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Egypt Summary 16 July 2019

Egypt could receive \$9 billion in investment as part of the United States-led 'Deal of the Century' to solve the Israeli-Palestinian conflict. Former president Mohamed Morsi (2012-2013) dies of a heart attack during a court session on espionage charges. Egypt asks for further support from the International Monetary Fund (IMF) as its loan programme is set to end.

Egypt could get \$9 billion in peace deal

Egypt could receive as much as \$9 billion worth of investment as part of the **United States (US)** President **Donald Trump** (2017-present) administration's \$50 billion economic plan for the **Israeli-Palestinian** peace deal.¹ The money would be invested across projects that would be related to transport infrastructure, development projects in **Sinai**, expansion of the **Suez Canal Zone**, and assisting the growth of Egyptian small to medium enterprises.² The money represents a conundrum for an Egypt, which is in need of foreign investment, but wary of putting its support behind an unfair "*peace plan*" that could ignite the next major conflict in the region. The **West Bank** and **Gaza** would receive almost \$30 billion toward improving infrastructure while the rest of the fund would be divided between **Jordan**, which would receive \$7 billion, and **Lebanon**, which would receive \$6 billion. The plan is set to be funded by grants, subsidised loans and private capital.³

Critics of the plan point out that economic incentives are pointless without a political solution, with donors and investors unlikely to give money to a solution that Palestinian officials have decried as a bribe (see *ARC Briefing Egypt June 2019*).⁴ **Hanan Ashrawi**, a prominent member of the Palestinian negotiating team, dismissed the plan as mere "*intentions*" and "*abstract promises*", arguing that only a negotiated political settlement will bring the conflict to an end. Palestinian fundamentalist organisation **Hamas** rejected the proposal, saying "*Palestine isn't for sale.*"⁵

Egypt has remained mostly silent on the plan, but did attend the conference at which the plan was revealed in the lead up to the US-led workshop in **Bahrain** that took place on 25-26 June. Breaking the previous silence on the deal, foreign minister **Samer Shoukry** said:

*"It is important for Egypt to participate to listen to this proposition and evaluate it ... but not in terms of approving it."*⁶

Refuting previous claims that the deal would involve Egypt ceding territory he added:

¹ Press release, 19 Jun 2019.

² Press release, 19 Jun 2019

³ Press release, 19 Jun 2019.

⁴ Reuters 26 Jun 2019.

⁵ Reuters, 22 Jun 2019

⁶ Asharq Al Awsat, 24 Jun 2019.

“There will be no renouncing one bit, one grain of sand from the lands of Sinai, which honourable Egyptians were martyred defending.”⁷

The conference itself saw low attendance by business leaders and was boycotted by **Palestinians**, after which the **White House** decided not to invite the Israeli government.⁸ While **Saudi Arabia** and the **United Arab Emirates** have previously shown support for the plan, other **Gulf States**, and Jordan and Lebanon, have warned that without a political solution, any economic agreement could fuel further instability. **International Monetary Fund (IMF)** head **Christine Lagarde** added:

“Peace, political stability, and re-establishment of trust between all the parties involved are essential pre-requisites to the success of any economic plan for the region.”⁹

For Egypt, there remains an integral conflict on the one hand to support a plan that could see cash come into the country at a time when subsidies are being removed and debt reduction is a large concern. But, on the other hand, there is recognition of the dangers of an ill conceived plan devised by real estate heir **Jared Kushner**, President Trump’s son-in-law and a politically inexperienced Zionist, pushing a personal agenda in a region already beset by violence and instability. There is a sense in the business community that the plan is a pipe dream, and that the government is just going along with it for now. Few are overly optimistic that the plan will actually materialise.

