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The Standard & Poor's report has generally cited the rationale behind the high sovereign debt figures, applicable to all countries assessed. However, this paper attempts to highlight the underlying reasons that largely apply to the Egyptian case, as follows:

1- The report states that "**Tightening monetary conditions will push up government funding costs**. This will pose additional difficulties to sovereigns that have been unable to restart growth, reduce reliance on foreign currency financing, and where interest bills are already critically high".

"The effect of tighter borrowing conditions is even more nuanced for frontier market sovereigns with weak tax generation capacity," the report added.

"Some governments ... are facing exceptionally high interest burdens, sometimes exceeding two-thirds of their total fiscal revenues. For many, this can be attributed to longstanding fiscal challenges, including weak tax administration rather than higher cost of debt per se," the report stated.

- The above justification indicates that the Egyptian government will be prompted to raise domestic interest rates to coincide with the raising of interest rates by major central banks, especially the US Federal Reserve, which will raise the interest bill on new debts. In this context, it should be noted that Egypt is already paying off the highest interest rate in the world to keep hot money in the country. Furthermore, it is likely to continue raising the interest rate during the coming period, in light of the frantic competition for these funds globally, that we may see an interest rate exceeding 20% by the end of this year, and that it may exceed 25% by the end of next year.

- The description of "longstanding fiscal challenges, including weak tax administration" applies to the Egyptian case, which has been unable to increase its public revenues to cover public expenditures, especially in light of the high burden of debt servicing. Perhaps this tax weakness will prompt the Egyptian government to explore the file of Egyptian informal economy, which represents more than 55% of the total economy, in attempt to obtain taxes from existing activities as a canned alternative, instead of the expansion of economic activity and its positive impact on the tax proceeds.

- It is clear that the report holds the Egyptian government responsible for these repercussions, as it was unable to continue to push the growth rate forward, or reduce reliance on foreign currencies, which is escalating without adding real benefit to the Egyptian economy.

2- The S&P report states that: "**One factor explaining still-high borrowing is substantial debt-refinancing needs on the back of shorter average debt maturity**. The pandemic-induced uncertainty led many sovereigns to accelerate short-term borrowings."

The report confirms one of the paper's findings that a significant proportion of maintaining the high borrowing rate is the large needs for debt refinancing against the background of the average maturity of short-term debts. In the Egyptian case, the government's tendency to further borrowing goes back to its need to refinance its short, medium and long-term debts, which is considered the real and sustainable motive for the likely escalation of borrowing in the coming years (i.e. continuation of borrowing only to repay the outstanding debts).

3- The report further notes: "**The global macro effects of the Russia-Ukraine conflict will likely push government borrowings above our baseline projections**. The extent of the global fallout from the conflict is difficult to quantify at this point".

The report also adds that "These factors will almost certainly make governments adjust their funding plans upward for this year. Even before the conflict, high energy and food prices had prompted many governments to extend some fiscal measures established during the pandemic or replace them with new ones, rather than phase them out".

The report indicates in the two above paragraphs that it is likely that the figures stated regarding government loans will certainly increase with the continuation of the war in Ukraine, especially with the rise in energy and food prices. It should be noted here that the Egyptian case may be more vulnerable to the repercussions of this increase than in relation to previous figures stated in the report, as it is more exposed to global food prices, especially with respect to wheat, corn and edible oils.

4- The report states that: "**For those sovereigns with weaker policy credibility, vulnerable budgetary positions, and reliance on foreign currency borrowings, higher borrowing costs will represent a credit risk**".

The report adds that Egypt falls into the category of countries that represent the share of the debt stock and long-term commercial borrowing by sovereign issuers rated in the 'BB' category or below.

The above rationale simply means that Egypt's credit rating is subject to a decline as a result of the application of all the related factors, in terms of 'weaker policy credibility', 'vulnerable budgetary positions', and 'reliance on foreign currency borrowings', which will lead to raising interest rates on loans, and perhaps the rates of this rise will increase with the decline in the credit rating caused by these factors, which will exacerbate the problem to take the form of a vicious circle.

5- The report also refers to the Egyptian Debt Rollover Ratio, and in this context it states: "**According to our calculations, among the bigger sovereigns, Kenya, Egypt, and Japan will face the highest rollover ratios in 2022**".

The report adds that "This is a function of an elevated share of short-term debt, which constitutes about 26% of total debt for Egypt and 30% for Kenya, for example."

- This paragraph refers to high rates of extending the Egyptian debt as a result of the existence of a high percentage of short-term debt within the total public debt, constitutes 26%, which is a high percentage despite the intensive Egyptian government attempts to move the Egyptian debt to long terms, which indicates that this transformation needs more time, which may make it more likely that 35% of the Egyptian debt will be extended during the current year.

It is significant to note that everything referred to in the report assumes the continued ability to obtain external loans sufficient to meet the needs of the state, even with the high cost of borrowing. However, with the escalation of these needs, including the need to repay old debts, the volume of these loans will not be sufficient to meet needs, which will push the state, in the context of pursuing alternative financing sources, to sell Egyptian assets at the lowest prices to avoid bankruptcy of the state and turning Egypt into a failed state.

In the end, the S&P report confirms that Egypt has become one of the most countries among emerging economies in the Middle East, Europe and North Africa, that mainly rely on borrowing, where the country acquires 0.6% of the total global commercial debts., a figure that is double that of Turkey and Pakistan, among the economies of emerging countries that are much larger than the Egyptian economy.

In this context, the Egyptian Institute for Studies[1] had published two studies on the Egyptian economy: one in January 2022, and the other in early April 2022. The two studies provide accurate and full details about the future of Egypt's economic conditions[2].

[1] Dr. Ahmed Zikrallah: An outlook of the Egyptian economy 2022-2025, Egyptian Institute for Strategic Studies, January 2022, link.

[2] The views expressed in this article are entirely those of the author's and do not necessarily reflect the views of the Egyptian Institute for Studies