

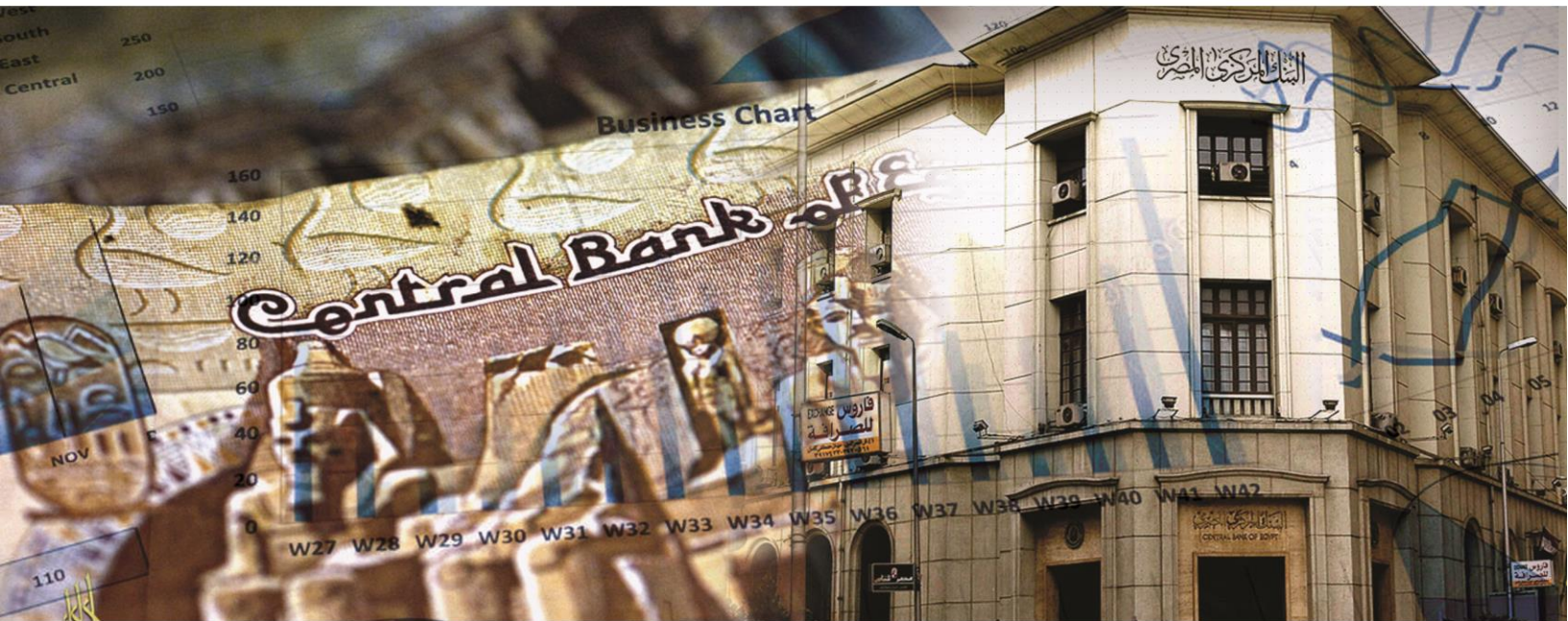


المعهد المصري للدراسات  
EGYPTIAN INSTITUTE FOR STUDIES

# Egyptian Debt the Road to the Abyss

Dr. Ashraf Dawaba

ECONOMIC  
STUDIES  
JULY.26 , 2016



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Bahçelievler, Yenibosna Mh 29 Ekim Cad. No: 7 A2 Blok 3. Plaza D: 64  
Tel/Fax: +90 212 227 2262 E-Mail: [info@eis-eg.org](mailto:info@eis-eg.org)



## Egyptian Debt: the Road to the Abyss

**Dr. Ashraf Dawaba**

In its introduction, the study explains that public debt is one of the important issues that have direct impact on the economics of the countries and its people's standard of living and the future of current and next generations. It requires providing the needed resources from the state budget, thus it consists an important part of governmental debt administration and the general budget in addition to their impact on the management of foreign currency reserves. Of the Egypt's debts problem dramatically emerged during the reign of Khedive Ismail and was associated with psychological and national repercussions that affected Egyptian sovereignty. Moreover, it consisted a gateway for direct foreign intervention in Egypt and lead the Khedive to lose his throne and to British occupation of Egypt in 1882.

### **Public debt after the military coup:**

Egypt is suffering nowadays from public debt, especially after the military coup that took place in the 3<sup>rd</sup> of July and lead to toppling Mohammad Morsi, the first elected civil president in the history of the country. The country is witnessing a significantly excessive domestic and external borrowing, with a noticeable economic collapse and low savings and investments, in addition to increase in USD exchange rates and fictitious funds of foreign currency. Moreover, there is a growing deficit in the budget accompanied with a growing deficit in the trade balance in particular and the balance of payments in general. Additionally, there is a boundless military hegemony on the country's economy that negatively affected the private sector, the anchor of the economy, and lead to its weakness; thereby exacerbated the unemployment problem and contributed in the weakness of production in various economic sectors.

### **The public Debt in Egypt:**

The public Debt in Egypt evolved from being a problem to becoming an enduring crisis, and its consequences aggravated after the military coup; despite of the fact that gulf countries competed to support it by giving Egyptian government grants that exceeded 40 million USD. However, the Egyptian debt crisis continued to exacerbate and the public debt reached an alarming level.

In this context, this study offers an analytic perspective of the aspects of the Egyptian public debt crisis and how to overcome it. The study is divided into four parts. The first part defines the concept of public debt and its kinds. The second part explains the development of the Egyptian public debt structure in three phases: the first phase: from Mohammad Ali reign until the decline of the



Monarchy; the second phase, from 1952 military coup until the end of Mubarak rule. The third phase from January 2011 revolution until the end of March 2016. The third part of the study discusses the indicators of the Egyptian public debt since January 2011 revolution, and the current status of the debt and its future.

The study concluded that the debts crisis in Egypt have reached an unprecedented level of danger that requires a sincere national will and a conscious governance to overcome it, distant from the military political and economic hegemony in order to spare the country the threats of bankruptcy and external dependency.

The study also suggest that if the loans issue was approached from an Islamic perspective, it would have taken another trend. Thus it recommends invoking the Islamic economic approach and applying it gradually according to jurisprudence conduct that combines between divine scripts understanding and consideration of the facts of the time being. The study explains that the Islamic approach doesn't see the loans as mere evil, instead it evaluates it in the light of the circumstances of obtaining it and how it was used in accordance with the precepts of Shariah.