

AFRICA RISK CONSULTING

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Egypt Summary 20 February 2023

President Abdel Fattah Sisi (2014-present) travels to Dubai (United Arab Emirates) on 13 February amid a diplomatic spat with Saudi Arabia as bilateral relations between Egypt and Gulf (GCC) nations fray. United States (US) secretary of state Anthony Blinken arrives in Cairo on 29 January to hold talks on regional security before heading to Tel Aviv (Israel) and Ramallah (Palestine) amid escalating violence in the West Bank. Blinken meets with Sisi and foreign minister Sameh Shoukry to discuss the situation in Palestine in which Egypt has historically been a principal mediator. Government announces the sale of 32 companies as the country is going through severe financial turmoil. The sale also comes as the terms of a new bailout plan with the International Monetary Fund (IMF) requires the government to demonstrate a commitment to reducing the footprint of the military in the economy.

Sisi heads to Dubai to fix frayed relations amid ongoing economic crisis

An unprecedented war of words has erupted between **Saudi** commentators closely affiliated with the royal family and journalists of government-run newspapers in **Egypt** at a time when relations between Egypt and **Gulf** (GCC) nations have frayed as Egypt seeks more aid from its Gulf neighbours who have recently signalled that the era of “*blank cheques*” to the **Arab** world’s most populous nation is ending.

The spat began when Saudi writer **Turki al-Hamad**, a close supporter of Saudi Arabia’s de facto leader Crown Prince **Mohamed Bin Salman (MBS)**, criticised the Egyptian state in a series of tweets on 26 January saying the country is continuing its “*descending journey into the abyss*”.¹ He also attributed the cause of these crises to the “*military’s dominance*” over all levers of power and wealth. **Khalid al-Dakhil**, an academic and former columnist at the Saudi-owned **United Kingdom**-based, newspaper **Al-Hayat** also joined the criticism adding that Egypt “*has not left the mantle of the military since 1952.*”²

The comments come as several public figures in the Gulf have joined a chorus of criticism from economic experts to western media who have long decried that president **Abdel Fattah Sisi** (2014-present), the former defence minister is ill-equipped to save the country’s failing economy. In a recent essay for **Foreign Policy** economic policy expert, **Timothy Kaldas** critiqued the series of policy decisions that have taken Egypt to where it is today:

“The Egyptian regime spent the past several years using the country’s expansive access to credit to finance a vast array of poorly studied megaprojects and infrastructure projects that were often directly contracted to regime-owned enterprises, particularly military-owned companies.”³

In a series of leaked tapes aired in 2014, Sisi was infamously heard discussing plans to extract Gulf aid referring to his neighbours as “*having money like rice.*”⁴

¹ Twitter, 26 Jan 2023.

² Twitter, 27 Jan 2023.

³ Foreign Policy, 14 Feb 2023.

⁴ Middle East Eye, 13 Feb 2015.

Abdul Raziq Tawfiq, editor-in-chief of Egypt's state-run **Al Gomhuria** newspaper wrote a barbed response on 4 February to the Saudi tweets, without directly mentioning Saudi Arabia, which had begun to circulate widely:

*"But unfortunately, there are fools blinded by money who do not realise that if something bad happens to Egypt, they will not survive for a minute."*⁵

The article was later taken down and replaced by another that touted the strength of the bilateral relationship. Sisi sought to tamp down the spat during a trip to **Dubai** on 13 February for the **World Government Summit**. In public remarks, he offered praise to his Gulf counterparts, while also alluding to the recent exchange:

*"If we have nothing good to say, we should remain silent. We also must not forget the support our brothers have given us."*⁶

This current episode has prompted several Egypt watchers to debate whether explicit criticism by those who are directly sanctioned by MBS is indicative of a wider shift against Sisi's leadership, which GCC nations have propped up since 2013 with an estimated \$100 billion in donations.⁷ Sources point out that the outcome of a number of ongoing diplomatic conflicts remains undecided and that the tension playing out in public is a direct reflection of these issues. In what was viewed as a thinly veiled reference to Egypt, Saudi Arabia's finance minister **Mohammed al-Jadaan** said at the **World Economic Forum in Davos (Switzerland)** that Saudi Arabia would be encouraging countries in the region to enact economic reforms adding that financing would no longer be unconditional:

*"We used to give direct grants and deposits without strings attached and we are changing that. We are working with multilateral institutions to actually say we need to see reforms."*⁸

The transfer of the **Tiran** and **Sanfir Islands** which was agreed upon in 2017 is also a point of ongoing tension with Saudi Arabia refusing to complete asset purchases in Egypt until the final transfer of sovereignty over the islands is completed.⁹ There is also an ongoing disagreement over the **Red Sea Council**, which Egypt had initiated but Saudi Arabia later took over.¹⁰ Dominance over the waterway, which sources in Egypt say is crucial to the country's trade and security remains a primary concern.

