

# Sinking into Quicksand?

## External Debt Annual Report

2026

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**This report was written by Maye Kabil, Senior Researcher in the Economic and Social Justice Unit at the Egyptian Initiative for Personal Rights (EIPR). It was reviewed by Wael Gamal, Director of the Unit, and Karim Ennarah, Research Director.**

The Egyptian Initiative for Personal Rights (EIPR) has been working since 2002 to strengthen and protect basic rights and freedoms in Egypt, through research, advocacy and litigation in the fields of civil liberties, economic and social rights, and criminal justice.

For more information see <https://eipr.org/en>

News headlines in the past year have been increasingly dominated by the names of new coastal areas deemed eligible for sale, alongside state-owned companies and banks slated for privatization, in order to raise the funds needed to service debt and to meet the conditions set by lending institutions to obtain further loans. This comes at a time when new borrowing has become necessary merely to meet installment payments on earlier foreign-currency-denominated debts. By June 2025, Egypt's external debt had reached 44.2% of GDP, up from no more than 15% in 2015—the year immediately preceding the unprecedented expansion of external borrowing.

This policy has drawn Egypt into a vicious cycle of borrowing to buy time rather than address the structural problems afflicting the economy. As a result, the budget allocated to servicing debt obligations has ballooned, crowding out essential expenditures needed for economic development and improvements in living standards—items whose budgetary allocations have been shrinking year after year.

In December 2025, Prime Minister Mostafa Madbouly pledged to reduce the external-debt-to-GDP ratio to 40%<sup>1</sup>, a level close to where the ratio stood in June 2023. He stated that the government is preparing a package of “exceptional solutions” to achieve this target, including debt-for-investment swap agreements, promising that the package would be announced within days. Earlier, the Minister of Finance had said that a new debt-management strategy was being prepared and would be announced by the end of December 2025; however, as of mid-January 2026, this strategy has yet to be unveiled.

The Prime Minister's statements came just days after an International Monetary Fund (IMF) delegation concluded a visit to Egypt to discuss the fifth and sixth reviews of the Fund's \$8-billion Extended Fund Facility. In announcing approval of the two reviews, the IMF stressed the need to continue “reducing debt while prioritizing social spending to protect vulnerable groups”.<sup>2</sup>

In an unusual move, Prime Minister Madbouly published an article—circulated by the Cabinet on its official social media accounts—arguing that public debt and the burden of servicing it raise “a legitimate question among citizens about the ability to continue,”<sup>3</sup> and that the situation appears “reduced to a straightforward equation in which high debt leads to palpable daily pressures.” The article linked rising debt primarily to successive global shocks since 2020, asserting that the pressures associated with higher debt and debt-servicing costs reflect “the cost of preserving economic and social stability and preventing contraction, rather than the result of a trajectory separate from those shocks”.

Madbouly rejected criticism that links expanding debt to financing allegedly unproductive projects—such as roads and new cities—at the expense of “human development”. He described this view as an oversimplification of a complex issue, arguing that infrastructure projects “are not profit-oriented ventures but aim to reduce production and transport costs, enhance labor productivity, and increase the economic

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1 «Prime Minister: Egypt's External Debt Within Safe Limits», Al-Masry Al-Youm website, 17/12/2025, <https://www.almasryalyoum.com/news/details/4153857>

2 “IMF Staff Reaches Staff Level Agreement on Egypt's Fifth and Sixth Review”, International Monetary fund, 23L12L2025. <https://www.imf.org/en/news/articles/2025/12/22/pr25441-egypt-imf-staff-reaches-sla-on-5th-and-6th-review-under-eff-and-1st-rev-under-the-rsf>

3 «Debt Between the Peak Moment and the Path of Correction: How Does the State Read Today's Burden?», the Cabinet's Facebook page, 18 December 2025, <https://www.facebook.com/photo/?fbid=1429002422603507&set=pcb.1429002692603480>

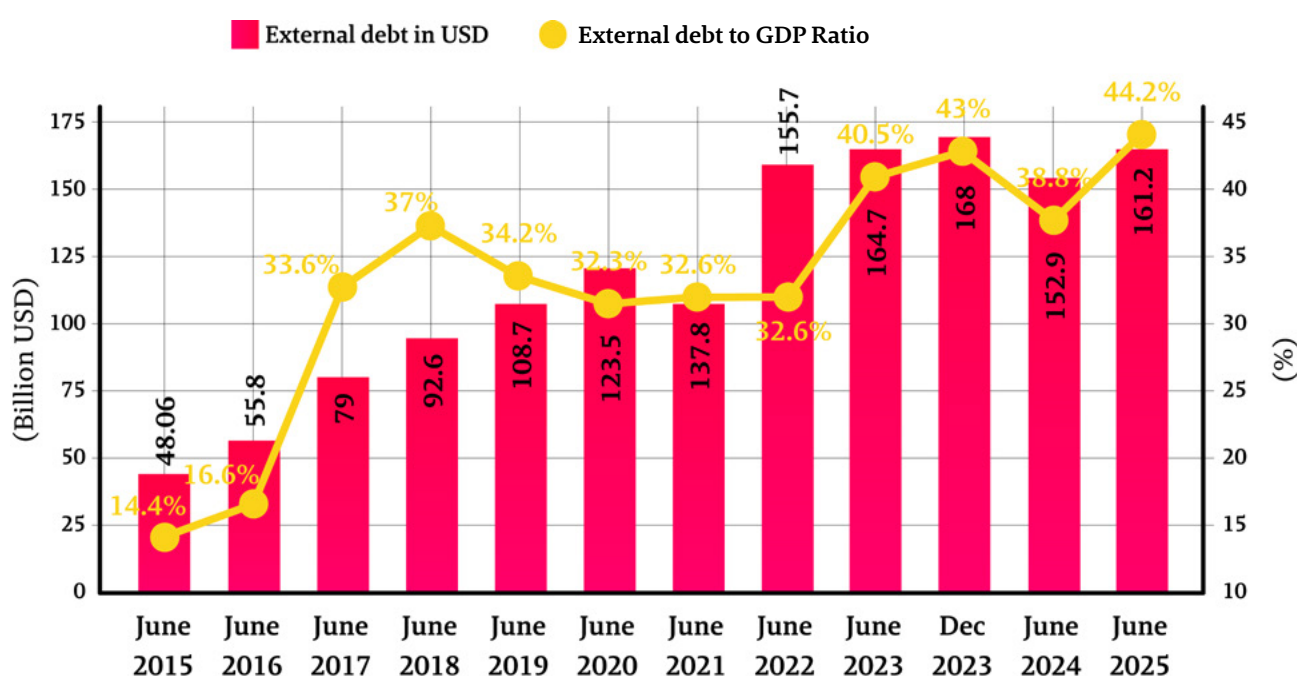
value of assets,” all of which he deemed essential prerequisites for improving education and healthcare.<sup>4</sup>

However, tracking the trajectory of Egypt’s debt over the past decade reveals a different picture from that presented by the Prime Minister. The expansion of external borrowing was not primarily driven by global crises, it actually predated them by several years—particularly since 2016—and was in fact linked to financing non productive projects lacking in any developmental priority. Some of this borrowing took the form of loans from state affiliated public entities to implement such projects, while another portion was driven by the need to service Egypt’s growing debt obligations, whose burden intensified following repeated devaluations of the Egyptian pound—devaluations that themselves were among the conditions imposed by international institutions in exchange for lending. Borrowing through the attraction of short term hot money inflows also played a significant role in exacerbating the debt crisis.

