



Implications of Debt Restructuring on Social Policy

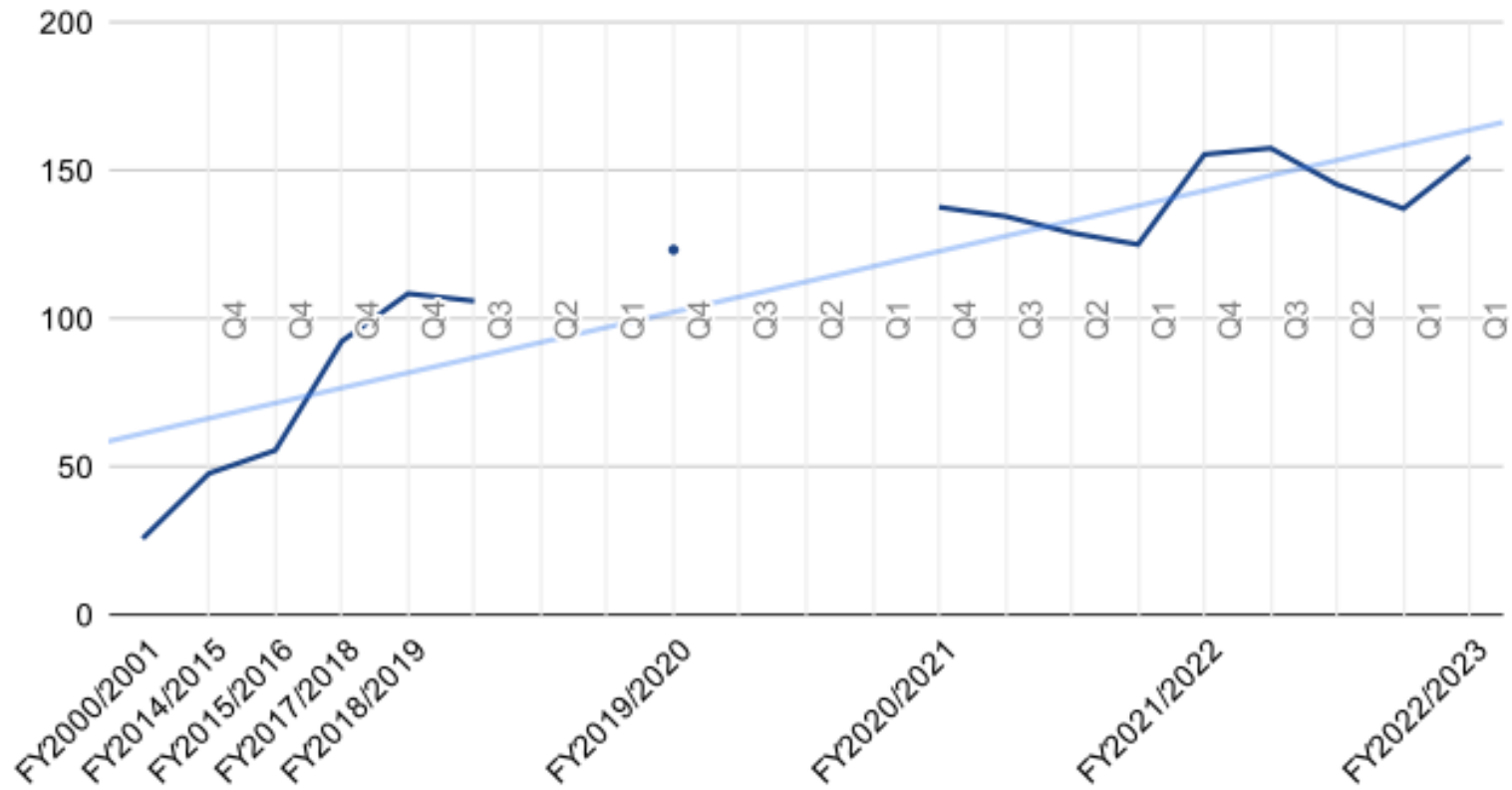
On the status in Egypt

Amira Othman; 19 April 2023



Overview of Indebtedness

Egypt's External Debt Trend (\$Billion)

