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President Abdel Fattah Al-Sisi (2014-present) wins 97.1% of the vote in the 26-28 March presidential election. Turnout at 41.1% is higher than expected although there is a sharp increase in invalid ballots. The finance ministry publishes details of 23 state-owned enterprises that will either undertake an initial public offering or list additional shares on the Egyptian Exchange (EGX). The House of Representatives receives the draft 2018/2019 budget which provides for a 15.5% increase in government expenditure and a 22% increase in government revenue.

Sisi wins 97% of vote in presidential election

The **National Elections Commission (NEC)** announced on 2 April that President **Abdel Fattah Al-Sisi** (2014-present) secured 97.1% of the vote in the 26-28 March presidential election.¹ While the result was not a surprise, the higher than expected turnout lends greater popular legitimacy to Sisi's second term in office. Sisi's vote share is similar to the 96.9% of the vote he received in the 2014 election. The only other candidate, **Mousa Mostafa Mousa**, leader of the pro-government **Al Ghad** party, won 2.9% of the vote in the March election.² According to NEC figures, 7.3% of ballots were invalid.³ This represented a sharp increase on 3.1% of invalid ballots in the 2012 presidential runoff and 4.1% in the 2014 presidential election.⁴ There is, however, scepticism about the official numbers:

"Everyone knows that they have lied about turnout numbers and the number of votes for Mousa. But the biggest lie of them all is the number of invalid votes."⁵

There is popular gossip that Mousa, in fact, finished third in an election with only two candidates. Reportedly, a significant proportion of the invalid ballots in the most recent election were due to voters crossing out both candidate names and writing in **Mohamed Salah**, a widely-popular Egyptian footballer central to the national team's qualification for the **2018 World Cup** tournament.⁶ As invalid ballots accounted for almost treble the votes that Mousa received, it is credible that Salah received more votes than Mousa. Mousa has seemingly accepted his defeat, saying in a television interview on 3 April that his vote share was a *"big achievement"*⁷ considering Sisi's overwhelming popularity. Mousa's comments highlight the lack of formal opposition that Sisi faces.

"Mousa's comments are telling of where the country is."⁸

Turnout during the election was officially 41.1%, compared to 47.5% in 2014.⁹ This is part of a wider trend of voter fatigue due to repeated polls since the ouster of President **Hosni Mubarak** (1981-2011) in 2011.¹⁰ Turnout was higher than many feared when analysis suggested that opposition

¹ State Information Service, 2 Apr 2018.

² State Information Service, 2 Apr 2018.

³ State Information Service, 2 Apr 2018.

⁴ Al Araby, 3 Apr 2018.

⁵ Source, former diplomat, Cairo.

⁶ Al Araby, 3 Apr 2018.

⁷ Masaa DMC, 3 Apr 2018.

⁸ Source, think tank expert, Cairo.

⁹ Al Ahram, 3 Jun 2014.

¹⁰ Source, Egyptian analyst, UK.

candidate withdrawals would encourage voter apathy (see *ARC Briefing Egypt March 2018*).¹¹ Analysts suggest that Egyptian voters prioritise political and economic stability over democratisation.¹² The number of spoiled ballots – highest in **Cairo, Giza, Alexandria, Sharqia, and Beheira** – suggest, however, that Sisi cannot be complacent about political engagement amid increased authoritarianism.¹³

*“Did you see how they made [withdrawn presidential candidate] **Ahmed Shafik** be photographed voting? They have no class. There is no dignity in this ‘new Egypt’. None whatsoever. This is a brutish leader who sees no place for freedom. If you object, if you debate, you are a traitor.”¹⁴*

There were limited allegations of electoral malpractice on election day, but the majority of concerns about the election are due to the government’s crackdown on the opposition and independent media in the weeks before the vote.

*“Transport workers had their identification cards taken, not to be returned until they showed proof they voted. Many villagers were paid to go to polling centers and tell people to vote for Sisi. There were food and other financial incentives. The **New York Times** was threatened over an election story that mentioned Sisi facing ridicule in the election run-up. **Reuters** staff were personally threatened after their story on voting incentives, to the point that [their head office] decided to cave in and retract the story all together. **Al-Marsy Al-Youm** is facing an investigation and charges. This is madness. We are currently in uncharted territory in terms of the crackdown on press and personal freedoms in Egypt. I have never seen anything like this. No one is safe anymore.”¹⁵*

While there has been no official breakdown of election results, it appears that Sisi’s support remains concentrated in rural areas, with the urban middle classes and elite increasingly concerned about Egypt’s direction under him.

