

## THE EGYPTIAN REVOLUTION AND POST SOCIO-ECONOMIC IMPACT

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### **Abstract:**

The Egyptian revolution carries a challenging transition phase, starting out with problems such as low foreign direct investments (FDI), a high budget deficit, a high debt rate, a high unemployment rate, a high poverty rate, and a low standard of living. In addition, the budget deficit is expected to rise from 8.1% in 2009/10 close to 10% in 2010/11, as the interim government boosts spending to offset the impact of the political unrest. The temporary supply shortages that followed the upheaval, coupled with rising international prices of food and fuel have been adding to the pressure on the domestic price level since early 2011. Thus the inflation rate is expected to increase from 11.7% in 2009/10 to 13.4% in 2010/11. This paper tries to answer the following questions: How long will the transition period last? What are the drastic impacts on the political/economic conditions (after revolution), and also the social/sociological environment in Egypt? And what about these impacts within the governance framework? What effect does all that have on neighbourhood countries? At last, what are the solutions and remedies that can be suggested to overcome this period and start a new flourishing era? We are aiming to tackle these important topics and examine them through theoretical and descriptive study, hoping to come up with adequate answers and solutions.

**Keywords:** Political, socioeconomic problems, governance, revolution

JEL Classification: O10, O11, O21

## **1. Introduction:**

Many developing countries suffer from the increasing levels of social inequality, weak public corporate governance, limited competition, lack of a well-structured public sector, and pervasive corruption during the last ten years. The unequal earning destroyed the lives of the poor and spread poverty and slums. In Egypt the people had reached a point of indignation that had a well-founded sense of social injustice and discontent. Egypt suffered from corruption, bad economic performance, and an absence of political parties. Egyptians used to adapt with all these economic stresses without any complains, but Egyptian youth did not accept all these imbalances, and they decided to go for a change. Anger and hate motivated them not to return home unless they changed their destiny.

The Egyptian revolution occurred based on the increased disconnect among citizens; they were oppressed as a minority from a group of businessmen. In addition, the increased level of poverty was followed with an increase level of food prices, while the gross domestic product per capita increased by 2% (WDI, 2010). The young Egyptian revolutionary is marked by a drastic wave of anti-authoritarian movements toward social correction. Egypt is witnessing a transition period marked with uncertainty, characterized by political transition accompanied with economic risks. There are many reasons behind the Egyptian revolution, such as the latest parliamentary elections where Islamist groups were eliminated; an incident that made the people loses confidence in the regime. Moreover, the corruption and deteriorating socio-economic conditions, the cruelty of police and its troubling presence, and the high prices of basic goods and services also led to a loss of confidence. The following sections one and two are designed to assess the impact of the Egyptian revolution on the political level, followed with the socio economic effects. The third section focuses on the impact of the Egyptian revolution on neighboring countries, and ends with conclusion and recommendations.

## **2. The Egyptian Revolution, Political Level Problems and Governance:**

Political stability and economic growth outcome are deeply interrelated. On the political side, there are many reasons that trigger the bullet to revolution, such as the thirty years of Mubarak ruling through emergency law, the control of El Watany party on political rights and civil freedoms, and lack of free and fair elections. Moreover, police brutality against activists, (namely the case of Khaled Said) wide spread corruption, the spread of virtual-opposition through social networking websites helped generate the upheaval. The political environment in Egypt was known in all the declarations of constitutional and constitutions interim that followed the 1952 revolution up to the permanent constitution in 1971, as amended, and until the 25<sup>th</sup> of January revolution, as a mixed system (in form or constitutional). Any system that combines some characteristics of parliamentary systems in addition to some of the characteristics of presidential systems is called ‘a mixed system.’ Studies examined the role that the constitution in an organized nation has at explaining cross-country differences. The Egyptian revolution has results in a prolonged political transition, as there are difficulties evident in the government’s process of defining a clear and creditable guideline for political and economic reform.

### **2.1 Democracy and Parliamentary Election**

The year 2010 in Egypt ended with a very controversial parliamentary election that caused mounting uproar over a “legitimacy crisis” and gross allegations of fraud. The poor political performance combined with high level of corruption led the government to collapse and created political instability. This parliamentary crisis of 2010 was the fuel that caused a widespread uprising on January 25 and protests over political reform and social inequity, the political upheaval was well received internationally and domestically as the transformation would set the first stage for a real democratic system in Egypt. The move towards democracy in Egypt starts with a controversial parliament; post-Mubarak political risk in Egypt will remain as the Muslim Brotherhood's Freedom and Justice Party remains the most dominant political force in the new assembly, and will have a great deal of influence in drafting the country's new

constitution. Underlying tensions between parliament and the military have yet to be resolved, and may prove to be a major source of conflict further down the line.

In line with our core view, the Muslim Brotherhood's Freedom and Justice Party (FJP) has emerged as the most powerful political force in Egypt following elections to the lower house of parliament. The FJP's coalition securing approximately 235 out of the 508 seats up for grabs, or approximately 46% of the total.<sup>(1)</sup> The primary task of Egypt's new parliament will be to nominate a 100-member assembly that will be tasked with writing a new constitution. In this sense, far from being trivial, this parliament will have a crucial role in shaping the broad contours of the country's future political institutions. <sup>(2)</sup> As a result, although there has been a significant amount of coverage over who may decide to run for the presidency, by the time the vote comes around (which we expect in June), the outcome will most likely have little impact over actual policy formation.

