The role of banks, insurers and financial markets for SME financing, the Blue Economy and socio-economic development

Mr. Alaa El-Zoheiry
Chairman OF INSURANCE Federation OF Egypt
1. The Egyptian economy
2. Insurance Regulatory Environment in Egypt
4. Egyptian Insurance Market (Structure/premiums//claims/Investment)
5. Blue Economy and SMEs are the Engine of Economy Growth
6. Microfinance in Egypt
7. New Investment Law (72/2017) Specific Incentives for SMEs
8. SME financing in Egypt / Banking

9. Microfinance activity in Egypt/ Non Banking

10. The role of Insurance in financing SMEs

11. Sustainable Blue Economy

12. Message for Insurers

13. Egypt won the International Conference of the 2020 Blue Economy Forum

14. Impact of China's investments in Egypt

15. Promoting cooperation between Italy and Egypt to face challenges
The Egyptian economy recorded a remarkable development in many indicators during 2018, which in turn brought the Egyptian market back on the map of the global economy:

- Direct foreign investments reached about $8 billion in 2018.
- General inflation fell to 12.3% in 2019, from 15.4% in 2018.
- The unemployment rate in Egypt fell to 8.1% in the first quarter of 2019 compared to 10.6% in the same period a year ago.
- The GDP in Egypt expanded 5.50% in the fourth quarter of 2018 over the same quarter of the previous year.
FRA has outlined a series of reforms aiming at expanding insurance penetration, the most important reforms are:

- **Introducing The first draft of the comprehensive insurance law to regulate the insurance activities in Egypt.**

- **Establishing the policyholders' guarantee fund for Guaranteeing the Rights of the Policyholders and their Beneficiaries.**

- **Establishing compulsory automobile liability insurance through a specialized insurance pool for this purpose.**
Approve the amendment of the Microfinance Law to include small and medium enterprises in addition to micro enterprises.

Launch the first electronic platform for the exchange of insurance sector data and information in cooperation with IFE.

Introduces amendments to Insurance regulations governing micro-sized insurance companies. The amendments would allow them to offer both life and property insurance under one body, and would also have lower minimum capital requirements.
The year 2018 witnessed many achievements and strategic objectives set by the federation to develop the Egyptian insurance market, including:

- The implementation of plan to increase the insurance awareness.
- The issuance of a weekly insurance bulletin to raise awareness.
- Organize an Annual conference at Sharm El-Sheikh city the second will be held on 11-13 November 2019.
- Establishing a sustainable insurance committee in coordination with FRA.

- Issuing a draft Code of Ethics for the Proper Behavior of Insurance and Reinsurance Companies operating in Egypt.“.

- IFE Join the membership of the GFIA.

- Signing the two cooperation agreement between the IFE and La Tunisian federation (Ftusa) and the Jordan Insurance Federation (JIF).
YEAR OF COOPERATION & GREAT ACHIEVEMENTS

- Insurance Sector Marathon
- Weekly Newsletters
- Mandatory Covers
- Micro-insurance
- Membership in Many International Insurance Bodies
- Motor Act Pool
- Sharm El-Sheikh Rendezvous
- Market Databases
- Insurance Law
- Digitalization & Online Services
- Insurance Sector Strategy

GFIA
GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

1st Sharm El-Sheikh Rendezvous
Spreading Precious Ideas “SPI”
From 26th to 30th October, 2018
Egypt Hall- Savoy Resort Sharm El Sheikh

stop texting
save a life
Egyptian Insurance Market
The Structure

The Financial Regulatory Authority (FRA)

Insurance Companies
- Life Co.: 15
- Non Life Co.: 23

Private Insurance Funds
- 664

Government Insurance Funds
- 3

Insurance Pools
- 3

Auxiliary Organs
- 4

Insurance Professionals
IFE members “insurance companies”:

The total number of IFE’s members reached **38 companies**, including **15 life insurance companies**, **23 Non Life insurance companies** and **Cooperative Insurance Society (CIS)**.
## The Egyptian Insurance Market Indicators
### Gross Premium in USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Life</th>
<th>Life</th>
<th>Total</th>
<th>GR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/2014</td>
<td>482,388,763</td>
<td>362,035,942</td>
<td>844,424,705</td>
<td></td>
</tr>
<tr>
<td>2014/2015</td>
<td>522,018,811</td>
<td>431,787,694</td>
<td>953,806,505</td>
<td>13%</td>
</tr>
<tr>
<td>2015/2016</td>
<td>581,885,427</td>
<td>489,776,614</td>
<td>1,071,662,041</td>
<td>12%</td>
</tr>
<tr>
<td>2016/2017</td>
<td>810,928,658</td>
<td>598,043,386</td>
<td>1,408,972,044</td>
<td>31%</td>
</tr>
<tr>
<td>2017/2018</td>
<td>1,021,387,204</td>
<td>715,262,447</td>
<td>1,736,649,651</td>
<td>23%</td>
</tr>
</tbody>
</table>

