

AFRICA RISK CONSULTING

Egypt Monthly Briefing January 2021

Egypt Summary 18 January 2021

Egypt, Saudi Arabia, the United Arab Emirates (UAE) and Bahrain sign an historic declaration to end the diplomatic rift with Qatar, paving the way for Egypt to garner more investment from the gas-rich nation. The number of new officially recorded Covid-19 cases continues to rise, sparking fears of an uncontrollable outbreak as Egypt's government continues to shy away from any new measures to contain the spread of the virus. Egypt signals enthusiasm for the African Continental Free Trade Area (AfCFTA) as it tries to strengthen ties with African neighbours.

Historic declaration ends rift with Qatar

Egypt, Saudi Arabia, the United Arab Emirates (UAE) and Bahrain yesterday signed an historic declaration at a regional summit meeting in Al Ula (Saudi Arabia) on 5 January to end the diplomatic rift with Qatar.¹ The restoration of diplomatic relations between Qatar and the four Arab states comes after the unprecedented imposition of an embargo against Qatar for three years, which largely cut off the movement of goods, people and cash to the gas-rich nation.² Qatar has insisted on maintaining fierce independence in the face of enormous pressure from its Gulf neighbours, particularly Saudi Arabia, and regional foe Egypt, which accused it of supporting terrorism.³ Qatar has consistently denied claims that it supports terrorism and has repeatedly rejected the conditions set out by its neighbours for ending the partial blockade, including closing the Doha-based Al Jazeera broadcast network and curbing relations with Iran.⁴

The signing of the Al-Ula accord following a summit in Saudi Arabia seems to have been motivated by the change in the position of the outgoing President Donald Trump (2017-2021) administration on the blockade. Trump initially supported it, but later became more neutral as the popularity of Saudi Crown Prince Mohamad Bin Salman (2017-present) waned and the blockade appeared to have no positive outcome. On the Saudi side, it was costly, and with Qatar not backing down, it made little sense to continue it against the prospect of a less amendable incoming Joe Biden (2021-present) administration. Saudi foreign minister Prince Faisal bin Farhan called the accord a "very important breakthrough" that will "contribute very much to the security" of the region.⁵

In Egypt there remains significant hostility to Qatar, which began in 2013 when the military ousted Qatar-backed Islamist president Mohamed Morsi (2012-2013) and Doha criticised the use of violence against Muslim Brotherhood supporters in the aftermath. Egypt insists that its issues with Doha stem from its harbouring of Muslim Brotherhood supporters and what it calls a "misinformation campaign" by Doha's news channel, Al Jazeera, which Egypt banned in 2017.⁶

For Egypt, this new deal is motivated by economics. Qatar has always been an important source of investment money. As the agreement was being signed, Qatar's finance minister, Ali Sharif Al Emadi, flew to Cairo to attend the inauguration of a Qatari-funded luxury hotel, a large symbolic step in terms of Egypt-Qatar relations.⁷ The completed St Regis is a billion-dollar investment by Qatari real

¹ Reuters, 4 Jan 2021

² New York Times, 4 Jan 2021.

³ New York Times, 4 Jan 2021.

⁴ Reuters, 4 Jan 2021

⁵ New York Times, 5 Jan 2021.

⁶ Reuters, 4 Jan 2021

⁷ Egypt Today, 6 Jan 2021.

estate company **Diar**, which had been put on hold during the blockade. Al Emadi is the first Qatari minister to visit the Egyptian capital since June 2017.⁸ Egypt's foreign minister, **Sameh Shoukry**, who attended the summit in Al Ula, agreed to the declaration and expressed Cairo's keenness to maintain "solidarity between the **Arab Quartet** countries and [on supporting] their direction towards uniting". He also praised **Kuwait's** mediation efforts to end the dispute.⁹

Goods transport between the two countries will also become possible under agreements that are set to be activated. Already the countries have reopened their airspace to Qatar.¹⁰ Beyond this there is scant information on the details of the deal. It is, however, clear that the Arab Quartet has had to compromise on its original demands, which included closing a **Turkish** base, shutting down Al Jazeera, cutting links with the Muslim Brotherhood, and demoting ties with Iran.¹¹

Egyptian television pundits have speculated that the lack of detail is related to the fact that all the Gulf countries are in "wait and see mode" in terms of to what to expect from the incoming Biden administration. They suggest that a concern for the Gulf is that Biden may choose to take a more favourable approach to Iran and a less favourable approach to the Gulf.¹² It is still unclear whether the Al Ula agreement ensures reconciliation or if further talks will follow.

