INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/274

ARAB REPUBLIC OF EGYPT

August 2024

THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, MONETARY POLICY CONSULTATION CLAUSE, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND APPLICABILITY OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; AND STAFF REPORT

In the context of the Third Review Under the Extended Arrangement Under the Extended Fund Facility, Monetary Policy Consultation Clause, Requests for Waivers of Nonobservance of a Performance Criterion and Applicability of Performance Criteria, and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 29, 2024, following discussions that ended on May 26, 2024, with the officials of the Arab Republic of Egypt on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on June 25, 2024.
- A **Supplementary Information** updating information on recent developments.
- A **Further Supplementary Information** updating information on recent developments.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR24/293

IMF Executive Board Completes the Third Review of the Extended Arrangement under the Extended Arrangement under the Extended Fund Facility Arrangement for Egypt

FOR IMMEDIATE RELEASE

- Today the IMF Executive Board completed the third review under the Extended Arrangement under the Extended Fund Facility (EFF) for Egypt, allowing the authorities to draw the equivalent of about US$820 million (SDR 618.1 million).
- The Egyptian authorities' recent efforts to restore macroeconomic stability have started to yield positive results. Inflation remains elevated but is coming down. A flexible exchange rate regime remains a cornerstone of the authorities' program.
- But the regional environment remains difficult, and complex domestic policy challenges require decisive implementation of the authorities' reform program. Continued fiscal consolidation, with strengthened revenue mobilization, to create the space needed to expand social programs. Accelerating structural reforms to help raise private sector growth will also be key.

Washington, DC – **July 29, 2024:** The Executive Board of the International Monetary Fund (IMF) completed the third review of Egypt's EFF arrangement. This enables the authorities to immediately draw about US$820 million (SDR 618.1 million). Egypt's 46-month EFF arrangement was approved on December 16, 2022.

Macroeconomic conditions have started to improve since the approval of the combined first and second reviews of the program in March. Inflationary pressures are gradually abating, foreign exchange shortages have been eliminated, and fiscal targets (including related to spending by large infrastructure projects) were met. These improvements are beginning to have a positive effect on investor confidence and private sector sentiment. At the same time, the difficult regional environment generated by the conflict in Gaza and Israel and tensions in the Red Sea, as well as domestic policy and structural challenges, call for continued implementation of program commitments.

Maintaining a flexible exchange rate regime and a liberalized foreign exchange system will be imperative to avoid a buildup of external imbalances. At the same time, a data-driven approach by the Central Bank is needed to lower inflation and inflation expectations. Ongoing fiscal consolidation efforts will help place public debt on a decisive downward path. To ensure that resources are still available to meet vital spending needs to help Egyptian families, including on health and education, particular attention will be needed to strengthen domestic revenue mobilization and contain fiscal risks from the energy sector. This will also assist in generating some fiscal space to expand social spending in support of vulnerable groups.

While there has been progress on some critical structural reforms, greater efforts are needed to implement the State Ownership Policy (SOP). Such measures include accelerating the divestment program, pursuing reforms to streamline business regulations to set up new firms, expediting trade facilitation practices, and creating a "level playing field" that avoids unfair competitive practices by state-owned companies. Bolstering financial sector resilience and the governance practices and competition in the banking sector should also be key priorities. These measures are crucial for steering Egypt toward private-sector-led growth that can generate jobs and opportunities for everyone.

At the conclusion of the Executive Board's discussion, Ms. Antoinette M. Sayeh, Deputy Managing Director, and Acting Chair, made the following statement:

"Strengthened reforms under the EFF-supported program are yielding positive results. The unification of the exchange rate and the accompanying monetary policy tightening have curtailed speculation, brought in foreign inflows, and have moderated price growth. With signs of recovery in sentiment, private sector growth should be poised for a rebound.

"Policy settings are expected to help maintain macroeconomic stability. A sustained shift to a flexible exchange rate regime and a liberalized foreign exchange system, continued implementation of a tight monetary policy stance, and further fiscal consolidation coupled with proper implementation of the framework to monitor and control public investment should support internal and external balance. The allocation of a portion of the financing from the Ras El-Hekma deal to reserve accumulation and debt reduction provides an additional cushion against shocks.

"Looking ahead, implementation of the structural reform agenda is key to achieving more inclusive and sustainable growth. Reforms that boost tax revenue, deliver a more robust debt management strategy, and bring additional resources from divestment to debt reduction would create space for more productive spending, including additional targeted social spending. Restoring energy prices to their cost recovery levels, including retail fuel prices by December 2025, is essential to supporting the smooth provision of energy to the population and reducing imbalances in the sector. Enhancing the governance of state-owned banks, advancing the state-ownership policy, increasing fiscal transparency, and leveling the economic playing field are critical to securing greater private investment.

"Risks remain significant. Regional conflicts and uncertainty about the duration of disruption of trade in the Red Sea are important sources of external risk. Maintaining appropriate macroeconomic policies, including a flexible exchange rate regime, would help ensure economic stability. Meaningfully advancing with the structural reform program would significantly improve growth prospects. Managing the resumption of capital inflows prudently will also be important to contain potential inflationary pressures and limit the risk of future external pressures."

INTERNATIONAL MONETARY FUND

ARAB REPUBLIC OF EGYPT

June 25, 2024

THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, MONETARY POLICY CONSULTATION CLAUSE, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND APPLICABILITY OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context: Policy actions taken in March as part of a strengthened program package, including unification of the exchange rate and a significant increase in the policy rate, combined with the augmentation of the Extended Fund Facility (EFF) Arrangement, the recent investment deal with Abu Dhabi Development Holding Company (ADQ) and the announcement of financing from the European Union, the World Bank, and other international partners, improved FX liquidity and helped restore confidence. Inflation has started to fall, though remains elevated, and there are signs that the three-and-a-half-year contraction of private sector activity is reversing.

Program Performance. The authorities have sustained the shift to a flexible exchange rate regime and a liberalized foreign exchange (FX) system and have begun implementing the framework for slowing down overall public investment. The policy mix is appropriate, even as the Monetary Policy Consultation Clause (MPCC) was triggered on account of inflation surprises in February. All but one of the Quantitative Performance Criteria (QPC) for end-March were met, with the primary fiscal balance including divestment falling short of target solely due to exchange rate valuations related to divestment proceeds. The weekly QPC on the balance of the government's overdraft facility at the CBE was also not met for the weeks ending April 18 to May 23 because of borrowing from the facility in anticipation of receipt of the second tranche of the ADQ deal, which was received in late May; the balance on the overdraft facility was lowered below the ceiling by May 30, 2024. Reserve buffers are notably stronger. The authorities met about half of indicative targets (IT) for end-March including the ITs on tax revenue and social spending. Despite the notable improvement in domestic financing terms after exchange rate unification, the IT on the maturity of new domestic debt issuances through auctions was missed by a narrow margin, due to the reliance on short-term Treasury bills (T-bills) before unification (January and February). However, the IT on guarantees was missed by a large margin as guarantees denominated in foreign currency were revalued following the depreciation of the official exchange rate in early March and new guarantees were issued on behalf of the national oil company (EGPC). The authorities met half of the structural benchmarks for the review.

Policy Recommendations. Maintaining a flexible exchange rate regime and a liberalized foreign exchange system will be imperative to avoid a buildup of external imbalances in the future and demonstrate to all stakeholders that "this time is different." A clear data-driven focus by the Central Bank is needed to lower inflation and inflation expectations toward its target. The ongoing fiscal consolidation would put debt on a downward path and support efforts to contain demand pressures, but looking ahead the authorities will need to (i) make a clear shift toward a tax revenue-based consolidation to sustainably increase the primary surplus and make space for priority expenditure, (ii) take advantage of the current improvement in market sentiment to develop a more robust debt management strategy to lower gross financing needs, and (iii) mobilize additional resources from divestment or from operations of public sector entities to help reduce the interest rate burden. Transparent and rigorous implementation of the new framework to monitor and control public investment will also be critical for macroeconomic stability. Fiscal risks will need to be contained, and a stronger effort to put EGPC on a better financial footing may also be needed if current plans fall short. On the structural front, early deliverables are now needed to secure investor confidence in the commitment to significant reforms, to release constraints to private sector activity, and hand over growth to the private sector. These include steps toward enhancing the governance structure of state-owned banks, continued strengthening of the competition framework, and efforts to automate and modernize trade facilitation procedures to increase efficiency and remove trade barriers.

Program risks. Egypt is buffeted by negative spillovers from the conflict in Gaza and Israel, particularly the disruption of trade in the Red Sea, which is significantly reducing Suez Canal receipts, eroding an important source of foreign exchange inflows and fiscal revenue. The time period over which this source of stress will persist is highly uncertain, and thus it remains as an important external source of risk to the outlook. Prolonged inflationary pressures would further erode purchasing power. The potential impact of the Ras El-Hekma investment project on the Egyptian economy will be positive as it may help boost growth and structurally improve the balance of payments. At the same time, it will also require continuous rigor in macroeconomic management to ensure that possible risks of overheating are contained. Potential program implementation risks include a failure to sustain the shift to a liberalized foreign exchange system, insufficient energy price adjustments that do not bring prices to cost recovery levels and do not materially improve the financial condition of state-owned companies in the energy sector, difficulty in delivering a transparent and comprehensive integration of the off-budget investment program into overall macroeconomic policy decision making, and not advancing meaningfully with the structural reform program, which would dampen growth prospects. Sustained large surges in portfolio flows could complicate macroeconomic management, particularly as they can lead to heightened macroeconomic volatility. Egypt's capacity to repay the Fund is contingent on full program implementation and the materialization of all projected financing.

Staff supports the authorities' request for the completion of the third review under the EFF Arrangement. Staff also supports the authorities' requests for a waiver of non-observance of the end-June 2024 criterion on overdraft borrowing as it was temporary and corrective action was taken. Moreover, staff supports the request for waivers of applicability of the end-June QPCs on net international reserves and primary fiscal balance as the Executive Board discussion of the 3rd review will take place in early July 2024 after the end-June 2024 test date when the data to assess performance on these QPCs is not available. Staff recommends completion of the MPCC consultation with the Executive Board.

Approved By
Taline Koranchelian (MCD) and Rishi Goyal (SPR)

The staff team comprised Ivanna Vladkova Hollar (mission chief), Zeina Hasna, John Ralyea, Masashi Saito (all MCD), Javier Arze del Granado (SPR), Qiaoe Chen (FAD), Tumer Kapan, Samer Saab (all MCM), Alex Segura-Ubiergo (Senior Resident Representative), and Mouchera Karara (Resident Representative Office). The team was supported by Maria de Mesa and Celine Bteish. Discussions were held in Cairo from May 12–26, 2024, with Mohamed Maait, Minister of Finance; Hassan Abdalla, Acting Governor of the Central Bank of Egypt; Hala El-Said, Minister of Planning and Economic Development; and other senior officials. Maya Choueiri and Rana Fayez (all OED) also participated in the discussions.

CONTENTS

RECENT DEVELOPMENTS 6

OUTLOOK AND RISKS 11

PROGRAM PERFORMANCE 14

POLICY DISCUSSIONS 15

A. Exchange Rate and Monetary Policies 15
B. Fiscal Policy and Debt Management 17
C. Financial Sector Policies 20
D. Structural Reform Policies 21

EXTENDED FUND FACILITY PROGRAM MODALITIES 23

STAFF APPRAISAL 25

BOX

1. Preliminary Estimates of Economic Impact of Development of Ras El-Hekma 13

FIGURES

1. Quarterly Real GDP Growth 6
2. Purchasing Manager Index 6
3. Measures of Market Clearing Exchange Rate and the Official Rate 7
4. Interest and Inflation Rates 7
5. Financing 8
6. NFA of Commercial Banks 9
7. Banks' FX Loans to Residents 9
8. Current Account 10

9. Balance of Payments ____ 10
10. Inflation and Policy Rate Over the Long Run ____ 16

TABLES

1. Selected Macroeconomic Indicators, 2019/20–2028/29 ____ 28
2a. Balance of Payments, 2019/20–2028/29 (Billions of US$) ____ 29
2b. Balance of Payments, 2019/20–2028/29 (Percent of GDP) ____ 30
3a. Budget Sector Operations, 2019/20–2028/29 (Billions of Egyptian pounds) ____ 31
3b. Budget Sector Operations, 2019/20–2028/29 (Percent of GDP) ____ 32
4. General Government Operations, 2019/20–2028/29 ____ 33
5. Central Bank Accounts, 2019/20–2028/29 ____ 34
6. Monetary Survey, 2019/20–2028/29 ____ 35
7a. Summary of National Accounts, 2019/20–2028/29 (Percent) ____ 36
7b. Summary of National Accounts, 2019/20–2028/29 (Percent of GDP) ____ 37
8. Medium-Term Macroeconomic Framework, 2019/20–2028/29 ____ 38
9. Financial Soundness Indicators of the Banking System ____ 39
10. Capacity to Repay the Fund, 2020/21–2028/29 ____ 40
11. External Financing Needs and Sources ____ 41
12. Schedule of Reviews and Purchases Under the Extended Fund Facility with Augmentation ____ 42
13. Quantitative Performance Criteria and Indicative Targets ____ 43
14. Decomposition of Public Debt and Debt Service by Creditor ____ 44
15. Structural Benchmarks ____ 45

ANNEXES

I. Risk Assessment Matrix ____ 48
II. Sovereign Risk and Debt Sustainability Framework ____ 50
III. Monetary Policy Consultation ____ 58

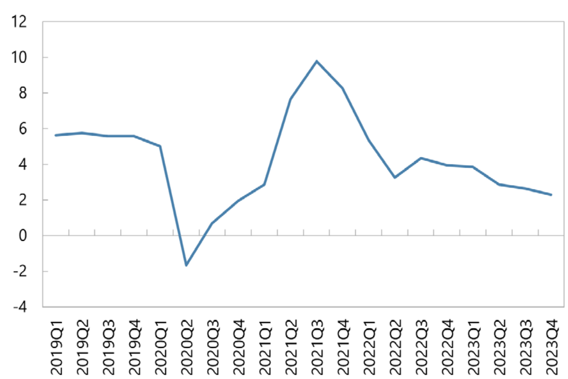
APPENDIX

I. Letter of Intent ____ 62
Attachment I. Memorandum of Economic and Financial Policies ____ 65
Attachment II. Technical Memorandum of Understanding ____ 83

RECENT DEVELOPMENTS

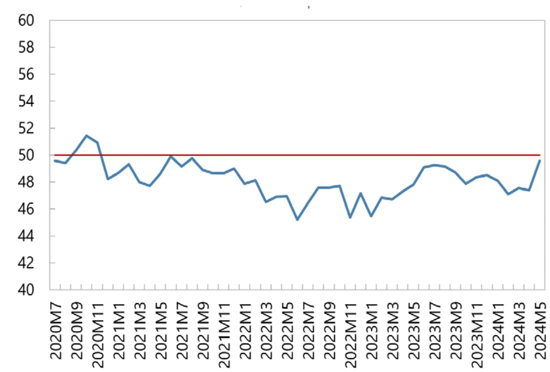
1. **Economic activity remains weak amid signs of an uptick in confidence.** Growth slowed to an average of 2.5 percent in the first half of FY2023/24 due to weak confidence and foreign exchange shortages, which constrained overall investment (Figure 1). The conflict in Gaza and Israel as well as the disruptions in the Red Sea are further exacerbating these pressures. Suez Canal revenues deposited at the Central Bank fell by 57 percent y/y in the first quarter of 2024. The health of the non-oil private sector remains frail despite an uptick in the headline Purchasing Managers' Index in May 2024 (Figure 2).

Figure 1. Egypt: Quarterly Real GDP Growth
(Percent)



Sources: Egyptian Authorities, IMF Staff Calculations

Figure 2. Egypt: Purchasing Manager Index
(SA, 50+=Expansion)



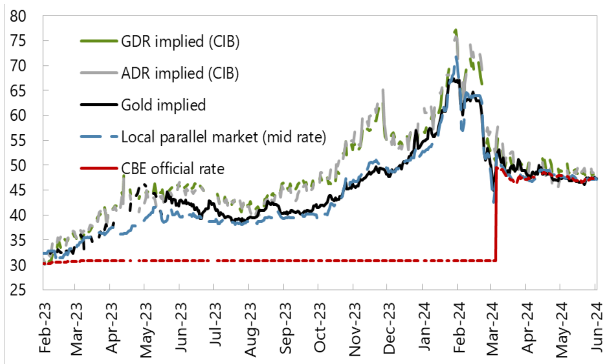
Source: Haver Analytics

2. **Since the exchange rate unification, outcome metrics suggest the exchange rate is market determined.** The spread between the official rate and measures of market clearing rates has remained closed since early March, the foreign exchange demand backlog at banks has remained zero, and daily interbank foreign exchange turnover has increased significantly relative to the pre-unification period (about ten times as large as pre-unification levels). The Central Bank of Egypt (CBE) has not conducted FX sale interventions since the unification. Several international companies have confirmed normalized access to foreign exchange for purposes of dividend repatriation. The official rate has remained relatively stable after the unification due to several opposing forces. While additional FX inflows due to the Ras El-Hekma deal and nonresident investors brought appreciation pressures, the underlying depreciation pressures remained due to high inflation and an increase in FX demand associated with the FX backlog clearance at banks.

3. **While still high, inflation has generally trended downwards since September 2023.** After reaching an all-time high of 38 percent in September 2023, annual headline urban inflation fell for a third consecutive month to 28.1 percent in May—its lowest level since January 2023— following a temporary spike in February that was likely due to greater than expected passthrough of the significant depreciation in the parallel exchange rate in January, in addition to idiosyncratic factors, including seasonal food price increases around Ramadan and the delayed reflection of education price hikes. Sequentially, inflation was about 1 percent m/m in March and April and turned negative in May (-0.7 percent m/m) vs. 11.4 percent m/m in February as food prices have eased. The last time a deceleration was recorded was in August

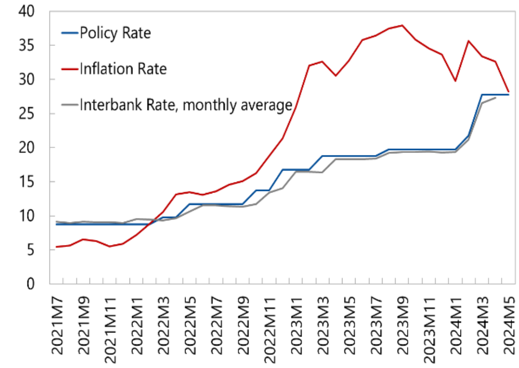
2021. The monetary policy hike in March, as well as the significant reduction in monetary financing of the government, are expected to help contain inflation in the coming months.

Figure 3. Egypt: Measures of Market Clearing Exchange Rate and the Official Rate
(EGP per USD)



Sources: CBE, Bloomberg, IMF Staff Calculations

Figure 4. Egypt: Interest and Inflation Rates
(In percent)



Sources: CBE, Haver

4. Strict control of spending has kept discretionary fiscal policy tight in FY2023/24. In the first ten months of FY2023/24, the budget sector primary surplus, excluding divestment proceeds improved by 1 percent of GDP (y/y) relative to the same period in the previous year, and reached 2.0 percent of GDP. This improvement was due to a broad-based reduction in primary expenditures. Over the same time period, total revenues (excluding divestment proceeds) declined by 0.4 percent of GDP compared to the prior year, while tax revenue collection declined by 0.2 percent of GDP due to a decline in excise tax collections on tobacco and cigarettes. While discretionary spending remained prudent, interest payments increased sharply to 9.0 percent of GDP in the first ten months of FY2023/24, accounting for 51 percent of total expenditure and 84 percent of total revenues. Fee hikes supported revenue from Suez Canal through December 2023, but the Suez Canal's monthly contribution to the budget has slowed since. The allocation of windfall revenue to the Ministry of Finance (MoF) from the sale of development rights in Ras El-Hekma has helped reduce gross financing needs and debt.

5. The FY2024/25 budget approved by parliament in early June targets a primary surplus of 3.5 percent of GDP, exclusive of divestment proceeds. To reach this target, the budget envisages an increase in overall revenues of 1 percent of GDP, with increases in tax revenues and other non-tax revenues by 0.7 and 0.3 percent of GDP, respectively. The increase in tax revenues will be supported by a combination of tax policy and revenue administration measures (See Text Table 1). Primary expenditure will be reduced by 0.5 percent of GDP compared with the estimated outturn for FY2023/24, but social benefits to vulnerable households will be protected. Additionally, the MoF plans to secure 1 percent of GDP in divestment proceeds to reduce public debt.

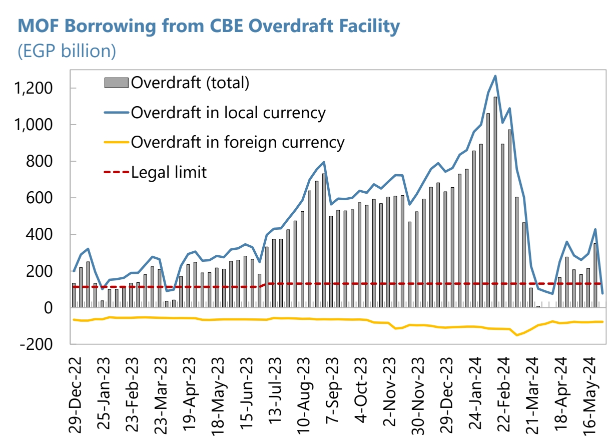
Text Table 1. Egypt: Identified Tax Measures, FY2024/25

	Potential yield in EGP billion	In percent of GDP
Rolling out of automated payroll system	9.2	0.05
E-invoice and risk management system	15.8	0.09
VAT on electronic trade for services	17.3	0.10
Implementation of tax dispute settlement law	17.1	0.10
Streamling of VAT exemptions	34.2	0.19
Widening tax brackets for Tobacco excise tax	14.7	0.08
Strengthening trade facilitation	10.0	0.06
Total	**118.3**	**0.67**

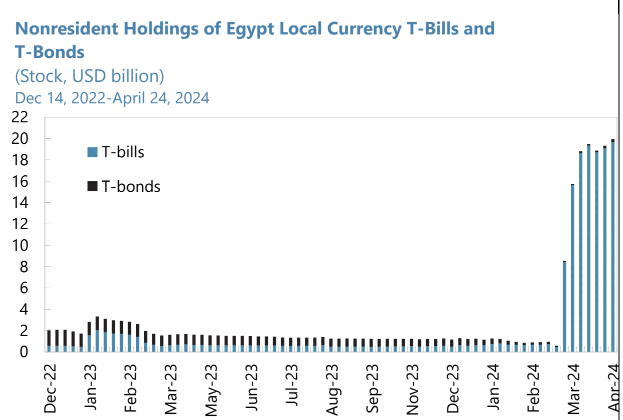
Source: Ministry of Finace and IMF Staff calculations.

6. **Domestic financing conditions improved significantly after the exchange rate unification and policy rate hike.** Before the unification in early March, domestic financing relied heavily on short- term T-bills (such as 3-month T-bills), private placements of Treasury Securities mainly at state-owned banks, and borrowing from the central bank's overdraft facility. After the unification, the authorities have relied more heavily on weekly T-bill auctions, increased issuance of longer-term T-bills (such as 12-month T-bills) and brought the use of the overdraft facility down to below the statutory limit at the end of March 2024. Subsequently, the government increased reliance on the balance in the overdraft facility, temporarily exceeding the statutory limit, in April and May, in anticipation of the receipt of the second tranche from the Ras El-Hekma deal, which arrived in late May 2024. The overdraft decreased to below the statutory limit by end-May 2024. Nonresident holdings of local currency T-bills and T-bonds, measured at face value, have also increased significantly to about US$20 billion in April, an increase by about US$19 billion since unification of the exchange rate. The non-resident inflows have pushed down the T-bill interest rate below the central bank's discount rate. Moreover, the authorities are relying less on private placements since April and spreads have fallen significantly since the start of the year (Figure 5).

Figure 5. Egypt: Financing

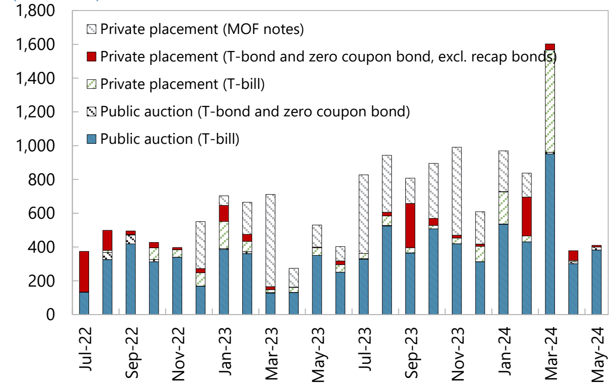


Source: Central Bank of Egypt



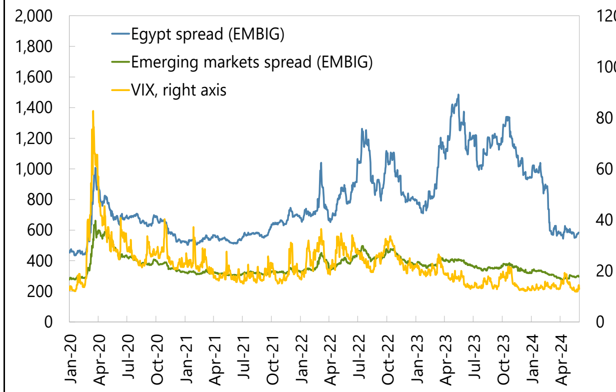
Source: Central Bank of Egypt

Gross Issuance by Public Auction and Private Placements
(EGP billion)



Source: Central Bank of Egypt

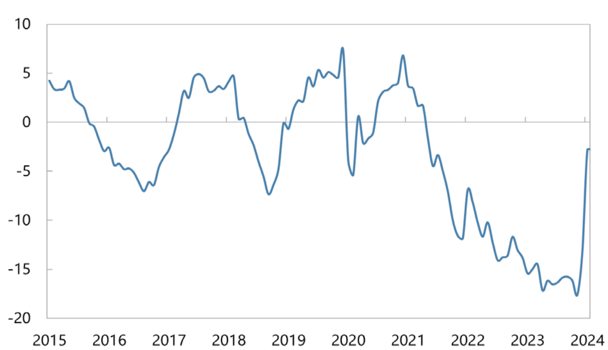
Egypt Spreads, EM Spreads, and VIX



Source: Bloomberg

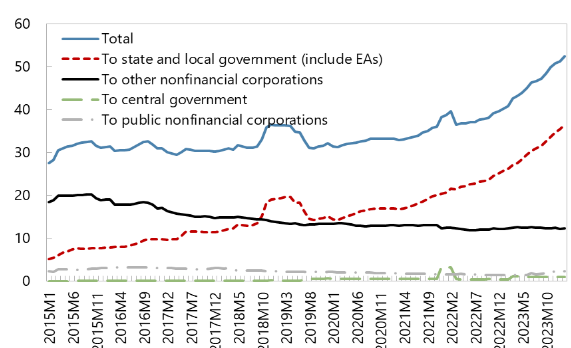
7. **The banking system remains stable so far following the recent increase in interest rates and currency depreciation, but some vulnerabilities remain.** Banks on average are profitable, liquid and have adequate capital that exceed prudential minimums. Banks' net foreign asset (NFA) positions have rebounded sharply reflecting an increase in capital inflows following the announcement of the Ras El-Hekma deal and completion of the 1st and 2nd reviews under the EFF arrangement (Figure 6). While banks are reported to remain compliant with regulatory limits, foreign currency loans, particularly to public sector entities (Figures 7) are not fully matched by foreign currency deposits (particularly on the balance sheets of the biggest banks), which would imply a potential vulnerability to exchange rate movements, including through credit risks. Banks remain compliant with regulatory limits on net foreign exchange open positions.

Figure 6. Egypt: NFA of Commercial Banks
(In USD billions, last date point: end-Apr 2024)



Source: Haver

Figure 7. Egypt: Banks' FX Loans to Residents
(In USD billions, last data point: end-April 2024)

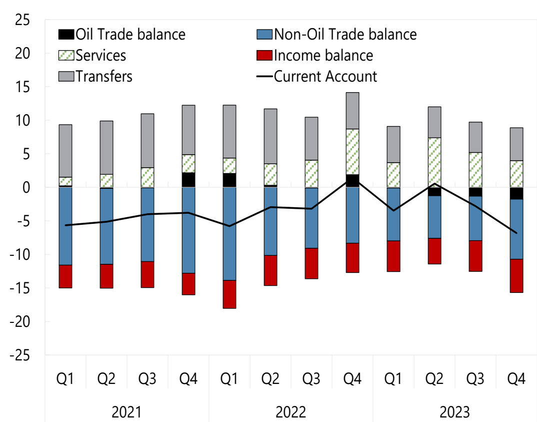


Source: CBE

8. **The current account deficit widened further in the last calendar quarter of 2023.** A reduction in non-oil exports and a decompression of non-oil imports weakened the non-oil trade balance (Figure 8). Prior to the exchange rate unification, remittances remained low relative to historical levels due to the large parallel market spread. Additionally, the balance of services also deteriorated, predominantly due to a decline in tourism receipts reflecting the impact of the conflict in

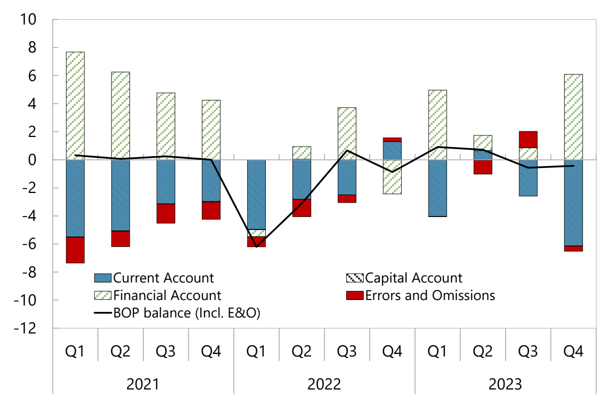
Gaza and Israel, although the adverse effects of the conflict on tourism have been less pronounced than initially anticipated. The widening of the current account deficit was fully financed by a significant increase in the financial account, with a strong increase in foreign direct investment (FDI) boosted by net reinvested earnings (in part, from constrained dividend repatriation due to FX shortages prior to the unification) and real estate purchases by non-residents and other investments (led by an increase in short-term suppliers' credit) (Figure 9). Preliminary data for 2024: Q1 suggest a further widening of the current account deficit, driven by a pronounced decline in Suez Canal receipts (by 60 percent y/y) due to disruptions in the Red Sea, and despite a rebound in remittances in March after the exchange rate unification. Yet the overall balance of payments (BOP) balance is expected to turn positive as inflows, particularly from Ras El-Hekma and T-bills held by nonresidents, provide a significant boost to the financial account (the latter explaining a large increase in commercial banks' net foreign assets). Net international reserves were US$32.1 billion at the end of April 2024 (reflecting an increase of US$12.3 billion relative to February 2024).[1,2]

Figure 8. Egypt: Current Account
(In percent of GDP)



Source: Egyptian Authorities, and Fund staff

Figure 9. Egypt: Balance of Payments
(In percent of GDP)



Source: Egyptian Authorities, Haver

9. The development of the Ras El Hekma region is not expected to start until 2025. The land for the Ras El Hekma project was transferred to a newly established Ras El Hekma for Urban Development Project Company. The company was granted golden licenses to develop a freezone and an investment zone. The New Urban Communities Authority (NUCA) will function as the regulator for the project's development (e.g., issue licenses and review development plans). The government will have a 35 percent interest in the profits generated by the company after all costs incurred have been recovered. The authorities have not received the development plan for the region from ADQ, which may take a year to complete. Preliminary information shared by the authorities suggests that the investment could reach US$150 billion over a period of 20–30 years. The authorities suggested that investment in the region could be about US$3-4 billion annually, mostly in

[1] A strengthening of commercial bank's net foreign assets (US$13.3 billion in FY2023/24: Q3) is reflected in the external financing needs table (Table 11) in both the sources (changes assets with negative sign) and needs (liabilities).

[2] A reduction in gross international reserves (GIR) is not directly reflected in NIR because of a contemporaneous reduction in CBE's foreign-related liabilities by US$4.9 bn between Feb 2024 (1st and 2nd reviews). This reduction in liabilities is primarily explained by CBE repayments of short-term money market liabilities.

the form of FDI and domestic private investments. The authorities noted that most of the basic infrastructure already exists in the region. No public sector infrastructure provision is required except for bringing electricity grid access to the border of the region. Development is expected to take place without any public sector guarantees to support private sector investment.

10. Anticipated Cabinet-level changes are unlikely to deter program implementation. Following President El-Sisi's swearing in for a third term in April, the Prime Minister submitted the government's resignation in early June. President El-Sisi has commissioned the outgoing prime minister to form a new government, the announcement of which could take place later in June. However, the authorities have emphasized that the reform agenda under the program is fully aligned with domestic reform priorities.

OUTLOOK AND RISKS

11. The macroeconomic framework reflects recent developments and incorporates staff estimates of the impact on growth, investment, and the balance of payments from development of the Ras El-Hekma region based on the authorities' very preliminary assumptions regarding FDI inflows related to the project (See Text Box 1).

- Real growth for FY2023/24 is projected to slow to 2.7 percent to internalize the weak outturn in the first half of the fiscal year. A strong recovery is anticipated in FY2024/25 as the development of the Ras El-Hekma region begins and pressures from the conflict and Red Sea disruptions are assumed to abate in the second half of the fiscal year. Over the medium term, growth is projected to increase to around 5½ percent, as structural reforms to strengthen the business climate bear fruit and the state footprint is gradually replaced with private activity. Inflation is expected to trend downwards over the next 12 months as base effects unwind and policy tightening takes hold. The recent change in the methodology for calculating private investment in the national accounts statistics reallocates spending from private consumption to private investment but does not change the level of GDP or other expenditure subcomponents.[3]

- Despite the large depreciation of the official exchange rate upon unification and the increase in the policy rate, the debt-to-GDP ratio is projected to follow a downward trajectory, as half of the new financing from the Ras El-Hekma deal was applied to debt reduction, primary surpluses are sustained, and favorable interest-growth differentials persist.[4,5] The decline in the debt ratio is expected to start in FY2023/24, earlier than projected at the time of the first and second reviews,

[3] In early 2024, the authorities announced a new methodology for estimating private investment, which incorporates the following items in private investment: informal private sector investment outside establishments: investment in R&D; household expenditures on new residential buildings; and household expenditure on major housing maintenance and repair. The change increases private investment and total investment by an estimated 1.6 percent of GDP in FY2023/24 but there is no change in GDP levels because private consumption (and total consumption) is reduced by the same amount. Private sector investment in FY2022/23 is now estimated to represent 36.4 percent of total investment, up from a previous estimate of 25.5 percent. The authorities plan to eventually restate the historical GDP by expenditure to reflect the change in the methodology.

[4] The debt projection also includes staff's estimate of the CBE's negative equity and the government's recapitalization of the CBE. The latter adds to the stock of debt and debt service in subsequent years.

[5] Total anticipated divestment flows to the budget under the program peak at 1 percent of GDP in FY2024/25 and taper to 0.5 percent of GDP over the projection period.

primarily on the back of smaller-than-projected exchange rate depreciation during FY2023/24. However, for some time, debt, the interest burden, and rollover risk will remain high.

- Projections for net international reserves for FY2023/24 and FY2024/25 have been revised upwards, to reflect BOP data for December 2023, the latest NIR data, assumptions on the potential FDI inflows related the Ras-El-Hekma deal (Box 1), and the sharp step-increase of nonresident short-term inflows to local currency T-bills after the unification. Projections for net portfolio flows for FY2024/25 were revised upwards to account for the high demand for Egypt's bond and T-bill issuances, while keeping the projections for the remainder of the program period unchanged from the previous reviews. Commercial bank NFA stocks were revised upwards in FY2023/24 to reflect a significant increase observed in FY2023/24: Q3, but are projected to remain broadly neutral in FY2024/25 (as capital inflows moderate from levels observed in FY2023/24, and inflows are directed to cover a peak in projected repayments). External debt service is estimated to increase in FY2024/25, primarily due to the increase in short-term debt (T-bills) held by nonresidents.

12. Risks to the outlook are significant.

- Chief among the downside risks would be a failure to sustain the shift to a flexible exchange rate regime and a liberalized foreign exchange system, monetary policy being too loose to bring inflation down, insufficient adjustment of energy prices so that they remain below cost recovery levels, difficulty in delivering a transparent and comprehensive integration of the off-budget investment program into overall macroeconomic policy decision making, and not advancing meaningfully with the structural reform program, which would dampen growth prospects. Intensification of regional conflicts and a prolonged disruption in the Red Sea could further undermine growth, fiscal revenues, the divestment process, and the external position. A large increase in portfolio inflows could increase the risk of capital flow reversals and external vulnerabilities; similarly, given the potential size of the Ras El-Hekma investment project at an estimated total of $150 billion or about 50 percent of current GDP, a faster-than-expected pickup in investment brings the possibility of overheating and exerting upward pressure on the currency, potentially leading to phenomena akin to Dutch disease, where cheaper imports and costlier exports could disadvantage critical sectors such as manufacturing and agriculture.

- On the upside, external financial market conditions for Egypt could ease more than expected and large capital inflows could continue. Larger-than-expected FDI associated with the Ras El Hekma deal relative to the baseline or additional similar investments is also an upside risk on growth, provided that the authorities are able to minimize any fiscal risks associated with these transactions, such as increased use of public-private partnerships or freezones. Inflation could also fall back more quickly than projected, particularly if a return of confidence results in a material appreciation of the exchange rate. Annex I contains the Risk Assessment Matrix.

Box 1. Preliminary Estimates of Economic Impact of Development of Ras El-Hekma

This box summarizes staff's preliminary estimates of the first-round impact on growth, investment, and the balance of payments from development of the Ras El-Hekma region.

The framework at the time of completion of the first and second reviews already incorporated the one-off receipt by the New Urban Communities Authority (NUCA) of US$24 billion in new financing from the Ras El-Hekma investment deal as well as the conversion of the US$11 billion UAE dollar deposits at the Central Bank (CBE) into local currency. From the new financing, US$15 billion was purchased by the CBE to boost international reserves, while the remainder remains with NUCA. The Ministry of Finance has received the local currency equivalent of US$12 billion from the transaction in its Treasury Single Account, which was used to reduce debt financing.

