

AFRICA RISK CONSULTING

Egypt Monthly Briefing December 2021

Egypt Summary 15 December 2021

France calls for an investigation after a report from France-registered investigative website and not-for-profit organisation Disclose reveals that Egypt misused secret French intelligence aircraft intended to track Islamic State militants in order to target and kill hundreds of civilian smugglers on the Libyan border. Egypt's cabinet announces that the state is looking to back out of select sectors of the economy after private enterprise has complained for years that the government monopolises numerous sectors. The health ministry reports that more than 20,000 Egyptians have died as a result of Covid-19.

France launches investigation following media report on extrajudicial killings

France's armed forces minister, **Florence Parly**, has called for an investigation after a report from France-registered not-for-profit organisation and investigative website **Disclose** alleged that Egypt had misused secret French intelligence aircraft intended to track **Islamic State** militants in order to target and kill hundreds of civilian smugglers on the **Libyan** border.¹ Disclose reported on 21 November that it had obtained hundreds of classified French official documents which it said showed the misuse of intelligence provided to Egypt by a secret team of four French soldiers and six ex-military personnel. The goal of the French operation was to provide intelligence to Egypt to prevent jihadist fighters from crossing the porous border from Libya, which has been in a state of civil war since a French-led coalition removed Libyan leader **Muammar Gaddafi** (1969-2011) in 2011. The Egyptian government has not responded to the report and the claims have not been discussed in the government-controlled local media.

According to the Disclose report, the French personnel, who were accompanied by an Egyptian officer on their surveillance missions, soon realised that the information they were collecting during flights was being transmitted back to the **Egyptian Air Force**, which would then use the coordinates to bomb civilians smuggling food, make-up and drugs.² The documents contained messages from those involved on the ground alerting their superiors in France that their information was being misused and that the terrorist threat was minimal. Sources on the ground in Egypt also confirmed the extensive bombing of Egyptian civilians between 2016 and 2019.

Under the collaboration, **Luxembourg**-based **CAE Aviation**, received €18.8m (\$20m) from the French state for supplying surveillance aircraft, two pilots and a further four analysts to the mission. Disclose said at least 19 bombings against civilians took place between 2016 and 2018 linked to French intelligence given to **Cairo**.³ The French government has not challenged the veracity of the documents and says it will investigate the claims, without outlining the forum for their inquiries.

Cabinet responds to complaints about government domination of key sectors

Egypt's cabinet announced on 14 November that the state is looking to move away from its involvement in select sectors of the economy, after private enterprise has complained for years that the government monopolises numerous sectors.⁴ Egyptian billionaire **Naguib Sawiris** said the state's role should be that of regulator of economic activity, not owner, and that Egypt cannot rely on the

¹ Reuters, 23 Nov 2021

² Disclose, 22 Nov 2021

³ Disclose, 22 Nov 2021

⁴ Press statement, 14 Nov 2021

state to keep the economy afloat.⁵ Sawiris warned again on 22 November that the government's engagement in the private sector creates an unequal playing field:

*"Government-owned or military-affiliated companies do not pay taxes or customs. Of course, we can't do that, so the competition is unfair from the start. When I see government firms [in the race], I don't even bid because it's not an equal playing field."*⁶

Cabinet ministers are reviewing the results of a study that will guide it as it decides areas for structural reform and means for more private sector involvement in the economy. In a press statement dated 14 November, cabinet noted that the study confirms the government's awareness of the importance of a real partnership with the private sector and the need for the state to create an enabling and stimulating environment for the private sector:

*"Our goal is to make it possible for the private sector to participate more in the implementation of many [national] development and service projects."*⁷

Cabinet is committing to a review every two years of which state-owned enterprises it needs to keep in the government's portfolio as well as to an annual dialogue with private business. Ministers are also looking into the possible setup of a body that will supervise and manage the companies of which the state retains ownership. This comes as parliament gave approval in November to a bill that would make it easier for the private sector to bid for public infrastructure projects.⁸

The stability of President **Abdel Fattah El Sisi's** (2014-present) regime largely depends on maintaining the delicate balance between the competing interests of the military versus private business. The business community has become incurably frustrated with the current presidency, which they view as incompetent. While the latest moves appear to open the door to greater private investment in national projects that have been favoured under Sisi, and include the expansion of the **Suez Canal** and construction of several "new cities", they are unlikely to inspire local or international institutional investors, who remain wary of the risks involved in co-investing with the Sisi regime. The terms of such agreements have proven to be less than favourable and subject to change given the volatile nature of the players overseeing such projects. In the event of disagreements, arbitration will take place in Egypt, where there is no certainty of judicial independence. In this climate, the only entities prepared to risk large sums of capital are donor institutions such as the **European Bank for Development and Reconstruction (EBRD)** and government DFI's, as these institutions have sufficient backing to force Egypt to negotiate in good faith and/or adhere to the terms of inked agreements.

