



EGYPT: ECONOMIC DEVELOPMENT AND POLICIES CONFERENCE

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A History of Shifting Ideology and Weak Implementation The Political Economy of Contemporary Egypt

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The Political Economy of Contemporary Egypt

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Introduction

- Egypt's economic development journey has been a complex and challenging, characterized by cycles of economic downturns, brief eras of economic prosperity, and abrupt reversals.
- The country's economic history has been characterized by significant shifts, from state capitalism under Nasser to a Western-oriented model following Infitah, with ongoing efforts towards a market-led model.
- Despite various reform attempts, Egypt's transition has unfolded *uniquely*, influenced by its domestic context as well as geopolitical position in the conflict-prone MENA region and its involvement in regional dynamics.

Central argument: Despite shifts in development models and ideological orientations, persistent political and institutional challenges continue to hinder Egypt's transition from achieving successful and sustainable outcomes.

Political Economy, Institutions, Dependency and Geopolitics: *Theoretical Proposals*

The interplay between economic and political institutions in shaping economic outcomes <i>Douglas North (1979 ,1990 and 1996), Acemoglu and Robinson (2012, 2016, 2020), Faundez, (2016)</i>	<ul style="list-style-type: none">• Role of institutions (economic and political) in structuring the long-term economic development in an economy and in explaining development gaps across countries.
The role of political economy in sub-optimizing policy outcomes and delaying reforms <i>Alesina & Perotti, (1995), Perotti (1996) and Lindbeck (1973) and Nordhaus (1975) (Alesina & Drazen, 1991)</i>	<ul style="list-style-type: none">• Political factors and fiscal behavior of politicians are endogenous factors in economic policy design.• Political polarization and weak institutional adaptation implies delayed reforms and stabilization
Initial Conditions, Dependency and Post-Colonial Legacies <i>Sokoloff and Engerman (2000) Stern (2001), Roland (2002)</i>	Characteristics of post-colonial economies (<i>empirical findings</i>) <ul style="list-style-type: none">• Initial conditions in post-colonial economies make transition journey more sluggish• High inequalities – elites manipulation – safeguarding powers designing laws that their interests.
Geopolitics and Economic Vulnerability <i>Bloom (2009) , Reivan-Ortiz et al. (2023) and Chang et al. (2022a,b) Ching and Chiu (2018)</i>	<ul style="list-style-type: none">• Empirical evidence on how geopolitical risks accelerate econ vulnerabilities (trade and capital flows shocks, twin deficits, currency shocks,..etc.).• MENA region is the highest region suffering from geopolitical risks and consequent economic vulnerabilities

Synopsis: Egypt's Story of Shifting Ideologies and Economic Policy

- Egypt's domestic and regional political environment has been complex, marked by persistent instability, influenced by its colonial past, post-colonial transformations, dictatorships, authoritarian rule, global foreign policy agendas, the Cold War, and evolving international development agendas.

