

**Associazione Italiana Di Scienze Regionali**  
Sezione Italiana della Regional Science Association International

## **Egypt in the wake of the 25th of January Revolution**

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**Presented to : “Italian Association of Regional Science”**


**International conference on**

**THE MEDITERRANEAN CITIES BETWEEN LOCAL DEVELOPMENT  
AND INTERNATIONAL COOPERATION**



**15 April 2013**





The Changes in the Arab world that started in December 2010 are perhaps the most important transitions of the early twenty first century.

# ***Content***

***1-Origins of the uprising; A dual failure.***

***2-Impact of the January 25 Revolution on the Economy.***

***3-Moving Forward.***

# Origins of the uprising stem from a dual failure: Political & Economic.

- Too long authorization regimes relied on economic and political institutions to preserve the status quo.
- There was Economic growth but it wasn't fairly shared.
- The Economic discontent of the youth, the group that seriously suffered the most from unemployment and felt the great impact of poor public services and failure of education system.

# The 25<sup>th</sup> of January Revolution





On 25 January 2011 known as the "**Day of Anger**" Egypt witnessed many protests that took place in different cities.

The purpose was to protest against abuses by the police. These demands expanded to include the resignation of the Minister of Interior, the restoration of a fair minimum wage, the end of Egyptian emergency law.

**The Slogan of the Revolution was: "Bread, Freedom, Social Justice & Human Dignity".**

On the 11<sup>th</sup> of February, known as "Friday of Departure" which was the day where Mubarak is no longer in power.

# *Impact Of The Revolution on The Economy.*

A high-speed photograph of a water droplet falling into a pool of water, creating a series of concentric ripples. The droplet is captured mid-fall, just above the surface, with a small splash visible below it. The background is a light blue gradient.

