

## AFRICA RISK CONSULTING

### Egypt Monthly Briefing April 2022

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#### Egypt Summary 20 April 2022

*Economic policy advisor and former Reform and Development Party chairman Ayman Hadhoud dies in custody after being arrested and detained in government-run Abbasseya Psychiatric Hospital. President Abdel Fattah al-Sisi (2014-present) hosts Israel's prime minister, Naftali Bennett (2021-present), and the de facto leader of the United Arab Emirates (UAE), Sheikh Mohammed bin Zayed al-Nahyan, for the first-ever trilateral summit of Israeli, Egyptian and Emirati leaders in the Red Sea town of Sharm El Sheikh. Egypt devalues its pound by 14% after foreign investors pull billions of dollars out of Egyptian markets following Russia's invasion of Ukraine. Egypt is in talks with the International Monetary Fund (IMF) for further assistance, but details of a deal have yet to be announced.*

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#### Economist Ayman Hadhoud dies in psychiatric hospital after arrest

The death of economic policy advisor and former **Reform and Development Party** chairman **Ayman Hadhoud** has sparked outrage among activists and journalists in **Egypt**. Hadhoud's family announced that he had died sometime in early March after being arrested and detained in government-run **Abbasseya Psychiatric Hospital**.<sup>1</sup> Rights groups were quick to denounce Hadhoud's death as part of Egypt's ongoing crackdown on dissent, where forced disappearances are common. Tens of thousands of Egyptians, including journalists, opposition politicians, business owners and human rights activists, remain arbitrarily detained.

Egypt's public prosecution said that police arrested Hadhoud on 6 February after a guard found him trying to break into an apartment in **Cairo's Zamalek** neighbourhood, and that prosecutors sent him to a psychiatric hospital after judging him "incomprehensible" during interrogation.<sup>2</sup> Hadhoud's family members say that following his detainment, police told them he was being held at a police station by the **State Security Agency**. They later learned that he had been transferred to Abbasseya Psychiatric Hospital to be placed under observation for 45 days. They were repeatedly denied visitation.<sup>3</sup> After reaching a staff member of the hospital on 4 April, they were told that Hadhoud had died a month earlier. With no forensic examination completed and conflicting accounts from authorities about Hadhoud's fate, the family decided to go public with the case.<sup>4</sup>

Hadhoud's work for the Reform and Development Party, a liberal party with a small presence in parliament, has been cited as a potential reason for his death. Its leader, and Hadhoud's former boss, **Mohamed Anwar Sadat**, nephew of former president **Anwar Sadat** (1970-1981), has risen to prominence in recent months for holding talks with security agencies to enquire about the fate of those forcibly disappeared and to negotiate the release of detainees.

Members of the political and business elite, many of whom knew Hadhoud personally, have expressed concern that someone perceived to enjoy a level of protection by working under the auspices of a prominent parliamentarian would find himself a target of the security services, dying in a scenario that is usually reserved for political activists or members of the **Muslim Brotherhood**. Several sources suggested that Hadhoud's death bore similarities to that of slain post-graduate **Italian**

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<sup>1</sup> Reuters, 11 Apr 2022.

<sup>2</sup> Mada Masr, 10 Apr 2022.

<sup>3</sup> Mada Masr, 10 Apr 2022.

<sup>4</sup> Mada Masr, 10 Apr 2022.

student **Giulio Regeni**, who disappeared in Cairo in 2016. His body was found almost a week later and a post-mortem examination showed he had been extensively tortured before his death.