i. 1950s-1960s: An Era of Radical yet Ad hoc Socialist Experiments

ii. 1970s -1980s War Economy, Windfall Rents and a Historic Debt Crisis

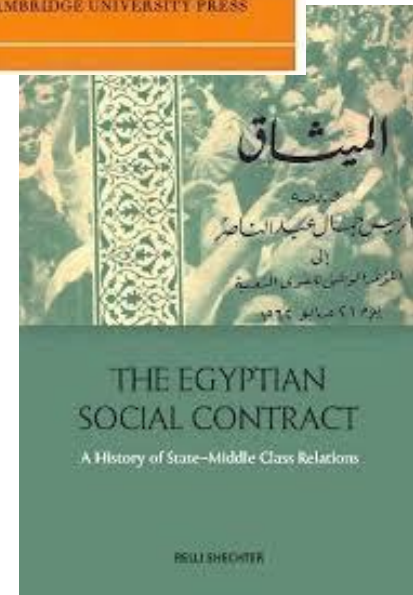
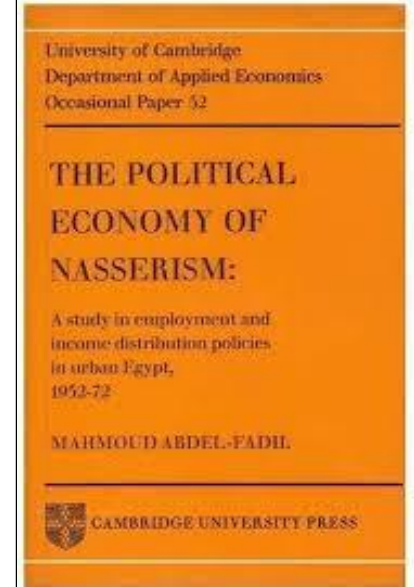
iii. The 1990s-2000s Neoliberalism: An Era of Structural Reforms and Mixed Outcomes

iv. Egypt Post January 25th: The Permacrisis

Synopsis: Egypt's Story of Shifting Ideologies and Economic Policy

1950s-1960s: *An Era of Radical yet Ad hoc Socialist Experiments*

- *Anti-colonialism, political independence and nationalism sentiments*, rather than a profound ideology or a concrete developmental agenda.
- Suez crisis and the geopolitical realignments towards the Soviets and the East.
- *1962 Charter of National Action, First National Plan*: commitment towards a state-led model, industrial development.
- State capitalism, reallocation of capital owners and the ever since growing role of the state-owned enterprises,
- State dominated economic and financial sectors, trade restrictions and huge military expenditure ([Abdelkhalek and Tignor, 1982](#); [Abdel-Fadil, 1987](#); [Harik, 1992](#))
- The 1967 Defeat compounded an anticipated economic crisis resulting from preexisting inefficiencies.



Synopsis: Egypt's Story of Shifting Ideologies and Economic Policy

1970s -1980s *Post War Economy, Windfall Rents and a Historic Debt Crisis*

- *1974 October Document*, the Western-oriented Infitah Policy, announced commitment to economic liberalization.
- Growth driven by private sector credit growth + windfall rents (increased oil revenues, the reopening of Suez Canal, Gulf capital inflows and remittances)
- Attempts of political liberalization were shortly repressed.
- Celebration of windfalls rents met with unjustified expansion in borrowing.
- Five-year plan (1981/1982) continued same model despite the debt position.
- 1978 following the peace treaty: reversed flows: Oil prices crash, tensions with Arabs : Drop in Suez Canal revenues, fuel export revenues, Egyptian workers' remittances and tourism revenues.
- 1986: oil prices crash implications + Peak of debt service and a historic crisis.

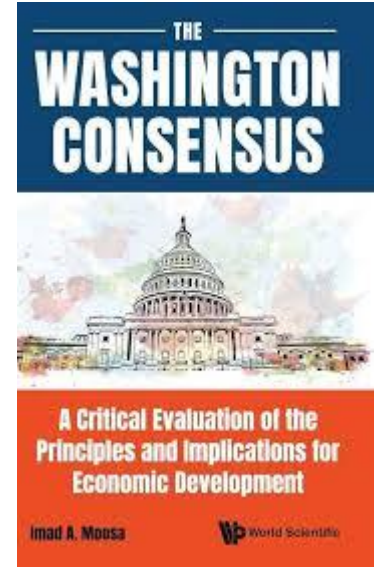


Synopsis: Egypt's Story of Shifting Ideologies and Economic Policy

The 1990s-2000s

Neoliberalism: Eras of Structural Reforms and Mixed Outcomes

- 1987 Washington consensus, Gulf war, Paris Club debt reduction,
- 1990s ERSAP, accelerated privatization without equal acceleration in institutional reforms.
- Another crisis in the late 1990s compounded with domestic economic and political events (credit crunch and Luxor attacks) + the East Asian crisis
- 2000s, more institutional reforms, milestone laws and regulations and more trade agreements, more openness on global economy
- Rigorous privatization of SOEs and advancements in liberalizing the financial sector.
- Stabilization policies: managed floatation of the Egyptian pound + partial liberalization of fuel and electricity prices.
- Surged growth and robust external position.
- Political unrest started to challenge the sustainability of development this path.