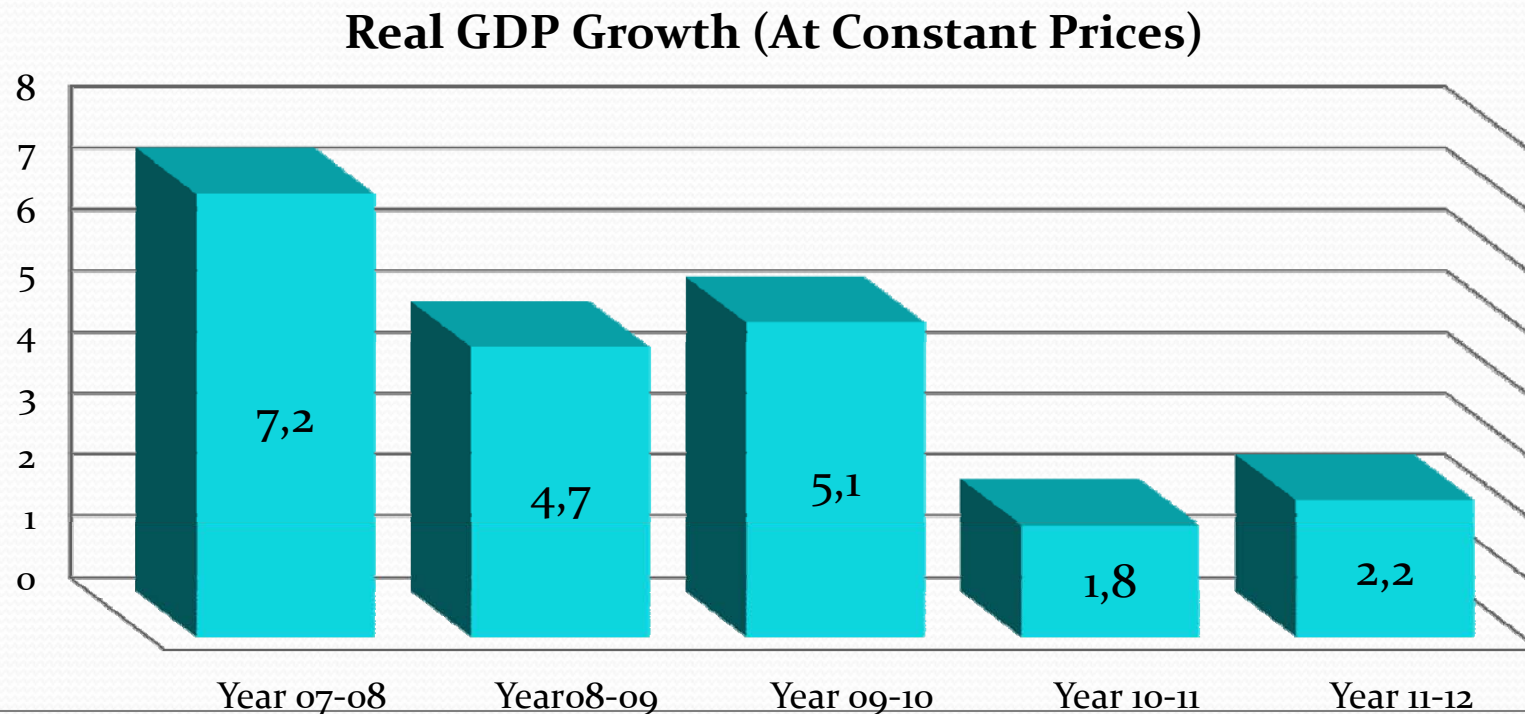
**Impact**

## **The Transition in Egypt and in the Arab World is complicated**

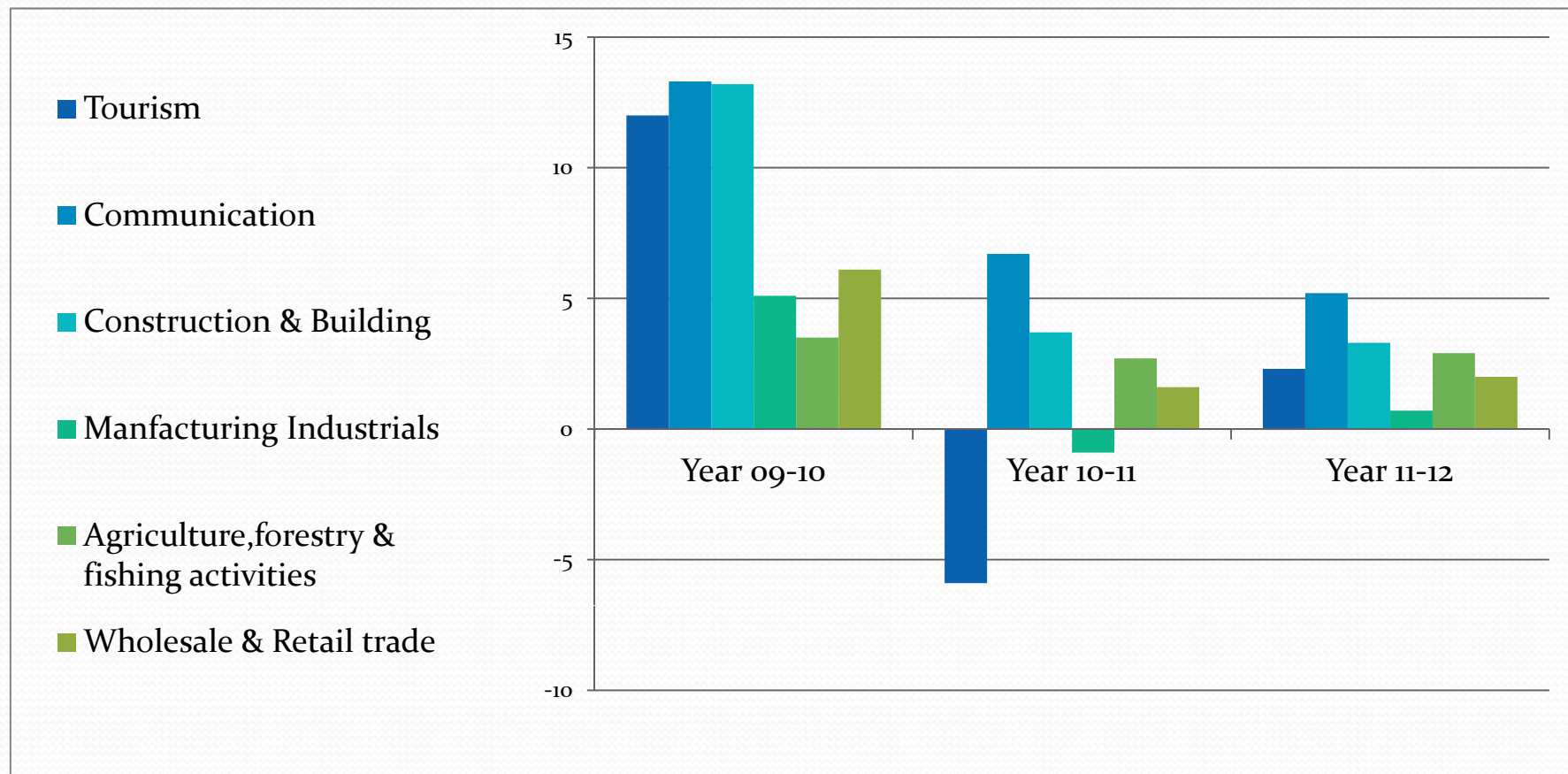
- Citizens are always protesting in Tahrir Square and everywhere to press for an advance of democracy.
- Popular perception of rising corruption raised the pressure on financial demands (Wages, Bonuses,...etc).
- Significant Resentment against some forces that supported the old regime specifically businessmen as some of them benefited from their connections to the rulers. This public resentment took the form of some revenge measure of this business community which negatively affect investment.