To incorporate the development of the region into the macroeconomic framework, in line with the authorities' assumptions, staff assumes an annual inflow of FDI in the range of US$2.5 billion to US$5 billion, of which 70 percent is assumed to finance non-oil imports related to the project, in line with staff's currently used elasticity from FDI flows to imports. However, the authorities hope for greater local content. As more information becomes available, such as the development plans, staff will revise the macroeconomic framework as needed. *Over the program period*, this implies cumulative increases in FDI of US$12.5 billion, non-oil imports of about US$8.8 billion. The reserve accumulation path relative to the adequacy metric now increases more gradually to reach above 120, over the medium term (Box Table 1).[1]

BOP: Preliminary Estimate of Impact of Development of Ras El-Hekma
(In billion US$)

	FY24	FY25	FY26	FY27	FY28	FY29	FY 2025-27
Ras El-Hekma							
Net expected flows to Current Account		0.8	1.5	1.5	1.5	1.5	3.8
+ FDI (inflows) 1/		2.5	5.0	5.0	5.0	5.0	12.5
- Non-oil imports & services (outflows)		1.8	3.5	3.5	3.5	3.5	8.8
Gross International Reserves							
Combined 1st and 2nd review	49.2	52.2	60.2	65.6	66.7	68.1	
In percent of ARA metric	115	118	130	136	133	130	
Current framework GIR	52.2	55.6	58.9	62.9	68.0	74.9	
In percent of ARA metric	117	118	119	121	122	123	
Diff. Gross International Reserves	3.0	3.4	-1.3	-2.7	1.3	6.8	

1/ FDI in the 2nd review framework already included US$ 24 billion from Ras El-Hekma, hence not reported in this table.

Staff assumes the FDI that remains in the domestic economy finances an increase in construction and building activity (Box Table 2) that translates into higher real growth ranging between <0.1 – 0.4 percentage points, relative to projections of real growth prior to incorporating assumptions about the development of Ras El-Hekma into the program baseline. On the expenditure side of GDP, the FDI boosts private investment, but public spending on infrastructure is not assumed to accelerate as public investment is bound under the authorities' public investment ceiling and the authorities have only committed to ensure electricity grid access at the border of the region.

Real Growth and Investment: Preliminary Estimate of Impact of Development of Ras El-Hekma

	FY25	FY26	FY27	FY28	FY29
Increase in real growth of construction and building sector	1.0	5.4	5.0	4.5	4.1
Increase in real GDP growth 1/	0.1	0.4	0.1	0.1	0.0
Increase in private investment relative to GDP 1/	0.7	1.3	1.1	1.0	0.8

Source: IMF staff calculations.
1/ The change in GDP growth and investment relative to GDP does not correspond exactly to the change when calculated between the projections the combined first and second reviews primarily due to a downward adjustment of real growth in FY2024/25 to reflect the increased uncertainty surrounding the geopolitical situation in the region.

[1] The ARA metric level is higher than it was in the 1st and 2nd reviews. This is in part because of the less-than-projected depreciation of the exchange rate, which results in a higher level of broad money expressed in U.S. dollars, and in part because of the increase in short-term debt, reflecting the increase in T-bills held by nonresidents.

PROGRAM PERFORMANCE

13. Program performance for the third review was satisfactory (Table 13). The controlling QPCs for the 3rd review are the end-June 2024 QPCs. The authorities did not meet the weekly QPC on the overdraft account at the CBE as the government temporarily borrowed from the account in April and May as described above. However, as of May 31, 2024, the balance of the account was zero, well below the QPC ceiling. Performance relative to the other QPCs for end-June appears on track, but data are not available yet to fully assess performance against the targets. As for the end-March QPCs, all but one were met. The authorities met the QPC on net international reserve (NIR) by a significant margin as reserves were boosted by the increase in nonresident inflows into local currency T-bills in March 2024. The authorities also met the QPCs on the reduction of the balance at the CBE's overdraft facility and CBE lending to government agencies but did not meet the QPC for the primary balance mainly because the realized exchange rate used to convert the dollar proceeds from Ras El-Hekma deal was less depreciated than under program assumptions. The authorities also met four of seven ITs for end-March including the ITs on tax revenue and social spending. Despite the improvement in domestic financing after unification, the IT on the maturity of new domestic debt issuances through auctions was missed by a narrow margin, due to the reliance on short-term T-bills before unification (January and February) and the IT on the debt stock was missed by a narrow margin due to high interest rates. The IT on guarantees was missed by a large margin as guarantees denominated in foreign currency were revalued following the depreciation of the official exchange rate in early March and new guarantees were issued on behalf of EGPC. Annual urban inflation exceeded the upper outer band under the program for end-March 2024, triggering the MPCC consultation with the Board.

14. Half the structural benchmarks (SBs) for the third review were met (Table 15). The authorities met the SBs to maintain a flexible exchange rate regime and a liberalized FX system, enacted the executive regulations of the Unified Public Finance Law, published comprehensive tax expenditure and government procurement contract reports, and introduced a fixed rate, full allotment of the CBE's 7-day deposit operations.

15. At the same time, several SBs were not met. Staff proposes to rephase two, modify one, and not reset two.

- The SB to introduce a binding requirement to ensure the timely publication of the Central Auditing Organization's (CAO) annual audit reports on the fiscal accounts by end-March 2024 was rephased to end-November 2024 and modified to be more specific because the authorities are currently amending the law governing the CAO and plan to introduce this requirement into the law rather than implement it through a decree;

- The SB to prepare a recapitalization plan for the CBE was rephased to end-August 2024 as the authorities prepared an initial estimate of the recapitalization needs of the CBE, but require more time to refine the estimate and plan for an effective recapitalization strategy;

- The SB on the quarterly implementation of the retail fuel price indexation mechanism was modified as it will be temporarily replaced by a firm commitment to restore fuel prices to their cost recovery levels by December 2025;

- The SB to create a plan to reduce CBE claims on public sector agencies (excluding the MOF) was not reset as the authorities have committed to reducing the claims by EGP 150 billion by end-July 2024 and further reduce CBE claims by EGP 100 billion every fiscal year until the claims are reduced to zero as reflected in the QPC on CBE claims on government agencies; and

- The SB to prepare a plan to reduce EGPC arrears was not reset because the authorities have articulated a strategy to repay EGPC arrears, including measures to boost EGPC revenues through increases in energy prices, but stronger conditionality on improving EGPC's financial situation will be considered in the future if the current plan falls short.

POLICY DISCUSSIONS

The program objectives remain unchanged from program approval. Policy discussions focused on bringing inflation down to the central bank's target, establishing monetary policy as the main lever for demand management in the context of a flexible exchange rate regime, allowing exchange rate flexibility to be the first line of policy response to capital inflows and outflows, reducing debt and gross financing needs through a revenue-led fiscal consolidation coupled by a comprehensive and cohesive multi-pronged debt management strategy, containing fiscal risks from off-budget investment and operations of Economic Authorities, enhancing the institutional governance framework for state-owned banks, and implementing measures to advance the state-ownership policy, fiscal transparency, and leveling the playing field across economic agents. The updated Memorandum of Economic and Financial Polices (MEFP) reflects the authorities' commitment to these objectives.

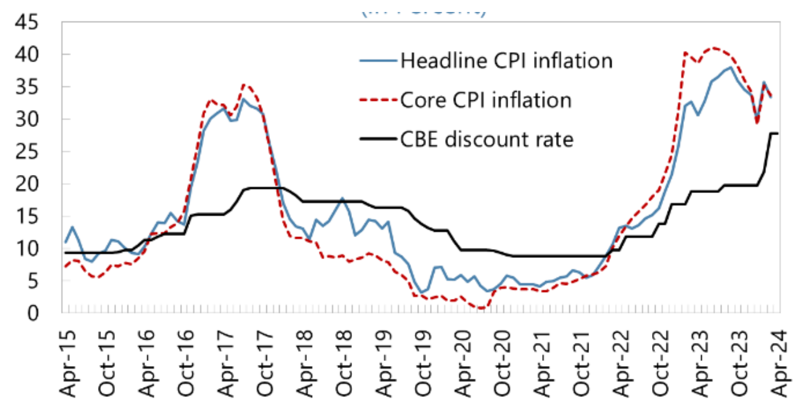
A. Exchange Rate and Monetary Policies

Policy priorities are bringing down inflation, sustaining a flexible exchange rate regime and a liberalized FX system, and relying primarily on exchange rate flexibility to manage capital flows.

16. Bringing down inflation is the Central Bank of Egypt's policy priority. The jumbo hike in the policy rate on March 6 to 27.25 percent has pushed the policy rate to historic highs, in a significantly more aggressive stance than during the 2016–17 stabilization episode (Figure 10); its full impact though will be observed with a lag. The growth rate of M2 is also currently lower than the inflation rate, while the opposite was true in the 2017 episode. The decrease in headline inflation in April suggests that the passthrough from the recent exchange rate depreciation (and appreciation in the parallel market) has largely occurred, the impact of FX-related goods shortages have dissipated, and Ramadan-related effects have dropped out of food prices. Following a data-dependent approach informed by three months of consecutive decreases in headline inflation (March, April, and May), the CBE's monetary policy committee held rates unchanged at its May 2024 meeting, judging that the current monetary stance remains appropriate to place inflation on a declining path. In addition, given the significant reduction in the government's use of CBE overdraft facility, as well as the CBE's sterilization efforts associated with FX inflows, liquidity conditions are also expected to reduce inflation pressures. Importantly, the CBE is committed to take actions if data outturns signal deviations from its projected inflation path towards achieving its target. The MPCC bands have been proposed to be tightened relative to the prior review, based on recent inflation outturns and revised baseline projection for inflation.

Figure 10. Egypt: Inflation and Policy Rate Over the Long Run

(In percent)



Sources: Central Bank of Egypt, Haver

17. The CBE aims to strengthen its communication strategy and the monetary transmission mechanism. The CBE is cognizant of the need to provide market participants adequate guidance in line with its commitment to gradually move toward a full-fledged inflation targeting regime. In this context, current efforts to refine its measurement of inflation expectations will allow it to strengthen the analytical basis for taking rate decisions. The recent adoption of a fixed rate full allotment of its 7-day deposit operations will improve the transmission of monetary policy.

18. Exchange rate flexibility is a key part of an appropriate policy response to capital inflows and outflows. In the case of capital inflows, exchange rate should be allowed to appreciate, once the reserve buffers have been rebuilt and official reserves have reached adequate levels, and provided that the exchange rate is not overvalued and inflation remains higher than the target level. Capital flow management (CFM) measures should not be used to substitute for warranted adjustments in macroeconomic policies and reforms, including exchange rate appreciation, reserve accumulation (also considering the program's NIR target and adjusters related to nonresident inflows), fiscal tightening, and debt management strategy (e.g., reduce issuance of short-term T-bills). Similarly, in the case of capital outflows, exchange rate depreciation would be a key part of adjustment to avoid exacerbating external imbalances and allow economic agents to face exchange rate risk, reinforcing the shift to a flexible regime where CBE's foreign exchange interventions are limited to episodes of disorderly market conditions. In this context, the program currently includes a volatility-based intervention framework that the CBE has not needed to use so far. The authorities agreed that the existing intervention framework under the program remains adequate.

B. Fiscal Policy and Debt Management

Policy priorities include implementing strong and decisive tax policy changes, particularly related to the Value-Added tax (VAT), which are crucial to the success of fiscal consolidation and domestic revenue mobilization goals. In addition, continued reduction of untargeted fuel subsidies will also create space for high-quality social support measures. Improving the monitoring and execution of public investment, including off-budget investment by all state-owned enterprises, will also support macro-economic stability. Active debt management should also contribute to reducing gross financing needs and debt.

19. The authorities are committed to achieve a revenue-based fiscal consolidation with tax revenue increasing by 3 percent of GDP over the program period. A key element of the revenue-based consolidation strategy is reform of the VAT, which is expected to generate 1.0 percent of GDP in additional revenues in a 12-month period, of which 0.2 percent of GDP will be achieved in FY2024/25. The authorities have identified 19 VAT exemptions for possible removal out of 58 in the current VAT law and plan to submit a package of VAT reforms to parliament by end-November (*existing structural benchmark*).[6] Given the significant VAT policy gap in Egypt (about 2.7 percent of GDP), the removal of additional VAT exemptions, which are at the heart of the shortfalls associated with the current VAT regime, and other tax expenditures identified in the tax expenditure report published in April could yield up to 4.4 percent of GDP in additional tax revenue (see MEFP) might be needed to achieve the targeted structural increase in medium-term tax revenue.

20. In addition, the authorities are studying other options to mobilize domestic resources. These include: (i) adopting a carbon tax to support emissions reduction and in light of the implementation of the European Union's (EU) Carbon Border Adjustment Mechanism; (ii) adopting a withholding tax on sales from freezones in Egypt to the domestic market; and (iii) participating in the Organization of Economic Cooperation and Development's (OECD) Automatic Exchange of Information (AEOI), on which they advanced by completing the Peer Review on Information Exchange on Request of the OECD. Egypt is rated as partially compliant to the standard of transparency and exchange of information. The authorities plan to address the recommendations raised in the peer review report and provide a self-assessment report by 2026 to participate AEOI.[7] Further, the authorities agreed that new proposals for additional tax incentives should be contained, notwithstanding the creation of a freezone within the Ras El-Hekma region, and will take advantage of the opportunity to replace the existing fragmented character of corporate income tax (CIT) incentives by a transparent, coherent, effective, and efficient framework, solely within the new Income Tax Law, which is being drafted with IMF assistance. Relatedly, the authorities will assess the economic

---

[6] The current VAT law (No.63 of 2016) contains a list of 57 goods and services are exempted from VAT. These include 19 food items, 7 financial related goods and services, 7 education related goods and services, 5 healthcare related goods and services, 3 land and housing transactions, and 5 raw materials including crude oil, natural gas, gold, silver, electricity, and 11 other services items.

[7] According to the OECD's report, the total tax return filing rate for registered taxpayers, including legal entities, is low at 22 percent. To improve tax compliance, the authorities are moving towards digitalization of tax registration and E-filing and E-invoicing systems that will strengthen enforcement and supervision to ensure accounting records are in line with accounting standards and are available for at least five years.

benefits of the current freezones (*existing structural benchmark*). To guide tax policy over the medium term, the authorities have prepared a draft tax policy strategy document for public comment and debate.

21. Higher tax revenues and a reduction in untargeted subsidies would provide more room for social protection spending and human capital development. In particular, reducing untargeted fuel subsidies, which have increased as a share of GDP in recent years, would create more fiscal space for social spending. The authorities have firmly committed to restoring fuel prices to their cost recovery level by December 2025. The authorities also raised the subsidized bread price from EGP 0.05 per loaf to EGP 0.2 per loaf on June 1, 2024.

22. The foundation for more targeted and adequate social protection spending exists. The authorities have expanded the coverage of the Takaful and Karama cash transfer program to more than 5 million households and increased the average monthly payments by 45 percent since FY2022/23. The social registry has detailed information on 11 million households, which could be assessed for the eligibility of cash transfer programs once the results of the new household income survey are available. Publication of the latter is a proposed new structural benchmark for end-July 2024. The targeting of food subsidies has also improved by removing unqualified individuals and keeping zero growth of the total number of beneficiaries. Looking ahead, a steering committee led by the Prime Minister is overseeing a consolidation of various social support programs to improve program efficiency by integrating different databases and information currently managed by different ministries. A new Social Solidarity and Cash Transfer law, which aims at unifying cash transfer programs under Takaful and Karama, has already been approved by Egyptian Senate in March 2024 and will be submitted to the House of Representatives,

23. The authorities are taking a number of measures to better monitor and control public sector activity and fiscal risks, including from public investment.

- The authorities have established a cabinet-level committee chaired by the CAO to gather data, analyze, and report on all public investment in Egypt in accordance with Prime Ministerial decree No. 739 of 2024. The decree requires all public agencies to report to the committee each September and March the implementation amounts and percentages relative to the pre-agreed targets for the periods January–June and July–December, respectively. The reports are to be submitted to the Public Economic Governance Committee of the Cabinet. The target ceiling under the program on the value of total public investment over the period from January–June 2024 is EGP 350 billion and the target for FY2024/25 is EGP 1,000 billion (*indicative target*).

- In line with recent legislated changes, the government submitted to parliament a consolidated general government reporting budget that includes all 59 Economic Authorities (EAs), including EGPC, along with separate budget proposals for the budget sector and each of the 59 EAs. Importantly, the EAs will now be subject to binding ceilings on their debt, adjustment of which will require parliamentary approval. The authorities are also making progress in conducting a sector classification of the EAs in accordance with the concepts and principles in the Government Finance Statistics Manual (GFSM) 2014 *(existing structural benchmark*) and have requested IMF technical assistance to help with the classification exercise. The authorities indicated that removing market based EAs from general government fiscal reporting and converting them into public corporations could be a lengthy process because it will require legislative changes.

24. EGPC poses a considerable fiscal risk to the budget sector as it faces significant liquidity issues. Guarantees issued on behalf of EGPC account for about half of government guarantees. A series of shocks have undermined EGPC's financial position. The shocks include foreign exchange shortages, downturns in the domestic production of gas and oil, increased subsidies from EGPC to the electricity sector, slow adjustment in retail fuel prices, and the depreciation of the exchange rate as EGPC has mainly EGP-earning assets but significant U.S. dollar-denominated liabilities. EGPC's operating cashflow is negative and it has accumulated FX payment arrears to international oil companies. Domestic banks are requiring government guarantees on all loans to EGPC. The value of guarantees issued on behalf of EGPC has increased by about 5 percent of GDP since October 1, 2023, due to the impact of the depreciation in the official exchange rate and new guarantees issued by the MoF to provide the banking sector with full coverage of any lending risks to EGPC.

25. Building on recent measures, the authorities plan a series of actions to improve EGPC's financial situation over time. The authorities raised electricity prices by 7–20 percent in January 2024 and retail fuel prices in March by 8–20 percent. The authorities have committed to raise retail fuel prices, excluding fuel oil sold to the bakeries, and electricity prices until cost recovery levels are reached. Moreover, EGPC expects to receive additional foreign currency inflows from export earnings of a large refinery it owns, once the refinery becomes fully operational. While its financial position gradually improves, EGPC has the capacity to fully service its obligations on time due to an anticipated increase of EGP 10-11 billion of monthly revenues from recent and upcoming energy price hikes. With most of EGPC domestic liabilities linked to variable rates, anticipated lower interest payments as interest rates decrease, and more frequent reimbursement of fuel subsidies bill by the MOF will also help. Relatedly, EGPC has developed the contours of a plan to eliminate its arrears to international oil companies. Payments earlier this calendar year lowered the arrears balance to about US$5 billion. An anticipated payment before the end of FY2023/24 would lower the arrears to around US$3.5–3.8 billion.

26. As a key complement to the fiscal consolidation effort, the authorities are pursuing an active debt management strategy to reduce gross financing needs and debt. Public debt is assessed as sustainable but not with high probability, and overall risks of sovereign stress are assessed as high (Annex II). To reduce gross financing needs, the current baseline already includes the impact of the authorities' earlier agreement with pension funds and insurance funds to extend the maturity of a portion of existing debt as well as the agreement with major state banks to issue new three-year T-bonds when the existing T-bonds held by those banks mature. The authorities are committed to continue to gradually extend the issuance maturity of domestic debt through auction (*existing indicative target,* see Table 13), from 0.52 years at end March to 0.57 years at end-June 2024 (both on a cumulative basis, from the beginning of the fiscal year) and to 0.90 years at end-December 2024.

27. The authorities are keen to strengthen the broader public debt management function with comprehensive reforms along key structural and operational pillars. They see an opportunity to indicate a clear break from the past domestic financing operations and signal to the market accordingly. The overarching commitment is towards phasing out non-market borrowing mechanisms (private placements, CBE overdraft) in favor of auctions whose price is determined by market variables. The authorities are cognizant that this would entail a cost premium in the short term in favor of medium-term capital markets savings. The main reforms are:

- targeting in the medium-term the institutional setup of debt management (reorganization of the Debt Management Unit (DMU) along front, middle, and back-office functions),
- the regulatory setup (e.g., harmonizing taxation between resident and non-resident investors),
- domestic debt market development (broadening the investor base and introducing new instruments like retail bonds and a revamped primary dealership system that broadens access to market participants transparently), and
- improved debt reporting and investor relations.

28. As a priority, the DMU will be updating and publishing by December 2024 a medium-term debt management strategy as well as undertake other important reforms in the near term. The plan will be to articulate a multi-year borrowing plan updated annually and anchored by a portfolio cost and risk management framework. The strategy document will include debt portfolio risk tolerance thresholds and operational targets, and will cover foreign and domestic debt, cutting across available and potential instruments and sources of financing. The revised Primary Dealership setup will be finalized and operationalized by end-September 2024. They will improve in the short-term reporting on government financing from the domestic market by including information on key domestic financing instruments in the current debt reporting framework (including auction results, private placements, and overdraft borrowing). They will seek IMF technical assistance where appropriate to help with design, sequencing, and implementation of these reforms.

29. The recapitalization needs of the CBE should be addressed in an integrated and effective manner. While the authorities prepared an initial plan to address the recapitalization needs, a more granular and comprehensive quantitative assessment of recapitalization needs over the next five years that takes into account both the legacy negative equity and forward-looking income statement dynamics is required. In addition, the authorities should prepare a plan for recapitalization that considers both the government's debt management strategy and the need to safeguard CBE balance sheet and its price stability mandate. Hence, the structural benchmark on CBE recapitalization is proposed to be reset from the original date of April 2024 to August 2024 (*reset structural benchmark*).

C. Financial Sector Policies

Key issues are ensuring financial stability and strengthening governance practices of state-owned banks.

30. The financial system appears capable of weathering the initial impact of unification and monetary tightening, and strengthening financial sector resilience continues to be a key priority for the authorities. The banking system remains on average adequately capitalized and liquidity is ample. While banks have remained in compliance with their net open position limits, the CBE, as regulator, closely monitors the maturity and composition of banks' foreign currency assets and liabilities, including their exposure to public sector agencies. While banks are reported to remain compliant with regulatory limits, foreign currency loans, particularly to public sector entities (Figures 6) are not fully matched by foreign currency deposits (particularly on the balance sheets of the biggest banks). The CBE also plans to strengthen transparency and communication of financial sector issues, including by making better efforts to ensure all public reporting such as the annual financial stability report is done on a predictable schedule and without excessive lags.[8] Meanwhile, the CBE's regulatory stress tests reportedly point to adequate capital and liquidity buffers under large, combined exchange rate and interest rate shocks. To continue testing the resilience of banks, the CBE will complete stress tests of the banking sector and share detailed results with IMF staff by end-September 2024 using end-March 2024 data; these tests will be prepared in consultation with IMF staff (*structural benchmark*).

31. Strengthening governance practices and competition in the banking sector remains a key financial sector policy priority. The large presence of state-owned banks in the financial sector requires robust governance practices to safeguard financial health of the banking system, ensure a robust market-based transmission mechanism for monetary policy, and promote competition by levelling the playing field with private banks. To this end, the CBE will commission an independent assessment of policies, procedures, and controls of state-owned banks (with CBE and IMF input and agreement on terms of reference) by an internationally recognized firm, with the tendering and selection process completed by end-October 2024 (*proposed new structural benchmark*).

D. Structural Reform Policies

The policy focus is on implementing structural measures to advance implementation of the state-ownership policy including measures to put it on a stronger legal footing, level the playing field among economic agents, reduce the state's economic footprint and thereby provide more room for private sector growth, and improve the business climate.

32. The authorities' structural reform agenda is centered on implementation of the State-Ownership Policy (SOP) as a key anchor of program reforms going forward. The authorities sent draft legislation to parliament to give key elements of the SOP the force and durability of law, including the creation of unit in the Prime Minister's office with the powers to establish guidelines for the governance of state-owned enterprises and to facilitate divestment. They aim to secure passage of the legislation before the end of calendar year 2024, and in the interim, will lay the groundwork to establish the central unit. The authorities are also making good progress in developing an indicator to monitor implementation of the SOP (*structural benchmark*), which, starting from the next review, would provide a way to give better visibility to this critical agenda. Potential elements of the indicator could include changes in the share of private sector investment and private sector credit to total investment and total

[8] The 2023 Financial Stability Report is currently under compilation and will be published towards the end of calendar year 2024.

credit, respectively, and another indicator that reports divestment progress from state-owned enterprises operating in non-strategic sectors as defined in the SOP.

33. Transparency of state-owned enterprise (SOE) activities is critical to achieving the program objective to level the playing field. Greater transparency on SOE sectoral presence, financial situation, and financial relations with the government, allows potential investors to better assess the attractiveness of investing in a sector. The authorities continue to expand and refine their internal database on SOEs, which covers about 80 percent of the known SOEs, and will eventually include all SOEs covered by the state-ownership policy. The database will be a key source for preparation of an aggregate annual report by end-September 2024 (*structural benchmark).* The authorities have also taken steps toward meeting a forthcoming structural benchmark on the publication of SOE procurement activities. Moreover, the authorities plan to publish an annual report containing an evaluation of each divestment undertaken in FY2023/24 as envisaged in the SOP.

34. Divestment plays an import role in reducing the state's footprint. The authorities have started to implement a more strategic sectoral approach to divestment, based on advice from the International Finance Corporation (IFC). Specifically, they are taking steps to enhance the attractiveness of aviation, banking, insurance, and telecommunications sectors and thereby the SOEs in those sectors to potential investors. While the strategic approach unfolds, the authorities are continuing efforts to sell previously identified assets. In FY2023/24, the authorities finalized divestment deals worth US$2.2 billion, of which US$2 billion had been captured in the CBE's FX reserves by end-April 2024.

35. The authorities also reaffirmed their commitment to secure the total dollar inflows from divestment envisaged at the time of program approval. For FY2024/25, the environment for divestment has improved due to greater clarity around the authorities' policy direction, including more certainty for foreign investors in their ability access foreign exchange to repatriate dividends. However, the uncertain geopolitical situation in the region and tight global financing conditions could restrain investor interest. The authorities are progressing on negotiations to secure the program assumption of US$3.6 billion in dollar inflows from divestment, plus another 0.5 percent of GDP in additional divestment flows either denominated in EGP or USD.

36. Efforts to strengthen the business climate continue. The authorities published earlier this year the Executive Regulations implementing the amendment to the Competition Law that was passed in December 2022. The amendment empowered the Egyptian Competition Authority (ECA) to control mergers that would limit, restrict, or harm the freedom of competition. It also strengthens the ECA's ability to undertake impartial analysis of commercial activity and enforce related decisions including those concerning government's divestment efforts and the impact that such transactions might have on competition protection. The ECA has redrafted amendments to the competition law, which were initially submitted to Parliament in 2019, to align the independence of the ECA with the independence of other regulators with comparable mandates including the CBE and the Financial Regulatory Authority (FRA). The redraft also addresses constitutional concerns about the ability of the ECA to issue direct administrative sanctions. The amendments are currently undergoing a peer review coordinated through the United Nations Conference on Trade and Development and the authorities have committed to submit the amendments to parliament by end-October 2024 (*proposed structural* *benchmark*). Finally, to improve the business environment, the authorities will take a more risk-based approach to customs clearance by:

- introducing a "Green Lane" where a percentage of the cargo associated with low risk and compliant companies will be released immediately without any controls (proposed new structural benchmark); and

- integrating risk-based control between Customs Authority, Export and Import Control Authority, National Food Safety Authority, Agricultural and Veterinary Quarantines to reduce the number of containers needed to be inspected and thus, reduce the clearance procedures and time of goods in ports (proposed new structural benchmark).

EXTENDED FUND FACILITY PROGRAM MODALITIES

37. The Fund-supported program is fully financed. The total financing needed to reach the revised net international reserve targets is US$7.7 billion and US$6.8 billion for FY2023/24 and FY2024/25, respectively, excluding IMF purchases (Table 11). The authorities have secured firm financing commitments for the next 12 months from international partners to close the gap and there are good prospects of adequate financing for the reminder of the program period. Assurances also remain in place that US$19 billion of official deposits from Arab countries at the CBE will not be withdrawn until after the expiration of the EFF arrangement in September 2026 unless they are used for the purchase of equities, with the FX proceeds of such sales of equity expected to remain in CBE's foreign reserve assets. The divestment strategy will continue to provide external financing, but with a more backloaded profile. The projected asset sales are US$2.8 billion and US$3.6 billion for FY2023/24 and FY2024/25, respectively. Divestment in FY2023/24 is highly likely to fall short of projections, but the authorities are committed to making up the difference during the program period to achieve the full divestment envelope of about US$8.7 billion established at the time of program approval. With several Gulf Cooperation Council (GCC) partners having publicly communicated their support for Egypt's reform program, financing from the European Union, the World Bank and other international partners, a substantial pipeline of identified state assets (i.e., the authorities have publicly indicated that over 200 SOEs are available for divestment), and with smaller financing gaps in the outer years, staff assesses that there are good prospects for the remainder of the arrangement to be fully financed, including through multilateral support, additional external issuances, and larger policy adjustments if needed.

38. The authorities have requested a modification of program conditionality to reflect recent developments and to maintain reform momentum. The QPCs for end-June 2024 on NIR and the primary balance and QPCs for end-December 2024 on NIR and CBE lending to government agencies are proposed to be revised in light of recent developments and new information. The QPC on the budget sector's primary balance would be updated, mainly due to the change in the exchange rate assumption for converting FX-denominated divestment proceeds into EGP equivalent, while the changes to the QPC on NIR reflect higher-than-anticipated portfolio flows since completion of the 1st and 2nd reviews (in addition to new preliminary BOP outturns for FY23/24: Q3 and GIR and NIR data as of end-April 2024).[9] Further, the continuous QPC on the balance of CBE lending to public agencies excluding the MOF would be updated to reflect the latest plan and commitment by the authorities to reduce it over time. Finally, the MPCC upper outer band for end-December 2024 would be lowered relative to the previous review to maintain ambition in ensuring policy settings that are consistent with a continued decline in inflation. The fourth review is expected to be completed on or after September 15, 2024, and the fifth review is expected to be completed on or after March 15, 2025, based on end-June 2024 and end-December 2024 performance criteria, respectively.

39. The authorities have requested several changes to structural benchmarks in the program, including adding six new benchmarks—the majority focused on structural reforms. A firm commitment by the authorities to reach cost recovery levels for retail fuel prices by December 2025 would temporarily replace application of the retail fuel indexation mechanism in the related structural benchmark. The structural benchmark on CBE recapitalization would be rephased from end-April 2024 to end-August 2024 and modified to be more specific about the benchmark requirements. The structural benchmark on publishing CAO audits of fiscal accounts would be rephased from end-March 2024 to end-November 2024 and modified to be more specific about the benchmark requirements. The structural benchmark on publication of procurement contracts by SOEs would be modified to indicate the entity websites on which the reports will be published. The structural benchmark on bank stress tests would be modified to be more specific about the benchmark requirements. Staff proposes six new structural benchmarks (Table 2 of the MEFP) including an independent risk management assessment of state-owned banks, publication of household income survey, publication of the CAO audit of the FY2022/23 fiscal accounts, and two benchmarks on customs. Staff proposes to add a data requirement on reporting of guarantees.

40. Capacity to repay the Fund is adequate but subject to risks and contingent on full program implementation and the materialization of all projected financing. Egypt is the Fund's second largest exposure in the General Resources Account. Fund credit outstanding as a share of gross international reserves is projected to reach 34 percent in FY2023/24 and decline by the end of the Fund-supported program, as repayments are made on credit outstanding under the 2016 Extended Fund Facility, the 2020 Rapid Financing Instrument, and the 2020 Stand-By Arrangement. Fund obligations as a share of gross reserves and of exports are expected to peak at 13 percent and at 10 percent, respectively, in FY2024/25 (See Table 10). Egypt's stock of gross and net international reserves exceeds its obligations to the Fund, providing a buffer for repayments. Moreover, the composition of reserves has improved with the conversion of US$11 billion in UAE dollar deposits at the central bank into EGP-equivalent deposits. More generally, improvements in the fiscal and external positions are expected to ensure Egypt's market access—a narrowing of sovereign spreads has been already observed—and adequate capacity to repay.

[9] As per the TMU, and upward adjustor to the NIR applies to any flow T-bills denominated in local currency held by non-residents above program projections (by 50 percent of the excess), with a one-month lag. The lag is aimed to provide sufficient time for the CBE to respond to these deviations. Hence, the surge in T-bills held by non-residents observed in March 2024 is not captured by the NIR adjustor for this review, but it affects future program targets as it resulted in a higher projection for net portfolio flows for the quarter that ends in June 2024, and a resulting increase in the NIR targets for the end-June 2024 test date, and subsequent targets, relative to the 1st and 2nd reviews.

Risks that could affect capacity to repay include a significant structural decline in Suez Canal receipts, policy slippages that could lead to higher trade deficits and disruptive capital outflows, and materialization of significant contingent liabilities from state-owned enterprises.

41. Enterprise risks stem from the size of credit exposure and risks to program implementation. Financial risk to the Fund is expected to decline gradually as overall exposure will decrease over the medium term. On the business side, the program attempts to tackle long-standing structural challenges such as sustaining a flexible exchange rate system and delivering a withdrawal of the state—broadly defined—from economic activity to allow the private sector to flourish. This will remain a challenging aspect of the program, and failure to advance on the structural reform agenda to boost growth within the remainder of the program horizon would generate reputational risks to the EFF arrangement, even if it succeeds in delivering economic stabilization.

42. Safeguards assessment. Further progress is needed on implementation of the 2023 safeguards assessment recommendations. The commitment to conduct a more comprehensive assessment of the CBE's recapitalization needs should be coupled with full implementation of Egyptian Accounting Standards (EAS). In addition, other outstanding safeguards recommendations, including establishing an agreement that regularizes the use of the 2021 SDR allocation for fiscal purposes should be implemented.

STAFF APPRAISAL

43. The strengthened reform package underlying the EFF-supported program is beginning to yield positive results. The unification of the exchange rate together with the accompanying monetary policy tightening have curtailed speculation, brought in foreign inflows, and have moderated price growth, with inflation falling in March, April, and May and reaching its lowest since January 2023. Borrowing terms have improved in recent T-bill auctions. The proceeds from the Ras El-Hekma deal have facilitated a significant reduction in the overdraft facility at the CBE to legal limits and a significant boost to gross reserves. Private sector growth should be poised for a rebound, even if available data still points to weakness in activity.

44. Current policy settings are appropriate. Following hikes in key policy rates by a cumulative 800 basis points in 2024: Q1, the current monetary stance remains appropriate to place inflation on a declining trend. A tight monetary policy will remain necessary to ensure a sustained decline in underlying inflation. The purchase of proceeds from the Ras El-Hekma transaction for the purposes of reserve accumulation have been fully sterilized. Fiscal tightening continues, albeit currently tilted toward non-interest expenditure adjustment. Central to achieving consistency in the macroeconomic policy mix, the process established under Prime Ministerial Decree 739 of 2024 for establishing a more comprehensive management of the overall public investment portfolio is moving ahead, with the first submission by all public entities outlining projected investment for FY2024/25 as planned in April.

45. As stressed conditions have receded, the authorities' commitment to strengthening the public debt management function and overhauling government borrowing is welcome. The main structural and operational reforms would target the institutional setup of debt management, the regulatory setup, domestic debt market development, and better debt reporting and investor relations. Near term priorities – operationalizing the revised Primary Dealership setup by end-September 2024 and updating and publishing by December 2024 a medium-term debt management strategy—are achievable. Prioritizing domestic financing via market mechanisms (auctions), effectively phasing out of the short-term recourse to private placements and limiting recourse to the overdraft facility at the CBE to within the statutory limit will significantly improve the quality and transparency of the financing mix.

46. New forward-looking commitments in the financial sector intend to boost financial stability. The financial sector has shown resilience to macroeconomic shocks, including to the needed sharp adjustments in the exchange rate and policy rates. A near-term stress test of the banking sector will enable banks to properly anticipate and mitigate future risks. A comprehensive forward-looking assessment of CBE recapitalization needs is needed to inform a recapitalization plan that considers both the central bank balance sheet soundness—thus ensuring the ability to deliver on a sustained decline in inflation—and the government's debt management strategy. The commitment to commission an independent assessment of state banks' policies, procedures, and controls by an internationally recognized firm will help enhance governance practices and economic outcomes in the state-dominated banking sector.

47. Efforts to bolster the legal framework around the implementation of the state-ownership policy are welcome. The authorities have sent draft legislation to parliament to embed key elements of the state-ownership policy into law, in part through legislating the creation of unit in the Prime Minister's office with the powers to establish guidelines for the governance of state-owned enterprises and to facilitate divestment. Work is progressing on developing an indicator to track implementation of the state-ownership policy, to be delivered at the next review, which should allow for transparent monitoring of progress in this critical area.

48. Looking forward, delivering on the pillars of the program and shoring up EGPC's financial position will continue to require significant political effort. Moving forward with an ambitious VAT reform in November is crucial to avoiding the risk of a largely expenditure-based consolidation and compromising the domestic revenue mobilization goals of the program. More ambitious tax reforms may also be necessary to meet program objectives. Near-term tangible deliverables on commitments to leveling the playing field and reducing the role of the state will be needed to enhance the credibility of the structural reform agenda. In light of the importance of reducing fiscal financing needs, priority should be given to channeling more public resources to this effort—these resources could come from decisions to increase the share of divestment proceeds going to the Treasury but also from redirecting own resources of public sector entities to meet such priority needs. A strong plan of action will be needed to mitigate significant fiscal risks associated with SOEs in the energy sector, especially EGPC. While the authorities are confident that their reform plans, especially the planned restoring retail fuel prices to their cost recovery levels by December 2025, will strengthen the financial position of EGPC, further efforts will be needed to limit operational losses, improve the commercial orientation of SOEs in the energy sector, and strictly limit excessive recourse to government guarantees.

49. Staff supports the authorities' requests for waivers of nonobservance and applicability of QPC and recommends completion of the required monetary policy consultation and the completion of the third review under the EFF arrangement. The nonobservance of the weekly criterion on overdraft borrowing between April 18 and May 23 was temporary and corrective action has been taken. Staff supports the request for waivers of applicability of the end-June QPCs on net international reserve and primary fiscal balance as the data to assess performance on these QPCs would not be available by the time of the Board meeting in early July, and there is no evidence that these QPCs would not be met and program performance appears to be broadly on track. The attached Letter of Intent (LOI) and MEFP present a strong set of policies and the authorities' commitment to pursue the objectives of the strengthened Fund-supported program.

