

AFRICA RISK CONSULTING

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Egypt Summary 15 September 2021

President Abdel-Fattah El-Sisi (2014-present) meets Israel's prime minister Naftali Bennett (2021-present) in the Red Sea resort town of Sharm El Sheikh on 13 September, the first such visit since 2011. Economic watchers cry foul over Egypt's high interest rates and raise questions about the sustainability of the country's current debt financing model. Egypt continues to increase its efforts to vaccinate more citizens, announcing it will inoculate 4.5 million of its state employees against Covid-19 from late August and September ahead of a possible fourth wave of infections.

Playing politics in the Biden era: Egypt hosts Israeli PM for first time in a decade

Israeli's prime minister, **Naftali Bennett** (2021-present), met President **Abdel Fattah El Sisi** (2014-present) in the **Red Sea** resort town of **Sharm El Sheikh** on 13 September.¹ This was Bennett's first official visit to **Egypt** and the first of any Israeli PM since former prime minister **Benjamin Netanyahu** (1996-1999; 2009-2021) visited Egypt's former president, **Hosni Mubarak** (1981-2011), shortly before the 2011 revolution. The visit coincided with news that the administration of **United States (US)** president **Joseph Biden** (2021-present) had decided to hold back some, but not most, of \$300m in conditional military aid to Egypt over human rights concerns. The funds that the US is sending to Egypt will also have restrictions on their use.²

The US currently gives Egypt \$1.3 billion in military aid annually. Typically, there are conditions attached to the funding, but the secretary of state has the power to lift the conditions, as has been the case previously.³ The new move is said to be a nod to President Biden's election promise that aid to Egypt would no longer be given as a blank cheque. Press reports have suggested that under the new arrangement, \$130m of the aid will be withheld until the Egyptian government meets a series of unspecified human rights conditions. Several US lawmakers have pushed for withholding a larger sum from Egypt, arguing that Sisi has overseen the most aggressive crackdown on human rights and freedoms in Egypt's modern history, having jailed tens of thousands of people in the past five years, including a number of prominent journalists, politicians and activists who have expressed dissent against his leadership.⁴

For Egypt, there has been significant anxiety as to how things would play out during Biden's first term. Under the **Donald Trump** (2017-2021) administration, the **White House** made no pretense of prioritising human rights in US policy, but Biden has repeatedly emphasised rights-centric policy as the epicentre of his foreign policy agenda. The timing of the news of the aid cut and the visit by the incoming Israeli president are no coincidence, according to sources who have suggested that Egypt's extension of its hand to assist as a mediator in the Israeli-**Palestinian** conflict is a way for the Egyptian government to demonstrate its relevance to the new administration:

"There's no question that Biden's presidency has raised concerns in the halls of power in Egypt and this also coincides with the knowledge on the Egyptian side that the country no longer plays the role it once did in the region, as a driver of events. The leadership is eager to curry favour at least to some extent with the US, if not just to have options, given the shifting nature of regional

¹ AP, 13 Sep 2021.

² Reuters, 13 Sep 2021.

³ Reuters, 13 Sep 2021.

⁴ The Washington Post, 13 Sep 2021.

*politics, which remain volatile, as well as Egypt's vulnerability when it comes to challenges to the Nile from Ethiopia.*⁵

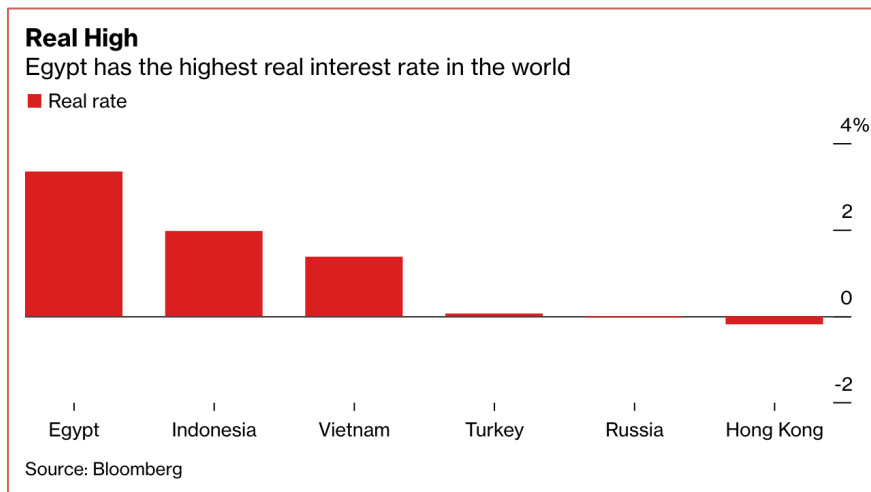
The Egyptian foreign ministry echoed this sentiment, stating that efforts to revive peace talks between the Israelis and Palestinians were at the top of the agenda, and that President Sisi “affirmed Egypt's support for all efforts to achieve comprehensive peace in the Middle East, according to the two-state solution.”⁶ However, Bennett, a far-right nationalist who opposes a Palestinian state and who has previously stated he has no plans to revive negotiations for peace, made no mention of the peace process, saying only that the two leaders discussed diplomatic, security and economic issues.⁷

