

Egypt in the Twenty-First Century

Challenges for development

Edited by M. Riad El-Ghonemy

 **RoutledgeCurzon**
Taylor & Francis Group
LONDON AND NEW YORK

**Also available as a printed book
see title verso for ISBN details**

Egypt in the Twenty-First Century

Over the past twenty years, Egypt has been a testing ground for extensive IMF-led economic reform and restructuring. This book examines the existing and potential consequences of these experiments.

The book focuses on three main themes:

- Overpopulation associated with low productivity, unemployment, persistent poverty and weak savings and investment capacity;
- The post-1950 development strategies and their outcomes;
- The institutional structures that are constraining economic and political progress.

Egypt in the Twenty-First Century is a much needed investigation into long-term economic reform and restructuring and examines the challenges ahead for the country. It provides authoritative analyses from a collection of respected academics and a wealth of new data. It will appeal to all those interested in the political economy of contemporary Egypt.

M. Riad El-Ghonemy is Senior Research Associate at the International Development Centre, University of Oxford, and Fellow in the Department of Economics, the American University in Cairo. He is also Emeritus Professor at Ein-Shams University, Cairo.

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First published 2003
by RoutledgeCurzon
11 New Fetter Lane, London EC4P 4EE

Simultaneously published in the USA and Canada
by RoutledgeCurzon
29 West 35th Street, New York, NY 10001

This edition published in the Taylor & Francis e-Library, 2003.

RoutledgeCurzon is an imprint of the Taylor & Francis Group

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

Egypt in the twenty first century: challenges for development/M. Riad
El-Ghonemy, Editor.
p. cm.

Includes bibliographical references and index.

1. Economic forecasting–Egypt. 2. Egypt–Economic policy.
3. Egypt–Economic conditions–1952–1970. 4. Egypt–Economic conditions–1970–1981.
5. Egypt–Economic conditions–1981–. 6. Egypt–Social conditions–1952–1970
7. Egypt–Social conditions–1970–1981. 8. Egypt–Social conditions–1981–
- I. El Ghonemy, Mohamad Riad, 1924–

HC830.E3772 2003
338.962–dc21

2002155348

ISBN 0-203-71053-3 Master e-book ISBN

ISBN 0-203-34555-X (Adobe eReader Format)
ISBN 0-415-30348-6 (Print Edition)

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Contributors

Richard H. Adams, Jr. is currently a consultant with the PREM Poverty Unit of the World Bank, Washington, DC. He was Senior Research Fellow with the International Food Policy Research Institute (IFPRI), Washington, DC. and has been a lecturer at Princeton University and the University of California at Berkeley. His major areas of research and publications include: *Development and Structural Change in Egypt* (1985), *The Impact of International Remittances on Poverty, Inequality and Development in Rural Egypt* (1991), and *Sources of Income, Inequality and Poverty in Rural Pakistan* (1995).

Sabry Aglan is Chairman and Managing Director of Plastic Products Company and Chairman of ASEC for Environmental Protection Co. He is also advisor to the Arab Investment Bank. Formerly, he was Senior Advisor to both the Minister of Public Enterprises and the Minister of Industry as well as being Chairman and Managing Director of the Fertilizers and Chemical Products Co. at Abu-Zaabal. Previously, he was UNIDO expert on projects to establish oil refineries in both Syria and Kuwait. His writings and areas of professional interests comprise petroleum processing, privatization of public enterprises and the protection of the environment from industrial pollution.

M. Riad El-Ghonyem is Senior Research Associate, International Development Centre, Queen Elizabeth House, University of Oxford, Research Fellow, Department of Economics, the American University in Cairo and Emeritus Professor, Ein-Shams University, Cairo. He was Deputy Director of Human Resources Division and Chief Rural Development Analysis Service, Food and Agriculture Organization of the United Nations (FAO) Rome. Has lectured in Ein-Shams University, Cairo. His major publications include: *Land Policy in the Near East* (1966), *The Institutional Organization of Egyptian Agriculture* (1968), *How Development Strategies Benefit the Poor* (1984), *The Political Economy of Rural Poverty* (1990), *Land, Food and Rural Development in North Africa* (1993), *Affluence and Poverty in the Middle East* (1998) and *The Market Approach to Rural Development* (2002).

Raymond Hinnebusch is Professor of International Relations and Middle East Politics at the University of St Andrews, Scotland. He previously taught at the American University in Cairo. His publications on Egypt include *Egyptian Politics Under Sadat: The Post-Populist Transformation of an Authoritarian-Modernizing State*, (1985), updated (1988), 'The Politics of Economic Reform in Egypt', *Third World Quarterly* (1993), *Liberalization without Democratization in Post-populist Authoritarian States: Evidence from Syria and Egypt* (2000) and *The Politics of Economic Liberalization: Comparing Egypt and Syria* (2000).

