



**Executive Board Minutes 20/59-1**

May 11, 2020–10:00 a.m.

**Arab Republic of Egypt—Request for Purchase Under the Rapid Financing Instrument**

Documents: EBS/20/91, and Cor. 1, and Cor. 2, and Cor. 3, and Sup. 1

Staff: Ramakrishnan, MCD; Koeva Brooks, SPR

Length: 1 hour, 25 minutes

ISSUED: June 2, 2022

APPROVAL: June 9, 2022

CEDA OGADA  
Secretary

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<sup>1</sup> Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Transparency Policy and Open Archives Policy.

## THE ACTING CHAIR'S SUMMING UP

Executive Directors noted that the outbreak of COVID-19 is having a significant impact on the Egyptian economy. The halt in tourism, reduced remittances, and capital outflows, combined with a slowdown in domestic activity have created an urgent balance of payments need. Directors considered that emergency financing assistance under the Rapid Financing Instrument would help increase buffers, improve confidence, and catalyze donor support.

Directors welcomed the government's comprehensive policy responses to tackle the pandemic and support the most affected businesses, sectors, and people. They supported the efforts to provide immediate relief to the most vulnerable by increasing public health spending and strengthening social safety net programs, and noted that policies should be timely, transparent, targeted, and temporary. Directors welcomed the authorities' commitment to ensure transparency of crisis-related spending, by publishing information on procurement plans and awarded contracts, as well as undertaking ex-post audits and safeguards assessments.

Directors supported the timely measures taken by the Central Bank of Egypt, including a lowering of the policy rate to support financial conditions and the postponement of repayments under existing credit facilities. A number of Directors also supported pausing further interest rate cuts, until the impact of the recent monetary stimulus becomes clearer. They emphasized the importance of maintaining exchange rate flexibility to help absorb shocks and limiting foreign exchange intervention to address disorderly conditions.

Directors noted that support from multilateral and bilateral partners will be needed to close the remaining balance of payments gap and ease the adjustment burden.

Directors stressed that pursuing fiscal reforms to achieve debt sustainability and structural reforms to enhance private sector-led growth and job creation should take highest priority once the crisis abates. They noted the authorities' request for a successor 12-month SBA to safeguard macroeconomic stability.

**EXECUTIVE BOARD DECISION**

The Executive Board took the following decision:

**Arab Republic of Egypt—Request for Purchase Under the Rapid Financing Instrument**

1. The Arab Republic of Egypt has requested a purchase in an amount equivalent to SDR 2,037.1 million (100 percent of quota) under the Rapid Financing Instrument.
2. The Fund notes the intentions of the Arab Republic of Egypt set forth in the letter from the Governor of the Central Bank of Egypt and the Minister of Finance, dated May 4, 2020 and approves the purchase in accordance with the request.
3. The Fund waives the limitation in Article V, Section 3(b)(iii). (EBS/20/91, 05/04/20)

Decision No. 16805-(20/59), adopted  
May 11, 2020

**EXECUTIVE BOARD ATTENDANCE<sup>2</sup>**

G. Okamoto, Acting Chair

**Executive Directors**

D. Mahlinza (AE)

M. Raghani (AF)

N. Ray (AP)

A. Bevilaqua (BR)

L. Levonian (CO)

R. Kaya (EC)

A. Buisse (FF)

R. von Kleist (GR)

S. Bhalla (IN)

D. Fanizza (IT)

T. Tanaka (JA)

J. Mojarrad (MD)

H. Beblawi (MI)

M. Poso (NO)

A. Mozhin (RU)

M. Mouminah (SA)

A. Mahasandana (ST)

M. Rosen (US)

**Alternate Executive Directors**

D. Vogel (AG), Temporary

P. Sun (CC)

P. Moreno (CE)

V. Rashkovan (NE)

P. Trabinski (SZ)

D. Ronicle (UK)

S. Bhatia, Acting Secretary  
 S. Maxwell, Summing Up Officer  
 D. Alcantara, Board Operations Officer  
 L. Nagy-Baker, Verbatim Reporting Officer

**Also Present**

Communications Department: R. Elnagar, A. Ranck, C. Rosenberg. Fiscal Affairs  
 Department: E. Hanedar. Finance Department: R. Bhattacharya, G. Kabwe, T. Krueger,  
 D. Moore. Institute for Capacity Development: A. Bordon. Legal Department: K. Kao,

<sup>2</sup> For countries in each constituency, please see the Constituency Codes in the annex.

K. Kwak, Q. Li. Middle East and Central Asia Department: J. Azour, S. Bakhache, Y. Cai, A. de Keyserling, M. Gaertner, N. Gigineishvili, J. Kahkonen, D. Kale, I. Lukonga, U. Ramakrishnan. Monetary and Capital Markets Department: C. Verkoren. Office of the Managing Director: M. Jones, C. Oner, A. Sayeh, M. Schrader. Strategy, Policy, and Review Department: G. Keim, P. Koeva Brooks, J. Shin. World Bank Group: K. Carey. Western Hemisphere Department: S. Tambunlertchai. Executive Director: A. Andrianarivelo (AF). Alternate Executive Directors: M. El Qorchi (MD), C. Just (EC), L. Palei (RU), B. Saraiva (BR), F. Sylla (AF). Senior Advisors to Executive Directors: W. Abdelati (MI), E. Cartagena (CE), M. Choueiri (MI), I. Fragin (GR), J. Garang (AE), M. Ismail (AE), L. Johnson (AP), B. Lischinsky (AG), M. Maida (AE), C. Quaglierini (IT), C. Sassanpour (MD), M. Sidi Bouna (AF). Advisors to Executive Directors: F. Al-Kohlany (MI), P. Al-Riffai (MI), A. Arevalo Arroyo (CE), D. Fadhel (MI), A. Korinthios (IT), R. Lopes Varela (AF), M. Merhi (MI), D. Shestakov (RU), A. Zaborovskiy (EC), Y. Zhao (CC).

**DISCUSSION RECORD**<sup>3</sup>

*The Acting Chair (Mr. Okamoto)*

You will recall that a few weeks ago, we had an informal discussion on Egypt evaluating on a preliminary basis exceptional access under a Rapid Financing Instrument (RFI). During that discussion, Directors were supportive of Egypt's exceptional access request under the Rapid Financing Instrument. Today we are going to go through the formal process to consider that purchase due to urgent balance of payments (BOP) needs that are a result of the COVID-19 shock.

The Egyptian authorities, including their central bank, have taken extraordinary steps to try and ease pressures on domestic liquidity and credit conditions, but some more assistance is needed from the Fund. I look forward to today's discussion.

*Mr. Beblawi:*

I thank Directors for the overwhelming support for Egypt's request for emergency assistance under the RFI. The authorities appreciate their engagement with the Fund, and they commend management and the staff on their prompt response to members during the past two months. We especially appreciate the recognition of Egypt's strong track record and rapid response to contain the impact of the pandemic. The prudent management of macroeconomic policies over the past three and a half years gives an indication of what can be expected in navigating the economy out of this crisis.

Some Directors raised questions about debt sustainability, about the high gross financing needs and the rollover risks. Our buff statement and the staff comprehensive responses pointed to several mitigating factors that are unique to Egypt and will go a long way to mitigate against these risks. We trust that this helps reassure Directors.

Some Directors rightly emphasized the need to protect the most vulnerable. This is, indeed, a daunting challenge for all countries right now and high priority for Egypt. First, I would remind Directors that the existing social safety net covers about 3.2 million households, or 20 percent of the population, and this system has been tested under the Extended Fund Facility (EFF).

<sup>3</sup> Edited for clarity.

Of course, this pandemic presents a whole new challenge. Measures were introduced to support health workers, small and medium enterprises (SMEs), and provide a three months' wage payment to those affected workers. More importantly, the government is ensuring that basic commodities remain available and affordable. Large donations from domestic business have helped to support the vulnerable under the pandemic circumstances, especially during this month of Ramadan. This does not diminish the size of this challenge, and the government is keen to do what is needed to protect the vulnerable and to maintain social cohesion. There is room for additional measures. The Ministry of Finance has so far released only 40 percent of a package of 200 billion Egyptian pounds that was announced by the President on March 14.

In addition to the Fund, Egypt is fortunate to have many friends and many regional and international supporters. I would like to give a special mention to the role of Saudi Arabia and to the budget support from Japan and France for electricity sector reform. Please convey our appreciation to all of your capitals for the continued support.

*Ms. Levonian:*

We have issued a comprehensive gray in which we support Egypt's RFI request and welcome their intention to request a successor Stand-By Arrangement (SBA).

First, although the previous EFF program sought a significant reduction in debt, the debt-to-GDP ratio remains high. Thus, the authorities' continued commitment to ensuring public debt sustainability and preserving fiscal discipline will be critical once the pandemic subsides.

Second, while the turnaround in macroeconomic outcomes was truly remarkable under the previous program, progress on structural reforms was mixed. As we, Mr. Rosen, Mr. Buisse, Mr. Ronicle, and others have highlighted in their grays, a potential successor SBA should give priority to the necessary reforms to develop the private sector and strengthen governance. This is crucial for fostering a market-based economy that can deliver sustainable growth.

Thirdly, we commend the authorities' commitment to safeguards and transparency to ensure that resources are spent in an efficient and well-targeted manner, which brings me to my last point, which is while the marginal impact of the RFI on the Fund's overall credit exposure would be limited, Egypt retains its place as the second largest borrower of General Resources Account (GRA) resources. Therefore, ensuring capacity to repay the Fund will be crucial for containing risks to the Fund. Here we are reassured by the authorities' strong ownership and commitment under the past

EFF, their efforts to contain the fallout from the pandemic, and their continued progress on reforms.

*Mr. Ronicle:*

The outlook for Egypt was favorable prior to the COVID-19 pandemic. The reforms undertaken in the 2016 EFF arrangement were bearing fruit. We do not think the COVID-19 outbreak should be allowed to derail that progress, so we welcome the authorities' strong response, and we support the approach of an RFI to address immediate financing needs, followed by a Upper Credit Tranche (UCT) arrangement to safeguard the recovery, and we welcome the commitment from the authorities to ongoing structural reform. We issued a joint gray with Mr. Buisse supporting Egypt's RFI request, and we intervened at our previous discussion on exceptional access.

In our gray, we asked staff about the extent to which structural reforms would be included within the proposed successor SBA. We take staff's point that the primary purpose of the SBA would be to stabilize the economy and that structural reform will need to focus on what can be achieved in the intended 12-month duration of that arrangement. Nevertheless, could staff elaborate a little bit further. We notice in the authorities' buff statement their desire to steer the economy to sustainable private sector-led growth. Could staff elaborate on what reforms are envisaged and whether those might happen as part of the SBA or perhaps separately.

In a somewhat similar vein, we hope staff might be able to comment on what measures to strengthen the social safety net or at least preserve spending on key areas like social protection, health, and education are also part of the SBA discussions.

More generally, we wondered if staff could elaborate a little further on the choice of an SBA as opposed to an EFF. As we have seen in the case of Pakistan, an EFF can be designed to tackle stabilization and structural reforms side-by-side with the relative weight shifting as stabilization is achieved. Turning back to the RFI, we appreciate the commitments made by the authorities to subject COVID-19 spending to regular audit and to publish details of contracts and of beneficial owners.

Let me conclude by saying that the U.K. remains committed to working with the Egyptian authorities in country to tackle the immediate health crisis and support them in their future reform efforts.

*Mr. Mojarrad:*

We have issued a gray supporting Egypt's request for a purchase under the RFI to help meet its large external financing gap due to the pandemic. We would also welcome discussion on a follow-on SBA.

Egypt successfully concluded its EFF-supported program only six months ago, and the economy was on a firm track when the COVID-19 hit hard. Although Egypt entered the crisis in a strong position, the pandemic derailed the economy and severely disrupted people's livelihoods. The authorities' response package has been timely and appropriate, and in particular we take positive note of its emphasis on income support for the poor and vulnerable. Protecting the poor should always remain at the core of the policy framework going forward, and we expect due attention be given to social protection programs in discussions on the prospective SBA.

Egypt made significant in-roads on the fiscal and debt fronts under the EFF. While it is appropriate to loosen the fiscal policy sufficiently to deal with the crisis now, we welcome the authorities' commitment to revert to fiscal consolidation once the immediate pressures abate as debt vulnerabilities need to be addressed in a decisive manner. Exchange rate flexibility was the linchpin of the EFF program. We welcome the authorities' intention to allow two-way flexibility in line with market conditions in order to preserve reserves.

Given the nature of the problem, as Mr. Ray has also mentioned in his gray, the SBA should be parsimonious on conditionality and focused on macroeconomic stability. But there is still an important unfinished agenda of structural reforms that needs to be completed in due course.

Finally, we note that there is still 4.2 billion U.S. dollars of financing needs to be identified in the next two months to close the external payment gap for FY2019-20. Should we assume that the disbursement under the prospective SBA would need to be heavily frontloaded? Staff comments are welcome.

*Mr. von Kleist:*

We can support the request for a disbursement under the Rapid Financing Instrument given Egypt's urgent balance of payments need. At the same time, we continue to have concerns on the significant risks to debt sustainability and also the application of Criterion 2 of the exceptional access framework.

As mentioned on prior occasions, we question the adequacy of safeguards based solely on the external debt obligations vis-a-vis private and

official credit. In our view, this seems to be at odds with the spirit of the reform's exceptional access framework.

We also caution that justifying a disbursement of Fund resources on the grounds of the existence of sufficient outstanding debt that could potentially be restructured can be detrimental to market confidence and induce private creditors actually to exit. That would be very much contrary to the catalytic role of the Fund.

More generally, we would like to point to empirical evidence indicating that the catalytic effect is weakened and potentially reversed if the size of an IMF program exceeds a certain level. The excessive amounts of financing by a preferred creditor, such as the IMF, increases private creditors' expected loss in the event of default. We all want to prevent liquidity problems developing into solvency crisis, but, in fact, Fund financing on a large scale could lead to exactly that undesirable outcome. We therefore call on staff to take this into account when designing a possible SBA.

Let me close by welcoming the authorities' express commitment to prudent monetary and fiscal policies going forward.

*Mr. Bevilaqua:*

We issued a gray supporting Egypt's request, and I just want to mention two points for emphasis.

First, like several other chairs, we recognize the remarkable progress achieved by the Egyptian authorities under the previous EFF. Egypt was on a strong and sustained growth path, delivering robust primary fiscal surpluses before having been hit by the overwhelming COVID-19 shock. The crisis requires temporary budget flexibility to accommodate well-targeted pandemic-related urgent spending needs and facilitate the economic recovery. Nevertheless, preserving the sound macroeconomic framework built after years of hard work remains of the essence. Therefore, we welcome the authorities' intention to resume their fiscal targets as soon as conditions allow. Going forward, fiscal sustainability is likely to be among Egypt's most important challenges, not unlike many other developing and advanced economies. In the case of Egypt, though, projected high levels of growth, coupled with consistent primary surpluses, should help place the public debt on a clear downward trajectory in the medium term.