Covid-19 cases continue to rise

The number of new officially recorded **Covid-19** cases continues to rise, sparking fears of an uncontrollable outbreak as the government continues to shy away from any new measures to contain the spread of the virus. Egypt reported 890 new coronavirus cases on 17 January, bringing the total infection tally in Egypt's population of roughly 102 million to 156,397 since the outbreak began in mid-February 2020.¹³ The health ministry also reported 56 new deaths, bringing the total number of deaths from the virus to 8,583.¹⁴

A number of physicians have died from Covid in January, including radiologist **Mona Abdel Wahed**, pediatricians **Faisal Youssef**, **Ahmed El Refai** and **Hassan Youssef**, clinical pathology professor **Hala Abaza**, and cardiologist **Azza Ibrahim**. The **Egyptian Medical Syndicate** reports that the total number of physicians who have died of the illness has reached 309, including 31 in the first 10 days of 2021.

According to a former official at the health ministry's preventative medicine department, officially recorded cases are at best a fifth of the actual number of people who have contracted Covid-19.¹⁵ Egyptians privately claim the government is taking a lax attitude, with little or no enforcement of safety instructions.¹⁶ While dozens of countries around the world have closed their borders to the **United Kingdom**, which has discovered a highly infectious new strain of the virus, Egypt remains open to visitors.

The only new measures to be implemented are the closing of schools on 31 December, with the cabinet ordering that remaining classes in the first semester of the current academic year take place only through online teaching.¹⁷ The government has also imposed an immediate EGP 50 (\$3) fine on citizens who do not wear face masks in public, starting 3 January.¹⁸ As of 11 January, the government had collected EGP 6m (\$383,691) worth of fines in one week from people found not wearing a face

⁸ Egypt Today, 6 Jan 2021.

⁹ Press release, 5 Jan 2021

¹⁰ Reuters, 4 Jan 2021

¹¹ New York Times, 5 Jan 2021.

¹² Yahduth Fi Masr, 5 Jan 2021.

¹³ Al Ahrām 17 Jan 2021.

¹⁴ Al Ahrām, 17 Jan 2021

¹⁵ Mada Masr, 3 Dec 2020

¹⁶ Source, Cairo resident

¹⁷ Al Ahrām, 31 Dec 2020

¹⁸ Al Ahrām, 7 Jan 2021.

mask.¹⁹ However, the government has made very little attempt to communicate with the masses on how mask wearing is a simple, cheap and essential means of curbing the spread of the virus.

As Egypt continues to insist that it is handling the pandemic, a video of a nurse curled up on the floor of a hospital intensive care unit (ICU) went viral on 2 January.²⁰ The government was quick to deny reports that hospitals were running out of oxygen, saying that four patients had instead recently passed away from “*complications*”. Security services took the man who shot the video in for questioning and banned mobile phones in public hospitals shortly after. However, witnesses and an investigation by the **New York Times** confirmed that the scene in the ICU indicated an interruption in the oxygen supply.²¹ The New York Times also reported that a relief delivery of oxygen that had been ordered was hours late and a backup oxygen system had failed.²² The story quoted a doctor from the same hospital speaking on condition of anonymity because he feared arrest:

“We’re not going to bury our heads in the sand and pretend everything is OK. The whole world can admit there’s a problem, but not us.”²³

The doctor is referring to the government’s tight grip on all information, but specifically with regard to the pandemic, which remains an extremely sensitive topic. It has been almost impossible for the foreign press to conduct any independent reporting on the pandemic. In March, a **Guardian** reporter was deported after reporting on a study that looked at coronavirus numbers in Egypt.²⁴ The viral video of the nurse gives Egyptians an uncensored account of the reality of the pandemic inside hospitals, as the government has thus far been successful in intimidating those working in hospitals into silence. Several sources confirmed that doctors are not allowed to write Covid-19 as cause of death on death certificates. They also confirmed significant shortages of oxygen and medicine supplies.²⁵

Meanwhile, the **World Health Organization (WHO)** wants labs in Egypt to disclose the number of Covid-19 tests they administer and their method of testing. Currently the numbers, which are widely known to be inaccurate, only document cases and testing done in public hospitals and exclude the thousands of privately conducted tests. WHO regional programme director **Rana Hajjeh** said in a television interview that more widespread testing is needed in order to yield accurate daily case numbers.²⁶

On the economic front, cabinet signed off on a EGP 2 billion (314m) overdraft for the FY2020-2021 state budget to help finance measures to prop up the economy and some sectors amid the fallout from the pandemic.²⁷ This is the second time the budget has been extended. Parliament approved an EGP 80 billion (\$127.3m) overdraft in August to pay off state debts.²⁸

Hussein Abaza, head of Egypt’s largest private bank, **Commerical International Bank (CIB)**, sees the economy moving in the right direction as vaccines for Covid-19 are being rolled out:

“The vaccine will be a huge psychological leap for consumers, manufacturers, retailers. And in the meantime, as one of our clients told me the other day: ‘We’ve all managed businesses through more challenging times – whether that’s Metrojet, devaluation or the events of 2011.’ Today, we have no curfew. Consumption is picking up. Businesses of all forms are open – we’re in a much better position than many other markets.”²⁹

¹⁹ Al Ahram, 11 Jan 2021.