# All These led to deteriorating all the Economic indicators

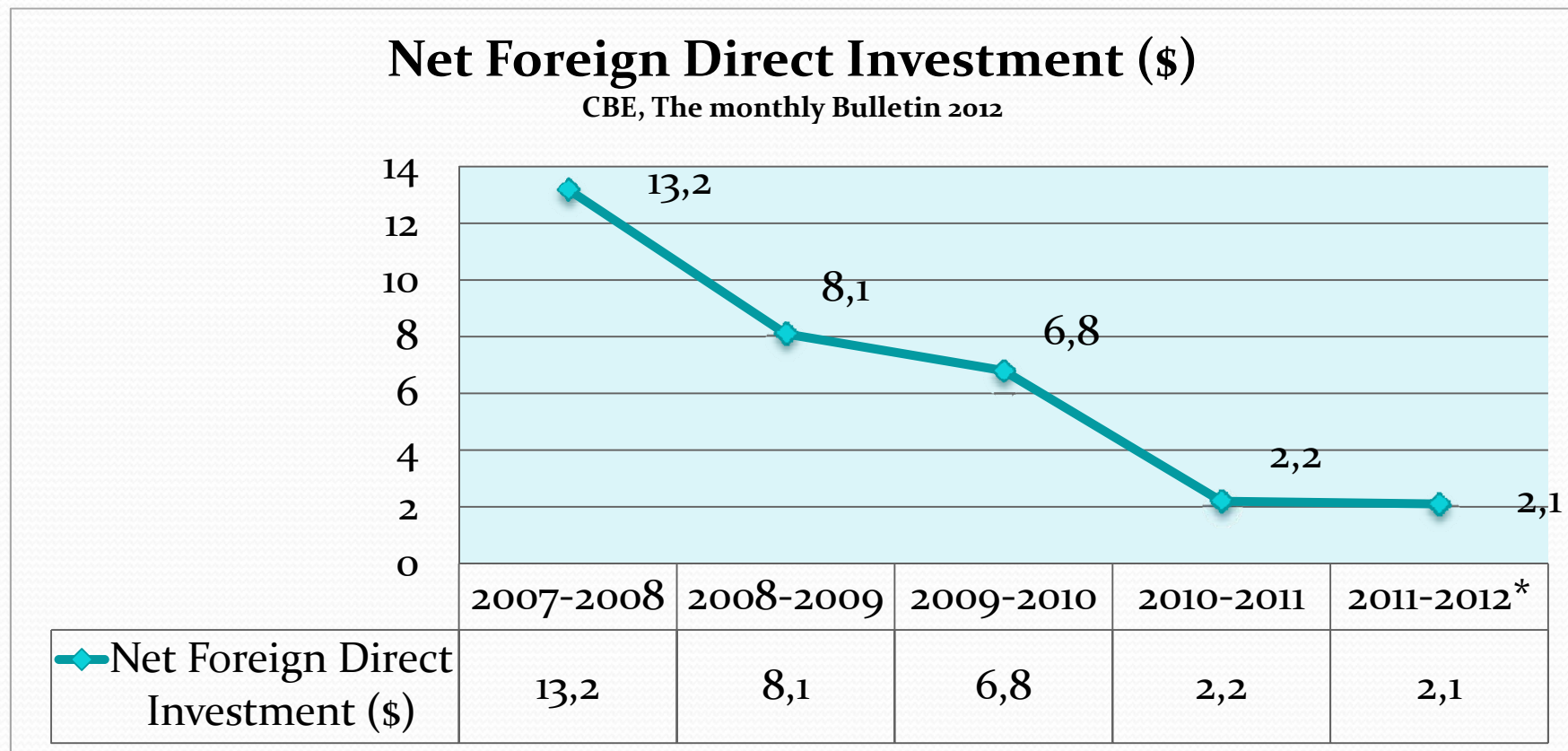
1.Real GDP growth rate fell to an annual level of 1.8 % in 2011 and after two years of revolution it reached 2.20%.



This reduction in the growth rate of Real GDP was due to the reduction in the Growth Rate of the key sectors.