Table 1. Egypt: Selected Macroeconomic Indicators, 2019/20–2028/29 1/

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output and prices						(percent change)						
Real GDP	3.6	3.3	6.7	*4.0*	3.8	*3.0*	2.7	4.1	5.1	5.1	5.6	5.6
Consumer prices (end of period)	5.6	4.9	13.2	*14.8*	35.7	*32.1*	29.3	14.9	12.3	8.4	7.1	6.4
Consumer prices (period average)	5.7	4.5	8.5	*15.8*	24.4	*32.5*	33.7	21.2	13.5	10.2	7.7	6.6
Public finances 2/						(percent of GDP)						
Gross debt, general government 3/	86.2	89.9	88.5	*88.3*	95.9	*96.4*	90.5	82.8	77.5	71.8	66.5	61.3
External	18.0	19.0	19.5	*22.1*	25.1	*31.0*	26.1	21.3	18.4	16.0	14.9	13.7
Domestic	68.3	70.9	69.0	*66.2*	70.8	*65.4*	64.4	61.6	59.1	55.7	51.7	47.7
Gross debt, general government 4/	84.1	88.4	87.2	…	…	…	…	…	…	…	…	…
Budget sector 5/						(percent of GDP)						
Revenue and grants 9/	15.9	16.6	16.9	*16.9*	15.4	*15.3*	14.6	15.4	16.9	18.4	18.7	18.5
Expenditure (incl. net acquisition of financial assets)	23.4	23.7	23.1	*24.8*	21.4	*21.7*	21.7	24.6	23.8	22.7	21.6	20.2
Of which: Energy subsidies	0.3	0.3	0.8	*1.0*	1.3	*1.8*	1.5	1.2	0.7	0.6	0.5	0.3
Overall balance 6/	-7.5	-7.1	-6.2	*-7.8*	-6.0	*-6.3*	-7.1	-9.2	-6.8	-4.3	-2.9	-1.7
Overall balance, excl. grants 7/	-7.6	-7.1	-6.2	*-7.8*	-6.1	*-6.3*	-7.1	-9.2	-6.9	-4.3	-2.9	-1.7
Primary balance including divestment proceeds	1.7	1.4	1.3	*1.7*	1.6	*7.1*	6.2	4.5	5.2	5.5	5.5	5.5
Primary balance				*1.6*	*1.6*	*2.1*	*2.2*	*3.5*	*4.5*	*5.0*	*5.0*	*5.0*
Monetary sector						(percent change)						
Credit to the private sector	19.5	20.5	24.3	*18.0*	25.4	*30.0*	33.9	28.0	18.0	18.0	23.1	24.1
Real credit to the private sector	9.3	14.0	18.5	4.3	10.9	-4.2	-1.3	-1.0	2.7	5.1	13.5	15.8
Reserve money	25.1	15.4	20.8	*23.1*	28.2	*12.6*	18.4	24.1	17.7	17.6	23.1	17.4
Broad money (M2)	17.5	18.0	23.5	*30.4*	24.7	*38.6*	32.1	21.5	15.5	13.5	15.2	17.0
Policy rate (end of period, in percent)	9.25	8.25	11.25	…	18.25		…	…	…	…	…	…
External sector					(percent of GDP, unless otherwise indicated)							
Exports of goods (in US$, percentage change)	-7.4	8.7	53.1	*15.5*	-9.8	*-16.3*	-17.7	10.0	9.3	10.6	9.5	8.0
Imports of goods (in US$, percentage change)	-5.5	12.6	23.4	*3.1*	-18.9	*2.2*	2.0	3.0	13.7	12.0	12.7	11.2
Merchandise trade balance	-9.5	-9.9	-9.1	*-9.3*	-7.9	*-11.3*	-10.4	-10.8	-11.2	-11.2	-11.5	-11.6
Current account	-2.9	-4.4	-3.5	*-3.0*	-1.2	*-6.3*	-6.5	-4.9	-4.0	-3.6	-3.8	-3.9
Capital and financial account (incl. errors and omissions)	-0.3	4.1	1.3	*3.3*	1.0	*8.7*	9.2	4.7	4.3	4.0	4.9	5.2
Foreign direct investment (net, in billions of US$)	7.1	4.8	8.6	*9.7*	9.7	*32.2*	32.2	10.8	14.9	16.4	18.5	20.1
Of which: from Ras El-Hekma	…	…	…	…	…	*0.0*	24.0	5.0	5.0	5.0	5.0	5.0
External debt 8/	32.3	32.6	32.8	*35.8*	41.8	*43.0*	37.9	40.7	34.7	29.8	27.0	24.7
Gross international reserves (in billions of US$)	37.2	39.4	31.5	*37.1*	32.8	*42.8*	43.8	47.2	50.6	54.5	59.6	66.5
In months of next year's imports of goods and services	6.0	6.8	3.1	*3.7*	5.3	*7.3*	7.7	7.2	6.8	6.4	6.1	6.0
In percent of short-term external debt	172.4	83.6	55.1	*60.5*	55.7	*69.4*	74.7	81.4	86.2	93.8	102.6	114.5
Memorandum items:												
Nominal GDP (in billions of Egyptian pounds)	6,153	6,663	7,843	*9,545*	10,157	*13,859*	13,862	17,673	21,142	24,421	27,693	31,097
Unemployment rate (period average, percent)	8.3	7.3	7.3	…	7.2	…	…	…	…	…	…	…
Population (in millions)	100.6	102.1	103.6	*106.2*	105.2	*107.8*	107.8	109.9	112.1	114.4	116.7	119.0

Sources: Egyptian authorities; and IMF staff estimates and projections.
1/ Fiscal year ends June 30.
2/ General government includes the budget sector, the National Investment Bank (NIB), and social insurance funds.
3/ As defined in the program.
4/ Ministry of Finance financial statements audited by the State Audit Agency in line with the Government Accounting Law.
5/ Budget sector comprises central government, local governments, and some public corporations.
6/ Accrued interest expense is not included in the overall balance through FY2022/23 as per the authorities' presentation, while it is included in the overall balance from FY2023/24 onwards as in GFSM 2014.
7/ Includes multilateral and bilateral public sector borrowing, private borrowing and prospective financing.
8/ Debt at remaining maturity and stock of foreign holding of T-bills.
9/ In FY2023/24, a \portion of the decrease in revenue and grants is related to lower self-financed investment projects. The financing associated with such projects is a component of non-tax revenue.

Table 2a. Egypt: Balance of Payments, 2019/20–2028/29

(In billions of US$, unless otherwise indicated)

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
						1st and 2nd						
				Prog.		review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account	-11.2	-18.4	-16.6	-12.6	-4.7	-21.8	-25.0	-17.6	-16.0	-16.6	-19.9	-22.9
Balance on goods and services	-27.5	-36.9	-32.2	-30.9	-9.2	-22.2	-22.1	-19.8	-22.7	-27.4	-32.7	-37.3
Exports of goods and services	47.7	44.7	70.8	76.4	74.2	62.6	63.3	67.6	76.8	84.6	94.1	104.0
Imports of goods and services	-75.2	-81.6	-103.1	-107.3	-83.4	-84.8	-85.4	-87.4	-99.5	-112.0	-126.8	-141.2
Trade balance	-36.5	-42.1	-43.4	-39.3	-31.2	-39.2	-39.6	-38.5	-45.4	-51.3	-59.2	-67.4
Oil and gas	-0.4	0.0	4.4	9.5	0.4	-3.5	-5.5	-1.3	-1.2	-1.2	-1.1	-1.0
Other	-36.0	-42.1	-47.8	-48.8	-31.6	-35.7	-34.1	-37.2	-44.1	-50.2	-58.1	-66.4
Exports of goods	26.4	28.7	43.9	50.7	39.6	33.2	32.6	35.9	39.2	43.4	47.5	51.3
Oil and gas	8.5	8.6	18.0	23.5	13.8	6.7	6.5	9.4	9.3	9.2	8.9	8.6
Other	17.9	20.1	25.9	27.3	25.8	26.5	26.2	26.5	29.9	34.2	38.6	42.7
Imports of goods	-62.8	-70.7	-87.3	-90.0	-70.8	-72.4	-72.2	-74.4	-84.6	-94.7	-106.7	-118.7
Oil and gas	-8.9	-8.6	-13.5	-14.0	-13.4	-10.1	-12.0	-10.7	-10.5	-10.4	-10.0	-9.6
Other	-53.9	-62.1	-73.8	-76.0	-57.4	-62.3	-60.2	-63.7	-74.1	-84.3	-96.7	-109.1
Of which: from Ras El-Hekma	...	...	...	...	...	...	0.0	-1.7	-3.3	-3.3	-3.3	-3.3
Services (net)	9.0	5.1	11.2	8.4	21.9	17.0	17.5	18.7	22.7	24.0	26.5	30.1
Receipts	21.3	16.0	26.9	25.7	34.6	29.5	30.7	31.8	37.6	41.3	46.6	52.7
Of which: Tourism receipts	9.9	4.9	10.7	11.3	13.6	12.0	14.2	14.3	16.6	18.9	21.4	24.5
Of which: Suez canal receipts	5.8	5.9	7.0	7.4	8.8	6.8	6.7	7.3	10.0	10.2	12.0	13.7
Payments	-12.3	-10.9	-15.8	-17.3	-12.6	-12.5	-13.2	-13.1	-14.9	-17.3	-20.1	-22.6
Of which : Transportation	-2.1	-1.8	-3.0	-3.1	-2.8	-3.0	-3.0	-3.2	-3.8	-4.3	-5.0	-5.6
Of which: Travel	-3.2	-2.7	-4.5	-5.5	-5.0	-4.4	-5.1	-4.3	-2.3	-3.3	-4.5	-4.5
Primary income (net)	-11.4	-12.4	-15.8	-15.5	-17.3	-22.6	-24.4	-22.2	-20.2	-19.8	-21.5	-23.5
Receipts	0.9	0.6	1.0	1.5	2.1	1.9	2.1	2.1	2.4	2.7	3.0	3.4
Payments	-12.3	-13.0	-16.8	-17.0	-19.5	-24.5	-26.5	-24.4	-22.6	-22.5	-24.6	-26.9
Transfers	27.7	30.9	31.4	33.8	21.8	23.0	21.5	24.5	27.0	30.6	34.4	38.0
Official grants	0.2	-0.3	-0.3	-0.3	-0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Private remittances	27.5	31.2	31.7	34.0	21.9	23.1	21.5	24.4	26.9	30.5	34.3	37.9
Capital and financial account	-0.3	20.4	11.8	13.8	7.2	29.1	33.8	16.6	17.2	18.5	25.1	30.4
Capital account	-0.2	-0.2	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-0.1	20.5	11.9	13.8	7.3	29.1	33.9	16.6	17.2	18.5	25.1	30.4
Medium- and long-term loans and supplier credit (net)	-0.2	3.5	1.5	-1.2	2.4	3.6	4.7	1.3	1.1	0.5	0.7	2.8
Drawings	2.5	6.6	7.6	6.8	5.7	7.1	8.2	7.6	6.7	6.7	6.4	6.5
Amortization	2.7	3.1	6.2	8.1	3.3	3.5	3.5	6.3	5.6	6.2	5.7	3.7
FDI (net)	7.1	4.8	8.6	9.7	9.7	32.2	32.2	10.8	14.9	16.4	18.5	20.1
Of which Ras El-Hekma	...	...	...	...	...	0.0	24.0	5.0	5.0	5.0	5.0	5.0
Portfolio investment (net)	-8.1	18.0	-21.1	6.1	-4.1	0.4	14.9	6.5	5.0	6.2	6.4	7.8
Commercial banks' NFA	6.7	-3.5	13.5	-0.2	5.2	-4.7	-16.1	-0.1	-4.2	-4.5	-0.5	-0.4
Incurrance of CBE foreign liabilities 1/	-0.1	-2.7	15.7	0.0	0.3	-1.2	-0.9	-2.0	0.0	0.0	0.0	0.0
Short-term supplier credit	-2.0	1.5	-2.9	1.0	0.0	0.7	0.4	1.6	1.6	1.2	1.5	1.4
Other	-3.4	-1.0	-3.3	-1.7	-6.2	-1.8	-1.4	-1.5	-1.3	-1.3	-1.3	-1.3
Errors and omissions (net)	-0.8	-3.1	-5.8	0.0	-3.3	1.3	1.3	0.0	0.0	0.0	0.0	0.0
Overall balance	-12.4	-1.1	-10.5	1.2	-0.8	8.6	10.1	-0.9	1.2	1.9	5.3	7.5
Financing	12.4	0.8	10.5	-7.3	-2.2	-16.4	-18.6	-9.2	-6.4	-5.7	-6.5	-8.0
Reserves ("-" indicates increase)	6.6	-2.2	11.2	-6.0	-4.8	-12.0	-15.0	-3.4	-3.3	-4.0	-5.1	-6.9
Other below the line adjustments 2/	0.0	0.0	0.0	0.0	3.9	0.1	0.8	0.0	0.0	0.0	0.0	0.0
Net use of IMF resources	6.8	3.0	-0.7	-1.3	-1.3	-4.5	-4.5	-5.8	-3.1	-1.7	-1.4	-1.1
Other financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	6.1	3.0	7.8	8.5	10.1	5.2	3.8	1.2	0.5
Extended Fund Facility	0.0	0.0	0.0	0.7	0.3	1.6	0.8	3.3	2.5	1.2	0.0	0.0
Other prospective financing	0.0	0.0	0.0	5.4	2.6	6.2	7.7	6.8	2.7	2.6	1.2	0.5
Memorandum items:												
Current account excluding grants	-11.4	-18.2	-16.3	-12.3	-4.7	-21.8	-25.0	-17.6	-16.0	-16.6	-19.9	-22.9
Terms of trade (percent change)	-5.2	2.7	10.3	2.8	1.8	-1.8	-1.8	-0.6	-1.4	-0.8	-0.8	-0.8
Gross international reserves	37.2	39.4	31.5	37.1	32.8	42.8	43.8	47.2	50.6	54.5	59.6	66.5
Gross intl. reserves & FX deposits in domestic banks 3/	40.8	49.6	32.4	38.4	37.2	49.2	52.2	55.6	58.9	62.9	68.0	74.9
In months of next year's imports of G&S	6.0	6.8	3.1	3.7	5.3	7.3	7.7	7.2	6.8	6.4	6.1	6.0
In percent of ARA metric (floating)	102	85	65	73	80	115	117	118	119	121	122	123
External debt	123.5	137.9	155.7	151.2	164.7	149.4	144.9	145.4	140.0	136.0	139.2	142.9
External debt service	16.1	15.4	24.5	25.0	24.7	32.0	33.7	58.6	53.5	48.9	48.7	48.4
External debt service (in percent of exports of GNFS)	33.8	34.5	34.6	32.6	33.2	51.1	53.2	86.6	69.7	57.8	51.8	46.5
Stock of external arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real effective exchange rate (period average, percentage change)	16.0	2.1	2.2	...	-22.1	...	...	...	...	...	...	...

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

1/ Includes foreign official creditors' deposits at the CBE and the 2021 SDR allocation.

2/ This line includes changes in gold valuation and a statistical correction for program purposes; eliminates transfers from Tier 1 to Tier 2 from errors and omissions.

3/ End of period.

Table 2b. Egypt: Balance of Payments, 2019/20–2028/29
(In percent of GDP, unless otherwise indicated)

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account	-2.9	-4.4	-3.5	*-3.0*	-1.2	*-6.3*	-6.5	-4.9	-4.0	-3.6	-3.8	-3.9
Balance on goods and services	-7.2	-8.7	-6.8	*-7.3*	-2.3	*-6.4*	-5.8	-5.5	-5.6	-6.0	-6.3	-6.4
Exports of goods and services	12.5	10.6	14.9	*18.1*	18.8	*18.0*	16.6	18.9	19.0	18.5	18.2	17.9
Imports of goods and services	-19.6	-19.3	-21.7	*-25.4*	-21.2	*-24.4*	-22.3	-24.5	-24.6	-24.5	-24.6	-24.4
Trade balance	-9.5	-9.9	-9.1	*-9.3*	-7.9	*-11.3*	-10.4	-10.8	-11.2	-11.2	-11.5	-11.6
Oil and gas	-0.1	0.0	0.9	*2.2*	0.1	*-1.0*	-1.4	-0.4	-0.3	-0.3	-0.2	-0.2
Other	-9.4	-9.9	-10.1	*-11.6*	-8.0	*-10.3*	-8.9	-10.4	-10.9	-11.0	-11.3	-11.5
Exports	6.9	6.8	9.2	*12.0*	10.1	*9.5*	8.5	10.0	9.7	9.5	9.2	8.9
Oil and gas	2.2	2.0	3.8	*5.6*	3.5	*1.9*	1.7	2.6	2.3	2.0	1.7	1.5
Other	4.7	4.7	5.5	*6.5*	6.6	*7.6*	6.8	7.4	7.4	7.5	7.5	7.4
Imports	-16.4	-16.7	-18.4	*-21.3*	-18.0	*-20.8*	-18.9	-20.8	-20.9	-20.8	-20.7	-20.5
Oil and gas	-2.3	-2.0	-2.9	*-3.3*	-3.4	*-2.9*	-3.1	-3.0	-2.6	-2.3	-1.9	-1.7
Other	-14.1	-14.7	-15.5	*-18.0*	-14.6	*-17.9*	-15.8	-17.8	-18.3	-18.5	-18.7	-18.8
Of which: from Ras El-Hekma	…	…	…	…	…	…	0.0	-0.5	-0.8	-0.7	-0.6	-0.6
Services (net)	2.3	1.2	2.3	*2.0*	5.6	*4.9*	4.6	5.2	5.6	5.3	5.1	5.2
Receipts	5.6	3.8	5.7	*6.1*	8.8	*8.5*	8.0	8.9	9.3	9.0	9.0	9.1
Of which: Tourism receipts	2.6	1.1	2.3	*2.7*	3.5	*3.5*	3.7	4.0	4.1	4.1	4.1	4.2
Of which: Suez canal dues	1.5	1.4	1.5	*1.8*	2.2	*2.0*	1.7	2.0	2.5	2.2	2.3	2.4
Payments	-3.2	-2.6	-3.3	*-4.1*	-3.2	*-3.6*	-3.5	-3.7	-3.7	-3.8	-3.9	-3.9
Of which: Transportation	-0.5	-0.4	-0.6	*-0.7*	-0.7	*-0.9*	-0.8	-0.9	-0.9	-0.9	-1.0	-1.0
Of which: Travel	-0.8	-0.6	-0.9	*-1.3*	-1.3	*-1.3*	-1.3	-1.2	-0.6	-0.7	-0.9	-0.8
Primary income (net)	-3.0	-2.9	-3.3	*-3.7*	-4.4	*-6.5*	-6.4	-6.2	-5.0	-4.3	-4.2	-4.1
Receipts	0.2	0.1	0.2	*0.4*	0.5	*0.5*	0.5	0.6	0.6	0.6	0.6	0.6
Payments	-3.2	-3.1	-3.5	*-4.0*	-4.9	*-7.1*	-6.9	-6.8	-5.6	-4.9	-4.8	-4.6
Transfers	7.2	7.3	6.6	*8.0*	5.5	*6.6*	5.6	6.8	6.7	6.7	6.7	6.6
Official grants	0.1	-0.1	-0.1	*-0.1*	0.0	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Private remittances	7.2	7.4	6.7	*8.1*	5.6	*6.6*	5.6	6.8	6.7	6.7	6.6	6.5
Capital and financial account	-0.1	4.8	2.5	*3.3*	1.8	*8.4*	8.8	4.7	4.3	4.0	4.9	5.2
Capital account	-0.1	0.0	0.0	*0.0*	0.0	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	0.0	4.9	2.5	*3.3*	1.8	*8.4*	8.9	4.7	4.3	4.0	4.9	5.2
Medium- and long-term loans and supplier credit (net)	0.0	0.8	0.3	*-0.3*	0.6	*1.0*	1.2	0.4	0.3	0.1	0.1	0.5
Drawings	0.7	1.6	1.6	*1.6*	1.4	*2.0*	2.1	2.1	1.7	1.5	1.2	1.1
Amortization	0.7	0.7	1.3	*1.9*	0.8	*1.0*	0.9	1.8	1.4	1.4	1.1	0.6
FDI (net)	1.9	1.1	1.8	*2.3*	2.5	*9.3*	8.4	3.0	3.7	3.6	3.6	3.5
Of which: from Ras El-Hekma	…	…	…	…	…	0.0	6.3	1.4	1.2	1.1	1.0	0.9
Portfolio investment (net)	-2.1	4.3	-4.4	*1.5*	-1.0	*0.1*	3.9	1.8	1.2	1.4	1.2	1.3
Commercial banks' NFA	1.7	-0.8	2.8	*-0.1*	1.3	*-1.4*	-4.2	0.0	-1.0	-1.0	-0.1	-0.1
Incurrance of CBE foreign liabilities 1/	0.0	-0.6	3.3	*0.0*	0.1	*-0.4*	-0.2	-0.6	0.0	0.0	0.0	0.0
Short-term supplier credit	-0.5	0.4	-0.6	*0.2*	0.0	*0.2*	0.1	0.4	0.4	0.3	0.3	0.2
Other	-0.9	-0.2	-0.7	*-0.4*	-1.6	*-0.5*	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2
Errors and omissions (net)	-0.2	-0.7	-1.2	*0.0*	-0.8	*0.4*	0.3	0.0	0.0	0.0	0.0	0.0
Overall balance	-3.2	-0.3	-2.2	*0.3*	-0.2	*2.5*	2.6	-0.3	0.3	0.4	1.0	1.3
Financing	3.2	0.2	2.2	*-1.7*	-0.5	*-4.7*	-4.9	-2.6	-1.6	-1.2	-1.3	-1.4
Reserves ("-" indicates increase)	1.7	-0.5	2.4	*-1.4*	-1.2	*-3.5*	-3.9	-1.0	-0.8	-0.9	-1.0	-1.2
Other below the line (including changes in gold valuation)	0.0	0.0	0.0	*0.0*	1.0	*0.0*	0.2	0.0	0.0	0.0	0.0	0.0
Net use of Fund resources	1.8	0.7	-0.2	*-0.3*	-0.3	*-1.3*	-1.2	-1.6	-0.8	-0.4	-0.3	-0.2
Other financing	0.0	0.0	0.0	*0.0*	0.0	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	*1.4*	0.8	*2.3*	2.2	2.8	1.3	0.8	0.2	0.1
Extended Fund Facility	0.0	0.0	0.0	*0.2*	0.1	*0.5*	0.2	0.9	0.6	0.3	0.0	0.0
Other prospective financing	0.0	0.0	0.0	*1.3*	0.7	*1.8*	2.0	1.9	0.7	0.6	0.2	0.1
Memorandum items:												
Current account excluding grants	-3.0	-4.3	-3.4	*-2.9*	-1.2	*-6.3*	-6.5	-4.9	-4.0	-3.6	-3.9	-4.0
Gross international reserves 3/	9.8	9.3	7.6	*9.7*	10.0	*17.0*	15.0	13.7	12.8	12.0	11.5	11.5
Gross intl. reserves & FX deposits in domestic banks	10.7	11.7	6.8	*9.1*	9.4	*14.2*	13.7	15.5	14.6	13.8	13.2	12.9
External debt	32.3	32.6	32.8	*35.8*	41.8	*43.0*	37.9	40.7	34.7	29.8	27.0	24.7
External debt service	4.2	3.6	5.2	*5.9*	6.3	*9.2*	8.8	16.4	13.3	10.7	9.4	8.3

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

1/ Includes foreign official creditors' deposits at the CBE and the 2021 SDR allocation.

2/ This line includes changes in gold valuation and a statistical correction for program purposes, eliminates transfers from Tier 1 to Tier 2 from errors and omissions.

3/ End of period.

Table 3a. Egypt: Budget Sector Operations, 2019/20–2028/29 1/

(In billions of Egyptian pounds, unless otherwise indicated)

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	975	1,109	1,326	*1,617*	1,564	*2,126*	2,025	2,720	3,577	4,492	5,192	5,748
Tax revenue	740	834	990	*1,232*	1,259	*1,740*	1,690	2,237	2,975	3,814	4,438	4,917
Income and property	347	394	475	*590*	641	*884*	882	1,111	1,431	1,769	2,069	2,253
Personal income tax	98	124	152	*188*	194	*269*	267	363	449	533	625	701
Corporate income tax	189	198	234	*282*	322	*423*	422	505	708	940	1,150	1,267
EGPC	26	40	30	*36*	51	*65*	72	84	101	116	132	148
Other	163	158	204	*246*	272	*358*	350	421	607	824	1,019	1,119
Property	60	72	90	*119*	125	*191*	193	243	275	295	294	285
Goods and services	330	385	454	*568*	556	*757*	714	992	1,372	1,745	2,012	2,261
Oil excises	28	23	57	*69*	37	*43*	43	55	66	76	87	97
VAT and nonoil excises	302	362	397	*499*	519	*714*	671	937	1,306	1,668	1,925	2,164
International trade	33	36	43	*52*	59	*80*	75	106	141	176	217	245
Other taxes	31	19	18	*21*	2	*19*	19	27	32	36	40	44
Nontax revenue 8/	231	272	333	*385*	300	*383*	334	479	597	674	748	825
Oil-related nontax revenue	13	18	29	*36*	35	*13*	13	11	13	15	17	19
Other nontax revenues	217	253	303	*349*	265	*370*	320	468	584	658	731	805
Grants	5	3	3	*0*	5	*2*	2	4	4	5	6	6
Expenditure	1,435	1,579	1,812	*2,375*	2,185	*3,694*	3,569	4,512	5,172	5,665	6,119	6,420
Wages and other remunerations	289	319	358	*400*	412	*470*	499	575	711	853	1,006	1,177
Purchases of goods and services	70	81	96	*126*	128	*139*	138	167	199	230	261	293
Interest 2/	568	565	585	*905*	774	*1,854*	1,850	2,413	2,555	2,403	2,323	2,238
Domestic 2/	526	518	528	*825*	666	*1,657*	1,674	2,146	2,265	2,108	2,026	1,890
External	43	48	56	*80*	108	*197*	177	267	290	294	296	349
Subsidies, grants, and social benefits	229	264	342	*416*	454	*662*	615	700	714	819	942	1,097
Energy subsidies	19	19	60	*97*	128	*256*	206	216	157	150	139	86
Of which: fuel subsidy	19	19	60	*97*	126	*254*	204	213	154	147	135	84
Food subsidies 3/	81	83	98	*118*	122	*128*	135	150	168	177	178	178
Transfer to SIF 4/	55	99	120	*127*	127	*135*	135	143	151	159	168	177
Other	75	63	65	*74*	77	*144*	139	191	238	333	457	655
Other current	87	100	113	*123*	127	*145*	139	162	194	224	254	285
Investment	192	249	318	*405*	289	*424*	327	496	799	1,136	1,333	1,329
Cash balance	-459	-470	-487	*-758*	-621	*-1,568*	-1,543	-1,792	-1,595	-1,172	-928	-672
Net acquisition of financial assets	3	2	-2	*-12*	-11	*-693*	-555	-170	-148	-124	-128	-144
Overall balance 2/	-463	-472	-485	*-746*	-610	*-876*	-989	-1,622	-1,448	-1,049	-799	-528
Financing	463	472	485	*746*	610	*876*	989	1,622	1,448	1,049	799	528
Net domestic	273	323	441	*680*	640	*1,054*	1,217	1,774	1,453	1,056	598	398
Net external	190	149	44	*66*	-30	*-179*	-229	-152	-5	-8	202	130
Memorandum items:												
Primary balance including divestment proceeds	106	93	100	*160*	164	*978*	862	791	1,107	1,354	1,523	1,710
Primary balance				*150*	164	*285*	307	620	959	1,230	1,395	1,566
Divestment proceeds flowing to the budget				*10*	N.A.	*698*	560	177	155	133	138	155
of which: from Ras El-Hekma							512					
Gross budget sector debt 5/	5,353	6,086	7,183	*8,789*	9,981	*13,725*	12,925	15,147	16,999	18,205	19,138	19,803
Gross budget sector debt 6/	5,094	5,859	6,931	*…*	9,672	*…*	…	…	…	…	…	…
Net debt 7/	4,751	5,547	6,313	*…*	8,616	*…*	…	…	…	…	…	…
Nominal GDP (in billions of Egyptian pounds)	6,153	6,663	7,843	*9,545*	10,157	*13,859*	13,862	17,673	21,142	24,421	27,693	31,097

Sources: Ministry of Finance; and IMF staff estimates.

1/ Budget sector comprises central and local governments, and some public corporations. Fiscal year ends June 30. Cash basis.

2/ Through FY2022/23, data is shown as per the authorities' presentation, whereby interest does not include accrued interest expense on T-bills and zero coupon bonds, which is instead included in non-deficit debt creating flows.

Beginning in FY2023/24, interest is defined as in GFSM 2014, and it includes accrued interest expense.

Accrued interest expense is not included in the overall balance through FY2022/23, while it is included in the overall balance beginning in FY2023/24.

3/ Food subsidies include subsidies paid to farmers.

4/ Increased transfers to the SIF starting in 2020/21 reflect impact of pension reform approved in 2019/20.

5/ As defined in the program.

6/ Ministry of Finance financial statements audited by the State Audit Agency in line with the Government Accounting Law.

7/ Difference between gross debt (authorities' financial statement basis) and budget sector deposits with commercial banks.

8/ It includes resources of budget entities to finance their own capital investments. It is budget-neutral.

Table 3b. Egypt: Budget Sector Operations, 2019/20–2028/29 1/

(In percent of GDP)

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants 8/	15.9	16.6	16.9	*16.9*	15.4	*15.3*	14.6	15.4	16.9	18.4	18.7	18.5
Tax revenue	12.0	12.5	12.6	*12.9*	12.4	*12.6*	12.2	12.7	14.1	15.6	16.0	15.8
Income and corporate tax	5.6	5.9	6.1	*6.2*	6.3	*6.4*	6.4	6.3	6.8	7.2	7.5	7.2
Personal income tax	1.6	1.9	1.9	*2.0*	1.9	*1.9*	1.9	2.1	2.1	2.2	2.3	2.3
Corporate income tax	3.1	3.0	3.0	*3.0*	3.2	*3.1*	3.0	2.9	3.3	3.9	4.2	4.1
EGPC	0.4	0.6	0.4	*0.4*	0.5	*0.5*	0.5	0.5	0.5	0.5	0.5	0.5
Other	2.6	2.4	2.6	*2.6*	2.7	*2.6*	2.5	2.4	2.9	3.4	3.7	3.6
Property	1.0	1.1	1.1	*1.2*	1.2	*1.4*	1.4	1.4	1.3	1.2	1.1	0.9
Goods and services	5.4	5.8	5.8	*6.0*	5.5	*5.5*	5.2	5.6	6.5	7.1	7.3	7.3
Oil excises	0.4	0.4	0.7	*0.7*	0.4	*0.3*	0.3	0.3	0.3	0.3	0.3	0.3
VAT and nonoil excises	4.9	5.4	5.1	*5.2*	5.1	*5.2*	4.8	5.3	6.2	6.8	7.0	7.0
International trade	0.5	0.5	0.6	*0.5*	0.6	*0.6*	0.5	0.6	0.7	0.7	0.8	0.8
Other taxes	0.5	0.3	0.2	*0.2*	0.0	*0.1*	0.1	0.2	0.1	0.1	0.1	0.1
Nontax revenue 8/	3.7	4.1	4.2	*4.0*	3.0	*2.8*	2.4	2.7	2.8	2.8	2.7	2.7
Oil-related nontax revenue	0.2	0.3	0.4	*0.4*	0.3	*0.1*	0.1	0.1	0.1	0.1	0.1	0.1
Other nontax revenues	3.5	3.8	3.9	*3.7*	2.6	*2.7*	2.3	2.6	2.8	2.7	2.6	2.6
Grants	0.1	0.0	0.0	*0.0*	0.1	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	23.3	23.7	23.1	*24.9*	21.5	*26.7*	25.7	25.5	24.5	23.2	22.1	20.6
Wages and other remunerations	4.7	4.8	4.6	*4.2*	4.1	*3.4*	3.6	3.3	3.4	3.5	3.6	3.8
Purchases of goods and services	1.1	1.2	1.2	*1.3*	1.3	*1.0*	1.0	0.9	0.9	0.9	0.9	0.9
Interest 2/	9.2	8.5	7.5	*9.5*	7.6	*13.4*	13.3	13.7	12.1	9.8	8.4	7.2
Domestic 2/	8.5	7.8	6.7	*8.6*	6.6	*12.0*	12.1	12.1	10.7	8.6	7.3	6.1
External	0.7	0.7	0.7	*0.8*	1.1	*1.4*	1.3	1.5	1.4	1.2	1.1	1.1
Subsidies, grants and social benefits	3.7	4.0	4.4	*4.4*	4.5	*4.8*	4.4	4.0	3.4	3.4	3.4	3.5
Energy subsidies	0.3	0.3	0.8	*1.0*	1.3	*1.8*	1.5	1.2	0.7	0.6	0.5	0.3
Of which: fuel subsidy	0.3	0.3	0.8	*1.0*	1.2	*1.8*	1.5	1.2	0.7	0.6	0.5	0.3
Food subsidies 3/	1.3	1.2	1.2	*1.2*	1.2	*0.9*	1.0	0.8	0.8	0.7	0.6	0.6
Transfers to SIF 4/	0.9	1.5	1.5	*1.3*	1.3	*1.0*	1.0	0.8	0.7	0.7	0.6	0.6
Other	1.2	0.9	0.8	*0.8*	0.8	*1.0*	1.0	1.1	1.1	1.4	1.7	2.1
Other current	1.4	1.5	1.4	*1.3*	1.3	*1.0*	1.0	0.9	0.9	0.9	0.9	0.9
Investment	3.1	3.7	4.1	*4.2*	2.8	*3.1*	2.4	2.8	3.8	4.7	4.8	4.3
Cash balance	-7.5	-7.1	-6.2	*-7.9*	-6.1	*-11.3*	-11.1	-10.1	-7.5	-4.8	-3.3	-2.2
Net acquisition of financial assets	0.1	0.0	0.0	*-0.1*	-0.1	*-5.0*	-4.0	-1.0	-0.7	-0.5	-0.5	-0.5
Overall balance 2/	-7.5	-7.1	-6.2	*-7.8*	-6.0	*-6.3*	-7.1	-9.2	-6.8	-4.3	-2.9	-1.7
Financing	7.5	7.1	6.2	*7.8*	6.0	*6.3*	7.1	9.2	6.8	4.3	2.9	1.7
Net domestic	4.4	4.8	5.6	*7.1*	6.3	*7.6*	8.8	10.0	6.9	4.3	2.2	1.3
Net external	3.1	2.2	0.6	*0.7*	-0.3	*-1.3*	-1.7	-0.9	0.0	0.0	0.7	0.4
Memorandum items:												
Primary balance including divestment proceeds	1.7	1.4	1.3	*1.7*	1.6	*7.1*	6.2	4.5	5.2	5.5	5.5	5.5
Primary balance				*1.6*	1.6	*2.1*	2.2	3.5	4.5	5.0	5.0	5.0
Divestment proceeds flowing to the budget				*0.1*	0.0	*5.0*	4.0	1.0	0.7	0.5	0.5	0.5
of which : from Ras El-Hekma						*4.6*	3.7					
Gross budget sector debt 5/	87.0	91.3	91.6	*92.1*	98.3	*99.0*	93.2	85.7	80.4	74.5	69.1	63.7
Gross budget sector debt 6/	82.8	87.9	88.4	…	95.2	…	…	…	…	…	…	…
Net debt 7/	77.2	83.3	80.5	…	84.8	…	…	…	…	…	…	…

Sources: Ministry of Finance; and IMF staff estimates.

1/ Budget sector comprises central and local governments, and some public corporations. Fiscal year ends June 30. Cash basis.

2/ Through FY2022/23, data is shown as per the authorities' presentation, whereby interest does not include accrued interest expense on T-bills and zero coupon bonds, which is instead included in non-deficit debt creating flows.

Beginning in FY2023/24, interest is defined as in GFSM 2014, and it includes accrued interest expense.

Accrued interest expense is not included in the overall balance through FY2022/23, while it is included in the overall balance beginning in FY2023/24.

3/ Food subsidies include subsidies paid to farmers.

4/ Increased transfers to the SIF starting in 2020/21 reflect impact of pension reform approved in 2019/20.

5/ As defined in the program.

6/ Ministry of Finance financial statements audited by the State Audit Agency in line with the Government Accounting Law.

7/ Difference between gross debt (authorities' financial statement basis) and budget sector deposits with commercial banks.

8//It includes resources of budget entities to finance their own capital investments. It is budget-neutral.