The government repeatedly claims that it aims to reduce reliance on debt as a source of financing and to lower the external debt of budgetary entities by \$1–2 billion annually<sup>5</sup>. However, the 2025–2026 state budget is based on increasing external borrowing by EGP 400 billion (approximately \$8 billion).<sup>6</sup>

This report outlines the key features of Egypt’s external debt based on the most recent available data. It explains how the debt undermines the recent improvements in the performance of certain economic sectors, assesses the risks it poses to the economy and Egypt’s development trajectory, and analyzes the role of the IMF and donor institutions in deepening the debt burden. It concludes with recommendations on possible ways to overcome the crisis.

**Figure: Debt Trends Over Ten Years**



<sup>4</sup> Ibid.

<sup>5</sup> The Financial Statement of the Fiscal Year 2025-2026, «Budget of Stability and Partnership with the Business Community», Ministry of Finance, April 2025.

<sup>6</sup> Analytical Statement on the Draft State Budget for the Fiscal Year 2025/2026, Ministry of Finance.

## Overview of external debt

Egypt's external debt reached \$161.2 billion by the end of June 2025, according to the latest data published by the Central Bank of Egypt (CBE) in early December 2025—five months after the end of the fiscal year. The debt increased by \$8.3 billion compared to the previous year, more than half of this increase was concentrated in the final quarter of fiscal year 2024/2025 (April–June).

This rise was driven by \$5.4 billion in higher debt principal repayments during that period, in addition to \$2.9 billion attributable to the depreciation of the US dollar against other currencies in which Egypt borrows, according to the CBE's external-debt report<sup>7</sup>. Although official data clearly show that exchange-rate effects contribute only by 35% of the increase, the Prime Minister attributed the entire rise to this “inevitable” factor, without acknowledging the impact of rising repayments—an indicator of renewed borrowing during the same period.<sup>8</sup>

External debt had declined—following the Ras El-Hekma deal with the UAE—from a peak of \$168 billion in December 2023 to \$152.9 billion by June 2024. This decrease was primarily due to an agreement to convert \$11 billion of UAE deposits at the CBE into investments in the Mediterranean coastal area, thereby deducting them from the debt stock.

However, the effect of the deal faded within months. External debt began to rise again from the first quarter of the fiscal year that followed the deal (June–September 2024), reaching 44.2% of GDP in June 2025, up from 38.8% the year before. In other words, the debt-to-GDP ratio increased by 5.4% in a single year, while the economy itself grew by no more than 4.4% during the same period. Notably, although the nominal value of the debt remains below its peak two years earlier, its share of GDP has increased beyond its level during the crisis.

One-third of Egypt's external debt falls due within a single year. By June 2025, short-term debt service obligations—defined as amounts payable within one year or less—reached \$54.6 billion, including installments on long-term loans that have matured. This amount equals 112% of Egypt's foreign-exchange reserves, meaning that reserves—intended to cover external obligations, foremost among them imports—are insufficient even to meet short-term debt repayments, let alone other short-term needs.

Debt falling due within one year includes all short-term debt with an original maturity of less than one year (\$30 billion), as well as installments on medium- and long-term debt becoming due within a year (\$23 billion). The IMF-contributed External Debt Statistics Guide notes that calculating all amounts payable within a year or less “provides an indication of the liquidity risks facing the economy”<sup>9</sup>.

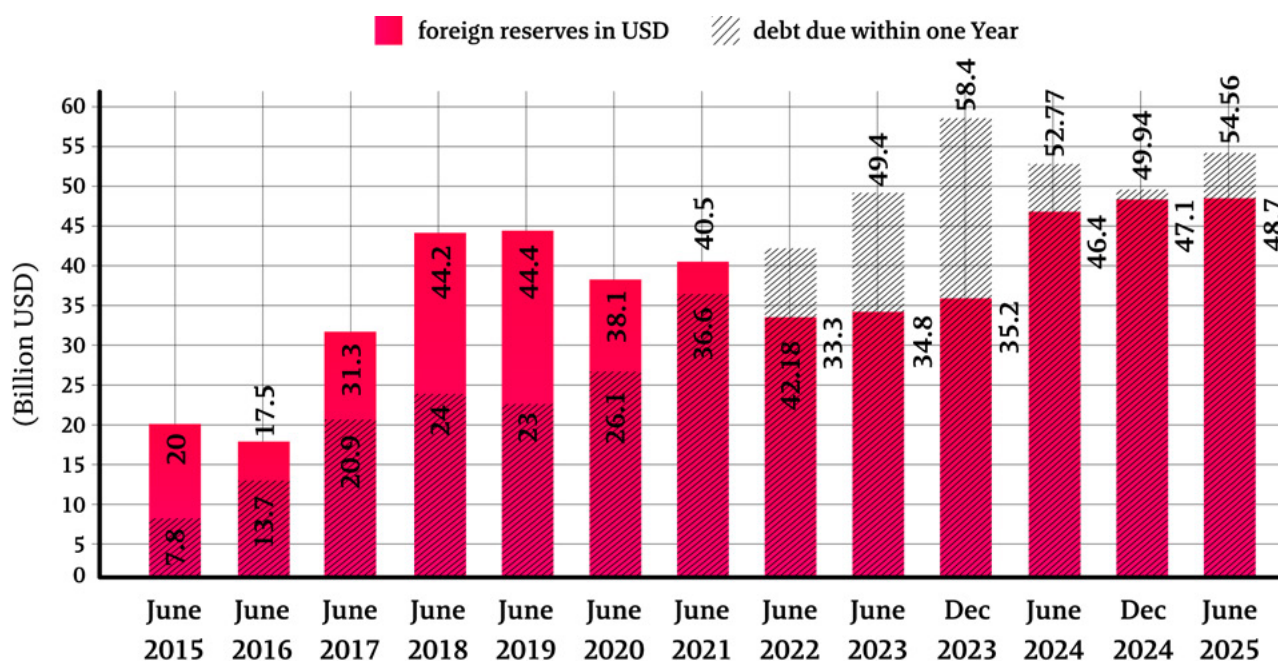
7 «External Position» Report, Fiscal Year 2024/2025, Central Bank of Egypt.

8 «The Prime Minister Reveals the Reason for the Rise in External Debt: We Didn't Borrow, But It's a Book Transaction», Al-Shorouk website, 3/12/2025, <https://www.shorouknews.com/news/view.aspx?cdate=03122025&id=a6da30db-aafe-43cf-919f-eb14b6ac3b7e>

9 “External debt statistics.. guide for compilers and users”, International Monetary Fund, 2014, <https://tffs.org/pdf/edsg/fmatter.pdf>

This ratio reached its worst level in December 2023, when short-term debt reached around 166% of foreign-exchange reserves<sup>10</sup> amid an acute hard-currency shortage. It then gradually declined due to a reduction in debt following the Ras El-Hekma deal on the one hand, and a rise in foreign-exchange reserves on the other—from \$35 billion at the height of the crisis to \$48.7 billion by June 2025.

**Figure: Debt Due Within One Year and Its Share of Foreign-Exchange Reserves**



The government is the largest single borrower, accounting for 50.8% of Egypt’s external debt, equivalent to \$82 billion. However, the government’s share of total borrowing has declined significantly over time, having stood at 63% in June 2014 and 77.6% in June 2011<sup>11</sup>. This decrease has been matched by rising borrowing by public and private entities whose accounts are not subject to parliamentary oversight—most notably the CBE and certain public agencies.

