



EGYPT: ECONOMIC DEVELOPMENT AND POLICIES CONFERENCE

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Governance and Economic Development: the Interlinkages

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Governance and Economic Development: the Interlinkages

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Chapter Outline

Introduction

Governance and Economic Development:
What Does The Literature Show?

Egypt's Governance and Growth
Performance: What do the Numbers Say?

Challenges Facing Governance in Egypt

Conclusion and Policy Recommendations:
What Should Egypt do?

What is Governance?

- *Exercise of political, economic, and administrative authority to manage a nation's affairs.*
- *Involves mechanisms, processes, relationships, and institutions that shape societal decisions.*

Purpose of Governance:

- Allows citizens and groups to articulate interests, exercise rights, and mediate differences.
- Involves both effective and ineffective methods for distributing power and managing resources.

Good Governance:

- Subset of governance focused on effective, efficient, and needs-based management of resources.
- Key principles: accountability, transparency, responsiveness to societal needs.

Importance in Democracy:

- Good governance requires public participation and mechanisms for accountability.
- Essential for fair power distribution and responsible resource management aligned with democratic values.

Why Is Good Governance Important?



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Economic Development

- Complement good economic policies.
- Sets normative standards for development.
- Signal for political maturity.
- Necessary requirement for growth and poverty reduction.
- Important aspect for the success or failure of a state.

Governance in Egypt

Over history: Egypt has suffered from bad governance, which negatively affected and contributed to lower economic development levels and resulted in the spread of corruption in the country.

Now: Egypt is placing an emphasis on pursuing regulatory reform and good governance in order to fulfill the sustainable development agenda and to enhance economic and political stability.

Governance and Economic Development

What Does Literature Show?

Positive Significant Correlation

Studies have highlighted that improving institutional quality and governance can advance economic growth and stability in different ways in different groups of countries.

(Feyisa et al., 2022; Azam, 2022; Salman et al., 2019; IMF, 2019; Jha et al., 2015).

As for emerging economies, studies showed that institution with better quality appears to promote the growth more effectively in the lower-income Asian countries than in the higher-income ones. **(Nguyen et al., 2018).**

Regarding Egypt, **Abdelbary (2018)**, showed that most of the governance indicators have a causal relationship with economic growth except control of corruption, while economic growth has a positive effect and contributes to the development of political stability and regulatory quality

Insignificant Correlation.

Studies showed that the relation between some of the governance indicators issued by the World Bank and economic growth is statistically insignificant.

(Akinci et al., 2022; Giorgis, 2017)

**Prior to the Revolution of
January 25**

Post the Revolution of January 25

Hosni Mubarak's Presidency.

