

Egypt sees 'three-year strategy' to revive economy

CAIRO - Egypt has an ambitious three-year reform plan that, with foreign help, can revive its struggling economy, the minister of international cooperation said.



Image by 123RF

In an interview, Sahar Nasr said the "three-year strategy" will lead to a return of investments, boost industrial production and create jobs.

It comes as Egypt faces not only falling growth and a currency crisis following years of political turmoil, but also increasing public discontent over rising prices. "Once these reforms are all in place, there will be a positive impact on the economy, and on the social front," Nasr said. "Especially in the medium and long term."

The economy of Egypt, the most populous Arab country, has faced major challenges since the 2011 ouster of longtime ruler Hosni Mubarak.

President Abdel Fattah al-Sisi, who took power after the 2013 overthrow of his Islamist predecessor Mohamed Morsi, has vowed to get the economy back on track. His government has sought help abroad and on November 11 the International Monetary Fund approved a \$12 billion loan to Egypt over the next three years.

The country will also benefit from the release of the first tranche of a \$1 billion World Bank loan and the deposit by the

African Development Bank of the first tranche of a \$1.5 billion loan. Cairo is also finalising an \$800 million loan with the European Union. Nasr said the aid programmes are helpful but will provide only temporary support.

Donors are "helping Egypt to stand on solid ground, helping Egypt not to rely on foreign aid, and not to rely on any borrowing from international financial institutions" in the long run, she said. The international aid is "to improve Egyptians' living standards", she said, in a country where 27.8% live below the poverty line and public debt is nearing 100 percent of Gross Domestic Product.

The goal is a return to sustainable economic growth of 6% by 2018, compared with 3.5% in the first half of this year.

The government's reform plan is based on "three pillars", Nasr said. The first is to boost private sector investment. "The key of the reform programme is improving the business environment, encouraging industrialisation, and also promoting exports," she said.

The second is restructuring the budget, including by cutting subsidies, which represent 7.9% of government spending. "On social housing, subsidies were initially going to the developers and we moved from this supply side to the demand side, so that subsidies would be effectively targeted to the low-income or middle-income households in a very transparent and effective manner," Nasr said.

The third pillar is monetary reform, she said, describing it as "a major step in terms of economic stability". Egypt floated its currency on November 3, which was followed by a devaluation from the fixed rate of 8.8 pounds per dollar to a traded rate of 18 pounds per dollar last week.

Nasr said the planned reforms had been "delayed for decades". International assistance could also be directed at specific areas of the economy, she said, pointing to the energy sector. The Egyptian energy sector is undergoing "political reform," Nasr said, with the country taking its first steps towards renewable energy with wind and solar power projects.

Asked if foreign aid could represent an additional burden for public finances, Nasr said the government is "monitoring very carefully and we are watching our external debt". "Before finalising any deal, we make sure that the project is repayable."

Source: [AFP](#).

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