From a business perspective, there is the sense that the Gulf with its interest in diversifying its interests away from energy, sees Egypt as both a cautionary tale and at the same time, its economic predicament as an opportunity to purchase cheap stakes in profitable companies. There is a sense of anger among local businesses about the nature of these deals.

For the banking community, there is disbelief that it has come to a point where Egypt is still begging for handouts from Gulf countries, but even worse now, that valuable companies are being offered up in a fire sale. A Cairo-based investment banker told **Africa Risk Consulting Briefing (ARC Briefing)**:

"With the country desperate for dollars amid an ongoing shortage, we look on and think that it did not have to go this way. Meanwhile, foreign investors who have the money and

⁵ Al Gomhuria, Feb 2023.

⁶ Youm7, 13 Feb 2023.

⁷ ABC, 13 Feb 2023.

⁸ ABC, 13 Feb 2023.

⁹ Mada Masr, 13 Feb 2023.

¹⁰ Mada Masr, 13 Feb 2023.

operational capacity to be of value to Egyptian companies are still treated with suspicion and massive delays in terms of the bureaucratic process they have to negotiate.”¹¹

US Secretary of State in Cairo amid escalating West Bank violence

US secretary of state **Anthony Blinken** arrived in Cairo on 29 January to hold talks on regional security before heading to **Tel Aviv (Israel)** and **Ramallah (Palestine)** amid escalating violence in the **West Bank** since the inauguration of a new hard-right government last month. Blinken met with Sisi and foreign minister **Sameh Shoukry** to discuss the situation in which Egypt has historically been a principal mediator.

Violence has been rapidly escalating following the killing of seven Israelis by Palestinians in Jerusalem on 27 January. A day before, Israel attacked the **Jenin** refugee camp in the West Bank, killing 10 Palestinians. Egypt’s government held talks with senior officials from the Palestinian political movement **Hamas** and **Islamic Jihad** in Cairo on 9 February to de-escalate the current violence. Egyptian intelligence chief **Abbas Kamel** also travelled to Ramallah to conduct direct negotiations with Palestinian leader **Mahmoud Abbas** in late January since the Palestinian leader cut off all contact with Israel following an upsurge in aggression from **Israeli Defence Force (IDF)** troops in the West Bank.

Egypt has negotiated almost every major ceasefire between Hamas and Israel since the 1980s and has a particular interest in keeping its role as chief mediator with sources suggesting that Egypt’s extension of its hand to assist in the Israeli-Palestinian conflict is a way for the government to demonstrate its relevance to the US administration, a major source of aid to the country.¹² Egypt and the US otherwise share few other points of common strategic interest.

However, there is also the sense in Egypt that under the new Israeli government, which is arguably the most hard-right government in the country’s history, should violence escalate further it would be difficult to contain. Sources in Cairo suggest that there is significant concern among Egyptian officials about the potential of an all-out war that could potentially force other Arab nations to intervene. A diplomat based in Cairo told ARC Briefing that given that public support for normalisation with Israel both in Egypt and the Gulf countries is at an all-time low *“should Palestinians continue to be targeted, public opinion in our countries could dictate that we take an official stance on any future conflict.”¹³*

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.

Govt IPO program will see 32 companies for sale

The government announced on 8 February it will sell stakes in 32 state-owned companies over the next year under a revived privatisation programme that is intended to bring in much-needed foreign currency amid Egypt’s current financial crisis.¹⁴ Prime minister **Moustafa Madbouly** said that the state will offer shares in the companies to individual and strategic investors over the next 13 months in sectors including banking, oil and petrochemicals, real estate and ports.¹⁵ The programme will begin in the coming month and continue through to

¹¹ Investment banker, Egypt

¹² Reuters, 14 Sep 2021

¹³ Diplomat, Cairo, Jan 2023

¹⁴ Al Mal, 8 Feb 2023

¹⁵ Al Mal, 8 Feb 2023

March 2024. The government aims to complete at least 25% of the share sales within the program's first six months.¹⁶

The renewed efforts toward privatisation come as the country is going through severe financial turmoil and as the terms of a new bailout plan with the **International Monetary Fund (IMF)** require the government to demonstrate a commitment to reducing the footprint of the military in the economy, which has grown sizably since Sisi assumed the presidency in 2014.