Table 4. Egypt: General Government Operations, 2019/20–2028/29 1/

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
						(In billions of Egyptian pounds)						
Revenue and grants	1,121	1,239	1,484	*1,832*	1,724	*2,431*	2,330	3,109	4,042	5,030	5,801	6,432
Tax revenue	740	834	990	*1,232*	1,259	*1,740*	1,690	2,237	2,975	3,814	4,438	4,917
Income and property	347	394	475	*590*	641	*884*	882	1,111	1,431	1,769	2,069	2,253
Personal income tax	98	124	152	*188*	194	*269*	267	363	449	533	625	701
Corporate income tax	189	198	234	*282*	322	*423*	422	505	708	940	1,150	1,267
EGPC	26	40	30	*36*	51	*65*	72	84	101	116	132	148
Other	163	158	204	*246*	272	*358*	350	421	607	824	1,019	1,119
Goods and services	330	385	454	*568*	556	*757*	714	992	1,372	1,745	2,012	2,261
Oil excises	28	23	57	*69*	37	*43*	43	55	66	76	87	97
VAT and nonoil excises	302	362	397	*499*	519	*714*	671	937	1,306	1,668	1,925	2,164
International trade taxes	33	36	43	*52*	59	*80*	75	106	141	176	217	245
Other taxes	31	19	18	*21*	2	*19*	19	27	32	36	40	44
Nontax revenue	377	402	491	*600*	460	*688*	639	868	1,062	1,211	1,357	1,509
Of which: Interest income	10	20	68	*18*	31	*32*	32	36	40	44	48	52
Grants	5	3	3	*0*	5	*2*	2	4	4	5	6	6
Expenditure	1,581	1,702	1,937	*2,527*	2,310	*3,946*	3,817	4,851	5,620	6,225	6,785	7,191
Unidentified Spending Measures 2/	0	0	0	*0*	0	*0*	0	0	0	0	0	0
Wages and other remunerations	291	295	331	*370*	380	*434*	461	531	657	787	928	1,085
Purchases of goods and services	71	88	102	*133*	128	*140*	139	168	201	232	263	295
Interest 2/	542	555	555	*853*	724	*1,776*	1,771	2,300	2,445	2,307	2,235	2,158
Domestic interest 2/	500	507	499	*773*	616	*1,579*	1,595	2,033	2,155	2,013	1,939	1,809
External interest	43	48	56	*80*	108	*197*	177	267	290	294	296	349
Subsidies, grants, and social benefits	398	414	516	*644*	660	*1,026*	980	1,193	1,324	1,539	1,771	2,039
Other current	87	101	115	*123*	127	*145*	140	163	194	225	255	286
Investment	192	249	318	*405*	289	*424*	327	496	799	1,136	1,333	1,329
Net acquisition of financial assets	-51	-4	24	*7*	-6	*-688*	-550	-165	-143	-119	-123	-139
Overall balance 2/	-409	-459	-477	*-702*	-580	*-828*	-937	-1,577	-1,435	-1,077	-860	-620
Financing	409	459	477	*702*	580	*828*	937	1,577	1,435	1,077	860	620
Net domestic	218	310	433	*636*	610	*1,007*	1,166	1,729	1,440	1,084	659	491
Net external	190	149	44	*66*	-30	*-179*	-229	-152	-5	-8	202	130
Other	0	0	0	*0*	0	*0*	0	0	0	0	0	0
						(In percent of GDP, unless otherwise indicated)						
Revenue and grants	18.2	18.6	18.9	*19.2*	17.0	*17.5*	16.8	17.6	19.1	20.6	20.9	20.7
Tax revenue	12.0	12.5	12.6	*12.9*	12.4	*12.6*	12.2	12.7	14.1	15.6	16.0	15.8
Nontax revenue	6.1	6.0	6.3	*6.3*	4.5	*5.0*	4.6	4.9	5.0	5.0	4.9	4.9
Grants	0.1	0.0	0.0	*0.0*	0.1	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	25.7	25.5	24.7	*26.5*	22.7	*28.5*	27.5	27.4	26.6	25.5	24.5	23.1
Wages and other remunerations	4.7	4.4	4.2	*3.9*	3.7	*3.1*	3.3	3.0	3.1	3.2	3.4	3.5
Purchases of goods and services	1.1	1.3	1.3	*1.4*	1.3	*1.0*	1.0	0.9	0.9	0.9	0.9	0.9
Interest 2/	8.8	8.3	7.1	*8.9*	7.1	*12.8*	12.8	13.0	11.6	9.4	8.1	6.9
Subsidies, grants, and social benefits	6.5	6.2	6.6	*6.7*	6.5	*7.4*	7.1	6.8	6.3	6.3	6.4	6.6
Other current	1.4	1.5	1.5	*1.3*	1.3	*1.0*	1.0	0.9	0.9	0.9	0.9	0.9
Investment	3.1	3.7	4.1	*4.2*	2.8	*3.1*	2.4	2.8	3.8	4.7	4.8	4.3
Net acquisition of financial assets	-0.8	-0.1	0.3	*0.1*	-0.1	*-5.0*	-4.0	-0.9	-0.7	-0.5	-0.4	-0.4
Financing	6.6	6.9	6.1	*7.4*	5.7	*6.0*	6.8	8.9	6.8	4.4	3.1	2.0
Net domestic	3.5	4.7	5.5	*6.7*	6.0	*7.3*	8.4	9.8	6.8	4.4	2.4	1.6
Net external	3.1	2.2	0.6	*0.1*	-0.3	*-1.3*	-1.7	-0.9	0.0	0.0	0.7	0.4
Memorandum items:												
Primary balance including divestment proceeds	2.2	1.4	1.0	*1.6*	1.4	*6.8*	6.0	4.1	4.8	5.0	5.0	4.9
Gross general government debt 3/	86.2	89.9	88.5	*88.3*	95.9	*96.4*	90.5	82.8	77.5	71.8	66.5	61.3
Gross general government debt 4/	84.1	88.4	87.2	*…*	94.7	*…*	…	…	…	…	…	…
Nominal GDP (in billions of EGP)	6,153	6,663	7,843	*9,545*	10,156	*13,859*	13,862	17,673	21,142	24,421	27,693	31,097

Sources: Ministry of Finance; and IMF staff estimates.

1/ General government includes budget sector, National Investment Bank (NIB) and Social Insurance Funds (SIF). Fiscal year ends June 30. Cash basis.

2/ Through FY2022/23, data is shown as per the authorities' presentation, whereby interest does not include accrued interest expense on T-bills and zero coupon bonds, which is instead included in non-deficit debt creating flows. Beginning in FY2023/24, interest is defined as in GFSM 2014, and it includes accrued interest expense. Accrued interest expense is not included in the overall balance through FY2022/23, while it is included in the overall balance beginning in FY2023/24.

3/ As defined in the program.

4/ Ministry of Finance financial statements audited by the State Audit Agency in line with the Government Accounting Law.

Table 5. Egypt: Central Bank Accounts, 2019/20–2028/29

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(end-period, in billions of EGP, unless otherwise indicated)											
Net foreign assets	157	225	-153	*-38*	-304	*868*	840	1193	1421	1642	1914	2286
Foreign assets	604	625	611	*962*	1046	*2524*	2305	2670	2950	3180	3452	3823
Foreign liabilities	447	400	764	*1000*	1350	*1656*	1465	1476	1529	1538	1538	1538
Net domestic assets	698	762	1346	*1506*	1834	*854*	971	1053	1223	1466	1913	2207
Net domestic credit	543	493	449	*-39*	420	*-554*	702	1010	1129	1009	992	530
Net credit to central government	813	758	1059	*1059*	1413	*1310*	1536	1636	1766	1850	1949	2049
Net credit to public economic authorities	-7	-38	-58	*-45*	-73	*-73*	-73	-72	-72	-72	-72	-72
Credit to banks	274	377	400	*520*	530	*981*	806	863	918	972	1117	1224
Banks' deposits in foreign currency	-112	-135	-216	*-291*	-508	*-780*	-674	-729	-757	-762	-762	-762
Open market operations	-424	-469	-736	*-1282*	-942	*-1992*	-893	-688	-726	-979	-1241	-1910
Other items net	155	269	897	*1545*	1414	*1408*	269	43	94	457	921	1677
o/w lending to government agencies 1/			515		765		661	408	308	208	108	0
Reserve money	856	988	1193	*1468*	1529	*1722*	1810	2246	2643	3108	3828	4493
Currency in circulation	603	673	779	*949*	1009	*1073*	1182	1479	1749	2086	2650	3093
Reserves and highly liquid assets of banks	253	314	414	*519*	520	*649*	628	767	894	1022	1178	1400
Cash in vaults	48	49	59	*59*	74	*74*	74	74	74	74	74	74
Reserves	204	265	355	*460*	446	*575*	554	693	820	948	1104	1326

Sources: Central Bank of Egypt; and IMF staff estimates and projections.
1/ Balance for FY 2022/23 is as of end-February 2023.

Table 6. Egypt: Monetary Survey, 2019/20–2028/29

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.		*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				(End-period, in billions of EGP)								
Net foreign assets	123	252	-372	*-414*	-834	*185*	788	1,142	1,592	2,056	2,357	2,751
Central bank	157	225	-153	*-38*	-304	*868*	840	1,193	1,421	1,642	1,914	2,286
Commercial banks	-34	26	-219	*-376*	-530	*-683*	-52	-51	172	414	443	465
Net domestic assets	4,416	5,105	6,987	*9,039*	9,082	*11,250*	10,111	12,101	13,708	15,306	17,646	20,650
Net claims on central and local government	3,022	3,164	3,971	*4,650*	5,075	*5,718*	6,059	7,414	8,570	9,401	9,923	10,304
Net claims on public economic authorities	213	353	452	*640*	765	*1,306*	1,157	1,591	1,730	1,694	2,040	2,561
Claims on public sector companies	156	149	155	*187*	165	*206*	191	208	217	221	263	317
Claims on private sector	1,455	1,752	2,178	*2,571*	2,732	*3,553*	3,660	4,683	5,526	6,519	8,021	9,951
Net other items	-429	-313	231	*991*	345	*467*	-955	-1,796	-2,335	-2,529	-2,601	-2,483
Broad money (M2)	4,539	5,357	6,614	*8,625*	8,248	*11,435*	10,899	13,243	15,301	17,363	20,003	23,401
Domestic currency component (M2D)	3,872	4,706	5,768	*7,275*	6,732	*8,736*	8,568	10,721	12,683	14,729	17,369	20,767
Currency outside banks	603	673	779	*949*	1,009	*1,073*	1,182	1,479	1,749	2,086	2,650	3,093
Domestic currency deposits	3,269	4,033	4,990	*6,326*	5,723	*7,663*	7,386	9,242	10,933	12,643	14,720	17,674
Foreign currency deposits	667	650	846	*1,350*	1,516	*2,699*	2,331	2,522	2,618	2,634	2,634	2,634
				(Annual percent change, unless otherwise indicated)								
Broad money (M2)	17.5	18.0	23.5	*30.4*	24.7	*38.6*	32.1	21.5	15.5	13.5	15.2	17.0
Domestic currency component (M2D)	23.0	21.5	22.6	*26.1*	16.7	*29.8*	27.3	25.1	18.3	16.1	17.9	19.6
Reserve money	25.1	15.4	20.8	*23.1*	28.2	*12.6*	18.4	24.1	17.7	17.6	23.1	17.4
Contribution to broad money growth	17.5	18.0	23.5	*30.4*	24.7	*38.6*	32.1	21.5	15.5	13.5	15.2	17.0
Net foreign assets	-4.6	2.8	-11.6	*-0.6*	-7.0	*12.4*	19.7	3.3	3.4	3.0	1.7	2.0
Net domestic assets	22.1	15.2	35.1	*31.0*	31.7	*26.3*	12.5	18.3	12.1	10.4	13.5	15.0
Credit to the private sector	19.5	20.5	24.3	*18.0*	25.4	*30.0*	33.9	28.0	18.0	18.0	23.1	24.1
Credit to government, public economic authorities and public sector companies	30.9	8.1	24.9	*19.7*	31.2	*20.4*	23.3	24.4	14.2	7.6	8.0	7.8
Memorandum items:												
Velocity												
Velocity GDP/M2D (level)	1.8	1.6	1.5	*1.5*	1.6	*1.8*	1.8	1.8	1.8	1.8	1.7	1.6
Velocity GDP/M2 (level)	1.5	1.3	1.3	*1.3*	1.4	*1.4*	1.4	1.5	1.5	1.5	1.5	1.4
M2 (in percent of GDP)	73.8	80.4	84.3	*90.4*	81.2	*82.5*	78.6	74.9	72.4	71.1	72.2	75.3
Money multiplier (M2D/reserve money)	4.5	4.8	4.8	*5.0*	4.4	*5.1*	4.7	4.8	4.8	4.7	4.5	4.6
Money multiplier (M2/reserve money)	5.3	5.4	5.5	*5.9*	5.4	*6.6*	6.0	5.9	5.8	5.6	5.2	5.2
M2 (in real terms)	7.4	11.7	17.7	*15.2*	10.2	*2.1*	-2.6	-6.0	0.6	1.1	6.3	9.2
Domestic currency deposits (in real terms)	12.3	16.7	17.9	*12.0*	1.4	*-1.3*	-4.9	-3.2	3.0	3.0	7.4	12.1
Claims on private sector (in real terms)	9.3	14.0	18.5	*4.3*	10.9	*-4.2*	-1.3	-1.0	2.7	5.1	13.5	15.8
Foreign currency deposits (in percent of total deposits)	16.9	13.9	14.5	*17.6*	20.9	*26.0*	24.0	21.4	19.3	17.2	15.2	13.0

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

Table 7a. Egypt: Summary of National Accounts, 2019/20–2028/29

(In percent)

1/0/1900 0:00	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.	Proj.	1st and 2nd review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual change, in percent)												
Real GDP at market price 1/	3.6	3.3	6.7	4.0	3.8	3.0	2.7	4.1	5.1	5.1	5.6	5.6
Domestic demand (absorption)	2.9	4.8	5.4	5.0	-0.7	5.9	5.5	3.8	6.5	6.1	6.9	6.6
Private	2.0	4.9	7.2	5.7	-0.3	8.0	7.6	4.5	6.5	6.1	7.0	6.6
Public	7.8	4.8	-8.1	-0.4	-6.9	-13.8	-13.7	-5.5	7.5	7.3	7.9	8.1
Consumption	7.4	6.0	1.7	5.6	3.3	7.9	8.4	4.4	6.1	5.9	6.6	6.1
Private	7.3	6.3	3.8	6.2	3.8	9.7	10.1	5.0	6.0	5.7	6.5	6.0
Public	7.9	3.3	-17.3	0.3	-2.8	-14.8	-11.9	-3.7	8.1	7.9	8.5	8.7
Investment	-18.4	-2.4	30.5	0.4	-21.6	-8.0	-14.7	-1.9	9.7	8.2	9.8	10.6
Gross fixed capital formation	-15.7	-2.5	33.5	0.4	-21.7	-7.7	-14.5	-3.9	9.6	9.5	10.1	10.9
Private	-38.0	-26.6	35.6	12.0	-30.4	0.4	0.4	15.0	17.0	17.0	17.0	18.0
Public	7.5	12.0	32.7	-3.4	-18.2	-10.5	-19.6	-11.9	5.4	4.9	5.3	5.4
Net exports of goods and service	0.5	-1.9	0.8	-1.3	4.5	-3.0	-3.0	0.2	-1.7	-1.3	-1.8	-1.5
Exports of goods and services	-23.5	-14.5	51.7	3.8	31.4	-8.2	-7.0	4.6	8.5	9.0	8.2	7.3
Imports of goods and services	-18.6	0.0	25.2	9.1	1.1	6.9	7.7	2.9	14.3	12.2	13.1	10.7
Real GDP at factor cost	2.5	2.0	6.3	4.0	3.6	3.0	2.7	4.1	5.1	5.1	5.6	5.6
Agriculture	3.4	3.8	4.0	3.0	4.1	3.8	3.8	3.8	4.0	4.0	4.0	4.0
Construction	4.4	6.8	7.0	4.0	5.2	3.5	3.7	3.0	8.4	12.0	15.5	16.1
Industry	-0.5	-2.9	6.4	2.7	-2.2	-1.6	-1.7	3.0	3.4	4.3	4.6	4.8
Services	3.2	3.4	6.5	4.7	6.2	5.4	5.2	4.6	5.9	5.9	6.3	6.4
General government	6.1	4.9	4.4	4.0	3.2	3.5	4.0	3.1	3.1	3.1	3.1	3.1
Suez Canal	5.0	0.6	11.7	11.7	18.4	-9.7	-20.0	20.0	10.0	10.0	10.0	10.0
(Contribution to real growth, in percent 3/)												
Real GDP at market price	3.6	3.3	6.7	4.0	3.8	3.0	2.7	4.1	5.1	5.1	5.6	5.6
Domestic demand (absorption)	3.1	5.1	5.9	5.3	-0.7	6.0	5.6	4.0	6.8	6.5	7.4	7.1
Private	1.8	3.8	4.6	5.6	1.5	7.9	8.1	5.0	6.0	5.8	6.6	6.3
Public	1.3	1.3	1.2	-0.3	-2.2	-1.9	-2.5	-1.0	0.7	0.7	0.8	0.8
Consumption	6.5	5.5	1.6	5.2	2.9	7.0	7.5	4.2	5.8	5.6	6.3	6.0
Private	5.8	5.1	3.3	5.2	3.1	8.0	8.4	4.4	5.3	5.2	5.8	5.4
Public	0.7	0.3	-1.6	0.0	-0.2	-1.0	-0.8	-0.2	0.4	0.4	0.5	0.5
Investment	-3.4	-0.4	4.2	0.1	-3.7	-1.0	-1.9	-0.2	1.0	0.9	1.1	1.2
Gross fixed capital formation	-2.5	-0.3	4.1	0.1	-3.3	-0.9	-1.7	-0.4	0.8	0.9	1.0	1.1
Private	-3.1	-1.3	1.2	0.4	-1.3	0.0	0.0	0.4	0.5	0.6	0.7	0.8
Public	0.6	1.0	2.8	-0.3	-2.0	-0.9	-1.7	-0.8	0.3	0.3	0.3	0.3
Net exports of goods and service	0.5	-1.9	0.8	-1.3	4.5	-3.0	-3.0	0.2	-1.7	-1.3	-1.8	-1.5
Exports of goods and services	-4.1	-1.9	5.5	0.5	4.7	-1.6	-1.3	0.8	1.5	1.6	1.5	1.4
Imports of goods and services	4.6	0.0	-4.7	-1.8	-0.2	-1.5	-1.6	-0.6	-3.2	-2.9	-3.4	-2.9
Real GDP at factor cost	2.5	2.0	6.2	4.0	3.6	3.0	2.7	4.1	5.1	5.1	5.6	5.6
Agriculture	0.4	0.4	0.5	0.3	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.4
Construction	0.3	0.5	0.5	0.3	0.4	0.3	0.3	0.2	0.7	0.9	1.2	1.3
Industry	-0.1	-0.9	1.8	0.7	-0.6	-0.4	-0.4	0.7	0.8	1.0	1.1	1.1
Services	1.4	1.5	2.9	2.1	2.8	2.5	2.5	2.2	2.9	2.9	3.1	3.2
General government	0.4	0.3	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Suez Canal	0.1	0.0	0.2	0.3	0.3	-0.3	-0.4	0.3	0.2	0.2	0.2	0.2

Sources: Egyptian authorities; and IMF staff estimates and projections.

1/ Historical real GDP growth reflects estimates based on the published revised nominal GDP.

2/ Contribution to growth.

3/ Components do not sum up to total due to statistical discrepancies associated with changes of base years.

Table 7b. Egypt: Summary of National Accounts, 2019/20–2028/29
(In percent of GDP)

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.	Proj.	*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				(In percent of nominal GDP)								
GDP at market price	100.0	100.0	100.0	*100.0*	100.0	*100.0*	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand (absorption)	107.2	108.7	106.8	*107.3*	102.2	*106.3*	105.7	105.5	105.5	105.9	106.3	106.4
Private	90.9	91.7	88.7	*91.9*	86.9	*93.2*	93.1	94.4	94.4	94.6	94.8	94.7
Public	16.3	17.1	18.1	*15.4*	15.4	*13.1*	12.6	11.0	11.2	11.3	11.5	11.7
Consumption	91.2	93.6	89.8	*95.3*	89.4	*94.6*	94.7	94.6	93.7	93.8	93.9	93.6
Private	83.6	86.0	82.5	*88.3*	82.6	*89.0*	88.9	89.2	88.2	88.2	88.1	87.6
Public	7.5	7.6	7.3	*6.9*	6.8	*5.6*	5.9	5.4	5.5	5.7	5.8	6.0
Investment	16.0	15.2	17.0	*12.1*	12.9	*11.7*	11.0	10.9	11.9	12.1	12.4	12.7
Gross fixed capital formation	14.0	13.2	15.2	*12.1*	11.5	*10.3*	9.6	9.5	10.5	10.7	11.0	11.4
Private	5.2	3.7	4.4	*3.5*	2.9	*2.9*	2.9	3.9	4.8	5.1	5.3	5.7
Public	8.7	9.5	10.8	*8.5*	8.6	*7.5*	6.8	5.7	5.7	5.7	5.7	5.7
Net exports of goods and services	-7.2	-8.7	-6.8	*-7.3*	-2.2	*-6.3*	-5.7	-5.5	-5.5	-5.9	-6.3	-6.4
Exports of goods and services	12.5	10.6	15.1	*18.3*	19.1	*18.3*	16.8	19.2	19.3	18.8	18.5	18.2
Imports of goods and services	-19.7	-19.3	-21.9	*-25.7*	-21.3	*-24.6*	-22.5	-24.6	-24.8	-24.7	-24.8	-24.6
Net factor income	-3.0	-2.9	-3.3	*-3.7*	-4.4	*-6.5*	-6.4	-6.2	-5.0	-4.3	-4.2	0.0
Net remittances inflows	7.2	7.4	6.7	*8.1*	5.6	*6.6*	5.6	6.8	6.7	6.7	6.6	0.0
Net official transfers	0.1	-0.1	-0.1	*-0.1*	0.0	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Gross National Disposable Income	104.3	104.4	103.3	*104.3*	101.1	*100.1*	99.2	100.6	101.7	102.4	102.5	100.0
National savings	13.1	10.8	13.5	*9.1*	11.7	*5.4*	4.5	6.0	7.9	8.5	8.5	8.8
Private	17.4	14.0	15.3	*12.1*	14.6	*13.3*	12.8	13.0	11.6	8.7	7.2	8.8
Public	-4.4	-3.2	-1.7	*-3.0*	-2.9	*-7.9*	-8.4	-7.1	-3.7	-0.2	1.3	0.0
Savings-investment balance	-2.9	-4.4	-3.5	*-3.0*	-1.2	*-6.3*	-6.5	-4.9	-4.0	-3.6	-3.8	-3.9
Private	12.2	10.3	10.9	*8.6*	11.7	*10.4*	9.9	9.2	6.7	3.6	1.9	3.1
Public	-13.1	-12.7	-12.6	*-11.5*	-11.5	*-15.3*	-15.1	-12.7	-9.3	-5.9	-4.4	-5.7
GDP at factor cost	100.0	100.0	100.0	*100.0*	100.0	*100.0*	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	11.7	12.0	11.5	*10.3*	11.2	*12.3*	11.3	11.2	11.1	10.9	10.7	10.5
Construction	7.1	7.6	7.6	*6.9*	8.3	*9.0*	8.3	8.2	8.5	8.3	8.3	8.3
Industry	26.7	25.2	26.8	*23.9*	26.2	*23.7*	25.1	24.8	24.3	24.0	23.7	23.5
Services	46.0	46.8	46.0	*51.5*	46.1	*47.6*	47.5	47.7	48.1	48.7	49.2	49.8
General government	6.9	6.9	6.6	*5.9*	5.9	*5.8*	6.0	5.9	5.8	5.6	5.5	5.3
Suez Canal	1.6	1.5	1.5	*1.5*	2.4	*1.6*	1.9	2.2	2.3	2.4	2.5	2.6

Sources: Egyptian authorities; and IMF staff estimates and projections.

Table 8. Egypt: Medium-Term Macroeconomic Framework, 2019/20–2028/29

(In percent of GDP, unless otherwise indicated)

	2019/20	2020/21	2021/22	2022/23		2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
				Prog.	Proj.	*1st and 2nd review*	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Growth and prices												
Real GDP (annual change, in percent)	3.6	3.3	6.7	*4.0*	3.8	*3.0*	2.7	4.1	5.1	5.1	5.6	5.6
CPI inflation (end-of-period, in percent)	5.6	4.9	13.2	*14.8*	35.7	*32.1*	29.3	14.9	12.3	8.4	7.1	6.4
CPI inflation (average, in percent)	5.7	4.5	8.5	*15.8*	24.4	*32.5*	33.7	21.2	13.5	10.2	7.7	6.6
Unemployment rate (period average, in percent)	8.3	7.3	…	…	…	…	…	…	…	…	…	…
Savings-investment balance	-2.9	-4.4	-3.5	*-3.0*	-1.2	*-6.3*	-6.5	-4.9	-4.0	-3.6	-3.8	-3.9
Investment	14.0	13.2	15.2	*12.1*	11.5	*10.3*	9.6	9.5	10.5	10.7	11.0	11.4
Domestic savings	11.1	8.9	11.7	*9.1*	10.3	*4.0*	3.1	4.6	6.5	7.1	7.2	7.4
Public finances												
General government												
Revenue and grants	18.2	18.6	18.9	*19.2*	17.0	*17.5*	16.8	17.6	19.1	20.6	20.9	20.7
Expenditure and net acquisition of financial assets	24.9	25.5	25.0	*26.5*	22.7	*23.5*	23.6	26.5	25.9	25.0	24.1	22.7
Overall balance	-6.6	-6.9	-6.1	*-7.4*	-5.7	*-6.0*	-6.8	-8.9	-6.8	-4.4	-3.1	-2.0
Overall balance, excl. grants	-6.7	-6.9	-6.1	*-7.4*	-5.8	*-6.0*	-6.8	-8.9	-6.8	-4.4	-3.1	-2.0
Primary balance	2.2	1.4	1.0	*1.6*	1.4	*6.8*	6.0	4.1	4.8	5.0	5.0	4.9
Gross debt	86.2	89.9	88.5	*88.3*	95.9	*96.4*	90.5	82.8	77.5	71.8	66.5	61.3
Domestic	68.3	70.9	69.0	*66.2*	70.8	*65.4*	64.4	61.6	59.1	55.7	51.7	47.7
External	18.0	19.0	19.5	*22.1*	25.1	*31.0*	26.1	21.3	18.4	16.0	14.9	13.7
Budget sector												
Revenue and grants	15.9	16.6	16.9	*16.9*	15.4	*15.3*	14.6	15.4	16.9	18.4	18.7	18.5
Tax revenue	12.0	12.5	12.6	*12.9*	12.4	*12.6*	12.2	12.7	14.1	15.6	16.0	15.8
Non-tax revenue	3.7	4.1	4.2	*4.0*	3.0	*2.8*	2.4	2.7	2.8	2.8	2.7	2.7
Grants	0.1	0.0	0.0	*0.0*	0.1	*0.0*	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net acquisition of financial assets	23.4	23.7	23.1	*24.8*	21.4	*21.7*	21.7	24.6	23.8	22.7	21.6	20.2
Of which: Current	20.3	20.0	19.0	*20.5*	18.6	*18.6*	19.4	21.8	20.0	18.0	16.8	15.9
Capital	3.1	3.7	4.1	*4.2*	2.8	*3.1*	2.4	2.8	3.8	4.7	4.8	4.3
Overall budget balance	-7.5	-7.1	-6.2	*-7.8*	-6.0	*-6.3*	-7.1	-9.2	-6.8	-4.3	-2.9	-1.7
Overall budget balance, excl. grants	-7.6	-7.1	-6.2	*-7.8*	-6.1	*-6.3*	-7.1	-9.2	-6.9	-4.3	-2.9	-1.7
Primary budget balance including divestment proce	1.7	1.4	1.3	*1.7*	1.6	*7.1*	6.2	4.5	5.2	5.5	5.5	5.5
Balance of payments and external debt												
Current account	-2.9	-4.4	-3.5	*-3.0*	-1.2	*-6.3*	-6.5	-4.9	-4.0	-3.6	-3.8	-3.9
Trade balance	-9.5	-9.9	-9.1	*-9.3*	-7.9	*-11.3*	-10.4	-10.8	-11.2	-11.2	-11.5	-11.6
Oil and gas	-0.1	0.0	0.9	*2.2*	0.1	*-1.0*	-1.4	-0.4	-0.3	-0.3	-0.2	-0.2
Other	-9.4	-9.9	-10.1	*-11.6*	-8.0	*-10.3*	-8.9	-10.4	-10.9	-11.0	-11.3	-11.5
Capital and financial account (incl. errors and omiss	-0.3	4.1	1.3	*3.3*	1.0	*8.7*	9.2	4.7	4.3	4.0	4.9	5.2
Official reserves (in billions of US$)	37.2	39.4	31.5	*37.1*	32.8	*42.8*	43.8	47.2	50.6	54.5	59.6	66.5
(In months of next year's imports of goods and se	6.0	6.8	3.1	*3.7*	5.3	*7.3*	7.7	7.2	6.8	6.4	6.1	6.0
External debt (in percent of GDP)	32.3	32.6	32.8	*35.8*	41.8	*43.0*	37.9	40.7	34.7	29.8	27.0	24.7

Sources: Egyptian authorities; and IMF staff estimates and projections.

Table 9. Egypt: Financial Soundness Indicators of the Banking System 1/
(Fiscal year end, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022	end-Mar 2023	end-Jun 2023	end-Sep 2023	end-Dec 2023
Capital adequacy												
Regulatory capital to risk-weighted assets	14.5	14.0	14.7	15.7	17.7	20.1	22.2	20.9	17.0	17.5	18.1	18.6
Common equity to risk-weighted assets	12.1	11.7	9.2	10.4	12.7	14.6	13.4	12.2	10.8	10.6	10.5	13.0
Asset quality												
NPLs to total loans	7.1	6.0	4.9	4.1	4.2	4.0	3.4	3.2	3.5	3.3	3.3	3.0
Loan provisions to non-performing loans	99.0	99.1	98.3	98.0	97.6	95.2	92.3	91.6	93.3	91.6	88.6	88.7
Profitability												
Return on assets	1.5	2.0	1.5	1.4	1.8	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Return on average equity	24.4	30.9	21.5	19.2	23.4	14.9	16.1	16.1	17.7	17.7	17.7	17.7
Liquidity												
Average liquidity ratio												
Local currency	59.7	55.4	47.1	40.3	44.4	53.8	45.4	44.3	39.7	37.6	38.5	36.8
Foreign currency	52.0	60.2	66.4	67.7	67.7	71.5	67.9	78.4	75.3	70.1	69.9	67.5
Loans to deposits	40.9	47.0	46.0	46.2	46.7	46.4	48.3	48.6	48.9	50.9	52.4	54.0

Source: Central Bank of Egypt.

1/ Starting in 2021, the financial year ends on December 31 for the banking sector. Prior to that, the financial year ended on June 30 for public sector banks and December 31 for the rest of the banks.

Table 10. Egypt: Capacity to Repay the Fund 2020/21–2028/29 1/ 2/

	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
				Projections					
Fund repurchases and charges 3/									
Millions of SDRs	485.9	928.1	1,751.8	4,326.8	5,171.9	2,994.2	1,951.2	1,540.3	1,265.3
Repurchases	164.2	522.4	955.2	3,345.2	4,333.1	2,301.3	1,290.4	953.9	752.5
Charges and fees 4/	321.7	405.7	796.7	981.6	838.8	692.9	660.8	586.4	512.8
Millions of US$	684.3	1,280.2	2,339.7	5,760.8	6,879.4	3,992.3	2,607.8	2,063.6	1,695.2
Percent of exports of goods and nonfactor services	1.5	1.8	3.2	9.1	10.2	5.2	3.1	2.2	1.6
Percent of total debt service 5/	0.5	0.9	2.0	3.7	4.2	2.2	1.4	1.1	0.8
Percent of quota	23.9	45.6	86.0	212.4	253.9	147.0	95.8	75.6	62.1
Percent of gross international reserves	1.4	3.9	6.3	11.0	12.4	6.8	4.1	3.0	2.3
Percent of GDP	0.2	0.3	0.6	1.5	1.9	1.0	0.6	0.4	0.3
Percent of general government revenues	0.9	1.6	4.2	11.7	11.4	5.3	2.8	1.9	1.3
Fund credit outstanding 3/									
Millions of SDRs	14,233	13,711	13,017	10,290	8,420	7,965	7,597	6,643	5,891
Millions of US$	20,174	18,680	17,330	13,701	11,211	10,632	10,165	8,916	7,906
Percent of exports of goods and nonfactor services	45.2	26.4	23.4	21.6	16.6	13.8	12.0	9.5	7.4
Percent of quota	698.7	673.1	639.0	505.1	413.4	391.0	372.9	326.1	289.2
Percent of gross international reserves	40.7	57.6	46.6	26.3	20.2	18.0	16.2	13.1	10.6
Percent of GDP	4.8	3.9	4.4	3.6	3.1	2.6	2.2	1.7	1.4
Percent of general government revenues	25.6	23.7	31.1	27.9	18.5	14.0	10.8	8.2	6.2
Use of Fund credit									
Purchases (Millions of SDRs)	0.0	0.0	261.1	618.1	2,463.9	1,845.7	922.9	0.0	0.0
Memorandum items:									
Exports of goods and nonfactor services (in millions of US$)	44,672	70,832	74,186	63,317	67,631	76,778	84,619	94,109	106,405
Total debt service (in millions of US$)	149,990	143,070	117,716	154,603	164,011	184,086	189,465	183,946	207,981
Quota (in millions of SDRs, end of period)	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1
Quota (in millions of US$)	2,887.4	2,775.4	2,712.1	2,712.4	2,712.2	2,719.2	2,725.7	2,734.0	2,734.0
Fund repurchases and charges in percent of net international reserves	…	6.7	13.3	16.0	19.0	10.8	6.6	4.6	3.2
Fund credit outstanding in percent of net international reserves	…	97.7	98.6	38.1	31.0	28.7	25.6	19.9	14.8
Gross international reserves (in millions of US$)	49,581	32,429	37,186	52,187	55,596	58,944	62,903	67,968	74,893
General govt revenues and grants (in billions of Egyptian pounds)	1,239	1,484	1,724	2,330	3,109	4,042	5,030	5,801	6,579

Source: IMF staff calculations.

1/ Fiscal year starts on July 1 and ends on June 30.

2/ Assumes repurchases are made on obligations schedule.

3/ Amounts reported refelct existing and prospective credit.

4/ SDR Service charges, GRA Commitment Fees-Other, GRA Commitment Fees-SLL Non-Refundable, SDR Assessments, and SDR charges.

5/ Debt service includes interest on the entire debt stock and amortization of medium- and long-term debt.

Table 11. Egypt: External Financing Needs and Sources

(Billions of U.S. dollars)

	2022/23		2023/24		2024/25		2025/26		2026/27	
	Prog.		*1st and 2nd review*	Proj.	*1st and 2nd review*	Proj.	Prog.	Proj.	Prog.	Proj.
External financing needs (A)	**21.5**	**11.3**	**36.6**	**39.8**	**26.7**	**32.9**	**18.7**	**25.9**	**17.0**	**25.9**
Current account deficit	12.6	4.7	21.8	25.0	7.8	17.6	10.8	16.0	10.0	16.6
Medium/long-term loan and supplier credit amortization 1/	6.0	-0.7	8.5	8.6	11.6	8.0	3.6	5.6	4.1	6.2
Other sectors' investments	1.7	6.0	1.8	1.8	1.5	1.5	1.2	1.3	1.2	1.3
IMF repayments (2016-19 EFF, 2020 RFI, 2020-21 SBA)	1.3	1.3	4.5	4.5	5.8	5.8	3.1	3.1	1.8	1.7
External financing sources (B)	**21.4**	**12.6**	**39.4**	**44.2**	**20.4**	**26.2**	**29.7**	**24.1**	**29.9**	**26.0**
Foreign direct investment, net	9.7	9.7	32.2	32.2	8.4	10.8	14.7	14.9	16.3	16.4
Portfolio investment, net	6.1	-4.1	0.4	14.9	3.9	6.5	7.5	5.0	8.5	6.2
Medium/long-term loan disbursements	6.8	5.7	7.1	8.2	7.6	7.6	7.1	6.7	6.0	6.7
CBE's change in foreign asset 2/	0.0	-0.2	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks' change in foreign assets 3/	-2.3	1.4	-1.0	-11.8	0.0	-0.3	-2.6	-4.2	-3.5	-4.5
Net short-term supplier credit	1.0	0.0	0.7	0.4	0.5	1.6	3.0	1.6	2.7	1.2
Errors and Omissions (C) 4/	**0.0**	**0.5**	**1.4**	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Incipient change in reserves (D=B-A+C)	**-0.1**	**1.8**	**4.2**	**6.5**	**-6.3**	**-6.7**	**11.1**	**-1.9**	**12.9**	**0.2**
Targeted change in reserves (E)	**6.0**	**4.8**	**12.0**	**15.0**	**3.0**	**3.4**	**12.5**	**3.3**	**13.9**	**4.0**
Financing gap (F=E-D) 6/	**6.1**	**3.0**	**7.8**	**8.5**	**9.3**	**10.1**	**1.4**	**5.2**	**0.9**	**3.8**
IMF, Extended Fund Facility	0.7	0.3	1.6	0.8	2.5	3.3	0.7	2.5	0.3	1.2
World Bank	1.1	0.4	0.3	0.3	0.7	0.7	0.5	0.6	0.5	0.6
AIIB	0.4	0.0	0.0	0.0	0.3	0.3	...	...	...	...
African Development Bank	0.3	0.3	0.2	0.2	0.0	0.0	...	...	...	...
Arab Monetary Fund	0.3	0.0	0.3	0.4	0.0	0.0	...	...	...	...
China Development Bank	1.0	0.0	1.0	1.0	0.0	0.0	...	...	...	...
Abu Dhabi Commerical Bank (ADCB)	0.0	1.0	0.0	0.0	0.0	0.0	...	...	...	...
UAE Central Bank	...	...	1.4	1.4	0.0	0.0	...	...	...	...
Sales of state-owned assets (including to GCC)	2.0	0.0	2.8	2.8	3.6	3.6	0.2	0.9	0.1	0.4
New deposits at CBE (to be converted in divestment)	...	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other 5/	...	0.0	0.3	1.2	2.3	2.5	0.0	1.2	0.0	1.6

Source: IMF staff calculations.

1/ Includes projected change in liabilitites of the CBE and commercial banks (repayments, reflected as +).

2/ Includes only changes in foreign assets of the CBE. Changes in foreign liabilities are reflected under external financing needs/medium and long-term credit amortization.

3/ Includes only changes in foreign assets of commercial banks. Changes in foreign liabilities are reflected under external financing needs/medium and long-term credit amortization.

4/ Errors and omissions include other below-the-line adjustments to ensure consisency with the program definition of reserves including foreign currency deposits in commercial banks, as well as change in gold valuations.

5/ "Other" comprises projected credit from France, Japan, United Kingdom, and the European Union.

6/ In FY2022/23 program column, the financing gap includes US$0.4 billion of an increase in Tier 2 reserves.

Table 12. Egypt: Schedule of Reviews and Purchases Under the Extended Fund Facility with Augmentation

Availability Date	Amount		Condition
	Millions of SDR	Percent of Quota	
December 16, 2022	261.13	12.8	Board approval of the EFF
March 15, 2023	261.13	12.8	First review and end-June 2023 quantitative targets 1/
March 15, 2024	356.98	17.5	Second review and end-June 2023 quantitative targets 1/
June 15, 2024	618.11	30.3	Third review and end-March 2024 quantitative targets
September 15, 2024	922.87	45.3	Fourth review and end-June 2024 quantitative targets
March 15, 2025	922.87	45.3	Fifth review and end-December 2024 quantitative targets
September 15, 2025	922.87	45.3	Sixth review and end-June 2025 quantitative targets
March 15, 2026	922.87	45.3	Seventh review and end-December 2025 quantitative targets
September 15, 2026	922.86	45.3	Eighth review and end-June 2026 quantitative targets
Total	6,111.69	300.0	
Memorandum items:			
Quota (SDR, million)	2,037.10		

Source: IMF staff calculations.

1/ First and second reviews were combined.