*“A former general, who speaks local Arabic, no English and has surrounded himself by loyalists so out of touch that all they do is concoct disastrous mega-projects and blunder through one public relations mess after another. Sisi sees himself as a President **Muhammad Anwar el-Sadat** (1970-1981)-like statesman, but the truth is, he is a simple and unsophisticated man, without the smarts of Mubarak or the deal-making pragmatism of Sadat. Sisi is quietly mocked by Egypt’s old guard for lacking education and connections. Because he represents the ascension of under-qualified, conservative and once lower-class military families, who now occupy the country’s top political and business posts.”¹⁶*

Sisi will be sworn in at a ceremony in early June, with his second term in office officially beginning on 7 June.¹⁷ In his victory speech, Sisi did not signal any change in policy direction during his second term, instead pledging to continue working towards development, stability and improved quality of life.¹⁸ Before his second term, Sisi is likely to reshuffle his cabinet, but not his key economic ministers, as he looks to maintain the confidence of the **International Monetary Fund (IMF)**.¹⁹ Though Sisi has previously downplayed the possibility of amending the constitution to extend office terms or remove term limits, there is speculation that he may attempt to do so.

“We expect this election will only cement Sisi’s efforts to curb all dissent and consolidate power. Only days after the result, we are seeing talk of altering presidential term limits. Whilst there is

¹¹ Source, Egyptian analyst, UK.

¹² Source, Egyptian analyst, UK.

¹³ Enterprise, 2 Apr 2018.

¹⁴ Source, former diplomat, Cairo.

¹⁵ Source, foreign correspondent, Egypt.

¹⁶ Source, think tank expert, Cairo.

¹⁷ Al Shorouk, 2 Apr 2018.

¹⁸ Enterprise, 2 Apr 2018.

¹⁹ Source, journalist, Cairo.

resentment within the general population, amending term limits will be a litmus test on how strong support for the president actually is. The last time this was discussed there was outrage from a number of sides, but what has changed is that there is so little opposition left in the country that maybe this time it could pass, in the same way the islands debacle eventually did.”²⁰

Sisi’s victory was never in doubt. While the opposition is weak, the bigger challenge to Sisi may come from within government if its political institutions see Sisi as detrimental to their own credibility or political ambitions should he look to remain in office beyond his second term.

Government sets out initial public offering programme

The finance ministry set out the government’s initial public offering programme on 18 March.²¹ An increased flow of private sector initial public offerings amid a steady increase in share prices suggests increased investor confidence. The finance ministry published details of 23 state-owned enterprises that will either undertake an initial public offering or list additional shares on the **Egyptian Exchange (EGX)**, most likely through an accelerated book-building process.²² According to the statement, Sisi has approved the choice of companies. By sector, the companies are:

- Banking and finance: **Banque du Caire, Misr Insurance, Bank of Alexandria, Housing and Development Bank, and E-Finance.**
- Oil and gas: **Engineering for the Petroleum Process Industries (Enppi), Middle East Oil Refinery (MIDOR), Alexandria Mineral Oils Co (AMOC), Assiut Oil Refining Co (ASORC), and Egyptian Drilling Co.**
- Petrochemicals: **Sidi Kerir Petrochemicals (Sidpec), the Egyptian Ethylene and Derivatives Co (Ethydco), Abu Qir Fertilizers, Egyptian Methanex Methanol Co (EMethanex), Egyptian Linear Alkyl Benzene Co (ELAB), and El Wadi Phosphate Co.**
- Transportation and logistics: **Alex Container and Cargo Handling, Port Said Container & Cargo Handling, and Damietta Container & Cargo Handling.**
- Industry: **Egyptalum.**
- Real estate: **Heliopolis Housing & Development, and Madinat Nasr Housing and Development (MNHD).**
- Fast moving consumer goods: **Eastern Co.**²³

For most of the companies, the government will sell a 15-30% stake, raising a total of EGP 450 billion (\$25.5 billion).²⁴ The sales will take place over the next 24-30 months.²⁵ The finance minister, **Amr El Garhy**, said the first sale will take place within two to three months, with the first phase completed by September or October.²⁶ El Garhy said on 20 March that the initial public offering programme is “flexible” and “could be amended” depending on the respective readiness of the companies.²⁷ The government has not confirmed the identity of the first company to be sold. However, there is speculation that it will be Enppi, currently 97% owned by the state-owned **Egyptian General Petroleum Corp.**²⁸ Banque du Caire may be the first bank to list, though this is not likely to happen until the fourth quarter of 2018.²⁹

²⁰ Source, human rights lawyer, Cairo.