The parliamentary system means the President of the Republic will enjoy limited or honorary power and concentrated tasks. The executive power will be in the hands of the Prime Minister, who requires the existence of strong political parties sharing power and responsibilities among themselves. Unfortunately this is not the case in Egypt now, and probably won't find place in the coming future. As a result, the mixed system which combines the characteristics of parliamentary system and the characteristics of presidential system, named "Albarlamasa," may be the most suitable system for Egypt in the coming period. The legislative power holds the right of the inquisition, its application and activation of practice,

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<sup>(1)</sup> The big winner from the country's first post-Mubarak election was the Salafist Al-Nour Party, which won 123 seats, or 24% of the total. A collection of secular and liberal parties, including New Wafd and the Egyptian Bloc coalition, managed to win a little under 10% of the vote respectively, with the remaining seats being taken up by a variety of smaller parties.

<sup>(2)</sup> A clear division of powers between the legislative and executive branches of government will likely be the most prominent features of the post-Mubarak constitution in our view, and we expect to see a greatly diminished role for the president in the first instance. Indeed, although an array of views and ideologies are represented in the new parliament, we believe one of the main commonalities among the major parties is to see a legislature with greatly enhanced powers.

including the possibility of withdrawal of confidence from the government or the executive branch, according to the 1971 constitution. (3)

The President's responsibilities are determined by the constitution, and this depends on the political system applied in the country. In addition, the functions and powers exercised by the President of the Republic jointly with the prime minister, are also referred to in the constitution of the Republic. The prime minister and ministerial relations and responsibilities are derived from the constitution itself and are not derived from the President of the Republic. In Egypt the relation between the executive and legislative branches in the mixed system requires strict constitutional limitations in terms of realism, and multiple centers of decision-making between the President, Prime minister, and Parliament, (see a more detailed explanation in the appendix) which prevents the control of one person or institution alone on the political process.

The political transition period after the revolution will last until the Egyptians become mature enough to transfer to democracy and create a real liberal leadership which is a necessary foundation to liberal democracy. Although we expect that the first free presidential elections in the history of Egypt will produce more respect to the point of view of the opponent, this will not stop the conflict between the new leadership and the Islamists, the issue will maintain throughout the transition period.

## **2.2 Governance Post Revolution: 'The Political Level'**

During the transition to a democracy from an authoritarian regime, the state should undergo major public administration reforms. Considering the shift of the relation between the state and its citizens from control to responsiveness, the state's administrative apparatus must

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(<sup>3</sup>) As the activation of these specialties control makes government more tightly controlled by parliamentary practices and not only from a constitutional standpoint or a theory. It also highlights the subject of continuity of Shura Council and if its continuation is required to increase its functions and specialties so that it works harmonically with the legislative power Accounting for the President of parliament and ministers in the case of abuses. It also requires, in my view the text on the rules of legislative and constitutional to ensure accountability or the Present and Minister in the event of irregularities as soon as they occur and so as not to delay the accounting until the exit of the minister of the ministry, but to be accounting for the offense as soon as they occur, which prevents the personalization of power and without the tyranny of the executive or legislative authority to call it.

also undergo major shifts. Good governance has several characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective, efficient, equitable, inclusive, and follows the rule of law. At a minimum, good governance requires fair legal frameworks that are enforced impartially by an independent judiciary, and requires that its decisions and enforcement are transparent or carried out in a manner that follows established rules and regulations.

Egypt has shown a decline in governance indicators, reflecting the need for institutional reforms as a pre-condition for building democracy during transitional phases, and it allows for the inclusion of the citizens in the decision-making process. This fundamental reform during transitions seeks to develop local self-government institutions and to increase overall quality and effectiveness of the state's governance system. Consequently, increase in the authority and capacities of sub-national government levels. In addition, decentralization, when appropriately structured, provides an arrangement through which critical issues such as national unity and indivisibility are countered; it ensures local development and equity in the distribution of resources, and hence local autonomy can be realized. Decentralization's aim is based on the subsidiary principle of bringing decisions closer to the beneficiaries at the most effective level of local government, and, therefore, increasing effectiveness, transparency, and curbing corruption (Salwa Tobbala, 2010).

### **3. The Egyptian Revolution, Socio-Economic problems and Governance:**

The Egyptian revolution carries a challenging transition phase faced with low foreign direct investment, a high budget deficit, a high debt rate, a high unemployment rate, a high poverty rate, and a low standard of living. Real gross domestic product growth rate is expected to be only 1.6% in 2010/11, down from 5.1% in 2009/10, see table 1. Economic Growth estimated to be between 1.7% and 2.5% for the rest of the fiscal year 2010/11.

