

**Statement by Mr. Mohieldin, Executive Director for Arab Republic of Egypt
Mr. Alhosani, Alternate Executive Director, Ms. Choueiri, Senior Advisor to the Executive
Director, and Ms. Fayez, Advisor to the Executive Director
June 27, 2022**

1. **On behalf of the Egyptian authorities, we thank staff for a thorough, constructive, and well-balanced Ex-Post Evaluation report, which adequately reflects the authorities' views.** The 2020 Stand-By Arrangement (SBA) has been a success, having achieved its primary objective of maintaining macroeconomic stability in the context of the disruption from the COVID-19 pandemic. The SBA, in many cases, exceeded its targets, notably on the external and fiscal fronts. Strong ownership, a homegrown well-coordinated economic program, realistic macroeconomic projections, as well as timely implementation of policies and reforms are the main factors that contributed to the program's success and to rapidly restoring confidence in the Egyptian economy. We welcome the finding that Fund policies and procedures for financing under exceptional access were followed during the 2020 SBA. The report is appropriately forward-looking in pinpointing areas for future work and progress, namely in terms of strengthening the resilience of the external position and deeper structural reforms with broader private sector participation. These are objectives that the authorities are currently pursuing as part of a program for which they requested longer-term Fund support.

2. **Policy implementation under the SBA was in line with program objectives.** Monetary policy continued to be data-driven, overachieved the reserve targets, secured low inflation expectations, and provided liquidity to affected firms, which subsequently turned to be timely and adequate. At the same time, financial stability was maintained owing to effective supervision and oversight of the banking sector. While the report notes that exchange rate variability remained limited during the SBA, the Central Bank of Egypt considered a stable exchange rate at the time of the SBA to be an important factor in bolstering confidence. Increased volatility would not have led to an improvement in the current account, given the global travel restrictions and worldwide slowdown in trade. Furthermore, excessive movement in the rate could have led to heightened volatility that would have deterred the progress made on the macroeconomic front, especially given the fact that the overall external position was assessed to be in line with fundamentals. More recently, in its special meeting on March 21, 2022, the Monetary Policy Committee highlighted the importance of exchange rate flexibility to act as a shock absorber to preserve Egypt's competitiveness. At that time, the EGP depreciated by about 15 percent.

3. Strong commitment to fiscal discipline allowed the 2020 SBA fiscal targets to be overachieved while also accommodating additional health and targeted social spending. The report also appropriately recognizes the Ministry of Finance's capacity to carry out public financial management reforms during the SBA despite challenging circumstances, as well as lengthening debt maturities more rapidly than envisioned. The fact that the overperformance of the primary balance compared to program expectations did not translate into lower debt did not reflect any relapse in the authorities' commitment to fiscal prudence but rather their decision to address legacy issues, namely key contingent liabilities. These include addressing the circular debt between the Egyptian General

Petroleum Corporation, the electricity sector, and the Treasury and carrying out a comprehensive pensions reform program with clearly identified commitments and responsibilities for more than a 50-year horizon. Such one-off measures ensured that debt sustainability would be more robustly preserved over the medium and long terms.

4. **The structural reform agenda supported by the SBA was focused by design and executed fully and in a timely manner.** We agree with the report's conclusion that a well-designed structural reform agenda is needed to put the Egyptian economy on a more competitive footing and to further strengthen the Egyptian economy's resilience against shocks. However, these were not the primary objectives pursued under the stabilization-oriented and short 2020 SBA. The program's main objectives were rather maintaining macroeconomic stability amid the pandemic crisis, as well as preserving the hard-won macroeconomic gains during the EEF program, as correctly acknowledged in the report. Against this background, it was fully expected that other key structural reforms would need more time and efforts to be designed and carried out over a longer period that goes beyond the 2020 SBA; this is an objective that the authorities are currently pursuing.