Ousted ex-president Morsi dies in courtroom session

Egypt’s only democratically elected president, **Mohamed Morsi** (2012-2013), who was deposed in 2013 on the back of mass protests, died during a court session in **Cairo** on 17 June. Morsi had been held in solitary confinement since 2013, having been denied access to both his family and lawyers during this time, and suffered from diabetes and hypertension.¹⁰ His family had repeatedly appealed to foreign governments, including the **United Kingdom**, in an attempt to pressure the Egyptian government to allow him to have access to medical care.¹¹ A **British** parliamentary investigation warned more than a year ago that Morsi might die as a result of his treatment in prison.¹² Minutes before he died, he requested permission to speak and said that he had secrets that could bring down the government.¹³ Following this, he collapsed and was taken to hospital where he was pronounced dead on arrival.¹⁴

While deeply unpopular during the time he ruled the country, Morsi’s death has once again focused attention on the President **Abdel Fattah el Sisi** (2014-present) regime’s systematically cruel treatment of prisoners, as well as bringing back memories of post-revolutionary Egypt that saw the country elect a member of the deeply unpopular **Muslim Brotherhood** over the President **Hosni Mubarak**-era (1981-2011) prime minister **Ahmed Shafik**.

A number of sources have suggested that it is possible that Morsi did not die of natural causes. The government’s refusal to allow him to be buried in a family crypt has given credence to such theories. The government’s response to his death also involved instructing

⁷ Asharq Al Awsat, 24 Jun 2019.

⁸ Reuters, 24 Jun 2019.

⁹ Reuters, 26 Jun 2019.

¹⁰ Source, official, Cairo

¹¹ Source, official, Cairo

¹² Bloomberg, 24 Jun 2019.

¹³ Source, official, Cairo

¹⁴ Source, official, Cairo

all local news organisations to publish a 42-word statement that it had distributed to them via text message on the latter pages of their next day's editions.¹⁵ Only one paper featured his death on the front page. Further adding to the widely held belief that the government is dictating all news published in the Arabic press, a newsreader reporting on Morsi's death in a live broadcast mistakenly read from the teleprompter,

*"This was sent from a Samsung device."*¹⁶

Rupert Colville, spokesman for the **United Nations (UN) High Commissioner for Human Rights**, called for a *"prompt, impartial, thorough and transparent investigation"* into Morsi's death.¹⁷ The Egyptian foreign ministry was quick to fire back, accusing the UN of *"deliberately politicising the natural death"* of Morsi during his trial of espionage charges.¹⁸ **Turkey's** President **Recep Erdogan** (2014-present), who had close ties with the **Muslim Brotherhood** movement, added that he did not believe that Morsi died of natural causes:

*"Unfortunately, Mohammed Morsi was on the ground of courtroom flailing for 20 minutes. No official there intervened. Morsi did not die naturally, he was killed."*¹⁹

Local rights groups have said that Morsi died of *"willful negligence"* and that they hoped his death might shine light on conditions facing tens of thousands of political prisoners currently detained by the Sisi regime.²⁰

For the most part the aftermath and reactions to Morsi's death have been a stark reminder of the extent to which the Muslim Brotherhood has been politically decapitated in Egypt. Having either fled or been imprisoned for the most part, those who remain in hiding in Egypt are unable to register resistance or protest in the way they would have on a mass scale in the pre-Sisi era. Other sources have suggested that the muted reaction reflects Egypt's declining importance both in the region and the world, as the presidency of Donald Trump dominates the headlines, alongside what is seen as a growing concern over the proxy war currently taking place between **Iran** and Saudi Arabia.

Egypt in talks with IMF for non-loan programme

Finance minister **Mohamed Maait**, in an interview with US-based media company **Bloomberg** on June 25, discussed the government's plan to conclude a non-financial agreement with the IMF by October to replace a three-year loan deal that expires this month.²¹ Such a move would likely further bolster investor confidence in Egypt's fixed-income assets and the Egyptian pound carry trade.²² **Mohamed Basha**, head of macroeconomic analysis at Cairo-based investment bank **EFG Hermes**, said:

*"Egypt makes for a very good trade... signing the agreement would act as further reassurance and can guarantee a consistent stream of inflows and lower borrowing costs."*²³

¹⁵ Mada Masr, 18 Jun 2019.

¹⁶ ExtraTv, 19 June 2019.

¹⁷ Associated Press, 19 Jun 2019.

¹⁸ Press release, Jun 19 2019.

¹⁹ Quoted in Associated Press, 19 Jun 2019.