Aziza Hussein currently Chairperson of the National NGO Commission for Population and Development (NCPD), Cairo and Honorary President of the Cairo Women's Association. Formerly, she was President of the International Planned Parenthood Federation (IPPF), London between 1977 and 1983, and a member of the Board of Trustees of both the Population Council, New York and the United Nations Institute for Training and Research for the Advancement of Women (INSTRAW), New York. She was awarded the FAO Gold Medal CERES on human development (1975) and the honorary Doctorate degree in Humane Letters, American University in Cairo (1994).

Mahmoud Mansour is the Director of the Agricultural Economics Research Institute of the Ministry of Agriculture, Cairo. Formerly, he was Professor of Agricultural Economics, University of Baghdad, Iraq. He was also advisor to a joint IFAD/World Bank project for supporting small farmers and fishermen in Tanzania, 1994–95, and worked with FAO as an expert in the economics of fertilizer utilization and the effects of privatization on its distribution. His main publications include: *Economic Evaluation of Irrigation Improvement and Drainage Projects*; and a chapter on 'Agricultural Education' in a book on *Agriculture in Egypt*, published by the University of Reading, England.

Saad Nassar is Director of Agricultural Research Centre with a Deputy Ministerial rank, Ministry of Agriculture, Cairo and head of the National Commission for the formulation of Egypt's strategy of Agricultural Development in the 1990s for the period 1997–2017. He is also the Egyptian government representative on agricultural policy matters to the World Trade Organization (WTO) and the European Union (EU) at Brussels. He was Dean of the College of Agriculture at Fayoum, the University of Cairo and Supervisor of the Agricultural Economic Affairs sector at the Ministry of Agriculture.

Samir Radwan is Advisor to the Director General of the International Labour Office (ILO), Geneva, on development, policy and counsellor for the Arab States. He was lecturer at the Faculty of Economics and Political Sciences, University of Cairo, and at the Institute of Economics and Statistics, Oxford University. He acted as a consultant and leader of several policy advisory missions to developing countries. His main research interests include human resource development, rural development and labour markets. Publications include: *Capital Formation in Egyptian Industry and Agriculture* (1974), *Agrarian Reform and Rural Poverty in Egypt* (1977), *Employment Opportunities and Equity in Egypt* (with Bent Hansen, 1982) and *Towards Full Employment* (1997).

Robert Springborg is Director of the Middle East Institute at the School of Oriental and African Studies (SOAS) of the University of London. Previously he was Director, American Research Center in Cairo. He has formerly lectured on the Middle Eastern politics at Macquarie University, Australia, and at the Universities of California, Berkeley, Pennsylvania and Canterbury. Between 1992 and 1996, he was a specialist on Institutions with USAID's research project on democratic institutions with a focus on governance and democracy in the Middle East. His major publications include: *Family, Power and Politics in Egypt* (1982), *Mubarak's Egypt* (1989), and co-authored both *Legislative Politics in the Arab World: The Resurgence of Democratic Institutions* (1999) and *Politics in the Middle East*, the fifth edition, (2000). Forthcoming: *The Politics of Economic Development in the Middle East and North Africa*.

Acknowledgements

Writers of an edited book like ours are conscious of the enormous acknowledgement debts that they have. Certainly, I am indebted to the distinguished contributors who, in 1998, encouraged me to prepare this book. Since then, several writers on Egypt's development issues have supported the ideas behind this study and have followed with interest the progress made: Adel Beshai, Nader Fergany, Derek Hopwood, Gouda Abdel-Khalik, Robert Mabro and Roger Owen. I am very grateful to them and to all who read the drafts of parts of the book and whose names appear at the end of several chapters. They offered very helpful comments. At Routledge and Taylor & Francis Books, I am grateful to Alan Jarvis, Heidi Bagtazo and Grace McInnes. I am also grateful to Richard Willis, the manager for the production of the book and to Jane Olorenshaw, who efficiently copy-edited the original typescript. I am indebted to two anonymous reviewers/referees who have been very encouraging and made valuable suggestions that improved the organization of the book and the presentation of material.

Needless to say, none of the above scholars and institutions has any responsibility for the contents of the book.

I acknowledge with thanks the provision of useful material and recent statistical data by Abdel-Latif Houneidy, Senior Advisor of CAPMAS, and the staff of the Research Department of the Central Bank of Egypt. Likewise, the administrative support from Queen Elizabeth House, Oxford University and the Department of Economics of the American University in Cairo has been valuable; in particular, I thank Denise Watt, Penny Rogers, Anissa Aissaoui and Jenny Steele at the former and Sonia Victor at the latter.