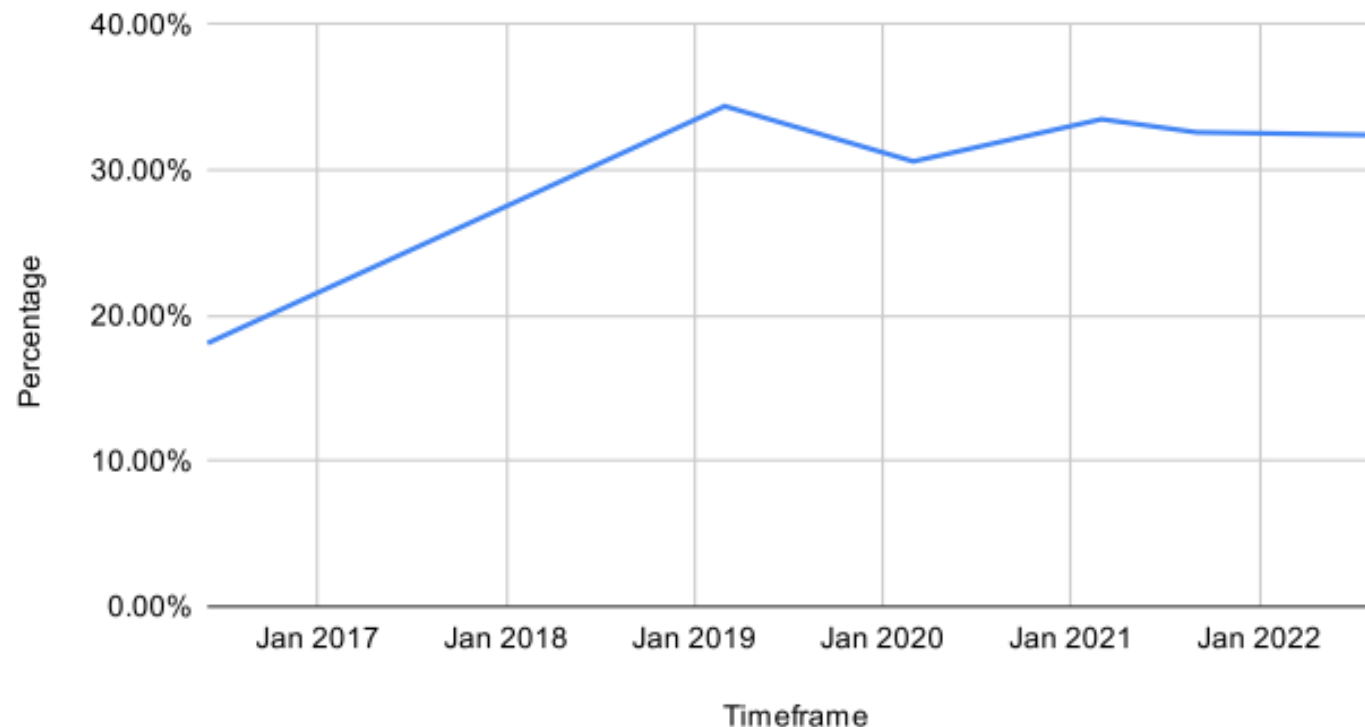


- Latest figure (CBE): \$155 billion in Q1 FY 2022/2023
- Sixfold increase in external debts (2000-2023)
- +\$99 billion increase in external debts (FY2015/2016 and FY2022-2023)



Overview of Indebtedness

Egypt's External Debt as a Percentage of GDP



- An econometric analysis (Moussa 2022) found that every 1% increase in external debt leads to a 0.12% decrease in GDPPC in the short term.
- In Dec 2022, the Deputy Minister of Finance said debt rates (34% of GDP) were “safe”



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Policy Responses

He added that the government is making sure that the growth rates are going well, and it has a set of investments and assets that the state will offer to the private sector, and they will be managed by the private sector, and through the funds and profits achieved, part of them will be used to reduce government indebtedness.