Hadhoud's brother, **Omar Hadhoud**, told the **BBC** that there were no reasons for the authorities to target his brother, but noted that Ayman did have "*his own opinions*" and had previously expressed concerns about his safety.<sup>5</sup> Local investigative news site **Mada Masr** noted:

*"The most likely explanation is that Hadhoud's transfer to the hospital for psychological evaluation took place away from the official legal avenues, something that can only be done by a security agency with wide-ranging authority."*<sup>6</sup>

Egypt's public prosecutor announced on 19 April that an autopsy conducted more than a month after Hadhoud died confirmed that his death was due to a chronic heart condition and that his body was free of any marks of injury.<sup>7</sup>

### President Sisi hosts Israeli PM and UAE leader in Sharm El Sheikh

President **Abdel Fattah al-Sisi** (2014-present) hosted **Israel's** prime minister, **Naftali Bennett** (2021-present), and the de facto leader of the **United Arab Emirates (UAE)**, **Sheikh Mohammed bin Zayed al-Nahyan**, on 21 March for the first-ever trilateral summit of Israeli, Egyptian and Emirati leaders in the **Red Sea** town of **Sharm El Sheikh**.<sup>8</sup> Bennett's unannounced visit came as the **United States (US)** neared signing of a new **Iran Nuclear Deal**, a move generally supported by Egypt and the UAE, but opposed by Israel.

The three leaders' offices gave no official comment regarding the meeting. However, it was suggested that the discussions covered the consequences of the war in **Ukraine**, including rising energy and food insecurity, as well as regional issues such as the nuclear negotiations with **Iran**.<sup>9</sup>

Bennett last met with Sisi in September (*see ARC Briefing Egypt Sep 2021*) in the first such meeting between Israeli and Egyptian leaders in more than a decade. While Israel and Egypt signed the historic **Camp David** peace treaty in 1979, relations have until recent years been thorny at best, with citizens of both nations regarding each other as essentially hostile. Bennett met with the UAE crown prince in December, when he made the first-ever visit by a sitting Israeli prime minister to the **Gulf** country, following the normalisation of relations between the two countries under the **Abraham Accords**.

Bin Zayed's arrival in Egypt followed his hosting of **Syria's** President **Bashar al-Assad** (2000-present), being the first leader in the region to do so since the start of the Syrian conflict.<sup>10</sup> The administration of US president **Joseph Biden** (2021-present) harshly condemned the move, having resisted efforts by leaders in the region to "*normalise*" Assad.

The meeting between the three leaders can be seen as a further extension of the agreements that took place under the administration of **Donald Trump** (2017-2021), which were historical in establishing diplomatic relations between Israel, **Morocco**, **Bahrain** and the UAE and represent a growing compact of **Middle Eastern** countries interested in countering Iran's influence in the region. While Egypt and the UAE are less opposed to a new Iran deal, Bin Zayed is known to have been stung by the decision of the administration of **Barack Obama** (2009-2017) to leave him out of its efforts in negotiating the first Iran deal. The events that surrounded those negotiations came to be known in the region as a watershed moment in Bin Zayed's relations with the US.<sup>11</sup> The interests of Israel and the Arab's nations coalesce with their mutual concern over Iran's support of proxies in neighboring **Iraq** and **Yemen**.

<sup>5</sup> BBC, 11 Apr 2022

<sup>6</sup> Mada Masr, 12 Apr 2022

<sup>7</sup> Press release, 19 Apr 2022

<sup>8</sup> Reuters, 21 Mar 2022

<sup>9</sup> Reuters, 21 Mar 2022

<sup>10</sup> The National, 18 Mar 2022

<sup>11</sup> The New York Times, 14 Jul 2020

Bennett's arrival in Egypt came days after Israel announced the inauguration of a new flight route between **Ben Gurion Airport**, located on the northern outskirts of the Israeli city of **Lod**, about 45 km northwest of **Jerusalem** and 20 km southeast of **Tel Aviv**, and Sharm el-Sheikh.<sup>12</sup>

### Egypt devalues currency, looks to IMF and Gulf in wake of Ukraine fallout

**Russia's** military operations in Ukraine continue to have a significant impact on Egypt, which devalued its pound by 14% on 21 March after foreign investors pulled billions of dollars out of Egyptian markets. The devaluation of the pound came as the **Central Bank of Egypt (CBE)** hiked overnight interest rates by 100 basis points in a surprise fiscal policy meeting.<sup>13</sup>