Second, as stated in the report and detailed in staff's answers to technical questions, the proposed RFI will not cover all of Egypt's urgent financing needs. It is certainly an important part of the solution, buying crucial time for the authorities and hopefully playing a catalytic role in mobilizing resources from other sources. Nevertheless, additional external financing will

be necessary. Therefore, a UCT arrangement should be carefully considered in the near term to provide the level of support that Egypt needs, as already indicated by both the staff and the authorities.

We reiterate the call for the Fund to be ready to step in and support Egypt with a comprehensive program as deemed necessary. Since the medium-term prospects for the Egyptian economy continue to be positive, in our view the future UCT arrangement should combine substantial frontloaded access with long-term fiscal adjustments, allowing some fiscal space for the Egyptian economy to recover after the COVID-19 pandemic recedes.

*Mr. Buisse:*

We have issued a gray with Mr. Ronicle, so I will limit myself to a few comments. First, we support Egypt's request for an RFI through exceptional access to the Fund's resources. We support the two-step strategy chosen by staff to an RFI and an SBA.

Second, in addition to macro stabilization, we strongly encourage a continued focus on structural reforms to diversify the economy and ensure the private sector plays a leading role in the recovery. Mr. Beblawi's introductory remarks on that are very convincing. This should include measures on competition policy, state-owned enterprise (SOE) reform, government procurement, and industrial land allocation. We also encourage staff and the authorities to incorporate commitments on minimum spending on social protection, health, and education.

We do question whether a 12-month program is the best way to carry out these important reforms, and we note in particular staff answered that the structural reform agenda, with regard to increasing the role of the private sector, would be considered to the extent that the measures can be completed in the 12-month timeframe. We wonder if an SBA is the best instrument to go forward after that. In any case, this calls for a strong coordination of efforts with the World Bank.

Third, we note staff's assessment that Egypt's public debt is sustainable but not with high probability. So, over the medium term, strengthening debt management and enhancing domestic revenue mobilization would be warranted to improve fiscal and debt resilience. We also note that the depreciation of the Egyptian pound has been limited as a result of foreign exchange intervention of the central bank. This has come at the price of a sharp decline in official reserves by around 5 billion in March. As inflation expectations are well anchored and to preserve official reserves, we concur with staff that exchange rate flexibility should play a greater role of shock absorber.

Finally, we underline the importance of ensuring the transparency and accountability of the spending related to the current crisis, and we welcome the authorities' commitment in this regard, in particular the publishing of procurement documents, as well as the beneficial ownership information of awarded companies. This aspect should be an important component of the Fund engagement with Egypt.

*Mr. Tanaka:*

We express our support to the authorities' request for the RFI, which will help alleviate the impact of the COVID-19-related shock. As we issued a gray, we will briefly touch on three points for emphasis.

First, the short-term priority is to address COVID-19 pressures. We welcome the authorities' quick and comprehensive response to the pandemic, including scaling up allocation to health spending, mitigating economic impact of affected sectors, and supporting liquidity and credit conditions while expanding the social safety net to protect the most vulnerable people. These measures should be timely, temporary, transparent, and targeted, and should be reversed once the pandemic has passed. We also welcome the authorities' commitment to publish COVID-19-related public procurement plans and related spending, including names of awarded companies and their beneficial owners.

As Egypt remains the second largest borrower of GRA, ensuring sustainability and repayment capacity is crucial to contain risks to the Fund. We note that Egypt's public debt is assessed as sustainable but not with a high probability. We welcome the authorities' effort to reduce risks on debt sustainability, which include lengthening debt maturity and rollover deposits of the Central Bank of Egypt (CBE) held by Saudi Arabia and UAE. That being said, significant uncertainties remain, and we encourage the authorities to continue these efforts, as well as reform efforts to catalyze additional financial support and reinforce market confidence.

*Mr. Rosen:*

We issued a gray in support of staff's two-step approach, and considering the previous informal Board discussion, I can be brief.

We strongly support the RFI request for Egypt, which has been and continues to be a leading recipient of U.S. bilateral aid for many years. We again call on remaining creditors to provide credible and specific financing assurances to Egypt to ensure Egypt has adequate policy space to respond to this crisis. We understand that the authorities' discussions with creditors have been productive, and we encourage completion of these rollovers soon.

Second, as other chairs noted and as staff underscored in the staff report, Egypt's nominal exchange rate has been relatively stable considering the large capital outflows it has faced. In this context, we strongly agree with staff that exchange rate flexibility is essential to preserve the hard-won gains during Egypt's EFF to ensure external balance. We would, thus, expect the successor arrangement to include conditionality related to limiting intervention to disorderly market conditions.

Further, we hope staff will consider the broader range of institutions that could participate in the foreign exchange market, such as state-owned banks and their program surveillance.

Lastly, as Mr. Buisse, Mr. Ronicle, Ms. Levonian, we strongly agree that the subsequent arrangement should encourage a continued focus on structural reforms to enhance private sector cooperation in the economy. While we agree that restoring macroeconomic stability is important, stability is necessary but insufficient for boosting inclusive growth in Egypt, and we were there a little disappointed by staff's response to our question that the SBA would likely not have strong measures on structural reforms given its 12-month timeframe, and to us, we view this as a potential missed opportunity. Indeed, exceptional access should imply exceptionally strong programs, and we do not view the structural reform agenda as optional to Egypt. We encourage the authorities and staff to consider structural reform modalities beyond just restoring macroeconomic stability in the SBA.

*Mr. Raghani:*

We have issued a gray in which we support the authorities' request for purchase under the RFI.

The pandemic outbreak has severely undermined the progress achieved under their ambitious reform agenda, weakening the country's near-term outlook. We commend the authorities for their swift policy responses to the crisis, including through the use of relevant fiscal space to increase spending in the health sector and provide support to the most vulnerable.

We welcome the commitment to transparency and accountability. We encourage the authorities to resume their structural reform agenda once the crisis subsides to preserve fiscal and debt sustainability.

*Mr. Mouminah:*

We reiterate our support for the authorities' request for financial assistance under the RFI.

We welcome the authorities' decisive response to address the fallout of the pandemic and its social and economic impact, as mentioned by Mr. Beblawi at the beginning of the meeting. Also, the Egyptian authorities are to be commended for their strong ownership and commitment to the recently completed EFF arrangement, which was critical in achieving macroeconomic stabilization, accompanied by recovery in growth, employment, and market confidence. In this connection, and to help preserve the hard-won gains to deal with the immediate implication of the pandemic, we hope that the IMF support under the RFI will help catalyze further financing, as mentioned by many other Directors.

We also welcome that the authorities are engaged in discussion with other multilateral institutions and official bilateral creditors to secure additional financial support to meet the balance of payments needs, and we call on them to further support Egypt during this time.

Saudi Arabia continues its longstanding support to the region during these difficult times to help provide sufficient safeguards for the Fund resources and address urgent balance of payments financing needs. That is why we have rolled over our current deposits. We note that public debt is assessed as sustainable but not with high priority. We welcome that the authorities are cognizant of the importance of rebuilding buffers and reducing debt, and that they remain committed to preserving the strong primary surplus, once the spending and revenue pressures from the health crisis have abated.

In addition, we welcome the authorities' plan to pursue a follow-on SBA to ensure a solid rebound after the health crisis. Looking ahead and given a prospective SBA will be for 12-months' duration, we agree that conditionality will need to be parsimonious and necessarily selective. However, like other Directors, we highlight the importance of continuing structural reforms to diversify the economy, increase the private sector participation, and enhance social safety nets to protect the most vulnerable. We encourage the Fund to continue to support the authorities' efforts in this area by providing CD to strengthen the debt management capacity. We would appreciate if staff can give us an indication as to when the SBA request may come forward to the Board.

We encourage the authorities to ensure adequate international reserves and remain vigilant about the development and implementation resulting from the exchange rate depreciation.

*Mr. Kaya:*

We support the Egyptian authorities' request for a purchase under the Rapid Financing Instrument in the maximum possible amount of 100 percent of quota.

We issued a gray and would like to emphasize the following points. The RFI should facilitate increased health spending, a stronger safety net to support the most vulnerable, and assistance to small and medium-sized enterprises to mitigate fallout from the crisis. Enhancing fiscal and monetary accommodation with safeguarding macroeconomic stability should be achieved by a strong and well-coordinated economic policy mix. Ensuring transparency and accountability of emergency expenditures remains a critical priority, and we welcome the authorities' commitment in this regard.

Debt sustainability is an important precondition for exceptional access. So, like other Directors, we are concerned by staff's assessment that Egypt's debt is sustainable but not with high probability. The authorities will therefore need to strengthen debt management strategies and implement fiscal consolidation to achieve the projected medium-term budgetary surpluses to put debt on a sustainable path.

We emphasize the important role of exchange rate flexibility as a shock absorber and a critical component of the strong macroeconomic response to preserve competitiveness and external rebalancing. Given the strong passthrough of exchange rate dynamic to inflation in Egypt, we encourage the authorities to employ a forward-looking approach to monetary policy once the pandemic subsides.

While we take positive note of the authorities' interest in a follow-on SBA, which should help ensure structural reforms, maintaining transparent accounting of the current emergency financing is an important pre-condition for a potential additional Fund-supported arrangement. In this regard, we reiterate the call by Mr. Buisse, Mr. Ronicle, and other Directors that disbursed funds need to be well targeted, most effective, and subject to audits.

The authorities should also move ahead with structural reforms aiming to address the important challenges to Egypt's broad-based private sector-led growth and strengthen productivity of the other sectors of the economy beyond oil. Enforcing fair competition rules across all market sectors and constraining global public enterprise in the economy will contribute to creating an environment more conducive to FDI inflow.

*Ms. Mahasandana:*

We thank staff for the well-written report and the answer to our questions. We thank Mr. Beblawi and Ms. Abdelati for the insightful buff statement and Mr. Beblawi for opening remarks.

Egypt has had a very good track record of pursuing sound macroeconomic policies and implementing structural reform. However, the

COVID-19 has disrupted the performance of the Egyptian economy. The outflow of foreign investment, slowdown in remittances, and reduced tourism has contributed to urgent and significant balance of payments needs. We issued a gray strongly supporting the country's request for assistance of equivalent to 100 percent of quota under the RFI. We have further elaborations and additional comments for emphasis.

First, we take positive note that the financial sector has remained broadly stable, and the central bank relief has undertaken measures to support the banking system. However, the crisis posed significant risks to financial institutions. Similar to Mr. Tanaka, Mr. Sun, Mr. Mahlinza in their gray, we emphasize continued vigilance in monitoring possible vulnerabilities in the banking sector. Here we underscore the importance of monitoring the impact of the downturn on asset quality and performance of the restructured loan.

Second, beyond the crisis, we welcome the authorities' intention to focus on further strengthening the macroeconomic fundamentals and addressing remaining structural vulnerabilities. We stress the need to resume fiscal consolidation and sustain the improvement in fiscal management policy once the crisis abates. This will entail better revenue mobilization, effective implementation of the procurement law, and updating the medium-term debt strategy to achieve downward public debt trajectories. We join other Directors in their view that emphasis should be placed on the effort to enhance the business environment, foster competition, improve access to finance, and land and SOE reform to facilitate further diversification of the economy. In this regard, the planned successor SBA support program would be crucial in safeguarding macroeconomic stability and supporting follow-on structural reform. We encourage staff to work closely with the authorities in carefully designing a program to ensure effective policy and structural reform implementation to support sustained higher and inclusive private sector-led growth in the medium term. We also welcome initial views of the staff where technical assistance can be more useful.

Third, communication will also be key in enhancing the effectiveness of the emergency measures and the subsequent stabilization policy and structural reform. We agree with Mr. Mouminah that it is important for staff to craft an effective communication strategy on Fund engagement with the authorities to reduce market volatility, shore up investor confidence, and enhance the authorities' access to international capital markets. Careful communication of the rationale of measures will also be vital to maintain broad support to specific policy and overall macroeconomic strategies.

*Mr. Trabinski:*

We support the request for disbursement under the Rapid Financing Instrument to address the shock of the COVID-19 pandemic. We hope that the

RFI will serve as a catalyst and bridge for additional financing and be secured from both Fund and other sources. As many points have already been taken, for the sake of time, allow me to focus on just two major points.

As Ms. Levonian and Mr. Ronicle and others, we encourage the authorities to ensure that the funds are used in an effective and well-targeted manner. We welcome the spending safeguards foreseen in this regard. We nonetheless urge the authorities to make sure that the most vulnerable get the support that they require, and this point was raised by my predecessors in the context of proper social safety net, like Mr. Ronicle, Mr. Buisse, among others.

We also welcome that additional measures are under consideration, also in the context in the prospective SBA. We welcome that the authorities have made good progress in securing additional financing from official bilateral creditors and multilateral institutions to help close the financing gap. We take note of the authorities' plan to request the 12-month SBA. Given the need to deepen the structural reform agenda with the aim of enhancing the role of the private sector, we wonder if a longer program would not be more appropriate. In this context, we would appreciate staff's comments.

*Mr. Poso:*

We thank staff for the informative report, their detailed answers to technical questions, and Mr. Beblawi and Ms. Abdelati for the useful buff statement, and Mr. Beblawi for his opening remarks. We support the request for disbursement under the Rapid Financing Instrument, which we note is intended to serve as bridge financing to the fully-fledged Stand-By Arrangement. We issued a gray, so we will be very brief and emphasize two issues.

First, like many others, we note with concern that according to staff's assessment, public debt is sustainable but not with high probability. As the RFI requires exceptional access with tighter rules and additional safeguards, the strong commitment to medium-term fiscal targets is crucial.

Second, I would like to recall that while in many respects the previous EFF-supported program was successful, the progress with structural reforms was uneven. Like many other Directors, we strongly encourage the authorities to step up their structural reform agenda to improve governance, anti-corruption framework, gender inclusion, and business environment.

*Mr. Moreno:*

First, we support the RFI. We welcome the authorities' comprehensive strategy against the COVID-19 crisis. The RFI resources will be well targeted

and linked to this strategy. We welcome the reference this morning by Mr. Beblawi to the focus on the most vulnerable and also the authorities' commitment to ensure transparency and accountability of the crisis-related spending.

Second, on future engagement, like many other Directors, we highlight the importance of structural reforms and the use of more exchange rate flexibility. Here we will also add some caution on the length, sequencing, and access of the new program and not to hurry into a new program until we have a clearer picture of where the crisis is going. Like many other Directors, we wonder if an EFF is more suitable for the case of Egypt, particularly taking into account structural reforms.

Third, we would like to make a word on the additionality of emergency financing. We think that Egypt is a good example of it. We understand that additionality in a broader sense would imply some automaticity when the country moves into exceptional access and certainly the possibility of having an emergency financed program combined with an ongoing on-track program, or in the case of Egypt, combined with a new program whenever it is approved. We think that otherwise not having this additionality will penalize countries with good program performance, and we hope that we can advance on this.

*Mr. Rashkovan:*

We have issued a supportive gray, and many points with which we may associate ourselves have already been raised today by other Directors. Particularly, we support other Directors calls on the need to continue structural reforms and adequately use the Fund resources.