**Transitional Period:
Supreme Council of the Armed
Forces.**

**Adly Mansour as the interim
President**

25 Jan. 2011

2012–2013

2014–present

1981–2011

2011–2012

2013–2014

The Revolution of January 25

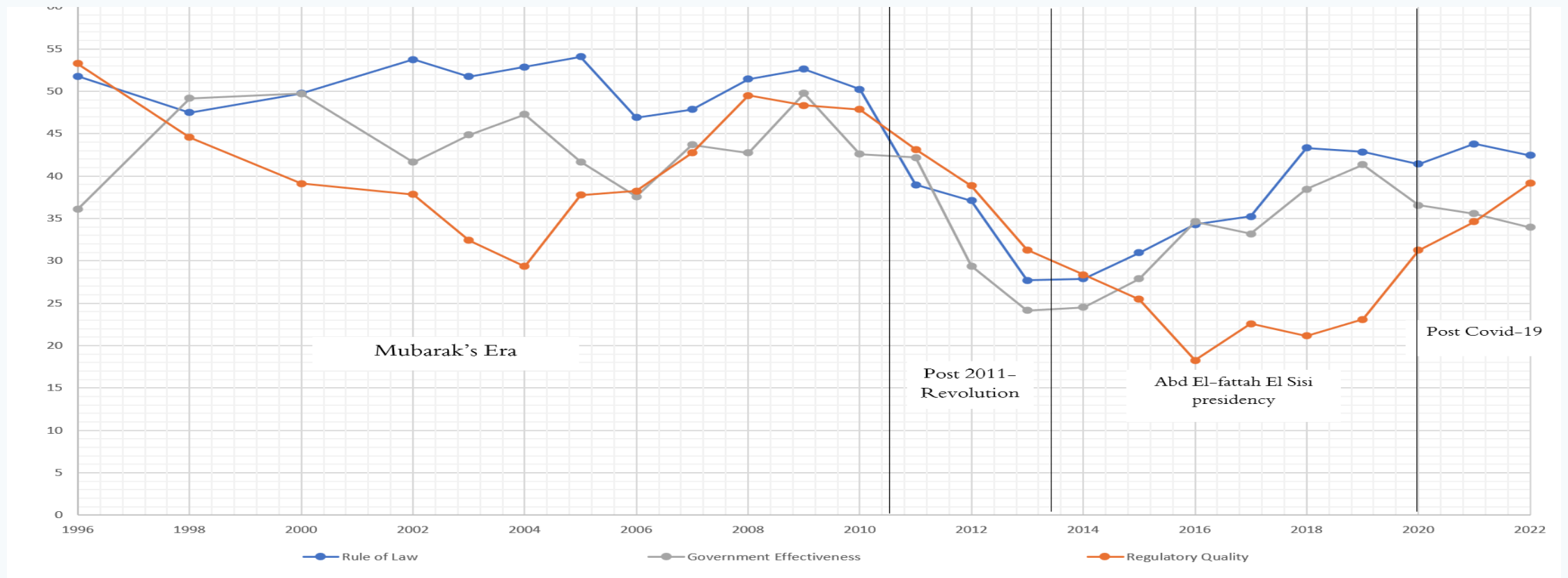
Mohamed Morsi's Presidency

**Abdel Fatah
El-Sisi's
Presidency**



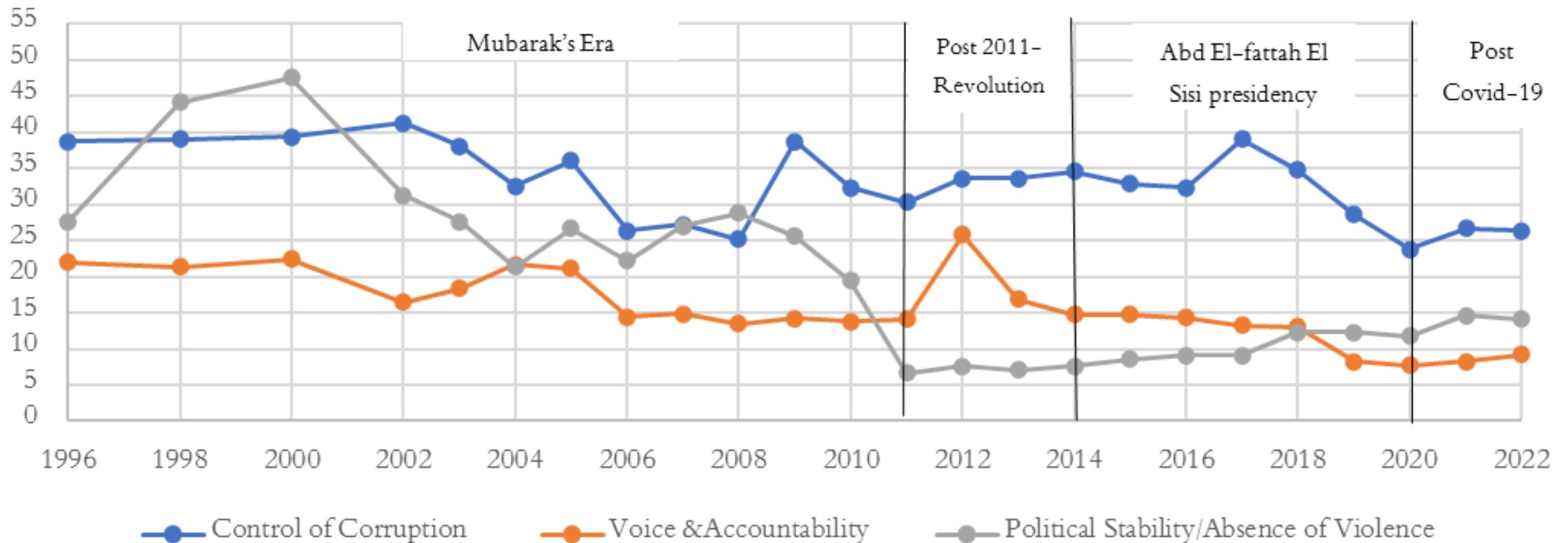
Egypt's Governance and Growth Performance: What do the Numbers Say?