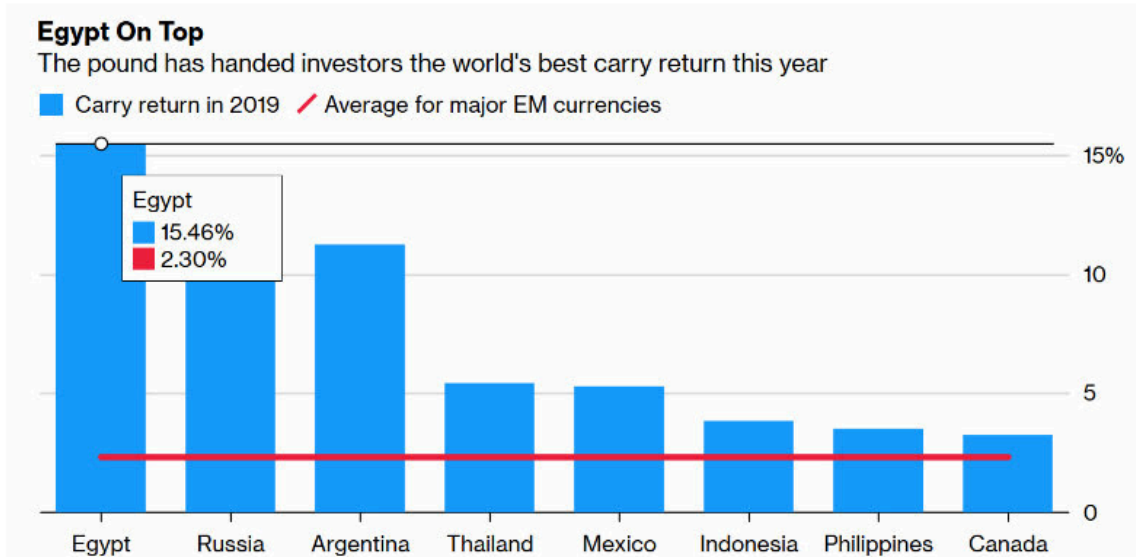
²⁰ Press release, 18 Jun 2019.

²¹ Bloomberg TV, 25 Jun 2019.

²² Bloomberg, 26 Jun 2019.

²³ Bloomberg, 26 Jun 2019.

Investors have netted a 23% return on EGP-denominated bonds this year – five times the emerging market average – while the value of the Egyptian pound has increased by 7.3% against the US dollar.²⁴



Talking on the potential for a further agreement with the IMF, Maait said:

“We started discussing with the IMF, first of all, what are the options Egypt is eligible for and after that we set up a framework for the elements and components of the program and presented it to the IMF and we are in a dialogue about that.”²⁵

Maait added that while structural reform will continue, the priority going forward for the government will be human development.²⁶ The IMF team made its final visit to Egypt in May, reaching an agreement to disburse the last tranche of the \$12 billion bailout loan that was agreed to in 2016. So far there has been no confirmation on when the tranche will be released.²⁷ The IMF team said in a press briefing that there are no negotiations currently taking place, and rather the current programme must come to a close before any talks on further support can commence.²⁸

The move comes in the wake of the government’s efforts to reduce its debt-to-GDP burden by 80% by 2022. The plan also includes lowering dependency on short-term debt.²⁹ The finance ministry has announced it is aiming to secure approvals from **Asian** central banks by November to issue Panda and Samurai bonds in the first quarter 2020.³⁰

²⁴ Bloomberg, 26 June 2019

²⁵ Bloomberg, 25 Jun 2019.

²⁶ Bloomberg, 25 Jun 2019.

²⁷ IMF Press statement, 19 May 2019.

²⁸ Press briefing, 27 Jun 2019.

²⁹ Enterprise, 10 Mar 2019.

³⁰ Enterprise, 27 Jun 2019.

Planner

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

25 Jul 2019 **Cairo (Egypt)** *Al Borsa*. **United States** energy secretary **Rick Perry** visiting Cairo;

29 Jul 2019 **Cairo (Egypt)** An administrative court will look into charges brought by the **Financial Regulatory Authority (FRA)** against **Raya Holding** founder **Medhat Khalil** in connection with a mandatory tender offer forced on him by the FRA;

Aug 2019 **Cairo (Egypt)** *Enterprise*. The **National Railway Authority** is expected to sign a 15-year maintenance agreement for 1,300 railcars it had agreed to purchase from **Russia-based Transmashholding** under a EGP 22 billion (\$1.3 billion) contract;

3 Aug 2019 **Cairo (Egypt)** *Al Akhbar*. **Cairo Criminal Court** “stock market manipulation” trial of **Gamal** and **Alaa Mubarak**;

Oct 2019: *Enterprise*. **Russia-based Rosatom** and the **Nuclear Power Plants Authority** forum to introduce local suppliers and contractors to the **Dabaa** nuclear plant.