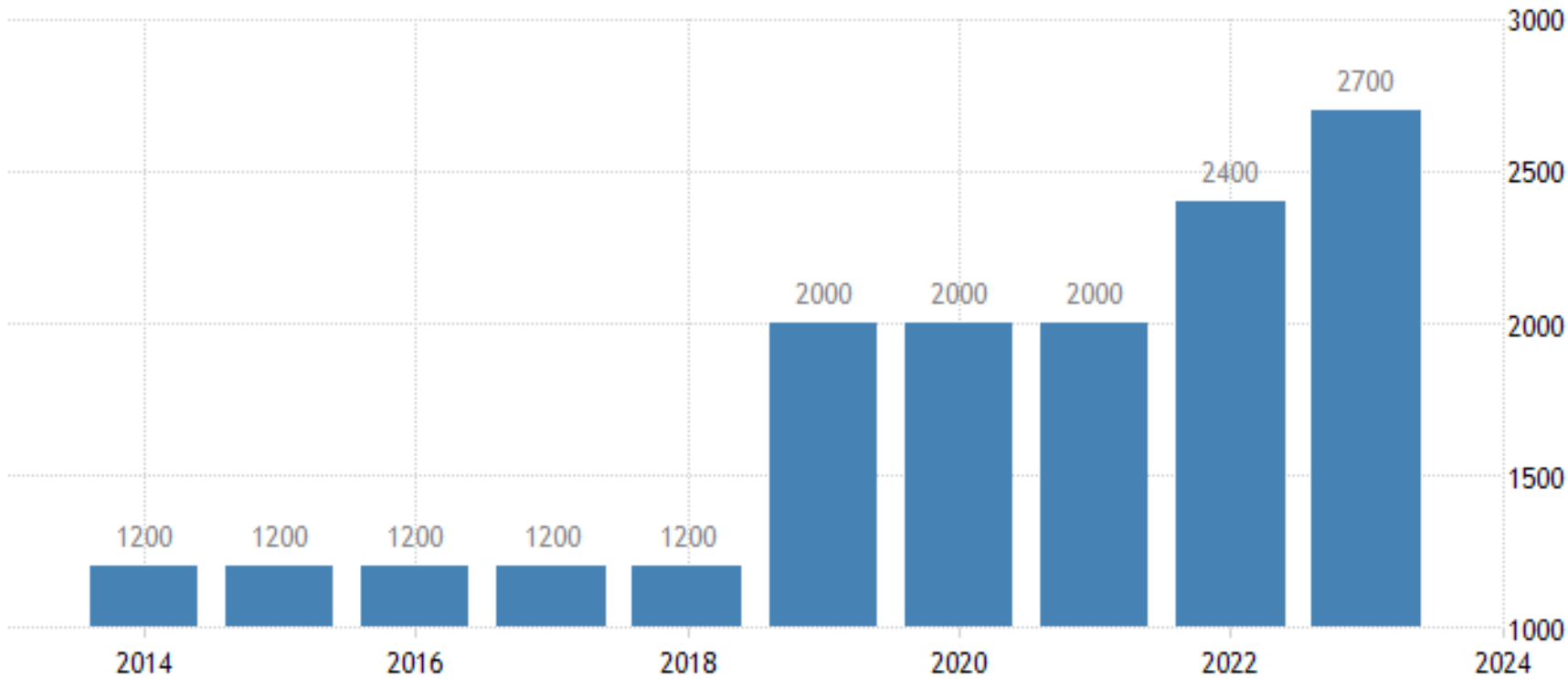
Egypt Today

The 2016 Economic Reform Program

- **\$3.15** million support in loan from World Bank
- **\$12 bn** IMF bailout program to reduce public debt & target primary surplus
 - Results to reduce fiscal deficits:
 - Introduction of VAT
 - Reduction of Energy subsidies