The budgets of these entities are not presented in detail within the state’s general budget, and loans contracted by the CBE are not submitted to Parliament for approval. This undermines transparency and is used to present a picture of public debt that diverges from reality, while also weakening the government’s ability to determine priorities for the use of borrowed funds.<sup>12</sup>

The CBE’s share of external debt has grown sharply over the past years, rising from no more than 4.3% in 2011 to 23.1% in June 2025, passing through periods during which its share of external borrowing approached 40%.

During the fiscal year 2024/2025, the CBE’s external liabilities reached \$37.3 billion, consisting of \$21.8 billion in long-term debt and \$15.4 billion in short-term deposits. As such, the CBE alone ac-

<sup>10</sup> External Position Report, July-December 2023/2024, Central Bank of Egypt.

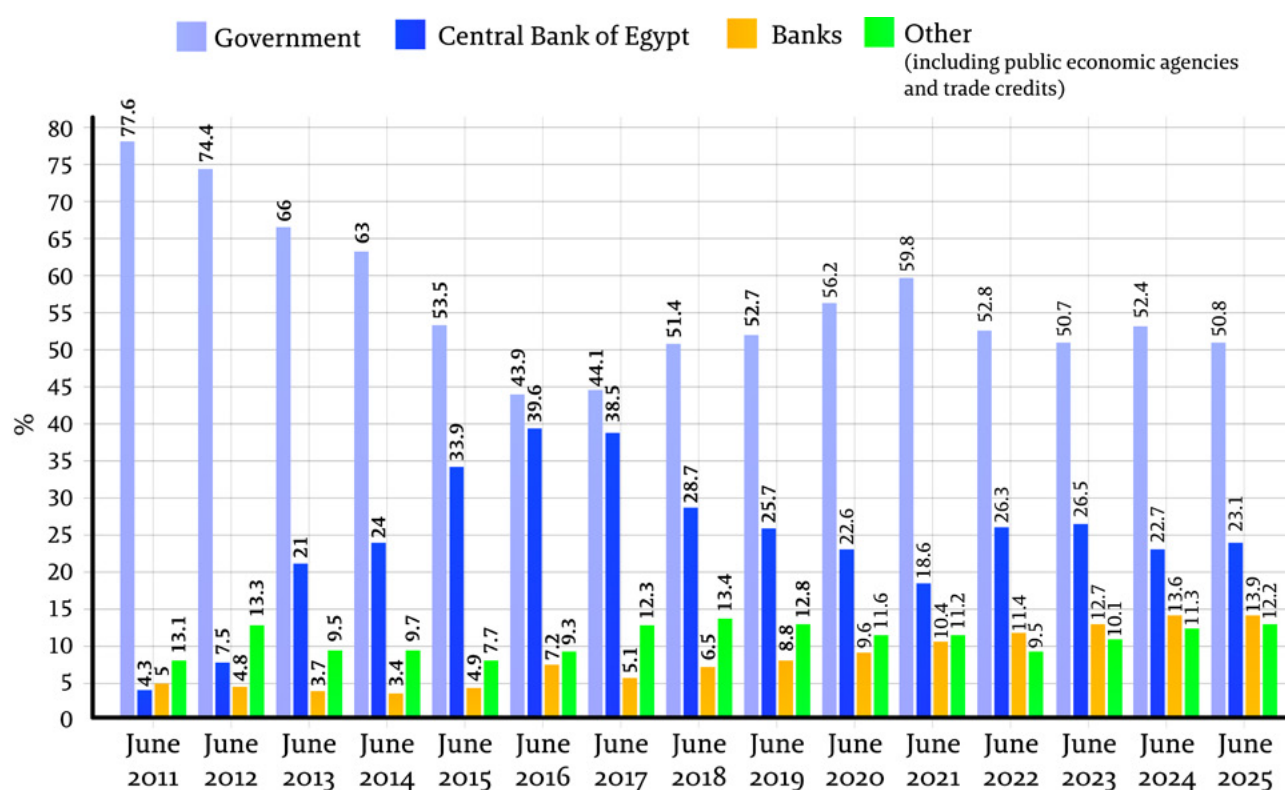
<sup>11</sup> External Position Reports, June 2010-2011 and June 2013-2014, Central Bank of Egypt.

<sup>12</sup> «External Debt 2020: Covid-19 Raises Debt», EIPR, 2022.

counts for roughly half of Egypt's short-term external debt. The CBE's external liabilities had declined by approximately \$9 billion in the fiscal year 2023/2024 following the Ras El-Hekma agreement, as long- and short-term UAE deposits held at the CBE were reduced under the terms of the deal.

Commercial banks hold 13.9% of Egypt's external debt, equivalent to \$22.2 billion, including approximately \$13 billion in long-term loans and \$8 billion in short-term borrowing<sup>13</sup>. Meanwhile, the category labeled "other sectors" accounts for 12.2% of total borrowing, or \$19.7 billion. This group includes public entities that have increasingly borrowed independently of the government in recent years, most notably the Egyptian Petroleum, New Urban Communities, and Transportation Authorities. The liabilities of this category are divided between \$12.8 billion in long-term loans and \$6.8 billion in trade credits.

**Figure: Who Is Borrowing?**



## Debt-servicing costs double

External debt-servicing obligations—including principal repayments as well as interest—have doubled over the past five years, reaching \$38.7 billion in June 2025 (equivalent to approximately EGP 1.9 trillion at the prevailing exchange rate at the time). This represents an increase of \$5.8 billion in a single year, driven primarily by higher principal repayments, according to the CBE's latest report.

The magnitude of the burden imposed by debt service becomes particularly clear when measured as a percentage of exports of goods and services—a commonly used indicator of economic resilience. By

<sup>13</sup> «External Position» Report, Fiscal Year 2024/2025, Central Bank of Egypt.

June 2025, external debt-service payments amounted to 53.6% of Egypt's export revenues. Although Egypt's exports had increased by roughly 23% during the fiscal year 2024/2025, the effect of this growth has been largely offset by the sharp rise in debt-servicing costs.

The scale of this burden is further illustrated by the fact that total external debt payments in 2025 alone reached \$51.2 billion<sup>14</sup>. Of this amount, servicing medium- and long-term debt accounted for \$18.957 billion, with interest payments making up roughly one quarter (\$4.7 billion), in addition to \$32 billion in short-term debt repayments falling due between January and the end of the year.

These external debt obligations add to the already heavy burden of domestic debt servicing, which has itself increased substantially in recent years. As a result, nearly two-thirds of total expenditures in the current fiscal year's state budget are devoted to servicing domestic and external debt. This leaves only 35% of total spending available for all other purposes that directly affect citizens' lives or contribute to economic development.

For its part, the government has set a ceiling for total public debt—combining external and domestic liabilities—at 96.4% of GDP in June 2025<sup>15</sup>, with a target of reducing this ratio to 90% by the end of the current fiscal year in June 2026<sup>16</sup>. Establishing a debt ceiling represents a positive step long advocated by economists and advocates of economic and social rights. However, this ceiling remains very high relative to GDP and does not include all elements of actual public debt, as it excludes liabilities associated with the CBE, which alone amount to roughly 10% of GDP. Moreover, assessing the accuracy of the announced ceiling is difficult due to insufficient data on the debts of state-owned economic agencies and the complex financial interlinkages between these entities and the general budget.<sup>17</sup>

There is also considerable confusion surrounding public-debt figures. In December, the Prime Minister stated that public debt stood at 96% of GDP two years ago and has since declined to 84%, arguing that the state is working to reduce debt to levels “not seen in Egypt for the past 50 years”<sup>18</sup>. However, these figures exclude the debt incurred by public economic agencies. In June 2025, the debt of budgetary entities alone stood at 85% of GDP, rising to 95.3% once the debts of economic agencies entities were included. The claim that debt ratios will fall to their lowest level in half a century therefore raises serious questions about the credibility of this narrative, the mechanisms required to achieve such a decline, and the timeframe in which it could realistically occur.

