# Egypt and Samurai Bond Issuances

(Translated)

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It is no exaggeration to say that Egypt has become bankrupt, or is close to bankruptcy, after its external public debt surpassed the threshold of $164 billion, while its domestic debt has exceeded 15 trillion Egyptian pounds. What is certain is that Egypt is now facing increasing difficulties in seeking additional interest-based loans from international institutions, such as the World Bank and the International Monetary Fund, except through American intervention or endorsement, as has occurred on previous occasions. Therefore, it has turned to searching for new lenders — or, more precisely, new financiers — other than the entities from which it has traditionally borrowed. This led it to issue Samurai bonds in order to obtain financing, or loans, from Japan.

Samurai bonds are debt securities issued by non-Japanese entities within the Japanese capital market. They are denominated in Japanese yen and subject to the regulatory frameworks applicable in Japan. Therefore, they serve as a financing instrument that enables foreign governments and companies to directly access Japanese investors. In its latest issuance, Egypt offered sustainable Samurai bonds worth 80 billion Japanese yen ($500 million), with support from a partial credit guarantee provided by the African Development Bank Group.

This issuance is particularly significant because it is not merely a matter of obtaining new borrowing. Instead, it reflects a broader approach to public debt management based on diversifying financing markets, expanding the investor base, and seeking longer-term financing under relatively better terms, hence the importance of first understanding the nature of these bonds, and then examining the reasons that have driven Egypt to resort to them at this particular time.

The reality of Samurai bonds is that they are a borrowing instrument similar to any sovereign or corporate bond. However, their distinctive characteristics lie in three elements: the issuing entity is non-Japanese; the bond is denominated in Japanese yen; and the issuance takes place within the Japanese capital market under its legal and regulatory frameworks. For this reason, Samurai bonds serve as a gateway for entering Japanese capital markets and attracting domestic savings there, particularly from financial institutions, investment funds, and insurance companies seeking diversified fixed-income instruments.

When Egypt issues this type of bond, it is not borrowing from the Egyptian domestic market, nor merely from the traditional dollar-denominated bond market. Instead, it enters a different financing sphere in terms of currency, investors, and pricing conditions. Egypt's latest issuance was structured in two tranches, with maturities of five years and ten years, demonstrating that the objective is not only to raise liquidity, but also to distribute repayment obligations over a longer period.

The first reason behind Egypt's move toward issuing these bonds is the diversification of financing sources. Countries that rely on a single source or a single market for borrowing become more vulnerable to fluctuations in interest rates, changes in investor appetite, or increasing pressure on a particular currency. By contrast, issuing Samurai bonds enables Egypt to access a new segment of investors in Japan, away from complete reliance on Western markets or dollar-denominated debt instruments.

The second reason is the extension of the average maturity of debt. When the Ministry of Finance is able to issue bonds with five- and ten-year maturities, it can relatively reduce the pressure of near-term repayments and provide itself with greater room to manage cash flows and public debt servicing. This point is particularly important for Egypt because it seeks to postpone accumulated financial pressures and reduce the impact of the snowball effect resulting from the simultaneous growth of external and domestic debt.

The third reason is the pursuit of lower financing costs or improved borrowing conditions. The existence of a partial credit guarantee from the African Development Bank Group reduces the perceived risks among investors and may contribute to achieving better pricing compared with an unsupported issuance. Furthermore, the success of an issuance in a well-regulated market such as Japan provides a positive signal regarding Egypt’s ability to access diversified markets, which may also benefit future issuances.

With regard to the sustainable dimension of Egypt’s issuance, the matter is not limited merely to the fact that the bonds are denominated in yen. Instead, the issued bonds have been described as sustainable Samurai bonds, meaning that their proceeds will be directed toward eligible projects under Egypt’s sovereign sustainable finance framework. This is consistent with a growing trend in global capital markets, where a segment of investors has increasingly come to favor financing instruments linked to clear, trackable development, environmental, or social projects. This is the officially stated purpose of the issuance in order to reassure financiers. However, some critics argue that these funds may ultimately remain within channels of corruption, favoritism, and superficial projects.

From a financial perspective, this issuance is expected to generate several direct and indirect benefits for Egypt. The first of these is securing long-term financing amounting to 80 billion yen, thereby supporting financing needs related to eligible projects under the sustainable finance framework. The second is improving the debt structure by distributing maturities across medium- and relatively longer-term periods, instead of allowing pressures to remain concentrated in the short term.

Furthermore, the partial credit guarantee from the African Development Bank Group may help reduce the risk premium demanded by investors, which would mean lowering borrowing costs compared with cases where such support is unavailable. The indirect impact lies in expanding Egypt’s international investor base and strengthening its presence in a major Asian market, which may open the door to future issuances in different currencies or under varied financing structures. However, these outcomes remain dependent on the extent to which the government is serious about establishing genuine development projects capable of generating income that contributes to improving the economy, servicing the debt, and repaying it.

Samurai bonds are not merely an attractive financial label; they are a financing instrument that allows non-Japanese countries to borrow from the Japanese market in Japanese yen. This provides them with access to a different investor base and financing conditions that may be suitable under certain circumstances. For Egypt, this option was pursued because it seeks to diversify financing sources, extend debt maturities, and secure long-term financing for sustainable development projects, while benefiting from the partial credit guarantee to enhance the attractiveness of the issuance.

Accordingly, it can be said that Egypt’s issuance of Samurai bonds reflects a broader direction in financial policy toward the use of diversified financing instruments, avoiding reliance solely on traditional channels, and attempting to balance the need for financing on one hand with improved debt and risk management on the other. This comes alongside a continued search for financing sources that can still provide the state with additional room for manoeuvre despite its accumulated burdens.

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