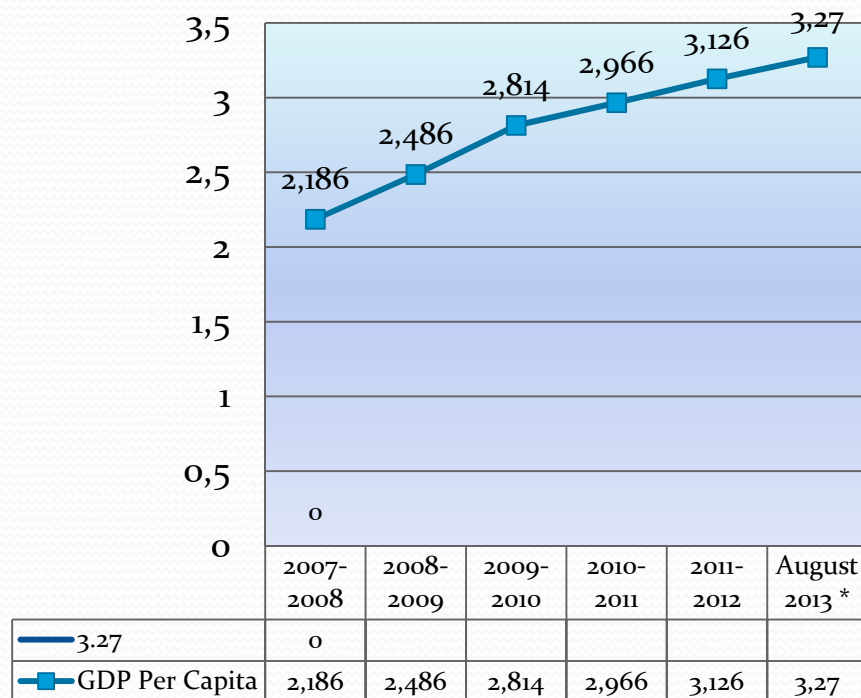


2.FDI fell by 68 percent to register an inflow of \$ 2.2 billion in 2010/2011 compared to \$ 13.2 billion in 2007/2008.

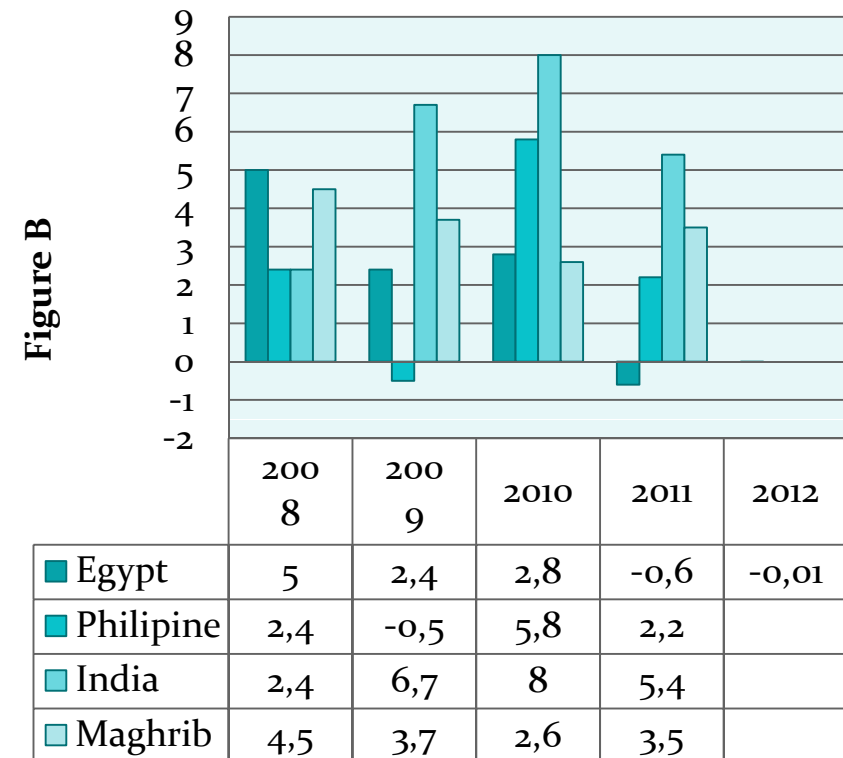


3. Although It seems that the Nominal GDP Per Capita is increasing ; however, figure (B) elaborates that Real GDP Per Capita compared to other Low Middle income Countries seems to decrease.