The announcement was met with scepticism by some sources as no information was given regarding what companies the government would be willing to sell to strategic buyers, who would want to acquire at least a 51% stake to invest, as well as the logistical aspects involved in such transactions. A typical Initial Public Offering (IPO) takes months if not years to arrange and many of these companies lack basic financial statements crucial to compete such a transaction.¹⁷ The privatisation programme is part of government efforts to double the private sector's role in the economy to 65% to attract \$40 billion in private investment by 2026.¹⁸ Government or military-owned companies that have been targeted in a preliminary list include:

- **Safi;**
- **Wataniya;**
- **Misr Insurance**
- **Banque du Caire;**
- **Elab;**
- **Maadi for Development and Construction;**
- **El Mostakbal for Urban Development;**
- **Salhia Investment and Development Co;**
- A 4.8 GW combined-cycle power plant in **Beni Suef;**
- **Egyptian Ethylene and Derivatives Company;**
- **Egyptian Linear Alkyl Benzene;**
- **Helwan Fertilizers Company;**
- **Chemical Industries Development Company;**
- **Egyptian Polypropylene and Polypropylene Company;**
- **Egyptian Drilling Company;**
- **Pachin;**
- **Misr Concrete Development Company;**
- **Sinai Manganese Company;**
- **El Nasr Mining;**
- **Egyptian Ferrous Alloys Company;**
- **Alamal Alsharif Plastics;**
- **Misr Pharma.**¹⁹²⁰

The government initially announced plans to sell state assets in 2018 saying that it would offer minority stakes in 23 state-owned companies, however, the programme has been repeatedly delayed due to weak markets and legal issues.²¹ The government had planned to sell shares in up to 10 companies in 2022 after the instability of the **Covid-19** pandemic seemed to be passing, but the war in **Ukraine** then upended global markets. So far, they have managed to

¹⁶ Press statement, 8 Feb 2023.

¹⁷ Source, investment banker, Cairo.

¹⁸ Enterprise, 8 Feb 2023.

¹⁹ Enterprise, 15 Jan 2023.

²⁰ Enterprise, 8 Feb 2023.

²¹ Al Arabiya, 8 May 2022.

successfully sell stakes in the fintech company **e-market**, as well as secondary stakes in tobacco producer **Eastern Company** and **Abu Qir Fertilizers** since 2018.

Planner

March 2023 – March 2024 **Cairo (Egypt)** *Al Mal*. Initial Public Offering (IPO)/stake sale programme to begin;

Chronology

16 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. Presidency-affiliated **Long Live Egypt Fund** announces that it is collecting donations in all Egyptian banks for earthquake victims in **Syria**;

15 Feb 2023 **Cairo (Egypt)** *Enterprise*. **Juhayna Food Industries** reinstates **Seif El Din Thabet** as CEO and vice chairman and as a board member of **Pharon Investment Limited**, which owns a 52% stake in Juhayna after Thabet and his father **Safwan** were released from prison last month after spending more than two years in pre-trial detention on charges of joining and funding a terror organisation;

12 Feb 2023 **Cairo (Egypt)** *Bloomberg*. **United States**-based credit ratings agency downgrades Egypt as liquidity buffers and foreign reserves dwindle, leaving the nation vulnerable to shocks;

12 Feb 2023 **Cairo (Egypt)** *CAPMAS*. Figures released by state statistics agency **CAPMAS** show that annual urban inflation jumped to 25.8% in January, up from 21.3% the month before, reaching its highest levels since November 2017 on the back of a record increase in food prices due to the devaluation of the Egyptian pound;

12 Feb 2023 **Dubai (UAE)** *ABC*. President **Abdel Fattah El Sisi** in **Abu Dhabi**, where he held bilateral talks with **United Arab Emirates** president **Sheikh Mohammed bin Zayed Al Nahyan** ahead of attending the **World Government Summit**;

12 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. President **Abdel Fattah al-Sisi** arrives at the **Arab League** headquarters to take part in a conference in support of the holy city of **Al Quds (Jerusalem)**, including restoration efforts, improving civil society engagement and emphasising the **Palestinian-Arab** identity and Islamic importance in Al-Quds through grant programmes;

9 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. Prime minister **Mostafa Madbouly** announces that the government is preparing to offer 32 state-owned companies, including three banks and two companies, on the **Egyptian Exchange (ESX)** or to a strategic investor over the course of a year;

8 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. **Nagy Farag**, the advisor to the supply for gold industry affairs minister, states that Egypt ranks third in global gold reserves and has become third in the world in terms of increasing strategic reserves;

