

Egyptians should have a say in debt dilemma, assert international activists

Salma Shukrallah , Saturday 8 Sep 2012

International activists exchange experiences in Cairo over the call to "Drop Egypt's Debt"



Debt relief group slams IMF's track record and calls for full account of Egypt's economy (Photo: AP)

A campaign launched shortly after the ouster of Hosni Mubarak under the name of “Drop Egypt’s Debt” has sought to open public debate on whether Egyptians are responsible for the accumulated debt of the deposed regime.



"Although Egyptians did not have any say over the need for external borrowing, nor the priorities on which the loans would be spent, they continue to suffer from Mubarak's debt burden even after his fall," reads a statement on the Drop Egypt's Debt website.

"It is also needless to mention that corruption was festering throughout Mubarak's reign, and in all sectors and institutions, and that it is highly expected to have infiltrated debt management as well as project implementation," the statement adds.

While the campaign is yet to draw the attention of many Egyptians, it has attracted the interest of activists from other countries, who believe Egypt can benefit from their experiences of similar phases of democratic and financial reform.

Maria Lucia Fattorelli of the Citizen Debt Audit in Brazil and Nick Deadern of the Jubilee Debt Campaign in the UK talked to Ahram Online on what they believe Egypt could learn from other countries' experiences, mainly in Latin America, and what it could do regarding its \$35 billion external debt.

Brazil and Egypt: Striking similarities

Brazil has been through a strikingly similar experience, says Fattorelli. She explained that debate in Brazil over its debt and its implications started in 1982 with the economic crisis the country faced at the time, and the growing size of its foreign debt.

Shortly after the fall of the dictatorship, the Brazilian people reopened the debate in the 1990s and questioned whether they were responsible for the decisions made by a government that did not represent or consult with the people.

"To understand the full picture and act upon it we first needed to know the details of the debt, and that required complete transparency which was not made available," said Fattorelli. A "Citizen Debt Audit" was the solution.

"We wanted to know who got these monies and where the money came from."

According to Fattorelli, only 20-25 per cent of Brazil's debt was used in investment, the rest used to "finance dictatorship" (in particular to fund the military and the police). As there was much corruption involved, the money allocated for national development projects was often directed elsewhere.

Similar to Egypt now, which allocates 30 per cent of its national budget to paying off incurring debts, Brazil in the 1980s "dedicated half of its budget to pay the installments of its debts."

Fattorelli added: "Meanwhile, we did not have investment in health, education, security, transportation or any form of public investment. People started to understand that the debt was related to their daily lives."

Investigations into the debt in Brazil started only in 2000 when various social groups, including churches, unions and civil associations started to raise questions over how this debt was used and what sectors benefited from it.

These groups allied with each other to conduct a voluntary public referendum, in which six million citizens participated. One of the referendum's three questions was whether or not the people want the installments of the debt to be paid without an audit that would be publicly available. Some 90 per cent of participants voted "No" to that question.

"The results of the referendum were the first step in a lengthy campaign to democratise knowledge," Fattorelli explained.

In 2009, after 10 years of campaigning, the Citizen Audit Movement instigated the formation of a parliament-affiliated commission with access to all information related to Brazil's debts. Such details had been confidential beforehand.

"What we came to realise was that the domestic debt was a result of the transformation of external debt ... We realised that a great part of the debt was generated by mechanisms of transforming private debt into public debt," stated Fattorelli.

"In the case of Brazil, the IMF helped the government to sign a contract agreement transferring the debts of private companies and private banks to the central bank, while no Brazilian knew that, because we were still under dictatorship," she added.

Despite Egypt's transition to democracy, the conditions of the new proposed IMF loan are not being made clear to the public. Drop Egypt's Debt has condemned the prospective loan as "odious," saying any future borrowing should be decided by the Egyptian people and based on a full and transparent appraisal of the country's economy.

Alternatives

Deaderm of the UK explained that some loans from his country were incurred by private companies, but the Egyptian state would act as a guarantor for these projects. Consequently, in the event that the private company could not pay back its loan, or went bankrupt, the debt became the state's responsibility. In other words, private debt is transformed to public debt.

"We are still trying to find the details of the loans of the UK to Egypt ... We want to know whether these projects (those funded by the loans) were genuine or whether they served the country," he said.

"It is then for the Egyptian people to decide whether they think they should pay this money back or not," added Deadern, whose organisation, the Jubilee Debt Campaign, works on pressuring rich countries to cancel debts with less developed countries.

Referring to the new IMF loan Egypt is about to take up, Deadern stated that it is commonly argued that the only way out is by borrowing money. However, this will only lead to a continuous recycling of debt, which Fattorelli refers to as the "debt system," which creates a form of development that is highly unequal and where most people do not benefit.

"There is a legal argument that says this debt is odious ... What the government could do, and will have massive international support for nowadays, is to say this debt will not be paid back until we look into it and decide," Deadern elaborated.


"It is not an easy solution, but one of the things we are clearly here to say is that Egyptians are being told there is no alternative, whereas there is an alternative. Europeans are being told there is no alternative (referring to the European debt crisis), but there is an alternative," added Deadern, pointing to the example of Brazil and other Latin American countries.

Fattorelli added that it is important for Egypt to start a movement in support of a debt audit as a first step.

"The debt is public and so the documents [related to the debt] should also be public ... If you are starting a democracy you should press for transparency and not just keep paying for something when you don't know what it is, or where it comes from," stressed Fattorelli.

Fattorelli and Deadern are amongst speakers at the "Proposed Economic Policies: Who Pays the Price?" conference, hosted by the Drop Egypt's Debt Campaign, taking place Saturday at the Press Syndicate in downtown Cairo.

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