Egypt's Performance in Worldwide Governance Indicators (1996-2022)



Egypt's Governance and Growth Performance: What do the Numbers Say?

Egypt's Performance in Worldwide Governance Indicators (1996-2022)



Prior to the Revolution of January 25 (1981-2011)

Executive Authority

- Majority of power was held by the central government.
- The Cabinet of Ministers is the highest executive and administrative body.

Legislative Power

- The political landscape was tightly controlled; elections were always dominated by the National Democratic Party (NDP).
- Constitutional amendments in 2007 attempted to empower both houses of the Parliament and increase their powers against the executive branch, but the dominance of the ruling National Democratic Party (NDP) in the Parliament, hindered the effective monitoring of the legislature over the executive.

Judiciary

- It was theoretically independent
- There were concerns regarding the absence of separation of powers, and the judiciary was often criticized for being influenced by the executive.

Role of the Civil Society

- Opposition parties faced restrictions, and the media was tightly controlled, and there were limited channels for free expression due to the emergency law.
- Various restrictions were imposed on the formation and operation of non-governmental organizations (NGOs)

Post the Revolution of January 25 (2011-Present)

Executive Authority

- According to Egypt's 2014 constitution, the parliament and the judiciary both have oversight over the executive.
- A prime minister is chosen by the president to form a government, which needs to be approved by the parliament.
- The executive's decisions can be challenged before the State Council.

Legislative Power

- Egypt did not have a functioning legislature since July 2013 until elections were held in 2015.
- Elections for parliament were conducted in 2015 and 2020 and resulted in the dominance of the pro-government parties.
- Parliament has continued to play a role in legislative affairs, with periodic elections influencing its composition.

Judiciary

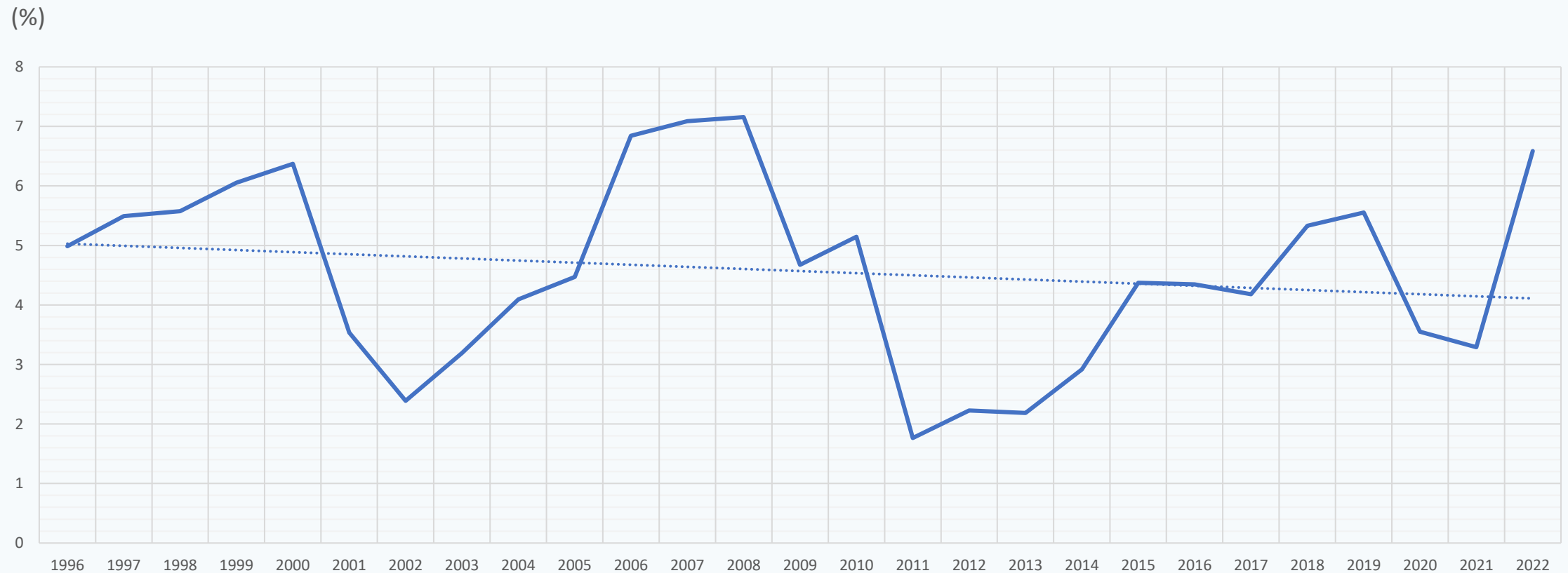
- The judiciary in Egypt has been involved in high-profile cases related to national security and counterterrorism.
- The constitutional changes after 2011 included different changes in the judiciary.
- Debates about the balance between judicial independence and accountability.