Policy & Palpability

Minimum Monthly Wages Trend (EGP)



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Increased Sectoral Spending

Education

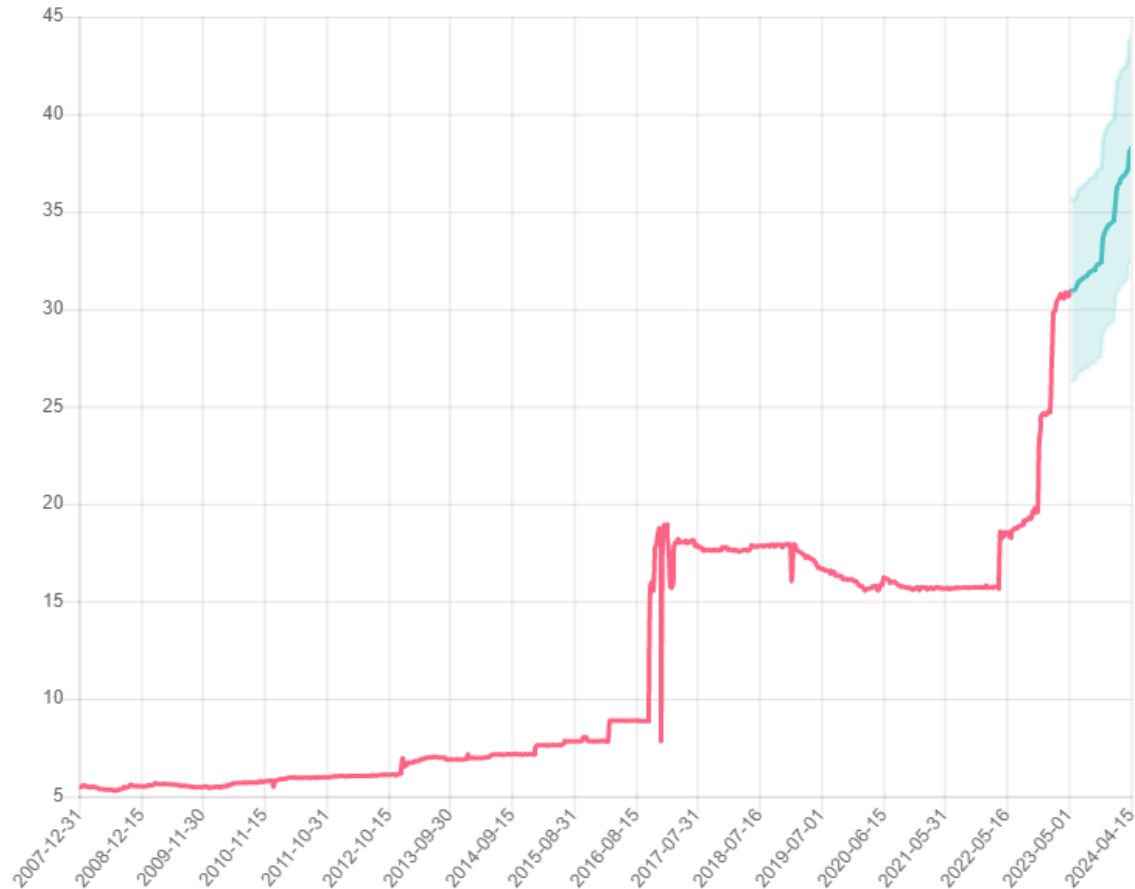
- EGP 84.9 billion (FY2022/2023)
 - Increase of EGP 9.5 billion (FY21/22)

Social Protection

- EGP 132.6 billion (FY2022/2023)
 - Increase of EGP 11.8 billion (FY21/22)