²⁰ New York Times, 18 Jan 2021.

²¹ New York Times, 18 Jan 2021.

²² New York Times, 18 Jan 2021.

²³ New York Times, 18 Jan 2021.

²⁴ New York Times, 18 Jan 2021.

²⁵ Source, Cairo, Egypt.

²⁶ DMC Channel, 13 Jan 2021.

²⁷ Press release, 4 Jan 2021.

²⁸ Press release, 18 Aug 2020.

²⁹ Enterprise, 14 Jan 2021.

African Continental Free Trade Area agreement

The **African Continental Free Trade Area (AfCFTA)** agreement, which was signed in 2018, came into effect on 1 January. According to the **World Bank**, the agreement creates the largest free trade area in the world measured by the number of countries participating. The 54 African states are home to 1.3 billion people and have a combined GDP of \$3.4 trillion.³⁰ In the face of continuing turmoil over the Covid-19 pandemic, the agreement has been further touted as important to the future sustainable growth of African nations.

The scope of AfCFTA is large. The agreement promises to reduce trade tariffs within member countries and covers trade policy including identifying barriers to trade across the continent. The successful implementation of AfCFTA could potentially boost markets and economies across the region and boost output in the services, manufacturing and natural resources sectors.³¹

World Bank chief economist in Africa **Albert Zeufack** notes:

*"The AfCFTA is expected to lift around 68 million people out of moderate poverty and make African countries more competitive. But successful implementation will be key, including careful monitoring of impacts on all workers – women and men, skilled and unskilled – across all countries and sectors, ensuring the agreement's full benefit."*³²

President **Abdel Fattah al-Sisi** (2014-present) discussed means to activate the AfCFTA agreement in a meeting with AfCFTA secretary-general **Wamkele Mene** on 17 January.³³ The meeting was followed by enthusiastic reports in the Arabic press that expressed the president's support for activating the agreement.³⁴ However there was no information on what steps Egypt would be taking to promote the success of the agreement, which is predicated on the removal of barriers to trade and the free flow of goods, people and information, all of which remain challenging in Egypt under the security state.

While the government has shown some appetite for reforms, mostly when pressed by organisations such as the **International Monetary Fund (IMF)**, trade barriers remain real. Impediments to the labour market, such as the low participation of women in the labour market, are also significant. The IMF previously has made the integration of women into the formal economy a condition of loans. Sources say that Egypt's move toward supporting the treaty is a political act motivated by a desire to increase relations with Africa, with which Egypt has had historically frosty dealings, in light of ongoing disputes over the **Grand Ethiopian Renaissance Dam (GERD)**, as well as a desire from Egypt to cultivate more regional allies as it continues to move away from its historical alliances, including the United States.

³⁰ World Bank, The African Continental Free Trade Area: Economic and Distributional Effects, 27 July 2020.

³¹ World Bank, The African Continental Free Trade Area: Economic and Distributional Effects, 27 July 2020.

³² World Bank, The African Continental Free Trade Area: Economic and Distributional Effects, 27 July 2020.

³³ Al Aham, 17 Jan 2021.

³⁴ Egypt Independent, 17 Jan 2021

Planner

4 Feb 2021 **Cairo (Egypt) Central Bank of Egypt** Monetary Policy Committee meeting;
 18 Mar 2021 **Cairo (Egypt) Central Bank of Egypt** Monetary Policy Committee meeting;
 29 Apr 2021 **Cairo (Egypt) Central Bank of Egypt** Monetary Policy Committee meeting;
 2019-2021 **Cairo (Egypt) Al Mal.** Government-led initial public offering programme;

Chronology

18 Jan 2021 **Cairo (Egypt) Agence France-Presse.** A Cairo court orders the seizure of assets belonging to former President **Mohamed Morsi's** family and 88 other members of the **Muslim Brotherhood**, including Supreme Guide **Mohamed Badie**, his deputy **Khairat El Shater**, and former MP **Mohamed Beltagy**;

18 Jan 2021 **Cairo (Egypt) Al Ahram.** Egypt has reported 890 new **coronavirus** cases, bringing the total infection tally to 156,397 since the outbreak began in mid-February, amid widespread claims the numbers are staggeringly below actual infection and fatality rate;

