



An Opportunity for Egypt and the IMF

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LAGUNA BEACH – The Egyptian authorities and International Monetary Fund staff have struck a deal. If the IMF Board agrees next month, Egypt will receive a \$12 billion loan to support the implementation of economic reforms. The primary objective of the three-year program will be to unleash Egypt's considerable potential, enhance growth and job creation, and tackle foreign-exchange shortages. But the deal also represents an important opportunity to improve relations between Egypt and the IMF – an outcome that would yield far-reaching benefits for both sides.

Egypt's relationship with the IMF has long been rocky. Most notably, in 1977, when Egypt reduced food subsidies in exchange for IMF financing, riots erupted in Egypt's major cities, resulting in nearly 80 deaths and hundreds of injuries. The deal had to be terminated, and subsidies reinstated. Several more deals have been discussed since then, including in 2012; but most have gone off track or been abandoned.

Against that background, it is not surprising that many Egyptians view the IMF as overbearing, seeking to impose its will on countries without sufficient regard for local conditions. Some even view it as a tool of Western domination. This perception has caused past Egyptian governments not only to shy away from IMF support, but also to delay the annual economic consultations required under the Fund's Articles of Agreement.

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