

AFRICA RISK CONSULTING

Egypt Monthly Briefing October 2020

Egypt Summary 15 October 2020

Amid massive nation-wide security deployments on the streets, small protests erupt, spurred on by police killing a citizen in Luxor, and resulting in hundreds of arrests. Russia's sovereign wealth fund agrees on a deal that will see it provide 25 million doses of its Covid-19 vaccine to Egypt, amid controversy over the efficacy of its clinical trial process. Ethiopia provokes Egypt and Sudan announcing that the contested Grand Ethiopian Renaissance Dam project, on which there is still no formal agreement, will begin generating electricity within the year.

Scattered protests and arrests amid large nationwide security deployment

Egyptian authorities have detained at least 400 people since 20 September, including a number of children, amid reports of small demonstrations against President **Abdel Fattah al-Sisi** (2014-present). The government deployed large numbers of security forces to prevent a repeat of last year's protests in multiple cities on 20 September 2019, (see *ARC Briefing Egypt September 2020*) in response to calls from former army contractor **Mohamed Ali**, who posted videos online accusing Sisi and top army officials of corruption and squandering public funds. Ali, who remains in exile in **Spain**, called for street demonstrations to mark the anniversary of last year's protests. Hashtags with thousands of shares on social media have sprung up both in support of and in opposition to the protest calls. During last year's protests, Egyptian security forces arrested more than 4,000 people.

In **Luxor**, riots erupted after police killed a man on 30 September during a raid on his home. A police officer shot **Awais al-Rawi** in the head at his home after he got into an argument with a police officer who had slapped his father during the raid.¹ The government, already at pains to suppress any public outpouring of anger, made sure that there was almost no mention of protests in local outlets and detained *Al Manassa* journalist **Basma Moustafa** as she attempted to cover the protests.² Al-Rawi's death spurred demonstrations that have taken place since 20 September, mainly in rural areas across the country. The protesters' demands vary but centre around anger regarding building violation fines and the soaring cost of living.³

At the unveiling of a new oil refinery in **Mostorod** on 27 September, Sisi addressed the protests, asking Egyptians to not to "*heed false claims*" while calling for quick solutions to solve building fines in the thousands of pounds that are unaffordable to the majority of Egyptians.⁴

*"Some people have been trying in recent weeks to take advantage of the tough measures we are taking."*⁵

Sisi's toned-down words are in stark contrast to remarks he made in August when he gave a speech railing against illegal construction:

*"If it becomes necessary I will deploy the army to all of Egypt's villages to enforce the law."*⁶

¹ Middle East Eye, 3 Oct 2020

² Comitee to Protect Journalists, 5 Oct 2020.

³ Mada Masr, 28 Sep 2020.

⁴ Mada Masr, 28 Sep 2020.

⁵ Mada Masr, 28 Sep 2020.

⁶ Youm7, 29 Aug 2020.

The campaign against illegal construction is one of Sisi's pet projects. While it is popular with the elite, it is a flashpoint for millions of urban poor who see it as an attempt to further punish their already precarious existence in areas that the government wishes to redevelop. For the business community, major pushes on building fines are not only a source of public instability, but of personal concern. Tens of thousands of small and large businesses reside in murky licensing arrangements, and there is huge discontent that while facing mounting taxation bills and the fallout of **Covid-19** that they will also have to pay fines. The anger over these fines is linked to the bigger concern that private enterprise is continuously left out of decision-making considerations, but expected to foot the bill for knee-jerk government policies.

Russia makes deal to supply Egypt with Covid vaccine

Russia's sovereign wealth fund, **RDIF**, has made an agreement with Egypt for 25 million doses of its **Sputnik V** coronavirus vaccine.⁷ Russia's rush to roll out the vaccine, especially in Egypt where it has increasingly had an outsized role in foreign relations, is seen as a soft power exercise as it seeks to further insert itself into regional politics, as **United States (US)** geo-political presence wanes under US President **Donald Trump** (2017-present).