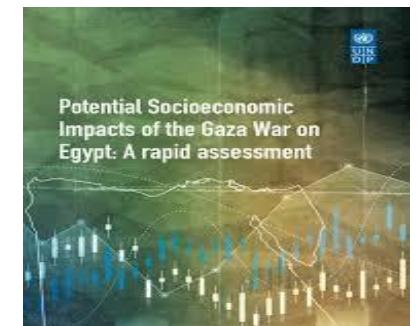
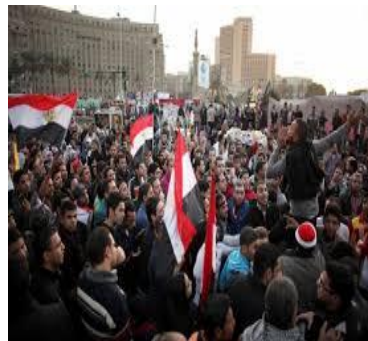
Arguments about the divergence between the rapid growth and the deteriorating living conditions among lower income groups started to become sounder, highlighting a dichotomy inherent in this neoliberal model, or perhaps, the way it was implemented in Egypt

Synopsis: Egypt's Story of Shifting Ideologies and Economic Policy

Egypt Post January 25th:
The *Permacrisis* is

- Consecutive political and economic cycles—characterized by economic downturns, brief reforms, and abrupt reversals – higher frequency (2011 – 2013 – 2016 – COVID19 – Ukraine – Today)
- Same drivers, same policy actions, same outcomes, restarting at worse conditions
- Same wellbeing challenges that persisted before 2011 are still present, particularly inflation, employment and growth generation
- The poorest and most marginalized have consistently endured the greatest burden of the post-revolutionary economic crises.
- Prioritizing political stability over social well-being has led to leading to a recurring pattern of “neoliberal authoritarianism” (Roccu, 2022).
- The progress with the reforms would only act as enabler to widening income gaps, increasing inequalities and negative trickle-down. (Ibrahim, 2021, Greenwood and Holt, 2010; Solimano, 2014)

The **“permacrisis”**, defined by the Cambridge Dictionary as **"a long period of great difficulty, confusion, or suffering that seems to have no end,"** characterizes the ongoing economic challenges in Egypt.



The sociopolitical determinants of development and transition in Egypt

This section explores how political economy, institutions, and geopolitics have played a role in shaping policy design and outcomes in Egypt

1- The State-Business interplay: *From Explicit State-Led Development Models to Undefined State-business roles*

2- The Fault in our Economy: External Dependency

3- Political Institutions, Political Cycles and Economic Policy

i- The State-Business interplay: *From Explicit State-Led Development Models to Undefined State-business roles*

- Analysis of how the distribution of power among interest groups and realignment of class interests impacted the scale, depth and direction of reforms and economic policies, often reflecting interests of those involved in them, whether they are
the business elite - the state officials - or the military institution.

The evolution of the interaction between the state and the business sector provide illustrative examples of this phenomenon that are worth exploring.



The changes in
socioeconomic class
taxonomy across eras

How did privatization
and competition policies
evolve and how did they
interact with the State-
owned enterprise

The unfinished business
of subsidies reforms

i- The State-Business interplay: *From Explicit State-Led Development Models to Undefined State-business roles*

Socioeconomic Class Taxonomy Redefinition

State capitalism

1961 Charter of National Action

- Reallocation of capital
- Business sector compromise or elimination.
- State monopoly and the new **state bourgeoisie** (new classes of civil and military servants)
- Delay in institutionalizing this model created a fertile ground for corruption and opportunistic activities
- Unclear outcomes of income redistribution that accompanied reallocation of capital
- Public enterprise growth inefficiently under an autocratic regime.