Covid update

More than 20,000 Egyptians have now officially died as a result of **Covid-19** with the country's death toll from Covid-related illness at 21,104 as of 14 December.⁹ Egypt has one of the highest Covid mortality rates in the world, with 5.7% of reported cases resulting in death, although an accurate figure is hard to estimate. Health ministry officials have previously acknowledged that the daily case figures it reports underestimate the total number of cases, as they include only test results from state-run labs. Those who die in hospitals generally do not have Covid-19 reported as their cause of death.

The health ministry reported 799 new Covid-19 infections as of 14 December, down from 863 the day before. Egypt has now disclosed a total of 369,997 confirmed cases of Covid-19 in its population of roughly 104.3 million.¹⁰

⁵ AFP, 22 Nov 2021.

⁶ AFP, 22 Nov 2021.

⁷ Press statement, 14 Nov 2021.

⁸ Al Borsa, 12 Nov 2021.

⁹ [WHO Covid Dashboard](#), accessed 15 Dec 2021

¹⁰ Press release, 13 Dec 2021

The government is aiming to vaccinate 40% of the population (around 40 million people) by the end of the year. The **World Health Organization (WHO)** reports that as of 11 December, a total of 46,239,670 vaccine doses have been administered in Egypt. An estimated 15.6 million Egyptians are fully vaccinated against Covid-19, while another 29.6 million have received their first dose of a vaccine.¹¹

British-Swedish pharmaceutical company **AstraZeneca** will supply its Covid-19 antibody cocktail **Evusheld** to Egypt under an agreement signed on 13 November between the drug manufacturer and Egypt's **Authority for Unified Procurement**.¹² The cocktail can be used to prevent infection in individuals with weak immune systems for whom vaccines are not sufficient.¹³

Studies to produce a new Egyptian vaccine **EgyVax** will begin under a cooperation agreement signed between private sector player **Eva Pharma**, the **Supreme Council of Universities**, and the **Agriculture Research Center**.¹⁴

Looking forward: 2022

The year 2021 has been characterised as another in which Egypt's trajectory can be summarised as growth that leaves citizens behind. While surface economic indicators show no cause for alarm, everyday life on the ground remains bleak. Cost of living pressures for average Egyptians remain high, with the government's reform efforts having removed food and energy subsidies for Egyptians below the poverty line, representing over 65% of the population. Further cuts to crucial bread subsidies are expected in 2022.

For the private sector, doing business remains complicated with the military crowding out most sectors, resulting in stagnation of foreign direct investment. Intimidation of business leaders who refuse to comply with the demands of the government remains an ongoing issue. In a recent op-ed for the US-based **Washington Post**, **Dartmouth** (US)-based policy expert **Ezzedine Choukri Fishere** claimed that "*blatant disregard of the rule of law*" has become so common in Egypt that it barely constitutes news.¹⁵ Referring to the sentencing of an Egyptian journalist and former MP, Fishere said the case provides a clear glimpse of the numerous ways in which Sisi's administration squanders the limited assets the country still has:

*"No country can truly advance, politically or economically, while it systematically decimates its human capital."*¹⁶

The Sisi regime is extremely unstable. The government is stacked with army personnel who have little experience running institutions. At the same time, power struggles between different apparatuses vying for power and economic gains remain a major threat to stability. The lack of talent that is overseeing a country of Egypt's size and complexity continues to be worrying when placed alongside cost of living pressures, lack of job creation and a continually growing population. Corruption is systemic; recent leaks from a television journalist based in **Turkey** revealed two unidentified individuals from the president's office who were recorded discussing details of widespread payoffs for government officials in the form of cash and land deals. Some have compared the revelations to previous leaks in which former army contactor **Mahmoud Ali** alleged massive financial corruption in army projects, which led to a viral scandal and ensuing public protests. Ongoing challenges with water will also dominate the agenda for 2022, with the outcome of the **Grand Ethiopian Renaissance Dam** dispute over control of the **Blue Nile** likely to have significant implications both locally and further across the region should a deal not be reached.