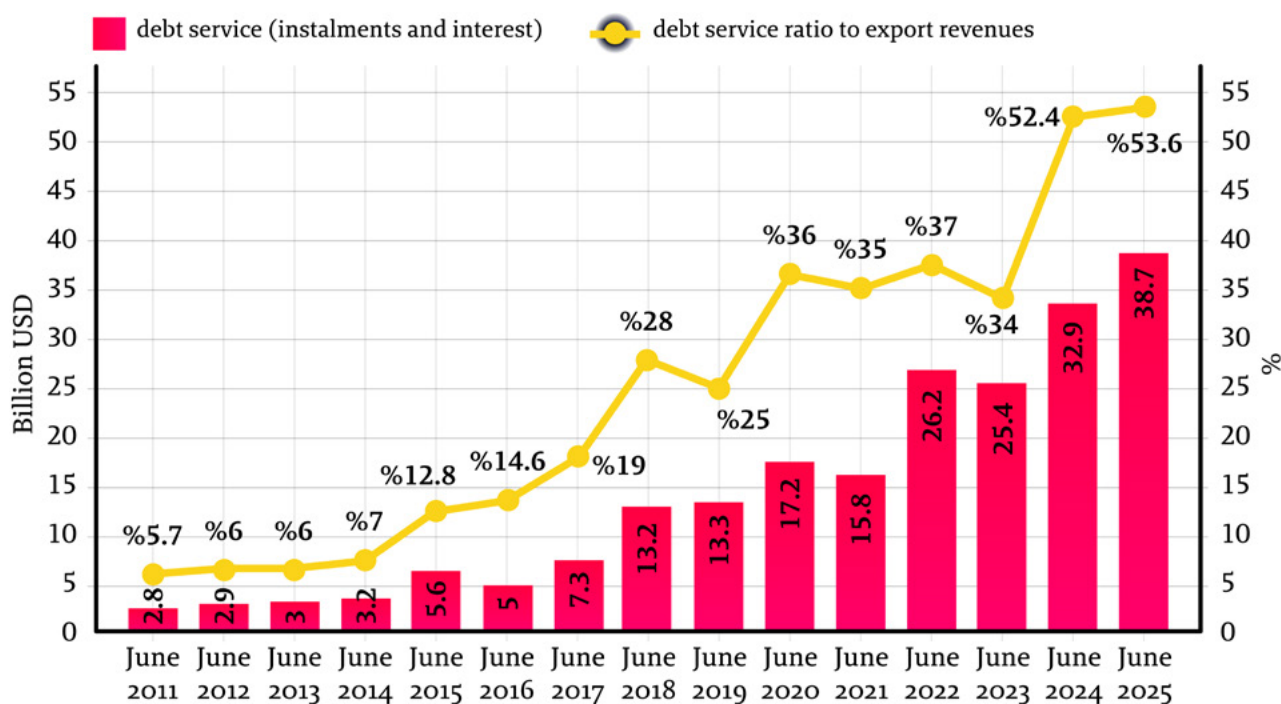
14 EIPR conclusions from the external debt data in the «External Position» reports issued by the CBE, the second, third and fourth quarters for the fiscal year 2024-2025.

15 «Document: The General Government Debt for the Year 2024-2025 Records 25% of GDP», Al-Masry Al-Youm Newspaper, 31/12/202, <https://www.almasryalyoum.com/news/details/4164014>

16 Financial Statement for the Fiscal Year 2025-2026 Budget, «Budget of Stability and Partnership with the Business Community», Ministry of Finance, April 2025.

17 «2025-2026 Budget: Egypt in the Grip of Debt», EIPR, 2025, <https://eipr.org/publications/%D9%85%D9%88%D8%A7%D8%B2%D9%86%D8%A9-2025-2026-%D9%85%D8%B5%D8%B1-%D9%81%D9%8A-%D9%82%D8%A8%D8%B6%D8%A9-%D8%A7%D9%84%D8%AF%D9%8A%D9%88%D9%86>

18 Weekly press conference of the Prime Minister, the Cabinet's Facebook page, 24/12/2025. <https://www.facebook.com/EgyptianCabinet/posts/pfbid02WKynNLscxPMFcLyWTSzbuCgUirNUZcwr1r1f89Jiyk5eG5etxg9FWEBU2NABmMil?rdid=Wc3tUPduYqAgKznn>

**Figure: debt-service payments as a percentage of total exports**

## Who are the creditors?

International lending institutions account for 29.3% of Egypt's external debt, amounting to \$47.2 billion, of which \$14.2 billion is owed to the IMF. Egypt's liabilities to the World Bank stand at \$12.6 billion, while debts to the European Investment Bank total \$3.6 billion, and to the African Development Bank \$2.6 billion. In addition, Egypt owes \$2.2 billion to the Arab Fund for Economic and Social Development, according to data from June 2025.

Arab countries collectively hold 23.4% of Egypt's external debt, equivalent to \$37.7 billion. Of this amount, \$13.5 billion is owed to Saudi Arabia, \$11.7 billion to the United Arab Emirates, and \$6 billion to Kuwait.

Bonds and sukuk (the Arabic name for financial certificates, also commonly referred to as «shari'a compliant» bonds) held by non-residents rank third among creditor categories, accounting for 18.2% of total external debt, or \$28.7 billion. Eurobonds denominated by U.S. dollar make up more than two-thirds of these issuances, followed by euro-denominated Eurobonds (12%), Samurai bonds issued in Japanese yen (3%), in addition to smaller shares of dollar-denominated green bonds and Panda bonds issued in Chinese yuan.

A further portion of Egypt's external debt consists of trade credits, including supplier and buyer credits, amounting to \$19.2 billion, as well as non-government guaranteed private sector debt totaling \$2.5 billion as of June 2025.