Exchange rate 1 EGP = 17 USD
## Gross Claims Paid in USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Life</th>
<th>Life</th>
<th>Total</th>
<th>GR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/2014</td>
<td>211,421,862</td>
<td>217,591,430</td>
<td>429,013,292</td>
<td></td>
</tr>
<tr>
<td>2014/2015</td>
<td>256,660,779</td>
<td>258,212,464</td>
<td>514,873,243</td>
<td>20%</td>
</tr>
<tr>
<td>2015/2016</td>
<td>312,760,142</td>
<td>320,097,348</td>
<td>632,857,490</td>
<td>23%</td>
</tr>
<tr>
<td>2016/2017</td>
<td>342,910,289</td>
<td>414,123,154</td>
<td>757,033,444</td>
<td>20%</td>
</tr>
<tr>
<td>2017/2018</td>
<td>454,681,014</td>
<td>450,438,836</td>
<td>905,119,850</td>
<td>20%</td>
</tr>
</tbody>
</table>

Exchange rate 1 EGP = 17 USD
## Net Investments in USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Life</th>
<th>GR %</th>
<th>Life</th>
<th>GR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/2014</td>
<td>1,153,682,908</td>
<td></td>
<td>1,704,298,838</td>
<td></td>
</tr>
<tr>
<td>2014/2015</td>
<td>1,207,439,624</td>
<td>5%</td>
<td>1,879,032,313</td>
<td>10%</td>
</tr>
<tr>
<td>2015/2016</td>
<td>1,411,108,671</td>
<td>17%</td>
<td>2,144,282,423</td>
<td>14%</td>
</tr>
<tr>
<td>2016/2017</td>
<td>2,320,125,261</td>
<td>64%</td>
<td>2,712,763,950</td>
<td>27%</td>
</tr>
<tr>
<td>2017/2018</td>
<td>2,643,417,974</td>
<td>14%</td>
<td>3,201,161,897</td>
<td>18%</td>
</tr>
</tbody>
</table>

Exchange rate 1 EGP = 17 USD
The Blue Economy

- The Blue Economy is essential to potential contribution to 2030 Agenda Sustainable Development Goals (SDGs).
- It provides food, jobs, water, and is a source of economic growth.
- By one estimate, it generates USD 3-6 trillion to the world economy.
- The Blue Economy industries provide livelihoods to more than 820 million people worldwide in a variety of fields including shipping and related transport, power generation, mining, construction, trade, tourism and research.

SMEs

- (SMEs) is essential to potential contribution to the 2030 Agenda Sustainable Development Goals (SDGs).
- SMEs play a valuable role in job creation and tend to employ poor and low-income workers in poor regions and rural areas.
- Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies.
- According to the World Bank, it is estimated that 600 million jobs will be needed in the next 15 years.
SMEs, which constitute 90% of the Egyptian economy across different sectors, are one of the main pillars of the Egyptian economy.

The Microfinance market in Egypt comprises of six enterprises holding licenses to provide microfinance while those of NGOs rose to 897.

The amount of credit allocated to microfinance granted by banks, NGOs, and private enterprises locally rose to LE15.6 billion ($876.4 million) in the second quarter of 2018.

Microfinance is provided to 2.9 million clients.

New Investment Law(72/2017) included Specific Incentives for SMEs which allows for deductions from taxable net profits constituting a 30% discount off investment costs.
The area of SME financing in Egypt has so far been dominated by banks.

According to the ongoing reforms aiming to boost economic activity and raise financial inclusion, it become mandatory for Egyptian banks to 'give out 20% of their total loans portfolio to SMEs.

This is expected to provide 350,000 SMEs with EGP 200 billion within the upcoming four years at an interest rate of 5%.
Presidential Decree no. 141 of 2014 on regulating microfinance activity in Egypt was published to regulate the activity and determine licensing requirements for the companies and NGOs.

The law regulate microfinance provided by non-bank financiers, putting them under the supervision of the Financial Regulatory Authority (FRA).

