The National

# Egypt freezes Kingdom farm land deal

A decision by the Egyptian public prosecution to freeze a major agricultural deal from the Saudi Arabian group Kingdom Holding has put in stark relief the political risks of investing in the country after the revolution in which its president Hosni Mubarak was ousted.

The deal involved the 1998 purchase of 100,000 feddans (42,000 hectares) of land in the Toshka area of Egypt that Kingdom Agricultural Development Company (Kadco) said would be developed into a vast agricultural project.

The first two phases would involve investments of 650 million Egyptian pounds (Dh401.5m), the company said in 2007. It did not disclose the amount it paid for the land.

On Sunday evening, a spokesman for the Egyptian public prosecutor said the deal had been frozen because investigations showed "the contract contained unknown provisions that violated the law and gave the company unjustified benefits".

The size of the land involved in the deal was double the legal maximum for a sale of government land in the district and improperly exempted Kadco from taxes and fees, the spokesman alleged after the government announced it had frozen the assets of the former agriculture minister Youssef Wali.

Kingdom, an investment company controlled by the Saudi billionaire Prince Alwaleed bin Talal bin Abdulaziz Al Saud, did not respond to requests for comment yesterday.

Despite the risks, some of the region's top investment companies said they were bullish on the future of the Egyptian economy.

Deals done with ministers and politicians connected to the Mubarak regime are under close scrutiny and several top businessmen have been arrested on allegations of corruption, but the country's economic basis is still sound, they said.

Mustafa Abdel-Wadood, the chief executive of Abraaj Capital, the investment arm of the biggest buyout firm in the Middle East, said Egypt remained a vital investment target for the company, without commenting directly on Kingdom Holding's frozen deal.

"The situation is fluid at the moment and you have to take that into account, but Egypt is a large economy and we will continue to invest in the country," Mr Abdel-Wadood said.

Abraaj Capital is one of the largest foreign investors in Egypt, and in 2007 closed the largest private equity transaction in the history of the Mena region when it acquired 100 per cent of Egyptian Fertilizers for US$1.41 billion (Dh5.17bn).

It has raised almost $7.2bn and distributed almost $3bn to investors. Assets under management from its seven funds stood at $6.2bn at the end of last year.

Mr Abdel-Wadood, who was the UAE chief executive of the Egyptian investment bank EFG-Hermes before Abraaj, said there were "absolutely" deals in the pipeline in the Middle East and North Africa.

"The investment pipeline is extremely strong. We have to look at the current situation but we will proceed on a deal-by-deal basis," he said in Dubai yesterday, announcing the completion of Abraaj Capital's 49 per cent acquisition of Network International, a credit and debt card provider.

"Despite turbulent times and the slightly fluid moment for the region we think it's exactly the right time to invest in growth in the region."

The "Arab Spring" is creating an opportunistic moment for investors, said Karim Souaid, the managing partner of the private equity company GrowthGate Capital, registered in Bahrain, that counts Gulf investors among its top sources of funds.

"There is no better time for a private equity firm to invest in Egypt than now," Mr Souaid said.

"With the announced reforms, including elections and an anti-corruption drive, and the implementation of due process of law, the investment environment has taken gigantic leaps, be it for regional or foreign investors."

The "crony capitalism" that was rife under the previous regime was a disincentive for investors in previous years, despite the powerful economic driving force of the demographics of Egypt, Mr Souaid said, adding the country had a large and growing population and urgent needs for infrastructure and growth.

"Despite the current slowdown in tourism revenues, Egypt will stay the course with the increase in oil and gas prices, agriculture and domestic manufacturing cushioning the adverse effects of the recent turmoil," he said.

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