**Nominal GDP Per Capita  
(constant prices)**



**Real GDP per Capita Among Countries**



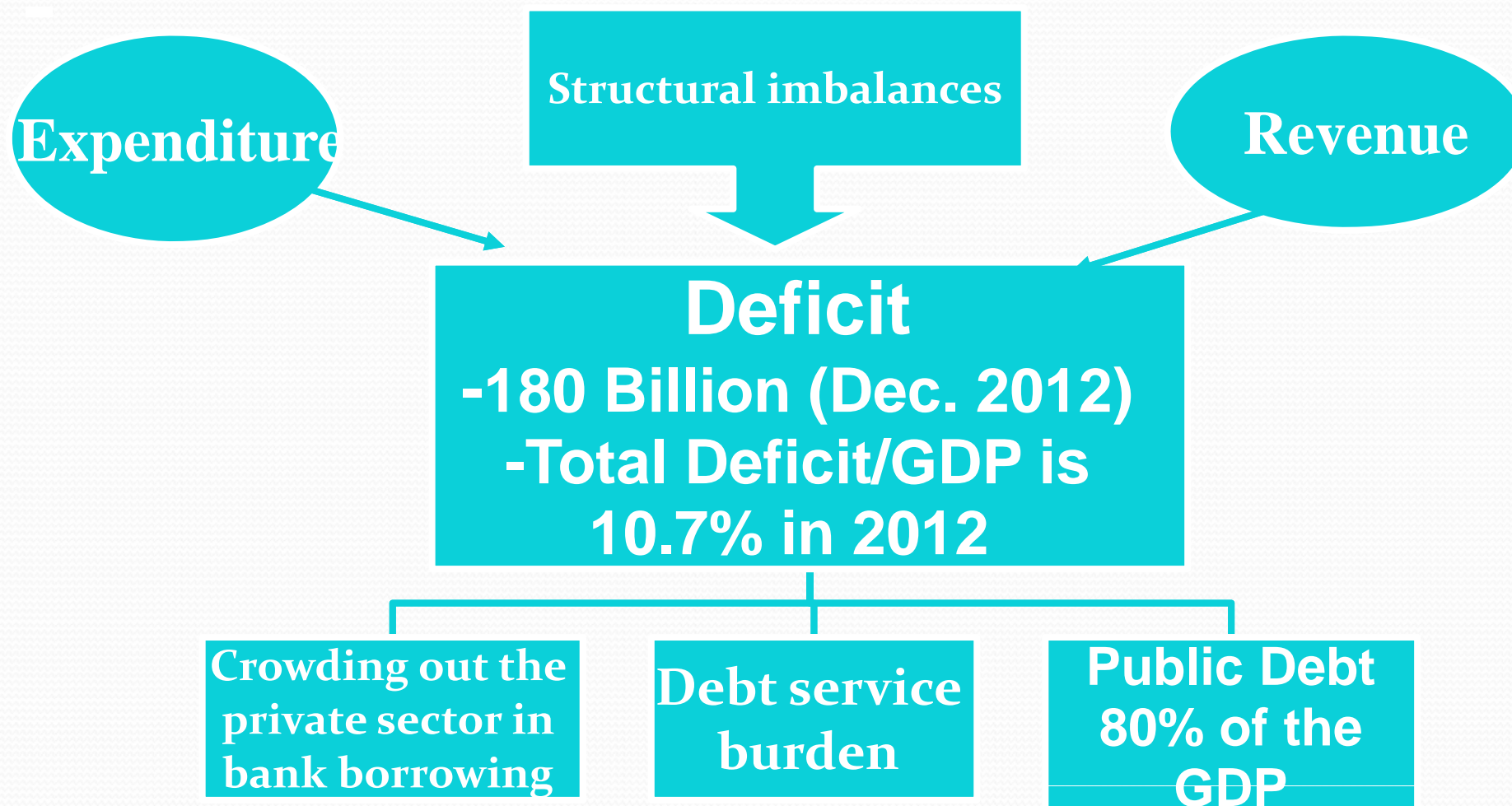
4. Subsidies and wages accelerated significantly in 2010/2011 by 19.6 percent and 12.8 percent, respectively due to the continuous demonstration by workers to increase wages.

5. Ratio of deficit to GDP increased from 8.2% in 2009/2010 to 10.7% (2011/2012).

6. Part of the planned revenues reform measure, like the introduction of the value added tax, were postponed due to the escalating social pressure following the revolution.

7. Domestic Currency was under severe pressure and Egypt's foreign reserves declined from \$ 36 billion in 2010 to \$ 13.3 billion in 2012.