Table 1- Egyptian Macroeconomic Indicators

	2008	2009	2010	2011 (p)	2012 (p)
Real GDP growth	7.2	4.7	5.1	1.6	5
CPI inflation	11.7	16.2	11.7	13.4	12.2
Budget balance % GDP	-6.8	-6.6	-8.1	-9.8	-9.4
Current account % GDP	0.8	-2.3	-2	-3.2	-2.9

*Source: Data from Central Bank of Egypt (CBE) and CAPMAS: estimates (e) and prediction (p) based on authors' calculations. Fiscal year July (n-1)/June (n).*

### 3.1 Tourism

The tourism sector is one of the country's economic pillars; Egypt in 2010 had 14.7 million tourists, but after January 25th tourism revenues dropped by 60 percent. Hotel occupancy rates decreased in the first four months of this year by 16 percent compared with the same time in 2010. Tension, destabilization and sectarian sedition lead to the drop in tourist reservation by 20 percent during January. Egypt has lost around two billion U.S. dollars in tourism revenues due to this political unrest, according to official estimates earlier this month. Moreover, revenues from exports and the Suez Canal were not as affected as the tourism sector. Tourism has been negatively affected throughout the region, where the drop in arrivals was close to 45 percent in the first quarter of 2011 (World Bank 2011a).

### 3.2 Foreign exchange reserves:

The Egyptian foreign exchange reserves have been dropping rapidly, as they were \$36 billion pre-revolution and \$15 billion post-revolution. The decline was sparked by the dramatic events in Egypt, which took their toll on the receipts of foreign currencies. Tourism revenues dwindled by 47.5 percent in the second half of the year, compared with the first. Moreover, for

the first time, FDI registered a negative record low of US\$ 65 million, whereas the portfolio investment unfolded a net outflow of US\$ 7.1 billion, (CBE, annual report 2011).

### **3.3 Foreign Investment:**

Foreign investment in Egypt deteriorated after the revolution from 6.8 to 2 USD Billion for the fiscal year 2010/11. The main indices of Egypt's stock exchange (EGX 30 and EGX 100) both dropped by 10.5% and 14% after the revolution, (ECES, June, 2011). As well as the growing deficit in trade balance, which exceeded the 28 billion dollars in 2011, and the fall in foreign direct investment is less than 2 billion dollars after they had crossed the \$113 billion a few years ago (CBE, Annual report, 2011).

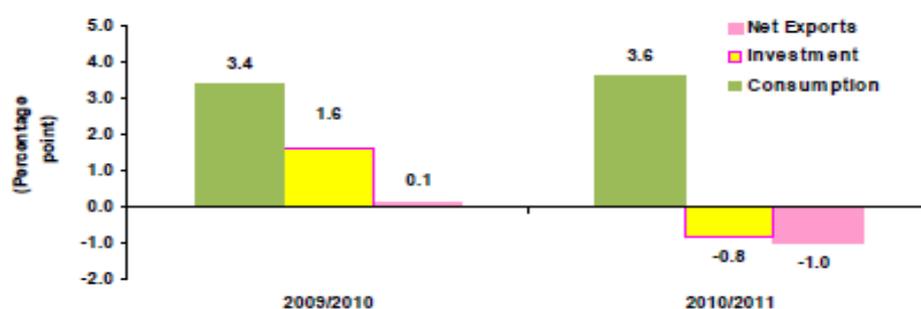
Compounding the seriousness of the matter forced the government to expand borrowing through issues treasury bills and bonds until it reached total borrowing up to 119 billion, an increase of 158% from last year, which means crowding out the government to the private sector to get credit. These investment developments have negatively affected the banking institutions where they reduced internationally operating banking in Egypt credit rating. Moreover, Egypt recorded a significant decrease in the numbers of private investment, domestic and foreign; in light of the apparent lack of stability and internal security as well as blurred vision official of the state under the rule of military and is the successive governments present, and lack of homogeneity in trends. As well as the absence of disciplines, overlapping of responsibilities and the inability of Parliament to prove his ability to play the role expected of it. This has become clear in the cycle of decline in numbers of private investment (domestic and foreign direct).

### **3.4 Debt crisis**

The debt represents 15.2 % GDP; this indicator comes among the best global levels, which ranged between 15.3% for the developing Asian economies and 66.0 % for North and Central European countries. Moreover, the indicator of debt service/exports of goods and

services recorded 5.7 %, i.e. less than the global levels forecast for 2011 that ranged between 11.0 % for Sub-Saharan Africa and 55.8% for North and Central Europe, according to the IMF's World Economic Outlook (IMF's World Economic Outlook - Sept. 2011). On the demand side, the slowdown in economic growth was primarily due to lower share of capital formation (including the change in stock) that registered a negative 0.8 point (against a positive 1.6 point). An extra factor at work was the decline in the share of net external demand (exports of goods and services less imports of goods and services) that shifted from a positive 0.1 point to a negative 1.0 Point. Moreover, the rise in the share of private consumption (3.2 points against 2.9 points) made up for the weak contributions of the above items.

**Figure1: Share of Demand Components in Real GDP Growth Rate**



Source: Central Bank of Egypt, annual report, 2011.