We would like to revisit the situation of the labor market, as it is a source of major concern for social, political, and economic stability. As we mentioned in our gray, the employment rate in Egypt declined during most of the EFF program period. Following the outbreak of the pandemic, we fear that employment rates will decline further, both because of lost jobs and due to possible repatriation of Egyptian workers to oil-exporting countries. This situation highlights the importance of active labor market policies to generate new jobs and support employment.

*Mr. Fanizza:*

We strongly support this program, and we fully agree with staff that Egypt satisfies all the criteria of exceptional access. Said that, we highlight that it is essential to the SBA to be done as soon as possible. We do not think that the RFI will be sufficient to address Egypt's needs under the circumstances.

We also understand that the EFF was recently completed successfully and, despite difficulties, it was successfully concluded. Now the shock came, and the situation has changed, the SBA is the natural tool to address the macroeconomic front. The authorities have their own agenda of structural reforms that should continue. At the same time, the crisis broadened the need for government intervention to face the emergency and also to move toward a more private-led role model. The Stand-By should try to address it—we encourage at least a strong signal with some of structural reforms that actually move in that direction, rather than in a detailed manner. The staff says that during the 12-month SBA, it would be difficult to broaden to structural reform and we wonder why we cannot do an 18-month SBA.

Finally, this request from Egypt stands out because of the clarity with which staff discussed the monetary policy advice, with which we tend to agree. And here, it will be important to communicate the SBA policy advice on the monetary side. Considering the challenges as the fiscal position is going to be worse than what has been envisaged, the tradeoffs between monetary expansion to finance the fiscal position and inflation, and efforts to improve the overall prospect for public finance. We are looking forward to the SBA discussion.

*Mr. Vogel:*

We issued a gray, and I will underscore a few points for emphasis.

Egypt showed remarkable performance supported under the Extended Fund Facility. We observe robust growth rate, a substantial decline in inflation and unemployment, and an important improvement in fiscal accounts. Although still at high levels, the public-debt-to-GDP ratio displayed a relevant decline in 2019 compared to the previous year.

The COVID-19 pandemic has brought about critical challenges and risks for the country. We support the measures to address the pandemic's substantial effects. We underline that Egypt would be one of the few countries worldwide to exhibit a positive growth rate this year. Regarding the Debt Sustainability Analysis, we want to emphasize that, as noted by staff, debt projections are accompanied by a number of mitigating factors as, for instance, could be observed in the country's debt profile.

We agree that a Stand-By Arrangement would be a good option looking forward, and one of the key challenges in this regard will be related to addressing poverty and inequality. We support the proposed decision.

*Mr. Mozhin:*

We support the authorities' request for the RFI of 100 percent of quota to address urgent balance of payments needs. We have issued our written statement, and our view has not changed since the previous Board meeting on Egypt, so I will limit my comments to just several short remarks.

We once again commend the authorities for their engagement with the Fund and for the performance under the EFF. Egypt has achieved a remarkable success in implementing a sizeable fiscal adjustment of 5.5 percent of GDP in less than three years while keeping growth steady and unemployment declining. They have also increased exchange rate flexibility. Important steps remain in the area of structural reforms, including the passage of the new procurement law and the launch of the e-procurement portal, which will surely prove useful for increasing transparency and accountability of the pandemic-related spending.

We thank staff for answers to our technical questions. We take a positive note of the fact that the Egyptian authorities have already expanded coverage of the targeted cash transfer payments, Takaful and Karama, to reach a total of 3 million households. However, these measures may prove to be insufficient, particularly in the case of a more prolonged crisis and global lockdown. We would encourage staff and the authorities to closely monitor the situation and consider expanding the scope of the social programs in the context of the SBA. We wonder if staff would elaborate on the modalities of aid to small- and medium-sized businesses in Egypt? Are there any programs to assist them by the authorities?

We take note of the fact that the overwhelming majority of Egypt's external debt payments are on instruments that appear to have either no or limited marketability, and many sovereign notes and Eurobonds have a fairly favorable maturity profile. Following the maturity of a sovereign note last month, the next Eurobond maturity is not until early 2022, which implies limited overlap between the provision of Fund financing and private external market debt maturities.

Egypt's capacity to repay the Fund is adequate, and its public debt is considered sustainable but not with a high probability. This makes it clear that Egypt will need additional external financing, and in that respect, we support the idea of a successor arrangement under the Stand-By Arrangement. At the same time, it is also clear that the Fund can only play a catalytic role, so other multilateral and bilateral lenders should be expected to play a role.

*Mr. Sun:*

We thank staff for the hard work and Mr. Beblawi and Ms. Abdelati for the helpful buff statement. We issued a gray supporting the authorities' request for a disbursement under the RFI.

We commend the authorities for the swift actions to contain the pandemic and manage the economic and social impact. We welcome their strong commitment to using the RFI Fund in a transparent and well-targeted manner, as well as to strong policies after the crisis subsides. We would like to simply echo most of what previous speakers have said on fiscal, monetary, and financial policies and the need to step up with structural reform.

Given the mounting pressure on the authorities, especially on fiscal policy, continued efforts are encouraged to manage the public debt to ensure debt sustainability. Market-determined foreign exchange has served the country well and should be continued. It is also needed to closely monitor the financial sector development, and prudent loan classification should also be followed while allowing some degree of flexibility.

Another important aspect is protection of the poor and the vulnerable segment of the economy. In this regard, we are glad to hear from Mr. Beblawi this morning that the authorities very much emphasized this point.

Finally, we encourage staff to continue to closely engage with the authorities to ensure the effectiveness, the full effectiveness, of Fund program. We also echo Ms. Levonian's point on careful communication.

*Mr. Ray:*

We issued a gray, and listening to colleagues, I have decided to intervene because I have got quite a different view from many. I have been sitting here wondering why, and one reason is because I spent far too much of my life sitting in a Cabinet room with Ministers making decisions, including during a recession, a recovery phase from a recession, global financial crisis; and there is only limited policy space in politics, and we need to think about what the authorities need to focus on in the current environment.

We tend to agree with staff that macro stabilization needs to come first. On structural, preserving the structural gains will be hard enough, as Mr. Fanizza stressed, and the first aim is to preserve where the authorities stand now.

We are reassured by staff's answer on the likely scope of the successor arrangement, including for the reasons that Mr. von Kleist has stressed, and

that is the need to focus, to the extent that there is a focus on structural issues, it needs to focus around fiscal and debt.

On the timing, none of us know what any of us will be facing in 12 months' time, so it does seem to me to make sense to go in relatively short steps. In that regard, it does seem that the authorities' intention and staff's view that a 12-month SBA might just be the right way to start and then see where we are in 12 months' time.

*Mr. Mahlinza:*

Like other Directors, we want to recognize the substantial progress achieved by Egypt over the years, supported by the Extended Fund Facility arrangement. The outbreak of the pandemic threatens to reverse their hard-won gains and macroeconomic stability. Growth is expected to decline, while external imbalances widen, creating urgent balance of payments needs. Against this background, we consider the request by Egypt to be timely. We support the use of fiscal space to support the targeted measures as an immediate priority.

We echo Ms. Levonian on the need for a sustained fiscal consolidation and debt management to place debt firmly on a downward trajectory. In this regard, we also welcome the authorities' plan to implement their medium-term revenue and debt management strategies, as well as strengthening competition once the pandemic abates.

We also want to commend the Central Bank of Egypt for its complementary role in ensuring an accommodative monetary policy stance. In this respect, we emphasize the need to closely monitor developments in the financial and banking sector to ensure stability during and after the pandemic, which would go a long way to maintaining policy credibility. We also agree that the authorities' actions should be data driven.

Finally, we note the Fund's financing will cover only part of the financing needs. We associate ourselves with other Directors on the need to engage bilateral and multilateral partners to catalyze additional financing. We also want to support a focus on structural reforms and strengthening social safety nets in future programs.

*The staff representative from the Middle East and Central Asia Department (Ms. Ramakrishnan):*

It has been for me extremely useful to hear the commentary and the emphasis that is arising. Let me start with answering some of the questions that have been raised with respect to structural reforms and the emphasis that has been called by many Directors in that regard.

I want to first provide a little bit of background to bring some context. As has been acknowledged, the EFF achieved a lot. Both in terms of macro stabilization and in the context of structural reforms, the ground was laid for multiple reforms to take forward what was always considered to be an important reform agenda, which is to lay the groundwork for a strong, thriving private sector. In that regard, the EFF already had made progress. Yes, there were delays in some of these reforms, but that also talks to the program having a need to focus on macro issues also. So, the EFF made progress and staff have been in ongoing engagement with the authorities on taking those reforms forward.

I want to assure Directors that we are not walking away from structural reforms, but there is also some realism that is necessary in terms of conditionalities. And on this, I would recall the Review of Conditionality and the conclusions that were derived therein, which were the prioritization of critical reforms and more realistic implementation timetable because of the difficulties in some of these more difficult reforms.

To begin with, the structural reforms associated with state-owned enterprises are not easy even in normal times. We are talking about a crisis now where taking forward structural reforms of such huge magnitude, effort, and implementation capacity is going to be difficult, when the authorities' focus is on containing a crisis, protecting the lives and livelihoods of people. We wanted to bring a bit of realism in terms of what is feasible to do in terms of specific conditionality, which we still hope can be focused on delivering critical areas of reform, but we assure Directors that this does not mean we are walking away. We will continue to advocate and work with the authorities and our development partners, including the World Bank, in moving forward the areas that have been identified. We will continue to work with them on the competition law, on the land allocation. We are thinking of measures related to improving the business climate and leveling the playing field. The question is how much we are able to prioritize in terms of having streamlined conditionality so that we are not overburdening the authorities also in the current environment.

Just to provide a little more context in that regard, we have been engaging with the authorities on increasing transparency and financial disclosure. We have been talking to the authorities on land allocation, on competition law, on customs procedures, on how to streamline customs procedures so that the business climate can be improved and the Ease of Doing Business can be made better, and how improve access to finance. Most importantly, we also want to emphasize that the structural reforms, the macrocritical fiscal structural reforms that Directors talked about, are on the debt management side. The macrocriticality has come out clearly, as debt is assessed to be sustainable but not with high probability, and therefore the

emphasis that they would like to place on debt management is high. To the extent that we can work with the authorities on improving the business climate and any other structural reforms that are realistically doable in this timeframe, we would continue to engage with them, but we will also engage more broadly in other areas so that the dialogue continues with them.

Just to also emphasize that in the pre-COVID days, our conversation with the authorities was whether we should have a financing or non-financing arrangement in order to take the structural reforms forward. So, what has happened now is a shock to the system that we need to address, and we see that as the immediate priority; and we are looking at this as a step process where the first step today we are discussing an RFI for emergency assistance. Then, we are looking at a financing gap for the next 12 months, which we want to address in the context of the Stand-By Arrangement and ensure that macro stability is not compromised. We hope to be able to continue the conversation on the structural reforms for which we have and will continue to lay the groundwork.

We assure Directors that we are not walking away. We are continuing to engage, but in the context of designing a program, we still want to be conscious of the guidelines that have been provided on the Review of Conditionality. So, there are many factors that we will need to balance in designing this program.

There was also a question about the social safety net and what more can be done. We fully agree that the social safety net needs to be expanded, and we are working closely with the World Bank in that regard. We do hope that in the context of the Stand-By, we would be able to consider what we can do to enhance social protection. Specific measures would have to be—we would be working with the World Bank to see what could be doable again in the timeframe we are looking at. We would have to bring along our partners to help move this farther, and we will continue to work in that direction. Regarding how to ensure a broader coverage, the Takaful and Karama are extremely well-targeted and a very successful programs, and the coverage has been expanded. Even in the context of the current crisis, 60,000 to 70,000 families have been added to the coverage, and so it is making progress in the right direction, and we have to explore what more can be done.

There were also several Directors who raised whether the Stand-By is the right lending tool to use or whether the EFF and the timing, 12-month. Again, going back to the uncertainties that are associated with the crisis, it is challenging enough to consider what might be coming in the next one year, let alone what is coming in the next three years. We do see this as a step approach, and we want to be able to support the authorities in the immediate to be able to resolve any immediate macro financing problems, and avoid exacerbating any imbalances so that we are able to lock in the gains that were

made in the context of the EFF. In that regard, we see the immediate need as macro stabilization in order to support the gains that were achieved and focus on fiscal sustainability, debt sustainability, and preserving both the external buffers, as well as advocating for macro policy framework that will allow a more balanced outcome when we come out of the crisis. So, the hope is that the Stand-By will be able to provide the necessary policy framework to provide the solid grounds that will be needed for recovery. From that standpoint, we have estimated a 12-month financing need, and we are looking to that for the immediate horizon.

The question on whether the program would have to be frontloaded, that is something that is to be determined. That depends on the discussions with our development partners, what sorts of financing are able to be brought to the table in the timeframe that we are looking at. The authorities are also exploring available market access option. So, all these different features would have to be brought in for us to determine what would be the appropriate disbursement, and frontloading is something that we would have to come back, to once we have more details on the discussion with other partners regarding financing.

There was also a question on how the authorities are supporting SMEs in particular. In that regard, the central bank has placed a moratorium on debt services and debt payments for all credit facilities, both for businesses and individuals, which also applies to SMEs. The central bank is providing subsidized interest loans, and when the central bank reduced the interest rate by 300 basis points in March, the subsidized loans' interest rates were further reduced in sync with the lower policy rate. The tourism sector and a few other sectors have been targeted for these subsidized loans, and that will help the SMEs to access money during this crisis. More generally, the Ministry of Finance has also allowed for tax payments to be made in installments as opposed to all being due in one shot during the quarter, so spreading out some of the tax payments or installments over a three-month period also aims to alleviate some of the stress on the liquidity and working capital that is available to SMEs. Those are some of the immediate measures that have been put in place.

The government is evaluating if more measures are needed, and they have more buffers that are available should more measures be needed to be put in place, so they are keeping some of the powder dry to implement measures as the needs arise.

*Mr. Beblawi:*

I would like to thank Directors for their thoughtful and supportive remarks. Your views will be conveyed to our authorities. In this regard, I

would like to assure Directors of two issues raised during the discussion: the role of the private sector, and sustainability of the debt.

As far as the role of the private sector, this is a major important element in the government policies.

As far as the debt sustainability, this is also very highly taken into consideration, and we were planning to realize a primary surplus of 2 percent. Now we will reduce it to 1 percent in order to assure that this is an issue we are caring for.

I would also like to convey the thanks of my authorities to our office and our office staff team to the staff, who we will continue to work with us in the coming weeks.

*The Acting Chair (Mr. Okamoto)*

As you know, this is step one of two. Today's meeting is about the RFI, but we had several commentaries on the link to the SBA and the design features for that. So, our staff will begin work on that in short order. Like we did with the RFI, we are going to schedule an informal Board meeting for Executive Directors to engage to allow a fulsome discussion on the SBA and exceptional access.