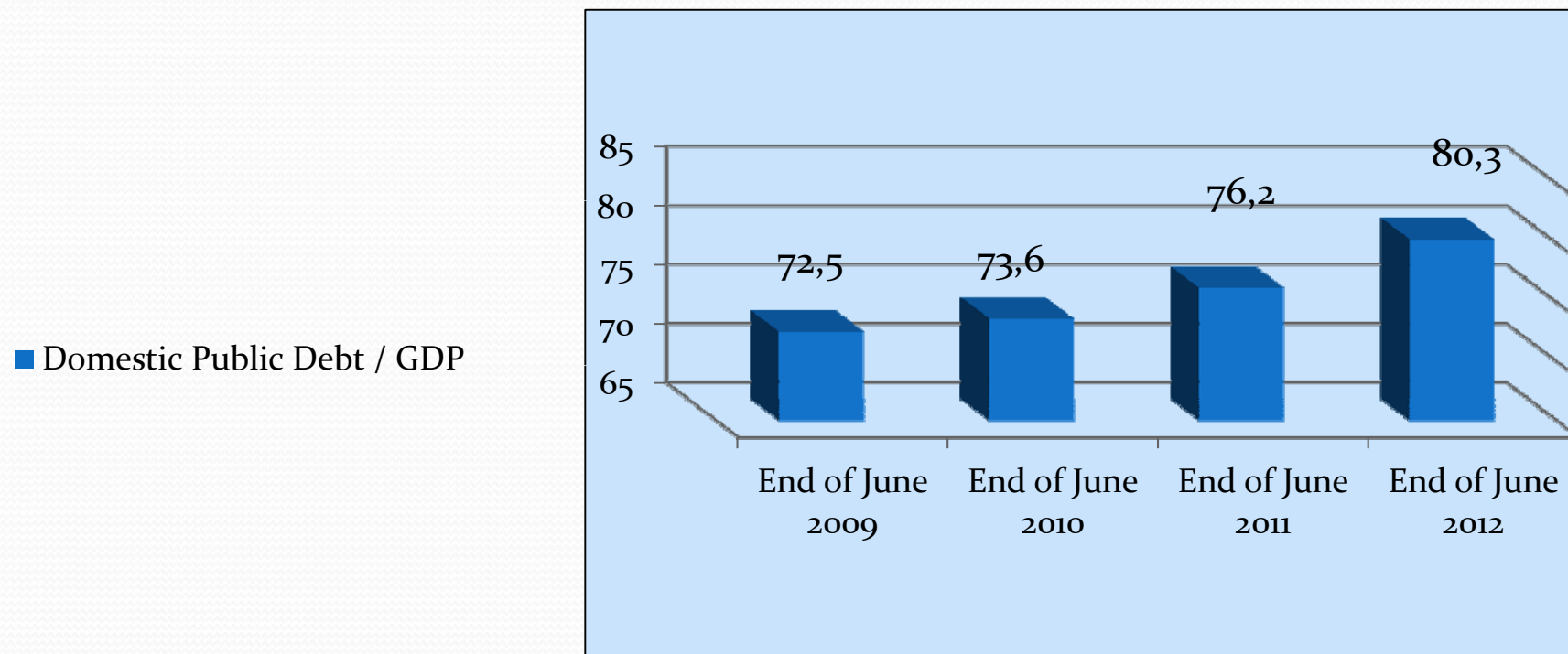
# Ratio of total revenues to total expenditure tended to decline from 74% in 2009 to 64% in 2012



# Domestic Public Debt

## Domestic Public Debt / GDP

Source: Central Bank of Egypt, 2012.



# Total Subsidy Development

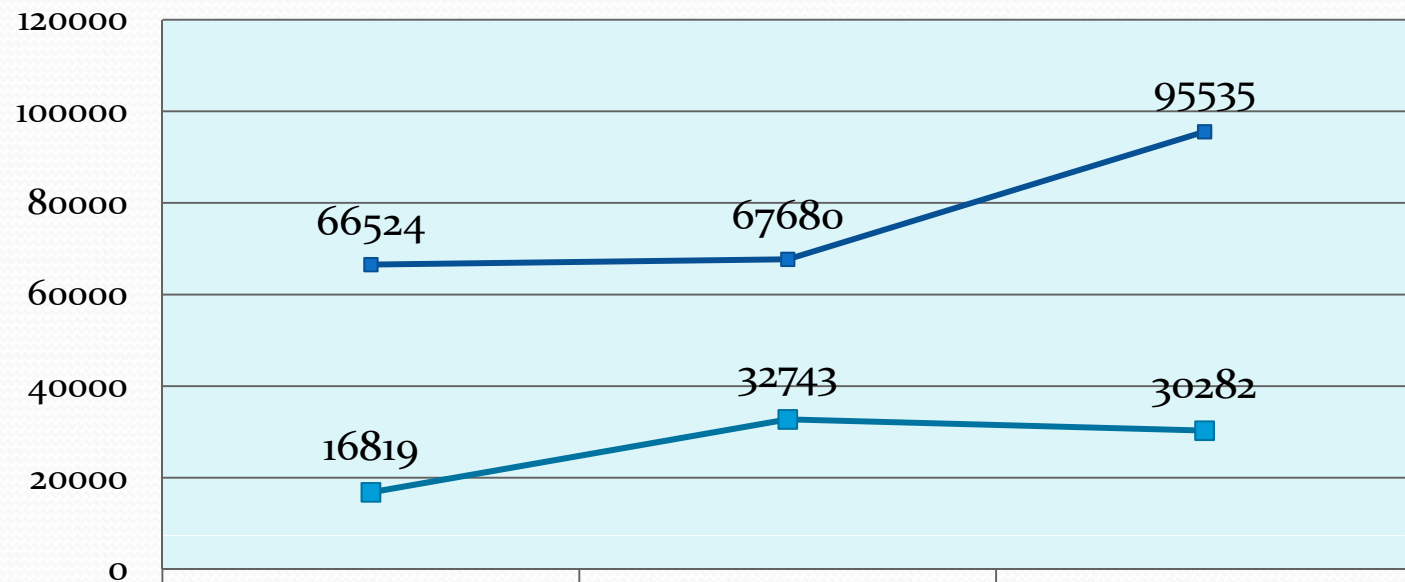
*Subsidies in Egypt are higher than the entire Government wage bill including Health & Education.*