Policy & Palpability

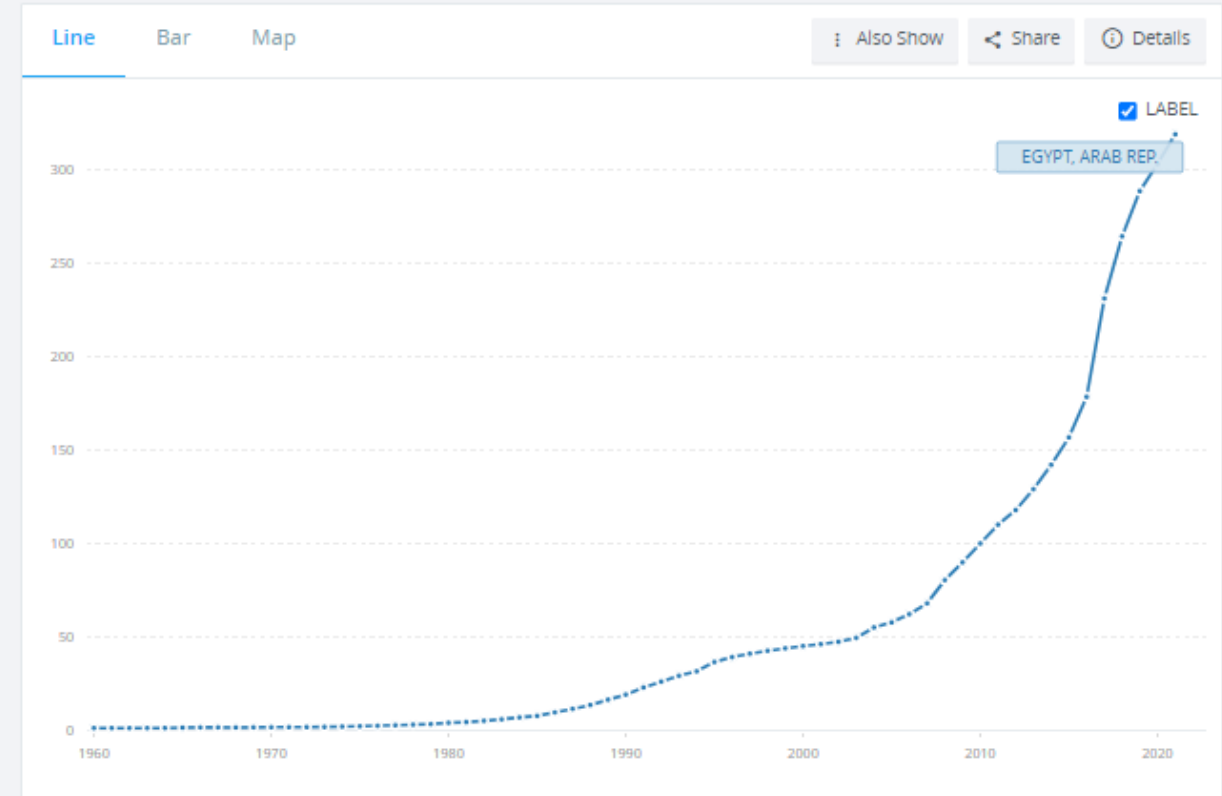
USD-EGP Exchange Rate (2007-2024)



Consumer price index (2010 = 100) - Egypt, Arab Rep.

International Monetary Fund, International Financial Statistics and data files.

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A Note on Dependency

- Debt repayment is expected to continue to absorb the country's economic resources for the foreseeable future.
 - About 90% of external debts are long-term.
- Policy solution: Privatization
 - Egypt is set to resume its initial public offering (IPO) programme in March 2023, through which it will offer 32 state-owned companies across 18 economic activities to be either floated in the Egyptian Exchange or offered to a strategic partner. *Al Ahram*



Thank you.