Table 13. Egypt: Quantitative Performance Criteria and Indicative Targets
(In billions of Egyptian pounds unless otherwise indicated)

	End March 2024				End June 2024					End September 2024		End December 2024		End March 2025	End June 2025
										Indicative				Indicative	
	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	1st/2nd reviews	Prog.	Prog.	Prog.
I. Quantitative Performance Criteria 1/															
Net international reserves ($ million at program exchange rates; floor) 2/	20,464	21,455	30,132	Met	30,329	36,821	...	...	N/A	30,510	35,364	29,258	34,039	32,918	36,132
Primary fiscal balance of the budget sector plus divestment proceeds (cumulative, floor) 3/ 6/	490		416	Not met	978	856			N/A	130	141	424	425	566	791
Balance of the government's overdraft account at the CBE (weekly ceiling on the balance) 7/	131		7	Met	131	131			Not met	165	165	165	165	165	165
Balance of central bank lending to public agencies excluding the Ministry of Finance (continuous ceiling on the balance)	661		661	Met	661	661			N/A	661	508	661	458	458	408
Accumulation of external debt payment arrears by the general government ($ million; continuous ceiling)	0		0	Met	0	0			N/A	0	0	0	0	0	0
II. Indicative Targets															
Tax revenues (cumulative floor) 3/	1,044		1,046	Met	1,740	1,690				361	388	794	895	1,342	2,237
Social spending of the budget sector (floor) 3/	142		150	Met	189	189				26	26	105	105	158	211
Public investment (ceiling) 3/ 4/	n.a.		...	...	350	350				n.a.	n.a.	500	500	n.a.	1,000
Net change in the stock of government guarantees 3/ 5/	122		1,481	Not met	183	1,890				201	200	402	400	525	650
Average maturity of gross local currency debt issuance (years; cumulative floor) 3/	0.56		0.52	Not met	0.65	0.57				1.2	0.87	1.25	0.90	0.92	0.94
Gross debt of the budget sector (at program exchange rates; ceiling)	11,015		11,347	Not met	11,198	12,954				11,906	13,602	12,411	14,065	14,527	14,805
III. Monetary Policy Consultation															
(12-month change in consumer prices)															
Upper outer band	27				32.5	32.5				29.5	27	29	25	16	13
Upper inner band	9				9	9				9	9	9	9	9	9
Actual/Center target	7		33.3	Exceeds	7	7				7	7	7	7	7	7
Lower inner band	5				5	5				5	5	5	5	5	5
Lower outer band	3				3	3				3	3	3	3	3	3
Memorandum items:															
Program disbursements at completion of review (cumulative change, $ million) 3/	5,764		6,160		7,850	7,850	...	...		2,759	3,507	4,876	5,449	8,740	10,103
External program financing assumed under the program excluding IMF (cumulative change, $ million) 3/	4,941		6,160		6,204	6,204	...	...		1,531	1,456	3,649	3,399	5,462	6,825
Of which:															
Sales of state-owned assets	2,162		2,030		2,793	2,794	...	...		894	894	2,194	2,194	2,884	3,575
Net issuance of FX T-Bills	0		-52		0	0	...	...		0	0	0	0	0	0
Foreign Curency Deposits at CBE	0		0		0	0	...	...		0	0	0	0	0	0
IMF financing assumed under the program (cumulative, $ million) 3/	823		0		1,646	1,646	...	...		1,228	2,051	1,228	2,051	3,278	3,278
Net external loans from private creditors in FX assumed in BOP baseline (cumulative change, $ million) 3/	343		-87		110	-110				1,000	1,000	2,500	2,500	3,500	3,639
Stock of nonresidents' holdings of local-currency T-bills and T-bonds ($ million) 8/	1,550		947		1,850	16,059	...	...		1,990	750	2,050	1,500	2,250	3,000
Divestment proceeds flowing to the budget (EGP billion, cumulative) 3/ 6/	291		188		698	698	...	...		64	59	97	88	133	177
FDI Related to devlopment of Ras El-Hekma region (cumulative change, $ million) 3/	...		...		...	0	...	...		...	0	...	0	1,250	2,500

N/A = not applicable

Note: For definitions of the aggregates shown and details of the adjustment clauses, see the Technical Memorandum of Understanding (TMU).

1/ The targets for March 2023 and September 2024 are indicative.

2/ Reserves include the CBE's official reserves and the CBE's foreign currency deposits with local banks.

3/ Cumulative from the beginning of each fiscal year.

4/ IT is assessed semi-annually on the end-June and end-December dates. For end-June 2024, the cumulative target is set on public investment from January 1, 2024, to June 30, 2024.

5/ For the test dates of end-March 2024 and end-June 2024, the cumulative values cover the period from October 1, 2023 until the test date. The reported issuance for end-March is gross issuance rather than net issuance.

6/ For 2024, it also includes $12bn from the Ras El-Hekma transactions.

7/ The weekly ceiling was temporarily exceeded in April and May 2024, but the balance was brought below in the ceiling by end May.

8/ As of February 28, 2024, as per TMU definition (with one month lag relative to the test date).

Table 14. Egypt: Decomposition of Public Debt and Debt Service by Creditor 1/

	Debt Stock (end of period)			Debt Service 2/					
	FY22/23			FY23/24	FY24/25	FY25/26	FY23/24	FY24/25	FY25/26
	(US$ billion)	*(Percent total debt)*	*(Percent GDP)*	*(US$ billion)*			*(Percent GDP)*		
Total budget sector debt	323.1	100.0	98.3	143.4	44.3	33.4	37.5	12.4	8.3
External budget sector debt	82.6	25.6	25.1	14.2	19.4	14.6	3.7	5.4	3.6
Multilateral creditors 3/	42.8	13.2	13.0	8.4	11.0	7.7	2.2	3.1	1.9
IMF	17.4	5.4	5.3						
World Bank	12.3	3.8	3.7						
AfDB	2.9	0.9	0.9						
Other Multilaterals	10.2	3.2	3.1						
Official bilateral creditors	6.3	1.9	1.9	0.4	0.4	0.4	0.1	0.1	0.1
External market financing	32.5	10.1	9.9	5.1	7.8	6.2	1.3	2.2	1.5
Rescheduled debt	1.0	0.3	0.3	0.3	0.3	0.3	0.1	0.1	0.1
Domestic budget sector debt	240.5	74.4	73.2	129.2	24.9	18.8	33.8	7.0	4.7
T-Bills and MOF notes	103.2	31.9	31.4	90.7	0.0	0.0	23.7	0.0	0.0
T-bonds, and Eurobonds held by residents	98.2	30.4	29.9	32.1	18.3	16.7	8.4	5.1	4.1
Nontradable domestic debt	39.1	12.1	11.9	6.5	6.5	2.1	1.7	1.8	0.5
Memo items:									
Collateralized debt 4/	n.a.	n.a.	n.a.						
Contingent liabilities	n.a.	n.a.	n.a.						
Nominal GDP	393.8	…	…	…	…	…	…	…	…

1/ Debt coverage in this table is for the budget sector. The main difference between this table and the debt perimeter in the SRDSF is the treatment of official creditor deposits at the central bank (this table does not include these while the SRDSF includes these). This table is based on the information provided by the authorities in Egyptian Pound, and IMF staff converted it to the US dollar. The information missing due to data availability will be collected in future program reviews.

2/ Debt service on existing debt at end-FY22/23.

3/ Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

Table 15. Egypt: Structural Benchmarks		
Policy Measure	**Timing**	**Status**
Publication monthly of all public procurement contracts that exceed EGP 20 million on the E-tenders government procurement portal website (See TMU). Ensure that everyone can access this information without the need to set up an electronic account.	Recurring SB 30 days after month end	**Met**
Implementation of the retail fuel price adjustment mechanism as described in TMU. In cases where the indexation mechanism suggests a reduction in fuel prices, fuel prices will not be reduced until the level of fuel subsidies for products covered by the mechanism (that is, all products except LPG and fuel oil for bakeries) in the previous fiscal year has been eliminated.	Last day of the month after quarter end	**Not met** Modified in line with firm commitment to reach cost recovery levels by December 2025.
The Ministry of Finance will monitor and report payment arrears, including to critical SOEs and EAs, 90 days after fiscal year end as defined in the TMU.	Recurring SB 90 days after each fiscal year end	**Not applicable for 3rd review**
Introduce a binding requirement to ensure the timely publication of CAO's annual audit reports on the fiscal accounts going forward.	End-March 2024	**Not met** Rephased to end-November and modified
Enact executive regulation of the PFM law, including: (i) main elements of the budget calendar starting with the submission and approval of the fiscal strategy paper, (ii) the process to update and publish the MTBF taking into account the costing of new laws and regulations, (iii) a requirement for all entities to separate the baseline and new policy initiatives, and (iv) a section on climate that would provide a mandate for climate-related activities.	End-March 2024	**Met**
Publish a comprehensive annual tax expenditure report, including details and estimates of tax exemptions and tax breaks broken down by classification, including those provided to companies in free economic zones and to all state-owned enterprises, including public sector companies, public business sector companies, military-owned companies, economic authorities, and joint ventures and partnerships.	End-April 2024	**Met**

Table 15. Egypt: Structural Benchmarks (continued)		
Policy Measure	**Timing**	**Status**
Sustain the flexible exchange rate regime. This structural benchmark is assessed in a comprehensive manner, based on monitoring of FX system functioning, using the information and indicators including FX demand backlogs at banks, the spread between the official exchange rate and measures of market-clearing rate, and interbank FX turnover.	To be assessed once for each program review, based on the information over a period of time between program reviews	**Met**
Implement a plan for the recapitalization of the CBE, based on an assessment of the CBE's recapitalization needs in consultation with IMF staff, and considering CBE's full compliance with Egyptian Accounting Standards (EAS).	End-April 2024	**Not met** Rephased to end-August 2024 and modified
CBE to issue a circular announcing the immediate introduction of fixed rate, full allotment of its 7-day deposit operations, with the fixed rate being the mid-corridor rate, and the intention to publish the results of each operation on the CBE's website within one hour of the operation allotment.	End-April 2024	**Met**
CBE issues a plan approved by the CBE Board to reduce its existing claims on public sector agencies excluding the Ministry of Finance. The plan will specify the timing for reducing the claims to zero by end-FY2025/26 and how the claims would be repaid or transferred off the balance sheet of the CBE.	End-April 2024	**Not met** Not reset given commitment to reduce claims is embedded in related QPC
Develop a repayment strategy to clear accumulated payment arrears by Egyptian General Petroleum Corporation (EGPC) on supply contracts denominated in U.S. dollars, with the objective that no new arrears are accumulated, and existing arrears will be cleared.	End-April 2024	**Not met** Not reset to allow time to strengthen EGPC's financial situation under current strategy
Indicator to track implementation of the state-ownership policy.	End-June 2024	To be assessed
The CBE will complete stress tests of the banking sector and share detailed results with IMF staff by end-September 2024. These tests will be prepared in consultation with IMF staff.	End-September 2024	Not applicable for 3rd review Modified
Conduct a sector classification exercise of all 59 economic authorities, in accordance with the concepts and principles in the GFSM 2014 and document clearly the rationale for each classification decision.	End-September 2024	Not applicable for 3rd review
Publish monthly on the general governments e-tenders site of all material procurement contracts and awards made by the largest 50 state-owned enterprises	Recurring SB End-September 2024	Not applicable for 3rd review Modified

Table 15. Egypt: Structural Benchmarks (concluded)

Policy Measure	Timing	Status
Re-instate regular publication of annual aggregate reports on Egypt's SOE portfolio, initially instituted under the 2016 EFF supported program, with broader coverage to all companies covered by our state-ownership policy.	Recurring SB End-September 2024 and then end-September each subsequent year	Not applicable for 3rd review
Undertake a detailed assessment of the economic benefits of the current freezones.	End-September 2024	Not applicable for 3rd review
Submit to parliament amendments to the VAT law that simplify the VAT, reduce exemptions, and enhance its efficiency and progressivity.	End-November 2024	Not applicable for 3rd review

Annex I. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Global Risks			
Intensification of regional conflicts	**High**	**High** Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	Improve inclusiveness of government policies, via well-targeted measures and strengthened social safety net. Allow the exchange rate to act as a shock absorber. Implement structural reforms to diversify economy and increase exports to add sources of FX revenue
Commodity price volatility	**High**	**High** A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	Improve inclusiveness of government policies, via well-targeted measures and strengthened social safety net. Allow the exchange rate to act as a shock absorber. Implement structural reforms to diversify economy and increase exports to add sources of FX revenue.
Abrupt global slowdown or recession	**Medium**	**Medium** Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	Implement the MTDS and MTRS to reduce debt vulnerabilities and build fiscal buffers. Reprioritize spending to reduce financing pressure. Allow exchange rate flexibility to be the first line of defense against capital outflows.
Social discontent	**Medium**	**High** High inflation, real income loss, spillovers from conflicts (including migration), worsening inequality, and disputed elections cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.	Improve inclusiveness of government policies, via well-targeted measures and strengthened social safety net. Allow the exchange rate to act as a shock absorber. Implement structural reforms to diversify economy and increase exports to add sources of FX revenue.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Domestic Risks			
Failure to allow for exchange rate flexibility	**Medium**	**High** A build-up of external imbalances eventually leads to a sudden and large exchange rate adjustment, with implications on sovereign borrowing and debt service costs and inflation.	Implement package of consistent reforms including allowing the exchange rate to find its market-clearing equilibrium so it can act as a shock absorber, with two-way movements that reflect foreign exchange demand and supply conditions.
Tourism revenue remittances, and/or Suez Canal revenue suffer amidst the continued war in Ukraine and the conflict in Gaza and Israel	**Medium**	**Medium/High** Lower remittance, tourism, and Suez Canal inflows impact economic activity and dampen the growth outlook, while reduced foreign exchange revenue puts pressure on the exchange rate.	Allow the exchange rate to act as a shock absorber. Implement structural reforms to diversify economy and increase exports to add sources of foreign exchange revenue.
Slower-than-expected structural reform implementation	**Medium**	**Medium/High** Lack of reform leads to re-accumulation of imbalances, lowering growth potential and leaving country more vulnerable to shocks.	Re-invigorate the structural reform agenda focusing on priority areas such as SOE reform, competition and the investment climate, trade facilitation, and health and education reform to address key constraints to growth.
Materialization of fiscal contingent liabilities	**Medium**	**Medium/High** Economic Authorities (EAs), SOEs, and central bank require government's recapitalization or repayment of government-guaranteed debt, putting pressure on public expenditure while increasing public debt.	Improve transparency, governance, and financial reporting of EAs and SOEs. Implement state ownership policy. Clearly define and separate commercial and non-commercial activities of Economic Authorities and SOEs. Prohibit central bank lending to public sector agencies excluding the Ministry of Finance.

Annex II. Sovereign Risk and Debt Sustainability Framework

Figure 1. Egypt: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	High	The overall risks of sovereign stress are assessed as high, based on the medium term and long term risk assessments below.
Near term 1/	n.a.	n.a.	Not applicable
Medium term	High	High	Medium-term risks are assessed as high, given the risk signals from the debt fanchart module and the GFN module. The high risk signal from the GFN module reflects high average gross financing needs over the forecast horizon related to large issuances of short-term bills and the large claims of domestic banks on the government. Contingent liability related to publicly-guaranteed debt (EGP4,311 billion as of March 2024) poses significant medium-term risks.
Fanchart	Moderate	...	
GFN	High	...	
Stress test	Cont. Liab.	...	
Long term	...	Moderate	Long-term risks are assessed as moderate, as the debt ratio and gross financing needs are projected to trend downwards with sustained primary surpluses and favorable interest-growth differentials, while there are risks to public debt related to pension and health cost.
Sustainability assessment 2/		Sustainable but not with high probability	Public debt is assessed as sustainable but not with high probability. This is based on high risks related to gross financing needs, while considering the mitigating impact from the country's track record of sustaining high gross financing needs, supported by stable financing by domestic banks, as well as the mitigating impact from the Ras El-Hekma deal.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Public debt is assessed as sustainable but not with high probability, and overall risks of sovereign stress are assessed as high. Over the medium term, risks are assessed as high, given the risk signals from the GFN module and the debt fanchart modules. The GFN module signals a high risk, given high average gross financing needs over the medium term and the large claims of the domestic banks on the government. Contingent liability related to publicly-guaranteed debt poses significant medium-term risks. Over the long term, risks are assessed as moderate, as the debt ratio and gross financing needs are projected to trend downwards. The sustainability assessment considers the the risk mitigating impact from the country's track record of sustaining high gross financing needs, supported by stable financing by domestic banks, as well as the mitigating impact from the Ras El-Hekma deal.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Egypt: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	Yes	
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	Yes	Includes GCC deposits at CBE
CPS	8	Other public financial corporations	No	

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors: Consolidated | Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

(Chosen coverage: GG; Yes entries; Currency & deposits, Loans, Debt securities; Cash basis; Face value; Consolidated. Missing from recommended coverage: Oth acct. payable 2/, IPSGSs 3/. Not applicable: No entries.)

Reporting on intra-government debt holdings

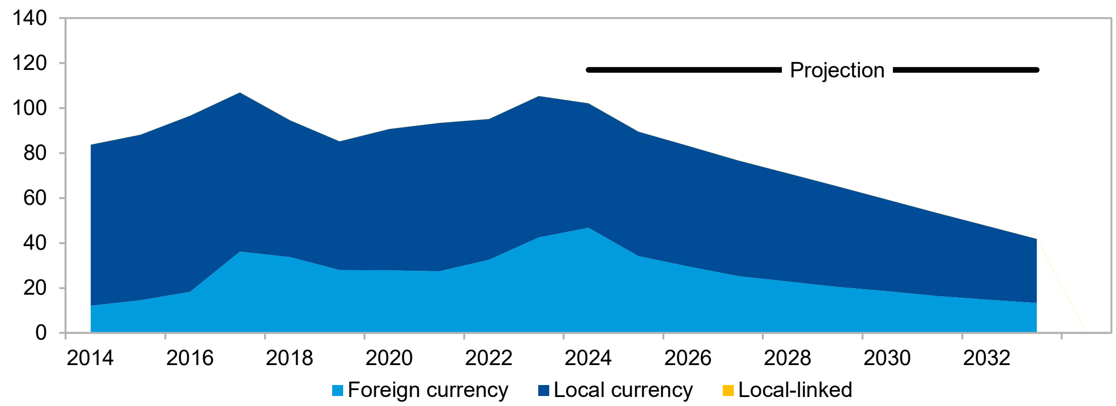
		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt		0.9	6.5	0	0	0	0	0	7.4
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds	0		0	0	0	0	0	0	0
CPS / NFPS / GG: expected / CG	3	Social security funds	0	0		0	0	0	0	0	0
CPS / NFPS / GG: expected	4	State govt.	0	0	0		0	0	0	0	0
CPS / NFPS / GG: expected	5	Local govt.	0	0	0	0		0	0	0	0
CPS / NFPS	6	Nonfin pub. corp.	0	0	0	0	0		0	0	0
CPS	7	Central bank	0	0	0	0	0	0		0	0
CPS	8	Oth. pub. fin. corp	0	0	0	0	0	0	0		0
		Total	0	0.9	6.5	0	0	0	0	0	7.4

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this analysis is for the general government, which is comprised of the budget sector, National Investment Bank, and Social Insurance Funds. Official creditor deposits at the central bank are included in the public debt stock for the purposes of this analysis.

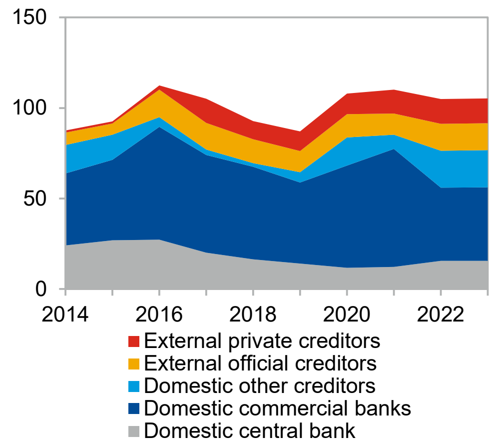
Figure 3. Egypt: Public Debt Structure Indicators

Debt by currency (percent of GDP)



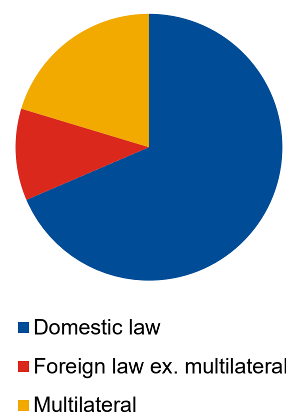
Note: The perimeter shown is general government.

Public debt by holder (percent of GDP)



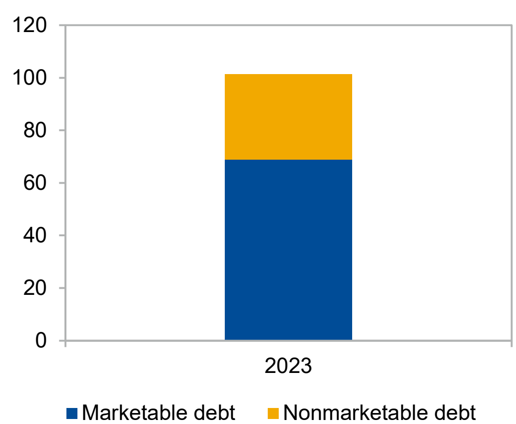
Note: The perimeter shown is public debt.

Public debt by governing law, 2023 (percent)



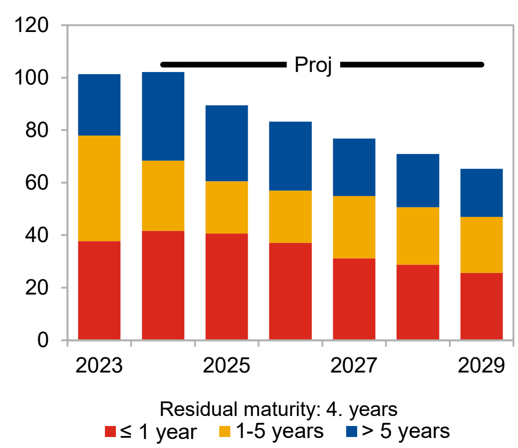
Note: Multilateral includes official creditor deposits at CBE.

Debt by instruments (percent of GDP)



Note: The perimeter shown is general government.

Public debt by maturity (percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is mainly domestic, held by domestic banks, and in local currency, and it is subject to local law. Debt is primarily in marketable instruments, including a large share of T-bills. This results in a relatively short maturity of public debt.

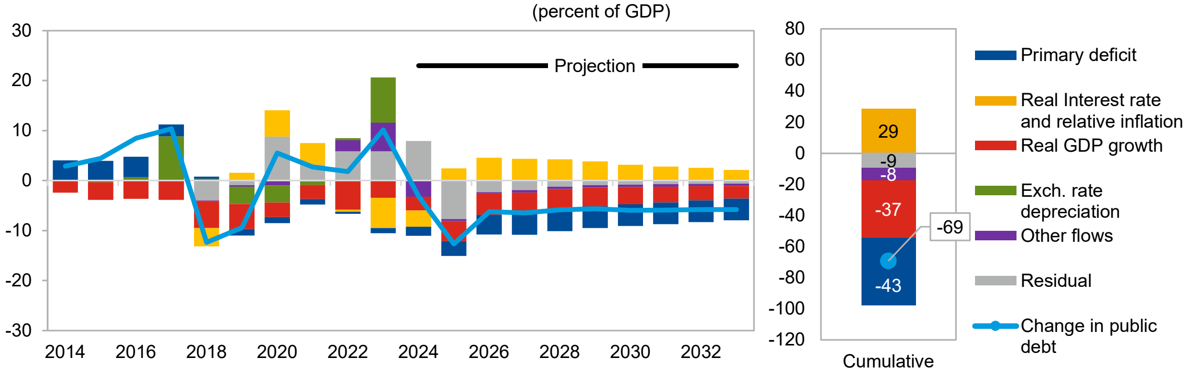
Figure 4. Egypt: Baseline Scenario

(percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt 1/	105.3	102.2	89.5	83.3	76.8	71.0	65.3	59.3	53.4	47.6	41.8	36.1
Change in public debt	10.1	-3.2	-12.7	-6.2	-6.5	-5.9	-5.7	-5.9	-5.9	-5.8	-5.8	-5.7
Contribution of identified flows	4.2	-11.1	-5.0	-3.9	-4.6	-4.6	-4.8	-5.1	-5.2	-5.1	-5.2	-5.2
Primary deficit (general government) 2/	-1.1	-1.8	-3.0	-3.9	-4.4	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3
Noninterest revenues	16.7	16.6	17.4	18.9	20.4	20.8	20.5	20.5	20.5	20.5	20.5	20.5
Noninterest expenditures	15.6	14.8	14.4	15.0	16.0	16.4	16.2	16.2	16.2	16.2	16.2	16.2
Automatic debt dynamics	-0.4	-6.0	-1.6	0.2	0.3	0.2	0.1	-0.3	-0.3	-0.3	-0.4	-0.3
Real interest rate and relative inflation	-6.0	-3.3	2.4	4.6	4.4	4.3	3.8	3.2	2.8	2.5	2.1	1.9
Real interest rate	-11.1	-12.7	-5.0	1.2	2.3	3.0	2.9	2.4	2.1	1.9	1.6	1.4
Relative inflation	5.1	9.4	7.4	3.4	2.0	1.2	0.9	0.8	0.7	0.6	0.6	0.5
Real growth rate	-3.5	-2.7	-4.0	-4.3	-4.1	-4.0	-3.8	-3.5	-3.2	-2.8	-2.5	-2.2
Real exchange rate	9.1	…	…	…	…	…	…	…	…	…	…	…
Other identified flows	5.7	-3.2	-0.4	-0.2	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	5.7	-3.2	-0.4	-0.2	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Contribution of residual	5.9	7.9	-7.7	-2.3	-1.9	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.5
Gross financing needs	28.5	38.4	42.7	41.5	37.0	31.1	28.2	24.7	22.2	20.9	17.6	14.6
of which: debt service	29.9	40.4	45.9	45.6	41.5	35.6	32.7	29.2	26.7	25.4	22.1	19.1
Local currency	24.1	32.7	34.6	37.9	34.3	30.7	27.9	25.1	22.5	21.8	19.0	16.2
Foreign currency	5.8	7.7	11.2	7.7	7.2	4.9	4.9	4.1	4.2	3.6	3.1	2.9
Memo:												
Real GDP growth (percent)	3.8	2.7	4.1	5.1	5.1	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Inflation (GDP deflator; percent)	24.8	33.0	22.4	13.9	9.9	7.4	6.3	6.3	6.3	6.3	6.3	6.3
Nominal GDP growth (percent)	29.5	36.5	27.5	19.6	15.5	13.4	12.3	12.3	12.3	12.3	12.3	12.3
Effective interest rate (percent)	9.7	16.6	16.2	15.5	13.1	11.9	11.0	10.4	10.3	10.3	10.0	10.0

Contribution to change in public debt

(percent of GDP)

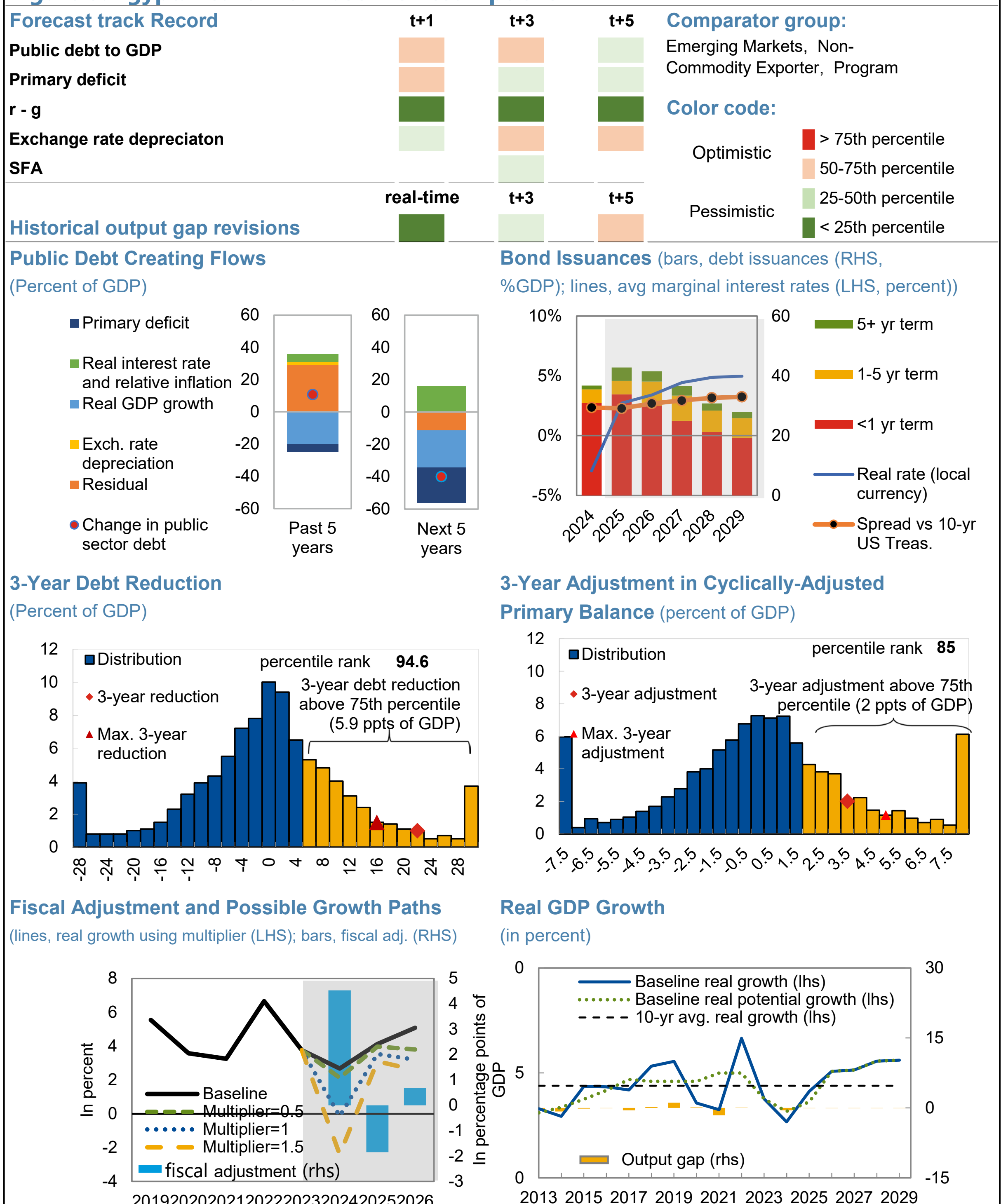


Commentary: After increasing in FY2022/23 and FY2023/24 (2023 and 2024 in the table and the chart) mainly due to exchange rate depreciation (for 2024 this is captured by the residual), public debt is projected to be on a downward trend, with sustained primary surpluses and favorable interest-rate growth differential.

1/ Official creditor deposits at the central bank are included in the public debt stock for the purposes of this analysis.

2/ The primary balance of the general government in this table excludes interest revenues, and it differs from the definition in macroframework tables.

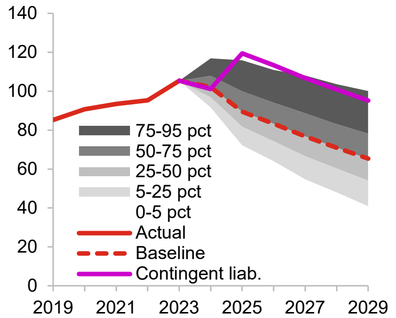
Figure 5. Egypt: Realism of Baseline Assumptions



Commentary: Analysis from the realism tools does not signal major concerns. The forecast error track record does not signal a pattern of optimistic forecast errors. Debt drivers are projected to largely follow the past experience. While 3-year debt reduction is above 75th percentile, the primary balance surplus contributes to debt reduction in the next five years by more than the last five years, and the baseline growth projection is higher than that suggested by the multiplier tool, these are due to recovery from the COVID crisis. The growth projection over the medium term is above the past average, but the latter is affected by several country-specific and global shocks during that period.

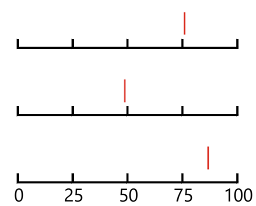
Figure 6. Egypt: Medium-Term Risk Assessment

Final fanchart (pct of GDP)

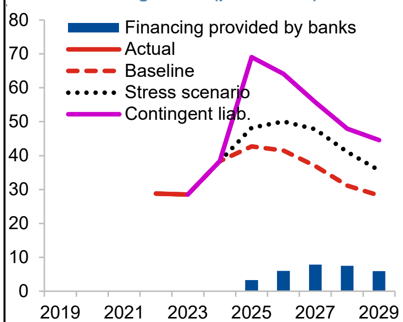


Debt fanchart module

	Value	Contrib [1/]	Percentile in peer group [2/]
Fanchart width *(percent of GDP)*	59.2	0.9	
Probability of debt non-stabilizaiton *(percent)*	1.0	0.0	
Terminal debt-to-GDP x institutions index	47.0	1.0	
Debt fanchart index (DFI)		1.9	
Risk signal: [3/]		**Moderate**	

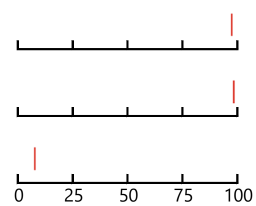


Gross financing needs (pct of GDP)

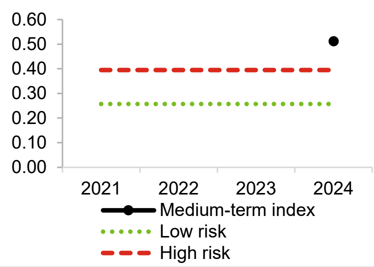


Gross financing needs (GFN) module

	Value	Contrib [1/]	Percentile in peer group [2/]
Average baseline GFN *(percent of GDP)*	36.5	12.4	
Banks' claims on the gen. govt *(pct bank assets)*	51.9	16.8	
Chg. In banks' claims in stress *(pct banks' assets)*	6.3	2.1	
GFN financeability index (GFI)		31.4	
Risk signal: [4/]		**High**	



Medium-term index (index number)



Medium-term risk analysis

	Value	Weight	Contribution
Debt fanchart index (normalized)	0.4	0.5	0.2
GFN finaceability index (normalized)	0.6	0.5	0.3
Medium-term index	0.5		
Risk signal: 5/	**High**		
Final assessment:	**High**		

Prob. of missed crisis, 2024-2029, if stress not predicted: 72.7 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 3.4 pct.

Commentary: Medium-term risks are assessed as high, given the risk signals from the debt fanchart and GFN modules. The high risk signal from the GFN module reflects high average gross financing needs and the large claims of the domestic banking sector on the government. Contingent liability related to publicly-guaranteed debt (EGP4,311 billion as of March 2024) poses significant medium-term risks.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging market, non-commodity exporting countries, with Fund-supported programs.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Chart 7. Egypt: Long-Term Risk Analysis

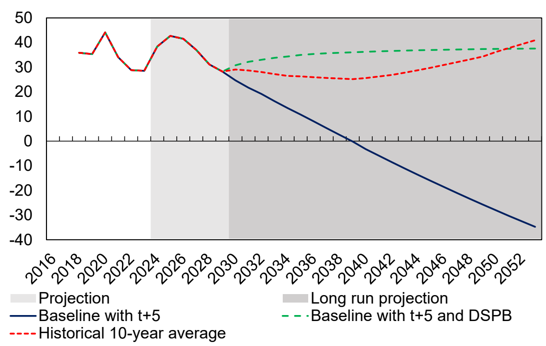
Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	

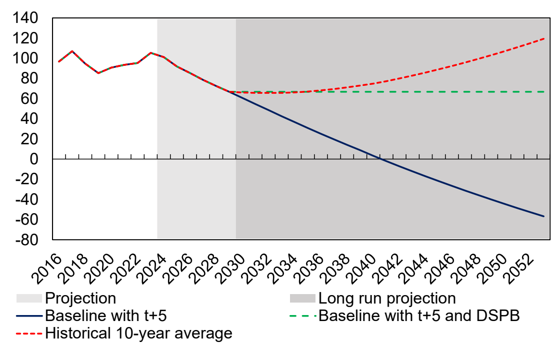
Overall Risk Indication

Large Amortization

GFN-to-GDP ratio



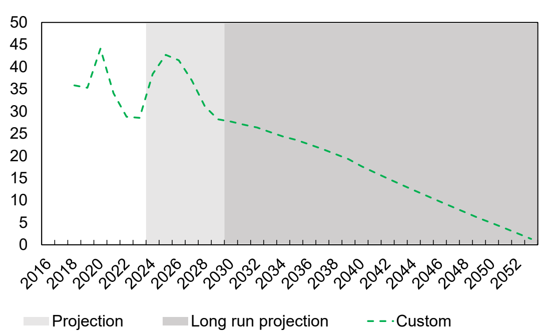
Total public debt-to-GDP ratio



Custom

	Baseline extension of fifth projection year	Custom baseline
Real GDP growth	5.6%	5.0%
Primary Balance-to-GDP	4.3%	2.0%
Real depreciation	-5.9%	0.0%
Inflation (GDP deflator)	6.3%	5.0%

GFN-to-GDP ratio



Total public debt-to-GDP ratio

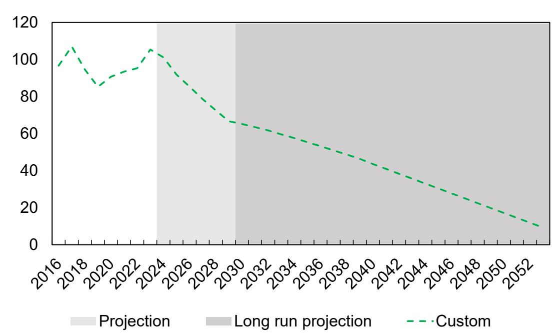
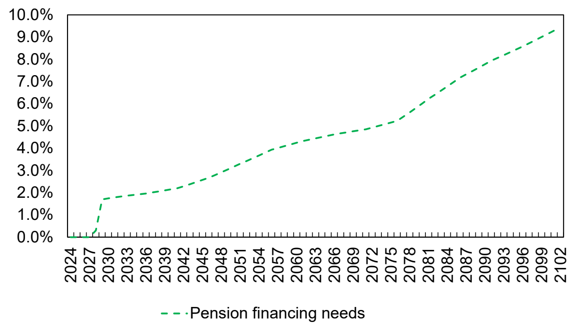


Chart 8. Egypt: Long-Term Risk Analysis (continued)

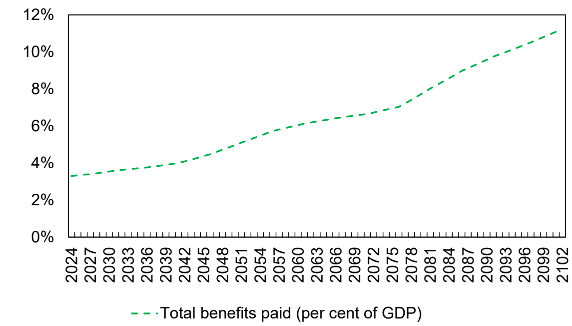
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	2.0%	3.1%	4.8%

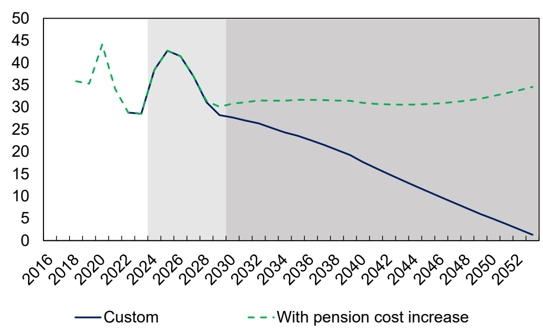
Pension Financing Needs



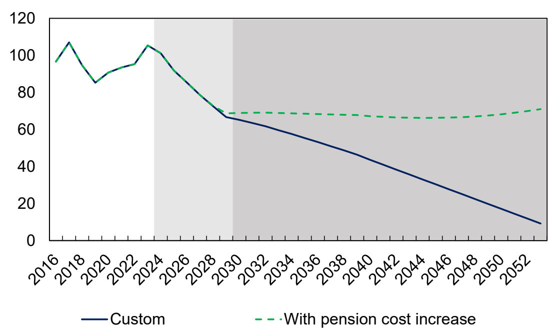
Total benefits paid



GFN-to-GDP ratio

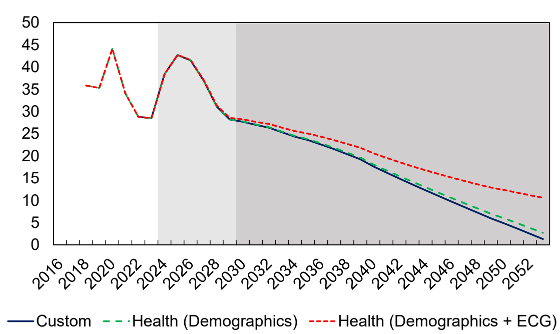


Total public debt-to-GDP ratio

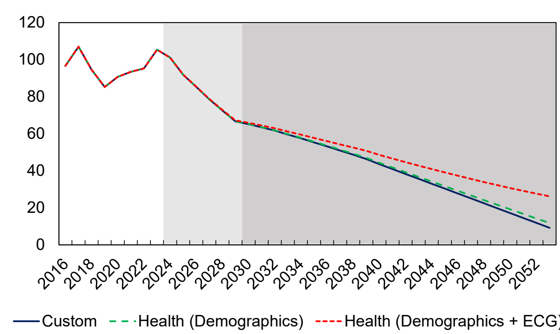


Demographics: Health

GFN-to-GDP ratio



Total public debt-to-GDP ratio



Commentary for Long-term risk analysis: Long-term risks are assessed as moderate, as the debt ratio and gross financing needs are projected to trend downwards with sustained primary surpluses and favorable interest-growth differentials, while there are risks to public debt related to pension and health cost.