*The Acting Chair (Mr. Okamoto) adjourned the discussion.*

## ANNEX

- Gray Statements
- Staff Responses to Executive Directors' Technical Questions
- Constituency Codes

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BUFF/ED/20/99

May 7, 2020

**Statement by Mr. Beblawi and Ms. Abdelati on Arab Republic of Egypt  
Executive Board Meeting 20/59  
May 11, 2020**

1. As recognized by Directors during our recent discussion, Egypt has a strong track record of delivering on its EFF-supported home-grown reform program, which has been described as possibly the Fund's most successful program. Among its achievements were monetary and exchange rate stability following the floating of the currency, eliminating fuel subsidies and introducing a fuel indexation mechanism, an improvement in the fiscal primary balance by 5.5 percentage points of GDP in less than 3 years, gradual expansion of the integrated social protection package, and a reduction of debt by over 20 percentage points of GDP between June 2017 and December 2019. Notably, growth averaged 5 percent for the three years, higher than projected at the start of the program. Structural reforms advanced under the EFF and have continued since the last Board meeting nine months ago in important areas, including the banking law, further expanding of social programs, competition, reforms that enhance financial sustainability of the pension system, and modernizing the public procurement system, medium-term revenue strategy. Prior to COVID-19, Egypt had advanced the macroeconomic gains, built up some buffers, the economic outlook was very positive, and investor confidence was strong.
2. A sudden balance of payments need has emerged since March 2020, following the restrictions on domestic activity, the global economic recession, and financial market turmoil. It is difficult to assess the eventual size of the balance of payments gap, since the depth and duration of the crisis remain unknown. Staff estimates a worsening of the overall balance of payments by \$25 billion for the two years (compared to near balance previously), of which three-quarters occurs in the year ending June 2020, reflecting sizeable capital outflows, cessation of tourism, and lower remittances. Short-term liquidity support is urgently needed to maintain reserves at a level that preserves the hard-won confidence gains. The purchase under the Rapid Financing Instrument (RFI) is a welcome first step, as the authorities continue to seek additional financing from the Fund, under a UCT arrangement, and from other official and private sources.
3. The authorities undertook swift and decisive measures to contain the spread of COVID-19 and mitigate its impact on the economy, including through a package of fiscal, monetary, and

financial measures together amounting to over \$6 billion, or around 1.8 percent of GDP. The approach assigned a high priority to provide adequate liquidity, support affected businesses, mitigate the loss of livelihoods of the poor and vulnerable and those in the informal sector so as to safeguard social cohesion. Nevertheless, a primary fiscal surplus of around 1½ percent of GDP is still expected in the fiscal year ending in June 2020, compared to 2 percent previously targeted, due to overperformance in the first eight months, use of contingency reserves, and budgetary reallocations where appropriate. Officials are proud of the recent track record and success in placing debt on a downward trajectory by targeting primary surpluses of 2 percent of GDP over the medium-term, which they intend to resume as soon as feasible. The Ministry of Finance has been targeting the measures to where they would be most effective, ensuring that measures taken are adjustable, reversible, and preserve the fiscal position to safeguard debt sustainability.

4. With regard to debt sustainability, this is the first RFI request with Exceptional Access (EA), and one of the first EA requests since the 2015 change in EA policy. This is a particularly uncertain time for all countries, who are all subject to a sudden worsening of the debt profile and to being highly vulnerable to risks from a more prolonged or deeper crisis. In this context, we note that Egypt has several country-specific factors that help it maintain debt sustainability, as recognized in the staff report, despite debt indicators breaching standard benchmarks. A key factor is the track record of successfully reducing debt to GDP by 20 percentage points in 30 months, while targeting a primary surplus of 2 percent of GDP over the medium term. Rollover risk is mitigated by the fact that the bulk of domestic currency denominated debt is held by liquid and profitable domestic banks, with a gradual shift toward issuing longer maturities. Rollover of amounts, coming due to external bilateral creditors over the next year, has been secured or is in an advanced stage of discussion. Moreover, the share of external debt is relatively low, and Egypt enjoys a positive perception among international private investors, whereby ratings have remained stable despite the magnitude of the shock, spreads on sovereign debt have not risen as much as for other peer emerging economies, and the authorities are discussing a near term international issuance. Gross financing needs remain on the high side, but are on an improved path, benefiting from the lengthening of the debt maturities from an average of 1.8 years in June 2017 to 3.6 years in December 2019; this process was expected to accelerate, as inflation has slowed markedly and would bring down the cost of borrowing for longer maturities. The authorities look forward to the opportunity to discuss with staff the debt sustainability assessment in detail and to provide additional relevant information.
5. A multi-pronged approach to supporting vulnerable groups is in place. Since 2014, the Ministry of Social Solidarity has established a system to vet households for eligibility for cash transfers. By end-2019, the [Takaful and Karama](#) program was covering 2.5 million households and supplements the social security programs for the disabled and elderly, which cover another 1.2 million, and a semi-cash subsidy program that secures basic food items to the lower end of the middle income groups, as well as social housing projects and

the recent adoption of the universal health coverage system. As part of COVID-19 response, a monthly cash subsidy will be provided for three months to workers who have lost their jobs, health workers will receive higher wages and bonuses, and the annual increase in pension payments was brought forward by a few months to ease the impact on pensioners. In addition, adequate supplies of basic commodities were secured to ensure affordability and the health and education sectors will receive a double digit increase in next year's budget. In the LOI, the authorities have outlined the existing reporting, procurement, and accountability procedures that are already in place under current laws to reassure the Board of the accountability framework for expenditures related to COVID-19.

6. The Egyptian authorities value the engagement with the Fund and appreciate the work of the mission team. They look forward to continuing close engagement in the period ahead. In this unprecedented global crisis, the Fund's role is more important than ever. Egypt is not new to managing crises and has had its share following the Global Financial Crisis (GFC) , including disruptions due to the 2011 and the 2013 Revolutions; growth had averaged 7 percent for the 3 years prior to the GFC and public debt stood below 67 percent of GDP in 2008. Despite this latest setback, the Government and Central Bank are prepared to do what is needed to contain the fallout from this crisis and to steer the economy to sustainable private sector-led growth.

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GRAY/20/1935

May 8, 2020

**Statement by Mr. Mahlinza and Ms. Maida on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for a well-written report and Mr. Beblawi and Ms. Abdelati for their informative Buff statement.

Egypt has made significant progress in entrenching macroeconomic stability over the years, supported by the Extended Fund Facility (EFF) arrangement. The outbreak of COVID-19, however, threatens to reverse the hard-won gains on macroeconomic stability. Specifically, the pandemic has adversely affected activity in key sectors including tourism and trade as well as remittances and capital flows. As a result, growth is expected to decline while external imbalances will widen, creating urgent balance of payments needs. Against this background, **we support the authorities' request for a purchase under the Rapid Finance Instrument (RFI)**. We positively note the enabling legal framework on fiscal transparency to ensure adequate safeguards on COVID-19 related expenditures, including the commitment to audit and publish information on spending. While the authorities continue to finalize a Standby Agreement with staff, we stress the need to engage bilateral and multilateral partners to catalyze additional financing to augment funding resources.

**The authorities' immediate priority to contain and mitigate the impact of the pandemic is commendable.** We welcome the authorities' response measures, including scaling up of health spending, the expansion of support to vulnerable households and businesses, including the informal sector. Nevertheless, we note staff assessment that while public debt remains sustainable, the crisis presents significant risks. We, therefore, welcome the authorities' commitment to safeguard fiscal and debt sustainability by prioritizing fiscal consolidation and continuing their public debt management objective of judicious debt restructuring, once the pandemic abates. In this connection, we view the authorities' commitment to the medium-term revenue strategy as warranted in the post crisis period.

**Prudent monetary policy remains critical to entrench macroeconomic stability during and after the crisis.** We, therefore, welcome the Central Bank of Egypt's (CBE)

accommodative monetary measures, including the alleviation of liquidity pressures in the domestic financial sector, including the postponement of repayments under existing credit facilities for all customers. In the same vein, we take positive note of the CBE's support to the banks, including the introduction of a debt relief initiative for qualifying individuals. That said, we underscore the importance of closely monitoring banks given the significant risks posed by the crisis. Relatedly, while we note staff assessment that the banking sector remains stable, *we would welcome comments on the likely impact of the measures implemented in the banking sector on loan portfolios and NPLs in the event the crisis is prolonged.* That said, we view the authorities' planned enactment of the new Central Bank and Banking Sector Act to ensure efficiency and credibility of the CBE's mandate as timely and appropriate.

**Continuous enhancement of governance and structural reforms remains critical to support a more inclusive private sector-led growth.** In this regard, we welcome the authorities' commitment to prioritize key structural reforms, including enhancing the business environment and fostering competition. as the crisis abates. *That said, we would welcome staff updates on the new Government Procurement Law.*

With these remarks, we wish the authorities success in their policy endeavors to address the impact of the COVID-19 pandemic.

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GRAY/20/1936

May 8, 2020

**Statement by Mr. Rosen, Ms. Pollard, and Mr. Shenai on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for their well-written staff report and assessment of the risks to the Fund and the Fund's liquidity position, as well as Mr. Beblawi and Ms. Abdelati for their thoughtful and detailed Buff. Egypt has a strong track record of macroeconomic adjustment and reform. The COVID-19 shock and growth slowdown will necessitate a strong response to contain the spread of the virus and enact counter-cyclical policies to mitigate short-term economic fallout. **We thus support the authorities' request for an SDR 2.0 billion (100 percent of quota) RFI to meet urgent financing needs and welcome the authorities' intention to request an upper-credit tranche Stand-By Arrangement. We also take note that this program is an Exceptional Access (EA) arrangement and concur with staff's assessment that Egypt meets the EA safeguards, as detailed in the staff report and in staff's prior Board consultations.** Going forward, it will be critical for the authorities to use the opportunity provided by Fund financing to tackle Egypt's longstanding economic challenges and to restore macroeconomic stability and buffers, particularly given the Fund's large financial exposure to Egypt.

**Fiscal policy should focus on addressing COVID-19 and liquidity pressures for firms and households, with a focus on vulnerable populations.** Given limited fiscal space, further external debt rollovers are necessary to create fiscal space to accommodate the crisis response. We take note of the authorities' large gross financing needs and welcome constructive discussions between the authorities and their bilateral creditors, recognizing that about \$11.4 billion in external debt maturing in the next twelve months still needs to be rolled over. We strongly urge Egypt's creditors to provide the authorities specific and credible financing assurances to help them combat the COVID-19 crisis. *Can staff provide an update on the status of negotiations with bilateral creditors on upcoming external debt payments?*

**We concur with staff that exchange rate flexibility is needed to promote external adjustment and urge the authorities to maintain hard-won exchange rate liberalization**

**gains made under the EFF.** While we agree that some monetary accommodation is necessary given the crisis, the authorities should be data-driven and cautious in their approach, cognizant that reserves sales amid a loosening of monetary policy could trigger rising risk premia, which staff rightly identifies as a downside risk. Under such circumstances, pass-through inflation pressures may materialize, necessitating tighter and possibly pro-cyclical monetary policy to preserve external buffers and credibility. We thus welcome the authorities' commitment to maintaining exchange rate flexibility, while taking note of staff's finding that the nominal exchange rate has depreciated by less than 2 percent since end-February despite significant capital outflows.

**Financial sector risks should be monitored while limiting potential governance challenges.** Short-term forbearance, easing macroprudential standards, and direct central bank support may be warranted by the crisis, though we recognize that a protracted downturn may drag on asset quality and bank health, necessitating tightening standards. We take note of the CBE's stock purchase program. *Can staff provide more information on the controls on this program to prevent conflicts of interests and potential private sector front-running of planned and un-announced purchases? Under what conditions do staff foresee the authorities winding down this program?*

**We commend the authorities' commitment to safeguards and transparency.** We welcome the authorities' intention to publish documentation on government procurement related to COVID-19 and to audit and publish the State Audit Authority's findings. We are also encouraged by the authorities' commitment to a CBE and fiscal safeguards assessment in line with the requirements for exceptional access to IMF resources.

**The successor Arrangement should focus on safeguarding macroeconomic stability and tackling lingering structural vulnerabilities that have long plagued Egypt's economy.** We encourage staff and the authorities to use the successor program to improve fiscal management (including debt management) and to tackle the deeper impediments to Egypt's broad-based, private sector led growth, including enhancing the productivity of the non-oil/gas economy and constraining the role of public enterprises in the economy. We strongly concur with staff's assessment made during the EFF on the need for Egypt to introduce a market-based land allocation mechanism based on open, transparent, and competitive standards. *Can staff provide additional comment on the intended scope of the successor Arrangement, including modalities related to structural reforms and enhancing private-sector participation in the economy?*

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May 8, 2020

**Statement by Mr. Lischinsky and Mr. Vogel on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the report and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement.

**We fully agree with staff about the remarkable performance showed by the country** supported by the 2016-19 program under the Extended Fund Facility; among other things, we observe robust growth rates, a substantial decline in inflation and unemployment rates, and an important improvement in fiscal accounts. Although still at high levels, the public debt-to-GDP ratio exhibited a significant decline in 2019 compared to the previous year, while Annex II of Debt Sustainability Analysis projects a declining trend under the baseline scenario. It is worth mentioning that the above-referred analysis indicates that debt projections are subject to significant risks but also accompanied by a number of mitigating factors, which is clear from observing the country's debt profile.

**The COVID-19 pandemic has brought about critical challenges and risks for the country.** The report notes that Egypt is experiencing significant pressures as the virus spreads. Of course, fiscal measures will impact on accounts, but they are essential to successfully face the crisis. Thus, we support the announced measures aimed at tackling health issues and mitigating the damage that the pandemic is generating to the most vulnerable sectors of society and affected firms. On other measures, staff rightly notes that scope for further easing monetary policies needs to carefully weigh the tradeoffs of its impact on inflation vis-à-vis additional capital flight and its consequent exchange rate pressures. In this regard, we support the authorities' willingness to maintain exchange rate flexibility, while intervening in the market in order to avoid excessive volatility.

Beyond the current circumstances and risks, it is worth mentioning that, according to the staff's projections, **Egypt would be one of the few countries worldwide to exhibit a positive growth rate this year.** We believe that one of the critical challenges for the country looking forward is related to addressing poverty and inequality.

**We share the staff's assessment that the external shock has created an urgent balance-of-payment need** and that the Fund's support under the Rapid Financing Instrument (RFI) is the most appropriate under these circumstances. At the same time, considering the remaining financing gap, a Stand-By Arrangement could be a good option looking forward. We take note of the staff's

assessment that Egypt's capacity to repay the Fund remains adequate and agree that the country meets the exceptional access criteria, as underlined in Annex I of the report. Based on all of the above considerations, we support the proposed decision, including the authorities' request for purchase under the RFI.

With these comments, we wish Egypt and its people every success in these difficult times.