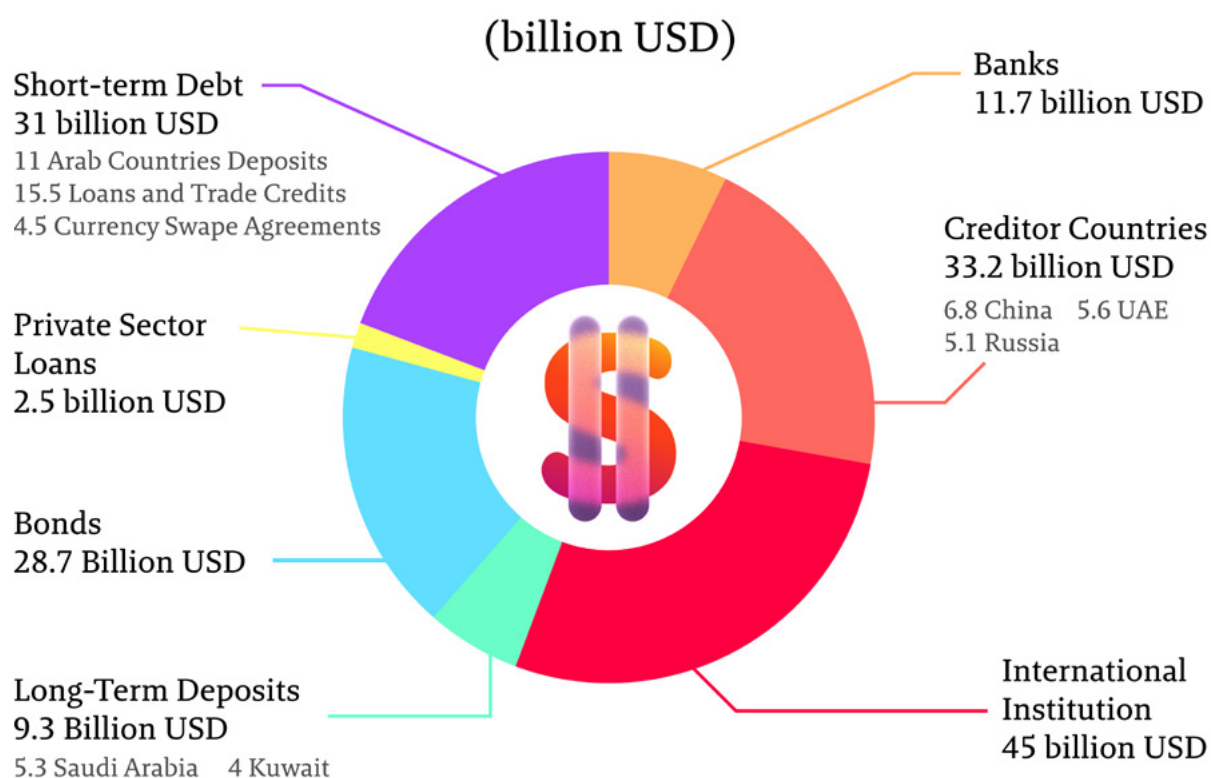
Egypt's debts to Paris Club member states—Russia, Japan, France, Germany, and the United Kingdom—amount to \$18.8 billion, in addition to \$9.6 billion owed to China, which includes direct loans and a range of bilateral agreements and liquidity facilities.

The evolution of Egypt's creditor map becomes clearer when compared with data from June 2011. At that time, 43% of Egypt's external debt was held by just four countries—Japan, Germany, France, and the United States—while Gulf states (Saudi Arabia, Kuwait, and the UAE) accounted for only 4.6%. Debt to international institutions represented roughly one-third of external debt at the time, totaling \$10.8 billion, including \$1.4 billion owed to the IMF (current IMF debt has increased almost tenfold), \$2.6 billion to the World Bank, and \$2 billion to the European Investment Bank.

This landscape changed considerably following the influx of Gulf financing beginning in 2013, raising Arab countries' share of Egypt's external debt to approximately 35%, while the share of international institutions fell to around one quarter by June 2016. The World Bank and the African Development Bank accounted for the largest portions of this institutional lending. International bonds represented 6% of the total debt at the time, while the remainder was spread among various creditor states, most notably Germany, with about 7% of the total debt<sup>19</sup>. The share of international institutions rose again in the following fiscal year after Egypt signed its Extended Fund Facility agreement with the IMF in November 2016.

With regard to currencies, the U.S. dollar dominates Egypt's external debt, accounting for 68%, or \$109.7 billion. The euro follows at 12.4%, while Special Drawing Rights (SDRs) represent 9% of the total debt. SDRs are a unit of account used by the IMF, which member countries can exchange for major international currencies or use for other financial purposes. The Chinese yuan accounts for approximately 3.6%, followed by the Kuwaiti dinar and the Japanese yen, each at 2.4%, with other currencies making up the remaining 1.9%, according to June 2025 data.

**Figure: Sources of External Borrowing**



<sup>19</sup> External Position Reports, Central Bank of Egypt, June 2015/2016, and June 2016/2017.

## The IMF, international lenders, and the “quicksand” trap

According to IMF projections in its Fourth Review report, Egypt’s external debt is expected to rise to \$180.6 billion in the ongoing 2025/2026 fiscal year, with total principal and interest payments reaching \$46 billion during the same period. The debt stock is projected to increase further to \$186 billion in the following year.<sup>20</sup>

Before the beginning of the “decade of expanded borrowing,” Egypt’s external debt stood at no more than 28% of its current level, amounting to \$45 billion in the fiscal year 2014/2015. At that time, projections estimated that annual debt-service payments ten years later—by 2025—would reach around \$1.1 billion<sup>21</sup>. However, the policies pursued since then have driven debt-service obligations to more than fifty times those early projections, reaching \$51.2 billion by 2025.

The IMF has played a central role in facilitating borrowing—both directly and indirectly—throughout this period, in exchange for successive “economic reform” programs that consistently failed to steer the economy toward a more sustainable path. As a result, crises have recurred since 2016, alongside the continued promotion of the same policy prescriptions that have exacerbated economic and social deterioration, while driving further accumulation of external debt and increasing the IMF’s share of it.

Following the signing of the Extended Fund Facility agreement with the IMF in November 2016, Egypt’s external-debt-to-GDP ratio jumped from 16.6% to 33.6%. The agreement was part of a broader international financing package that the IMF helped mobilize from multiple sources. In compliance with the program’s conditions, Egypt devalued its currency and adopted austerity measures that triggered acute inflation. The government then returned to IMF borrowing just one year after concluding its previous program in 2020.

Rising external debt places continuous pressure on Egypt’s public finances, as it requires securing foreign-currency liquidity to meet scheduled debt-service payments in a country whose foreign-exchange resources are structurally vulnerable to external shocks. This pressure is compounded by growing reliance on inherently volatile sources of foreign currency, particularly short-term capital inflows (hot money), whereby foreign investors buy local-currency treasury bills and bonds, providing the government with quick dollar inflows. However, these funds can exit just as rapidly in response to market volatility or global shocks, forcing the government to secure dollars equally quickly, in fact immediately. Despite this, such inflows are not counted as external debt, even though they ultimately represent obligations payable in foreign currency. This fragile structure significantly narrows Egypt’s capacity to absorb shocks that reduce hard-currency inflows.

Consequently, Egypt turned once again to the IMF following the outbreak of the Russia–Ukraine war, which prompted a sudden exit of hot money estimated at \$22 billion. In December 2022, Egypt and the IMF agreed on a new Extended Fund Facility under which the Fund approved \$3 billion in financing over 46 months.

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<sup>20</sup> “Fourth Review under the Extended Arrangement under the extended Fund Facility”, IMF, July 2025, Country Report No. 25/186, <https://www.imf.org/-/media/files/publications/cr/2025/english/1egy2025001-source-pdf.pdf>

<sup>21</sup> External Position Report, Central Bank of Egypt, June 2014/2015.

As crises intensified due to mounting debt-service pressures, regional instability stemming from Israel’s genocidal war on Gaza, and the resulting disruptions in the Red Sea that sharply reduced Suez Canal revenues; the IMF approved an increase in the value of the program by approximately \$5 billion in March 2024, bringing the total IMF financing to \$8 billion.

In total, the IMF will have extended \$29.3 billion in loans to Egypt between November 2016 and September 2026, the scheduled end date of the latest program (which may extend into the following year due to delays in meeting agreed conditions and the resultant postponement of program reviews and disbursements). By contrast, Egypt’s debt to the IMF stood at just \$1.3 billion in the fiscal year 2014/2015, before the country entered its current debt spiral.

