on the stock exchange.

It is also envisaged that further reforms in connection with the regulatory framework for antitrust will take place, and it is expected that these will strengthen the role of the regulator. The sectors that will see the vast majority of M&A transactions in the coming 12 months include:

- a* renewable energy;
- b* oil and gas;
- c* petrochemicals;
- d* education;
- e* food processing;
- f* financial services;
- g* telecommunications;
- h* real estate; and
- i* with a population of just over 100 million, sectors that will be impacted by Egypt's demographic power and potential.

All of the above evidence Egypt's commitment to a strong investment environment.<sup>28</sup>

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28 <http://www.mof.gov.eg/MOFGallerySource/English/Strategy.pdf>.

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