## DOCUMENT OF INTERNATIONAL MONETARY FUND AND FOR OFFICIAL USE ONLY

The contents of this document are preliminary and subject to change.
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GRAY/20/1938

May 8, 2020

**Statement by Ms. Levonian and Ms. Vasishtha on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for their informative reports and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement. The COVID-19 pandemic is having a severe impact on the Egyptian economy and threatens to negatively impact its hard-won macroeconomic stability under the recently completed EFF program. Disruptions to tourism, remittances, and capital flows are resulting in an urgent balance of payment need. **In this context, we support the country's request for assistance under the Rapid Financing Instrument, equivalent to 100 percent of its quota (SDR 2,037.1 million).** We also support Egypt's request for a follow-up Stand-By Arrangement (SBA), which will help enhance macroeconomic stability post-crisis. We look forward to reviewing the formal SBA proposal and offer the following additional comments.

**We welcome the authorities' quick and comprehensive response to the pandemic.** Scaling up allocations to health spending while cushioning the impact of the crisis for the most vulnerable households and sectors is appropriate. However, we reiterate staff's advice that crisis support measures must be timely, well-targeted, transparent, and temporary. As the pandemic subsides, limited fiscal space will necessitate a resumed focus on fiscal reforms.

**Prudent debt and fiscal management will be needed in the face of high debt risks.** Staff assesses debt to be sustainable, but not with a high probability. The baseline is subject to significant risks given the uncertainty around the path of the pandemic, although stable credit ratings together with the high share of domestic currency debt issued locally and held by domestic financial institutions mitigate these risks somewhat. Additional risks could also arise from a tightening in global financial conditions and the materialization of contingent liabilities. Once the crisis abates, sustained fiscal consolidation along with structural reforms to boost private sector-led growth will be needed to place debt firmly on a downward trajectory. In this regard, we welcome the authorities' commitment – once conditions permit – to strengthen competition, improve access to finance and land, and address governance and corruption challenges. Further supporting revenue mobilization and updating medium-term debt management strategies will also be important.

**Transparency and accountability of emergency spending is crucial.** We welcome the authorities' commitment to ensure transparency, including by publishing information on government procurement plans and awarded contracts, and all crisis-related spending. We also support the Central Bank of Egypt's (CBE) commitment to undergo an update of the safeguards assessment.

**We welcome the measures undertaken by the CBE to support liquidity and credit conditions.** We echo staff's view that exchange rate flexibility can act as a significant shock absorber and FX intervention should be limited to contain disorderly market movements. We also encourage the CBE to closely monitor banking sector conditions.

Egypt made remarkable progress under its last EFF arrangement and maintaining this positive momentum, against the backdrop of current global circumstances, will require sustained domestic effort along with the support of development partners. We wish the authorities all the best in their policy endeavors.

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GRAY/20/1939  
Revised: 5/11/20

May 8, 2020

**Statement by Mr. Moreno on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for its report and Mr. Beblawi and Ms. Abdelati for their useful Buff statement.

**Support of the RFI.** We support the authorities' request for an RFI of 100 percent of quota (SDR 2,037,1 million). Before the crisis, Egypt had a very positive economic outlook and a comfortable external financing situation. The COVID-19 is the epitome of an exogenous shock that has placed a significant strain on Egypt's economy, weighing heavily on its external financing gap. We welcome the authorities' comprehensive strategy to cope with the COVID-19 crisis, which addresses the three main fronts in this first stage of the crisis: scaling up health expenditures, protecting and reducing the liquidity constraints of workers and companies, and addressing social needs. The RFI resources should be well-targeted and linked to this strategy and we would highlight the need to prioritize financing health expenditures, protect workers and support the poor. We welcome the authorities' commitment to ensure transparency and accountability of crisis related spending.

We are reassured with the analysis of the sustainability of the debt, albeit not with high probability. Here, we would stress that there are some margins of flexibility, including the large share of official bilateral creditors of the central bank, which could extend financing, as is already the case for some creditors. Further, Egypt also has the possibility of making greater use of exchange rate flexibility as a shock absorber.

**Additionality of emergency financing.** We note that the exceptional access criteria have to be met as Egypt's current access to Fund's resources (at 422 percent of quota) is very close to the cumulative limit of 435 percent. This said, the case of Egypt is a good example of the need for additionality of the RFI financing (and of the RCF), given its emergency nature and low weight on Fund's resources (a total of only US\$17.5 billion for 50 countries as of last Wednesday). We understand additionality in a broad sense, including some automaticity or a

potential waiver if its amount entails moving into exceptional access, and certainly, the possibility of combining it with an ongoing on-track conventional IMF program, or a new one—which can be the case in Egypt if a new program is approved. This is all the more relevant in countries such as Egypt, with a good track record of program engagement with the Fund. Otherwise, we would be penalizing countries with good program performance, if access to emergency financing were limited by this type of constraints.

**Future Fund engagement.** Considering the estimated residual financing gap in 2020–21 of US\$11 billion, we welcome the authorities’ request of an SBA combined with pursuing additional financing from other multilateral and official bilateral creditors. We would advise caution in the length, sequencing and access of the new program, in the sense of having a clearer picture of where the crisis is going. There are certainly downside risks that could make the situation worse (or alternatively, upside risks and a potential more rapid recovery), which will require a fine calibrating of the SBA, or even considering a longer-term successor EFF. We welcome the authorities’ intention expressed in the letter of intent to resume fiscal consolidation as economic conditions improve. We would highlight the importance of deepening the structural reform agenda, revenue mobilization, and improving the safety net for the most vulnerable as the axes of the new program.

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GRAY/20/1940

May 8, 2020

**Statement by Ms. Mahasandana and Mr. Abenoja on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank the staff for the well-written report and Mr. Beblawi and Ms. Abdelati for the insightful Buff statement.

The Egyptian economy, aided by the completion of an EFF program, was performing favorably before the COVID-19 pandemic. However, the virus outbreak resulted in urgent balance of payments needs, partly due to reduced tourism receipts, decline in remittances and capital outflows. Staff assesses Egypt's public debt as sustainable, although not with a high probability, and capacity to pay as adequate. Furthermore, staff's assessment is that Egypt meets the criteria for exceptional access safeguards for the full 100 percent of quota. In this context, **we support the authorities' request for financing under the Rapid Financing Instrument (RFI)**. We broadly concur with staff's assessment and offer some comments for emphasis.

**We support the 2-step financing approach involving an immediate RFI and subsequently applying for a follow-on Stand-by Arrangement (SBA).** This will help authorities' urgent efforts to minimize economic losses and provide health and social protection in the near term while resuming fiscal consolidation and pursuing the next wave of reforms after the crisis. We encourage authorities to continue its efforts to seek financing from multilateral and official bilateral creditors to fill the financing gap. *We also encourage staff to continue to closely engage with authorities on the SBA and the complementary technical assistance.*

**We agree that fiscal policy should prioritize health issues and limiting the macroeconomic impact of the pandemic but vigilance is needed to maintain debt sustainability.** We note that there could be some uncertainty in the size of the fiscal deficit and fiscal financing needs as budget discussions are ongoing and specific measures are still being quantified. Thus, we welcome authorities' commitment to fiscal discipline and focus on targeting the measures to where they would be most effective and ensuring that measures are adjustable, reversible and preserve the fiscal position, as contained in the Buff statement. Meanwhile, public debt is relatively high and projected to further increase over the near term.

At the same time, gross financing needs are also above the benchmark level with maturing short-term debt accounting for a high share. To improve debt sustainability, it is crucial to enhance the medium-term debt management and reduce this rollover risk, as suggested by staff. We therefore view favorably authorities' on-going initiatives to lengthen public debt maturity profile as a step in the right direction.

**We welcome authorities' timely and decisive easing of monetary policy.** At the same time, we support staff's advice for a pause in further monetary policy easing to assess the impact of the recent action. It is prudent to evaluate the transmission of the recent policy action to the financial markets and the economy before reducing policy rate further. We also recognize the role of exchange rate flexibility as shock absorber. We encourage authorities to continue to closely monitor developments that could unhinge inflation expectations and worsen investors' sentiment, including large depreciations or excessive volatilities of exchange rate that could come from rapid portfolio investment outflows given that non-residents still hold large portion of the domestic treasury bill market.

**Upholding transparency and accountability are important to promote efficiency of emergency-related expenditures and sustain external support.** We welcome authorities' commitment to the publication of procurement plans and awarded contracts as well as the audit of the crisis-mitigation spending. Furthermore, we commend authorities for their commitment to a fiscal safeguards review and also for the Central Bank of Egypt to undergo an updated safeguards assessment.

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GRAY/20/1941

May 8, 2020

**Statement by Mr. Ray, Ms. Johnson, and Mr. Shin on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for their concise report and Mr. Beblawi and Ms. Abdelati for their informative Buff statement.

Given that Egypt meets the criteria for exceptional access safeguards, we support Egypt's request to purchase SDR 2,037.1 million (100 percent of Quota) under the Rapid Financing Instrument. This only covers a fifth of Egypt's external financing need, but we hope that it can serve as a bridge and assist to catalyze additional donor support.

We welcome the authorities' intention to engage with the Fund on a follow up Stand-By Arrangement and we encourage staff and the authorities to accelerate the discussion on a new arrangement to ensure macroeconomic stability going forward. Given the context, we encourage staff to be parsimonious on conditionality and to focus on macroeconomic stability in the early stages of the program.

We welcome the authorities' commitment to publish documentation on procurement plans and awarded contracts for the emergency responses and to audit crisis-mitigating inflows and spending, including ex-post validation of spending.

We note Egypt's public debt is assessed to be sustainable and the capacity to repay the Fund remains adequate.

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GRAY/20/1942

May 8, 2020

**Statement by Mr. Fanizza and Ms. Quagliariini on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

*We thank staff for a clear paper and Mr. Beblawi and Ms. Abdelati for their quite helpful Buff statement. We concur with staff that Egypt qualifies for exceptional access and support the authorities' request for a Rapid Financing Instrument (RFI) in the proposed amount. We wish to offer the following comments.*

- The macroeconomic fallout of the COVID-19 for the Egyptian economy has been substantial mainly because of its impact on tourism and remittance flows. Like many other emerging-market economies, Egypt has also experienced significant capital outflows.
- We agree with staff that the capacity of Egypt to repay the Fund remains adequate and welcome the commitments on transparency and accountability of the RFI emergency spending, as indicated in paragraph 8 of the main paper.
- We see merit in the two-step approach where the current RFI acts as a bridge towards a future SBA, as residual financing needs of Egypt remain elevated. We understand that financing needs are now lower than previously projected (by about \$6 billion) because of a lower amortization of medium and long-term debt.
- We understand that discussions for the SBA will take time, and require efforts to identify resources to close the residual financing gaps. We are encouraged to read that some bilateral creditors have already provided assurances that they will rollover their

deposits at the Central Bank of Egypt. *We would appreciate it if staff could provide an update on the remaining creditors' intentions.*

- We are pleased to note that the EFF program with Egypt was successful, improving its economic fundamentals. This is reassuring, as those progresses were not granted and required major policy efforts. We are encouraged by the authorities' commitment to resume their structural reform agenda to foster a private sector-led growth, when the crisis abates. We would signal the importance for the central bank to maintain the progress achieved in moderating inflation, which remains essential. More generally, on monetary policy we appreciate staff's careful analysis and good policy advice in the main paper.

## DOCUMENT OF INTERNATIONAL MONETARY FUND AND FOR OFFICIAL USE ONLY

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GRAY/20/1943

May 8, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Ms. Alzamel on Arab Republic of  
Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for their well-written report and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement. Since we are in broad agreement with the staff appraisal, we would like to limit our remarks to the following issues.

**We support the authorities' request for a purchase under the Rapid Financing Instrument (RFI) to address the urgent balance of payment needs and agree that Egypt meets the exceptional access criteria.** Egypt has made remarkable progress under the recently completed EFF arrangement, considered one of the Fund's most successful programs. The country has an impressive track record of fiscal consolidation and public debt reduction, and has successfully implemented bold economic measures, including the elimination of fuel price subsidies. The authorities' strong ownership and commitment to reforms were critical in achieving macroeconomic stabilization, accompanied by a recovery in growth, employment, and market confidence. To help preserve the authorities hard won gains and deal with the immediate implication of the pandemic, we hope that IMF support under the RFI will help catalyze further financing. Here we encourage other IFIs and bilateral donors to step up their support to help close the remaining financing gap. *We invite staff to comment on the progress in securing funding to close the residual financing gap.* We note Staff's assessment that Egypt's public debt remains sustainable, but not with high probability, and its capacity to repay the Fund is adequate. We welcome the authorities' plan to pursue a follow-on Stand-By Arrangement (SBA) to ensure a solid rebound after the health crisis.

**The COVID-19 pandemic poses a severe economic disruption in the Egyptian economy.** The crisis has rightly shifted the policy focus toward prioritizing health spending and containing the social and economic implications. Ongoing efforts to address poverty and inequality, including throughout the pandemic, remain important. We also encourage the authorities to remain vigilant about the developments in inflation resulting from exchange rate depreciation and to carefully weigh up the associated trade-offs with further easing of monetary policy while maintaining an adequate level of international reserves. *Also, we note*

*that the impact of the pandemic on GDP is assumed to be smaller in FY2019/20 compared with similar economies, staff comments are welcome.*

**Looking ahead, beyond the immediate priority, continued fiscal consolidation along with structural reforms are necessary to put Egypt's debt on a downward trajectory.** In this connection, we encourage the Fund to support the authorities' efforts in putting public debt on a downward path, including through providing timely CD to strengthen debt management capacity. Large public gross financing needs could leave Egypt vulnerable to market volatility and continued efforts by the authorities to lower the risks of the public debt profile are welcome. Against this background, we encourage staff to ensure effective communication about the Fund financial assistance, with a view to strengthen the authorities' ability to access private capital markets.

**Lastly, we recognize the authorities' commitment to transparency and accountability to ensure appropriate use of emergency funding, including by reporting all crisis-related spending.** In addition, an updated safeguards assessment of the CBE as well as a fiscal safeguards assessment by the Fund are welcome.

With these remarks, we wish the authorities every success in their policy endeavors.

## DOCUMENT OF INTERNATIONAL MONETARY FUND AND FOR OFFICIAL USE ONLY

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GRAY/20/1944

May 8, 2020

**Statement by Mr. Raghani and Mr. Lopes Varela on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the comprehensive report and Mr. Beblawi and Ms. Abdelati for their informative Buff statement.

**Prior to the pandemic, the Egyptian authorities had been making steady progress in their efforts to stabilize the economy and reduce external and domestic imbalances.** The debt had declined, while the unemployment rate and inflation improved. However, Egypt has been severely affected by the pandemic outbreak, weakening the country's near-term outlook and jeopardizing the progress achieved under their ambitious reform agenda supported by the previous Extended Fund Facility (EFF). As a result, growth in 2020 has been revised downward significantly, and external accounts are projected to widen substantially, giving rise to a significant balance of payment needs. Against this backdrop and the absence of additionality of Fund resources, we support the authorities' request for purchase under the Rapid Credit Facility (RFI) of 100 percent of quota under exceptional access and urge donors to provide additional assistance to help close the remaining financing gap. The RFI will also serve as an important bridge for a Stand-By Arrangement (SBA) in the future.