As of late August there has been an upsurge in violence, which has tested the fragile truce in **Gaza**. Over the past week, Palestinian militants have fired rockets into Israel for three nights in a row, drawing Israeli air strikes and making Bennett’s visit all the more pressing for Egypt, which has negotiated almost every major ceasefire between Palestinian political movement **Hamas** and Israel since the 1980’s.⁸

While Egypt was the first Arab country to sign a peace treaty with Israel in 1979, as part of the historic, but deeply unpopular **Camp David Accords**, relations have until recently remained frosty, with cooperation being almost exclusively border and security collaboration. This week’s visit, where extra weekly flights between **Tel Aviv** and **Cairo** were announced, as well as the reopening of the **Taba** border which has been closed mostly due to **Covid**-related measures, showed a slow but symbolic shift, made all the more curious given Bennett’s adamant stance on the continued occupation of Palestine.⁹

Egypt watchers call for caution on debt and high interest rates

Egyptian economic newsletter **Enterprise** triggered criticism from Egypt watchers after it ran coverage on 5 September touting the country’s “world-beating” interest rates.¹⁰ Critics were quick to pan the outlet’s take on the country’s economic situation, which they pointed out is at best sluggish in terms of a contracting private sector and non-energy foreign direct investment, and at worst precarious, noting that the high cost of borrowing indicates the market’s belief that Egyptian debt is high risk. The debate comes amid increasing discussions about the unsustainable nature of Egypt’s debt financing model.



⁵ Source, former government official, Cairo

⁶ Al Ahram, 14 Sep 2021.

⁷ Associated Press, 13 Sep 2021.

⁸ Reuters, 14 Sep 2021.

⁹ Egypt Independent, 13 Sep 2021.

¹⁰ Enterprise, 5 Sep 2021.

An **S&P Global Ratings** report published on 5 September echoed these concerns, warning that Egypt must find a way to pay less on its debt if it is to weather a potential increase in global interest rates.¹¹ As it stands, foreign investors hold more than \$28 billion in bank notes.¹² The S&P report noted that:

“The world’s highest real interest rates also come with an elevated fiscal cost and leave Egypt vulnerable to significant outflows if rates in the developed world rise, particularly if the US Federal Reserve tapers its quantitative easing policies faster than expected.”¹³

The report went on to note that:

“A potential path for Egypt to lower its interest bill is to increase investor confidence in its economic model such that investors cut the risk premium they require on Egypt’s government debt.”¹⁴

Covid Update

Egypt continues to ramp up its efforts to vaccinate citizens, announcing it will inoculate 4.5 million government employees against Covid-19 from August through September as it seeks to accelerate vaccinations ahead of a possible fourth wave of infections.¹⁵ The health ministry reported 491 new Covid-19 infections as of 14 September, up from 471 the day before. Egypt has now disclosed a total of 293,448 confirmed cases of Covid-19 in its population of 104.3 million. The ministry also reported 14 new Covid-19-related deaths, bringing the country’s total Covid death toll to 16,885.¹⁶

Presidential health advisor **Mohamed Awad Tag El Din** said in a television interview that the government expects the next wave to peak toward the end of October.¹⁷ He said vaccination would become mandatory in some cases if the progress of the pandemic necessitated it and enough vaccines were available, adding that Egypt is studying whether to expand the range of vaccines it is producing.

The country’s infection rate is still low but started to increase in early September and the upward curve is expected to continue, with a significant increase expected in late September. Egypt has received millions of doses of Covid-19 vaccines produced by **British-Swedish** pharmaceutical company **AstraZeneca**, **China’s Sinopharm** and **Sinovac**, as well as **Russia’s Sputnik V** and US-pharmaceutical manufacturer **Johnson & Johnson’s Janssen** Covid-19 vaccine. Currently 8 million Egyptians have received at least one dose of a vaccine, and 25% of those have received two doses.¹⁸ This is an increase of 500,000 people in the past three weeks. Egypt is aiming to vaccinate 40 million of its 104.3 million citizens by the end of 2021.

¹¹ S&P Global Ratings, 5 Sep 2021.

¹² S&P Global Ratings, 5 Sep 2021.

