

AFRICA RISK CONSULTING

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Egypt Summary 14 October 2022

Finance minister Mohamed Maait says an assistance package from the International Monetary Fund (IMF) is in the “final confirmation” stage as Egypt’s economic situation becomes critical. United Nations (UN) independent human rights experts have urged that Egypt must ensure civil society can safely participate in the COP27 UN climate summit. The administration of United States President Joseph Biden (2021-present) will withhold \$130m in security aid from Egypt for the second consecutive year over its human rights record but will release a separate tranche of \$75m citing Cairo’s progress on freeing political detainees.

Egypt lobbies IMF hoping to close loan deal

Finance minister **Mohamed Maait** said on 13 October that an assistance package from the **International Monetary Fund (IMF)** is in the “*final confirmation*” stage.¹ His comments came on the sidelines of the **World Bank Annual Meeting** held in **Washington D.C (United States) (US)**, where **Egyptian** officials and members of the banking community were lobbying to finalise negotiations before the end of the meeting.

Maait said officials have reached an agreement on all aspects of the package but gave no details on the size or expected structure of the loan. IMF **Middle East and Central Asia** director **Jihad Azour** was more circumspect, saying on 14 October that talks were “*progressing*”.²

Negotiations with the IMF began in March, following **Russia’s** invasion of **Ukraine**, which pushed Egypt’s already fraught finances into further chaos. Massive hikes in key commodities caused a surge in the government’s budget, with the cost of oil and cereals alone up from \$5 billion to \$9.5 billion.³ Panic across emerging markets saw foreign investors pull \$22 billion from Egyptian treasury markets in a matter of weeks.⁴ However, talks between the IMF and Egypt have seen disagreement over the extent and pace that a further devaluation of the Egyptian pound should take. The currency has already lost 25% of its value since March, but watchers and sources close to the lender insist it is still overvalued.⁵ Maait said the Egyptian government supports further currency devaluation if it is necessary, adding that the soaring US dollar has added pressure on currencies everywhere.⁶ **Oxford Economics** economist **Callee Davis** noted on 12 October that the conclusion of negotiations with the IMF is becoming increasingly urgent amid growing foreign exchange scarcity, supply shortages and persistent inflation.⁷

¹ Al Ahram, 13 Oct 2022.

² Reuters, 13 Oct 2022.

³ Al Mayadeen, 12 Oct 2022.

⁴ Reuters, 13 Oct 2022.

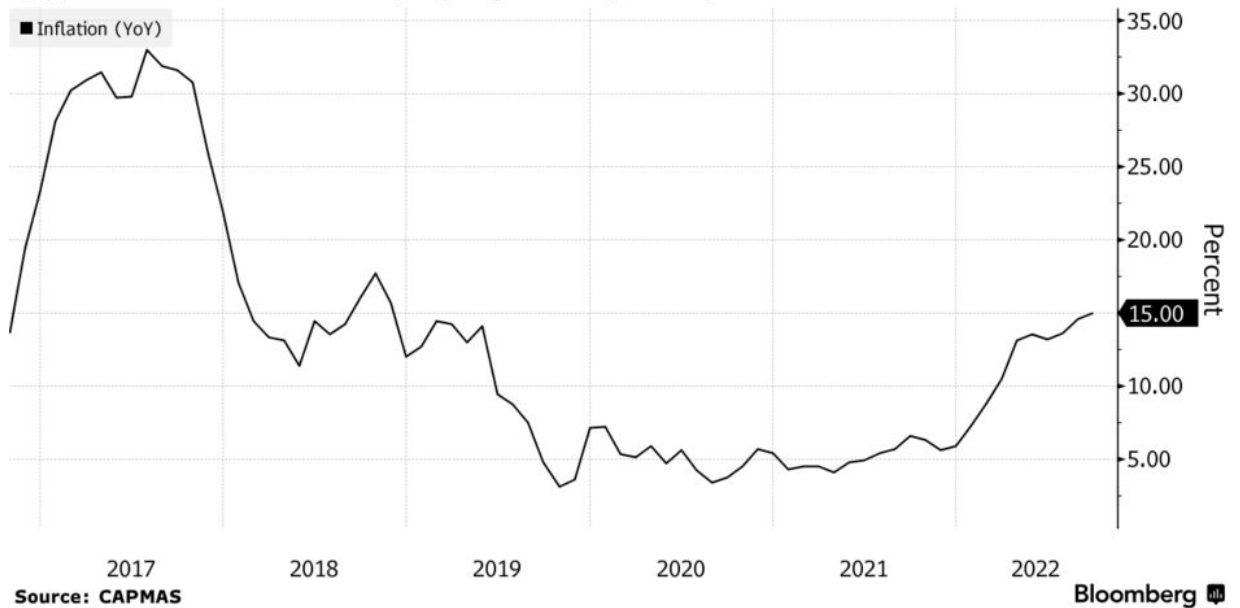
⁵ Source, investment banker, Cairo

⁶ Al Mal, 13 Oct 2022.

