

## AFRICA RISK CONSULTING

### Egypt Monthly Briefing June 2021

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#### Egypt Summary 16 June 2021

*Following an emergency meeting in Doha (Qatar), the Arab League calls for the United Nations Security Council to discuss the dispute over Ethiopia's plan to fill the controversial Grand Ethiopian Renaissance Dam for the second time. The Egyptian government publishes a response to a Financial Times op-ed that looked at the New Administrative Capital and involvement of the military in business, saying it "included misinformation and inaccurate speculations and ignored the real situation of the Egyptian economy". The health ministry announces Egypt's government-owned VACSERA factories will produce 40 million doses of the Chinese Sinovac vaccine this year, with the first batch of two million doses scheduled for use in August.*

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#### Tensions rise between Ethiopia, Sudan and Egypt as dam deadline looms

The **Arab League** is calling for the **United Nations Security Council** to discuss the dispute over **Ethiopia's** plan to fill the controversial **Grand Ethiopian Renaissance Dam (GERD)** for the second time.<sup>1</sup> The intervention came following an emergency Arab League meeting in **Doha (Qatar)** on 15 June, called by **Egypt** and **Sudan**. The two are trying to increase pressure on Ethiopia as it prepares to resume unilaterally filling the dam next month.<sup>2</sup> Egypt and Sudan want an international agreement to govern how much water Ethiopia releases downstream, especially in a multi-year drought. The two countries argue that Ethiopia's plan to add 13.5 billion cubic metres of water in 2021 to the dam's reservoir is an existential threat to their security and development.<sup>3</sup> Egypt, already facing crucial water shortages, fears the dam threatens its supply of **Nile** water, while Sudan is concerned about the dam's safety and water flows through its own dams.

Ethiopia's foreign ministry said in response that it "*rejects the resolution in its entirety*" and expressed "*dismay*" at what it called the "*misguided positions*" of the Arab League and its "*egregious*" support for Egypt and Sudan's position.<sup>4</sup> The meeting was the first gathering of **Arab** states that Qatar has hosted since **Saudi Arabia** and its allies imposed a boycott on Doha in mid-2017 over accusations that Qatar supported terrorism.<sup>5</sup>

Egypt had already been making overtures to the UN, sending a letter to the Security Council in early June to persuade it to intervene in the dispute.<sup>6</sup> Tensions have mounted since the **African Union**-mediated talks between the three nations fell apart in April (see *ARC Briefing Egypt April 2021*). In a joint statement on 16 June, Egypt and Sudan warned of "*serious risks and grave consequences of the unilateral filling*" of the dam's massive reservoir.

#### Financial Times op-ed on military business draws ire in Egypt

The Egyptian government has refuted claims in an op-ed published by the **United Kingdom (UK)**-based **Financial Times** on 6 June that looked at the increasing role of the military across business in Egypt. The op-ed discussed the **New Administrative Capital** through the prism of military business, scrutinising the lack of foreign direct investment in the country and noting the frustration of the

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<sup>1</sup> Al Masry Al Youm, 16 Jun 2021.

<sup>2</sup> Al Masry Al Youm, 16 Jun 2021.

<sup>3</sup> Bloomberg, 16 Jun 2021.

<sup>4</sup> Reuters, 16 Jun 2021.

<sup>5</sup> Associated Press, 15 Jun 2021.

<sup>6</sup> Reuters, 16 Jun 2021.

private sector given the economic advantages afforded to the military.<sup>7</sup> While the government was quick to refute the existence of anger from private sector companies, the FT op-ed served to echo previous comments by prominent businessmen, including billionaire **Naguib Sawaris**, who have previously complained about the outsized role of the military in Egypt's business landscape.

In an article published in Egyptian state-run newspaper **Al Ahram**, unnamed government sources said the op-ed “included misinformation and inaccurate speculations and ignored the real situation of the Egyptian economy.”<sup>8</sup> The response article was also at pains to state that the New Capital had been primarily built and supervised by private enterprise. Sisi claimed in October 2019 that the military's economic activity constitutes only 2-3% of Egypt's total GDP.<sup>9</sup> However, independent estimates place the figure as high as 45%.