### 3.5 Balance of Payments and External Trade

There are two basic factors that contributed to the overall deficit: the current account deficit which retreated by 35.9 percent to a record US\$ 2.8 billion (against US\$ 4.3 billion a year earlier), and the capital and financial account that unfolded a net outflow of US\$ 4.8 billion (against a net inflow of US\$ 8.3billion). The decline in the current account deficit was brought about by the fall in trade deficit, the increase in net unrequited transfers, and the contraction in services surplus ( see table 2- in the appendix).

The trade deficit narrowed by 5.3 percent to US\$ 23.8 billion (against US\$ 25.1 billion), reflecting the rise in merchandise exports by 13.1 percent to US\$ 27.0 billion, and a comparatively moderate rise in merchandise imports by 3.6 percent to US\$ 50.8 billion. Services surplus went down by 23.8 percent to US\$ 7.9 billion (against US\$ 10.3 billion in the previous FY), due to the retreat in services receipts by 7.2 percent, combined with a rise in services payments by 5.8 percent, as illustrated below:

- Services receipts fell by 7.2 percent to US\$ 21.9 billion. Services receipts were mostly responsible for the decline: travel receipts (tourism revenues) decelerated by 8.6 percent to only US\$ 10.6 billion, other services receipts shrank by 27.8 percent to US\$ 2.7 billion, and investment income receipts almost halved by 49.5 percent to register US\$ 418.8 million. However, transportation receipts went up by 11.8 percent to US\$ 8.1 billion due to the 11.9 percent increase in Suez Canal earnings to US\$ 5.1 billion.

- Services payments augmented by 5.8 percent to US\$ 14.0 billion due to the rise in investment income payments by 24.5 percent to US\$ 6.5 billion, and transportation payments by 12.7 percent to US\$ 1.4 billion. In the meantime, government expenditures fell by 27.9 percent to US\$ 1.1 billion, travel expenditures by 9.2 percent to US\$ 2.1 billion and other services payments by only 0.5 percent to stand at US\$ 2.9 billion. On the other side, In FY 2010/2011, the volume of trade expanded by 6.7 percent, registering US\$ 77.8 billion (Against US\$ 72.9 billion a year earlier). The uptrend came on the back of the 13.1 percent increase in export proceeds to US\$ 27.0 billion (oil exports rose by 18.3 percent and non-oil exports by 9.1 percent). Imports increased as well, albeit at a slower pace than exports (3.6 percent), to register US\$ 50.8 billion, reflecting the rise of 15.2 percent in oil imports and the fall of 2.3 percent in non-oil imports.

### 3.6 Unemployment

In the past 20 years Egyptian unemployment was fluctuating at a rather high level (8–12%). However, after the launch of economic reforms in the mid-2000s it started to decrease in a rather stable manner. Predictably, there was some increase (though not so pronounced as in most other countries) in unemployment level as a result of the global financial economic crisis, but in 2010 unemployment went down again, see figure 2. This increase in unemployment is one of the most significant issues in the short run because the increase in unemployment will result in to further reduction in production levels, and it will increase the burden on governments as they will increase government expenditure to pay more unemployment benefits, resulting in a drop in economic performance (Farid, 2011).

**Figure (2): Unemployment rate and employment to population ratio during 1999 to 2010**



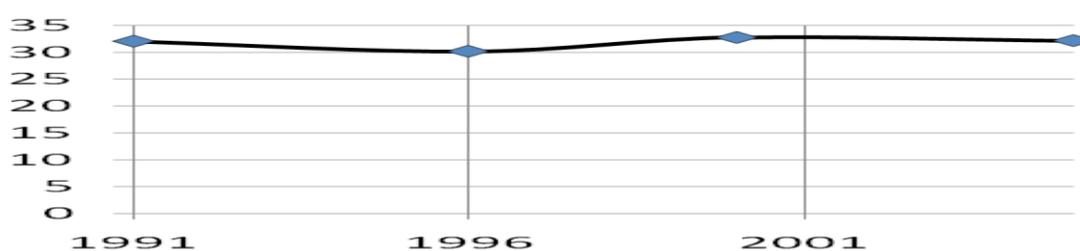
Source: World development indicator, 2011

Egypt's unemployment rate in the last quarter of 2010 was 9.5 percent; it has risen to 11.9 percent in the first quarter under the impact of the political unrest (CAMPAS, 2011). The World Fact book estimated a 3.2% increase in the unemployment rate in Egypt to currently be at a level of 12.2% instead of 9% just a year ago; this shows the shocking effect that the Arab Spring has had on Egypt's unemployment rate (Hagen, 2011).

### 3.7 Inequality

The Gini index is most frequently used for measuring the level of economic inequality. Egypt had the following dynamics of Gini index, see figure 3. Thus, inequality index in Egypt was fluctuating around 30–33 points. Let us view how this low level of economic inequality inherent to Egypt compared against the global background is connected with a very specific character of Egyptian poverty which is one of the main causes of youth Egyptian revolution.

