

AFRICA RISK CONSULTING

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Egypt Summary 24 March 2020

Coronavirus cases continue to rise in Egypt as government imposes curfew and closures to curb spread of the disease. Hosni Mubarak (1981-2011), Egypt's ousted former president, dies at 91, leaving a legacy of corruption, stagnation and dictatorship in his wake. Negotiations with Ethiopia over the Grand Ethiopian Renaissance Dam (GERD) collapse with Ethiopia rejecting the United States' role in negotiations and vowing to draw up its own plan.

Egypt announces curfew and other measures to combat spread of Covid-19

Egypt is imposing a partial curfew from 7 pm to 6 am for two weeks as of 25 March as part of stricter measures to limit the spread of the **coronavirus**.¹ Egypt has so far registered 366 coronavirus cases, including 19 fatalities,² although questions have been raised on the accuracy of the official numbers of the sick provided by the government after a number of cases abroad were traced to have originated from a tourist cruise boat in **Aswan**.³

The curfew will see all mass public and private transport suspended. All non-essential government offices, clubs and gyms are also to be shuttered. Violators will be subject to emergency law penalties, which vary from a EGP4,000 (\$253) fine to jail terms.⁴ The prime minister said the “*firmer and stronger*” measures are meant to minimise the risk of quick virus transmission, adding that even “*stricter*” measures may be taken in the future. The moves come after health minister **Hala Zayed** stated that the health system would be overwhelmed should the country have more than 1,000 infections.⁵

Prior to the curfew the government had introduced a series of measures including halting flights, banning public gatherings, cancelling worshipping in mosques and churches, cancelling school and university attendance and closing restaurants and popular street cafes in the evenings.⁶ The moves come as the government has struggled to balance keeping people employed, with a significant proportion of Egyptians being both on a daily cash wage, and without bank accounts. Many are vulnerable to losing their homes and incomes, with no available means for the government to make electronic payments to them. This, coupled with Egyptians being somewhat used to crisis, has meant a marked delay in adopting social distancing and hygiene measures needed to slow the spread of the disease.

The government has been keen to signal to the business community that it wants to protect the country's economy from the fallout of the virus. The **Central Bank of Egypt (CBE)** made its biggest rate cut on record, in an emergency meeting on 16 March, when it cut interest rates by 300 bps.⁷ CBE governor **Tarek Amer** said the decision was made to “*sacrifice to support the Egyptian economy*”.⁸ The same day the **Egyptian Stock Exchange** witnessed its worst showing since November 2012, with

¹ Press release, 24 Mar 2020.

² Al Ahram, 24 Mar 2020.

³ The Washington Post, 14 Mar 2020.

⁴ Press release, 25 Mar 2020.

⁵ Al Ahram, 16 Mar 2020.

⁶ Mada Masr, 23 Mar 2020.

⁷ Press release, 16 Mar 2020

⁸ Press release, 16 Mar 2020

shares tumbling 9.3%.⁹ The government also announced loan extensions and relief on real estate and business taxes.¹⁰ Sources questioned whether a lower interest rate environment will spark investment given the uncertainty over how the covid-19 outbreak will hit the economy. Sources also suggested that the measures including further cuts to interest rates were just the beginning.¹¹

“The hit from the coronavirus outbreak is likely to mount in the coming weeks and months and, with inflation no longer a major concern for the CBE, more stimulus lies in store. We now expect the overnight deposit rate to be lowered by an additional 225 bps to 7.5% in the next couple of months.”¹²

The business community is bracing itself for the impact of the virus, with circles in **Cairo** worried about how the government is managing the crisis, given its notorious lack of transparency and Egypt’s fragile public health infrastructure. The lack of communication with Egyptians on how to prevent the spread in cities where millions of people live and work in close proximity to each other, as well as the quarantining of the sick in **Marsa Matrouh**, a remote town near the **Libyan** border, have not aided the confidence of citizens.¹³ Many sources have said that they would not go to a hospital if they became sick with the virus. This lack of trust in the authorities has not helped, with widely shared images of the army deploying troops from its chemical warfare units to deep-clean parts of Cairo including roads and public buildings.¹⁴

Hosni Mubarak, Egypt’s ousted president, dies

Egypt’s former president, ousted autocrat **Hosni Mubarak** (1981-2011), died on 24 February at a military hospital in Cairo aged 91.¹⁵ He had undergone surgery earlier in February but his condition deteriorated and he died of kidney failure. Nine years after his ouster, Mubarak’s legacy looms heavily over every aspect of political and social life in an Egypt still grappling with the ongoing aftermath of the **Arab Spring**.