¹³ S&P Global Ratings, 5 Sep 2021.

¹⁴ S&P Global Ratings, 5 Sep 2021.

¹⁵ Enterprise, 5 Sep 2021.

¹⁶ Press statement, 14 Sep 2021.

¹⁷ Ala Mas’ouleety, 13 Sep 2021.

¹⁸ Ala Mas’ouleety, 13 Sep 2021.

Planner

30 Sep 2021 **Cairo (Egypt)** *Press release*. Closing of 2021's first oil and gas tender in the **Gulf of Suez, Western Desert, and the Mediterranean**;

Nov 2021 **Suez (Egypt)** *Enterprise*. The **French-Egyptian Business Forum** is set to take place in the **Suez Canal Economic Zone**;

Nov 2021 **Cairo (Egypt)** *Al Mal*. Egypt will host another round of talks to reach a potential Egyptian-**Eurasian** trade agreement, which can significantly contribute to increasing the volume of Egyptian exports to the **Russia**-led bloc that includes **Armenia, Belarus, Kazakhstan and Kyrgyzstan**;

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

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

Chronology

14 Sep 2021 **Cairo (Egypt)** *Enterprise*. **European Bank for Reconstruction and Development (EBRD)** has provided €25m (\$29m) to finance the design, development, construction, operation, and maintenance of the first dry port in Egypt in the city of **6th of October**, as part of a total investment package of \$60m;

14 Sep 2021 **Cairo (Egypt)** *Reuters*. **United Arab Emirates (UAE)**-based **Aldar Properties** and **ADQ** have submitted a request to Egypt's **Financial Regulatory Authority (FRA)** to acquire up to 90% of Egyptian property developer **Sodic**;

13 Sep 2021 **Cairo (Egypt)** *The Guardian*. **Israel's** prime minister **Naftali Bennett** makes the first visit to Egypt by an Israeli prime minister in a decade;

13 Sep 2021 **Cairo (Egypt)** *Al Masry Al Youm*. Jurist of **Islamic State** terrorist group in **Sinai** turns himself in to Egyptian **Military Intelligence**;

13 Sep 2021 **Cairo (Egypt)** *Politico*. The **United States Joseph Biden** administration has decided it will hold back some – but not most – of \$300m in conditioned military aid to Egypt over human rights concerns;

11 Sep 2021 **Cairo (Egypt)** *Al Manassa*. President **Abdel-Fattah El-Sisi** buys a \$416m aircraft for his exclusive use; the entire fleet, 14 jets, that former president **Hosni Mubarak** bought during his 30-year tenure cost slightly more than the aircraft El Sisi bought;

10 Sep 2021 **Cairo (Egypt)** *Youm7*. Egypt receives the second shipment of **United States**-manufactured **Johnson & Johnson Covid-19** vaccines, for a total of 525,600 doses, through the **African Vaccine Acquisition Trust (AVAT)**;

9 Sep 2021 **Cairo (Egypt)** *Waya Media*. Solar power producer **KarmSolar** has launched its water solutions division **KarmWater** with a solar-powered water desalination project in **Marsa Alam**;

8 Sep 2021 **Cairo (Egypt)** *Reuters*. Egyptian fintech **MNT-Halan** secures \$120m of investment;

8 Sep 2021 **Cairo (Egypt)** *Reuters*. Egyptian natural gas will be piped to **Lebanon** via **Jordan** and **Syria** to help boost its electricity output under a plan agreed by the four governments to ease a crippling power crisis;

1 Sep 2021 **Cairo (Egypt)** *Business Day*. **Egypt** ramps up production of the **Sinovac coronavirus** vaccine as it aims to become a hub for vaccine exports to **Africa**;

28 Aug 2021 **Cairo (Egypt)** *Egypt Today*. President **Abdel Fattah El-Sisi** meets

with **Qatari Emir Tamim bin Hamad Al Thani in Baghdad, Iraq**, for the first time in more than four years since severing ties between Egypt and Qatar in 2017;

26 Aug 2021 **Cairo (Egypt) VentureBurn**. **Cairo**-based B2B e-commerce platform and tech startup **MaxAB** secures \$15m in investment funding from a previous undisclosed investor;

23 August 2021 **Cairo (Egypt) Al Mal**. Egypt will vaccinate all 4.5 million of its state employees against **Covid-19** in August and September as it seeks to accelerate vaccination ahead of a likely fourth wave of infections;

23 Aug 2021 **Rafah (Egypt) AP**. **Egypt** closes its main border crossing point, the **Rafah** crossing, with the **Gaza Strip** amid tensions with the territory's militant **Hamas** rulers.

About Africa Risk Consulting:

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