Chronology

17 Jul 2019 **Cairo (Egypt)** *Reuters*. Finance ministry says economy is on right track after 5.6% growth in 2018/19;

17 Jul 2019 **Cairo (Egypt)** *Reuters*. **European Bank for Reconstruction and Development (EBRD)** looks to boost equity investments in Egypt;

16 Jul 2019 **Cairo (Egypt)** *Reuters*. **Kuwait** hands **Muslim Brotherhood**-linked militants to Egypt;

15 Jul 2019 **Cairo (Egypt)** *Al Ahram*. Egypt's parliament approves a new Non-governmental organisation (NGO) law;

13 Jul 2019 **Cairo (Egypt)** *Al Watan*. Egypt hosts **Libyan** members of parliament national dialogue in Cairo to unify vision and reach a political solution;

11 Jul 2019 **Cairo (Egypt)** *Reuters*. Cairo-based e-payment company **Fawry's** Initial Public Offering (IPO) preparations are underway, but size and date of the offering remain undecided;

11 Jul 2019 **Cairo (Egypt)** *Al Mal*. **Central Agency for Public Mobilisation and Statistics (CAPMAS)** data shows that inflation fell to 9.4% last month from 14.1% in May;

11 Jul 2019 **Cairo (Egypt)** *Enterprise*. Public enterprise minister **Hisham Tawfik** says there will be no sales of stakes in state companies before September;

9 Jul 2019 **Cairo (Egypt)** *Press release*. After passing amendments to the **Mineral Resources Act**, the government says it is aiming to reel \$700m in new investments into the mining sector by 2030 and increase the sector's contribution to GDP to \$7 billion;

5 Jul 2019 **Cairo (Egypt)** *Al Masry Al Youm*. The latest round of fuel subsidy cuts raises domestic prices by 16%-30% as the country nears the end of an **International**

Monetary Fund (IMF)-backed economic reform programme;

5 Jul 2019 **Cairo (Egypt)** *Associated Press*. Egypt hikes fuel prices by up to 22%;

3 Jul 2019 **Cairo (Egypt)** *Press release*. The **World Bank** approves a \$500m loan to support Egypt's cash-subsidy programmes;

2 Jul 2019 **Cairo (Egypt)** *Reuters*. Egypt to launch short-selling of shares during 2019;

2 Jul 2019 **Cairo (Egypt)** *Enterprise*. **Israel's** exports of gas into Egypt are reportedly delayed due to a delay in regulatory clearances;

28 Jun **Cairo (Egypt)** *Associated Press*. **Al-Qaida** accuses Egypt of killing ex-president **Mohamed Morsi** in jail;

26 Jun 2019 **Cairo (Egypt)** *Enterprise*. Egypt is in talks with the **International Monetary Fund** for a non-loan programme;

25 Jun 2019 **Cairo (Egypt)** *Al Jazeera*. Authorities arrest at least eight people on accusations of a plot to bring down the government;

25 Jun 2019 **Cairo (Egypt)** Cairo-based **Elsewedy Electric** has signed a \$100m loan agreement with **Banque Misr** to finance expansion plans in **Africa**;

24 Jun 2019 **Cairo (Egypt)** *Middle East Monitor*. The **United States** will reportedly lend \$9 billion to **Egypt** if it agrees to a **Middle East** peace deal;

22 Jun 2019 **Cairo (Egypt)** Egypt says it will participate in **United States** President **Donald Trump's** 'Peace workshop';

19 Jun 2019 **Cairo (Egypt)** *Enterprise*. Four brokerages have taken out licences to offer short selling;

17 Jul 2019 **Cairo (Egypt)** *Reuters*. Egyptian authorities refuse President **Mohamed Morsi's** burial in family cemetery;

17 Jun 2019 **Cairo (Egypt)** *Reuters*. Former President **Mohamed Morsi** dies of a heart attack while in court on espionage charges;

13 Jun 2013 **Cairo (Egypt)** *Reuters*. The government hikes fare on a third Cairo metro line;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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