Role of the Civil Society

- Although a significant increase in the number of newly founded NGOs occurred, most of these organizations remained under the new regime's jurisdiction.
- Social control grew under al Sisi's leadership.
- Measures were praised both domestically and internationally, which enhanced the Egyptian state's social control mechanisms .

Egypt's Governance and Growth Performance: What do the Numbers Say?

Evolution of Egypt's Real GDP Growth Rates (1996-2022)



Challenges Facing Governance in Egypt

Mubarak's Era

- The widespread corruption
- The prolonged implementation of emergency law
- The absence of free and fair elections
- The government's struggle to articulate a credible roadmap for political reform
- The deep involvement of the military in the economy

Post January 25 Revolution:

- Egyptian administration suffered from lack of effectiveness
- Lack of coordination among and between institutions
- Absence of well-established independent national anti-corruption agencies
- Lack of a strong integrity system and strong public supervisory bodies
- Lack of transparency and meaningful public participation

Al-Sisi's Regime

- The weak accountability in government operations
- Rigid and oversized bureaucratic structure
- The absence of written legislative standards that hampered the scrutiny of legislation and the assessment of its quality.
- The persistence of deep involvement of the military in the economy

Policy Recommendations: What Should Egypt Do?

Governance Structure

- Ensure the independence of the judiciary by insulating it from political interference.
- Reinforce parliamentary oversight mechanisms.
- Strengthen accountability of the executive authority through elected local councils.

The Civil Society

- Provide a conducive environment that would enable the growth and well-functioning of civil society to be able to hold the government accountable and provide feedback on policies.
- Engage civil society in the policymaking process and ensure their active participation.

Promote Inclusive Governance

- Involve diverse stakeholders, including civil society, women, youth, and marginalized groups.
- Strengthen mechanisms for public participation in policymaking to ensure that the needs and concerns of all citizens are considered.

Policy Recommendations: What Should Egypt Do?

Legal Framework

- Review and update existing legal frameworks.
- Issue new legislation such as the freedom of information act, conflict of interests' prevention law, whistleblowers protection law, etc.
- Simplify legal procedures and increasing access to affordable legal aid, particularly for marginalized communities.
- Activate codes of ethical and professional conduct in the public and private sectors.

Anti-corruption

- Law enforcement agencies and anti-corruption agencies should work with the government and parliament to ensure that they are subject to access to information laws.
- Promote a culture of proactive publication of information.
- Robust anti-corruption measures should also be implemented.

E-governance

- Maintain support for efforts of digital transformation and e-services provision.
- Bridge the digital divide.
- Enhance digital skills and access for all.
- Monitor and evaluate the effectiveness of governance and rule of law initiatives.

Thank you!