17 Jan 2021 **Cairo (Egypt) Reuters.** Political rivals in **Libya** have made progress toward a transitional government that will oversee national parliamentary and presidential elections later this year;

17 Jan 2021 **Cairo (Egypt) Reuters.** The **Central Bank of Egypt** says it will hold off on resuming its monetary easing cycle "for much of this year" due to rising inflation;

17 Jan 2021 **Cairo (Egypt) Cabinet** signs off on a EGP2 billion (\$314m) overdraft for the FY2020-2021 state budget to help finance measures to prop up the economy and certain sectors amid the fallout from the **Covid-19** pandemic;

17 Jan 2021 **Cairo (Egypt) Press release.** Egypt was the top destination for **European Bank for Reconstruction and Development (EBRD)** investment in the **Southern and Eastern Mediterranean (SEMED)** region for a third consecutive year, accounting for more than €1 billion (\$1.2 billion) of the €2.2 billion (\$2.6 billion) of EBRD financing to the SEMED region last year;

17 Jan 2021 **Cairo (Egypt) Reuters.** Egypt sells 21 million square metres of land to developer **Talaat Mostafa** for housing project;

14 Jan 2021 **Cairo (Egypt) Press release.** Government will cut airline fuel costs by another \$0.15/gallon as of 21 January to help airlines stay afloat through **Covid-19**, the second time the government has cut fuel costs for airlines since the pandemic began, reducing prices by \$0.10/gallon in April;

14 Jan 2021 **Cairo (Egypt) Reuters.** **Bank ABC** acquires **Blom Bank Egypt** for \$480m;

14 Jan 2021 **Cairo (Egypt) Press release.** **German** conglomerate **Siemens** poised to work on a 1,000-km high-speed national electric rail network worth \$23 billion after Siemens CEO **Joe Kaeser** met with President **Abdel Fattah al-Sisi**; the project's first 460-km phase will connect **Ain Sokhna** to **Alamein** via the new administrative capital;

14 Jan 2021 **Cairo (Egypt) Masrawy.** Executive regulations for the **SMEs Act** are currently under review by the **Madbouly** cabinet and other relevant authorities; the regulations will affect some 4 million SMEs, which provide nearly 77% of the country's jobs;

13 Jan 2021 **Cairo (Egypt) Enterprise.** Finance ministry to revise growth targets this month as **Covid** continues to weigh;

13 Jan 2021 **Cairo (Egypt) SUNA.** The **United Arab Emirates** has offered to act as an arbiter in the **Grand Ethiopian Renaissance Dam (GERD)** dispute between **Egypt, Ethiopia** and **Sudan**;

12 Jan 2021 **Cairo (Egypt)** Reuters. Egypt follows **Gulf** allies in reopening airspace to **Qatar**;

1 Jan 2021 **Cairo (Egypt)** *Press release*. **Egypt, France, Germany** and **Jordan** agreed to push for a revival of **Israel-Palestine** talks over a two-state solution in a meeting of the four countries' foreign ministers in Cairo;

7 Jan 2021 **Cairo (Egypt)** *Moody's*. Egypt will remain the only **Middle East and North Africa (MENA)** country to continue its pre-covid growth trend in 2021 thanks to the government's economic reform programme over the past four years;

8 Jan 2021 **Cairo (Egypt)** *Reuters*. **International Monetary Fund (IMF)** projects Egypt's economy will grow 2.8% in 2020/21;

5 Jan 2021 **Cairo (Egypt)** *Reuters*. Egypt sends envoy to **Gulf** summit amid apparent thaw with **Qatar**;

30 Dec 2020 **Cairo (Egypt)** *Reuters*. Egypt rolls out **Chinese coronavirus** vaccine to doctors without telling them it was a clinical trial, amid concerns remain over clinical data transparency;

26 Dec 2020 **Cairo (Egypt)** *Al Masry Al Youm*. Deadly fire hits Egyptian hospital treating **COVID** patients;

21 Dec 2020 **Cairo (Egypt)** *Bloomberg*. **World Bank** and **International Financial Corp** release joint report outlining the steps for Egypt to boost private investment, notably urging it to introduce more transparency about the state's economic activity;

21 Dec 2020 **Cairo (Egypt)** *Yahoo*. **United Kingdom**-based telecoms giant **Vodafone** says it has ended negotiations with **Saudi Telecom Company** over plans to sell a 55% stake in its **Vodafone Egypt** business for around \$2.4 billion;

18 Dec 2020 **Cairo (Egypt)** *New Arab*. **International Monetary Fund** approves the release of \$1.67 billion in financial aid to **Egypt** over fears **Covid-19** is threatening its economic recovery.

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