**Figure 3- Economic inequality in Egypt during 1991- 2005**



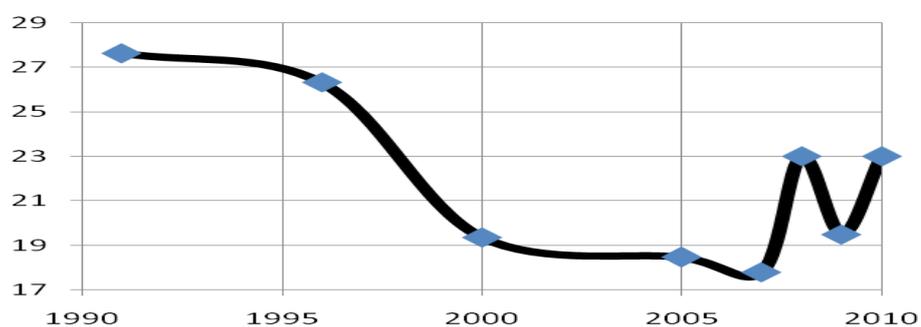
Source: World Development Indicator, 2011

### 3.8 Poverty and Subsidies

The common notion is that 40% of Egyptians live below the \$2 a day income poverty line. Remarkably, nobody mentions the Egyptian level of extreme poverty, i.e.: proportion of people living below \$1 a day income poverty line. At the peak of world economic boom when Egypt recorded annual economic growth rates of 7.2%, the proportion of Egyptians living below \$2 a day poverty line increased significantly from 17.8% to 23%. On the contrary, the global financial economic crisis was accompanied not only by economic growth rates slowdown, but also by a visible decrease in the proportion of Egyptians living on less than \$2 a day, from 23% to 19.5% (Gamal Siam and Hanady Mostafa Abdel Rady, 2010). Global economic post-crisis recovery led to the blowing of new price bubbles in the world food market, almost reaching or even exceeding the peak levels of 2008. Basing on the model by Gamal Siam and Hanady Mostafa Abdel Radi, we expect that the proportion of Egyptians living below the \$2 a day income poverty line should have reached the 2008 level by the start

of the Egyptian Revolution, see figure (4). In spring 2008 the protests against food price growth surged in Egypt. The central event was the strike of spinning and weaving factory workers in the industrial city of “Almahalla Alkubra” which started on the 6th of April, 2008. The worker’s dissent was aimed first and foremost at the decrease of living standards caused by food price growth. Egyptian bloggers supporting the strikers launched a Face book group called the “April 6 Youth Movement”. It is known that this movement played a crucial role in the Egyptian Revolution 2011. Still more important was social self organization through Face book which was first successfully tried in spring 2008 by this youth movement and proved its efficiency in 2011 events (Andrey Korotayev and Julia V. Zinkina, 2011).

**Figure 4: Proportion of population living below \$2 a day income poverty line, Egypt, %, 1991- 2010**



Source: World Development Indicator, 2011

To overcome the poverty problem, the Egyptian government use subsidies to ease the burden of poverty. The Egyptian government spends more than \$15 billion a year on energy subsidies, and can’t cut any percentage of this spending, otherwise it may face harsh public opposition. The temporary supply shortages that followed the upheaval coupled with rising international prices of food and fuel have been adding to the pressure on the domestic price level since early 2011. Thus the inflation rate is expected to increase from 11.7% in 2001/10 to 13.4% in 2010/11. Similarly, the current account deficit is expected to widen from 2.0% of

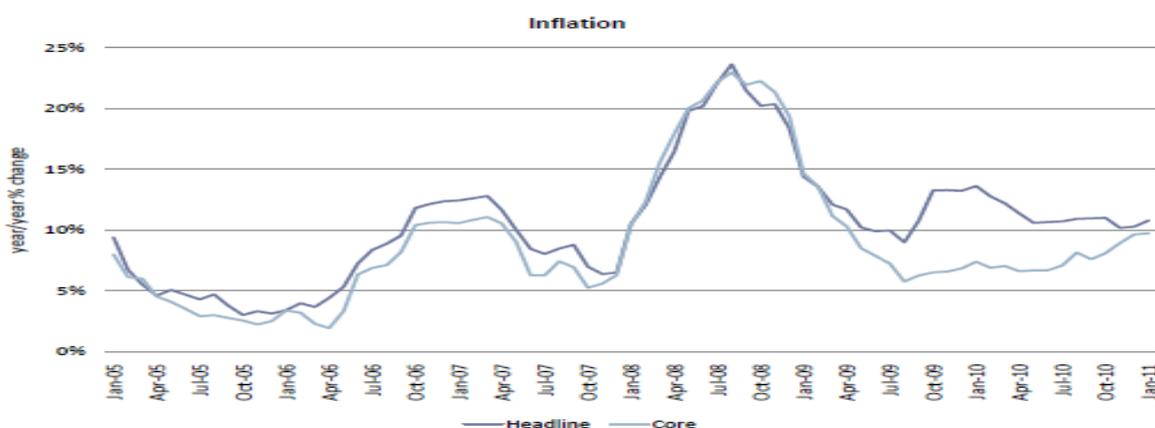
GDP in 2009/10 to 3.2% in 2010/11 and then fall to 2.9% in 2011/12 as FDI inflows, remittances and the services balance remain vulnerable.

The Egyptian system of subsidies mitigated the strike blown by global food price rises to the poor. Indeed, the system does not cover all necessary food commodities. Besides, the average Egyptian family having a ration card bought at a subsidized price about 60% of its consumed sugar, 73% of oil and 40% of rice. The rest of these goods the family had to buy at market prices that are much higher than the subsidized ones, (El Nakeeb A.M., 2009).