While Russia calls its vaccine "*good news for Egypt and the Arab world*", medical experts have criticised it for being rushed through after undergoing fewer than two months of clinical testing on volunteers and failing to complete its final round of trials.⁸ The developers of the vaccine, the **Gamelaya Institute**, say Sputnik V is a modification of an **Ebola** vaccination they developed. However, local researchers point out that:

*"Russia rushed to produce the Ebola vaccine [in June of this year], which passed only two stages. This vaccine was sent to African countries, but problems were later discovered in the percentage of antibodies generated by it."*⁹

Russian state media claims its locally produced vaccine is the only one that is safe and effective.¹⁰ However, a study published in respected **British** medical journal **The Lancet**, showing promising results, has raised concern among some scientists around the consistency of the data. Egypt meanwhile continues to be involved in a number of clinical trials in coalition with the **World Health Organization (WHO)**, including for a **Chinese** vaccine.

A number of sources claim that while Egypt was less keen on the Russian vaccine, there was political incentive to make this deal given the two countries' increased trade relationship and deepening strategic alliance.

Since the outbreak began, Covid-19 has caused more than 5,600 deaths in Egypt and the total infection tally has surpassed 102,000,¹¹ making Egypt the second most affected country in Africa.

Ethiopia moves full steam on dam project

The controversial **Grand Ethiopian Renaissance Dam (GERD)** will begin generating power in the next year, **Ethiopia's** President **Sahle-Work Zewde** announced in a speech to parliament on 5 October.¹² The move comes as the country surprised Egypt and **Sudan** in July by announcing that the initial filling of the dam's reservoir had already taken place without reaching an agreement.¹³ Adding fuel to the fire, Ethiopia also announced that it had banned all flights over the project, and Ethiopian air force commander **Major General Yilma Merdasa** warned against any military

⁷ Press release, 30 Sep 2020.

⁸ The New York Times, 13 Oct 2020.

⁹ Al Monitor, 17 Sep 2020.

¹⁰ The New York Times, 13 Oct 2020.

¹¹ Al Monitor, 17 Sep 2020.

¹² Reuters, 5 Oct 2020.

¹³ Ahram Gate, 27 Jul 2020.

aggression against the dam. Merdasa said in an interview with **Ethiopian TV** on 30 September that his country is prepared to defend the project from any possible attack.¹⁴

The latest incident follows multiple stalled attempts at negotiations with the **African Union** and after talks in February during US-mediated meetings in **Washington DC** (US) that Egypt had hoped would solve the issue once and for all. The US, along with the **World Bank**, stepped in to host negotiations that began in November 2019 and lasted until February after years-long negotiations between the three countries failed to reach an agreement.¹⁵ But Ethiopia refused to back proposals mediated by the US. Egypt then appealed to the **United Nations Security Council** in May to intervene after Ethiopia said publicly that a deal was not a prerequisite.¹⁶ The Security Council held a session on the dam in June, urging the three countries to avoid adopting any unilateral actions and to conduct talks based on mutual understanding.¹⁷

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. However, the dam poses a significant threat to Egypt, which currently receives about 85% of its water from the **Nile** and is already anticipating a nationwide shortage of fresh water by 2025.¹⁸ 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.¹⁹

Planner

2019-2020 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;
 Dec 2020 **Cairo (Egypt)** *Al Mal*. **International Monetary Fund (IMF)** delegation to visit Egypt in first of two reviews ahead of disbursement of second tranche of \$5.2 billion;
 24 Dec 2020 **Cairo (Egypt)** *Enterprise*. **Central Bank of Egypt's** Monetary Policy Committee will meet to review interest rates.