Annex III. Monetary Policy Consultation

Consultation on Breach of MPCC Target in March 2024.

Central Bank of Egypt

The urban headline inflation rate recorded 33.3 percent in March 2024, which falls outside the 3–27 percent band agreed upon under the Extended Fund Facility (EFF) concluded in March 2024. This document explains the reasons why inflation has breached the upper limit of the inflation consultation band, and then discusses policy responses and inflation outlook.

Inflation Deviation from the Consultation Band

1. **Inflation spiked in February.** Annual urban headline inflation spiked to 35.7 percent in February 2024 from 29.8 percent in January. This came on the back of elevated monthly dynamics. In particular, greater-than-anticipated demand pressures related to seasonal effects on food (including Ramadan) as well as an increase in education prices (delayed from October 2023 to February 2024), in addition to the unexpectedly large depreciation in the parallel market in January, which passed through swiftly to domestic prices in February, all pushed inflation upwards in early 2024. Impacted by the same dynamics, annual core inflation recorded 29.0 and 35.1 percent in January and February 2024, respectively.

2. **Following the February outturn, inflation eased in March but the upper limit of the inflation consultation band was still breached.** Annual urban headline and core inflation eased to 33.3 percent and 33.7 percent in March 2024, respectively**.** This comes as monthly dynamics returned to their historical trend instead of increasing following the official exchange rate depreciation on March 6, 2024. Nonetheless, the decision to unify the official and parallel foreign exchange markets availed foreign exchange liquidity, allowing for the clearance of import backlogs, and the alleviation of market uncertainty around the future path of the exchange rate. Thus, the March 2024 inflation outturn reflected a muted exchange rate impact and confirmed the notion that the impact of the sharp depreciation in the parallel market in January had already passed through to domestic prices in February 2024. The exchange rate accounted for 10 percent of monthly headline inflation in March 2024, compared to 25 percent in February 2024. Hence, the March 6 exchange rate unification served as a corrective measure, with little-to-no inflationary impact on prices.

3. **Furthermore, the decline in March's annual inflation rate was driven by subdued price increases across the board.** The annual slowdown was mainly driven by declining annual food inflation, which recorded 45.0 percent in March 2024, its lowest rate since December 2022. This may also signal a gradual easing of the food inflation shock, which peaked at 73.6 percent annually in September 2023. Additionally, the supply shocks' contribution to March 2024's inflation outturn has completely abated compared to the sizable (around 30 percent) contribution in February 2024's inflation outturn. In particular, supply shocks fed through to the prices of core food items, as monthly core food inflation declined from 19.8 percent in February 2024 to 1.4 percent in March 2024.

4. In addition to the previously mentioned inflation developments, the Government adopted fiscal measures, such as increasing: (1) electricity prices for both residential and commercial use (between 7 and 20 percent across various categories) in January 2024, (2) public transportation prices (i.e., railway and metro fares) in January 2024, (3) prices of home landline phone contracts (January 2024), (4) the regulated prices of other commodities and services such as medical care, and (5) the prices of domestic fuel products through the Fuel Automatic Pricing Mechanism in March 2024. These measures added inflationary pressures to March 2024's monthly headline inflation, contributing 7.0 percent through the regulated items' component.

Policy Responses

5. This section describes the monetary policy actions taken since March 2022 and their transmission to the economy. It also sheds light on the CBE's monetary policy reaction function and the main indicators used to assess the developments in the Egyptian economy. The CBE commenced its monetary policy tightening cycle as of March 2022. Monetary policy tools are utilized to anchor inflation expectations, and to contain demand-side pressures and second-round effects emanating from supply shocks. Decisive countermeasures have been adopted, which included raising key policy rates cumulatively by 1900 bps since March 2022 (800 bps in 2022, 300 bps in 2023, and 800 bps in 2024 Q1). In addition, the reserve requirement ratio was raised in September 2022 from 14 to 18 percent to complement the tightening stance. Moreover, monetary policy transmission was strengthened through phasing out subsidized lending schemes (CBE initiatives) and increasing the volume of liquidity absorption, by carrying out the main operation through a fixed rate operation with full allotment at the mid-corridor rate.

6. According to CBE assumptions, the cumulative impact of interest rate tightening on the real economy peaks after three quarters, consistent with the lag with which monetary policy operates. The impact of tightening the policy stance was contractionary on the real economy, namely on gross domestic investments, slowing down real GDP growth in the first half of FY 2023/24. As such, real GDP growth registered 2.5 percent compared to 4.2 percent during the corresponding period of FY 2022/23. Gross domestic investments have been contracting for six consecutive quarters as of 2022 Q3, with the contraction mainly driven by the declining contribution of public investments throughout FY 2022/23, compared to the previous year. Additionally, private investments have also been contracting, albeit at a slower pace, reflecting the cumulative impact of the tightening cycle since 2022 Q1, the lag with which monetary policy operates, and its indirect impact on the declining real growth of private business sector loans in local currency.

7. The cumulative tightening of key policy rates by 800 bps in 2024 Q1 aims to fast-track the disinflation path, by bringing the real interest rate into positive territory. Thus, ensuring a sustained decline in underlying inflation and anchoring inflation expectations. The CBE remains steadfastly committed to achieving price stability through targeting single-digit inflation, whilst assessing the cumulative impact of monetary policy tightening on the prevailing and forecasted monetary policy stance.

8. Additionally, it should be noted that the CBE's key policy rates are used in accordance with a monetary policy reaction function. The CBE reaction function aims to minimize both deviations of expected inflation from its target levels, and deviations of expected real economic activity from the level considered consistent with full capacity utilization. Accordingly, monetary policy decisions are data-driven through monitoring all economic, monetary, and financial developments. This is done by tracking a wide range of domestic and global indicators[1] to analyze the nature, persistence, and breadth of any shocks. This comes in addition to examining the changes in international commodity prices and global financial conditions, as well as political developments.

Inflation Outlook

9. Recent inflation outturns signal the return of monthly dynamics to their usual trend prior to March 2022. The CBE's forecast suggests that inflation has peaked and going forward, assuming the absence of external shocks, inflation is expected to moderate in 2024, as inflationary pressures begin to subside. A significant decline in inflation is anticipated in 2025 Q1 due to the combined impact of monetary policy tightening, subsiding impact of previously existing market imbalances and a favorable base effect. This is consistent with the monetary policy tightening cycle, especially following the cumulative 800-bps policy rate hikes in 2024 Q1.

10. Favorable base effects from the previous year will support annual rates in the near-term along with the decline in the underlying trend of inflation. Furthermore, real GDP growth is expected to slow down during the current FY 2023/24, in line with the witnessed tightening and the lag with which monetary policy operates. Moreover, while M2 growth has accelerated in March 2024, to record 25.4 percent following the depreciation of the Egyptian pound, M2 growth (excl. revaluation) has declined to reach 10.7 percent in March 2024, compared to 16.5 percent in the previous month, and well below M2's historical average of 15 percent. This points to an acceleration of the monetary aggregate solely due to revaluation effects. Additionally, the M2-Real GDP growth differential has been narrowing down for four consecutive quarters, recording an average of 17.3 percent in 2024 Q1, compared to 25.9 percent in 2023 Q1. In light of the decelerating M2 growth (excl. revaluation) and the narrowing M2-Real GDP growth differential, money creation dynamics point towards easing inflationary pressures from the money creation side, which has supported the decline in inflation rates in the 2023 Q4 and 2024 Q1. These money creation dynamics are expected to continue, consistent with the forecasted inflation trajectory.

11. However, there remains to be upside risks to the forecasted disinflation path, including an escalation of the current geopolitical tensions, which could lead to higher international commodity prices and negative spillovers on services. Other upside risks may include higher than expected fiscal consolidation measures; unfavorable climate conditions domestically and internationally leading to higher food and commodity prices; and a higher-for-longer tightening of global financial conditions.

---

[1] Including but not limited to: leading indicators for the real economy, measures of underlying inflation, development of M2 growth, and real credit growth to the private sector.

12. Nevertheless, in light of the aforementioned risks and macroeconomic developments, both globally and domestically, annual inflation rates will more likely deviate from the announced target of 7 percent (± 2 p.p.) on average in 2024 Q4. An explanation for deviation will be clearly communicated with the stakeholders along with the likely path of inflation to return to single digits in order to enhance credibility and transparency, in line with the transition to an inflation targeting regime. The CBE will ensure that the monetary policy stance is set at levels to anchor inflation expectations, rein in inflationary pressures and thus, place inflation on a sustained declining trajectory.

Appendix I. Letter of Intent

June 25, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431

Dear Ms. Georgieva:

Our economic program under the Extended Fund Facility (EFF) remains on track. We have sustained the shift to a flexible exchange rate regime and a liberalized foreign exchange (FX) system, maintained an appropriately tight monetary policy stance aimed at reducing inflation, continued with fiscal consolidation, implemented social protection measures, and have begun implementing the framework for slowing down overall public investment. These measures, combined with the augmentation of our EFF program and the recent investment deal in the Ras El-Hekma region, have helped improve FX liquidity and restore confidence.

However, risks surrounding our economic outlook remain significant. These include negative spillovers from the conflict in Gaza—posing challenges for growth, fiscal and external balances—elevated inflation despite the recent slowdown, high levels of government debt and debt service despite fiscal consolidation, and subdued private sector activity despite early signs of improvements. In this context, we remain committed to implementing the policies under the program, as outlined in the attached Memorandum of Economic and Financial Policies (MEFP) to ensure that we maintain macroeconomic stability, rebuild buffers, reduce vulnerabilities, and pave the way for an acceleration of private sector-led growth.

Looking forward, to durably improve our fiscal position and create space for high-quality expenditure, we remain committed to mobilizing revenues and reducing untargeted subsidies. Such efforts include submitting to parliament amendments to the VAT law later this year to rationalize exemptions and our firm commitment to reduce fuel subsidies by restoring fuel prices to their cost recovery levels by December 2025. We will take additional steps to protect vulnerable groups of the population, especially in light of shocks to households' purchasing power in a high inflation environment. To reduce very high financing needs, we will complement fiscal consolidation efforts with a stronger debt management strategy. We will continue to push forward with our divestment strategy, and ensure sufficient resources are transferred to the treasury to reduce financing needs.

We anticipate that the combined impact of recent monetary policy tightening, unification of the foreign exchange market, and favorable base effects, as well as increasing domestic and foreign demand for Egyptian pound denominated assets will contribute significantly to price stability.

Nonetheless, bringing down inflation is a key policy priority, and we will not hesitate to utilize all tools at our disposal to ensure that the policy stance allows for a sustained decrease in underlying inflation and safeguards price stability over the medium term.

To ensure better management of macroeconomic pressures, we have started the implementation of a comprehensive monitoring framework for the overall public investment portfolio. We have expanded substantially the perimeter of general government fiscal reporting to track broader fiscal activities and to better manage fiscal risks. We will also establish a repayment strategy for the EGPC's arrears to international oil companies, and we commit to reduce the stock of government guarantees as a ratio of GDP.

The financial sector has shown resilience to macroeconomic shocks. To safeguard financial stability, we will conduct a near-term stress test of the banking sector. Also, to support stronger governance practices, we will commission an independent assessment of state banks' policies, procedures, and controls by an internationally recognized firm.

On the structural reform front, we are developing an indicator to track implementation of the state-ownership policy, particularly as it pertains to reducing the state's footprint in a number of economic sectors. We will modify trade procedures to improve the business climate and continue with efforts to further strengthen the Egyptian Competition Authority.

Based on the strength of the policies that are described above and set forth in the attached MEFP, we request completion of the third review of the arrangement, with the purchase of SDR 618.11 million. The program remains fully financed. We request Executive Board approval of: (i) waiver of non-observance of the weekly ceiling on the government's overdraft account at the CBE, on account of the temporary deviation which has been corrected as of May 30 , and (ii) waivers of non-applicability of the end-June program targets for net international reserves and the primary balance. We also request approval of modifications to the quantitative performance criteria for future program reviews in light of developments and new information since the previous review. The requested modifications reflect the strengthened commitment to reduce the size of the CBE balance sheet as an important element underpinning our inflation stabilization plan and larger NIR balances following higher-than-anticipated inflows after unification of the exchange rate. We also request approval of completion of the Monetary Policy Consultation with the Executive Board. We met five out of ten structural benchmarks for the review and have proposed new timeframes to meet most of the outstanding commitments.

While we are confident that the policies that underpin our program ensure macroeconomic stability and achievement of our program objectives, we stand ready to take additional measures, as necessary. In accordance with the Fund's policies, we will consult with the IMF on adoption of such measures and in advance of revisions to policies contained in the MEFP. We will refrain from any policy that would not be consistent with program objectives and commitments.

The program will continue to be monitored through quantitative performance criteria, indicative targets, and structural benchmarks, as described in the MEFP and Technical Memorandum of

Understanding (TMU). The fourth review is expected to be completed on or after September 15, 2024, and the fifth review will be completed on or after March 15, 2025. We will continue our efforts to provide timely and accurate data that are needed for program monitoring. We will provide any information that has material impact on economic conditions and program objectives. This includes information on the development plan of the Ras El-Hekma region once relevant plans have been finalized and submitted by Abu Dhabi Development Holding Company (ADQ), the investor with the development rights to the region. We will maintain a close regular dialogue with IMF staff to ensure timely implementation of our economic program. We will consult IMF staff before making any policy changes that impact our economic program with the IMF.

We consent to the IMF's publication of this letter, the MEFP, the TMU, and the accompanying Executive Board documents.

/s/
Hassan Abdalla

Governor of the Central Bank of Egypt
Arab Republic of Egypt

/s/
Mohamed Maait

Minister of Finance
Arab Republic of Egypt

Attachments (2)

Attachment I. Memorandum of Economic and Financial Policies

Introduction

1. **With significant policy actions and stronger policy commitments, our EFF program is back on track and market confidence has returned.** Since the policy actions we took in March to restore macroeconomic stability including a broad-based increase in fuel prices, we have maintained a flexible exchange rate regime and a liberalized foreign exchange system, which will help prevent a reemergence of external imbalances and foreign exchange shortages. The latest round of monetary policy rate hikes is expected to be sufficient to bring inflation down towards our inflation target, but we stand ready to take further action as necessary to secure this goal. Combined with continued tight fiscal policies aimed at preserving debt sustainability, the slowed down implementation of public investment, as well as the substantial improvement in foreign currency liquidity from the US$35 billion investment deal with Abu Dhabi Developmental Holding Company (ADQ), these policy actions and commitments helped Egypt regain market confidence and alleviate near-term balance of payments pressures. In particular, nonresident holdings of domestic treasury securities increased by around $15 billion, the domestic financing situation improved significantly, and net foreign asset positions of both the Central Bank of Egypt and commercial banks increased. As committed, we used part of the proceeds from the US$35 billion deal to reduce government borrowing needs and government domestic debt and boost reserves to lock in the improvement in fundamentals.

2. **However, we still face large uncertainty in economic outlook.** Negative spillovers from the conflict in Gaza and Israel have become more pronounced due to associated trade disruption in the Red Sea and the notable reduction in Suez Canal receipts. These have reduced key sources of foreign exchange inflows and fiscal revenues. The inflation rate remains high, but has been slowing down in recent months, possibly reflecting the positive impact that the unification of the exchange rate market had on stabilizing the foreign exchange market, thereby anchoring inflation expectations and normalizing pricing behavior in the market and improvements in foreign exchange liquidity, as well as the past monetary policy rate hikes. Government debt and gross financing needs continue to be elevated, due to exchange rate adjustments, successive and significant interest rates hikes contributing to elevate borrowing costs, and intentional reliance on short-term domestic financing to avoid locking in high debt service cost for extended period. Private sector activity remains weak, yet with recent policy adjustments and future reforms a recovery is expected.

3. **In this context, we are committed to continue implementing commitments under the EFF to maintain macroeconomic stability and enhance private-sector led growth.** We are firmly committed to sustaining a flexible exchange rate regime and a liberalized foreign exchange system to avoid a buildup of external imbalances and foreign exchange shortages. We will maintain the monetary policy stance until we have firm evidence of inflation slowdown and will adjust it in a data-dependent manner to achieve our inflation target and further anchor inflation expectations. We will implement a primarily revenue-based fiscal consolidation to sustainably realize adequate primary surpluses, to maintain a downward debt trajectory, and to reduce gross financing needs, supported

by an active debt management strategy to be further enhanced and adjusted according to market dynamics. We will transparently and rigorously implement the new framework to monitor and control overall public investment and to that end we issued and published prime ministerial decree number 739 of 2024 and started implementing it. All together, these policy and reform measures will more effectively manage aggregate demand and minimize sovereign risks. As macroeconomic stability takes hold, we will more forcefully implement our structural reform agenda, including the divestment program, gradually withdrawing the state and all public entities from economic activity according to our plan and guidelines mentioned in state ownership policy and leveling the playing field across economic agents, and improving the competition in the banking sector. These will put Egypt on a firmer path to enhance private-sector led growth.

Recent Developments and Outlook

4. **Since the exchange rate unification in March, the exchange rate has been market determined, and domestic and external financing conditions have improved.** On foreign exchange markets, as committed under the EFF, (i) the spread between the official rate and measures of market clearing rates has remained closed, (ii) the foreign exchange demand backlog at banks has remained zero, and (iii) daily interbank foreign exchange turnover has increased significantly relative to the pre-unification period. After the unification of the exchange rate and the monetary policy rate hike, demand for local currency Treasury securities increased, with nonresident holdings of local currency increasing significantly at prevailing competitive rates. The government now relies much less on the central bank's overdraft facility as committed under the EFF, and the maturity of new domestic issuances through auction has increased.

5. **The recent investment deal with the ADQ has significantly improved the net external financial positions of the Central Bank of Egypt (CBE) and commercial banks and helped reduce budget sector gross borrowing needs and debt.** The New Urban Communities Authority (NUCA) has received new financing of US$24 billion from the Ras El-Hekma investment deal with the ADQ. Separately, the UAE's deposits of US$11 billion at the CBE have been converted to local currency for the ADQ's investment inside Egypt. The CBE has captured US$15 billion of the new financing in its foreign exchange reserves, and the government has reduced budget sector debt by about half of the local currency equivalent of the new financing of US$24 billion.

6. **New investment in the Ras El Hekma region is not expected to start until the master plan for the project is finalized and approved during 2025**. We completed all the licensing and permitting procedures and the land for the Ras El Hekma project will be transferred to the newly established Ras El Hekma for Urban Development Project Company. The company has been granted golden licenses and will be allowed to develop a freezone and investment zone. The government will have a 35 percent interest in the profits generated by the newly established company after all cost incurred has been recovered. While we have not received the development master plan for the region from ADQ, which may take a year to complete, initial estimates indicate that annual investment in the region will be about US$3-4 billion, mostly in the form of FDI and domestic private investments. Key private investors are expected to engage in the project on commercially viable

terms. The public sector will not undertake, finance directly or indirectly, nor guarantee financing of any new investment in the area designated for the project.

7. However, growth remains relatively weak partially due to external shocks, high inflation, and high nominal domestic borrowing costs. Growth slowed to an average of 2.5 percent in the first half of FY2023/24 due to weak confidence and foreign exchange shortages, and we project that the growth for FY2023/24 would fall short of 3 percent, with the lingering conflict in Gaza and Israel, prolonged disruptions in the Red Sea, and very high cost of domestic borrowing. While inflation has slowed in recent months, it remains high at 28.1 percent in May. Suez Canal revenues decreased by almost 57 percent year-on-year between January and March 2024, with a loss of around US$1.3 billion, relative to the same period in 2023, which has negative impact on fiscal revenues, the current account, and the CBE's foreign exchange reserves.

8. Fiscal tightening continues, albeit currently tilted toward non-interest expenditure adjustment while protecting needed social spending. Despite a notable year over year increase in tax revenues by 34.4 percent during July-April FY2023/24, tax to GDP ratio only stabilized due to high inflation. We have achieved a primary surplus of 3.4 percent of GDP in the first ten months of FY2023/24. This came with a sharp reduction in capital spending from the budget sector and benefited from the initial tranche from the Ras El-Hekma investment despite significantly lower receipts from the Suez Canal. However, an increase in interest expense in light of recent FX adjustment and interest rate hikes exerted pressures on the overall fiscal balance of the budget sector. Going forward, we target a primary surplus of 3.5 percent of GDP exclusive of divestment inflows in FY2024/25, in line with our commitment under the EFF and the FY2024/25 budget submitted to the parliament. To reach this target, the FY2024/25 budget envisages an increase in tax revenue (from both policy and administrative measures) by 0.7 percent of GDP, versus FY2023/24 projected outturns, and non-tax revenue by 0.3 percent of GDP. On the expenditure side, we plan to reduce primary expenditure across the board, while protecting spending on the vulnerable, human capital spending and targeted transfers to support the pace of economic recovery.

9. The banking system remains stable following the recent increase in interest rates and currency depreciation. Banks on average are profitable, liquid and have adequate capital per prudential minimums. In recent months, bank net foreign assets increased significantly with additional foreign exchange liquidity in the banking system associated with the ADQ investment deal and the unification of the exchange rate. Banks remain compliant with regulatory limits on net foreign exchange open positions.

10. Over the medium term, we expect growth to recover and accelerate with stronger contribution from private sector, inflation to continue slowing, reserve buffers to increase, and debt to keep its downward trajectory. We aim to secure this outlook through continued implementation of our program commitments. At the same time, we are mindful of significant risks and uncertainty for this outlook, including from regional conflict, portfolio flows, implications of high inflation and cost of borrowing, possible uncertainty regarding the precise impact of certain reforms, and the size and pace of FDI inflows. We are developing contingency plans that can adequately deal with these risks.

Program Performance

11. We remain strongly committed to the EFF program. We met all but one of the end-March 2024 quantitative performance criteria (QPCs) **.** We met the end-March QPC of net international reserve (NIR) by a significant margin, supported by the exchange rate unification in March and an increase in nonresident portfolio inflows to local currency T-bills. We also met the end-March QPCs on the reduction of the balance at the CBE's overdraft facility and CBE lending to public agencies. On the fiscal front, we missed the end-March QPC on the primary balance including divestment proceeds, solely due to valuation effects, as the exchange rate applicable to the conversion of the Ras El-Hekma proceeds was significantly different from assumptions used under the program. We missed the weekly QPC on the balance of the government's overdraft facility at the CBE for weeks ending April 18 to May 23 because of borrowing from the facility in anticipation of receipt of the second tranche of the ADQ deal, which was received in late May; the balance on the overdraft facility was lowered below the ceiling by May 30, 2024. We met the continuous performance criteria on non-accumulation of external arrears by the general government and the prohibition on the imposition or intensification of exchange restrictions, multiple currency practices, and import restrictions.

12. For the end-March 2024 indicative targets (ITs), we met the ITs on tax revenue and social spending. We narrowly missed the IT on the maturity of new domestic debt issuances through auctions, due to our reliance on short-term T-bills in light of prevailing market uncertainty before the exchange rate unification, but the maturity started lengthening after March. The IT on budget sector debt for end-March was missed by a small margin as well, due to over reliance on short term borrowing. The IT on guarantees was missed by a large margin due to the depreciation of the official exchange rate as guarantees denominated in foreign currency are automatically adjusted for currency movements and due to guarantees that the Ministry of Finance had to issue to allow EGPC to continue borrowing from banks. We met the ITs on the CBE's FX intervention rule and budget.

13. We also met several structural benchmarks (SBs) for the third review.

- We met the SB on sustaining a flexible exchange rate regime and a liberalized FX system, the SB on enacting the executive regulations of the PFM law, the SB on the monthly publication of all public procurement contracts that exceed EGP 20 million, the SB on publication of a comprehensive tax expenditure report, and the SB on the immediate introduction of fixed rate, full allotment 7-day deposit operations, and publishing the results of such operations on CBE's website.

- We did not meet the recurring SB on quarterly implementation of the retail fuel price indexation mechanism although we increased prices in March 2024 for all fuel products including those covered by the indexation mechanisms with projected annual savings worth 0.3 percent of GDP that far exceeds what would have been captured by the formula adjustments (0.07 percent of GDP). The SB related to an introduction of a binding requirement to ensure the timely publication of the Central Auditing Organization's (CAO) annual audit reports on the fiscal accounts was also not met though progress was achieved in drafting a new CAO law that would capture this among several other key reforms. Similarly, The SB on CBE recapitalization was not met, to allow time for refinements to the proposed plan, while the SB on developing a plan to reduce central bank claims on government agencies outside the Ministry of Finance will also require additional time to be completed. While we prepared a broad strategy to repay EGPC arrears, the SB to prepare a plan to reduce EGPC arrears was not met.

- While the inflation rate in March 2024 exceeded the upper outer band under the Monetary Policy Consultation Clause (MPCC), triggering a consultation with the IMF's Executive Board, the policy rate hike in March should slow inflation, and we expect the inflation rate to fall below the MPCC's upper bound for end-June.

Economic Program

14. The key objectives of the program remain securing macroeconomic stability and continuing progress in structural reform agenda. In particular, the objectives include: maintaining a flexible exchange rate regime and a liberalized FX system; reducing inflation towards our target with appropriate monetary and fiscal and structural policies; a sustained increase in tax revenues; reducing untargeted fuel subsidies further to increase space for high-quality social and human capital support measures; containing broad public investment; further strengthening our debt management strategy to contain gross financing needs and debt; improving governance of state banks; and accelerating structural measures that support the implementation of the state-ownership policy, enhance e-transparency, and levelling the playing field across economic agents.

Exchange Rate and Monetary Policies

15. We will maintain a flexible exchange rate regime and a liberalized foreign exchange system. As agreed at the time of the 1st and 2nd reviews of the EFF, a comprehensive set of indicators will be used to monitor this, including the essential closing of the spread between the official exchange rate and measures of the market-clearing rate, the effective elimination of foreign exchange demand backlogs at banks, and increased FX turnover in the interbank market relative to the period before the exchange rate unification (*structural benchmark*). We will not introduce or intensify exchange restrictions or multiple currency practices, impose or intensify import restrictions for balance of payments purposes, or conclude any bilateral payment agreements that are inconsistent with Article VIII of the IMF's articles of agreement (*continuous performance criterion*). Interventions by the CBE in the FX market, if necessary, will continue to be guided by a volatility-based intervention framework and reserve accumulation goals.

16. We will continue our efforts to rebuild foreign reserve buffers. The CBE will continue to accumulate official reserves to support external sustainability, based on the agreed definition of reserves that include both Tier 1 and Tier 2 assets of the CBE as well as any other foreign currency assets held by the CBE that could be used for reserve management purposes (*performance criterion*). To limit the potential for foreign currency mismatches on banks' balance sheets when external pressures emerge, the CBE will not grant exemptions for commercial banks that breach net foreign exchange open position limits and will apply sanctions to any banks that violate the limits, in accordance with the regulations (*structural benchmark*). The CBE will continue to consult with IMF staff if aggregate banks' NFAs show a cumulative decline of US$2 billion over a three-month period (consultation clause). We will not accumulate any general government external debt payment arrears (continuous performance criterion).

17. Our priority for monetary policy is to reduce inflation towards our inflation target. We raised the key policy rate by 200 basis points in February and by 600 basis points in March, to the current level of 27.25 percent. The CBE's Monetary Policy Committee left policy rates unchanged at its meeting in late-May 2024, judging the current monetary stance remains appropriate to place inflation on a declining path. We will continue to conduct monetary policy decisions in a data-dependent manner, and we will not hesitate to take actions if data outturns signal deviations from our projected inflation path towards achieving our target. In this context, we will adhere to the MPCC, which will trigger consultation with the IMF when the headline urban CPI inflation rate (year on year) falls outside the range agreed with IMF staff. Over time, the CBE will enhance its capacity to monitor inflation expectations, to support our ambition to fully transition to an inflation targeting regime. Separately, to support the progress towards achieving the inflation target, the government's use of the overdraft facility at the central bank has been reduced and we are committed to keeping it below the statutory limit on a recurrent, weekly basis (*performance criterion*). The CBE has not increased and remains committed to not increase its lending to public sector agencies excluding the Ministry of Finance (*performance criterion*). Furthermore, we commit to taking a first step to reduce this stock by EGP 150 billion (about 1 percent of GDP) already by end-July 2024, which is reflected in the quantitative targets from September 2024 onwards. We will thereafter reduce the remainder of the stock to zero by EGP 100 billion per year, through the preparation of a detailed repayment strategy that may rely on the use of operational surpluses obtained by the agencies that had benefited from the loans, or other mechanisms (including use of part of the divestiture receipts) that should not affect regular budgetary operations including getting at least 50 percent of divesture proceeds over the medium term. The CBE will continue to refrain from extending, renewing, or introducing any subsidized lending schemes.

Fiscal Policy and Debt Management

18. We are committed to continuing our fiscal consolidation efforts.

- **In FY 2023/24,** we will achieve a primary surplus of 2.2 percent of GDP excluding divestment proceeds to the budget and 6.2 percent of GDP including divestment proceeds. The divestment proceeds in FY2023/24 include the Egyptian pound equivalent of $12 billion proceeds from the recent Ras El-Hekma investment deal with ADQ (3.7 percent of GDP) and other divestment proceeds (0.15 percent of GDP).

- **For FY2024/25,** we target a primary surplus of 3.5 percent of GDP excluding divestment proceeds and additional 1 percent of GDP from divestment proceeds to be used to reduce gross financing needs, as reflected in the budget submitted to the Parliament (*performance criterion*). This primary balance target entails new structural revenue measures that generate an expected improvement in tax and non-tax revenue of about 1.0 percent of GDP in FY2024/25 versus projected outturns for

FY2023/24. In this regard, tax measures of 0.7 percent of GDP have been identified, including the full year impact of the previously implemented law that eliminated preferential tax treatment and exemptions for SOEs, along with rationalization of VAT exemptions, and anti-fraud tax measures. We will enact a law to speed up the resolution of tax disputes, which will provide an additional 0.15-0.2 percent of GDP tax revenue for FY2024/25. We will submit to parliament amendments to the VAT law that simplify the VAT, rationalize exemptions, and enhance its efficiency and progressivity by November 2024 (*structural benchmark*). This VAT reform will target a structural increase in VAT revenue of at least 1 percent of GDP on a 12-month basis, of which 0.2 percent of GDP will be generated in FY2024/25. Dividend receipts are targeted to increase by 0.2 percent of GDP, and an additional 0.1 percent of GDP will be obtained through additional measures currently under review. In this regard, we are committed to achieving the floor on tax revenues (*indicative target*) and a ceiling on the gross debt of the budget sector (*indicative target)*. We will not introduce additional corporate income tax (CIT) exemptions and will significantly limit CIT tax incentives, and we will replace existing fragmented character of tax incentives by a transparent, coherent, effective, and efficient framework within the new income tax law that is currently being drafted with IMF assistance. To protect the revenue base, we will undertake a detailed assessment of the economic and financial benefits of the current freezones by end-September 2024 (*structural benchmark*), and in the meantime, we will limit any further expansion of freezones.

- **Over the medium term,** in line with our Medium-Term Revenue Strategy and considering the need to bring down budget sector debt levels to below 85 percent of GDP, we target an increase in the primary surplus by FY2026/27 to 5.0 percent of GDP and 5.5 percent inclusive of divestment proceeds, with the tax revenue to GDP increasing by around 3 percent of GDP by FY2026/27. To achieve this, we will continue with tax revenue-based fiscal consolidation although one key challenge is the exceptional high inflation rates recorded along with efforts to better capture economic activities covered by GDP and national account calculations that have led to almost doubling the value of nominal GDP over the 3-years period extending from FY 2021/22 to FY 2024/25. In addition to the VAT measures, we will introduce other tax policy and administrative measures such as: widening the tax base by ensuring the full implementation of taxation and e-commerce on all traded goods; implementing a new Income tax law by FY2025/26 to address existing loopholes; consolidate amendments, and rationalize exemptions including possibly those in freezones; adopting a withholding tax on turnover from exports to the domestic market from freezones in Egypt; adopting green fees and taxes in line with international best practices; implementing reforms adopting the Automatic Exchange of Information Standard by FY2026/27; implementing the EU's Carbon Border Adjustment Mechanism (CBAM) requirement; accelerating reform of property taxation to leverage this pro-growth and progressive source of revenue; and strengthening the e-tax platform to improve tax efficiency and reduce the size of the informal economy.

19. We are adjusting domestic fuel prices to make space for better targeted social support. While we successfully reduced on-budget fuel subsidies to 0.3 percent of GDP in 2021, the gap between fuel prices and cost recovery has grown significantly since mainly due to notable FX adjustments that led to depreciated local currency and elevated cost of borrowing, bringing the on-budget fuel subsidy to about 1.2 percent of GDP in FY2022/23. To bring fuel prices back in line with the level implied by the indexation formula since the start of the EFF program, we increased fuel prices of almost all products in March 2024 with annual savings worth 0.3 percent of GDP. While we missed the structural benchmark for April 2024 on the retail fuel price indexation mechanism, we are firmly committed to gradually restore fuel prices for gasoline, diesel and fuel oil used by industry to their cost recovery level by December 2025. The fuel price increases will also help us progress on our decarbonization efforts outlined in the updated Nationally Determined Contribution published in 2023. We will strengthen communication around the mechanism by explaining the rationale for the pricing decisions and record and publish fuel subsidies and any liabilities to Egyptian General Petroleum Corporation (EGPC).

20. We are implementing structural measures to support our fiscal goals. These include:

- In April 2024, we published for the first time an annual tax expenditure report, including available details and estimates of tax exemptions and tax breaks broken down by classification, including: those provided to companies operating in free economic zones and to all state-owned enterprises, including public sector companies, public business sector companies, military-owned companies, economic authorities, and joint ventures and partnerships. The report identified tax revenue losses due to exemptions of 3.0-4.5 percent of GDP. We will identify poorly targeted exemptions that are not benefiting lower income groups and human capital objectives and/or that have limited impact on supporting competitiveness of the economy. For such list of well-identified exemptions, we will work on a plan to gradually streamline them.

- We are currently amending the law governing the CAO and plan to introduce this requirement into the law rather than implement it through a decree. In the interim, to achieve the same transparency objectives, we will publish CAO's audit reports for FY2022/23, including on the budget sector and Economic Authorities, by end-August 2024 (*structural benchmark*) and submit the CAO law to parliament by end-November 2024 (*revised structural benchmark*).

21. We are taking additional steps to protect vulnerable groups. With the progress achieved in 2023 to broadening the coverage of the Takaful and Karama cash transfer program to 5.3 million households, we have focused on increasing the monthly payments to protect the most vulnerable against high inflation. Beyond the direct cash transfer to the poor, we continued to raise the minimum public sector wage, issued monthly nominal increases to protect public sector employees' wages, and increased pension payments for civil servants in FY2022/23 and FY2023/24 to mitigate the impact of inflation. The total social protection package for FY2024/25 reached EGP130 billion, in addition of EGP 50 billion cost incurred by the Pension Fund to accommodate recent decisions to increase monthly pension payments. To better evaluate the adequacy of our social protection programs, we will update the relevant analysis based on the latest household income survey, which will be published with the full results by July 2024 (*new structural benchmark*). To consolidate various subsidy programs, a steering committee led by the Prime Minister, will refine the eligibility criteria and apply a proper model to establish a conditional cash transfer programs with improved targeting in a year. We have drafted a new social protection law to strengthen regulation of various social protection programs, and it is currently being considered by the Parliament. We will publish a report evaluating the social housing program, and explore further efficiency gains in our food subsidies. On health, we will continue the rollout of our universal health insurance scheme. We are committed to providing support for those most in need, with a minimum level of social spending consistent with these objectives (*indicative target*).

