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Egypt Summary 26 March 2025

President Abdel-Fattah El-Sisi (2014-present) announces on 4 March that Arab leaders approved Egypt's \$53 billion reconstruction plan for Gaza (Palestine), in a move to counter a controversial plan put forth by United States President Donald Trump (2025-present). The International Monetary Fund (IMF) announces on 11 March that it has completed the fourth review of Egypt's expanded \$8 billion Extended Fund Facility (EFF) and approves \$2.5 billion in financing for the country. The Central Agency for Public Mobilization and Statistics (CAPMAS) reports on 10 March that core consumer price index (CPI) inflation dropped significantly for a fourth consecutive month to 10% in February from 22.6% in January, while annual urban inflation dropped to 12.8% in February from 24% in January, mainly due to the base-year effect.

Arab Leaders propose alternative \$53 billion reconstruction plan for Gaza

President **Abdel-Fattah El-Sisi** (2014-present) announced on 4 March that **Arab** leaders approved Egypt's reconstruction plan for **Gaza (Palestine)**, in a move to counter a controversial plan put forth by **United States (US)** President **Donald Trump** (2025-present).¹ Trump has repeatedly suggested that Gaza's inhabitants should be moved to Egypt and **Jordan**, with each country taking a million inhabitants, before calling for the region to be turned into a "riviera of the Middle East" which the US will "take over" and "own".²

Egypt's alternative plan was officially endorsed at an extraordinary **Arab League** summit held at the new administrative capital on the outskirts of **Cairo** on 4 March, attended by El-Sisi, **Qatar's** Emir **Tamim Bin Hamad Al-Thani** (2013-present), **Jordan's** King **Abdullah** (1999-present), **Syrian** President **Ahmed Al-Sharaa** (2025-present) and **United Nations** secretary general **António Guterres**, among others.³

The 90-page plan lays out a roadmap to reconstruct Gaza by the end of the decade without displacing its population and has the following key proposals:

- The plan will be split across three phases that will cost approximately \$53 billion;
- During work to remove 50 million metric tonnes of rubble and unexploded artillery, Palestinians will be housed in temporary units spread out over seven sites across Gaza;
- Palestinian police officers trained and vetted by Egypt and Jordan will be responsible for security in Gaza.
- The **United Nations Security Council (UNSC)** should deploy peacekeeping forces in Gaza and the **West Bank** (Palestine).⁴

Additionally, the Arab League's plan does not explicitly call for the Palestinian militant group **Hamas**, which has been Gaza's central governing authority since 2007, to cede power.⁵ However, it proposes for an independent committee of "technocrats and non-partisan" Palestinian figures under the leadership of Hamas' rival, the **Palestinian Authority**, to manage day-to-day affairs of Gaza.⁶

¹ Al Jazeera, 4 Mar 2025

² Al Jazeera, 4 Feb 2025

³ Yahoo News, 5 Mar 2025

⁴ Al Jazeera, 4 Mar 2025

⁵ Bloomberg, 5 Mar 2025

⁶ Bloomberg, 5 Mar 2025

The Arab League's plan is already facing significant hurdles, with the US rejecting it on 5 March in favour of Trump's plan.⁷ **Israel**, which has also rejected the plan, is not in favour of a two-state solution, which the Arab League also emphasises.⁸ While Hamas has welcomed the plan, it is questionable if the group will actually cede control of Gaza to an administration controlled by the Palestinian Authority.

The Arab League is clearly taking greater ownership of the situation in Gaza and Egyptian security forces reported on 24 March that Egypt has put forward a new ceasefire proposal to Israel and Hamas but finding a resolution to the conflict that will be accepted by all parties is a long shot. Finding a resolution will be challenging as "*Trump is adamant on forcing Palestinians out of their homeland*".⁹

Trump's plan has also strained relations with Egypt, with the US threatening to withdraw aid from Egypt and Jordan if they refuse his plan.¹⁰ The US distributed \$1.3 billion in military aid to Egypt in 2024 and sanctioned the potential sale of more than \$5 billion worth of arms to the country.¹¹ While US military aid is vital for Egypt's security, the country is prepared to forego it, as Trump's proposal to displace Palestinians threatens Egypt's national interest.¹² Cairo views the expulsion of Palestinians from Gaza as a major threat to its domestic security, potentially fuelling extremism and providing a pretext for future Israeli attacks, and as "*an injustice in which we cannot participate*".¹³ The US will likely keep pressure on Egypt going forward and escalate tensions if its plan is still not accepted.