Mubarak, who ruled over Egypt with a 30-year-long **State of Emergency** in place, was thrust into power as vice president after the assassination of his predecessor, **Anwar Sadat** (1970-1981) in 1981.¹⁶ Mubarak was ousted in the 2011 uprising that swept Egypt as part of the Arab Spring movement. He was sentenced to life imprisonment for involvement in the killing of anti-government protesters but was later retried, acquitted, and released in 2017.¹⁷ His two sons, **Gamal** and **Alaa**, were both convicted and served prison terms for corruption.¹⁸

Mubarak’s most notable achievements as president were largely maintaining the **Camp David** peace treaty with **Israel** and negotiating debt forgiveness that got it **International Monetary Fund (IMF)** backing and convinced the **Paris Club** of creditors in 1991 to forgive half of the country’s \$20 billion in debt at the time.¹⁹ Mubarak also preserved an energy and food subsidy system and created a system of cronyism within his ruling **National Democratic Party (NDP)** that robbed the country of billions of dollars, ultimately culminating in an economic crisis in the aftermath of the 2011 revolution.

While the State held a military funeral with honours, something which is not usually permitted for someone who has been charged with criminal behaviour, the government was also keen to distance

⁹ Enterprise, 16 Mar 2020.

¹⁰ Press release, 16 Mar 2020.

¹¹ Source, Investment banker, Cairo, Egypt.

¹² Capital Economics forecast, Mar 2020.

¹³ Mada Masr 3 Mar 2020.

¹⁴ Nile TV, 22 Mar 22 2020.

¹⁵ The New York Times, 24 Feb 2020.

¹⁶ The New York Times, 24 Feb 2020.

¹⁷ Bloomberg, 2 Mar 2017.

¹⁸ Associated Press, 3 Mar 2017.

¹⁹ Enterprise, 26 Feb 2020.

itself from Mubarak's legacy with state media running a series of programmes that mentioned Mubarak as corrupt.²⁰ This also reflected the growing sentiment in Egypt that while Mubarak's leadership was average, it was significantly better and less brutal than the current regime.²¹ However, Egyptians still took to social media platforms denouncing Mubarak's leadership as having set Egypt back for generations.

*"Mubarak is dead, but the legacy of nepotism, stagnation, corruption will have after-effects on generations to come. It is impossible to imagine how long it will take Egypt to recover from his reign, given that the current leadership was also raised under him. We are witnessing this passed-on incompetence in the current regime. [President **Abdel Fattah el**] **Sisi** [2014-present] was Mubarak's head of intelligence. Mubarak set Egypt up as a police state and the leadership now is a mere extension of that."²²*

The business community views Mubarak's passing with a mix of loathing and nostalgia. He and his close associates (many of whom remain in prominence) plundered the country's resources, while failing to provide adequate services and infrastructure, but the military regime of current President Sisi is viewed with equal disdain for its combination of incompetence, paranoia and brutality. Mubarak at least consulted civilians, engaged with private sector and had at different times competent technocrats in key ministries, notably **Boutros Ghali**, who also served as sixth secretary-general of the **United Nations**, and **Ahmed Nazif**, who as prime minister introduced a series of economic reforms in the 2000s. In contrast, many people in key positions under the current government have no more than high school education and military service.