Military-owned enterprises have grown since President **Abdel Fattah El Sisi** (2014-present), Egypt's former defence minister, was elected president in May 2014 after serving as the country's interim leader from July 2013 when the military removed former President **Mohammed Morsi** (2012-2013) from power following mass protests against his rule. Investors continue to contend with attempting to compete with an institution that enjoys an array of advantages – from minimal taxes, to subsidised conscript labour and privileged access to credit. As the complaints of the business community have grown, the **International Monetary Fund (IMF)** has spoken on the need for the state to reduce its involvement in the economy.<sup>10</sup> However, analysts say that the military sees no benefit in introducing reforms needed to lift the country out of poverty, such as making regulations more consistent, coherent and efficiently applied; expanding judicial independence; and subjecting military enterprises to the same tax and regulatory burdens applied to the private sector:

*“Egypt's rulers have long prioritised control over growth, and patronage over progress. This has spawned a class of interested parties.”<sup>11</sup>*

The Financial Times article mentions well-known interagency conflicts, specifically noting Sisi's loyalty to military intelligence, which he headed while **Hosni Mubarak** (1981-2011) was still president:

*“He has his detractors within the institution itself, he has purged people, he has favoured military intelligence and so he clearly has to rely on some of this largesse and patronage within the military.”<sup>12</sup>*

The FT article went on to detail some of the conflicts that surround the new capital itself. Touting it as an urban extension for the future, the government acknowledges that the new capital's location over an hour from Cairo will elevate road traffic congestion. The new city resembles, on a large scale, the many gated compounds where the elite have increasingly resided over the past five years, with its remote desert location and imposing gates. Logistically the city presents a challenge for the thousands of government workers who will have to commute daily, and to the many embassies and other foreign organisations whom the government is pressuring to relocate. So far, no embassies have bought land in the New Capital due to the high cost and location. One source said that, as a symbolic compromise, a number of diplomats have discussed keeping small offices in the new capital, while maintaining their current diplomatic missions and homes, most of which are in close proximity to the Nile and city centre.<sup>13</sup>

Many in the business community see the new capital as another example of a government obsessed with building wasteful large-scale mega-projects that don't aid development for most of an already impoverished population. Critics point to the construction of the largest intelligence building in the

<sup>7</sup> Financial Times, 6 Jun 2021.

<sup>8</sup> Al Ahram, 8 Jun 2021.

<sup>9</sup> Al Ahram, 31 Oct 2019.

<sup>10</sup> Al Monitor, 24 Jun 2018.

<sup>11</sup> Think tank expert, 19 Nov 2019.

<sup>12</sup> The Financial Times, 6 Jun 2021.

<sup>13</sup> Source, foreign diplomat, Cairo

world, nicknamed “*the octagon*”, which is said to be larger than the **United States Department of Defense** headquarters, the **Pentagon**. They add that the billions spent on the new city could have been used to complete crucial maintenance in central Cairo, which has been in slow decay for decades.

### Egypt eyes vaccine production by August

Egypt’s health ministry announced on 21 May that the country plans to produce 40 million doses of the **Chinese Sinovac** vaccine through government-owned **Vacsera**, with the first batch of two million doses scheduled for use in August.<sup>14</sup> Successfully manufacturing the vaccine will make Egypt only the second country in **Africa** to manufacture a Covid-19 vaccine after **South Africa**.<sup>15</sup> Head of preventive medicine at the health ministry **Alaa Eid** said in April that the **World Health Organization (WHO)** had visited the two Vacsera factories and given the ministry “*positive feedback*”.<sup>16</sup> While 24% of the global population has been vaccinated against Covid-19, roughly 2% of the African population has received at least one dose of a Covid-19 vaccine.<sup>17</sup> The WHO reported in May that only 31.4 million doses have been administered in 50 countries on the continent.

New cases of Covid-19 infections are trending downwards in Egypt. The health ministry reported 609 new Covid-19 infections on 15 June, down from 613 the previous day and down 50% from the peak of the third wave a month ago.<sup>18</sup> The country has disclosed a total of 274,404 confirmed cases of Covid-19 in its population of roughly 102 million. The country’s total Covid-19-related death toll is 15,691.<sup>19</sup>

As of 1 June, there are no longer any Covid restrictions in place in Egypt, after the government decided to end early closure times for restaurants and sports clubs that was imposed in mid-May for several weeks.<sup>20</sup>

### Planner

2020-2021 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;

Jun 2021 **Cairo (Egypt)** The **International Monetary Fund (IMF)** will finalise second review of Egypt’s \$5.2 billion standby loan agreement.