22. We will slow down the implementation of public investment projects, including national projects, to ensure domestic and external stability. Comprehensive management of the overall public investment portfolio is central to achieving consistency in the macro policy mix and to mitigate pressures on foreign exchange. We will monitor and control overall public investment, following the issuance and publication of the Prime Ministerial decree number 739 of 2024 requiring all public entities to report annual projected investment, including projects contracted or undertaken by entities such as the Administrative Capital for Urban Development (ACUD), National Urban Communities Authority (NUCA), the National Service Projects Organization, the National Authority for Military Production, and the Arab Organization for Industrialization, to a cabinet level committee chaired by the Central Auditing Organization (CAO). The first submission outlining projected investment for FY2024/25 has been done as planned by April 30, 2024, and submission will be done annually by April 30 thereafter. The committee issued directives and reporting instructions to all entities on how to report investment plans and investment expenditure, defined as spending on assets with a useful life that exceeds one-year. The decree requires all public agencies to report to the committee each September and March the implementation amounts and percentages compared to the targets for the periods January–June and July–December, respectively. The reports shall be submitted to the Public Economic Governance Committee. The target ceiling on the value of total public investment over the period from January–June 2024 is EGP 350 billion and the target for FY2024/25 is EGP 1,000 billion (*indicative target*).

23. We have expanded the perimeter of general government fiscal reporting to track broader fiscal activities. The general government, as currently defined, excludes fiscal activities undertaken by economic authorities (EAs). We revised the PFM law to achieve the following:

- With the FY2024/25 budget submission to parliament, we have reported fiscal indicators for the general government for the first time that include all 59 EAs. These entities are required to report to the MOF semiannually in FY2024/25 and quarterly in subsequent years once capacity has been fully developed at those entities. The MOF in collaboration with the Cabinet is putting in place a system to request and receive needed information from these entities to be able to produce timely consolidated figures.

- We also introduced binding ceilings on the debt of the entities included in these indicators in the annual budget law. Adjustment of ceilings will require recommendation from the MOF based on a clear set of criteria, and parliamentary approval.

These reforms aim at improving transparency in the activities of EAs and strengthening our ability to monitor their fiscal performance and the size of overall public investment. In parallel, we will conduct a sector classification exercise of all 59 EAs in accordance with the concepts and principles in the GFSM 2014 and document the rationale for each classification decision by end-September 2024, recognizing that only those EAs that are nonmarket producers should be included in the general government (*structural benchmark*).

24. We will establish a repayment strategy to reduce arrears to international oil companies. The Egyptian General Petroleum Company (EGPC) has accumulated payment arrears on supply contracts of about US$5 billion, denominated in U.S. dollars. The buildup of arrears reflects several factors including foreign exchange shortages, elevated cost of borrowing, a cyclical downturn in the domestic production of gas, higher domestic consumption reducing the scope for gas exports, significant price deviations from cost recovery, and increased subsidies from EGPC to the electricity sector. We are developing a repayment strategy to ensure that no new arrears are accumulated and that existing arrears are cleared. Discussions continue to finalize this strategy without further delays. In addition, we are firmly committed to adjusting energy prices to reach cost recovery levels as a critical component of this strategy, which will also put EGPC on a sounder financial footing. The planned adjustments in electricity and fuel prices, together with additional revenues from expanded capacity in the oil refinery, will help avoid operational losses, and contain fiscal risks, including those associated with the guarantees that the Ministry of Finance had to issue to allow EGPC to continue borrowing from banks. Finally, for transparent reporting of arrears, we will resume semi-annual publication of EGPC's financial statement, starting with publication of the end-December 2023 statement by end-June 2024. More broadly, we also plan other measures to reach a positive operating cashflow for EGPC in FY2025/26.

25. To complement fiscal consolidation efforts, we will strengthen the public debt management function with envisioned comprehensive reforms along key structural and operational pillars. The main reforms would target in the medium-term the completion of the institutional setup of debt management (reorganization of the Debt Management Unit (DMU) along front, middle, and back-office functions), the regulatory setup, domestic debt market development (broadening the investor base, enhancing competition, and introducing new instruments like retail bonds and a revamped primary dealership system), enhanced diversification, and better debt reporting and investor relations. As a priority, we will be updating and publishing by December 2024 the medium-term debt management strategy that articulates a multi-year borrowing plan updated annually and anchored by a portfolio cost and risk management framework. The strategy document will include debt portfolio risk tolerance thresholds and operational targets, and will cover foreign and domestic debt, cutting across key and potential instruments and sources of financing. The revised Primary Dealership setup will be finalized and operationalized by end-September 2024. We will seek IMF technical assistance where appropriate to help with designing, sequencing, and implementing these reforms.

26. From a borrowing strategy perspective, and to help contain gross financing needs, we will continue to gradually lengthen the maturity of new domestic issuances (*indicative target*). Earlier this year, we agreed with pension funds and insurance funds, both in an excess liquidity position, to extend the maturity of existing debt that matures in the next several years in line with prevailing market terms. We also agreed with major state banks to voluntarily participate in MOF efforts to issue new three-year treasury bonds when the existing bonds held by these banks mature in the next several years. We have improved the composition of budget financing by increasing financing from multilateral and official bilateral creditors, while reducing the use of the overdraft at the CBE. Furthermore, we commit to prioritizing domestic financing via market mechanisms (auctions) and effectively phasing out in the short-term access to private placements and any CBE financing above the regulatory ceiling. We will improve on the short-term reporting on government financing from the domestic market by including information on key domestic financing instruments in the current debt reporting framework (including auction results, private placements, and overdraft borrowing).

27. In addition, we will address the recapitalization needs of the CBE in an integrated manner, considering both the government's debt management strategy and the need to safeguard CBE balance sheet and its price stability mandate. While we prepared an initial plan to address the CBE's recapitalization needs, before this plan is finalized and implemented, we will conduct a more comprehensive assessment of recapitalization needs that cover the next five years, taking into account the planned reduction in the stock of CBE's credit to public agencies (see ¶17) as well as our plan to reduce the CBE's subordinated debt issued to state-owned banks, by end-August 2024 (*reset structural benchmark*). This recapitalization plan, agreed upon by the MOF and the CBE, will protect the ability of the CBE to achieve its price stability mandate and consider the government's debt management strategy and associated target to put debt to GDP on a firmly downward path. Separately, we will establish an agreement between the CBE and the Ministry of Finance that fully regularizes the use of the 2021 SDR allocation for fiscal purposes.

28. We will continue to strengthen fiscal risk management. To monitor potential risks and safeguard future fiscal resources, the Ministry of Finance will report annually the payment arrears of the budget sector, including to critical SOEs and EAs, within 90 days of the end of the fiscal year (*recurrent structural benchmark)*. The reporting includes the stocks of commitments, overdue payments, overdue transactions, and the stock of gross liabilities and due payments to and from the MOF, in aggregate and by following entities (the EGPC, General Authority for Supply Commodities, New Urban Communities Authority, National Postal Authority, National Authority for Egyptian Railways, National Investment Bank, CBE, Egyptian Electricity Holding Company, Holding Company for Drinking Water and Sanitation, and EgyptAir). We also redouble our efforts to report the same data on a quarterly basis. To further strengthen control of fiscal risks from off-budget activity, we will ensure that the stock of government guarantees relative to GDP declines annually from its projected value of about 34 percent of GDP at end-June 2024 (*indicative target*). We have published an annual fiscal risk statement as a chapter of the budget documentation, starting from FY2024/25, in line with IMF technical assistance.

Financial Sector Policy

29. Strengthening financial sector resilience continues to be a key priority. The banking system remains adequately capitalized and liquidity is ample. While banks have remained in compliance with their net open position limits, we will closely monitor the maturity and composition of banks' foreign currency assets and liabilities, including their exposure to public sector agencies. Following successful technical assistance from the IMF, the CBE is establishing a bank resolution unit. The CBE will also strengthen transparency and communication of financial sector issues, including ensuring all public reporting, including the annual financial stability reports, is done on predictable schedule and without excessive lags. To test the resilience of banks, the CBE will complete stress tests of the banking sector and share detailed results with IMF staff by end-September 2024 using end-March 2024 data; these tests will be prepared in consultation with IMF staff (*structural benchmark*).

30. We are committed to strengthening governance practices and competition in the banking sector. To support stronger governance practices, we commit that the CBE will not issue any new subordinated debt to state-owned banks. To enhance the governance of state-owned banks, we will commission an independent assessment of policies, procedures, and controls of state-owned banks (with CBE and IMF input and agreement on terms of reference) by an internationally recognized firm, with the tendering and selection process completed by end-October 2024 (*new structural benchmark*).

Structural Reforms

31. We are rolling out our state ownership policy with the aim of levelling the playing field and increasing private sector-led growth. To support the ongoing rollout of the state-ownership policy and to transparently track reduction in the state's involvement in non-strategic sectors identified in the state-ownership policy as well as enhance role of the private sector in the economy, we will re-instate regular publication of annual aggregate reports on Egypt's SOE portfolio on the appropriate government website, with coverage expanded to include all SOEs covered by the state-ownership policy (*recurring structural benchmark, starting in end-September 2024 and at end-September each year*). In addition, we continue to make progress in developing an indicator to track implementation of the state-ownership policy by end-July 2024 (*structural benchmark*). In this regard, we are considering three indicators: the share of private investment in total investment, the share of private credit in total credit; and a measure of the reduction of the state-owned enterprises in the non-strategic sectors identified in the state-ownership policy. We have sent draft legislation to parliament to embrace key elements of the state-ownership policy into law, in part through legislating the creation of unit in the Prime Minister's office with the powers to establish guidelines for the governance of state-owned enterprises and to facilitate divestment. We will seek passage of the law by parliament by December 2024. We intend to take follow-up measures to empower the Unit to develop and implement a coherent approach to sound corporate governance of the full SOE portfolio.

32. Divestment of state-owned assets is key to reducing the state's footprint, strengthening external resilience, and reducing government debt. Supporting the state-ownership policy, we have produced an inventory of over 700 SOEs and identified about 200 as candidates for divestment, including all government ownership interests in non-strategic sectors. We have also worked with the International Finance Corporation (IFC) to develop a sector-by-sector approach to divestment. So far in FY2023/24, we have finalized divestment deals worth US$2.2 billion, of which US$2 billion has been received. However, we will likely fall short of our divestment target for FY2023/24 of securing US$2.8 billion in dollar inflows from divestment as potential investors decided to wait until the macroeconomic uncertainty earlier in the fiscal year was resolved. Nonetheless, we remain committed to achieving the overall dollar inflows from divestment envisaged at the time of program approval. For FY2024/25, we target new divestment of US$3.6 billion denominated in U.S. dollar, as well as additional divestment of 0.5 percent of GDP denominated in either U.S. dollar or Egyptian pound. To rebuild the CBE's foreign exchange reserves, we will keep foreign exchange proceeds generated by sales of state-owned assets at the CBE. At the same time, in order to reduce budget sector debt and gross financing needs, we will channel 1.0 percent of GDP of divestment proceeds in FY2024/25 and another 0.7 percent of GDP in FY2025/26 to the MOF's budget.

33. We will continue our efforts to level the playing field and strengthen business climate and governance.

- We published the Executive Regulations implementing the amendments to the Competition Law that was introduced in December 2022. This regulation empowers the Egyptian Competition Authority (ECA) to control mergers that would limit, restrict, or harm competition. Separately, we have drafted amendments to the Competition Law to align the independence of the ECA with the independence of other regulators with comparable mandates, including the CBE and the Financial Regulatory Authority (FRA). The redrafted amendments will also empower the ECA to issue direct administrative sanctions similar to the CBE. We are committed to submitting the redrafted amendments to parliament (*new structural benchmark for end-October 2024*). Further, the ECA has hired external advisors to develop a survey for the private sector that will underlie the development of an index to track the views of key stakeholders regarding competitive neutrality and to identify necessary reforms to the competitive neutrality framework.

- To improve the ease of doing business, customs procedures are transitioning towards a risk-based approach that helps reduce import clearance times. We will introduce a "Green Lane" where a percentage of the cargo associated with low risk and compliant companies will be released immediately without any controls (*new structural benchmark*). We will also integrate risk-based control between Customs Authority, Export and Import Control Authority, National Food Safety Authority, Agricultural and Veterinary Quarantines to reduce the number of containers needed to be inspected and thus, reduce the clearance procedures and time of goods in ports (*new structural benchmark*).

- We met the SB on posting reports that comprise monthly procurement awards greater than EGP 20 million, which also report the findings from General Authority for Government Services (GAGS) on-site post-procurement audits of budget unit procurement awards. The reports are posted on the GAGS website, accessible in Egypt, and the Ministry of Finance website, accessible internationally, making them freely available to the public without any restriction. Looking ahead, with the assistance from the Korea International Cooperation Agency (KOICA), we are upgrading the public e-procurement system to bring it in line with the existing public procurement law (Law No. 182 of 2018 Regulating Contracts Entered by Public Entitles) and to allow for posting of final awards. The new system is to be operational by June 2025.

Financing and Program Monitoring

34. We have secured financing to close the financing gap. The total financing needed to reach the revised net international reserve targets is US$7.7 billion in FY2023/24 and US$6.8 billion in FY2024/25, excluding IMF purchases. We have secured firm financing commitments for the next 12 months ending in June 2025 from international partners to fully close the financing gap. We have assurances from Arab countries to keep their official deposits at the CBE for US$19 billion until the end of the EFF arrangement in September 2026 unless they are used for the purchase of equities. We have good prospects for meeting the financing needs in the remainder of the program, with multilateral and official bilateral support, external market financing, and we will adjust policies if needed. Regarding the inflow of US$24 billion from ADQ to acquire development rights of the Ras El-Hekma region, we have captured at least US$15 billion of the proceeds in the CBE's foreign reserves. We will compensate for the smaller divestment flows during FY2023/24 with larger divestment in FY2024/25, relative to the original projection. Our divestment strategy will be strengthened by the advice from the IFC.

35. The program will be monitored through prior actions, quantitative performance criteria, indicative targets, and structural benchmarks. All quantitative performance criteria and indicative targets are listed in Table 1. Prior actions and structural benchmarks are listed in Table 2. The Technical Memorandum of Understanding (TMU) indicates definitions of quantitative performance criteria, indicative targets, structural benchmarks, consultation clauses, and data provision requirements. While we currently commit to report the CBE's net international reserves and their components with a submission lag of no more than 15 calendar days after the end of each month, we will work to shorten the submission lag in order to allow timely monitoring of the CBE's net international reserves.

Table 1. Egypt: Quantitative Performance Criteria and Indicative Targets

(In billions of Egyptian pounds unless otherwise indicated)

	End March 2024				End June 2024					End September 2024 Indicative		End December 2024		End March 2025 Indicative	End June 2025
	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	1st/2nd reviews	Prog.	Prog.	Prog.
I. Quantitative Performance Criteria 1/															
Net international reserves ($ million at program exchange rates; floor) 2/	20,464	21,455	30,132	Met	30,329	36,821	...	...	N/A	30,510	35,364	29,258	34,039	32,918	36,132
Primary fiscal balance of the budget sector plus divestment proceeds (cumulative, floor) 3/ 6/	490		416	Not met	978	856			N/A	130	141	424	425	566	791
Balance of the government's overdraft account at the CBE (weekly ceiling on the balance) 7/	131		7	Met	131	131			Not met	165	165	165	165	165	165
Balance of central bank lending to public agencies excluding the Ministry of Finance (continuous ceiling on the balance)	661		661	Met	661	661			N/A	661	508	661	458	458	408
Accumulation of external debt payment arrears by the general government ($ million; continuous ceiling)	0		0	Met	0	0			N/A	0	0	0	0	0	0
II. Indicative Targets															
Tax revenues (cumulative floor) 3/	1,044		1,046	Met	1,740	1,690				361	388	794	895	1,342	2,237
Social spending of the budget sector (floor) 3/	142		150	Met	189	189				26	26	105	105	158	211
Public investment (ceiling) 3/ 4/	n.a.		...	...	350	350				n.a.	n.a.	500	500	n.a.	1,000
Net change in the stock of government guarantees 3/ 5/	122		1,481	Not met	183	1,890				201	200	402	400	525	650
Average maturity of gross local currency debt issuance (years; cumulative floor) 3/	0.56		0.52	Not met	0.65	0.57				1.2	0.87	1.25	0.90	0.92	0.94
Gross debt of the budget sector (at program exchange rates; ceiling)	11,015		11,347	Not met	11,198	12,954				11,906	13,602	12,411	14,065	14,527	14,805
III. Monetary Policy Consultation															
(12-month change in consumer prices)															
Upper outer band	27				32.5	32.5				29.5	27	29	25	16	13
Upper inner band	9				9	9				9	9	9	9	9	9
Actual/Center target	7		33.3	Exceeds	7	7				7	7	7	7	7	7
Lower inner band	5				5	5				5	5	5	5	5	5
Lower outer band	3				3	3				3	3	3	3	3	3
Memorandum items:															
Program disbursements at completion of review (cumulative change, $ million) 3/	5,764		6,160		7,850	7,850	...	...		2,759	3,507	4,876	5,449	8,740	10,103
External program financing assumed under the program excluding IMF (cumulative change, $ million) 3/	4,941		6,160		6,204	6,204	...	...		1,531	1,456	3,649	3,399	5,462	6,825
Of which:															
Sales of state-owned assets	2,162		2,030		2,793	2,794	...	...		894	894	2,194	2,194	2,884	3,575
Net issuance of FX T-Bills	0		-52		0	0	...	...		0	0	0	0	0	0
Foreign Curency Deposits at CBE	0		0		0	0	...	...		0	0	0	0	0	0
IMF financing assumed under the program (cumulative, $ million) 3/	823		0		1,646	1,646	...	...		1,228	2,051	1,228	2,051	3,278	3,278
Net external loans from private creditors in FX assumed in BOP baseline (cumulative change, $ million) 3/	343		-87		110	-110				1,000	1,000	2,500	2,500	3,500	3,639
Stock of nonresidents' holdings of local-currency T-bills and T-bonds ($ million) 8/	1,550		947		1,850	16,059	...	...		1,990	750	2,050	1,500	2,250	3,000
Divestment proceeds flowing to the budget (EGP billion, cumulative) 3/ 6/	291		188		698	698	...	...		64	59	97	88	133	177
FDI Related to devlopment of Ras El-Hekma region (cumulative change, $ million) 3/	...		...		...	0	...	...		...	0	...	0	1,250	2,500

N/A = not applicable

Note: For definitions of the aggregates shown and details of the adjustment clauses, see the Technical Memorandum of Understanding (TMU).

1/ The targets for March 2023 and September 2024 are indicative.

2/ Reserves include the CBE's official reserves and the CBE's foreign currency deposits with local banks.

3/ Cumulative from the beginning of each fiscal year.

4/ IT is assessed semi-annually on the end-June and end-December dates. For end-June 2024, the cumulative target is set on public investment from January 1, 2024, to June 30, 2024.

5/ For the test dates of end-March 2024 and end-June 2024, the cumulative values cover the period from October 1, 2023 until the test date. The reported issuance for end-March is gross issuance rather than net issuance.

6/ For 2024, it also includes $12bn from the Ras El-Hekma transactions.

7/ The weekly ceiling was temporarily exceeded in April and May 2024, but the balance was brought below in the ceiling by end May.

8/ As of February 28, 2024, as per TMU definition (with one month lag relative to the test date).

Table 2. Egypt: Structural Benchmarks		
Policy Measure	**Timing**	**Status**
Publication monthly of all public procurement contracts that exceed EGP 20 million on the E-tenders government procurement portal website (See TMU). Ensure that everyone can access this information without the need to set up an electronic account.	Recurring SB 30 days after month end	Met
The Ministry of Finance will monitor and report payment arrears, including to critical SOEs and EAs, 90 days after fiscal year end as defined in the TMU.	Recurring SB 90 days after each fiscal year end	Not applicable for 3rd review
Introduce a binding requirement to ensure the timely publication of CAO's annual audit reports on the fiscal accounts going forward.	End-March 2024	Not met
Enact executive regulation of the PFM law, including: (i) main elements of the budget calendar starting with the submission and approval of the fiscal strategy paper, (ii) the process to update and publish the MTBF taking into account the costing of new laws and regulations, (iii) a requirement for all entities to separate the baseline and new policy initiatives, and (iv) a section on climate that would provide a mandate for climate-related activities.	End-March 2024	Met
Publish a comprehensive annual tax expenditure report, including details and estimates of tax exemptions and tax breaks broken down by classification, including those provided to companies in free economic zones and to all state-owned enterprises, including public sector companies, public business sector companies, military-owned companies, economic authorities, and joint ventures and partnerships.	End-April 2024	Met
Sustain the flexible exchange rate regime. This structural benchmark is assessed in a comprehensive manner, based on monitoring of FX system functioning, using the information and indicators including FX demand backlogs at banks, the spread between the official exchange rate and measures of market-clearing rate, and interbank FX turnover.	To be assessed once for each program review, based on the information over a period of time between program reviews	Met
Implement a plan for the recapitalization of the CBE, based on an assessment of the CBE's recapitalization needs in consultation with IMF staff, and considering CBE's full compliance with	End-August 2024	Not met Reset

Table 2. Egypt: Structural Benchmarks (continued)		
Policy Measure	**Timing**	**Status**
Egyptian Accounting Standards (EAS). The plan would include a comprehensive assessment of recapitalization needs that cover the next five years, taking into account the planned reduction in the stock of CBE's credit to public agencies (MEFP ¶17) as well as a plan to reduce the CBE's subordinated debt issued to state-owned banks.		
CBE to issue a circular announcing the immediate introduction of fixed rate, full allotment of its 7-day deposit operations, with the fixed rate being the mid-corridor rate, and the intention to publish the results of each operation on the CBE's website within one hour of the operation allotment.	End-April 2024	Met
CBE issues a plan approved by the CBE Board to reduce its existing claims on public sector agencies excluding the Ministry of Finance. The plan will specify the timing for reducing the claims to zero and how the claims would be repaid or transferred off the balance sheet of the CBE.	End-April 2024	Not met
Develop a repayment strategy to clear accumulated payment arrears by Egyptian General Petroleum Corporation (EGPC) on supply contracts denominated in U.S. dollars, with the objective that no new arrears are accumulated, and existing arrears will be cleared.	End-April 2024	Not met
Submit a new CAO law to parliament that requires annual publication of CAO audits of general government fiscal account within six months after end-fiscal year.	End-November 2024	Not met Reset and modified
Indicator to track implementation of the state-ownership policy.	End-June 2024	To be assessed
The CBE will complete stress tests of the banking sector and share results with IMF staff by end-September 2024 using end-March 2024 data. These tests will be prepared in consultation with IMF staff	End-September 2024	Not applicable for 3rd review Modified
Conduct a sector classification exercise of all 59 economic authorities, in accordance with the concepts and principles in the GFSM 2014 and document clearly the rationale for each classification decision.	End-September 2024	Not applicable for 3rd review

Table 2. Egypt: Structural Benchmarks (concluded)		
Policy Measure	**Timing**	**Status**
Publish monthly on the General Authority for Government Services (GAGS) and Ministry of Finance websites all procurement awards made by the largest 50 state-owned enterprises	Recurring SB End-September 2024	Not applicable for 3rd review Modified
Re-instate regular publication of annual aggregate reports on Egypt's SOE portfolio, initially instituted under the 2016 EFF supported program, with broader coverage to all companies covered by our state-ownership policy.	Recurring SB End-September 2024 and then end-September each subsequent year	Not applicable for 3rd review
Undertake a detailed assessment of the economic benefits of the current free zones.	End-September 2024	Not applicable for 3rd review
Submit to parliament amendments to the VAT law that simplify the VAT, reduce exemptions, and enhance its efficiency and progressivity.	End-November 2024	Not applicable for 3rd review
Submit to parliament amendments to the competition law that align the independence of the ECA with the level of independence enjoyed by the CBE and FRA and providing the power to issue direct administrative sanctions similar to the CBE.	New	End-October 2024
Publish CAO's annual audit for FY2022/23.	New	End-August 2024
Publish the full results of the latest household income survey	New	End-July 2024
Commission an independent assessment of policies, procedures, and controls of state-owned banks (with CBE and IMF input and agreement on terms of reference) by an internationally recognized firm, with the tendering and selection process completed by end-October 2024	New	End-October 2024
Introduce a "Green Lane" where a percentage of the cargo associated with low risk and compliant companies will be released immediately without any controls.	New	December -2024
Integrate risk-based control between Customs Authority, Export and Import Control Authority, National Food Safety Authority, Agricultural and Veterinary Quarantines to reduce the number of containers needed to be inspected and thus, reduce the clearance procedures and time of goods in ports.	New	April-2025

Attachment II. Technical Memorandum of Understanding

June 25, 2024

1. **This technical memorandum of understanding (TMU)** sets out the understandings regarding the definitions of quantitative performance criteria (PC), indicative targets (IT), and consultation clauses, as well as the data reporting requirements under the IMF's extended arrangement under the Extended Fund Facility (EFF). It also sets out the definition of key terms related to the structural benchmarks (SB) under the EFF.

2. **Program exchange rates for the assessment of quantitative targets in FY2022/23 are those prevailing on September 30, 2022.**

	Currency Unit per U.S. dollar
SDR	0.781323
Euro	1.0293
U.K. Pound	0.9213
Japanese Yen	144.7094
Saudi Arabian Riyal	3.7576
Chinese Yuan	7.1305

The program exchange rate of the Egyptian pound against the U.S. dollar for FY2022/23 is 19.4970 (the CBE's official buy rate on September 30, 2022). Monetary gold is valued at US$1,654.80 per troy ounce (the rate on September 30, 2022). For other foreign currencies, the current exchange rates to the U.S. dollar will be used.

3. **Program exchange rates for the assessment of quantitative targets for end-March 2024 test date are those prevailing on January 31, 2024, as indicated in the IMF's Representative Exchange Rates for Selected Currencies published on IMF website.**

	Currency Unit per U.S. dollar
SDR	0.751945
Euro	0.9228
U.K. Pound	0.7883
Japanese Yen	147.5000
Saudi Arabian Riyal	3.7500
Chinese Yuan	7.1807
U.A.E. Dirham	3.6725

The program exchange rate of the Egyptian pound against the U.S. dollar for end-March 2024 test date is 30.8272 (the CBE's official buy rate on January 31, 2024). Monetary gold is valued at US$2,053.25 per troy ounce (the rate on January 31, 2024). For other foreign currencies, the current exchange rates to the U.S. dollar will be used.

4. Program exchange rates for the assessment of quantitative targets for end-June 2024 test date and test dates in FY2024/25 are those prevailing at end-April 2024 as indicated in the IMF's Representative Exchange Rates for Selected Currencies published on IMF website.

	Currency Unit per U.S. dollar
SDR	0.7588
Euro	0.9330
U.K. Pound	0.7974
Japanese Yen	156.8200
Saudi Arabian Riyal	3.7500
Chinese Yuan	7.2420
U.A.E. Dirham	3.6725

The program exchange rate of the Egyptian pound against the U.S. dollar for end-June 2024 test date and test dates in FY2024/25 is 47.7860 (the CBE's official buy rate on April 30, 2024). Monetary gold is valued at US$2,307 per troy ounce (the rate at end-April 2024). For other foreign currencies, the current exchange rates to the U.S. dollar will be used.

A. Floor on Net International Reserves (PC)

5. Net international reserves (NIR) of the Central Bank of Egypt (CBE) under the program are defined as the difference between foreign reserve assets and foreign reserve-related liabilities. For the program monitoring purposes, assets and liabilities in currencies other than the U.S. dollar are converted into U.S. dollar equivalents using the program exchange rates indicated in this TMU.

6. Foreign reserve assets are defined as readily available claims on nonresidents denominated in convertible foreign currencies, including the Chinese Yuan and U.A.E. Dirham. They include the CBE's holdings of monetary gold, SDRs, foreign currency cash, and foreign currency securities, the CBE's deposits abroad (irrespective of maturity), the country's reserve position at the Fund, the CBE's foreign currency deposits at local banks, and the CBE's other foreign currency assets that could be used for reserve management purposes. Excluded from foreign reserve assets are any assets that are frozen, pledged, used as collateral, or otherwise encumbered, including but not limited to assets acquired through short-term currency swaps with original maturity of less than 360 days, claims on residents other than the CBE's foreign currency deposits at local banks, precious metals other than gold, assets in nonconvertible currencies, and illiquid assets. As of end-April 2024, foreign reserve assets thus defined amounted to US$46,518 million.

7. Foreign reserve-related liabilities are defined as comprising all short-term foreign exchange liabilities of the CBE to residents and nonresidents with original maturity of less than 360 days, except for deposits at the CBE with original maturity of less than 360 days that are owed to official GCC member creditors. They include government foreign currency deposits with an original maturity of less than 360 days. They include banks' required reserves in foreign currency, and all credit outstanding from the Fund that is on the balance sheet of the CBE. It excludes liabilities under currency swaps with original maturities of 360 days or more. As of end-April 2024, foreign reserve-related liabilities thus defined amounted to US$15,372 million.

8. Adjustors. The floor on the NIR will be adjusted for: (i) deviation in program disbursements (defined below) relative to projections; (ii) deviation in external commercial borrowings (including Eurobonds and syndicated loans) relative to baseline assumptions; (iii) deviation in the stock of government T-bills and T-bonds denominated in local currency and held by nonresidents relative to program assumptions; (iv) repo margin calls, and (v) use of reserves according to a FX intervention framework. These adjustors are clarified below. Related information is reported in Table 13 of the staff report.

9. Program disbursements are defined as disbursements of (i) loans denominated in foreign currency (excluding external borrowings from private creditors such as Eurobonds, Sukuk, Panda bond, and Samurai bond that are part of baseline BOP projections, but including T-bonds and other government securities denominated in foreign currency), grants, and deposits for budget support purposes denominated in foreign currency. Loans denominated in foreign currency that qualify as program disbursements are those that constitute new financing; thus they do not include conversions of deposit liabilities that existed at end-September 2022 at the CBE or conversions of official bilateral loans to the government; (ii) net issuance of T-bills in foreign currency; (iii) purchases under the IMF's Extended Fund Facility; (iv) foreign reserve-related loans and deposits to the CBE with original maturity of more than 360 days except for official creditor deposits at the CBE which are included regardless of maturity; and (v) rollovers by more than 360 days of existing foreign loans and foreign reserve-related liabilities, from official multilateral creditors, official bilateral creditors, and private creditors, including external bond placements denominated in foreign currency; and (vi) foreign currency resources generated by sales of state-owned assets, including the sale of equity stakes in SOEs as defined below, and the sale of stakes in other assets such as land, excluding the investment deal for the development of Ras El-Hekma. All FX proceeds received by public entities involved in these sales would be captured by the CBE and would be reported as FX inflows to the CBE and go towards increasing the NIR. State-owned asset sales that qualify as program disbursements are those that constitute new financing; thus, they do not include conversions of deposit liabilities that existed at end-September 2022 at the CBE or conversions of official bilateral loans to the government. Program disbursements do not include project loans and project grants.

10. The adjustors for NIR will be applied in the following way:

- *Adjustor for deviations in program disbursements relative to projections.* The NIR floor will be adjusted up by the full amount of any excess in cumulative program disbursements relative to the projections of cumulative program disbursements. The NIR floor will be adjusted down by the full amount of the shortfall in cumulative program disbursements relative to the projections of cumulative program disbursements. The projections for cumulative external program disbursements (excluding the IMF) from June 30, 2023, are US$6,204 million as of end-June 2024, US$1,456 million as of end-September 2024, and US$3,399 as of end-December 2024, US$5,462 million as of end-March 2025, and US$6,825 as of end-June 2025.

- *Adjustor for deviations in external commercial borrowings relative to baseline assumptions*. The NIR floor will be adjusted up by the full amount of any excess in net external borrowings from private creditors in foreign currency (including Eurobonds, Sukuk, Panda bond, Samurai bond, and syndicated loans) relative to the baseline projections in the BOP. The projections for net external borrowing from private creditors from December 2023 are -US$110 million as of end-June 2024, US$1,000 million as of end-September 2024, US$2,500 million as of end-December 2024, US$3,500 million as of end-March 2025, and US$3,639 as of end-June 2025.

- *Adjustor for deviations in the flow of government T-bills and T-bonds denominated in local currency and held by nonresidents relative to program assumptions*. The floor on the NIR will be adjusted up by 50 percent of any excess in this flow of local currency government T-bills and Tbonds held by nonresidents relative to program assumptions.[1] This adjustor will use the information on T-bill and T-bond holdings one month before the test date; thus, for the end-December 2022 test date, actual T-bill and T-bond flow holdings by nonresidents for end-November 2022 will be used to calculate the size of adjustor.

- *The* program assumptions for the cumulative flows (from the beginning of each fiscal year) of local currency T-bills and T-bonds held by nonresidents, used for the purposes of this adjustor, are US$16,059 million for the end-June 2024 test date, US$750 million for the end-September 2024, US$1,500 million for end-December 2024, US$2,250 million for end-March 2025, and US$3,000 million for end-June 2025.

- *Adjustor for repo margin calls*. The NIR floor will be adjusted down (up) by any margin call payments (receipts) associated with the CBE's repo facilities.

- *Adjustor for FX intervention*. The NIR floor will be adjusted down by the amount of FX intervention (sales) undertaken by the CBE, provided the intervention is consistent with the intervention framework.

B. Floor on Primary Fiscal Balance of the Budget Sector (PC)

11. The budget sector comprises 184 central government (administration) units, including the executive powers (presidency, parliament, senate, and ministers), the legislative powers (judiciary and prosecution), 323 local government units, and 156 entities in the public service authorities, which include universities and hospitals.

12. The primary fiscal balance of the budget sector under the program is defined as the overall balance measured on a cash basis minus total cash interest payments of the budget sector. The overall balance under the program is defined as total revenue and grants minus total expenditure plus net

[1] For zero-coupon treasury bills/bonds, disbursements refer to the purchase price (issuance proceeds) of those instruments.

acquisition of financial assets. These are measured on a cumulative basis from the beginning of the fiscal year. For FY2022/23, the primary balance of the budget sector thus defined was EGP 164 billion.

13. Off-budget funds. The authorities will immediately inform IMF staff of the creation of any new off-budgetary funds or programs. This includes any new funds and special budgetary and extra-budgetary programs that may be created during the program to carry out operations of fiscal nature as defined in the IMF's Government Finance Statistics Manual 2014.

14. Divestment proceeds flowing to the budget. Divestment proceeds flowing to the budget are part of divestment proceeds raised from the sale of state-owned assets in both FX and Egyptian pounds, including the sale of equity stakes in SOEs as defined below, and the sale of stakes in other assets such as land. Divestment proceeds flowing to the budget are recorded in the net acquisition of financial assets for program purposes. The program assumptions for divestment proceeds flowing to the budget are listed in the QPC table.

15. Adjustor. The floor on the primary balance of the budget sector will be adjusted up by the full amount of the excess of divestment proceeds, including the sale of equity stakes in SOEs as defined below, and the sale of stakes in other assets such as land, relative to the program assumptions for divestment proceeds flowing to the budget as indicated in the QPC table.

C. Floor on Tax Revenues (IT)

16. Tax revenues include personal income tax, corporate income tax, capital gain tax, property tax, tax on T-bills/T-bonds, value-added tax, excises, tax on specific services, stamp tax, international trade taxes, tax on use of goods and on permission to use on goods and perform activities and other taxes and development fees. Tax revenues totaled EGP 1,046 billion as of March 2024 since the start of FY2023/24.

D. Floor on Health and Social Spending of the Budget Sector (IT)

17. Health and social spending of the budget sector includes all spending related to the budget of the Ministry of Health and the Ministry of Social Solidarity.

E. Ceiling on the Public Investment (IT)

18. The program target is defined as cumulative capital investment spending undertaken by all public agencies and entities controlled or owned directly or indirectly by public entities. For FY2023/24, the ceiling for end-June 2024 applies to the period from January 1, 2024, to June 30, 2024. Thereafter the ceiling applies to the investment spending since the beginning of the relevant fiscal year.

F. Ceiling on Balance of Government's Overdraft Account at the CBE (PC)

19. The program target is defined as the balance on the government's overdraft account at the CBE. The ceiling on the balance is shown in Table 1 of the MEFP. The target applies recurrently, weekly, based on data at the end of each week.

G. Ceiling on CBE lending to Public Agencies Excluding the Ministry of Finance (PC)

20. The program target is defined as the balance on lending by the CBE to public agencies excluding the Ministry of Finance. The ceiling on the balance is EGP 661.172 billion, reflecting the stock of outstanding lending as of January 2024 to six entities. This performance criterion will apply continuously. The ceiling will be applicable for the period following an indicative or test date until a new ceiling is established. For example, the end-September 2024 ceiling will be applicable from October 1, 2024, until end-December 2024. The balance will be reported transparently in the weekly analytical balance sheet of the CBE, with and "Other Items, net" split into a component relating to CBE lending to public agencies excluding the Ministry of Finance and a component reflecting all other items. Loan-by-loan information will also be reported separately (Table 1B).

H. Floor on Average Original Maturity of Newly Issued Local Currency Tradable Debt of the Budget Sector (IT)

21. The program target is defined as the weighted average original maturity of local currency tradable debt of the budget sector that is issued through public placements. The weights used for the calculation are the volumes of issuance under each maturity. The weighted average original maturity is calculated cumulatively from the beginning of each fiscal year. Local currency tradable debt of the budget sector is defined as local currency tradable securities (tradable T-bills and T-bonds) denominated in Egyptian Pounds, including those issued by the budget sector to the Pension Fund and other public entities.

I. Ceiling for Gross Debt of the Budget Sector (IT)

22. Gross debt of the budget sector is defined as the outstanding stock of debt issued by the budget sector, as defined in the IMF's Government Finance Statistics Manual 2014. It includes debt issued to the pension fund and other public entities. Sukuk issued by the budget sector will be treated as debt of the budget sector. For the program monitoring purposes, the U.S. dollar amounts of foreign currency debt will be converted to Egyptian pound equivalents using the program exchange rates indicated in this TMU.

23. Adjustor. The ceiling for gross debt of the budget sector will be adjusted down by the full amount of the excess of divestment proceeds, including resources raised through the sale of equity stakes in SOEs and the sale of stakes in other assets such as land, relative to program assumptions. For calculating this adjustor, the program assumptions for divestment proceeds flowing to the budget are listed in the QPC table.