### 3.9 Inflation

The increasing rate of inflation has a significant impact on the time value of money (TVM), as banks and financial institution increase the interest rates to compensate the erosion of the value of money due to inflation over the term of the debt instruments they offer. Annual CPI inflation averaged 11.8 percent in 2009/10, see figure (5). The first half of 2010/11 (July-December) witnessed relative stability in headline inflation rate (year-after-year). The monthly core inflation index accelerated in the first half of 2010/11 from 7.1 percent to 9.7 percent, driven by the rising prices of rice, poultry, edible oils and fats. Remarkably, there is convergence of the core and headline inflation rates.

**Figure (5) inflation in Egypt during the period 2010-Jan 2011**



Source: Central Bank of Egypt, 2011

We believe that poverty and social injustice are the main reasons for the Egyptian uprising. Poverty is similar to terrorism and must be uprooted. The desperate poor people are also susceptible to radical beliefs that it is acceptable to kill anyone who opposes their interpretation of a religious text. Targeting the areas and residents living in abject poverty should be similar to how terrorist groups and strongholds are targeted. The sense of poverty is deepened by an inefficient economic system.

#### **4. Governance Post Revolution**

People in Egypt felt the huge gap between the poor and wealthy, which was reflected by imbalance of distribution of power and wealth. It also imposes unfair, unreasonable pricing that threatens social, political and economic stability. In addition, this imbalance led to increased unemployment, recession, poverty, and the wasting of wise leadership and citizenship rights. All the above-mentioned caused the Egyptians' uprising. In case the government, private and nonprofit sector didn't take serious actions to solve the critical social economic conditions, these negative socioeconomic aspects will be more rooted in Egypt. Learning the lessons of industrialized states that have achieved economic progress and social prosperity around the world, from Asia to America to Europe, it is clear that a social economic market system that combines economic aptitude and social justice safeguards against the dangers and losses of a social uprising, and uproots poverty entirely.

The promotion of "civil society" has become one of the pillars of "good governance". The Arab countries, including Egypt, have also been concerned by this new approach to development. Thus, governments show their willingness to dialogue with civil society. At the same time, two phenomena appear today: on the one hand, a strengthening of the weight of civil society, under the impact of the process of liberalization of the media (independent newspapers, TV programmes, and new media), and on the other hand a diversification of civil society actors: NGOs, protest movements, action groups and various urban and rural groups.

These diverse actors rally around various causes and interests and contribute to partially modify the modes of governance and public action at the national and local level, and to the current renewals of the theories about civil society and politics in the framework of the changes brought about by globalisation to the states and the societies.

Participatory mechanisms require acceptance by each party of the position and role of the other and agreement to cooperate, i.e. that Governments respect the independence of organizations, and organizations abide by the laws and regulations. It is no more feasible to make decisions or design and implement public policies through the top-to-bottom method of intervention. Therefore, participation in those decisions and policies requires appropriate mechanisms of communication and exchange of information and expertise, such as: decentralized institutions, joint councils, and the media, which constitutes a forum to promote dialogue and participation among social actors, Accountability, which leads to enhancing confidence and participation and mobilizing resources, and so on (United Nations Economic and Social Commission for Western Asia, 2012).

### **Recommendations:**

We do believe the best thing to do is learning from other nations' successful experiences, such as the Malaysian development model. We believe that the country will go into a pitfall if they decide to borrow from international financial institutions such as the World Bank or the IMF. These institutions are in a position to extend financial help and for that help to be given, they expect certain obedience and certain submission to their way of doing things. These financial institutions are working to serve their own targets and own benefits. The World Bank let many southern countries down and refused their demands and protests over certain things. So, our country should start taking serious steps towards depending mainly on self-finance that means depending on internal financial sources and empowering local industries by

issuing laws and regulations to minimize taxes and deregulate interest rates to encourage business people and manufacturers to be more productive through the following channels:

- 1- Importance of safety and stability, they are essential to utilize human resources in order to enrich not only what it has internally, but also to bring in the raw material in order to add value. That's how countries become rich. In addition to empower local authorities to provide grants to the poor, affordable housing with quality to low income families, and housing at subsidized rents and prices.
- 2- Importance of corporate governance as essential tool for development: a country may be rich in resources, but if people do not know how to exploit those resources, how to add value to those resources, then they are going to remain poor. Also to add value to resources there must be a government that is conscious of its duty to develop the country and that is knowledgeable about how to develop it.
- 3- Solving slums problems to assure social security: People should be paid a flat rate of national insurance. In return, they and their wives should be eligible for flat-rate pensions, sickness benefit and unemployment benefit. Also personal social services should be provided by local authorities, such as: deprived children, elderly people, mentally disordered, and the handicapped. Nevertheless, providing financial support to households for raising children to combat homeless and street children phenomena.
- 4- Correcting labor market working conditions: Improving conditions in workplace, workers' compensation, better retirement benefits, plus worker's rights regarding salaries and wages.
- 5- National Health Service: Free treatment should be funded and offered by the National Health Service. Also funds should be allocated towards modernization and extension schemes aiming at improving administrative efficiency. Improvements should entail nursing, vaccinations, etc.