Tension peaks over Grand Renaissance Dam

Tensions have again flared between **Ethiopia** and Egypt after Ethiopia failed to attend the latest round of talks on 1 March in **Washington DC (United States) (US)**, claiming that the US position on the controversial **Grand Ethiopian Renaissance Dam** project is "*totally unacceptable*".²³

At a press conference on 3 March, foreign minister **Gedu Andargachew** said that Washington had taken an "*undiplomatic*" stance during the recent talks and urged it to play a "*constructive role*".²⁴ The minister was referring to **US Treasury** statements on 28 February that claimed that an agreement had been reached and called on Ethiopia to sign "*at the earliest possible time*".²⁵ Gedu Andargachew said:

"The recent statement by the US we believe is undiplomatic and does not reflect a great nation like this. We want Americans to play a constructive role. Any other role is unacceptable."²⁶

Egypt responded saying it would use "*all available means*" to defend its interests if the talks fell through.²⁷ The US had crafted a draft deal (see *ARC Briefing Egypt February 2020*) after more than four months of talks on the filling and operation of the dam, and said the final testing and filling of the dam "*should not take place without an agreement*".²⁸ Egyptian officials have raised concerns that filling the reservoir behind the dam too quickly could significantly reduce the amount of **Nile** water available to Egypt.

Egypt signed the draft and urged Ethiopia and **Sudan** to do the same, describing it as "*fair and equitable*" and in the "*common interest of the three countries*".²⁹ Ethiopia's top military officers visited

²⁰ Nile TV, Feb 26 2020.

²¹ Source, Newspaper columnist, Cairo.

²² Source, diplomat, Cairo

²³ BBC, 3 Mar 2020.

²⁴ BBC, 3 Mar 2020.

²⁵ Associated Press, 9 Mar 2020.

²⁶ BBC, 3 Mar 2020.

²⁷ Associated Press, 15 Mar 2020.

²⁸ Press release, 4 Mar 2020

²⁹ Press release, 4 Mar 2020

the site of the dam and issued a statement vowing to “retaliate if there are any attacks on the dam,” a veiled warning to Egypt not to try to sabotage the structure.³⁰ Ethiopia’s foreign minister, Gedu Andargachew, said in press interviews that Ethiopia is now drafting its own proposal on how to resolve the standoff, which will be presented to Egypt and Sudan soon.³¹

The GERD, announced in 2011, has been positioned as the centrepiece of Ethiopia’s push to become Africa’s biggest power exporter, generating more than 6,000 megawatts. Egypt currently receives about 85% of its water from the Nile, and is already anticipating a nationwide shortage of fresh water by 2025.³² Egypt has previously said that without the concessions it has asked for, it would risk losing more than one million jobs and \$1.8 billion in economic output annually, as well as electricity valued at \$300m.³³

Planner

2019-2020 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;

Chronology

24 Mar 2020 **Cairo (Egypt)** *Mada Masr*. Egypt’s government imposes curfew and closures to slow spread of **covid-19**;

23 Mar 2020 **Cairo (Egypt)** *Associated Press*. **United States**-based non-governmental organisation **Human Rights Watch** says **Egyptian** police, security forces and military officials have arbitrarily arrested, tortured and disappeared hundreds of children;

22 Mar 2020 **Cairo (Egypt)** *Al Mal*. Public enterprises minister **Hisham Tawfik** says the state privatisation programme is officially being put on ice as the **covid-19** outbreak wreaks havoc on global equity markets;

22 Mar 2020 **Cairo (Egypt)** *Al Ahram*. Ministry of religious endowments’ ban includes a suspension of collective Friday prayers in mosques;

22 Mar 2020 **Cairo (Egypt)** *Youm7*. The **Supreme Council of University Hospitals** orders its facilities to cut non-emergency admission by 70% to free beds for potential **covid-19** patients;

19 Mar 2020 **Cairo (Egypt)** *Knight Frank Wealth Report*. Egypt holds the second highest number of ultra-rich individuals in **Africa** with 764 ultra-high net worth individuals (UHNWI) – those with a net worth above \$30m – second only to **South Africa** and just ahead of **Nigeria**;

18 Mar 2020 **Cairo (Egypt)** *Press release*. The government has announced a package of fiscal measures to help support the economy and financial markets as it braces against the impact of the **covid-19** outbreak;

16 Mar 2020 **Cairo (Egypt)** *Egypt Today*. Information minister **Osama Heikal** says **covid-19** cases in **Egypt** have reached 150, including 80 Egyptian nationals;