**Figure: Major Creditor Institutions**



In their Fourth Review report, IMF experts confirm that they have secured financing commitments from international partners to fully cover Egypt’s financing gap, including funding linked to development rights in specific locations or associated with real estate. “We have assurances from Arab countries to keep their official deposits at the CBE for \$18.3 billion until the end of the EFF arrangement in October 2026 unless they are used for the purchase of equities”, with the proceeds of such transactions to remain at the CBE as part of foreign-exchange reserves.<sup>22</sup>

Separately, according to IMF documents, a European Union loan approved by the Egyptian Parliament in November 2025 contributes to covering Egypt’s financing needs during the current fiscal year. The loan amounts to €4 billion, disbursed in tranches over approximately two and a half years, ending in 2027. It forms part of the Comprehensive Strategic Partnership between Egypt and the EU<sup>23</sup> announced in March 2024, under which the EU pledged €7.4 billion to support Egypt’s efforts to achieve macroeconomic stability and resilience. The package includes €5 billion in concessional loans under the Macro-Financial Assistance mechanism, of which €1 billion was disbursed at the end of 2024, €1.8 billion in investment agreements, and €600 million in grants across various sectors.

<sup>22</sup> “Fourth Review under the Extended Arrangement under the extended Fund Facility”, IMF, July 2025, Country Report No. 25/186, <https://www.imf.org/-/media/files/publications/cr/2025/english/1egy2025001-source-pdf.pdf>

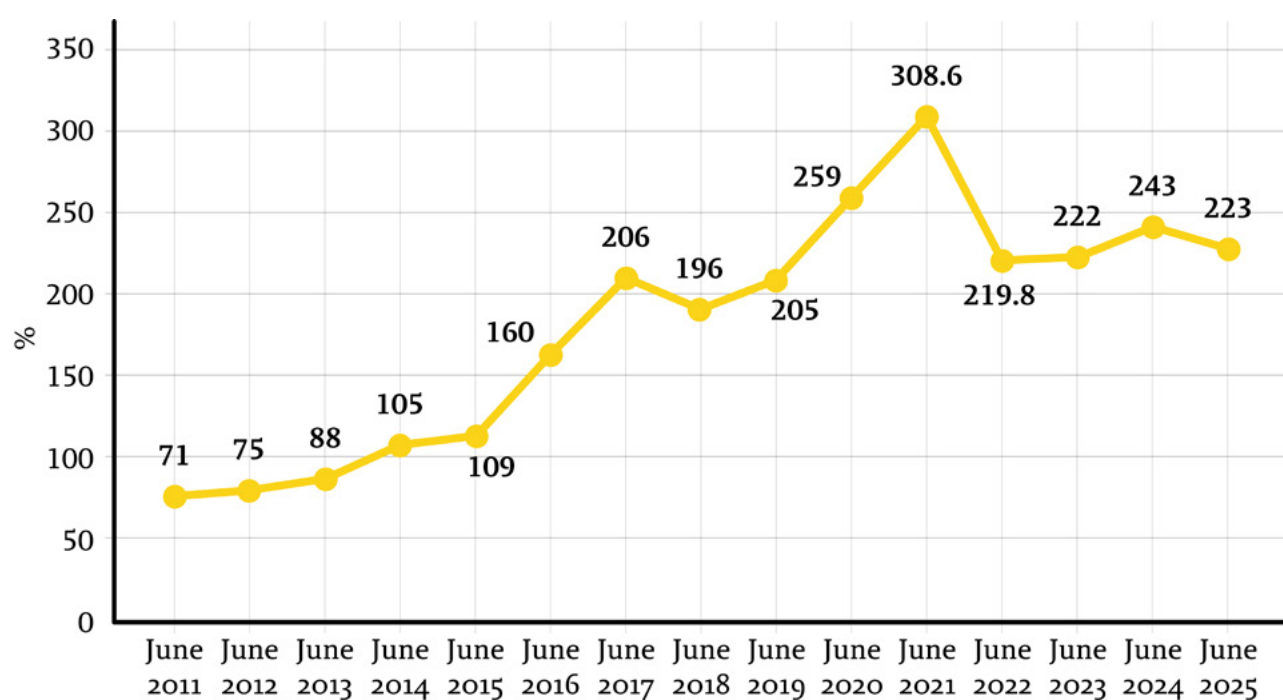
<sup>23</sup> “EU-Egypt Strategic and Comprehensive Partnership”, European Parliamentary Research Service, April 2024. [https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/760406/EPRS\\_ATA\(2024\)760406\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/760406/EPRS_ATA(2024)760406_EN.pdf)

The memorandum of understanding governing the loan states that the European financing package complements the IMF's Extended Fund Facility program and is coordinated with the Fund to implement the structural reforms to which the Egyptian government has committed.<sup>24</sup>

In this way, the IMF has helped Egypt assemble a network of international lenders—including Gulf states, the European Union, international financial institutions, and commercial banks—aimed at “rescuing” the Egyptian economy from its crises and putting it on the right path. Yet, that path increasingly looks like quicksand: the deeper one ventures into it, the more precarious the situation becomes.

The IMF itself warns in its Fourth Review report of rising debt risks and the growing burden of interest payments, particularly given the heavy concentration of short-maturity debt. The Fund expects Egypt's external-debt-to-GDP ratio to rise to 46.6% during the current fiscal year, amid continued fiscal pressure stemming from external financing needs, which it estimates at around \$30 billion.

**Figure: Evolution of the Debt-to-Exports Ratio**



## Either borrowing or selling assets

The billions of dollars that have flowed into Egypt since 2016 have not prevented recurrent foreign-currency shortages, nor have they generated sustainable growth suggesting a viable exit from the debt cycle. Instead, they have further constrained the economy by saddling it with mounting debt-service obligations. As a result, asset sales have emerged as an alternative, promising quick financing sources to address crises largely created by debt itself.

<sup>24</sup> “Memorandum of understanding between the European Union as lender and the Arab Republic of Egypt as borrower”, July 2025. [https://economy-finance.ec.europa.eu/document/download/822777c6-4c2a-4f30-886c-39629e1d86e6\\_en?filename=MoU%20EGY%20MFA\\_signed.pdf](https://economy-finance.ec.europa.eu/document/download/822777c6-4c2a-4f30-886c-39629e1d86e6_en?filename=MoU%20EGY%20MFA_signed.pdf)

Most traditional sources of foreign currency for Egypt showed improved performance during the fiscal year 2024/2025. Remittances from Egyptians abroad surged by 66% year-on-year, reaching \$36.4 billion, helping offset a sharp decline in Suez Canal revenues, which fell by nearly half to just \$3.6 billion. Tourism revenues rose to \$16.7 billion, net foreign direct investment recorded a surplus of \$12.2 billion, and export receipts grew by 23.6% to \$40.2 billion.<sup>25</sup>

Together, these revenues totaled roughly \$109 billion, while Egypt's external debt in the same year reached \$161.2 billion, requiring \$54 billion in debt-service payments within a single year. The debt-to-exports ratio improved to 223% in June 2025, down from 243.4% at the end of the previous fiscal year, reflecting higher export receipts. Nonetheless, the stock of external debt still amounts to nearly two and a quarter times Egypt's total export earnings. This was not always the case: prior to the borrowing expansion, external debt accounted for no more than 72% of exports in the fiscal year 2011/2012.

Egypt's economy continues to suffer from well-known structural imbalances that require genuine and sustainable solutions—reducing the trade deficit, expanding productive capacity, creating decent jobs, and establishing fair taxation to finance development. Asset sales and the use of their proceeds to repay debt offer no real opportunity to carry out such deep reforms, nor do they provide a sustainable source of financing.

Encouraged by the IMF—which frames the crisis as stemming from state constraints on the private sector and promotes private-sector empowerment as the solution—the government has increasingly turned to asset sales. This trend was crystallized in the Ras El-Hekma deal with the UAE in February 2024<sup>26</sup>, which temporarily alleviated Egypt's acute economic crisis caused by a shortage of foreign currency amid rising foreign-currency-denominated obligations, including external debt service and arrears owed to foreign companies and importers. The deal came at a time when Egypt's IMF program was stalled due to delays in implementing a currency devaluation.