According to this law, microfinance means is offering finance for economic productivity or service or commercial purposes with the value determined by FRA and it shall not exceed one hundred thousand pounds.

A draft law was issued amending the provisions of Law No. (141) of 2014 through covering all financing activities granted for micro, small, and medium-sized enterprises (MSMEs) putting these entities under a FRA regulatory system.
The role of Insurance for SMEs

- The insurance of small and medium enterprises is of great importance as it is the opportunity to increase the insurance contribution to GDP.

- Insurance is a risk transfer mechanism which make SMEs resilient to shocks, making them more financially sound.

- The insurance companies in Egypt were concerned with providing a package of coverage for SMEs. These include insurance for the loss of property / liabilities such as fire and burglary, loss of income to cover rental costs and other expenses, medical insurance for the project owner as well as credit insurance against the risks of non-payment of these small loans.

- There is a plan in Egypt to develop the technological environment for the benefit of the small and medium enterprises. Customers can find through the mobile application all details related to their insurance policy and pay premiums easier and faster, through the electronic and debit cards.
THE BLUE ECONOMY

- is inclusive and improves the lives of all
- harnesses renewable energy
- uses smart shipping to lessen the impacts on the environment
- is based on sustainable fisheries
- creates jobs, reduces poverty and ends hunger
- takes action against illegal fishing
- conserves marine life and oceans
- protects coastal communities from the impacts of climate change
- tackles marine litter and oceans pollution
The blue economy is concerned with the sustainable use and conservation of water resources - oceans, seas, lakes and rivers - to guide economic growth, improve livelihoods and create jobs, while ensuring respect for the environment, cultural values and biodiversity.

Agenda 2030 Goal 14 of sustainable development calls for the international community to "preserve and use the oceans, seas and marine resources for sustainable development".
Water covers more than 71% of the Earth's surface area.

Nearly half of the world's population lives within 100 kilometers of the sea.

Three quarters of all major cities in the world are located on the shores of the sea, accounting for 90% of the world's traded goods.

The world's marine assets contain treasures worth about $ 24 trillion.

The blue economy today would rank as the world’s seventh biggest economy.

The ocean-based global economy is estimated at US $ 3 trillion annually, representing about 5% of world GDP.

Global fish production has increased to around 171 million tonnes, of which nearly half comes from aquaculture worth about $ 362 billion.
The outlook on the rise of the blue economy in the 21st Century includes a message for insurance: new opportunities will arise for the insurance industry as the importance of marine ecosystem services is recognized and the blue economy increases in size.

Since insurance penetration covers only minor parts of today’s blue economy this presents a significant business opportunity for the insurance industry.
Egypt should be at the forefront of the countries dependent on the blue economy, due to its geographical location.

It has four thousand kilometers of beaches on the Red and Mediterranean Sea, the most important navigational corridor (Suez Canal), the Nile and nine lakes, A large, small and specialized port.

Egypt and Alexandria Port were chosen to host Intr. Conference of the 2020 Blue Economy Forum, as the Alexandria port is one of the largest ports in the Mediterranean and the world.
Egypt topped the list of African countries most attractive to foreign direct investment last year, maintaining the top spot for the second year in a row.

Egypt attracted about $8 billion in foreign investment, according to international reports, followed by South Africa.

Egypt aims to increase net foreign direct investment to $11 billion in 2018-2019 and a gradual rise to about $20 billion in 2021-2022.

The EU’s / UK /USA investments in Egypt are at the forefront.

China ranked 20 among the countries investing in Egypt.

Egypt welcomes all foreign investments which developing relationships and contributing to increasing the productive capacity in Egypt's economy.
Italy engaged in integrating the 2030 Sustainable Development Goals to the economic, social and environmental programming, through drafting the “National Sustainable Development Strategy 2017/2030” (NSDS).

Egypt is keen on fostering cooperation with Italy to benefit from its experience in facing the following challenges:

- **Sustainable Blue Economy**

- **Shaping the sustainable insurance agenda in Egypt**
Sustainable Blue Economy

We believe that adoption of the Principles for a Sustainable Blue Economy leads to a number of specific actions that need to be taken. Once we are clear about what a sustainable Blue Economy looks like, we then need to set clear goals and targets that align with that vision. We also need to transform these goals and targets into concrete actions, within and across economic sectors, and along entire value chains.

Shaping the sustainable insurance agenda in Egypt

The sustainable insurance challenge are evolving beyond the management of physical risks in underwriting to a broad range of interlinked physical, economic and social challenges.