Some of the ideas and findings in my chapters on development strategies and the standard of living were given in seminars at the University of Ein-Shams, Cairo and the College of Economics and Political Sciences of Cairo University in March and April 2002. I am grateful to members of these seminars who gave me the opportunity to clarify a number of issues in the preparation of their final version.

The long-term development perception of this study has required much searching in libraries, mostly in Cairo and Oxford where the writing of my three chapters and the editing of the entire volume have taken place during 1998–2002. In particular, I mention with gratitude the kind assistance of

Sheila Allcock, Gill Short, Dawn Young and Anchita Shukla of the International Development Centre Library at Queen Elizabeth House, Mustan Ebtehaj of the Middle East Centre of St Antony's College and the several helpful staff of the Radcliffe Camera and PPE Reading Room of the Bodleian Library, all of Oxford University. At the American University in Cairo the team of the Library staff of the Circulation Unit were very helpful.

I am grateful to the following institutions for granting permission to make use of previously published material in Chapters 2 and 5 of this volume: Cambridge University Press and the Egyptian Centre for Economic Studies in Cairo, respectively. The authors of both chapters have separately acknowledged this permission in special notes cited in the text.

My deep thanks go to Jane Gaul for her efficiency in word processing the entire volume, laying out the numerous tables and coping with my difficult handwriting and updated amendments in the several versions of the manuscript. Lastly, my wife Marianne has patiently read the barely legible drafts, corrected the linguistic errors, and has coped with my long preoccupation and solitary work during the weekends. To all these kind people, I am most grateful.

RIAD EL-GHONEMY
Queen Elizabeth House
University of Oxford
October 2002

Acronyms and abbreviations

AHDR	Arab Human Development Report of 2002
AID	Agency for International Development of the USA (Washington, DC)
CAPMAS	Central Agency for Public Mobilization and Statistics (Cairo)
CBE	Central Bank of Egypt
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index or retail price index, referred to as cost of living index
DHS	Demographic and health survey
ERSAP	Economic Reform and Structural Adjustments Programme (Egypt, 1991)
EU	European Union or European Community (Brussels)
FAO	Food and Agriculture Organization of the United Nations (Rome)
GDP	Gross Domestic Product or national income
HABITAT	United Nations Centre for Human Settlements (Nairobi)
HDI	Human Development Index
HIECS	Household income, expenditure, and consumption survey
IFAD	International Food Policy Research Institute (Rome)
IFPRI	International Food Policy Research Institute (Washington, DC)
ILO	International Labour Organization (Geneva)
IMF	International Monetary Fund (Washington, DC)
INP	Institute of National Planning, Ministry of Planning (Cairo)
LDCs	Less Developed Countries
MNCs	Multinational Corporations
NGOs	Non-governmental Organizations
NICs	Newly Industrialized Countries
SFD	Social Fund for Development, Prime Minister's Office (Cairo)
UNDP	United Nations Development Programme (New York)
UNEP	United Nations Environment Programme (Nairobi)
UNESCO	United Nations Educational, Scientific and Cultural Organization (Paris)
UNFPA	United Nations Fund for Population Activities (New York)
UNICEF	United Nations International Children's Emergency Fund (New York)
UNIDO	United Nations Industrial Development Organization (Vienna)
WEF	World Economic Forum (Geneva)
WHO	World Health Organization (Geneva)



Frontispiece Map of Egypt

Mega projects for 1997 to 2017 are underlined.

1 Introduction*

M. Riad El-Ghonemy

At the start of the twenty-first century, the principal structural problems characterized by Charles Issawi in *Egypt at Mid-Century* (1954); over-population and poverty – remain. Despite a series of economic reforms and notable progress in human development, these twin features have continued to be associated with low income per head, weak capacity of savings, investment and export, as well as cumbersome bureaucracy and limited political participation. The task ahead which this volume attempts to explore is, therefore, enormous and the agenda for the twenty-first century is long.

While the principal development problems remain as critical as ever, the world economy and the socio-political aspirations of the Egyptian youth of the 2000s are quite different from those of the 1950s. Rapid globalization accompanied by the fast spread of electronic information have greatly influenced the expectations of the fast-growing population which reached 68 million in 2002 and is projected to be 95 million in 2020. In the meantime, faith in the government's ability to enforce regulatory rules, and to reduce poverty and inequalities of opportunities quickly enough has dwindled. Scepticism has recently grown in connection with realization of the great design of the development strategy 1997–2017. Among the contributing factors to scepticism are: the increasing dependence of the economy on external sources for financing development, the premature contraction of the two main commodity-producing and labour-absorbing sectors, agriculture and manufacturing industry, coupled with the shrinking interventionist role of government at a time when private investors and exporters need law enforcement to integrate the economy into the global capitalist market, and when victims of the post-1991 economic reforms require protection and an active state role to minimize social costs. Another important contributor is the government's reluctance to deepen the developmental voluntary work of non-governmental organizations (NGOs) and to reform the institutional infrastructure, including the provision of equal opportunities for political participation and the removal of abuses of an antiquated bureaucracy. Besides, there is discontent with the very slow progress in reducing illiteracy and tackling the adverse effects of environmental degradation on people's productivity and well-being which can neither continue to be suffered in silence, nor be taken any longer for granted.