Subsequently, other coastal areas—Alam Al-Roum, Ras Gamila, Ras Shokeir, Ras Banas—have been promoted as investment opportunities capable of producing effects similar to Ras El-Hekma. Egypt has already received proceeds from some of these transactions; for example, in the case of Alam Al-Roum, Qatari Diar paid \$3.5 billion to the Egyptian government at the end of December 2025 for 4,900 feddans of land.

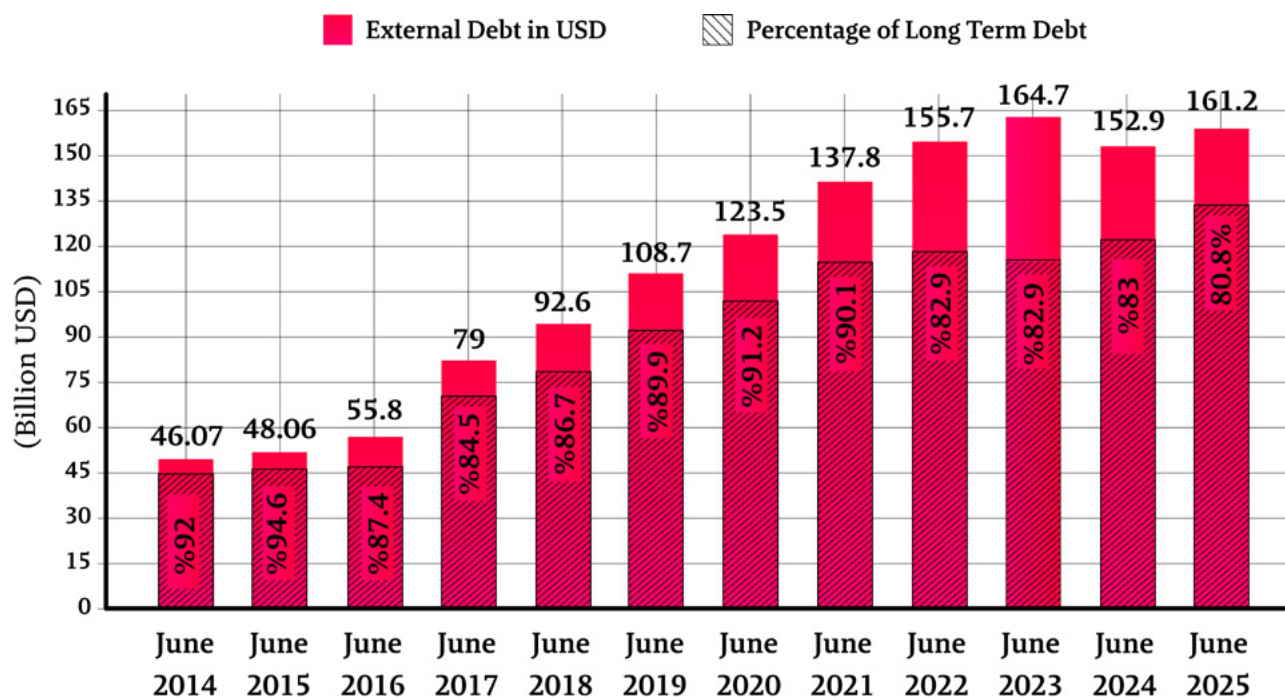
Yet, experience shows that the impact of the exceptionally large Ras El-Hekma deal faded in less than a year, after which external debt resumed its upward trajectory. The IMF itself now projects even higher

25 «Press Release Regarding the Performance of the Balance of Payments for the Fiscal Year 2024/2025, Central Bank of Egypt <https://www.cbe.org.eg/-/media/project/cbe/page-content/rich-text/bop/fy-2024-2025/%D8%A7%D9%84%D8%A8%D9%8A%D8%A7%D9%86-%D8%A7%D9%84%D8%B5%D8%AD%D9%81%D9%8A-%D8%A8%D8%B4%D8%A3%D9%86-%D8%A3%D8%AF%D8%A7%D8%A1-%D9%85%D9%8A%D8%B2%D8%A7%D9%86-%D8%A7%D9%84%D9%85%D8%AF%D9%81%D9%88%D8%B9%D8%A7%D8%AA-%D8%AE%D9%84%D8%A7%D9%84-%D8%A7%D9%84%D8%B3%D9%86%D8%A9-%D8%A7%D9%84%D9%85%D8%A7%D9%84%D9%8A%D8%A9---2024-2025.pdf>

26 «UAE invests \$35 billion to develop Ras El-Hekma city in Egypt», Al-Shorouk newspaper website, 23 February 2024, <https://www.shorouknews.com/news/view.aspx?cdate=23022024&id=166a2fc2-964b-4e81-808f-6edcfec9dc21>

debt levels in the coming years—underscoring the need to pursue an alternative path beyond asset sales or continued borrowing without fundamental change.

**Figure: Share of Long-Term Debt**



## Debt maturities and its strategy

Contrary to the government’s stated plans to lengthen debt maturities and reduce reliance on short-term borrowing, short-term debt was the main contributor to the increase in Egypt’s external debt in the past fiscal year, accounting for 58.6% of the total rise. Short-term external debt reached \$30.9 billion in June 2025, an increase of approximately \$5 billion compared to the previous fiscal year (2023/2024).

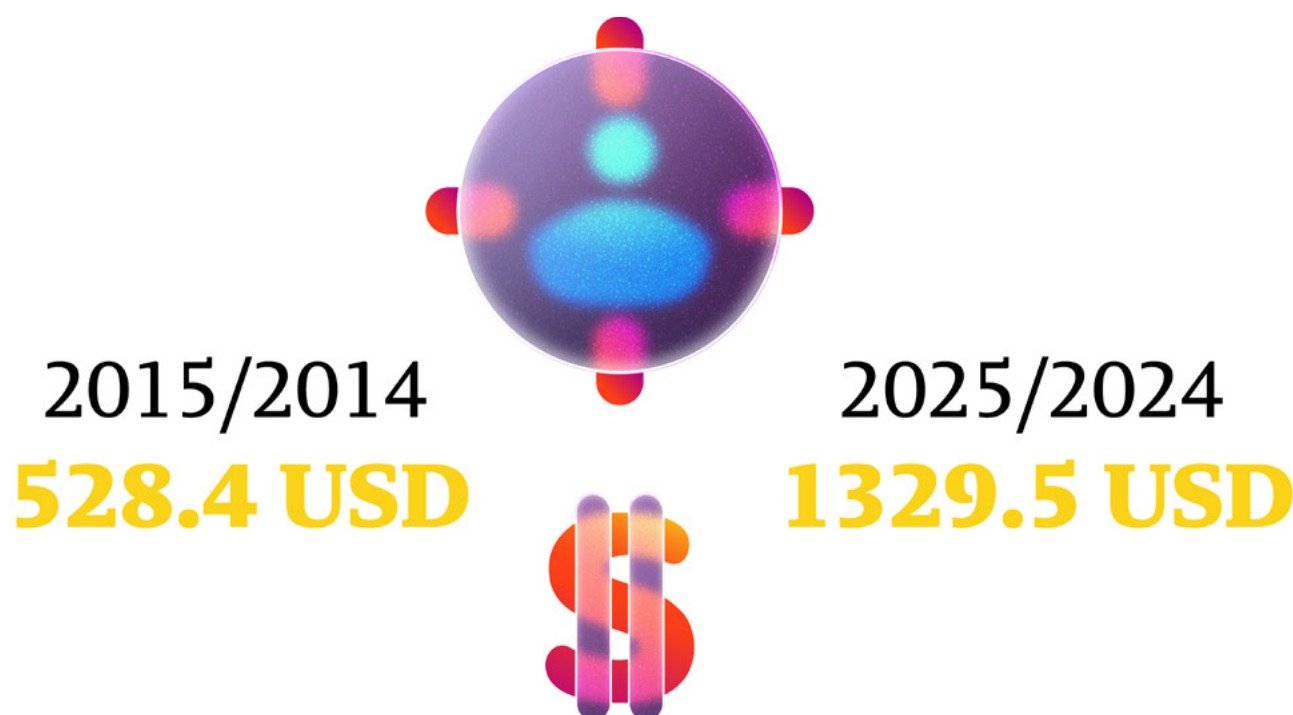
By contrast, debt classified as “long-term” amounted to \$130.3 billion at the end of the last fiscal year, according to CBE data, representing 80.8% of total external debt—a ratio that may appear reassuring at first glance. However, the CBE defines long-term debt as debt with a maturity exceeding one year, which does not necessarily indicate stability, since the precise shares of debt maturing within 18 months, two or three years—timeframes that are not genuinely long-term—remain unclear. Moreover, the share of long-term debt declined compared to the previous year, when it represented 83% of external debt.