Infitah

1974 October document,

- Aimed to shift from monopolistic state capitalism towards greater economic liberalism.
- Connections between the state and the private business sector started to emerge
- A new layer of “**managerial bourgeoisie**” with links between public and private figures.
- Deep-rooted public sector remained a powerful political force and a legacy that was not easily dismantled.



1990s, 2000s, then and now

Neoliberal Authoritarianism

- The **power dynamics** between the business elite and the state continued to evolve significantly in the absence of proper institutions.
- Elite continued to benefit from the system and market access.
- Concerns raised since 1990s about the rapid growth of the private sector without sufficient regulatory protections.
- Unclear framework separating state actors as regulators versus operators.
- ‘Institutionalization of corruption’: influence of elites in extracting surplus and impeding efficiency

• Efforts to dismantle state monopolies have been hindered by a lack of clear systems governing the state-business relationship, along with political agendas and vested interests among those in power. Evident in many aspects, two are picked : privatization and subsidies reform

i- The State-Business interplay: *From Explicit State-Led Development Models to Undefined State-business roles*

Privatization, Competition and the State-Owned Enterprises

Privatization

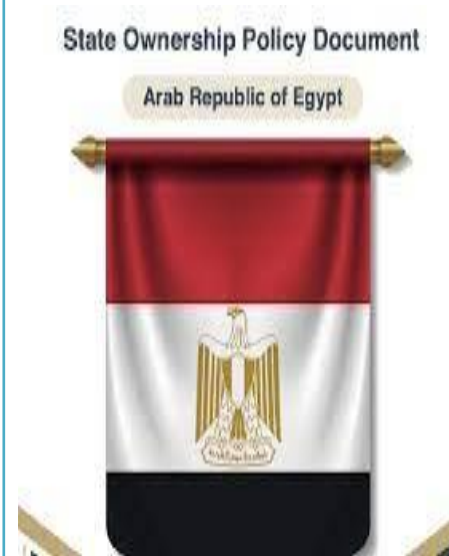
- Unguided Privatization, within a regime with concentrated power and weak institutions.
- Reforms empower Egyptian business elites tied to the system and weakened the business sector.

Exclusive institutions: *SOEs Preferential Treatment and Uneven Playing Field*

- SOEs tax exemptions and procurement privileges (until 2023 law).
- Limits in Competition Law enforcement create imbalance between private sector and state actors.
- Obstacles to the enforcement of competition legislation.
- Complex legal frameworks, Law 203 of 1991,
- Egypt Competition Law No. 3 (2005) and Competition Authority established two decades ago, but challenges remain to date.
- **Exclusion of SMEs:** Limited involvement in reform and minimal benefits from outcomes

Advancements in State-Ownership Policy

- Legislation aimed at eliminating preferential treatments for SOEs, signal a positive shift towards fairness (IMF, 2024).
- Abolish tax and exemption advantages for state-owned enterprises, including military-owned ones: Hopes about creating a market-oriented economy, outcomes are still anticipated



Ali El Dean and Mohieldin (2001), Ghoniem (2002), Alissa, (2007), Roccu (2020), International Finance Corporation, (2020), and Mohieldin et al. (2024)

i- The State-Business interplay: *From Explicit State-Led Development Models to Undefined State-business roles*

The Unfinished Business of subsidies Reforms The subsidization system: Expansion in magnitude + divergence from intended purpose

Funding Issues

- Funded by state rents (e.g., Suez Canal, previously foreign aid) and increased debt.



Skewed Distribution

- Originally aimed to protect lower-income households but increasingly diverted from this goal.
- Disproportionately favor middle- and higher-income groups.