⁷ Al Mayadeen, 12 Oct 2022.

Creeping Up

Egypt annual inflation creeping higher as global pressures build



US-based investment bank **Goldman Sachs** estimated in August that Egypt needed a \$15-billion bailout from the IMF in order to meet its debt repayments, but local sources estimate the amount is closer to \$3 billion and say they expect the next loan to cover that figure.⁸ Egypt already owes \$11.6 billion to the IMF for a loan granted in 2016 and another two packages in 2020. Both are expected to be paid by 2025.⁹

The shortage in foreign currency has led to a sharp drop in non-oil imports, which fell by 20% in the April-June quarter, and has resulted in delays releasing wheat shipments stalled in port, as well as a backlog of goods belonging to retailers and factories.¹⁰ Local business owners including those importing and manufacturing medications, as well those involved in the construction industry and retail have complained of the near impossibility of trying to import goods crucial to their operations in the past six months. On 10 October, local banks also tightened limits on dollar withdrawals from Egyptian pound accounts, which has done little to stem fears of an impending crisis.¹¹

Egypt urged to ensure civil society's participation in COP27 climate summit

A group of **United Nations (UN)** independent human rights experts have urged that Egypt must ensure civil society can safely participate in the **UN Convention on Climate Change Conference of Parties (COP27)** taking place on 7 November in the **Red Sea** resort of **Sharm el-Sheikh** as concerns mount over restrictions being imposed on the event.¹² Egypt's human rights record has come under scrutiny ahead of the COP27 summit. Dozens of international rights groups have called on Egypt to end its crackdown on civil society. Since **Abdel Fattah el-Sisi** (2014-present) came to power, he has waged what critics call the most brutal campaign on dissent in Egypt's modern history, with rights groups estimating that tens of thousands of political prisoners are held in Egyptian jails.

⁸ Source, investment banker, Cairo

⁹ Middle East Monitor, 12 Oct 2022.

¹⁰ Reuters, 13 Oct 2022

¹¹ Al Mal, 10 Oct 2022

¹² Press release, 7 Oct 2022.

Environmental activists have been among those targeted in the ongoing crackdown.¹³ Environmental rights campaigner **Ahmed Amasha** was arrested in 2017 and reportedly sexually assaulted and electrocuted while in prison. He was released in 2019 only to be re-arrested the following year and continues to be detained.

Independent civil society organisations critical of the government complain that they have been shut out of the summit, owing to what they describe as a “*selective*” registration process that filtered them out to ensure that only pro-government non-governmental organisations could apply.¹⁴ The move is intended to curb protests traditionally staged at previous climate summits. Authorities have said that they would only allow pre-registered protests to take place and that they would be confined to a designated space that will be separate from the area where negotiations will take place.

Egypt’s leadership sees the summit as a means to get industrialised countries primarily responsible for climate change to foot the bill for anticipated climate events that will put further pressure on vulnerable developing countries. Securing finance for developing nations’ climate adaptation efforts would allow Egypt to position itself as **Africa’s** leader on climate action – a desperately needed vote of confidence as the country faces mounting financial difficulties and growing criticism of its domestic policies in the Arab world’s most populous nation.

Biden administration withholds further aid to Egypt over rights concerns

The administration of US President **Joseph Biden** (2021-present) will withhold \$130m in security aid from Egypt for the second consecutive year over its human rights record but will release a separate tranche of \$75m because of **Cairo’s** progress in freeing political prisoners.¹⁵

Egypt has been among the top recipients of US foreign aid since it became the first Arab country to make peace with its neighbour, **Israel**, in 1979, after the US-brokered **Camp David Accords**.¹⁶ Since 1978, the US has provided Egypt’s military with over EGP 945 billion (\$50 billion) in military aid, making Egypt’s army one of the top three most funded militaries by the US, after Ukraine and Israel. Although at times strained, the relationship remains central to Washington’s strategy in the region, given Cairo’s repeated interventions in brokering ceasefires between Israel and the **Hamas** militant group in **Gaza**.¹⁷

The **US State Department’s** annual human rights report, released in September catalogued far-reaching violations by the Egyptian government, including arbitrary arrests, excessive pretrial detention and torture by the government. A group of lawmakers led by **House Foreign Affairs Committee** chairman **Gregory W. Meeks** urged that US aid be withheld, decrying what they called the “*ongoing, pervasive, and systemic violations of human rights in Egypt that risk destabilizing the country*”.¹⁸

During the 2020 US presidential election campaign, Biden pledged that he would not write any more “*blank checks*” to Sisi.¹⁹ However, since taking office, his approach to the Egyptian leader has shifted and the move to extend aid to Egypt is seen by many as a reflection of a struggle within the US administration to reconcile previous promises of a more hardline approach with a changing power dynamic in the region with nations like **Russia** and **China** vying for influence.

