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## **Egypt Economic Issue**

### **Rising Public Debt**

Since the revolution that overturned the rule of Hosni Mubarak, Egypt has experienced several challenges from the social, political and economic fronts. On the economic front, there have been issues of foreign direct investments, debt crisis, increased level of prices and the gross domestic product. The economy has been experiencing shocks as a result of the need to acquire social justice with the high prices of basic goods eroding the confidence the confidence in the economy.

The domestic public debt in Egypt has skyrocketed since 2009 from a 45. 7% of the gross domestic product to 72% in 2014, increasing by approximately 26% (Central Bank of Egypt). As a result, USA has attempted to come in to assist Egypt repay some of its public debts through the international monetary fund (IMF). This was done in 2012, where the USA intended to provide \$450 million to Egypt in terms of un-obligated economic support funds that were earlier given for other purposes (Rebecca, & Jeremy, 2013). The \$450 million was to be released in two parts with the first part of \$190 million being released upon government announcement of its intent to address national economic and fiscal stabilization recovery. The other part was to be released upon the determination that the Egyptian government fulfilled some factors.

Such factors include, commitment on actions to achieve economic and fiscal stabilization, coming up with a governance reform program, and recovery of the economy that are in tandem with the international standards. Such programs were to be implemented through international institutions such as

the international monetary fund, and hence the government would carry out actions. This included streamlining energy subsidies and improving government financial management to meet the requirements of stated programs (Rebecca, & Jeremy, 2013).

However, due to the increasing fiscal deficit, the total public debt has continued to rise, with a decrease being observed in 2012, but again rising in 2013 due to the loans obtained from the gulf countries. This is well shown by the statistics that indicate that the total public debt rose to 87. 1% of the gross domestic product in June 2013, showing an increase of 23. 4% as compared to June 2012. In addition, the gross external debt increased to stand at 17. 3% of the GDP in 2013 as compared to 13. 5% in 2012.

As a result of the increasing domestic debt, the country has had to deal with increased per capita debt burden. The per capita debt burden has risen from about \$2127 in 2012 to \$2477 in June 2013 while the external debt per capita remained low. The greatest burden in terms of this debt has been the government treasury bills and bonds that accounted for 83. 1% of the gross domestic debt in June 2013 indicating an increase of 17. 7% from June 2012. As a consequence, two-thirds of Egypt's external debt was attributed to the local and central governments (AFDB, 2014).

This position has called for the fiscal policy of Egypt has to be adjusted to bring down the domestic public debt. The aid the country has been receiving from the gulf countries has helped it bring up the public finances during the transition period to the time of elections. The government has been able to initiate investments from the gulf aid through its double stimulus packages that progressively stimulates growth.

The first package involves a LE 29. 7 billion with a larger percentage of the cash being allocated to infrastructure projects while the second package involves LE 33. 9 billion with LE 20 billion of this amount being allocated to additional infrastructure (Egypt Economic Report, 2014). The remainder of the second package includes the commitments made by the government with the aim of raising the minimum wage for all government employees together with the salaries of teachers and medical professionals. As such, the second package will be financed through a grant from the United Arab Emirates, a portion of the support package from the gulf countries.

In a bid to further curb the increasing expenditures, which also include debt, the government has used reform measures. Such measures include the public debt management, new cash management system, government financial management information system and the strengthening of internal audit. However, due to the increasing fiscal deficits, the level of debt is expected to rise to 80% of the GDP in 2013/2014 before it starts to decline. The decrease will be achieved by targeting to reduce the budget deficit to 8% of the gross domestic product in the next three years.

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