J. Ceiling on Government Guarantees (IT)

24. **The program target** is defined as cumulative change in stock of guarantees issued by the Ministry of Finance with guarantees on foreign currency denominated borrowing converted to Egyptian pound equivalents using the program exchange rates indicated in this TMU. A guarantee is defined as an arrangement whereby the Ministry of Finance has an obligation to pay a third-party beneficiary when another institutional unit fails to perform certain contractual obligations. The Ministry of Finance will report to the IMF the stock of guarantees in billions of Egyptian pounds at both program and actual exchange rates 90 days after the relevant test date. The data will show guarantees on domestic currency and foreign currency borrowing by Economic Authorities (EGPC, GASC, Transport, NUCA, other) and state-owned enterprises (NIB, Electricity, other). The stock of guarantees will also be broken down into domestic and external guarantees by currency denomination of the guaranteed borrowing with the U.S. dollar value of guarantees of foreign currency denominated borrowing reported at actual and program exchange rates. For the cumulative values for end-March and end-June 2024 test dates are the ceiling on the change in nominal value of the stock of guarantees since September 30, 2023. Thereafter the cumulative ceiling applies to the change in the nominal value of the stock of guarantees since the beginning of the relevant fiscal year.

K. Maintain a Flexible Exchange Rate Regime and a Liberalized Foreign Exchange System (SB)

25. **The structural benchmark** will assess whether a shift to a flexible exchange rate regime and a liberalized FX system is sustained. This SB is assessed in a comprehensive manner, based on monitoring of FX system, using the information and indicators that include FX demand backlogs at banks, the spread between the official rate and measures of market clearing rate, and interbank FX turnover. For FX demand backlogs at banks, the CBE will provide data on FX demand backlogs at banks that cover eight banks identified by the CBE. The sample of banks is fixed throughout the program. For the spread between the official rate and measures of market-clearing rate, measures of market-clearing exchange rate, including the local parallel market rate, and exchange rates implied by transactions in gold, GDR, and ADR markets will be monitored on a daily basis.[2] For interbank FX turnover, the CBE will provide daily data. The SB will be assessed once for each program review, based on the information over a period between program reviews.

[2] The data sources for the local parallel market rate are https://www.parallelrate.org/ (the data from this source is also available in Haver) and https://sarf-today.com/en/currency/us_dollar/market. The data source for the exchange rate implied by gold transactions in Egypt and internationally is https://egypt.gold-price-today.com/ and Bloomberg. The data source for the exchange rate implied by stock transactions in Egypt and internationally (GDR and ADR markets) is Bloomberg. For GDR and ADR, monitoring will focus on the stock for Commercial International Bank (CIB), given that CIB stock has the largest trading volume in GDR and ADR among Egyptian companies.

L. Commercial Banks' Net Foreign Assets Consultation Clause

26. Net foreign assets (NFA) of commercial banks are defined as the difference between the claims on nonresidents (including foreign currency holdings) and the liabilities to nonresidents of other depository corporations. For monitoring this clause, NFA will be measured in US dollars using the monetary data reported in the standardized report form. The NFA at end-December 2023 was -US$16.2 billion.

27. Consultation with IMF staff will be triggered if banks' NFA at the aggregate level decline by cumulative $2 billion over any past three-month period. The cumulative change in banks' NFA will be assessed at the end of every month. This consultation will be on the reasons for the decline in banks' NFA and to ascertain whether: (i) there were imbalances in the FX market; and (ii) any corrective actions by the CBE are necessary.

M. Monetary Policy Consultation Clause

28. Inflation is defined as the year-on-year change in the end-of-period headline urban consumer price index (average FY2018/19 = 100), as measured and published by the Central Agency for Public Mobilization and Statistics (CAPMAS).

29. Consultation with IMF Board will be triggered if end-June or end-December inflation falls outside of the upper outer band or the lower outer band. The upper outer band and the lower outer band are indicated in Table 1 of the MEFP. The consultation with IMF Board will be on the reasons for inflation deviations from the outer band, the stance of monetary policy and the inflation outlook, whether the Fund-supported program remains on track, and the CBE's remedial actions that are deemed necessary before further purchases under the EFF could be requested.

30. Consultation with IMF staff will be triggered if end-June or end-December inflation falls outside of the upper inner band or the lower inner band. The upper inner band and the lower inner band are indicated in Table 1 of the MEFP. The consultation with IMF staff will be on the reasons for inflation deviations from the inner band, the stance of monetary policy and the inflation outlook, and the CBE's remedial actions.

N. Other Continuous Performance Criteria

31. Non-accumulation of external debt payments arrears by the general government. The general government comprises the budget sector, the Social Insurance Funds (SIFs), and the National Investment Bank (NIB). External debt payments include principal and interest payments, including payments on long-term leases. New external debt payments arrears cannot be accumulated during the program period. For this performance criterion, an external debt payments arrear is defined as the amount of payment obligation (principal and interest) due to nonresidents by the general government and the CBE, which has not been made when due under the contract, including any applicable grace period. This performance criterion will apply continuously throughout the arrangement.

32. Standard continuous performance criteria include: (i) prohibition on the imposition or intensification of restrictions on making of payments and transfers for current international transactions; (ii) prohibition on the introduction or modification of multiple currency practices; (iii) prohibition on the conclusion of bilateral payments agreements that is inconsistent with Article VIII; and (iv) prohibition on the imposition or intensification of import restrictions for balance of payments reasons.

O. Other Structural Benchmarks

33. State-owned companies (SOEs) for the purpose of the structural benchmarks related to their management and governance, as well as the leveling of the playing field, are defined as all public corporations, regardless of their legal framework and the specific agency in charge of their oversight. They cover public sector companies, public business sector companies, military-owned companies, economic authorities, and joint ventures and partnerships.

34. Reoccurring (annual) publication of domestic payment arrears for the purpose of the structural benchmark is defined as publishing within 90 days after fiscal year end the stocks of commitments, overdue payments, and overdue transactions as well as the stock of gross liabilities and due payments to and from MOF with EGPC, GASC, NUCA, National Postal Authority, National Authority for Egyptian Railways, National Investment Bank, Central Bank of Egypt, Egyptian Electricity Holding Company, Holding Company for Drinking Water and Sanitation, and EgyptAir.

35. Reoccurring (quarterly) implementation of the retail fuel indexation mechanism for the purpose of the structural benchmark is defined as enacting increases in retail fuel prices in each quarter in line with the indexation mechanism formula. The fuel price indexation mechanism will be considered fully implemented in quarter t if the retail price of all fuels, including gasoline, diesel, fuel oils (excluding fuel oil for bakeries and electricity) is changed by the following computation within a month of the end of the quarter:

$$max\{min\{Percentage\ change\ in\ retail\ fuel\ price_t, 10\ percent\}, -10\ percent\}$$

where:

$$\begin{aligned} &Percentage\ change\ in\ retail\ fuel\ price_t \\ &= 0.8 \times Percentage\ change\ in\ (Brent_{t-1} \times FX_{t-1}) \\ &+ 0.2 \times Annual\ adjustment\ due\ to\ other\ costs_t + Catchup\ adjustment_{t-1} \end{aligned}$$

- The retail fuel price in quarter t is the price in end-quarter in domestic currency.
- $Brent_{t-1}$ is the average Brent crude oil price in the U.S. dollar in the previous quarter, FX_{t-1} is the average exchange rate of the Egyptian pound against the U.S. dollar in the previous quarter, and 0.8 is the share of oil in the production cost of fuel products. For gasoline and diesel, the change is rounded to multiples of 25 piasters. The Ministry of Petroleum will provide the relevant data.
- *Annual adjustment due to other costs.* Adjustments to other direct and indirect costs, as identified from the fuel subsidy table (percent change in per unit costs), are included on an annual basis in the

second quarter of the fiscal year. Adjustments due to other direct and indirect costs are zero in the remaining quarters of the fiscal year. The Ministry of Petroleum will provide the relevant data.

- *Catchup adjustment*. Because the changes in retail fuel price are capped at 10 percent in absolute value, any adjustments not fully implemented in one quarter will result in additional adjustment in the following quarter, giving rise to the term $Catchup\ Adjustment_{t-1}$. The catchup adjustment is taken to be zero for the adjustment in the third quarter of FY2022/23. Given that the full impact of higher global oil prices and exchange rate depreciation was not fully passed through in FY2021/22, retail fuel prices will not be reduced during a transition period and the catchup adjustment and the pass-through from changes in crude oil prices in domestic currency will not be negative. This transition period will conclude once the level of fuel subsidies for products covered by the mechanism (that is, the above-mentioned fuel products) in the previous fiscal year has been eliminated.

36. **CBE subsidized lending initiatives** for the purpose of the structural benchmark is defined as schemes, both existing and new, where the CBE provides subsidies to financial institutions based on loans those institutions extend to predefined sectors or households at predefined interest rates. Existing schemes include, but are not limited to, the mortgage finance initiative for middle-income class, the industrial, agricultural, and construction private sectors initiative, and the tourism sector initiative and that aimed at substituting cars to work with dual fuel. As of December 31, 2023, the total amount of loans utilized under the subsidized lending schemes was EGP 73.2 billion.

37. **CBE lending to public agencies excluding the Ministry of Finance.** For the purpose of the structural benchmark, the CBE would issue a strategy, approved by the CBE Board, that details how its claims on public agencies excluding the Ministry of Finance will be reduced to zero. For each outstanding claim, the strategy would detail either i) the timing and entities involved in repaying the claim to the CBE; or ii) Transferring the claim off the balance sheet of the CBE.

38. **Reoccurring (monthly) publication of public procurement awards** for the purpose of the structural benchmark post within 30-day of the previous month's end reports that comprise procurement awards greater than EGP 20 million made by budget sector units during the previous month and the previous month's findings from General Authority for Government Services (GAGS) on-site post-procurement audits of budget unit procurement awards, which will be selected at random. The monthly reports will be posted on the GAGS website, accessible in Egypt, and the Ministry of Finance website, accessible internationally.

P. Monitoring and Reporting Requirements

39. **Performance under the program** will be monitored using the data reported by the Ministry of Finance and the CBE to the IMF, with frequency and submission lag indicated in Table 1A and Table 1B. Data are defined consistently with the program definitions above. In addition to the items listed in Table 1A and Table 1B, the CAPMAS will report data on inflation to the IMF, with submission lag of no more than 10 business/working days after each test date. In case of any data revisions, the authorities will transmit to the IMF immediately.

Table 1a. Egypt: Reporting Requirements for Ministry of Finance		
Item	**Frequency**	**Submission Lag**
Overall deficit of the budget sector	M	30 calendar days
Overall deficit of the general government, the NIB, and the SIFs	Q	60 calendar days
Summary of budget sector accounts, including revenues, expenditures, and net acquisition of financial assets on a cash basis, consistent with the IMF's Government Financial Statistics Manual 2001	M	30 calendar days
Budget sector expenditures by the ministries of health and social solidarity	M	30 calendar days
Summary accounts of the NIB and the SIFs, consistent with presentation of general government accounts	Q	60 calendar days
Total divestment proceeds and divestment proceeds flowing into the budget, including sales of equities and land	M	30 calendar days
Domestic debt stock and debt service costs of the general government and the budget sector, including interest payments and amortization. Information on the below the line transactions (non-deficit debt creating flows) of the budget sector and the composition, including accrued interest expense and issuance of T-bonds for recapitalization of the CBE	Q	30 calendar days for the budget sector debt and the below the line transactions (60 days for the general government debt)
Debt of the budget sector by maturity of issuance and by debt holder, including debt to the NIB, the SIFs, and other public entities, at actual and program exchange rates	M	30 calendar days
End-week balance of government overdraft at the CBE, as defined in this TMU. Separately, interest payments including penalty	W	5 working days
Gross and net stock of bonds issued by the budget sector to the NIB and the SIFs	Q	30 calendar days
Gross and net domestic borrowing of the budget sector, including gross and net T-bill and T-bond issuance in local and foreign currency, separately for domestic and foreign investors, and issuance of other government debt instruments	M	30 calendar days
Auctions of T-bills and T-bonds via primary dealers, including: the number and value of submitted and accepted bids; minimum, maximum, and weighted average interest rates; and maturity dates.	W	5 working days

Table 1a. Egypt: Reporting Requirements for Ministry of Finance (concluded)		
Item	**Frequency**	**Submission Lag**
Private placements of domestic and external debt (issuance amount, maturity date, currency of issuance, and interest rate). The information on each issuance should be reported	W	5 working days
Recapitalization of the CBE by the government (date of recapitalization, amount, information on instruments used to recapitalize the CBE including maturity and interest rate)	When recapitalization takes place	5 working days
Average original maturity of newly issued local currency tradable debt of the budget sector, issued through public placements, as defined in this TMU in relation to the indicative target on the floor on average original maturity of newly issued local currency tradable debt of the budget sector. Underlying data to calculate the average maturity, including the issuance amount and the maturity date of individual issuances	Q	30 calendar days
Gross issuance of guarantees in billions of Egyptian pounds at program and actual exchange rates broken down into guarantees on domestic currency and foreign currency borrowing by Economic Authorities (EGPC, GASC, Transport, NUCA, other) and state-owned enterprises (NIB, Electricity, other).	Q	60 calendar days
Stock of outstanding domestic arrears by creditor. Stocks of commitments, orders to pay, and overdue payments of the budget sector in aggregate and by following entities (EGPC, GASC, NUCA, National Postal Authority, National Authority for Egyptian Railways, Egyptian Electricity Holding Company, Egyptian Natural Gas Holding Co., Holding Company for Drinking Water and Sanitation, and EgyptAir)	Q	30 calendar days
Financial information of the NIB: (i) detailed balance sheet, including interest on assets and liabilities across maturities; (ii) income statement; (iii) cash flow projections for the next 12 months; (iv) list of non-performing loans (overdue for more than 90 days), including loan amounts	Q	60 calendar days
Breakdown of fuel subsidies by product, including volumes, prices, and costs and revenue of EGPC	Q	45 calendar days
EGPC arrears to oil companies on supply contracts denominated in U.S. dollars	Q	30 calendar days
Breakdown of food subsidies by ration card spending and wheat purchase price and quantity	Q	45 calendar days
Submit each October and April all investment spending executed over the periods January – June and July – December, respectively, undertaken by all public agencies and entities controlled or owned directly or indirectly by a public entity. The submission will break out investment spending by the budget sector, Economic Authorities, state-owned enterprises, and other.	S	End April and end October of each year.
Note: S= Semi-annual Q= quarterly; M = Monthly; W = Weekly		

Table 1b. Egypt: Reporting Requirements for Central Bank of Egypt		
Item	**Frequency**	**Submission Lag**
Gross international reserves at the CBE, at market and program exchange rates	M	7 working days
Program net international reserves at the CBE and its components (foreign reserve assets and foreign reserve-related liabilities), at market and program exchange rates	M	15 calendar days
Breakdown of gross foreign assets and liabilities (including foreign currency liabilities to residents) of the CBE by currency, at actual and program exchange rates	M	15 calendar days
Breakdown of foreign reserve-related liabilities (including foreign currency liabilities to residents) of the CBE by original maturity, at market and program exchange rates	M	15 calendar days
Program disbursements as defined in this TMU, including purchases of state-owned assets (including sales of equities and land) in foreign currencies by official bilateral partners including sovereign wealth funds and the private sector. Breakdown of program disbursements described in this TMU	M	7 working days
Stock of government T-bills and T-bonds denominated in local currency and held by nonresidents	W	7 working days
Stock of outstanding external debt payment arrears of the general government and the CBE (if any), by creditor	M	30 calendar days
Debt service schedule for external debt payments, with breakdown of interest and amortization. Breakdown by type of creditor and type of debt: bilateral creditors, multilateral institutions (distinguish between public and private), deposits, bonds and notes, and short-term deposits (include GCC deposits in this category)	Q	90 calendar days
Monthly cash flow table based on the agreed template (both past outcomes and projections for 12 months)	M	15 calendar days
Balance of payments, international investment position, and external debt data in electronic format and same presentation format as the CBE's SDDS tables. Values of export and imports of goods, with a breakdown by main categories, including exports of natural resources oil, natural gas, and gold. All items in BOP financing (below-the-line) that reconcile changes in reserves implied by the BOP and changes in the program gross international reserves	Q	90 calendar days
CBE foreign exchange deposits held at commercial banks headquartered in Egypt	W	5 working days

Table 1b. Egypt: Reporting Requirements for Central Bank of Egypt (continued)		
Item	**Frequency**	**Submission Lag**
Commercial bank deposits (Egyptian pound and foreign currency) by sector (household, corporate, and public)	M	30 calendar days
End-week stock of bank-by-bank FX demand backlogs in U.S. dollar, for the eight banks identified by the CBE (the sample of banks is fixed throughout the program). For each bank, report the total stock and breakdown by type of backlogs, including: (i) backlogs related to pending LCs, (ii) backlogs related to unavailed IDCs (sight), (iii) backlogs related to unavailed IDCs (deferred), (iv) backlogs related to non-trade items (repatriation, dividend, and service invoice), and (v) backlogs related to foreign investors	W	5 working days
End-month bank-by-bank foreign exchange net open position (NOP) as a ratio of bank capital. The underlying components of NOP ratio, including NOP (the numerator of the ratio) and capital (the denominator of the ratio). In addition, information on any breaches by commercial banks of NOP limits and the sanctions applied by the CBE in such cases	M	30 calendar days
Bank-by-bank net foreign assets, as defined in this TMU	M	30 calendar days
Daily interbank turnover in the FX spot market	W	5 working days
Daily central bank purchases and sales of foreign exchange by counterparts (commercial banks, EGPC, GASC, government)	W	2 working days
Information on the FX intervention, including full array of bids, both prices and volumes	When intervention takes place	End of the day of intervention
Daily official exchange rates (EGP per USD)	W	5 working days
Daily average buy and sell exchange rates (EGP per USD) as quoted by foreign exchange bureaus and banks	W	5 working days
Bank-by-bank data: (i) balance sheets by currency (Egyptian pound and foreign currency); (ii) income statements; (iii) breakdown of loan classification, deposits, due from/to, securities holdings, repos, fixed and repossessed assets, net open positions; and (iv) FSI indicators (capital, asset quality, earnings, and liquidity)	Q	75 calendar days
Other depository corporations (commercial banks) balance sheet information in SRF (preliminary)	M	30 calendar days
Central bank balance sheet in SRF (preliminary)	M	15 calendar days

Table 1b. Egypt: Reporting Requirements for Central Bank of Egypt (concluded)		
Item	**Frequency**	**Submission Lag**
Central bank's weekly analytical balance sheet. Reporting on "Other Items, net" will be split into a component relating to the stock of outstanding CBE lending to public agencies excluding the Ministry of Finance and a component reflecting all other items	W	7 working days
Monthly CBE financial statements (unaudited)	M	20 calendar days
Quarterly and annual CBE financial statements (audited)	Q	60 calendar days
Recapitalization of the CBE by the government (date of recapitalization, amount, information on instruments used to recapitalize the CBE including maturity and interest rate)	When recapitalization takes place	5 working days
End-week balance of government overdraft at the CBE, as defined in this TMU. Separately, interest payments including penalty	W	5 working days
New CBE lending to public agencies excluding the Ministry of Finance (amount, terms of lending)	When lending takes place	5 working days
Stock of outstanding CBE lending to public agencies excluding the Ministry of Finance, by individual loan (amount, date contracted, terms of lending)	M	5 working days
Daily overnight interbank rate (CONIA) and the daily mid-corridor rate	W	2 working days
Stock of loans under CBE subsidized lending initiative, both utilized and allocated / committed amounts, with the decomposition by initiative	M	30 working days
Bank-by-bank holdings of government securities, with for each security information on: (i) the total issuance amount; (ii) name of issuer; (iii) type of instrument (bills, bonds, other); (iv) accounting treatment (AFS, HTM, HFT); (v) maturity date; (vi) coupon rate and interest payment frequency; (vii) current market price; (viii) yield to maturity. Data for bank-by-bank holdings of government securities at end-March 2024 will be provided by end-June 2024.	Q	60 calendar days
Note: Q= quarterly; M = Monthly; W = Weekly		

INTERNATIONAL MONETARY FUND

ARAB REPUBLIC OF EGYPT

July 24, 2024

THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, MONETARY POLICY CONSULTATION CLAUSE, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, A WAIVER OF APPLICABILITY OF A PERFORMANCE CRITERION, AND MODIFICATION OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION, REVISED PROPOSED DECISION, AND SUPPLEMENTARY LETTER OF INTENT

Approved By
Taline Koranchelian and Mark Flanagan

Prepared by the Middle East and Central Asia Department.

This supplement provides an update on recent developments and program performance since issuance of the staff report on June 26, 2024. The update does not alter the thrust of the staff appraisal.

1. Headline consumer price inflation declined for the fourth consecutive month in a row in June 2024 to 27.5 percent (y/y). This is below the upper outer limit of the Monetary Policy Consultation band and above the upper inner band, requiring a consultation with staff. In their consultation with staff, the authorities underlined that their forecast suggests that inflation has peaked and in the absence of external shocks, inflation is expected to moderate further in 2024 even with increases in administrative prices. A significant decline in inflation is anticipated in 2025 Q1 due to the combined impact of monetary policy tightening, subsiding impact of previously existing market imbalances and a favorable base effect. The authorities emphasized that they will continue to conduct monetary policy decisions in a data-dependent manner, and stand ready to take action if data outturns signal deviations from their projected inflation path towards achieving their target. Moreover, on July 18, 2024, the Monetary Policy Committee left policy rates unchanged judging that the current monetary stance is appropriate to support the sustained moderation of inflation.

2. Net international reserves (NIR) on June 30, 2024, based on the program's definition, were US$38,194 million. Because the NIR outturn for end-June 2024 became available before the Executive Board's consideration of the third review under the extended arrangement under the Extended Fund Facility, the authorities no longer request modification and a waiver of applicability for the quantitative performance criterion (QPC) on NIR at end-June 2024. In addition, the QPC floor on NIR at end-June 2024 reverts to the floor of US$30,329 million approved by the Board at the completion of the first and second reviews. The related memorandum items for end-June 2024 are also restated to the those at completion of the first and second reviews. The attached Letter of Intent (Updated LOI) dated July 24, 2024, (Attachment) includes a revised table reporting on the status of quantitative performance criteria and indicative targets, and updates the LOI dated June 25, 2024, for these changes.

3. **The adjusted QPC on NIR for end-June 2024 of US$37,608 million was met in part thanks to the central bank's purchase of foreign exchange in June.** The NIR floor was adjusted upward by US$7,279 billion, mainly due to the adjuster on the holdings of local currency government T-bills and T-bonds held by non-residents, which were significantly higher at end-June 2024 relative to program projections at the completion of the first and second reviews. Specifically, the NIR floor was adjusted upwards by 50 percent of the excess in the present value of the stock of local currency government T-bills and T-bonds held by nonresidents at end-May 2024 (US$16,533 million) relative to projections at the completion of the first and second reviews (US$1,850 million).[1]

4. **The continuous performance criteria on the balance of central bank lending to public agencies excluding the Ministry of Finance and accumulation of external debt payment arrears by the general government were also met.** Final data to assess performance relative to the QPC on the budget sector primary balance is not available and there is no evidence that the QPC would not be met In addition, the authorities met the indicative targets (ITs) for end-June 2024 related to foreign exchange sales, but missed the target on the average maturity of gross local currency debt issuance by a de minimis amount. Data to assess the other ITs is not available.

5. **The authorities did not meet the end-June 2024 structural benchmark to create an indicator to track implementation of the State Ownership Policy.** The authorities explained that this was a particularly complex indicator to put together, sensitive to subjective interpretation, and there is limited international experience and agreed standards to guide its construction. As a result, they requested additional time to develop the indicator in consultation with staff. The authorities propose, and staff agrees, that the structural benchmark be rephased to end-September 2024 to allow for the desired consultation.

6. **Staff continues to recommend the completion of the review and approval of the waiver requests as set forth in the staff report, the authorities' original LOI, the Memorandum of Economic and Financial Policies (MEFP), the Technical Memorandum of Understanding (TMU), and the authorities' updated LOI (attached).**

[1] Three adjustors were applied for: (i) deviations in the present value of the stock of local currency government T-bills and T-bonds (adjusted upwards by US$ 7,342 million); (ii) deviations in program disbursements (adjusted downwards by US$53 million); and (iii) repo margin calls (adjusted downwards by US$ 9.5 million). The adjustor on net external borrowing from private creditors in foreign currency was not applied as this borrowing was lower-than-projected and the adjustor only applies to an excess of financing relative to projections.

Attachment I. Supplementary Letter of Intent

July 24, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431

Dear Ms. Georgieva:

This letter updates the Letter of Intent (LOI) dated June 25, 2024. Specifically, we are no longer requesting a modification and waiver of applicability of the end-June 2024 quantitative performance criterion on net international reserves, as the relevant data became available before the Executive Board meeting date showing that it was met.

We also reaffirm the other requests and commitments we made in the LOI of June 25, 2024, and remain confident that the policies that underpin our program will help preserve macroeconomic stability and ensure the achievement of our program objectives.

We consent to the IMF's publication of this updated letter and the accompanying Executive Board supplement.

/s/	/s/
Hassan Abdalla	**Ahmed Kouchouk**
Governor of the Central Bank of Egypt	Minister of Finance
Arab Republic of Egypt	Arab Republic of Egypt

Attachment (1)

Table 1. Egypt: Quantitative Performance Criteria and Indicative Targets

(In billions of Egyptian pounds unless otherwise indicated)

	End March 2024				End June 2024					End September 2024		End December 2024		End March 2025	End June 2025
										Indicative				Indicative	
	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	1st/2nd reviews	Prog.	Prog.	Prog.
I. Quantitative Performance Criteria 1/															
Net international reserves ($ million at program exchange rates; floor) 2/	20,464	21,455	30,132	Met	30,329	30,329	37,608	38,194	Met	30,510	35,364	29,258	34,039	32,918	36,132
Primary fiscal balance of the budget sector plus divestment proceeds (cumulative, floor) 3/ 6/	490		416	Not met	978	856			N/A	130	141	424	425	566	791
Balance of the government's overdraft account at the CBE (weekly ceiling on the balance) 7/	131		7	Met	131	131		-46	Not met	165	165	165	165	165	165
Balance of central bank lending to public agencies excluding the Ministry of Finance (continuous ceiling on the balance)	661		661	Met	661	661		658	Met	661	508	661	458	458	408
Accumulation of external debt payment arrears by the general government ($ million; continuous ceiling)	0		0	Met	0	0		0	Met	0	0	0	0	0	0
II. Indicative Targets															
Tax revenues (cumulative floor) 3/	1,044		1,046	Met	1,740	1,690				361	388	794	895	1,342	2,237
Social spending of the budget sector (floor) 3/	142		150	Met	189	189				26	26	105	105	158	211
Public investment (ceiling) 3/ 4/	n.a.		...	...	350	350				n.a.	n.a.	500	500	n.a.	1,000
Net change in the stock of government guarantees 3/ 5/	122		1,481	Not met	183	1,890				201	200	402	400	525	650
Average maturity of gross local currency debt issuance (years; cumulative floor) 3/	0.56		0.52	Not met	0.65	0.57		0.56	Not met	1.2	0.87	1.25	0.90	0.92	0.94
Gross debt of the budget sector (at program exchange rates; ceiling)	11,015		11,347	Not met	11,198	12,954				11,906	13,602	12,411	14,065	14,527	14,805
III. Monetary Policy Consultation															
(12-month change in consumer prices)															
Upper outer band	27				32.5	32.5				29.5	27	29	25	16	13
Upper inner band	9				9	9			Exceeds	9	9	9	9	9	9
Actual/Center target	7		33.3	Exceeds	7	7		27.5	upper	7	7	7	7	7	7
Lower inner band	5				5	5			inner	5	5	5	5	5	5
Lower outer band	3				3	3			band	3	3	3	3	3	3
Memorandum items:															
Program disbursements at completion of review (cumulative change, $ million) 3/	5,764		6,160		7,850	7,850	...	7,796		2,759	3,507	4,876	5,449	8,740	10,103
External program financing assumed under the program excluding IMF (cumulative change, $ million) 3/	4,941		6,160		6,204	6,204	...	6,973		1,531	1,456	3,649	3,399	5,462	6,825
Of which:															
Sales of state-owned assets	2,162		2,030		2,793	2,794	...	2,030		894	894	2,194	2,194	2,884	3,575
Net issuance of FX T-Bills	0		-52		0	-115	...	-115		0	0	0	0	0	0
Foreign Curency Deposits at CBE	0		0		0	0	...	0		0	0	0	0	0	0
IMF financing assumed under the program (cumulative, $ million) 3/	823		0		1,646	1,646	...	823		1,228	2,051	1,228	2,051	3,278	3,278
Net external loans from private creditors in FX assumed in BOP baseline (cumulative change, $ million) 3/	343		-87		110	-110		-1,320		1,000	1,000	2,500	2,500	3,500	3,639
Stock of nonresidents' holdings of local-currency T-bills and T-bonds ($ million) 8/	1,550		947		1,850	1,850	...	16,533		1,990	750	2,050	1,500	2,250	3,000
Divestment proceeds flowing to the budget (EGP billion, cumulative) 3/ 6/	291		188		698	698	...	...		64	59	97	88	133	177
FDI Related to devlopment of Ras El-Hekma region (cumulative change, $ million) 3/	...		...		...	0	...	0		...	0	...	0	1,250	2,500

N/A = not applicable

Note: For definitions of the aggregates shown and details of the adjustment clauses, see the Technical Memorandum of Understanding (TMU).

1/ The targets for March 2023 and September 2024 are indicative.

2/ Reserves include the CBE's official reserves and the CBE's foreign currency deposits with local banks.

3/ Cumulative from the beginning of each fiscal year.

4/ IT is assessed semi-annually on the end-June and end-December dates. For end-June 2024, the cumulative target is set on public investment from January 1, 2024, to June 30, 2024.

5/ For the test dates of end-March 2024 and end-June 2024, the cumulative values cover the period from October 1, 2023 until the test date. The reported issuance for end-March is gross issuance rather than net issuance.

6/ For 2024, it also includes $12bn from the Ras El-Hekma transactions.

7/ The weekly ceiling was temporarily exceeded in weeks ending April 18 through May 23, inclusive. The reported peak amount was EGP 350.2 billion on May 23. The balance was brought below the ceiling by end-May.

8/ As of February 28, 2024, as per TMU definition (with one month lag relative to the test date).

INTERNATIONAL MONETARY FUND

ARAB REPUBLIC OF EGYPT

July 26, 2024

THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, MONETARY POLICY CONSULTATION CLAUSE, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, A WAIVER OF APPLICABILITY OF A PERFORMANCE CRITERION, AND MODIFICATION OF PERFORMANCE CRITERIA—FURTHER SUPPLEMENTARY INFORMATION, REVISED PROPOSED DECISION, AND SUPPLEMENTARY LETTER OF INTENT

Approved By
Taline Koranchelian and Mark Flanagan

Prepared by the Middle East and Central Asia Department.

This additional supplement provides an update on program performance since issuance of the staff report on June 26, 2024 and the supplementary information on July 24, 2024. This does not alter the thrust of the staff appraisal.

1. **The quantitative performance criteria (QPC) on the balance of the government's overdraft account at the CBE was breached in July 2024.** Staff learned that the balance exceeded the weekly ceiling for the weeks ending July 10 and July 18, primarily due to large debt repayments and cyclically lower tax collections in July (see footnote 8 in Table 1 for the magnitude of the breach in July). The balance had also exceeded the ceiling for the weeks ending April 18 through May 23 as highlighted in the staff report. The authorities explained that the deviation in July was temporary and was corrected by July 23, with the balance falling significantly below the program's ceiling. To prevent the breach from reoccurring, the authorities committed to strengthening cash and debt management, and to developing an enhanced system to forecast cash needs and timely adjust domestic debt issuance plans by the next program review.

2. **The authorities raised retail fuel prices on July 25, 2024.** In particular, they raised the prices of Octane 92 by 10 percent, Octane 80 and Octane 95 by 11 percent (all gasoline grades), and diesel prices by 15 percent. This is an important step by the authorities towards delivering on their plan to reach their cost recovery level by December 2025.

3. Staff continues to recommend the completion of the review and approval of the waiver requests as set forth in the staff report, the authorities' original Letter of Intent (LOI) dated June 25, 2024 as supplemented on July 24, 2024, the Memorandum of Economic and Financial Policies (MEFP), the Technical Memorandum of Understanding (TMU), and the authorities' updated LOI (attached). Staff supports updating the request for a waiver of nonobservance for the QPC on the balance of the overdraft account of the government at the CBE to also include the weeks ending July 10 and 18 because this breach was temporary and corrective action has been taken.

Attachment I. Supplementary Letter of Intent

July 26, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431

Dear Ms. Georgieva:

This letter updates the Letter of Intent (LOI) dated June 25, 2024 and July 24, 2024.

With respect to our request for a waiver of non-observance of the weekly ceiling on the balance of the government's overdraft account at the CBE for the weeks ending April 18 through May 23, inclusive, the balance also exceeded the weekly ceiling for the weeks ending July 10 and July 18, primarily due to large debt repayments and cyclically lower tax collections in July. The deviation was temporary and was corrected by the subsequent week. Going forward, we will strengthen cash and debt management, and develop an enhanced system to forecast our cash needs and timely adjust domestic debt issuance plans by the next program review. Therefore, we would like to request a waiver that also covers the periods in July (the weeks ending July 10 and 18) for which a breach of the QPC on the balance of the overdraft account of the Treasury at the CBE was observed.

We also reaffirm the other requests and commitments we made in the earlier LOIs and remain confident that the policies that underpin our program will help preserve macroeconomic stability and ensure the achievement of our program objectives.

We consent to the IMF's publication of this updated letter and the accompanying Executive Board supplement.

/s/	/s/
Hassan Abdalla	**Ahmed Kouchouk**
Governor of the Central Bank of Egypt Arab Republic of Egypt	Minister of Finance Arab Republic of Egypt

Attachments (1)

Table 1. Egypt: Quantitative Performance Criteria and Indicative Targets

(In billions of Egyptian pounds unless otherwise indicated)

	End March 2024				End June 2024					End September 2024		End December 2024		End March 2025	End June 2025
										Indicative				Indicative	
	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	Adj.	Actual	Status	1st/2nd reviews	Prog.	1st/2nd reviews	Prog.	Prog.	Prog.
I. Quantitative Performance Criteria 1/															
Net international reserves ($ million at program exchange rates; floor) 2/	20,464	21,455	30,132	Met	30,329	30,329	37,608	38,194	Met	30,510	35,364	29,258	34,039	32,918	36,132
Primary fiscal balance of the budget sector plus divestment proceeds (cumulative, floor) 3/ 6/	490		416	Not met	978	856			N/A	130	141	424	425	566	791
Balance of the government's overdraft account at the CBE (weekly ceiling on the balance) 7/	131		7	Met	131	131		-46	Not met	165	165	165	165	165	165
Balance of central bank lending to public agencies excluding the Ministry of Finance (continuous ceiling on the balance)	661		661	Met	661	661		658	Met	661	508	661	458	458	408
Accumulation of external debt payment arrears by the general government ($ million; continuous ceiling)	0		0	Met	0	0		0	Met	0	0	0	0	0	0
II. Indicative Targets															
Tax revenues (cumulative floor) 3/	1,044		1,046	Met	1,740	1,690				361	388	794	895	1,342	2,237
Social spending of the budget sector (floor) 3/	142		150	Met	189	189				26	26	105	105	158	211
Public investment (ceiling) 3/ 4/	n.a.		...	...	350	350				n.a.	n.a.	500	500	n.a.	1,000
Net change in the stock of government guarantees 3/ 5/	122		1,481	Not met	183	1,890				201	200	402	400	525	650
Average maturity of gross local currency debt issuance (years; cumulative floor) 3/	0.56		0.52	Not met	0.65	0.57		0.56	Not met	1.2	0.87	1.25	0.90	0.92	0.94
Gross debt of the budget sector (at program exchange rates; ceiling)	11,015		11,347	Not met	11,198	12,954				11,906	13,602	12,411	14,065	14,527	14,805
III. Monetary Policy Consultation															
(12-month change in consumer prices)															
Upper outer band	27				32.5	32.5				29.5	27	29	25	16	13
Upper inner band	9				9	9			Exceeds	9	9	9	9	9	9
Actual/Center target	7		33.3	Exceeds	7	7		27.5	upper	7	7	7	7	7	7
Lower inner band	5				5	5			inner	5	5	5	5	5	5
Lower outer band	3				3	3			band	3	3	3	3	3	3
Memorandum items:															
Program disbursements at completion of review (cumulative change, $ million) 3/	5,764		6,160		7,850	7,850	...	7,796		2,759	3,507	4,876	5,449	8,740	10,103
External program financing assumed under the program excluding IMF (cumulative change, $ million) 3/	4,941		6,160		6,204	6,204	...	6,973		1,531	1,456	3,649	3,399	5,462	6,825
Of which:															
Sales of state-owned assets	2,162		2,030		2,793	2,794	...	2,030		894	894	2,194	2,194	2,884	3,575
Net issuance of FX T-Bills	0		-52		0	-115	...	-115		0	0	0	0	0	0
Foreign Curency Deposits at CBE	0		0		0	0	...	0		0	0	0	0	0	0
IMF financing assumed under the program (cumulative, $ million) 3/	823		0		1,646	1,646	...	823		1,228	2,051	1,228	2,051	3,278	3,278
Net external loans from private creditors in FX assumed in BOP baseline (cumulative change, $ million) 3/	343		-87		110	-110		-1,320		1,000	1,000	2,500	2,500	3,500	3,639
Stock of nonresidents' holdings of local-currency T-bills and T-bonds ($ million) 8/	1,550		947		1,850	1,850	...	16,533		1,990	750	2,050	1,500	2,250	3,000
Divestment proceeds flowing to the budget (EGP billion, cumulative) 3/ 6/	291		188		698	698	...	...		64	59	97	88	133	177
FDI Related to devlopment of Ras El-Hekma region (cumulative change, $ million) 3/	...		...		...	0	...	0		...	0	...	0	1,250	2,500

N/A = not applicable

Note: For definitions of the aggregates shown and details of the adjustment clauses, see the Technical Memorandum of Understanding (TMU).

1/ The targets for March 2023 and September 2024 are indicative.

2/ Reserves include the CBE's official reserves and the CBE's foreign currency deposits with local banks.

3/ Cumulative from the beginning of each fiscal year.

4/ IT is assessed semi-annually on the end-June and end-December dates. For end-June 2024, the cumulative target is set on public investment from January 1, 2024, to June 30, 2024.

5/ For the test dates of end-March 2024 and end-June 2024, the cumulative values cover the period from October 1, 2023 until the test date. The reported issuance for end-March is gross issuance rather than net issuance.

6/ For 2024, it also includes $12bn from the Ras El-Hekma transactions.

7/ The weekly ceiling was temporarily exceeded in weeks ending April 18 through May 23, inclusive, and the weeks ending July 10 and July 18. The reported peak amount was EGP 350.2 billion on May 23. The balance was brought below the ceiling by July 23.

8/ As of February 28, 2024, as per TMU definition (with one month lag relative to the test date).