### Chronology

14 Jun 2021 **Cairo (Egypt)** *Egypt Independent*. Egypt's highest civilian court issues death sentences for 12 senior **Muslim Brotherhood** figures over a 2013 sit-in that ended with security forces killing hundreds of protesters;

14 Jun 2021 **Cairo (Egypt)** *Al Ahrām*. Foreign minister **Sameh Shoukry** says all options are on the table to deal with the **Grand Ethiopian Renaissance Dam** crisis;

14 Jun 2021 **Cairo (Egypt)** *Reuters*. Egypt's **Qalaa Holdings**, one of the country's largest investment companies, says its chairman has been blocked from leaving Cairo by plane owing to a court ruling in his absence over a dispute relating to a \$4 million cheque;

14 Jun 2021 **Cairo (Egypt)** *Al Mal*. The **State Security Criminal Court** orders **Juhayna** chairman **Safwan Thabet**'s detention be extended for another 45 days while authorities investigate his alleged ties to the **Muslim Brotherhood**;

14 Jun 2021 **Cairo (Egypt)** *Bloomberg*. **France** backs more than \$3 billion in financing for Egypt;

13 Jun 2021 **Cairo (Egypt)** *Egypt Independent*. Foreign minister **Sameh Shoukry** escalates

<sup>14</sup> AhrāmGate, 21 May 2021.

<sup>15</sup> Bloomberg, 24 May 2021.

<sup>16</sup> Egypt Independent, 16 Apr 2021

<sup>17</sup> World Health Organization, May 2021.

<sup>18</sup> Press statement, 16 Jun 2021.

<sup>19</sup> Press statement, 16 Jun 2021.

<sup>20</sup> AhrāmGate, 2 Jun 2021.

dispute with **Ethiopia** over the **Grand Ethiopian Renaissance Dam** to the **United Nations Security Council**;

13 Jun 2021 **Cairo (Egypt)** *France24*. **French** finance minister **Bruno Le Maire** signs agreements with **Egypt** to invest 3.8 billion euros (\$4.6 billion) in Egypt's public transport and renewable energy sectors;

9 Jun 2021 **Cairo (Egypt)** *AP*. **Egypt** and **Sudan** issue joint statement agreeing to coordinate efforts to push **Ethiopia** to negotiate "seriously" on an agreement on filling and operating the **Grand Ethiopian Renaissance Dam**;

9 Jun 2021 **Cairo (Egypt)** *Enterprise*. Citing "sluggish" activity amid lingering effects of the **Covid-19** pandemic, the **World Bank** downgrades its growth projections for the Egyptian economy in the coming fiscal year to 2.3% GDP growth, down from 2.7% in its January forecast. and expects 4.5% growth in FY2021-2022, a downward revision from 5.8% previously;

3 Jun 2021 **Cairo (Egypt)** *The Times*. The **United Kingdom (UK)** adds seven countries, including Egypt and **Sri Lanka**, to its "red list" of destinations that require hotel quarantine on return to the UK;

31 May 2021 **Cairo (Egypt)** *The Arab Weekly*. **Egypt** and **Sudan** conclude military drills, highlighting deepening security ties between the two neighboring countries, and present a show of force amid mounting tensions with **Ethiopia**;

30 May 2021 **Cairo (Egypt)** *Al Masry Al Youm*. Foreign minister **Sameh Shoukry** meets **Israeli** counterpart **Gabi Ashkenazi** in Cairo to discuss a permanent truce between **Israel** and **Hamas**, in the first visit to Cairo by an Israeli foreign minister in 13 years;

26 May 2021 **Cairo (Egypt)** Egypt expects to unlock the third and final \$1.6 billion tranche of its \$5.2 billion **International Monetary Fund (IMF)** standby loan after reaching a staff-level agreement with the fund;

25 May 2021 **Cairo (Egypt)** *Egypt Independent*. **International Monetary Fund** says it expects to provide an additional \$1.6 billion in financing to **Egypt** after its executive board approves the funding in coming weeks;

24 May 2021 **Cairo (Egypt)** *Aljazeera*. President **Abdel Fattah al-Sisi** speaks with **United States** President **Joe Biden** to discuss strengthening the **Gaza** ceasefire, urgent humanitarian aid to the strip and international reconstruction efforts;

23 May 2021 **Cairo (Egypt)** *Egypt Independent*. **Ismailia Economic Court** rejects appeal by the owners of **Ever Given** vessel to release the ship that blocked the **Suez Canal** for six days from 23 March;

20 May 2021 **Cairo (Egypt)** *Egypt Independent*. Cabinet extends **coronavirus**-induced restrictions, including early closing hours for shops, until the end of May;

20 May 2021 **Cairo (Egypt)** *AP*. In mediating in **Gaza** conflict, Egypt seeks broader influence over regional affairs.

### About Africa Risk Consulting:

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