- The subsidy bill is characterized by inequality as the greater portion goes to the medium & high income people.
- Estimates state that 45% of the energy subsidy (which is equal to \$115 bn) benefits the upper income by \$53 bn the low income benefits only by 10%.

# Petroleum Subsidies vs. Supply Goods Subsidy

**Petroleum Subsidy Vs Supply Good Subsidy**

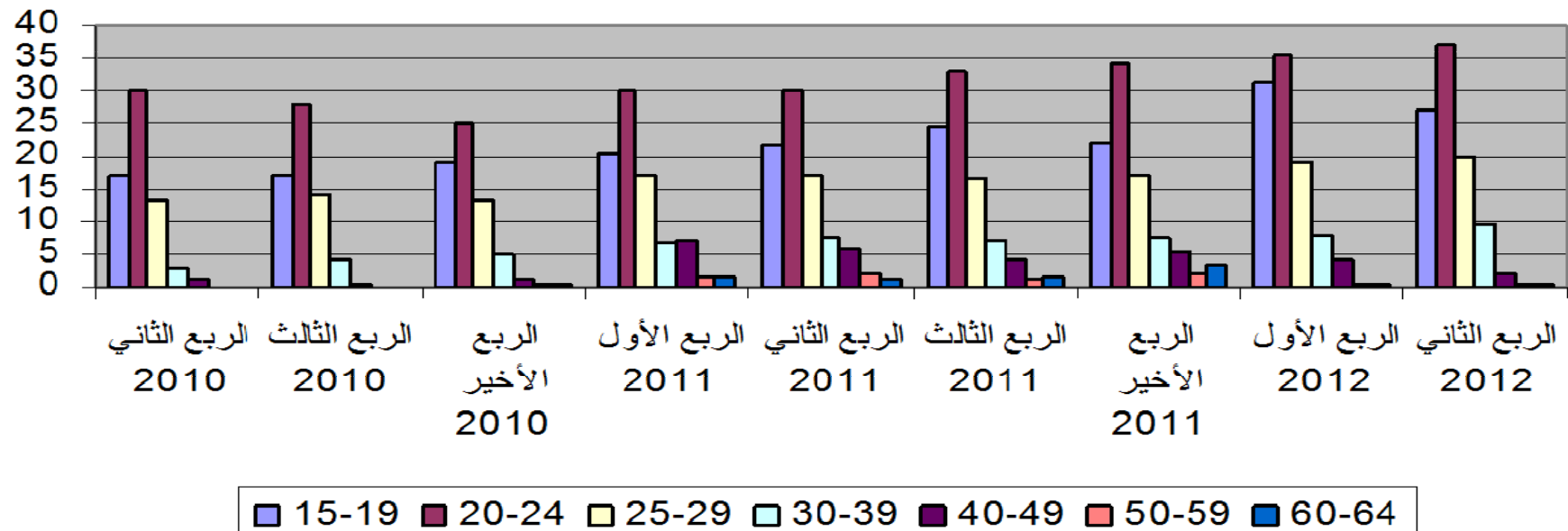
Source: Ministry of Finance, 2012

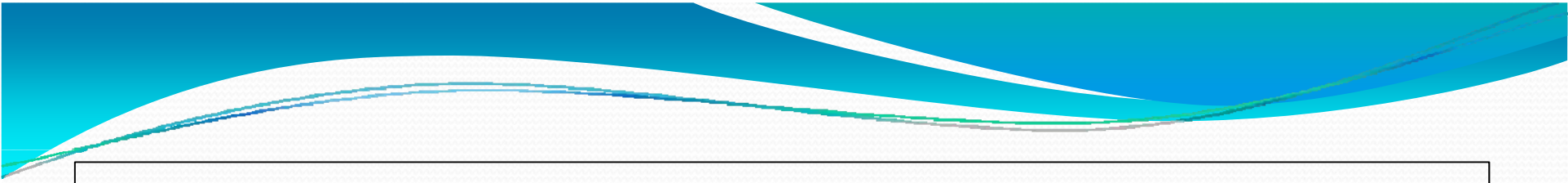


—■— Petroleum Subsidies  
—■— Supply Good Subsidies

**Unemployment rate has reached 12.4 % in 2012, If we look into this figure we find that the highest rate of unemployment is among the ages (20-24) to represent 25% of the population.**