- 6- Education: Free secondary education should be provided. School leaving age should be raised and upgrading school buildings and prefab classrooms is a must. Improving instructor's payments as well as improving existing schools, modules, and education programs.
- 7- Agriculture and Rural areas: Improving the quality of life in rural areas, security of tenure for farmers and others. Issuing legislations for agricultural wages, and general subsidy system for farmers. Providing essential services such as: gas, electricity, water and transportation services. (As well as in leisure and public entities).
- 8- Increase public industrial protectionism through increasing capital inflow to invest on national project. In addition, managing the exchange rate of local currency is very important. That helps the country to know what it gains and can help forecast its future earnings as well. The point is, that the western developed world have the control over currency speculation; they can speculate with any currency and their speculation is so designed that they can either revalue a currency or devalue a currency to any level. They hold this power by which they can make or break developing countries' economy.

**Conclusion:**

Neither fundamentalist socialism nor fundamentalist capitalism can achieve economic success or social justice. When the economic system works in the favor of businesspeople that are profit-driven, low income level suffer from poverty. Neglecting social and ethical responsibility and ignoring the rightful interests of all the parties affected by the business creates crisis. Unequal earning destroyed the lives of the poor and spread poverty and slums. Egypt suffered from corruption and bad economic performance, in addition to an absence of political parties. The Egyptian revolution should be considered as an alarm for all other countries that adopt authoritarian system and ignore social factors.

## **Appendix**

**The Relationship between the Executive<sup>(4)</sup> and Legislative<sup>(5)</sup> branches in the mixed system and the closest to the Parliamentary system, we view it should be as follows: -**

1- Plurality of centers of gravity in the executive and the terms of reference for the President involve pluralism in the executive branch to distinguish the clear and precise between the terms of reference of the President and the terms of reference of the Prime Minister and Minister. Which are derived from the Constitution itself and not derived from the President of the Republic? In addition to the functions and powers exercised by the President of the Republic jointly with the Prime Minister.

2- Plurality of centers of gravity in the legislative and increase their competence. Moreover, to the tasks of law-making and budgetary control and so that it is for the Legislature the power of parallel (and perhaps beyond “Alsultha”, which means beyond authority) executive. Perhaps the most important aspect of these manifestations control of the legislative authority to the executive branch is the right of the investigation, its application and activation of practice. Including this implies the possibility of withdrawal of confidence from the government or the executive branch. <sup>(6)</sup>

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(4) The executive branch: The Egyptian political system established by constitution it's the party plurality, the political system is being a semi-presidential one. The judiciary power, the parliament, and the executive power are separated, the executive authority's actions being controlled by the parliament through several mechanisms. The executive power is represented by the president of Egypt, the local administration, the prime-minister, and by the minister's cabinet.

Executive Branch responsibilities: i) Executing or implementing public policy authorized by the legislative branch. ii) Proposing public policy( laws & regulations / preparing the budget)

<sup>(5)</sup> **The legislative branch** (People assembly): The legislative power of Egypt is represented by the parliament which is made by the upper house -the "Shura" council and the lower house - the people' assembly. The people assembly has the right to dismiss the president if is guilty of criminal facts or of grand treason. People assembly is consisted of 444 elected members & 10 selected members by the president himself. Also People assembly should control the executive branch, but unfortunately due to lacking of accountability, & weakness of the political power, bureaucracy becomes stronger than the legislative body itself.

<sup>(6)</sup> As the activation of these specialties control makes government more tightly controlled by parliamentary practices and not only from a constitutional standpoint or a theory. It also highlights the subject of continuity of “Shura” Council and if its continuation is required to increase its functions and specialties so that it works harmonically with the legislative power Accounting for the President of parliament and ministers in the case of abuses. It also requires, in my view the text on the rules of legislative and constitutional to ensure accountability or the Present and Minister in the event of irregularities as soon as they occur and so as not to delay the accounting until the exit of the minister of the ministry, but to be accounting for the offense as soon as they occur, which prevents the personalization of power and without the tyranny of the executive or legislative authority to call it.

3- Reducing the authority of the President of the Republic in the dissolution of Parliament:

The importance of that stripped the President of the Republic (a top executive) of an important tool that can be used to intervene and influence the legislative power. In addition to the maintenance of determining the presidential term to four years and is renewable only once, and immunization of this provision in the new constitution. It is not capable of being modified by any president wants to launch an upcoming presidential term, or increasing the time period for the period one, it supports the role and independence of the legislative authority in the face of the executive branch.