**We welcome the authorities' policy responses, which aim to contain the economic impact of the pandemic shock.** Their decisive measures to increase spending in the health sector, support the financial system, and provide funding to the hard-hit tourism sector and the most vulnerable households are much appreciated. However, these mitigation efforts, along with the ones to contain the spread of the virus, have put significant pressures on the government finances and the external position. We positively note the authorities' broad understanding that supportive policy measures should be timely, well-targeted, and transparent. Ensuring fiscal transparency and accountability for the resources received is essential.

**Prudent easing of the monetary policy stance will help support economic adjustment.** The recent reduction in the CBE policy rates and the decision to drawdown on government reserves, as well as the postponement of customer's repayments to support liquidity and credit, among other measures, are positive responses to address credit challenges and to

improve liquidity management. Nevertheless, we encourage the authorities to allow the exchange rate to be flexible and act as shock absorber and continue to monitor and carefully assess previous actions so as not to undermine the efforts made so far in anchoring inflation expectations. That said, *could staff elaborate on the potential impact of the CBE stock-purchase program on the central bank's financial statements, particularly if the crisis lasts longer than expected.* Caution is warranted regardless of its potential short-term benefits.

**We welcome staff's assessment that Egypt's public debt is sustainable, and the country's capacity to repay the Fund remains adequate.** Going forward, we encourage the authorities to pursue their 2 percent fiscal surplus objective when the crisis subsides to help lower public debt. Amending and updating both the medium-term revenue and debt management strategies, including with respect to rollover risks, will support the authorities in achieving this objective.

With these remarks, we wish the Egyptian authorities all the success in their efforts to mitigate the effects of the pandemic.

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GRAY/20/1945

May 8, 2020

**Joint Statement by Mr. Buisse, Mr. Ronicle, Mr. Rozan, Mr. Bouvet, and Mr. Masood on  
Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the papers, and Mr. Beblawi and Ms. Abdelati for their informative buff statement. Prior to the outbreak of COVID-19, the authorities' successful completion of the EFF had ensured macroeconomic stabilization, a recovery in growth and a decline in public debt. However, the crisis has led to portfolio outflows, weaker FDI and remittances, and reduced tourism, creating an urgent balance of payment need. **We therefore support Egypt's request for emergency financing under the Rapid Financing Instrument (RFI), through exceptional access to the Fund's resources.**

**We note staff's assessment that Egypt's public debt is sustainable, but not with high probability** – with debt-to-GDP projected to grow from 83.8% in 2019 to 87.5% in 2020. While deepening the fiscal deficit is warranted in the short term given the pressures linked to the pandemic, resumption of the primary surplus target of 2 percent of GDP over the medium term will be critical to ensuring the downward trajectory of public debt. We take confidence from the authorities' track record of implementing reforms, but expect progress to be demonstrated on debt sustainability in any successor arrangement. In our view, strengthening debt management, and enhancing domestic revenue mobilization would be warranted to improve fiscal and debt resilience. *How do staff plan to address issues around debt sustainability and ensure debt is on a downward path? In light of the large external financing gap of \$13.7bn, could staff provide further details on the appropriate financing mix for the remaining gap, including the use of reserve drawdowns and potential debt issuance, as well as bilateral and multilateral financing? What risk do staff see that a prolonged crisis will lead to a substantially higher financing gap than forecast?*

**We note that the depreciation of the Egyptian pound has been limited as a result of FX interventions of the central bank.** This has come at the price of a sharp decline in official reserves, by around \$5bn in March. As inflation expectations are well-anchored, and to preserve official reserves, we concur with staff that exchange rate flexibility should play a greater role of shock absorber.

**We underline the importance of ensuring the transparency and accountability of the spending related to the current crisis**, and welcome the authorities' commitment in this regard, in particular the publishing of procurement documents as well as of the beneficial ownership information of awarded companies.

**Macroeconomic stability and debt sustainability should be at core of a new program. We therefore welcome the authorities' commitment to request a Stand-By Arrangement to complement the RFI. However, in addition to macroeconomic stabilization, we strongly encourage a continued focus on structural reforms** to diversify the economy and ensure the private sector plays a leading role in the recovery. This should build on the progress made under the EFF and include, but not be limited to, measures on competition policy, SOE reform, government procurement, and industrial land allocation. In addition, we encourage staff and the authorities to incorporate commitments on minimum spending on social protection, health and education. *Can staff share any indication of the size and modalities of a new arrangement and the extent to which structural reforms are envisaged?* We underline that a multi-year program would be more conducive to addressing the structural issues highlighted above. We encourage close coordination with the World Bank and international community on the structural reform agenda.

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GRAY/20/1946

May 8, 2020

**Statement by Mr. Poso and Mr. Bernatavicius on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the informative report and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement. We note that the RFI is intended to serve as bridge financing to the fully-fledged UCT arrangement and that the authorities are committed to fiscal prudence and acceleration of the structural reform agenda. **Hence, we support the request for disbursement under the Rapid Financing Instrument (RFI) in the amount of SDR 2037.1 million (100 percent of quota).** We note that this is an Exceptional Access (EA) arrangement and concur with staff's assessment that Egypt meets the EA safeguards.

**We commend the authorities' swift response to the crisis with early preventive containment measures.** We welcome the authorities' commitment to publish COVID-19-related public procurement plans and related documents, including the names of the awarded companies and their beneficial owners. We also welcome the other transparency commitments related to COVID-19 spending.

**Despite a significant recent reduction in the public debt-to-GDP ratio, it remained very high when the COVID-19 shock hit.** According to staff's assessment, public debt is sustainable, but not with high probability. As the RFI purchase requires exceptional access, the authorities' commitment to preserving fiscal discipline and ensuring public debt sustainability is of utmost importance. We welcome the authorities' commitment, as indicated in the BUFF statement and LOI, to return to the 2 percent primary surplus target over the medium term.

**We note, that progress with structural reforms has been uneven under the previous program.** In this context, we encourage the authorities to step up their structural reform agenda by improving competition, business environment, and governance to support private sector-led growth and economic diversification. We note with concern, that despite significant portfolio outflows, the national currency pound has only depreciated by less than

2 percent since end-February. In this context, we encourage the authorities to let the exchange rate adjust flexibly to market forces and act as a shock absorber.

We wish the authorities every success in these challenging times.

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GRAY/20/1947

May 8, 2020

**Statement by Mr. von Kleist and Mr. Fragin on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for an insightful report and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement. **We can support the request for a disbursement under the Rapid Financing Instrument, given Egypt’s urgent balance of payments need.** In doing so, we acknowledge that the Egyptian economy is being hit hard on multiple fronts. At the same time, we continue to have concerns regarding the significant risks to debt sustainability and the application of criterion 2 of the exceptional access (EA) framework.

**We note that staff assesses Egypt’s public debt to be sustainable, but not with high probability.** Against this backdrop, staff argues that Egypt nevertheless meets the criteria for EA safeguards based on available external debt obligations vis-à-vis private and official creditors. We not only question whether such an interpretation of the rules is in line with the original spirit of the exceptional access framework, but also worry that it could have significant unintended consequences. Explicitly justifying a disbursement of Fund resources on the grounds of the existence of sufficient outstanding private sector debt obligations - that could potentially be used to restore debt sustainability by imposing losses - could undermine the Fund’s catalytic role by creating an incentive for private creditors to exit. In the case of Egypt, this is aggravated by the fact that the requested emergency financing is not accompanied by conditionality and leads to large repayments to the IMF – a preferred creditor – falling due over the next couple of years.

**More generally – and with regard to the authorities’ request for a Fund-supported program under the SBA (see LoI) – we would like to highlight that excessive amounts of financing by a preferred creditor, such as the IMF, can lead to a crowding-out of private investors by increasing their expected loss in the event of default.** There is empirical evidence that the catalytic effect is weakened and potentially even reversed if the size of a program exceeds a certain level.<sup>1</sup> This would consequently create the risk of having

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<sup>1</sup> See Krahnke, T (2020), "Doing more with less: the catalytic function of IMF lending and the role of program

a liquidity crisis morph into a solvency issue further down the road, which would certainly not be in the interest of the borrowing country. We therefore call on staff to take this into account when designing a possible SBA and encourage the authorities to engage with other bilateral and multilateral official partners with a view to seeking the necessary financing on concessional terms.

**We support staff in calling on the authorities to adhere to their expressed commitment to prudent monetary and fiscal policies going forward.** This includes a return to fiscal consolidation as conditions normalize, as well as limiting foreign exchange intervention to episodes of disorderly market conditions. Furthermore, a continued implementation of structural reforms to support more inclusive private sector-led growth as the crisis abates is of the essence. These reforms pertain to strengthening competition and levelling the playing field for all economic stakeholders, improving access to finance and land, and enhancing fiscal transparency to tackle governance and corruption issues.

**As noted by the staff, support measures should be timely, targeted, transparent, and temporary, aimed at accommodating immediate health spending needs, protecting the most vulnerable, and limiting the macroeconomic impact of the COVID-10 shock.** In this context, it appears that the fiscal measures in the text table on page 7 include only few measures protecting the most vulnerable and that some of them appear to be rather regressive in nature. *Staff's comments would be appreciated.*

**Ensuring that disbursed funds are used in a well-targeted, cost-effective and transparent manner is of utmost importance.** *On the issue of transparency and accountability of emergency spending, can the staff provide an assessment of how well the State Audit Authority is equipped, in terms of resources and administrative capacity, to provide comprehensive spending audits, and of its independence in this context?*

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GRAY/20/1948

May 8, 2020

**Statement by Mr. Bevilaqua, Mr. Saraiva, and Mr. Antunes on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the concise and informative report and Mr. Beblawi and Ms. Abdelati for the candid buff statement. **We support Egypt’s request for purchase under the Rapid Financing Instrument of SDR 2,037.1 million (100 percent of quota).**

**The shock caused by the COVID-19 pandemic and the measures put in place to contain contagion have created urgent balance of payment needs, justifying the proposed RFI.**

The halt in tourism, the reduction of remittances, and the slowdown in domestic economic activity combine to create a challenging macroeconomic scenario. In line with the Fund’s advice, the authorities have taken comprehensive targeted measures to protect lives, jobs and businesses. Nevertheless, the impact of the pandemic on the real economy is projected to be sizable, interrupting an impressive track record of accelerated growth experienced by Egypt over the last few years. On the bright side, staff still projects positive GDP growth rates for 2019/2020 and 2020/2021, followed by a strong recovery thereafter.

**The authorities’ efforts under the 2016 EFF left Egypt with a sound macroeconomic framework, which will help the country weather the current storm.** In particular, we are encouraged by staff’s assessment that the flexible exchange rate and the adequate level of reserves provide a significant cushion to accommodate the COVID-19 shock. We also take positive note that the capacity to repay the Fund continues to be accessed as adequate. Taking into account Egypt’s urgent BoP needs and the authorities’ commitment to maintaining sound macroeconomic policies, the case for exceptional access under the proposed RFI is well justified. Since the rapidly changing scenario places a premium on swift policy responses, additionality of emergency financing would have been helpful in the case of Egypt, even if the authorities would need to seek exceptional access under a UCT program later on.

**We encourage staff and the authorities to keep working towards a comprehensive IMF-supported program.** The proposed RFI will not be enough to cover Egypt’s external

financing needs but may serve as a bridge, giving some time for the authorities to assess the actual size of the shock and explore alternative financing options. Considering the hard-won progress under the EFF and Egypt's fundamentally sound macroeconomic framework, the Fund must be ready to step in and support the country with a comprehensive program. Continued progress on reforms to enhance competition, improve industrial land allocation and the governance of state-owned enterprises will be key to secure job creation and a more inclusive private-sector and export-led growth model after the crisis. Moreover, going forward, rebalancing Egypt's deteriorating fiscal position will be among the most crucial tasks, following the needed accommodation to offset the contractionary effects of the crisis and facilitate recovery. In this regard, we welcome the authorities' intention to return to healthy levels of fiscal surplus once conditions improve, with a view to restoring a downward trajectory for the public debt.

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GRAY/20/1949

May 8, 2020

**Statement by Mr. Kaya and Mr. Marek on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the informative set of reports and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement. Egypt has been severely hit by the COVID-19 pandemic through a decline in global demand and significant capital outflows. While the performance under the previous EFF arrangement was broadly successful, the standstill in tourism as well as slowdown in industrial and construction activity weigh on the near-term macroeconomic outlook. The immediate focus of fiscal policy should be on tackling the health crisis, limiting its macroeconomic impact and addressing social needs, while at the same time ensuring medium-term debt sustainability and resuming the structural reform agenda. **Although significant uncertainties regarding the sustainability of public debt persist, we support the authorities' request for a purchase under the FRI in the amount of SDR 2037.1 million equivalent to 100 percent of quota to help Egypt meet its urgent BoP needs.**

**Additional financial resources are needed to close the financing gap.** Considering Egypt's large financing needs, the maximum access under the RFI will still leave a financing gap in 2019/20 and 2020/21 and the Fund's financing assistance must be complemented by financial support from other creditors, including multilateral institutions and official bilateral creditors. The authorities' intention to proceed with a follow-up SBA arrangement signals their commitment to implement the needed structural reforms. *We would appreciate staff's comments on the modalities of an SBA approval once exceptional access has been granted under the RFI.* Given possible inflationary effects, we also agree that further monetary easing should be put on hold until the impact of the latest easing becomes clear.

**Fiscal consolidation supported by sound medium-term debt management strategies should ensure that debt remains firmly sustainable.** We are concerned by staff's assessment that Egypt's debt is sustainable but not with high probability, which is an important precondition for exceptional access. In this regard, we welcome that the authorities have implemented a strategy to extend maturities of the treasury bills and take positive note of the scope for domestic financing given Egypt's large banking sector. We are also reassured that a significant portion of the financing need is based in domestic currency and the overall external debt as a share of GDP is relatively modest. The authorities should

remain steadfast in their objective to achieve a primary surplus target of 2 percent of GDP in 2021/22 and put the debt trajectory on a downward path. The transparency and accountability of emergency spending are important. Maintaining the transparency of emergency spending is also a vital precondition for the follow-up SBA. To this end, the authorities should audit the use of the RFI resources including by ex-post validation of spending and publish the results on a regular basis, to ensure that the emergency financing is used for the intended purposes.

**Structural reforms are critical to diversify the economy and support private sector-led growth.** We welcome the authorities' assurance that measures adopted in response to the Covid-19 crisis are timely, targeted, and transparent and will be rolled back once the crisis has subsided. The authorities' readiness to embark on the next wave of structural reforms to support more inclusive private sector-led growth is commendable. We encourage them to focus on ensuring fair market competition across all sectors, implement reforms to strengthen governance and address corruption issues as well as to improve access to finance and land.