16 Mar 2020 **Cairo (Egypt)** *Ahram Online*. **Central Bank of Egypt**’s monetary policy committee cuts the overnight deposit rate, overnight lending rate and the rate of the main operation by 300 basis points to 9.25%, 10.25% and 9.75% respectively in light of the **covid-19** outbreak;

16 Mar 2020 **Cairo (Egypt)** *Ahram Online*. **Egyptian Stock Exchange** crashes for the second day in a row, with total losses in the past two days at \$2.69 billion;

16 Mar 2020 **Cairo (Egypt)** *Enterprise*. **General Authority for Investment and Freezones** reports

³⁰ Middle East Monitor, 16 Mar 2020.

³¹ Associated Press, 15 Mar 2020.

³² Quartz, 17 Sep 2019.

³³ Reuters, 16 Sep 2019.

net foreign direct investment (FDI) into Egypt increased by 16% y-o-y during 2Q2019-2020;

16 Mar 2020 **Cairo (Egypt)** *Al Bawaba*. All large public gatherings are suspended in a bid to curb the spread of the virus that causes **covid-19**;

15 Mar 2020 **Cairo (Egypt)** Reuters. **Egyptian Stock Exchange** trading suspended shortly after the broader index **EGX100** dropped by more than 5% following government's announcement of steps to contain **covid-19**;

11 Mar 2020 **Cairo (Egypt)** *EMPEA*. **Africa-** and **Middle East-**focused fund manager **Algebra Ventures** leads a seed round for **Egypt-**based fintech **Khazna** with participation from **Accion Venture Lab**;

9 Mar 2020 **Cairo (Egypt)** *Al Ahram* Outbreak weighs on Egypt's recovering tourism sector, new bookings down by 70-80%;

8 March 2020 **Cairo (Egypt)** *Al Ahram*. 45 **Nile** cruise passengers test positive for **covid-19**; total of 48 cases now confirmed;

5 Mar 2020 **Cairo (Egypt)** *Egypt Today*. Health ministry and **World Health Organisation** confirm the third case of **coronavirus** in **Egypt**;

3 Mar 2020 **Cairo (Egypt)** *Egypt Independent*. Prime minister **Mostafa Madbouly** announces the extension of the period of permitted stay for tourists to five years, from 90 days;

29 Feb 2020 **Cairo (Egypt)** *Al Mal*. Shipping companies have increased freight rates for goods from Egypt by 30-50% and a 70% increase for goods heading to **China**;

26 Feb 2020 **Cairo (Egypt)** *The New York Times*. Former ousted president **Hosni Mubarak** passes away, aged 91;

24 Feb 2020 **Cairo (Egypt)** Billionaire **Naguib Sawiris** is in talks with the Egyptian government to buy a 51% stake in state-owned **Shalateen Mining**;

23 Feb 2020 **Cairo (Egypt)** *Al Monitor*. Egypt's proposal to establish a joint **African** military force is meant to curb **Turkish** intervention in the continent;

23 Feb 2020 **Cairo (Egypt)** *Al Ahram*. **Cairo Criminal Court** clears all defendants of charges of stock market manipulation and insider trading stemming from the sale of **Al Watany Bank of Egypt** to the **National Bank of Kuwait** in 2007;

20 Feb 2020 **Cairo (Egypt)** *Financial Times*. **African** governments amass record-breaking debt, raising concerns on repayment: borrowing frenzy has brought the total amount of outstanding sovereign Eurobonds held by 21 African countries to \$115 billion;

20 Feb 2020 **Cairo (Egypt)** *Press release*. Egypt's economy grew at 5.6% in 1H2019-2020;

19 Feb 2020 **Cairo (Egypt)** *Enterprise*. Billionaire **Naguib Sawiris** praises the executive regulations to the amended **Mineral Resources Act**, saying they are "more favourable and more realistic and would attract foreign investments to the sector";

18 Feb 2020 **Cairo (Egypt)** *Press release*. **United Arab Emirates-**based oil and gas company **Dragon Oil** plans to invest an additional \$650m in Egypt over the next five years by acquiring operating assets in the **Western Sahara**;

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