²¹ Finance ministry statement, 18 Mar 2018.

²² Enterprise, 19 Mar 2018.

²³ Enterprise, 19 Mar 2018.

²⁴ Finance ministry statement, 18 Mar 2018.

²⁵ Finance ministry statement, 18 Mar 2018.

²⁶ Reuters, 18 Mar 2018.

²⁷ Al Mal, 20 Mar 2018.

²⁸ Enterprise, 19 Mar 2018.

²⁹ Enterprise, 20 Mar 2018.

The first significant initial public offering of the year was **Beltone Private Equity for Financial Investments (B Investments)** with a private placement opening on 6 March and the initial public offering closing on 25 March, resulting in trading of a 27% free floatation beginning on 28 March.³⁰ It is likely that investment bank **CI Capital**, which announced plans on 15 March to sell a 43.6% stake on the EGX in the second quarter, and **Carbon Holdings** which is developing its \$10.8 billion **Tahrir Petrochemicals Corp** complex in **Sokhna**, at the southern end of the **Suez Canal**, will be the next major private initial public offerings.³¹

Successful initial public offerings will increase market capitalisation and attract larger institutional investors thereby providing the platform for increased private investment and driving economic activity. The initial public offering programme will increase portfolio inflows and market turnover.

Parliament receives draft budget

The **House of Representatives** received the draft 2018/2019 budget on 2 April when speaker **Ali Abdel Aal** referred it to the house planning and budgeting committee.³² Budget discussions will start in mid-April when the finance minister, **Amr El Garhy**, and the planning minister, **Hala El Said**, address parliament on a yet to be specified date. The cabinet approved the draft budget on 19 March.³³ The draft budget targets 5.8% gross domestic product (GDP) growth in 2018 compared to 5.2% in the current fiscal year.³⁴ The budget aims to reduce the budget deficit from an estimated 9.5-9.7% of GDP in the current financial year to an 8.4% deficit next year as part of government efforts to achieve a 2% surplus by the 2020/2021 financial year.³⁵ The budget provides for a 15.5% increase in government expenditure to 1.41 trillion Egyptian pounds (EGP) (\$79.8 billion).³⁶ In a statement, the cabinet said the budget would increase spending on social welfare programmes to EGP 332 billion (\$18.8 billion) and public wages to EGP 266 billion (\$15.1 billion).³⁷ Government investments will increase 46% from EGP 70 billion (\$4 billion) to EGP 100 billion (\$5.7 billion).³⁸ The cabinet statement provided no information about the expected government plans to cut energy subsidies next year.³⁹ The budget provides for a 22% increase in government revenue to EGP 980 billion (\$55.6 billion).⁴⁰ Taxes and tariffs will contribute EGP 760 billion (\$43 billion) to government revenue.⁴¹ Public debt will reach 88% of GDP under the budget.⁴² The draft budget is predicated on an exchange rate of 17.25 Egyptian pounds (EGP) to the dollar and an oil price of \$67 a barrel.⁴³ The budget targets an unemployment rate of 10.4% and an inflation rate of 13%.⁴⁴

The budget suggests that Sisi will persist with his economic reform programme during his second term in office. The IMF and investors alike will welcome this policy continuity.

Planner

2018-2019 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;

³⁰ EgyptToday, 18 Mar 2018.

³¹ Bloomberg, 15 Mar 2018.

³² Al Mal, 2 Apr 2018.

³³ www.cabinet.gov.eg.

³⁴ www.cabinet.gov.eg.

³⁵ www.cabinet.gov.eg.

³⁶ www.cabinet.gov.eg.

³⁷ Egypt Today, 28 Mar 2018.

³⁸ Egypt Today, 28 Mar 2018.

³⁹ www.cabinet.gov.eg.