## Appendix: Table 2: Balance of Payments Indicators

Egypt's Balance Of Payments			
	(US\$ mn)		
-	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012*</u>
<b><u>Trade Balance</u></b>	<b><u>-25120.0</u></b>	<b><u>-27103.0</u></b>	<b><u>-31697.9</u></b>
<b>Exports</b>	<b>23873.1</b>	<b>26992.5</b>	<b>26975.9</b>
Petroleum	10258.6	12135.7	13129.0
Other Exports	13614.5	14856.8	13846.9
<b>Imports</b>	<b>-48993.1</b>	<b>-54095.5</b>	<b>-58673.8</b>
<b><u>Services (net)</u></b>	<b><u>10339.0</u></b>	<b><u>7878.4</u></b>	<b><u>5361.6</u></b>
<b><u>Receipts</u></b>	<b><u>23562.9</u></b>	<b><u>21873.1</u></b>	<b><u>20872.2</u></b>
Transportation of which,	7216.5	8069.1	8585.0
<i>Suez Canal</i>	4516.8	5052.9	5207.8
Travel	11591.3	10588.7	9419.0
Investment Income	829.0	418.8	246.1
Government Services	217.9	117.7	276.2
Other	3708.2	2678.8	2345.9
<b><u>Payments</u></b>	<b><u>13223.9</u></b>	<b><u>13994.7</u></b>	<b><u>15510.6</u></b>
Transportation	1229.7	1385.3	1374.9
Travel	2327.5	2112.6	2497.6
Investment Income of which,	5193.7	6468.3	6948.6
<i>Interest Paid</i>	553.6	553.6	544.7
Government Expenditures	1534.5	1106.1	1151.9
Other	2938.5	2922.4	3537.6
<b><u>Balance of Goods &amp; Services</u></b>	<b><u>-14781.0</u></b>	<b><u>-19224.6</u></b>	<b><u>-26336.3</u></b>
<b><u>Transfers</u></b>	<b><u>10463.4</u></b>	<b><u>13136.8</u></b>	<b><u>18408.0</u></b>
Private Transfers (net)	9509.4	12383.9	17775.6
Official Transfers (net)	954.0	752.9	632.4
<b><u>Current Account Balance</u></b>	<b><u>-4317.6</u></b>	<b><u>-6087.8</u></b>	<b><u>-7928.3</u></b>

\* Preliminary

(con.) Egypt's Balance Of Payments			
-	<u>2009/2010*</u>	<u>2010/2011</u>	<u>2011/2012*</u>
<b><u>Capital &amp; Financial Account</u></b>	<b><u>8979.5</u></b>	<b><u>-4198.6</u></b>	<b><u>-1403.8</u></b>
<b><u>Capital Account</u></b>	<b><u>-36.2</u></b>	<b><u>-32.3</u></b>	<b><u>-96.0</u></b>
<b><u>Financial Account</u></b>	<b><u>9015.7</u></b>	<b><u>-4166.3</u></b>	<b><u>-1307.8</u></b>
Direct Investment Abroad	-976.6	-958.0	-249.2
Direct Investment In Egypt (net) **	6758.2	2188.6	2078.2
Portfolio Investment Abroad	-522.2	-117.7	-148.7
Portfolio Investment in Egypt (net)	7879.3	-2550.9	-5025.3
Bonds	1357.3	211.0	79.6
<b><u>Other Investment (net)</u></b>	<b><u>-4123.0</u></b>	<b><u>-2728.3</u></b>	<b><u>2037.2</u></b>
<b><u>Net Borrowing</u></b>	<b><u>3004.1</u></b>	<b><u>1500.9</u></b>	<b><u>-101.5</u></b>
<b><u>M&amp;L Term Loans (net)</u></b>	<b><u>80.1</u></b>	<b><u>-828.7</u></b>	<b><u>-682.7</u></b>
Drawings	1835.3	1147.9	1290.0
Repayments	-1755.2	-1976.6	-1972.7
<b><u>MT Suppliers Credit (net)</u></b>	<b><u>11.5</u></b>	<b><u>-63.1</u></b>	<b><u>18.4</u></b>
Drawings	103.3	72.5	104.4
Repayments	-91.8	-135.6	-86.0
<b><u>ST Suppliers Credit (net)</u></b>	<b><u>2912.5</u></b>	<b><u>2392.7</u></b>	<b><u>562.8</u></b>
<b><u>Other Assets</u></b>	<b><u>-9669.1</u></b>	<b><u>-3427.1</u></b>	<b><u>1163.3</u></b>
Central Bank	-40.7	-64.3	28.0
Banks	-2073.0	-1608.8	4365.7
Other	-7555.4	-1754.0	-3230.4
<b><u>Other Liabilities</u></b>	<b><u>2542.0</u></b>	<b><u>-802.1</u></b>	<b><u>975.4</u></b>
Central Bank	1187.1	-44.0	993.5
Banks	1354.9	-758.1	-18.1
<b><u>Net Errors &amp; Omissions</u></b>	<b><u>-1306.2</u></b>	<b><u>532.5</u></b>	<b><u>-1946.3</u></b>
<b><u>Overall Balance</u></b>	<b><u>3355.7</u></b>	<b><u>-9753.9</u></b>	<b><u>-11278.4</u></b>
<b><u>Change in CBE's reserve assets (increase = -)</u></b>	<b><u>-3355.7</u></b>	<b><u>9753.9</u></b>	<b><u>11278.4</u></b>

\* Preliminary

\*\* Includes foreign direct investments in petroleum sector as from FY 2004/2005.

.. Data series are set according to the BOP fifth manual issued by the IMF in August 1993  
Source: Egyptian Central Bank, 2012

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