The Ministry of Finance is currently preparing a new public-debt strategy for the period 2025–2030, in coordination with the IMF. According to statements by Finance Minister Ahmed Kouchouk, the strategy was intended to be launched before the end of 2025, but had not yet been announced as of January 2026. The strategy reportedly aims to reduce public debt (domestic and international) to

below 75% of GDP within three years and to extend the average debt maturity to five years.<sup>27</sup>

The preceding 2020–2024 debt strategy stated that the average maturity of budget-sector debt stood at 3.2 years, with a target of increasing it to five years by 2024—a target that was not achieved. According to the Ministry of Finance’s monthly bulletin, the average maturity of budget-sector debt reached 3.4 years in June 2025<sup>28</sup>, (this is the most recent data available). It should be noted that these figures exclude debts of state-owned economic entities and the CBE, meaning there is no comprehensive or accurate picture of overall debt maturities.

**Figure: Per Capita Debt**



<sup>27</sup> «To reduce the debt to less than 75%.. Finance Ministry prepares to launch a new public debt strategy», Enterprise Bulletin, 19/10/2025. <https://enterprise.news/egypt/ar/news/edition/am/b2ad8c4b-6514-4653-8a21-ab4255186a04/gov%2525e2%252580%252599t-raises-prices-at-the-pumps-for-the-second-time-in-2025/da175d77-a5bd-4ac2-99e2-b88bd8104616>

<sup>28</sup> Monthly Financial Report, Egyptian Ministry of Finance, November 2025. <https://mof.gov.eg/ar/archive/monthlyFinancialReport/general/%D8%AA%D9%82%D8%A7%D8%B1%D9%8A%D8%B1%20%D8%B4%D9%87%D8%B1%D9%8A%D8%A9>

## Conclusion and recommendations

The state's recognition that external debt has become a serious problem, and the move to set a ceiling to it and reduce it are necessary steps. However, failure to acknowledge responsibility for the rise of debt and to review the policies that caused it means there is nothing to prevent those same policies from being repeated. Expanded borrowing has constrained public spending in areas that directly serve the population and support economic development, while pushing the country into conditional loans that have produced austerity policies. These conditional loans also contributed to repeated currency devaluations that have sharply eroded living standards for growing segments of the population.

Although the IMF warns Egypt of rising debt risks and the burden of interest payments, it has itself played a central role over nearly a decade in increasing Egypt's external borrowing—by assembling a network of international lenders that includes Gulf countries, the European Union, international financial institutions, and commercial banks. As part of addressing a crisis it helped intensify—without acknowledging this role—the IMF has encouraged the state to sell land and public assets to those same lenders.

For its part, the government has proposed restructuring external debt through debt-swap agreements, under which creditor states forgive outstanding debt in exchange for the debtor state financing development projects of equivalent value. Egypt has undertaken similar arrangements with Germany and Italy, though on a relatively limited scale—ranging from €50 million to €300 million over several years. Detailed, comprehensive data on the total value of these agreements are not publicly available, with disclosures largely limited to promotional statements.

The government has also promoted debt-for-investment swaps, as exemplified by the Ras El-Hekma deal, a model it increasingly relies on to reduce debt, according to official statements. One finance ministry official has indicated an intention to convert Kuwait's \$4-billion deposit at the CBE into coastal investments.<sup>29</sup>

The method chosen to reduce external debt is no less important than the goal itself. A significant cost has already been incurred as a result of the borrowing-led strategy and the specific path pursued—one that reinforced an unsustainable investment model centered on construction, real estate development, and megaprojects, while contributing to a succession of economic and social crises. Further costs will also result from the steps now taken to address the situation. These choices should therefore not be made unilaterally by the government. The conditions, trade-offs, and gains or losses associated with each option must be subject to public debate, rather than treated as purely technical matters or buried in opaque agreements whose details are not disclosed.

Accordingly, EIPR puts forward the following key recommendations for addressing the external-debt crisis:

- Exiting the debt trap requires a clear plan to reduce reliance on borrowing as a primary source of public finance. This cannot be achieved merely by placing a ceiling on borrowing, but requires a

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29 «Source in the Ministry of Finance: We aim to convert \$4 billion of Kuwaiti deposits into coastal investments», Al-Manassa news website, 25/12/2025. <https://manassa.news/news/29344>

serious shift toward strengthening productive and service sectors that generate income and value added, alongside restructuring tax policies to make them fairer and more efficient so as to provide sustainable revenues.

- The external debt portfolio should be undertaken by the government and placed under parliamentary oversight, so that no new external debt is incurred without parliamentary approval, regardless of the borrowing entity. Any request for borrowing must be accompanied by a repayment plan and a plan for the use of funds.
- Parliament should have a decisive role in setting priorities for the expenditure of borrowed funds, instead of the current situation in which the government manages the debt portfolio without effective public oversight—despite being responsible for the escalation of the crisis. Parliamentary oversight should be strengthened by requiring the prompt submission of borrowing agreements, providing transparent disclosures regarding the loans of economic entities, extending parliamentary scrutiny to the CBE's external borrowing through foreign deposits, and examining both financial and non-financial loan conditions.
- There should be a publicly announced five-year plan for projects that are going to be financed through external borrowing, alongside a parallel plan to develop foreign-currency resources sufficient for debt repayment. Both plans should be approved by parliament through legislation, and the government should be held accountable for compliance.
- While the government's decision to set a public-debt ceiling is a positive step long demanded by advocates of economic and social rights, including EIPR<sup>30</sup>, the current ceiling remains excessively high relative to GDP, and the methodology used to calculate it is incomplete. Parliament should be involved in setting the ceiling and empowered to take corrective action if it is breached.
- The existing debts should be rescheduled and their currently very short maturities should be extended, returning to a structure in which 90% of debt consists of long-term obligations with maturities exceeding five years.
- Conditions of loans and repayment should be disclosed. With the exception of loans from the IMF, World Bank, and some international institutions, information on grace periods, maturities, and interest rates is typically not disclosed.
- Transparency should be enhanced and external-debt data should be published regularly, instead of delays that at times extend to eight months.

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30 «External Debt 2020: Covid-19 Raises Debt», EIPR, 2022.