Source: CAMAS, Labor Force Sample Survey



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1. Egypt will have to provide jobs for a large youth population, more than 850,000 youth enter the workforce every year.
  2. Egypt youth who are unemployed is almost 25% of the population.
  3. This problem is compounded by the fact that many of these young people enter the Labor market unprepared due to the mismatch between Education & Market needs.
  4. People are accepting jobs in the Informal Sector as employment opportunities become fewer.

# Government Investment Distribution by Some Selected Sectors

The Government expenditure on both education and health sectors is relatively low registering the average of 4.5 percent of GDP on education and doesn't even reach 2 percent of GDP in its maximum on the health sector during the period 2001/02-2010/11

Sector	Infrastructure*	Education	Health
2002-2003	7.4	6.5	3.3
2003-2004	10.9	4.9	3.5
2004-2005	9.9	3.6	3.2
2005-2006	7.8	3.2	2.3
2006-2007	7.4	3.1	2
2007-2008	11.5	3.3	2.4
2008-2009	15.8	4	2.8
2009-2010	14.4	2.7	2.2
2010-2011	12.1	3.2	2.4
2011-2012	11.7	2.7	1.9

# Government Investment Distribution by Some Selected Sectors

-While the investment on infrastructure has been fluctuating from 7.4 percent in 2002/2003 to 15.8 percent in 2008/2009 to 11.7 percent in 2011/2012.

-According to the world Economic Forum (WEF) global competitiveness report 2012-13, Egypt's ranks 83 instead of 75 in 2011-12 in terms of quality of overall infrastructure where the quality of roads come at the bottom as the worst (109) in 2012-13 instead of 87 in 2011-12, reflecting too much deterioration and a great need of investment.

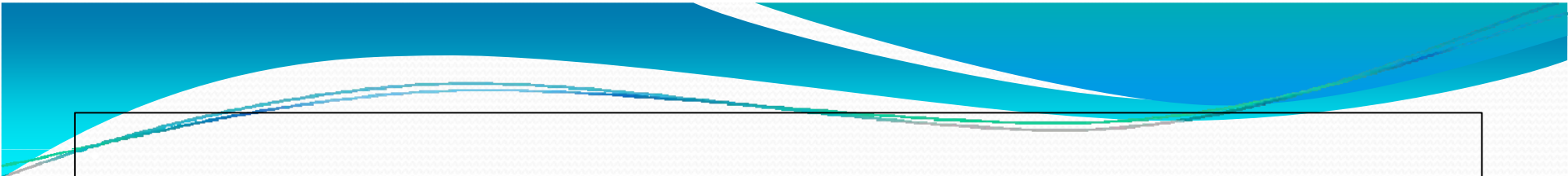
# *Moving Forward*



# Moving Forward

1. The average investment in Egypt throughout the base year 2011/2012 represent about 15% of the GDP and it did not exceed 23% in the best conditions. The current ten years plan aims at promoting the average to about 32%.

-The required saving rate should be 25%, at least, by the end of the plan compared to 9.4% in the base year, in order to secure a stable source of local funding for the implementation of investments.



2.Recomposition of public expenditures, by expanding programs to benefit the poor and youth and apply a fair tax and redistribution system accompanied with rationing government spending and a reform of subsidy system.

3. Government has to gain confidence of the private sector and create an environment in which large, medium, small enterprises will be able to operate on a level playing field.

4.Buisness Community must also regain the Confidence of their societies as Private Sector leaders must set aside Rent seeking activities and direct their energy to production, innovation and employment.



5.Reforms to reduce Information Asymmetries and enhance Transparency and disclosure must be a priority.

6.Egypt in the transition should open more space for civil society organizations that play an important role through advocacy and promoting accountability.

7.Youth Employment should be an urgent priority supported by job training and matching.

8.Capacity building should be targeted to increase the representation of young people in national policy dialogue.



9. The International Monetary Fund and the Egyptian authorities have reached a staff-level agreement on a 22-month Stand-By Arrangement (SBA) in the amount of about US\$4.8 billion.

-The Egyptian authorities have developed a national program that seeks to promote economic recovery, address the country's fiscal and balance of payments deficits, and lay the foundation for rapid job creation and socially balanced growth in the medium term.