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GRAY/20/1950

May 8, 2020

**Statement by Mr. Rashkovan and Mr. Etkes on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the good set of documents and Mr. Beblawi and Ms. Abdelati for their candid Buff statement. Egypt is facing an unprecedented crisis, which is adversely affecting revenues particularly from tourism and remittances, while requiring large fiscal expenditures to contain the pandemic and support vulnerable households. **We support the authorities' request for an RFI to address part of the large funding gap**, and offer the following comments:

- **Egypt's good track record in reducing debt levels and its success in the EFF support their request for an exceptional level of access** despite that public debt is sustainable but not with high probability. We also note that Egypt's exceptional level of access is expected to be much lower than some other members which suffered an extreme crisis since 2008. Another safeguard is the deposits of three bilateral creditors at the CBE. We also encourage the authorities to explore the implications of COVID-19 on state explicit and implicit debt to achieve full debt transparency. Additional risks mainly stem from tighter financial conditions, lower primary surplus and materialization of contingent liabilities. *Could staff provide an assessment of the risks stemming from debt not included in the DSA, for example the contingent liabilities arising from SOEs?*
- **We welcome that the authorities seek financing from multilateral and bilateral donors to cover part of the financing gap**, in addition to the requested RFI of SDR 2,037,1 million. This, however, would not cover the estimated financing gap of \$14 billion in 19/20 and 20/21. The RFI will serve as a bridge while the authorities explore options to fill the remaining financing gap. *Could staff provide further details on the expected additional financing from multilateral and bilateral donors.*

- **We welcome the authorities' swift reaction to the spread of COVID-19, including the increase of healthcare and social expenditures.** We welcome the expansion of the social safety net as the unemployment rate is expected to increase. We also commend the authorities on their proposals to track and report all crisis-related spending in order to enhance transparency and accountability. Yet, we are concerned about the conditions of the labor market as Egypt's remarkable growth was accompanied by a decline in the employment rate until early 2019, and this rate only began recovering in 2019. Moreover, many Egyptians employed in oil-exporting countries may repatriate following the drop in oil prices. *Can staff elaborate on the expected changes in the employment rate, plausible magnitude of repatriations of workers, and on the scope for enhancing AMLP to address difficulties in the labor market?*
- **Going forward, we believe that the follow-up SBA should build on the bold measures and the success of the EFF.** These have helped to mitigate the impact of the current crisis in Egypt. The follow-up SBA should also include strong measures to enhance competitiveness and promote private sector-led growth. Specifically, it should address core impediments to economic activity and higher growth, help reduce the excessive role of the state in the economy and enhance governance.

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GRAY/20/1951

May 8, 2020

**Statement by Mr. Mozhin and Mr. Shestakov on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

1. We thank staff for the insightful report and Mr. Beblawi and Ms. Abdelati for their informative Buff statement. We support the authorities' request for the RFI of 100 percent of quota (SDR 2,037.1 million, or US\$ 2.8 billion) to address urgent balance of payments needs. Since the previous three-year arrangement under the EFF has left Egypt close to its normal access limit, and, given the exceptional nature of the current COVID-19 pandemic-induced economic crisis, we support the exceptional access under the RFI. We note that Egypt meets all the exceptional access criteria, including exceptional balance of payments pressures, high probability of public debt sustainability over the medium term, prospects of regaining access to private capital markets, and strong institutional capacity to deliver policy adjustment. We think that the successor 12-month Stand-By Arrangement is an appropriate strategy to cover additional BOP needs that cannot be covered by the RFI. We also hope that the Fund's financing will catalyze donor support.

2. We commend the country's performance under the EFF and the authorities' commitment to reform agenda. Egypt's economic reform program supported by the arrangement under the EFF has achieved a remarkable success in implementing sizeable fiscal adjustment of 5.5 percent of GDP in less than three years, while keeping economic growth steady and unemployment decreasing. Among other achievements are also increased exchange rate flexibility and placing inflation firmly on a declining path. There were notable successes in structural reforms, including indexation of fuel prices, the launch of e-Procurement portal, and advances in Global Competitiveness and Doing Business rankings.

3. We commend the authorities' swift response to the outbreak of COVID-19, with timely measures, including school and retail shop closures, remote work, and overnight curfew. We welcome the commitment of the authorities to achieve a primary fiscal surplus of 1.5 percent of GDP in FY19/20. Once the crisis abates, the return to fiscal consolidation is

expected. The monetary policy stance is appropriately accommodative with a large policy rate cut, stock purchases, and debt relief initiative providing ample liquidity to the financial sector. The \$6.3 billion stimulus plan approved in mid-March will ramp up health expenditures, as well as provide targeted relief for the vulnerable population. We think that scaling up conditional cash transfer programs are the appropriate measures to expand the social safety net, but may turn out to not be sufficient. *What are possible other vehicles for social safety coverage that the authorities are exploring or might want to explore to cushion the impact of the crisis on the vulnerable households?*

4. We take positive note of the fact that prudent fiscal policy of the last three years has created ample fiscal space. At the moment, staff assess Egypt's public debt to be sustainable, but not with high probability. *We would appreciate it if staff could provide additional information about the debt service payments to multilateral, bilateral, and commercial creditors in 2020-22. In particular, we are interested in more granular details on the situation with commercial creditors and how the Fund's financing compares with commercial debt repayments.*

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GRAY/20/1952

May 8, 2020

**Statement by Mr. Tanaka, Mr. Chikada, and Ms. Mori on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the informative set of papers and Mr. Beblawi and Ms. Abdelati for their insightful Buff statement. Egypt achieved commendable progress under the 2016-19 Extended Fund Facility program and have maintained favorable macroeconomic performance before the crisis. The COVID-19 pandemic has significantly impaired economic conditions. Domestic activity is expected to significantly slow and the external accounts are to deteriorate from portfolio outflows and the shock to tourism and remittances. The external shock and the authorities' policy responses to address the pandemic create urgent financing needs. Against this background, **we support the request for purchase under the Rapid Financing Instrument (RFI)**. As we broadly concur with the thrust of staff's appraisal, we will limit our comments to the following:

**The immediate focus on containing the health crisis, maintaining macroeconomic stability, and addressing social needs are appropriate.** We support the agreement that crisis spending measures must be timely, transparent, temporary and targeted. We take positive note of the comprehensive package and encourage the authorities to announce entire set of measures.

**We support the Central bank of Egypt (CBE) for their series of measures to support liquidity and credit conditions as crisis response.** We recognize the CBE's commitment to roll back these measures when conditions allow to safeguard monetary and financial stability. We encourage the CBE to carefully monitor market conditions and maintain policy credibility by anchoring inflation expectation. While financial sector remains stable, the crisis poses risks and the CBE should continue monitoring of underlying vulnerability of banking sector by enhancing reporting of asset quality trends and performance of restructured loans.

**We expect that the RFI and the authorities' interest in a prospective SBA will be signal the authorities' strong engagement with the Fund and their commitment to reforms, which will help catalyze additional financial support and reinforce market confidence.** We also expect that the RFI will serve as a bridge while allowing the authorities to explore options to fill the remaining gap. *Could staff provide any information about a prospect of financing from other multilateral and official bilateral creditors and possible amount of the SBA and the timing?*

**While the impact of RFI purchase on the Fund's liquidity position would be modest, Egypt remains as the second largest borrower of GRA and therefore ensuring a capacity to repay the Fund is crucial to contain risks to the Fund.** In this regard, the favorable track record under the past EFF and their request and commitment to pursue reforms under a follow-on SBA, once the crisis abates, are assuring. Public debt is assessed sustainable but not with a high probability. We also welcome that the authorities are cognizant of downside risks to repayment capabilities such as prolonged loss of market access and have been taking measures to lower the risks of the public debt profile including by lengthening debt maturities. *In this regard, we would like to ask more clarification on the criterion 2 of the Exceptional Access Criteria, including such as the result of an execution of a strategy to lengthen maturities on treasury bills and current status of the roll-over of deposits at the CBE held by official bilateral creditors as well as impact of possible delay of fiscal consolidation due to longer than expected crisis.*

**Sustained fiscal consolidation in combination with structural reforms to boost growth is needed to preserve debt sustainability over the medium term.** Given the limited fiscal space and high debt level and gross financing needs, we agree with staff that it is essential to restore the primary surplus to 2 percent of GDP, once recovery is underway, to resume the downward trajectory of public debt. We welcome the authorities' commitment to continue to implement macroeconomic and structural policies.

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GRAY/20/1953

May 8, 2020

**Statement by Mr. Trabinski and Ms. Wehrle on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

**We support the request for disbursement under the Rapid Financing Instrument (RFI) to address the shock of the COVID-19 pandemic.** Egypt is facing urgent external and fiscal financing needs due to the large economic disruption related to the COVID-19 pandemic. Access under the RFI would support stabilization and preserve the progress made under the EFF arrangement. At such a critical juncture, the authorities' close cooperation with the Fund remains key, and we welcome the past and present good and constructive engagement between the authorities and the Fund.

**We take note of staff's assessment concerning exceptional access.** For the reasons already expressed in the informal restricted session, we would have preferred a more detailed assessment concerning the financing provided by other sources as requested by criterion 2 in cases where debt is sustainable, but not with a high probability. We welcome the authorities' efforts to reschedule short-term debt and that these efforts are bearing first fruit. We encourage the authorities to continue working toward securing more rollovers. *Can staff provide an indicative figure concerning the rescheduling of short-term debt?* For the RFI to have the expected catalytic effect and for the uncertainty over the debt assessment to abate, other sources of support are urgently needed to cover the remaining financing gap. We welcome that authorities are engaged in discussions with other multilateral institutions and official bilateral creditors to secure additional financial support to meet the BoP need. *Can staff give more details on these discussions and their possible outcome?*

**The authorities' immediate policy response appears adequate.** We commend the authorities for the decisive and comprehensive policy response to the pandemic. We also welcome the authorities' commitment to limiting FX interventions to episodes of disorderly market conditions. Measures to support credit conditions need to be targeted and prudent. While we understand that the immediate priority is to respond to the COVID19 shock, the authorities will need a decisive roadmap for sound macroeconomic management once the emergency has receded. They will also need to ensure that temporary measures not in line with important and hard-won past reforms are unwound in a timely manner. Also, progress on structural reforms is needed. Close engagement with the Fund—including in the context

of the requested SBA—would help sustain the reform momentum and support a solid rebound after the crisis.

**We take note that risks of public debt distress have increased.** We acknowledge that there are several factors mitigating the risks, including the generally good growth prospects, the favorable macroeconomic situation prior to the pandemic, and the authorities' favorable track record. Substantial uncertainty remains, however, on the scale and the duration of the shock. Egypt is reliant on external factors, including tourism demand and remittances, for which the timing and strength of the recovery remains unclear. Given the high risks, the authorities' commitment to reducing debt, gross financing needs, and rollover risks once the crisis recedes is key.

**We stress the importance of making sure that resources are spent in an effective and well-targeted manner.** We welcome the authorities' commitment to publishing all crisis-related spending, procurement plans, contracts, and beneficial owners of the awarded companies. We also take good note of the audit planned by the State Audit Authority. Lastly, we welcome both the central bank and fiscal safeguards assessments. *Could staff elaborate on the timeline for these assessments?*

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GRAY/20/1954

May 8, 2020

**Statement by Mr. Sun and Ms. Zhao on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for the informative report and Mr. Beblawi and Ms. Abdelati for the helpful Buff statement. We broadly agree with staff's appraisal and would like to offer the following points for emphasis.

We support Egypt's request for a disbursement under the RFI in the amount of 100 percent of quota to address the urgent balance of payments need. We take positive note that macroeconomic performance in Egypt has remained favorable since the completion of the EFF program in November 2019. However, the current COVID-19 pandemic is expected to have an immediate and significant negative impact on the economy. We commend the authorities for their swift response to the pandemic, including a comprehensive package of fiscal, monetary, and financial measures. The authorities' favorable track record and commitment to strong policies should support Egypt's solid rebound after the crisis when conditions normalize.

On fiscal policy, the announced measures such as increasing allocation to the health sector and expanding social support for the poor and vulnerable groups are appropriate. We agree that crisis spending should be timely, transparent, and temporary, and that it should be well targeted at the sectors most affected by the pandemic. Once recovery is underway, the authorities are encouraged to pursue with debt reduction to ensure debt sustainability in the long run. In this regard, we welcome the authorities' commitment to further supporting revenue mobilization and amending the medium-term revenue strategy.

On monetary and financial policies, it is good to note that the impact of the pandemic on the exchange rate has been limited so far, thanks partly to the drawdown of the central bank's foreign reserves. During the implementation of the EFF program, Egypt conducted a successful exchange rate reform that allowed a market-determined exchange rate. This has played a key role in securing Egypt's strong reform performance under the EFF program and

would continue to benefit the country in its ongoing reform efforts. In this regard, we welcome the authorities' commitment to allowing two-way movements based on FX demand and supply and to limiting foreign exchange interventions only to disorderly market conditions. While we agree that banks should engage with heavily affected borrowers to alleviate near-term stress, it is necessary that banks continue to follow prudent loan classification rules and carefully assess the creditworthiness of borrowers.

With these remarks, we wish the authorities all the best in these challenging times.

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GRAY/20/1955

May 8, 2020

**Statement by Mr. Bhalla and Ms. Dhillon on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

1. We thank staff for the concise report and Mr. Beblawi and Ms. Abdelati for their helpful Buff statement.
2. The COVID-19 pandemic has severely disrupted the Egyptian economy. Stalled tourism, declining remittances, and portfolio outflows capital outflows are resulting in urgent balance of payment needs. The authorities have requested a purchase under the RFI of 100 percent of quota (SDR 2,037.1 million). The pandemic and global slowdown could negatively impact Egypt's hard-won macroeconomic stability if not addressed. Bearing in mind the authorities' favorable track record and commitment to strong policies under the Extended Fund Facility and staff's recommendation, we support the country's request for assistance under the Rapid Financing Instrument, equivalent to 100 percent of its quota (SDR 2,037.1 million). Alongside we note Egypt's request for a follow-up Stand-By Arrangement.
3. We welcome the authorities response to the pandemic. Fiscal, monetary, and financial sector measures were announced to increase health sector allocations, cushion the directly impacted sectors, and expand support to the poor and vulnerable. The measures undertaken by the CBE to support liquidity and credit conditions remain crucial for banking sector stability. Also, exchange rate flexibility can act as a significant shock absorber and we join staff in suggesting that interventions should be limited to contain disorderly market movements. Overall, we align ourselves with staff's guidance that support measures must be timely, targeted, temporary and transparent.
4. Staff has assessed debt to be sustainable, but emphasized that the probability was not high. As noted in the Buff, this is a particularly uncertain time for all countries, who are all subject to a sudden worsening of the debt profile and to being highly vulnerable to risks from a more prolonged crisis. In this context, we note that staff has indicated country specific factors that help mitigate risks including the high share of domestic currency debt issued and retention of credit ratings by major ratings agencies. As the latter may itself be subject to variation, we do urge the authorities to remain vigilant and align debt management strategies to maintain sustainability. We particularly welcome that the authorities have reiterated their

commitment in the Buff to do what is needed to contain the fallout from this crisis and to steer the economy to sustainable private sector-led growth, as the crisis abates.