US-based investment bank **JPMorgan** had preempted the devaluation saying on 8 March that a devaluation of Egypt's pound was likely to be required and that it may need assistance from the **International Monetary Fund (IMF)** if market pressures continue to worsen. While CBE governor **Tarek Amer** told reporters following the bank's meeting that the sharp depreciation of the currency represented a "correction", sources have for some time suggested that the pound is significantly overvalued and that the central bank is not allowing the currency to float freely, as it had done previously both before and after it received loans from the IMF.<sup>14</sup>

Egypt is currently in talks with the IMF for further assistance, but details of a deal have yet to be announced. The combination of increased food prices and a potential drop in Russian and Ukrainian tourists, who make up 10% and 3% of visitors to Egypt, are set to put further pressure on the country's finances.

Gulf countries have again stepped in to finance Egypt's funding gap. **Saudi Arabia** deposited \$5 billion with the CBE on 30 March and announced that the Saudi sovereign wealth fund is looking to invest \$10 billion in Egypt's healthcare, education, agriculture and financial services sectors.<sup>15</sup> **Qatar** committed on 29 March to invest \$5 billion in Egyptian companies and projects.<sup>16</sup> **Abu Dhabi** wealth fund **ADQ** has promised \$2 billion to buy state-owned shares in public companies including **Abu Qir Fertilizers, Mopco, and Alexandria Container & Cargo Handling**, as well as a significant stake in two of Egypt's most profitable financial services companies, the **Commercial International Bank (CIB)** and payments platform **Fawry**.<sup>17</sup> ADQ has been partnering with the **Sovereign Fund of Egypt** since 2019 through a \$20 billion fund channelling funds into a variety of industries and assets.<sup>18</sup>

These new investments, all announced in one week, represent \$22 billion funding for Egypt and come as Sisi has made trips to Saudi Arabia and **Kuwait** in recent weeks for high-level talks.<sup>19</sup> Sources have suggested that the acceleration of investments was done in a bid to help shore up stability in the Arab world's most populous country to stave off potential unrest that could be triggered by sky-rocketing food costs.

As commentators continued to debate what form a new IMF deal would take, **EFG Hermes'** head of research, **Mohamed Abu Basha**, noted the transfer would alleviate short-term funding pressures and should help seal the IMF programme.<sup>20</sup> A new IMF loan would be the third in six years, after a \$12 billion loan in 2016 and \$8 billion to support the economy during the **Covid-19** pandemic.

<sup>12</sup> Enterprise, 16 Mar 2022

<sup>13</sup> Bloomberg, 21 Mar 2022

<sup>14</sup> Source, investment banker, Cairo

<sup>15</sup> Press release, 30 Mar 2022

<sup>16</sup> Press release, 29 Mar 2022

<sup>17</sup> Bloomberg, 22 Mar 2022

<sup>18</sup> Zawya, 4 Apr 2022

<sup>19</sup> Al Ahrām, 8 Mar 2022

<sup>20</sup> Bloomberg, 30 Mar 2022.

## Planner

9-10 April 2022 **Cairo (Egypt)** *Al Mal*. Egypt's second corporate green bond issuance expected to be announced;

April 2022 **Cairo (Egypt)** *Al Mal*. A delegation from a major **Belgian** shipping company will arrive for talks on building an international shipping supply centre in Egypt;

7-18 Nov 2022 **Sharm El Sheikh (Egypt)** *AP*. Egypt will host **COP27**

## Chronology

19 Apr 2022 **Cairo (Egypt)** *Arab News*. Egypt is to see a 48% year-on-year rise in the number of cars on its roads being converted to use natural gas during this fiscal year;

15 Apr 2022 **Cairo (Egypt)** *Sada el-Balad*. The **Egyptian Stock Exchange (EGX)** records losses of EGP 30.3 billion (\$1.6 billion) during the trading week;