IMF releases \$2.5 billion in funding for Egypt while urging more reforms

The **International Monetary Fund (IMF)** announced on 11 March that it had completed the fourth review of Egypt's expanded \$8 billion **Extended Fund Facility (EFF)** and approved \$2.5 billion in financing for the country.¹⁴ Of the total amount, \$1.2 billion would be paid out immediately as the latest tranche of the EFF programme.¹⁵ The IMF also agreed to Egypt's request for \$1.3 billion in a new financing arrangement under the **Resilience and Sustainability Facility (RSF)**. The funds will be disbursed in tranches and used to deal with challenges related to climate change.¹⁶

Egypt, which has so far received about \$2 billion of loan disbursements through its current deal, is the IMF's second-largest borrower after **Argentina**, and the announcements indicates deeper engagement with the global lender.¹⁷ In March 2024, the IMF agreed to more than double the country's rescue EFF programme from \$3 billion to \$8 billion after Egyptian authorities' decided to float the Egyptian pound, which devalued it by 38%, but helped it meet a longstanding IMF reform (see *ARC Briefing Egypt Mar 2024*). Egypt's ability to unlock the IMF loan was further accelerated by the **United Arab Emirates'** \$35 billion cash injection via its **Abu Dhabi**-based wealth fund, **ADQ** (see *ARC Briefing Egypt Feb 2024*). Egypt was also able to secure additional loans from the **European Union** and IMF due to the key role its government plays alongside **Qatar** and the US in mediating between Hamas and Israel.¹⁸

While Egypt's implementation of IMF-suggested reforms, including moving to a flexible exchange rate, has continued to produce positive results, the global lender said that the pound still "*fluctuates within a limited range*".¹⁹ Moving forward, the IMF urged ongoing monitoring to further consolidate currency reform over time so that economic agents genuinely perceive the exchange rate as flexible.²⁰ Egypt

⁷ CNN, 5 Mar 2025

⁸ CNN, 5 Mar 2025

⁹ ARC source, local resident, Cairo

¹⁰ Bloomberg, 11 Feb 2025

¹¹ Reuters, 19 Feb 2025

¹² Royal United Services Institute, 12 Feb 2025

¹³ Middle East Monitor, 12 Feb 2025

¹⁴ IMF, 11 Mar 2025

¹⁵ IMF, 11 Mar 2025

¹⁶ IMF, 11 Mar 2025

¹⁷ Bloomberg, 11 Mar 2025

¹⁸ Al Jazeera, 6 Mar 2024; Bloomberg, 6 Mar 2024

¹⁹ IMF, 11 Mar 2025

²⁰ IMF, 11 Mar 2025

also implemented price hikes on fuel, electricity, cigarettes and other essentials in 2024 as part of its reform programme. Authorities hiked fuel prices three times in 2024, with the latest hike in October by an average of 9.2%, and quadrupled bread prices in June. The energy hikes are part of the government's broader strategy to reduce subsidies, improve its finances and revamp an economy emerging from a foreign-currency crunch. Reducing the budget deficit by cutting subsidies, while replacing them with targeted social spending, is a key component of the expanded programme.

Raising revenue by selling state assets to investors while promoting the private sector is another major target. However, the IMF said that there have been delays in implementing reforms related to divestment and that while authorities have moved this year to action several critical structural reforms, progress has been mixed.²¹ The IMF called on authorities to move to a new economic model which entails:

*“Decisively reducing the state’s footprint, levelling the playing field, allowing energy prices to reach cost-recovery levels”.*²²

Nevertheless, the IMF praised Egypt's considerable progress in stabilising the economy and rebuilding market confidence, noting that progress made was particularly notable as it faces a challenging external environment plagued by persistent and successive external shocks. The IMF warned that significant risks remain, including regional conflicts and trade disruptions, which could further strain fiscal revenue, foreign direct investment and external stability.²³ It also called on the government to carefully manage the social costs related to the necessary reforms in energy prices, subsidies and tax policy.²⁴ While there is still further reforms are essential for the country to fully turn the corner on its two-year financial crisis, meeting its benchmarks signals positive progress and will bolster confidence in Egypt's economy.

Inflation drops by near-half to 12.8% as forex crunch wears off...

The **Central Agency for Public Mobilization and Statistics (CAPMAS)** reported on 10 March that core consumer price index (CPI) inflation dropped significantly for a fourth consecutive month to 10% in February from 22.6% in January, while annual urban inflation dropped to 12.8% in February from 24% in January, mainly due to the base-year effect.²⁵ This is the lowest inflation rate level registered since March 2022.

Food and beverage prices, the largest single component of Egypt's inflation basket, increased by an annual 3.7% in February from 20.8% in January. Overall consumer prices increased by 1.4% month-on-month in February compared to 1.5% in January while annual core inflation, which strips out volatile and regulated items such as energy, slowed to 10% in February, down from 22.6% the previous month.²⁶ This decline in inflation signals that the effects of a foreign-currency crunch that fed a black market for US dollars a year before has finally worn off and reinforces that Egypt is emerging from its two-year economic crisis.²⁷

The marginal decrease in inflation from 24.1% in December to 24% in January complicated the timing for the **Central Bank of Egypt (CBE)** to enact the country's first interest rate cuts since 2020. However, following the latest inflation figures, the leading US global investment company, **Goldman Sachs**, said on 10 March that it now expects the central bank to cut its base rate — currently at 27.25% — by between 300 and 400 basis points at its next scheduled **Monetary Policy Committee (MPC)** meeting on 17 April.²⁸ Goldman Sachs also added that it would not rule out the MPC calling a “special meeting” to begin easing before then as the “current monetary policy stance as excessively