Consequently, development criteria and evaluative judgement are based today on broader concerns than in the 1950s. It is inescapable, therefore, for this volume to bring the issues outlined above under scrutiny for the purpose of suggesting alternative or supplementary actions. Being a policy-oriented book, our hope is that it would induce further research, and contribute to the current debate on Egypt's development challenges in the twenty-first century.

The aims and approach

The present book grew out of an awareness of the need to fill a gap in our knowledge about the long-term development perspective for Egypt, including the knowledge gap between the perception of the elderly and the demands of youth. It includes also the gap between using available limited resources for meeting immediate or short-term consumption needs to maintain political stability and the long-term development requirements for the well-being of present and future populations. A study over a prolonged period like ours allows for understanding changes in political, social, institutional and economic structures, and development successes and failures, from which pressing challenges emerge.

The study of these components within Egypt's social organization is best approached by the discipline of political economy as a branch of social science, thereby the economics of development cannot be separated from politics, history, behavioural sociology and psychology (e.g. with regard to consumers and investors as decision-makers). Also, it cannot be isolated from moral principles, customary beliefs, and formal and informal institutions or regulations and rules. For example, it examines why and how substantial resources allocated within tight planning coupled with economic control have not achieved their aims. Have external forces, uncertainty of expectations, centralized bureaucracy and lack of accountability and competitive political participation prevented the desired results? Also, the book examines the place of economic growth, employment and human development in the several strategies and formal plans initiated between 1957, when planning began after the 1952 Revolution with its heavy defence commitments, and 2017 when the current development strategy ends. Collectively, the authors present and analyse the best available data, judge market and government successes and failures in tackling fundamental development problems, and suggest what is to be done in the foreseeable future.

The book does not, therefore, aim to provide a comprehensive analysis of Egypt's entire development problems and policies. Rather, it examines major themes about which there is a general concern, and each contributor gives enough data to support his or her argument and emphasis has been placed on institution-induced development. For this purpose, the contributors neither use sophisticated theoretical and statistical analyses, nor do they provide a detailed historical background, a task that has been accomplished elsewhere.¹ Having made these clarifications, I explain how the discussion is organized in the book. It is divided into three parts and a concluding chapter.

The first part presents the state of development and its consequences at the end of the twentieth century in terms of both major development indicators and the realities of the components of living standards and well-being. The second part consists of an assessment of development strategies and sectoral policies between 1950 and 2017, and identifies the challenges facing Egypt's development in the twenty-first century. Part III examines conceptually and operationally the existing conditions of policy-making, the powers of the executive authority and the extent of people's effective participation in the political system. This part also examines the problems and prospects of voluntary development work of NGOs not merely in terms of creating public awareness, but chiefly in local communities' sharing in decision-making, through their own representatives, in order to tackle community problems and raise their living standards. The concluding chapter reviews the major findings, and it links the functions and consequences of economic institutions, assessed earlier in Part II, with those of political institutions examined in Part III, focusing on the essential matching of economic reforms with the required political reform in order to realize an expansion of real opportunities in life and equitable development.

The themes

In this introductory chapter, I shall identify the recurring themes about the central issues examined throughout the volume, and trace the authors' arguments for or against the traceable elements. Of the wide range of issues covered in this volume, four recurring themes have received a broad consensus on their importance and the challenges they present. Closely related but assessed differently, the themes are: (1) overpopulation associated with low productivity, unemployment, under-employment, and persistent poverty; (2) judging the different development strategies, plans and policy reforms; (3) competitiveness in economic and political activities; and (4) reform of institutional infrastructure, including the political system. Without attempting an exhaustive presentation of each contributor's views, I shall highlight the salient features of the arguments and conclude by characterizing the central challenge.

Overpopulation: low productivity and persistent poverty

In Chapter 4, I rank overpopulation top in development challenges in the twenty-first century, defining it, in broad terms, as the pressure of low-skilled and fast-growing population on an economy that is short of land and capital/technology. In my investigation of post-1950 development strategies and standard of living (Chapters 3 and 4), I characterize overpopulation in several features:

- 1 Increasing density of population: its size has more than tripled over the past half-century (from 20 to 68 million) and the rate of growth of the labour force has exceeded that of the total population in an economy that