8 Feb 2023 **Cairo (Egypt)** *UN*. **Libyan** political leaders agree on a mechanism to withdraw foreign fighters from the country during talks in Cairo and under the Egypt-brokered agreement, the 5+5 Joint Military Commission - composed of leaders from opposing sides of the country's recent civil war - will coordinate the withdrawal of mercenary groups;

7 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. President **Abdel Fattah al-Sisi** sends five military planes loaded with urgent medical aid to **Syria** and **Turkey**;

7 Feb 2023 **Cairo (Egypt)** *Quartz*. Egyptian payments solutions firm, MNT-Halan has breached the billion-dollar valuation mark, becoming Africa's first unicorn in almost two years;

6 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. **Egyptian National Railways Authority** and **Russia-based Transmashholding International AG** conclude the largest economic agreement in the shared history of Egypt and **Russia**, to establish a factory to manufacture railway coaches;

5 Feb 2023 **Cairo (Egypt)** *Press statement*. The Central Bank of Egypt (CBE) left interest rates unchanged defying expectations of a third consecutive hike. The Monetary Policy Committee (MPC) left the deposit rate at 16.25%, the lending rate at 17.25%, and the main operation and disc. rates at 16.75%;

5 Feb 2023 **Cairo (Egypt)** *Enterprise*. Cairo-born mass transport app **Swvl** received its second delisting warning from the **Nasdaq** after the market value of its listed securities dipped below the benchmark \$50m;

4 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. Gold industry affairs ministry adviser on supply and internal trade **Nagy Farag** announces that Egypt has produced the first locally made gold ingot from the **Igat** mine discovered in June 2022;

2 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. State emigration minister **Soha Gendy** discusses with **Tunisian** employment and vocational training minister **Nasreddine Nsibi** ways to boost cooperation in coordinating immigration policies in **North Africa** and the relationship between immigration and development;

1 Feb 2023 **Cairo (Egypt)** *Egypt Independent*. Environment minister **Yasmine Fouad** says the launch of the **Green Economy Financing Facility (GEFF)** – attended by international cooperation minister **Rania el-Mashat**, **European Union** ambassador **Christian Berger**, and representatives of the **European Bank for Reconstruction and Development** and the **Green Climate Fund** – encourages the private sector to engage in funding climate projects;

30 Jan 2023 **Cairo (Egypt)** *Egypt Independent*. Irrigation minister **Hany Suweilam** discusses with **German** ambassador **Frank Hartmann** methods of enhancing bilateral cooperation, particularly in light of a recent agreement between the two countries to restore canals and waterways in the **Delta** city of **Behaira** using environmentally friendly methods;

29 Jan 2023 **Cairo (Egypt)** *Egypt Independent*. President **Abdel Fattah al-Sisi** and his **Armenian** counterpart, **Vahagn Khachaturyan**, sign cooperation agreements in the fields of culture and youth;

27 Jan 2023 **Khartoum (Sudan)** *Enterprise*. Sudan's de facto leader **Abdel Fattah al-Burhan** says Khartoum and **Ethiopia** are "*aligned and in agreement*" on the controversial Ethiopian dam on the **Blue Nile** which **Egypt** views as a threat;

26 Jan 2023 **Delhi (India)** *Press statement*. President **Abdel Fattah al-Sisi** holds talks with representatives from **Indian** renewable energy firm **ReNew Power** to discuss investments in renewable energy infrastructure;

22 Jan 2023 **Cairo (Egypt)** *Reuters*. **Italy's** foreign minister, **Luigi Di Maio**, says Italy sees Egypt as an important partner in stemming irregular migration across the **Mediterranean** and in bolstering its energy security.

21 Jan 2023 **Cairo (Egypt)** *Reuters*. **Sawfan Thabet**, founder and former CEO of **Juhayna Food Industries**, and his son **Seif Thabet** are released from prison after about two years in

detention, in a case that shook the business community as well as Egyptian and foreign investors;

18 Jan 2023 **Cairo (Egypt)** *Egypt Independent*. Planning and economic development minister **Hala el-Said** discusses ways to boost bilateral cooperation with **Saudi** economy and planning minister **Faisal bin Fadhil Alibrahim** at the **53rd World Economic Forum (WEF)** in **Davos (Switzerland)**;

17 Jan 2023 **Cairo (Egypt)** *Egypt Independent*. **Central Bank of Egypt (CBE)** confirms that the exchange market is showing signs of improvement;

16 Jan 2023 **Cairo (Egypt)** *Egypt Independent*. Member of parliament **Abdel-Moneim Emam** objects to approving a food security and economic resilience loan agreement between Egypt and the **African Development Bank**;

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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