¹³ Al Monitor, 13 Oct 2022.

¹⁴ Atlantic Council, 7 Oct 2022

¹⁵ AP, 15 Sep 2022.

¹⁶ Reuters, 15 Sep 2022.

¹⁷ The Washington Post, 5 Oct 2022

¹⁸ The Washington Post, 5 Oct 2022

¹⁹ Al Ahram, 20 Jul 2020.

Planner

17 Oct 2022 **Geneva (Switzerland)** *Enterprise*. Fifth Egypt and **United Nations**-led regional climate roundtable ahead of **COP27**;

7-18 Nov 2022 **Sharm El Sheikh (Egypt)** *AP*. Egypt hosts **Convention on Climate Change Conference of Parties (COP27)**;

13-15 Dec 2022 **Cairo (Egypt)** **United States-Africa Leaders' Summit**

Chronology

15 Oct 2022 **Cairo (Egypt)** *Enterprise*. **Cairo Metro** to launch a global tender for maintenance work on the power stations and overhead catenary system of Line 1;

13 Oct 2022 **Cairo (Egypt)** *Reuters*. Egypt is pushing to tie up a crucial financial package from the **International Monetary Fund** at annual meetings in **Washington (United States)** this week;

12 Oct 2022 **Cairo (Egypt)** *Enterprise*. Egyptian fintech startup **Telda** secures \$20m in seed funding from investors including **Twitter** founder **Jack Dorsey's Block**;

11 Oct 2022 **Cairo (Egypt)** *CAPMAS*. Inflation accelerated at the fastest pace in almost four years with consumer prices climbing an annual 15% in September, compared with 14.6% the previous month;

10 Oct 2022 **Cairo (Egypt)** *Reuters*. Egyptian banks have tightened limits on foreign currency withdrawals from local currency accounts as they seek to conserve scarce dollars;

7 Oct 2022 **Cairo (Egypt)** *UN*. **United Nations** says **Egypt** must ensure the safety and full participation of all parts of civil society at the **UN Framework Convention on Climate Change Conference of Parties (COP27)** in November;

5 Oct 2022 **Cairo (Egypt)** *Egypt Independent*. Finance minister **Mohamed Maait** says President **Abdel Fattah al-Sisi** is reshaping **Egypt's** economy by empowering the private sector, so that it has a greater role in economic development;

5 Oct 2022 **Cairo (Egypt)** *Egypt Independent*. **Central Bank of Egypt** says **Egypt's** current account deficit narrowed by almost half in the April-June quarter as non-oil imports tumbled by nearly 20% from the previous quarter;

4 Oct 2022 **Cairo (Egypt)** *Refinitiv*. **Egypt's** pound weakened to a record low, at 0.10 pounds to the **United States** dollar, as the government seeks to clinch a loan from the **International Monetary Fund**;

4 Oct 2022 **Cairo (Egypt)** *Reuters*. Traders and the chamber of cereals say the price of wheat and flour used to make unsubsidised bread has spiked in **Egypt** as importers struggle to pay for wheat stuck at ports amid a dollar shortage;

18 Sep 2022 **Cairo (Egypt)** *Arab News*. **Suez Canal Authority** increases transit fees for all types of ships by 15% starting January 2023 in order to deal with the impact of global inflation;

21 Sep 2022 **Cairo (Egypt)** *Amnesty International*. Global human rights group **Amnesty International** says **Egyptian** authorities have shown no genuine will to acknowledge or address the country's human rights crisis despite launching a national human rights strategy one year ago;

20 Sep 2022 **Cairo (Egypt)** *Egypt Independent*. **Central Bank of Egypt** eases foreign currency restrictions in a bid to clear a backlog of imports that has contributed to soaring prices;

15 Sep 2022 **Cairo (Egypt)** *The Guardian*. Two international NGOs have asked **French** prosecutors and the **United Nations** to investigate the French state's involvement in Egypt, allegedly committing crimes against humanity in a secret military operation on the Egyptian-Libyan border;

14 Sep 2022 **Cairo (Egypt)** *The New York Times*. **United States (US)** senior lawmakers says the US should not give \$300m in aid to **Egypt** until it improves its human rights record.

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.

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