Chronology

15 Oct 2020 **Cairo (Egypt)** *Daily Sabah*. **Libyan** rival governments agree to hold a second round of **United Nations**-mediated talks in Egypt after a positive first round;
 14 Oct 2020 **Cairo (Egypt)** *Al Mal*. Egypt registers primary surplus in the first quarter of FY2020-21;
 13 Oct 2020 **Cairo (Egypt)** *Enterprise*. **Plus Venture Capital**, a new centure capital firm set up by former **500 Falcons** managing partners **Sharif El Badawi** and **Hasan Haider**, will invest \$60m in 120 early-stage startups across the **Middle East and North Africa** over the next three years;
 11 Oct 2020 **Cairo (Egypt)** *Reuters*. Egypt is among 18 countries facing almost \$2 billion in combined **United States (US)** tariffs on aluminum sheet exports after an investigation determined products were being dumped in the US market;
 10 Oct 2020 **Cairo (Egypt)** *Associated Press*. President **Abdel Fattah al-Sisi** ratifies a strategic maritime deal with **Greece**;
 10 Oct 2020 **Cairo (Egypt)** *Al Monitor*. Execution of 15 people rekindles human rights debate in Egypt;

¹⁴ EBC TV, 30 Sep 2020.

¹⁵ Al Masry Al Youm, 27 Jul 2020.

¹⁶ Al Ahram, 3 Jun 2020.

¹⁷ Ahram Gate, 27 Jul 2020.

¹⁸ Quartz, 17 Sep 2019.

¹⁹ Reuters, 16 Sep 2019.

10 Oct 2020 **Cairo (Egypt)** *Al Borsa*. Businessman **Salah Diab** is released from detention following his arrest in September on charges that he illegally acquired land;

8 Oct 2020 **Cairo (Egypt)** *Egypt Independent*. Egypt's **Population Council** reports the country's population increases by one million in eight months;;

7 Oct 2020 **Cairo (Egypt)** *Enterprise*. **Industrial Modernization Center (IMC)** and **United Nations Industrial Development Organization (UNIDO)** report that Egyptian industries' overall performance has dropped 25.4% since the onset of the **Covid-19** pandemic, driven primarily by weak domestic consumption and export activity;

6 Oct 2020 **Cairo (Egypt)** *The Guardian*. Threat of home demolitions sparks protests among Egypt's poorest;

6 Oct 2020 **Cairo (Egypt)** *EMPEA*. Egypt-based private equity firm **Lorax Capital Partners** reaches a \$140m first close for **Lorax Capital Partners Fund II**, a vehicle focused on supporting SMEs in Egypt;

30 Sep 2020 **Cairo (Egypt)** *Daily Maverick*. **Russia's** sovereign wealth fund, **RDIF**, says it has agreed with **Egypt's** government to support 25 million doses of its **Sputnik V** coronavirus vaccine via Egypt-based **Pharco Pharmaceuticals**, as **Moscow** seeks to take a leading global role in fighting the pandemic;

30 Sep 2020 **Cairo (Egypt)** *Reuters*. Egypt becomes the first Arab country to issue Green bonds with a \$750m deal;

29 Sep 2020 **Cairo (Egypt)** *AA*. Humanitarian organisation **Arab Foundation for Civil Society Support** says it reported 164 anti-government protests in 14 out of 27 governorates between 20 and 27 September in which hundreds of activists were arrested;

25 Sep 2020 **Cairo (Egypt)** *Al Monitor*. President **Abdel Fattah al-Sisi** says he received a letter from **Democratic Republic of the Congo** president **Felix Tshisekedi** expressing his support for the **Egyptian** terms of the **Grand Ethiopian Renaissance Dam**;

24 Sep 2020 **Cairo (Egypt)** *Bloomberg*. **Central Bank of Egypt** unexpectedly lowers deposit rate to 8.75% from 9.25% and lending rate to 9.75% from 10.25%, the first interest rate change since in March, as the focus moves from luring more debt investment to supporting economic growth;

24 Sep 2020 **Cairo (Egypt)** *Cairo24*. Billionaire **Naguib Sawiris's** interest in a majority stake in state-owned **Shalateen Mining** has reportedly hit a roadblock after the company made a huge gold discovery in the **Eastern Desert** which could be worth as much as \$1 billion;

21 Sep 2020 **Cairo (Egypt)** *Enterprise*. The **Financial Regulatory Authority (FRA)** has approved a draft bill that would regulate the use of financial technology to deliver non-bank financial services;

20 Sep 2020 **Cairo (Egypt)** *Al Mal*. Construction giant **Hassan Allam Holding** is seeking to obtain a \$70 billion plus loan to finance various real estate projects under development;

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