²¹ Bloomberg, 11 Mar 2025

²² IMF, 11 Mar 2025

²³ IMF, 11 Mar 2025

²⁴ IMF, 11 Mar 2025

²⁵ CAPMAS, 10 Mar 2025

²⁶ CAPMAS, 10 Mar 2025

²⁷ Bloomberg, 10 Mar 2025

²⁸ Financial Post, 10 Mar 2025

restrictive".²⁹ Either way, the CBE will still have to assess March's inflation figures before its next rate decision, but its benchmark deposit rate is now some 15% higher than headline inflation, the widest gap in at least a decade, signalling a cut is due.³⁰

Planner

17 Apr 2025 **Cairo (Egypt) Monetary Policy Committee (MPC)** policy meeting;
 2025 **Ras El-Hekma (Egypt)** Construction to begin on the \$35 billion Ras El-Hekma project;
 2025 **Cairo (Egypt)** Further subsidy reductions expected;

Chronology

24 Mar 2025 **Cairo (Egypt) Business Day**. Security sources report Egypt has put forward a new ceasefire proposal to **Israel** and **Hamas**;

23 Mar 2025 **Cairo (Egypt) Daily News Egypt**. President **Abdel Fattah el-Sisi** meets with **Eritrean** foreign minister **Osman Saleh** to discuss regional stability including support for **Somalia**, the **Sudanese** conflict and **Red Sea** security;

20 Mar 2025 **Dar es Salaam (Tanzania) The Citizen**. **Egypt's** foreign affairs minister **Badr Abdelatty** unveils plans to expand Egyptian investment in Tanzania during a two-day official visit;

17 Mar 2025 **Cairo (Egypt) Bloomberg**. Gas flows to Egypt's two liquefied natural gas (LNG) exports facilities have resumed in an unusual move after the country had to turn to imports to meet domestic demand;

17 Mar 2025 **Cairo (Egypt) Middle East Monitor**. Egypt unveils a proposal for the **United Nations Security Council (UNSC)** to establish an international presence in **Gaza** and the **West Bank**;

12 Mar 2025 **Cairo (Egypt) IMF**. **International Monetary Fund (IMF)** completes the fourth review of Egypt's **Extended Fund Facility (EFF)**, approving a disbursement of \$1.2 billion, while also approving Egypt's request for an arrangement under the **Resilience and Sustainability Facility (RSF)** with access of \$1.3 billion;

12 Mar 2025 **Cairo (Egypt) Bloomberg**. Egypt is in talks with **Germany** to lease a new liquefied natural gas (LNG) unit to shore up supplies before demand spikes in the summer;

11 Mar 2025 **Cairo (Egypt) Middle East Monitor**. Parliament approves an agreement on the promotion and protection of mutual investments signed between Egypt and **Saudi Arabia** in October 2024;

4 Mar 2025 **Maputo (Mozambique) Club of Mozambique**. Defence minister **Cristóvão Chume** meets with the **French** ambassador to Mozambique, **Yann Pradeu**, and **Egypt's** ambassador to Mozambique **Mohamed Hassan Rafaat Aly Farghal**, to discuss military cooperation;

3 Mar 2025 **Cairo (Egypt) Middle East Monitor**. **Arab** leaders begin arriving in Egypt to attend an emergency summit on **Gaza**;

2 Mar 2025 **Cairo (Egypt) RFI**. Foreign minister **Badr Abdelatty** calls for compliance with the ceasefire between **Hamas** and **Israel** and calls on the **European Union (EU)** to exert maximum pressure on Israel;

²⁹ Bloomberg, 10 Mar 2025

³⁰ Financial Post, 10 Mar 2025

28 Feb 2025 **Rabat (Morocco)** *North Africa Post*. Government spokesman **Mustapha Baitas** says **Morocco** and Egypt are reviewing their free trade deals after Egyptian authorities-imposed restrictions on Morocco's car exports;

27 Feb 2025 **Cairo (Egypt)** *France24*. Egypt says that talks between **Hamas** and **Israel** on the second phase of their truce have started in Cairo;

26 Feb 2025 **Cairo (Egypt)** *Daily News Egypt*. Petroleum and mineral resources ministry closes bidding for 13 exploration and production areas, with offers totalling more than \$700m;

25 Feb 2025 **Cairo (Egypt)** *Foreign Policy*. **Israeli** opposition leader **Yair Lapid** says in **Washington (United States)** that Egypt should control **Gaza** for as long as 15 years, and oversee a transition toward **Palestinian** self-governance, in exchange for payment of its external debt;

25 Feb 2025 **Cairo (Egypt)** *Reuters*. Egypt firmly rejects **United States (US)** President **Donald Trump's** proposal to displace two million **Palestinian** people from **Gaza** to Egypt while **Jordan** will host an emergency **Arab League** summit on 4 March to discuss countering the proposal with rumours of a \$20 billion funding from Gulf and Arab states;

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