⁴⁰ Egypt Today, 28 Mar 2018.

⁴¹ Egypt Today, 2 Apr 2018.

⁴² Egypt Today, 2 Apr 2018.

⁴³ Al Shorouk, 22 Mar 2018.

⁴⁴ Al Shorouk, 22 Mar 2018.

7 Jun 2018 **Cairo (Egypt)** *Al Shorouk*. President **Abdel Fattah Al-Sisi** (2014-present) second term begins;

Jun 2018 **Cairo (Egypt)** *Press release*. Government expects next \$2 billion disbursement from **International Monetary Fund (IMF)** before new financial year, after IMF completes review in May;

Second quarter 2018 **(Egypt)** *Reuters*. Government to issue \$1-1.5 billion euro-denominated bond sale before start of next financial year;

Second quarter 2018 **(Egypt)** *Al Mal*. **CI Capital** initial public offering expected;

Mid-April 2018 **Cairo (Egypt)** *Al Mal*. **House of Representatives** to begin budget discussions.

Chronology

3 Apr 2018 **(Egypt)** *Reuters*. **Telecom Egypt** denies reports that it has lost access to \$735m commercial syndicate facility;

3 Apr 2018 **Cairo (Egypt)** *Al Mal*. **CI Capital** expects to raise \$100m in initial public offering in second quarter;

2 Apr 2018 **(Egypt)** *Press release*. The **National Elections Commission (NEC)** announces that President **Abdel Fattah Al-Sisi** secured 97.1% of the vote in the presidential election;

2 Apr 2018 **Cairo (Egypt)** *Press release*. Parliament receives draft 2018/2019 budget;

29 Mar 2018 **Cairo (Egypt)** *Press release*. The **Central Bank of Egypt** cuts interest rates 100 basis points citing easing inflation;

26-28 Mar 2018 **(Egypt)** *Al Mal*. Presidential election;

25 Mar 2018 **(Egypt)** *Al Mal*. **Beltone Private Equity for Financial Investments** share offering closes;

21 Mar 2018 **Cairo (Egypt)** *Al Mal*. The finance minister, **Amr El Garhy**, says government plans to list between four and six companies on the **Egyptian Exchange (EGX)** in 2018;

19 Mar 2018 **Cairo (Egypt)** *Press release*. Cabinet approves draft 2018/2019 budget;

18 Mar 2018 **Cairo (Egypt)** *Al Masry Al Youm*. El Garhy names 23 companies under initial public offering programme;

15 Mar 2018 **Cairo (Egypt)** *Press release*. **CI Capital** plans to sell 43.6% of the company on the EGX in the second half of the year;

12 Mar 2018 **Aswan (Egypt)** *Al Ahram*. **Infinity Solar** and **Ib Vogt GmbH**'s 50 MW solar power plant becomes first solar plant inaugurated in \$2.8 billion **Benban Park**;

12 Mar 2018 **Cairo (Egypt)** *Press release*. Government hires advisors to manage \$1-1.5 billion euro-denominated bond sale before start of next financial year;

12 Mar 2018 **Offshore (Egypt)** *Globes*. **Royal Dutch Shell** nears 10-year \$25 billion agreement to buy gas from **Leviathon** field (**Israel**) and **Aphrodite** field (**Cyprus**);

11 Mar 2018 **Cairo (Egypt)** *Press release*. The **Central Agency for Public Mobilization and Statistics (CAPMAS)** publishes data showing that annual urban inflation decreased from 17.1% in January to 14.4% in February;

7 Mar 2018 **Cairo (Egypt)** *Enterprise*. Garhy expects euro-denominated Eurobond in April;

7 Mar 2018 **Cairo (Egypt)** *Press release*. Cabinet approves preliminary agreement for \$7

billion **Russian Industrial Zone** in **Suez Canal Economic Zone**;

6 Mar 2018 **Cairo (Egypt)** *Bloomberg*. EGX chairman **Mohamed Farid** says he expects seven initial public offerings in 2018;

5 Mar 2018 **Cairo (Egypt)** *Reuters*. Egypt and **Saudi Arabia** agree to activate 2016 agreement to establish joint \$16 billion investment fund;

4 Mar 2018 **Cairo (Egypt)** *Mehwar TV*. The oil minister, **Tarek El Molla**, says government plans to bridge 35% fuel deficit within three years.