5. Transparency and accountability of emergency spending is crucial. We welcome the authorities' commitment to ensure transparency, including by publishing information on government procurement plans and awarded contracts, and all crisis related spending. We also support the Central Bank of Egypt's commitment to undergo an update of the safeguards assessment.

6. We wish the authorities all the best in their endeavors during these challenging times.

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GRAY/20/1956

May 9, 2020

**Statement by Mr. Mojarrad and Mr. Sassanpour on Arab Republic of Egypt  
(Preliminary)  
Executive Board Meeting 20/59  
May 11, 2020**

We thank staff for well-written papers and Mr. Beblawi and Ms. Abdelati for their informative Buff statement. Egypt has been hit hard by the COVID-19 pandemic. The significant loss of tourism income and remittances—the mainstays of the Egyptian economy—together with large capital outflows at the onset of the crisis have created a large external financing gap that needs to be addressed urgently. **We support Egypt’s request for a purchase under the RFI equivalent to 100 percent of its quota to help fill the gap.** The emergency financing under the RFI would buy precious time for the Egyptian authorities to put in place policies and seek financing, including through a SBA, to close the remaining gap in the last two months of the FY2019/20 and the projected gap in FY2020/21. Fund support will be again a critical catalyst in mobilizing additional support from Egypt’s other development partners. We have already expressed our agreement with staff that Egypt meets the criteria for EA safeguards. We welcome the authorities’ commitment to full transparency and accountability of Fund emergency financing.

The crisis hit Egypt as it had started reaping the benefits of its stabilization and reform policies following the successful completion of the 2016-19 EFF program. The authorities’ immediate response to the crisis has been timely and we support their policy loosening to address the immediate health issues and soften the impact of the crisis on the vulnerable groups. However, it is important that crisis spending be well targeted and be reversed as soon as conditions permit. Indeed, in view of Egypt’s debt vulnerabilities, it is imperative for fiscal policy to revert to its consolidation path as the crisis abates to ensure that public debt ratio resumes its downward path as early as in FY2021/22.

The Central Bank of Egypt’s (CBE) measures to ease monetary policy and liquidity conditions have also been supportive and timely. Further policy easing should be

data dependent, but the policy stance could remain accommodative as long as there are no persistent underlying price pressures. We welcome the CBE's commitment to allow greater two-way exchange rate flexibility and limit its interventions to disorderly market conditions. While the drawdown of reserves accommodated the large capital outflows at the onset of the crisis, it is important for exchange rate to assume its role as the main shock absorber. We urge the authorities to closely monitor the financial sector, particularly areas with underlying vulnerabilities, and ensure that banks strictly apply loan classification rules and provisioning requirements.

Beyond the immediate crisis, the follow-up SBA-supported program should focus on further strengthening the macroeconomic framework and finishing the structural reform agenda to support a sustained medium-term growth, anchored on further progress in social equity. The forthcoming FY2020/21 budget is critical in this respect and we urge the authorities to build in adequate contingency provisions should the crisis be longer and deeper than currently expected.

We wish the authorities every success.

## **Arab Republic of Egypt**

Responses to Technical Questions Posed by Executive Directors in Advance of  
EBM/20/59—May 11, 2020

### **Prospective SBA**

1. *Can staff provide additional comment on the intended scope of the successor Arrangement, including modalities related to structural reforms and enhancing private sector participation in the economy?*

*Can staff share any indication of the size and modalities of a new arrangement and the extent to which structural reforms are envisaged?*

*We would appreciate staff's comments on the modalities of an SBA approval once exceptional access has been granted under the RFI.*

- The authorities have requested a 12-month SBA which will focus on maintaining macroeconomic stability amid the risks posed by the pandemic. The focus of the program is expected to be on sustaining macroeconomic stability and providing the necessary policy support framework to instill confidence and catalyze financing. A focused structural reform component is also expected to build on progress under the EFF, particularly in fiscal areas to reduce debt vulnerabilities. The immediate challenge will be to strike the right balance between maintaining macroeconomic stability while dealing with the fallout from the economic sudden stop in the short run and avoiding accumulation of imbalances in the medium term.
- Staff will continue to advocate for structural reforms on a broad front, but conditionality in a 12-month program would necessarily be selective. Specifically, the broader structural reform agenda with regard to increasing the role of the private sector would be considered to the extent that the measures can be completed in the 12-month time frame and would set the stage for furthering deeper structural reforms once recovery is underway. While the COVID shock has shifted the near-term focus of economic policy, the authorities' strong commitment to advancing reforms to enhance the role of the private sector to support higher growth and job creation remains intact.
- Staff will return to the Board for an informal discussion for exceptional access for the SBA in the near future.

### **Financing Gap**

2. *We invite staff to comment on the progress in securing funding to close the residual financing gap.*

*Could staff provide further details on the expected additional financing from multilateral and bilateral donors.*

*Could staff provide any information about a prospect of financing from other multilateral and official bilateral creditors and possible amount of the SBA and the timing?*

*Can staff give more details on these discussions [with other multilateral institutions and official bilateral creditors] and their possible outcome?*

*Could staff provide further details on the appropriate financing mix for the remaining gap, including the use of reserve drawdowns and potential debt issuance, as well as bilateral and multilateral financing?*

- Staff expects that the financing gap would be primarily met with lending from official bilateral creditors and multilateral institutions. To this end, the authorities have noted that they are already at advanced stages of discussions of financing for a total of about \$2.2 billion, including contributions from the World Bank, Arab Monetary Fund, African Development Bank, Japan, and France. Discussions for further official financing will continue in the context of the prospective SBA that the authorities have requested. The authorities have also indicated an interest in a prompt return to markets as soon as conditions allow. Any residual financing need beyond these sources would need to be met by additional reserve drawdown than envisaged in the baseline.

**3. *What risk do staff see that a prolonged crisis will lead to a substantially higher financing gap than forecast?***

- If the crisis lasts significantly longer and/or is deeper than expected, most emerging and developing countries will face significant difficulties, which will require a coordinated action by multilateral and bilateral development partners. However, there are some mitigating factors as well. For example, if economic performance deteriorated substantially relative to the baseline, staff would expect further import compression that would limit the increase in the financing gap. In addition, as staff noted, the exchange rate will have to play a greater role to absorb the shock.

**External financing**

**4. *Can staff provide an update on the status of negotiations with bilateral creditors on upcoming external debt payments?***

*We would appreciate it if staff could provide an update on the remaining creditors' intentions.*

*Can staff provide an indicative figure concerning the rescheduling of short-term debt?*

- The Egyptian authorities have emphasized their commitment to roll over the official deposits at the CBE (which, to clarify, are medium- and long-term instruments). To this end, agreement has been reached to roll over deposits by Saudi Arabia totaling \$5 billion that were scheduled to mature in July at 1- and 2-year maturities. Staff has also been advised that rollovers of deposits by the United Arab Emirates totaling \$1 billion that were scheduled to mature in April and May have been achieved at 3- and 5-year maturities. Additional discussions are ongoing.

**5. *We would appreciate it if staff could provide additional information about the debt service payments to multilateral, bilateral, and commercial creditors in 2020-22. In particular, we are interested in more granular details on the situation with commercial creditors and how the Fund's financing compares with commercial debt repayments.***

- According to the CBE's latest published external debt statistics, Egypt has \$37.5 billion in scheduled principal payments on medium and long-term public sector external debt over 2020-22. The overwhelming majority of these payments (just under \$35 billion) are on instruments that appear to have either no or limited marketability—including the official deposits, multilateral loans, bilateral loans, and other debts (like long-term supplier credits, repos, etc.). The remaining \$2.5 billion is on sovereign notes and Eurobonds and it has a fairly favorable maturity profile: following the maturity of a sovereign note last month, the next Eurobond maturity is not until early 2022, which implies limited overlap between the provision of Fund financing and private external market debt maturities.

### **Outlook/Debt Sustainability**

**6. *We note that the impact of the pandemic on GDP is assumed to be smaller in FY2019/20 compared with similar economies, staff comments are welcome.***

- FY2019/20 covers the period from July 2019 – June 2020; real GDP growth was 5.6 percent (y/y) during the period from July-December 2019, and only the final quarter of the fiscal year reflects the full impact of the crisis. On a calendar year basis, the projection for Egypt's real GDP growth in 2020 has been revised down from close to 5½ percent to more than -1 percent, which is aligned with projections for similar economies.

**7. *How do staff plan to address issues around debt sustainability and ensure debt is on a downward path?***

- At the conclusion of the EFF in November 2019, the authorities were running a primary surplus of 2 percent of GDP and had reduced debt by 20 percent of GDP in 3 years, this coming into the crisis from a position of strength. The authorities are cognizant of the importance of rebuilding buffers and reducing debt. They remain committed to returning to a position of strong primary surplus once spending and revenue pressures from the health crisis have abated. Under staff's baseline, public debt resumes a downward trajectory in 2021/22.
- Further discussions will be held in the context of the prospective SBA that has been requested by the authorities.

**8. *Could staff provide an assessment of the risks stemming from debt not included in the DSA, for example the contingent liabilities arising from SOEs?***

- As required by the MAC DSA Guidance Note (2013), the DSA includes all debt related to the general government and a shock scenario related to a materialization of contingent liabilities which aims to capture an illustrative impact of a call on government guarantees for SOEs. The DSA Annex in the staff report provides the details.

**9. *We would like to ask more clarification on the criterion 2 of the Exceptional Access Criteria, including such as the result of an execution of a strategy to lengthen maturities on treasury bills and current status of the roll-over of deposits at the CBE held by official bilateral creditors as well as impact of possible delay of fiscal consolidation due to longer than expected crisis.***

- The EA-2 requires that when a member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources. For the purposes of the RFI, staff assessed safeguards in the form of non-Fund external debt obligations to be sufficient.
- Rollovers of official deposits held at the CBE would be necessary as safeguards to the Fund for further access under the EA policy.
- While the focus for evaluating safeguards to the Fund is on external debt obligations, staff notes that the authorities' strategy to lengthen maturities on domestically issued debt and their commitment to resume fiscal consolidation after the crisis are important for ensuring that over time debt will be sustainable with a high probability.

## Crisis Response

**10. *It appears that the fiscal measures in the text table on page 7 include only few measures protecting the most vulnerable and that some of them appear to be rather regressive in nature. Staff's comments would be appreciated. What are possible other vehicles for social safety coverage that the authorities are exploring or might want to explore to cushion the impact of the crisis on the vulnerable households?***

- The policy response of the authorities aims to contain the impact of the COVID-19 with a wide-ranging package to increase health spending and support the most affected sectors and the vulnerable. In addition to the measures in the text table on page 7, the authorities had already expanded coverage of the targeted cash transfer programs Takaful and Karama to reach a total of about 3 million households. The authorities are continually assessing the impact of the pandemic and may further expand social safety net as warranted. This may be done via existing programs such as the Takaful and Karama. Staff will discuss with the authorities, in conjunction with the World Bank, the scope for other social programs in the context of the prospective SBA.

**11. *While we note staff assessment that the banking sector remains stable, we would welcome comments on the likely impact of the measures implemented in the banking sector on loan portfolios and NPLs in the event the crisis is prolonged.***

- While it is too early to assess the impact of the COVID-19 outbreak on banks' loan portfolios, the authorities have already taken a number of measures to support affected businesses and households, including the announcement of a broad-based moratorium on repayment obligations (see para 9 of the Staff Report), which should help prevent buildup of NPLs. As the pandemic subsides, banks will need to engage proactively with their borrowers and explore the need for loan modifications (e.g., maturity extensions, interest rate reductions and/or grace periods) to dampen any systemic distress. As demonstrated in other crises episodes (e.g., the Asian financial crisis), effective debt resolution through the use of out-of-court restructuring and targeted incentives (e.g., favorable tax treatment of restructured loans) can help to effectively resolve debt overhangs and support growth.

**12. *We take note of the CBE's stock purchase program. Can staff provide more information on the controls on this program to prevent conflicts of interests and potential private sector front-running of planned and un-announced purchases? Under what conditions do staff foresee the authorities winding down this program?***

*Could staff elaborate on the potential impact of the CBE stock-purchase program on the central bank's financial statements, particularly if the crisis lasts longer than expected.*

- Staff's understanding is that the CBE's stock purchase program was announced as a potential tool to alleviate market dislocation stemming from the pandemic. To staff's knowledge, the CBE has developed investment guidelines but has not yet made any purchases. Staff is awaiting further information on the program and will continue to discuss its modalities with CBE staff.

## **Transparency**

**13. *On the issue of transparency and accountability of emergency spending, can the staff provide an assessment of how well the State Audit Authority is equipped, in terms of resources and administrative capacity, to provide comprehensive spending audits, and of its independence in this context?***

- The authorities are committed to transparency and accountability and are confident of the ability and capacity of the State Audit Authority to deliver the audit of emergency spending. The audit authority is independent and reports to the President who appoints its head.

**14. *We welcome both the central bank and fiscal safeguards assessments. Could staff elaborate on the timeline for these assessments?***

- The safeguards assessment of the CBE has been initiated and arrangements are underway for a remote mission soon. The fiscal safeguards review will follow after.

## **Others**

**15. *We would welcome staff updates on the new Government Procurement Law.***

- Following the passage of the new Procurement Law last October, the executive regulations for the law were issued in November. Both the law and the executive regulations cover procurements by the government and economic authorities. The government is currently working on streamlining SOEs procurement to be consistent with the new law and the executive regulations.

**16. *Can staff elaborate on the expected changes in the employment rate, plausible magnitude of repatriations of workers, and on the scope for enhancing ALMP to address difficulties in the labor market?***

- There are also no official statistics or forecasts available to estimate the impact of the repatriation thus far on employment. Staff is only able to provide estimates of the magnitude of repatriations of workers from the local press. According to news reports, authorities have repatriated over 4,000 Egyptians as of May 7, 2020. A committee led by the Prime Minister is overseeing the repatriation of over 5,300 waiting for repatriation from Kuwait. These are small shares of the number of Egyptians abroad (most recent estimate in 2017 put the number of overseas Egyptians at 10.2 million). To our knowledge, there is no available database to track the share of migrant workers who want to return and/or are stranded abroad which could provide an estimate of the magnitude of repatriation. Ex ante, it is unclear whether workers returning from abroad will add to the official unemployment number (unless they return to look for jobs). Staff has not yet discussed the role of ALMPs in the current labor market situation. As lockdown restrictions are lifted and economic activity resumes, existing programs to help match workers to jobs will play a role in aiding the recovery.

## CONSTITUENCY CODES

### OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

### OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

### OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

### OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

### OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

### OEDCC

China

### OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, and República Bolivariana de Venezuela

### OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

### OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

### OEDFF

France

### OEDGR

Germany

### OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

### OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

### OEDJA

Japan

### OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

### OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

### OEDNE

Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

### OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

### OEDRU

Russian Federation and Syrian Arab Republic

### OEDSA

Saudi Arabia

### OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

### OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

### OEDUK

United Kingdom

### OEDUS

United States