15 Apr 2022 **Cairo (Egypt)** *Sada el-Balad*. The **First Abu Dhabi Bank (FAB)** decides to withdraw the non-binding offer made in February regarding the possible acquisition for cash of a majority stake in **EFG Hermes Holding**;

13 Apr 2022 **Tripoli (Libya)** *Reuters*. Representatives of **Libya's** two rival parliamentary chambers begin talks in Egypt aimed at reaching agreement on holding national elections;

12 Apr 2022 **Cairo (Egypt)** *Reuters*. The supply ministry confirms that it is considering adding wheat from **India** to 16 other national import origins accepted by its state grains buyer, as it seeks to shore up purchases disrupted by **Russia's** invasion of **Ukraine**;

11 Apr 2022 **Cairo (Egypt)** *AFP*. Brother of **Egyptian** economist **Ayman Hadhoud**, detained in early February, says he has died, as police deny "forcibly disappearing" him;

7 Apr 2022 **Cairo (Egypt)** *Egypt Independent*. **Central Bank of Egypt** says net foreign reserves fell by nearly \$4 billion in March, after the war in **Ukraine** caused foreign investors to flee Egyptian treasuries, putting pressure on the currency;

2 Apr 2022 **Cairo (Egypt)** *Egypt Independent*. **Suez Canal** authority records \$1.69 billion revenue in Q1 2022, up from \$1.4 billion in the same period a year prior;

31 Mar 2022 **Riyadh (Saudi Arabia)** *Bloomberg*. Saudi Arabia pledges \$15 billion to support **Egypt** through **Ukraine** crisis;

31 Mar 2022 **Cairo (Egypt)** *AP*. Egypt devalues its pound by 14% after **Russia's** invasion of **Ukraine** prompted foreign investors to pull billions of dollars out of Egyptian treasury markets;

29 Mar 2022 **Cairo (Egypt)** *Aljazeera*. **Qatar** foreign minister **Mohammed bin Abdulrahman Al Thani** says Qatar will invest \$5 billion in **Egypt**, signalling increasing improvement in ties between the two nations;

27 Mar 2022 **Sde Boker (Israel)** *TOI*. **Egypt's** foreign minister, **Sameh Shoukry**, joins his **Emirati, Israeli, Moroccan, Bahraini** and **United States** counterparts at a major summit to discuss the implications of a nuclear agreement with **Iran** and a revival of peace negotiations between Israel and **Palestine**;

24 Mar 2022 **Cairo (Egypt)** *CNN*. Egypt caps bread prices as shockwaves of **Ukraine** war hit **Middle East**;

23 Mar 2022 **Cairo (Egypt)** *IMF*. **Egypt** requests the **International Monetary Fund's** support to implement a comprehensive economic programme;

23 Mar 2022 **Cairo (Egypt)** *Press release*. **Abu Dhabi** wealth fund agrees with Egypt to invest about \$2 billion by buying state-held stakes in some companies, including Egypt's largest listed bank, **Commercial International Bank**;

21 Mar 2022 **Cairo (Egypt)** *Aljazeera*. Two **Egyptian** security sources say President **Abdel Fattah el-Sisi** hosted **Israel's** prime minister, **Naftali Bennett**, and the de facto leader of the **United Arab Emirates**, **Sheikh Mohammed bin Zayed Al Nahyan**, as talks to revive a nuclear deal with **Iran** remain in limbo;

20 Mar 2022 **Cairo (Egypt)** *Reuters*. **Egypt's** three largest state-owned banks – **Banque Misr**, **National Bank of Egypt** and **Banque du Caire** – plan to set up an \$85m financial technology fund that aims to accelerate innovation in the sector;

17 Mar 2022 **Cairo (Egypt)** *Bloomberg*. **Egypt** is in talks with the **International Monetary Fund** on possible support that could include a loan, as shockwaves from the war in **Ukraine** add pressure on its economy;

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