¹¹ WHO, accessed 15 Dec 2021

¹² Al Borsa, 13 Dec 2021

¹³ Press statement, 14 Dec 2021.

¹⁴ Press statement, 12 Dec 2021.

¹⁵ The Washington Post, 22 Nov 2021.

¹⁶ The Washington Post, 22 Nov 2021.

Planner

13-17 Dec 2021 **Sharm El Sheikh (Egypt)** *UN*. **United Nations** Convention against Corruption meeting;

Q1 2022: **Egypt** will begin exporting natural gas to **Lebanon**;

1 Jan 2022 **Cairo (Egypt)** *Al Borsa*. Capital gains tax comes into effect on the **Egyptian Exchange (EGX)** for local investors;

1 Jan 2022 **Cairo (Egypt)** *Al Mal*. Private sector minimum wage introduced;

Feb 2022 **Cairo (Egypt)** *Enterprise*. Egypt-based **Hassan Allam Construction**'s new construction firm established with **Russia's Titan-2** to handle construction work on the **Dabaa** nuclear power plant begins its operations.

Chronology

15 Dec 2021 **Cairo (Egypt)** *Hapi Journal*. **Samih Sawiris** is stepping down from his role as **Orascom Development Holding (ODH)** chairman and handing the torch to his son, **Naguib Samih Sawiris**, ending a 30-year run at the company's helm;

14 Dec 2021 **Cairo (Egypt)** *Al Monitor*. **Gulf** states back Egypt in **Nile River** dam dispute with **Ethiopia**;

14 Dec 2021 **Cairo (Egypt)** *Arab News*. Egypt's largest steel producer, **Al Ezz Dekheila**, owned by a former minister who faced graft charges, has purchased 18% of **Egyptian Steel Company**'s total equity from founding partner **Ahmed Abou Hashim** in a deal worth 2.5 billion Egyptian pounds (\$160m);

14 Dec 2021 **Cairo (Egypt)** *IEA*. Egypt's renewable capacity is set to rise by 68% or 4 GW over the coming five years, bringing total capacity to around 10.1 GW by 2026, up from 6.1 GW currently;

13 Dec 2021 **Cairo (Egypt)** *Arab News*. Egypt is the new chair of the **Committee of Intelligence and Security Services of Africa**, which provides data and policy direction for the **African Union**;

12 Dec 2021 **Cairo (Egypt)** *AP*. Egypt's openness to expanded ties with **Israel** is on full display during the visit of Israel's foreign minister **Yair Lapid**;

2 Dec 2021 **Cairo (Egypt)** *AP*. Egypt concludes its second international weapons fair, as one of the **Middle East**'s largest armies looks to grow its arsenal while moving away from **United States**-based suppliers;

1 Dec 2021 **Cairo (Egypt)** *Aljazeera*. An **Italian** parliamentary panel accuses the **Egyptian** security apparatus of kidnapping, torturing and murdering Italian student **Giulio Regeni** in **Cairo** in 2016;

29 Nov 2021 **Cairo (Egypt)** *Enterprise*. Egypt and **Jordan** will double the capacity of the electricity link between the two countries to 1 GW, allowing excess Egyptian power to be exported to countries beyond Jordan including **Libya, Palestine, Syria, Lebanon, Iraq** and **Turkey**;

29 Nov 2021 **Cairo (Egypt)** *Press statement*. **United Kingdom**'s foreign development financing arm, **CDC**, has invested \$440m in Egypt, with 41 companies across a range of sectors receiving funds;

24 Nov 2021 **Cairo (Egypt)** *Press statement*. Egypt has assumed the chairmanship of the **Common Market for Eastern and Southern Africa (Comesa)**, a regional trade bloc that looks to align regulatory and trade policies of its 21 members;

22 Nov 2021 **Cairo (Egypt)** *Reuters*. **France's** armed forces minister calls for an investigation after a report that Egypt had misused secret French intelligence intended to track jihadist militants in order to target smugglers on the **Libyan** border and kill civilians;

15 Nov 2021 **Cairo (Egypt)** *Egypt Independent*. **Egypt** bars officials and students not vaccinated against **Covid-19** from government offices and universities unless they show a negative PCR test;

15 Nov 2021 **Cairo (Egypt)** *Al Masry Al Youm*. Egypt's national research body says it will start clinical trials for a domestically made **coronavirus** vaccine;

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.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistle-blower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

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

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)