Corruption and governance

- Fortified a culture of corruption, poor quality, chronic shortage, wastage and increased reliance on imports.



Masking political weaknesses:

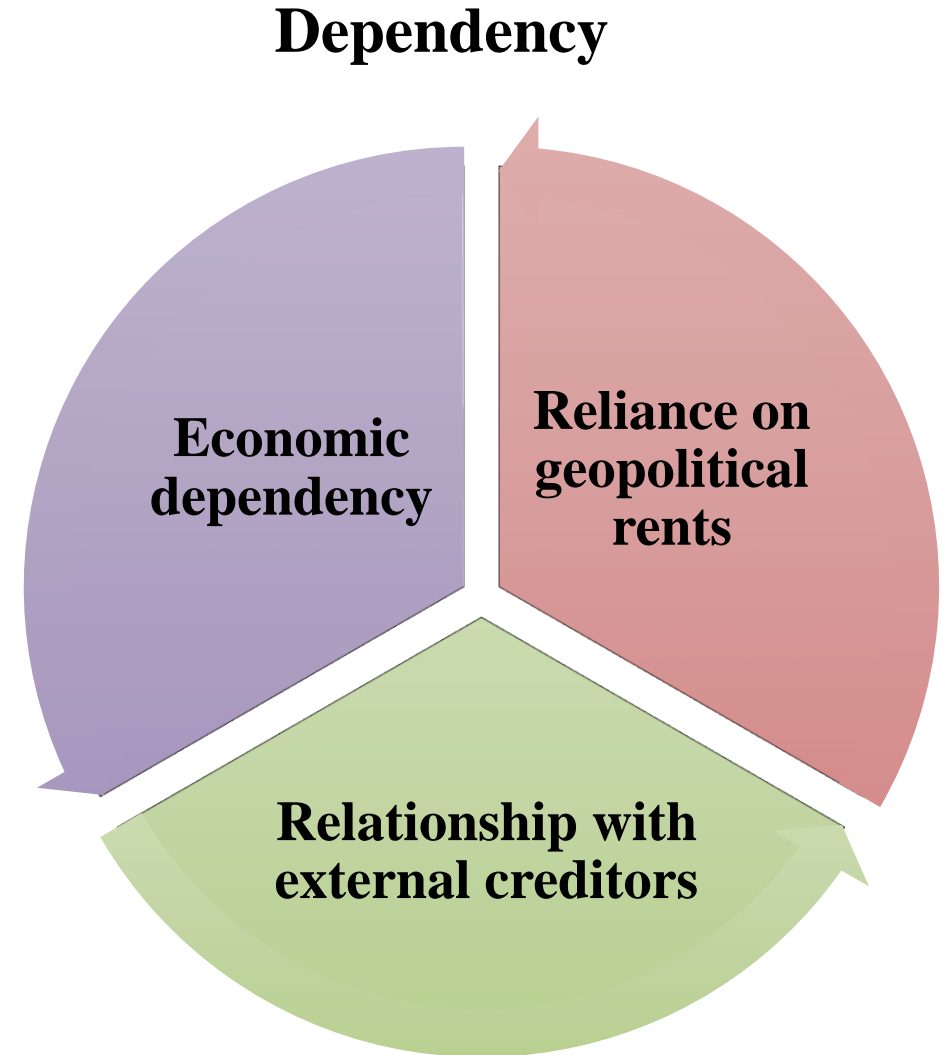
- Skewed allocation to mask shortcomings of central planning and its consequent political vulnerabilities.
- Subsidy cuts remained sensitive due to social repercussions and absence of compensation mechanisms.
- Resistance to reforms when it intersects with business interests.
- Sometimes, the focus become to remove energy subsidy - as a check requirement of IMF - rather than being part of a wider and more comprehensive reform agenda that involves equality and enhance fiscal management rather than social protection remedies.

Outcomes

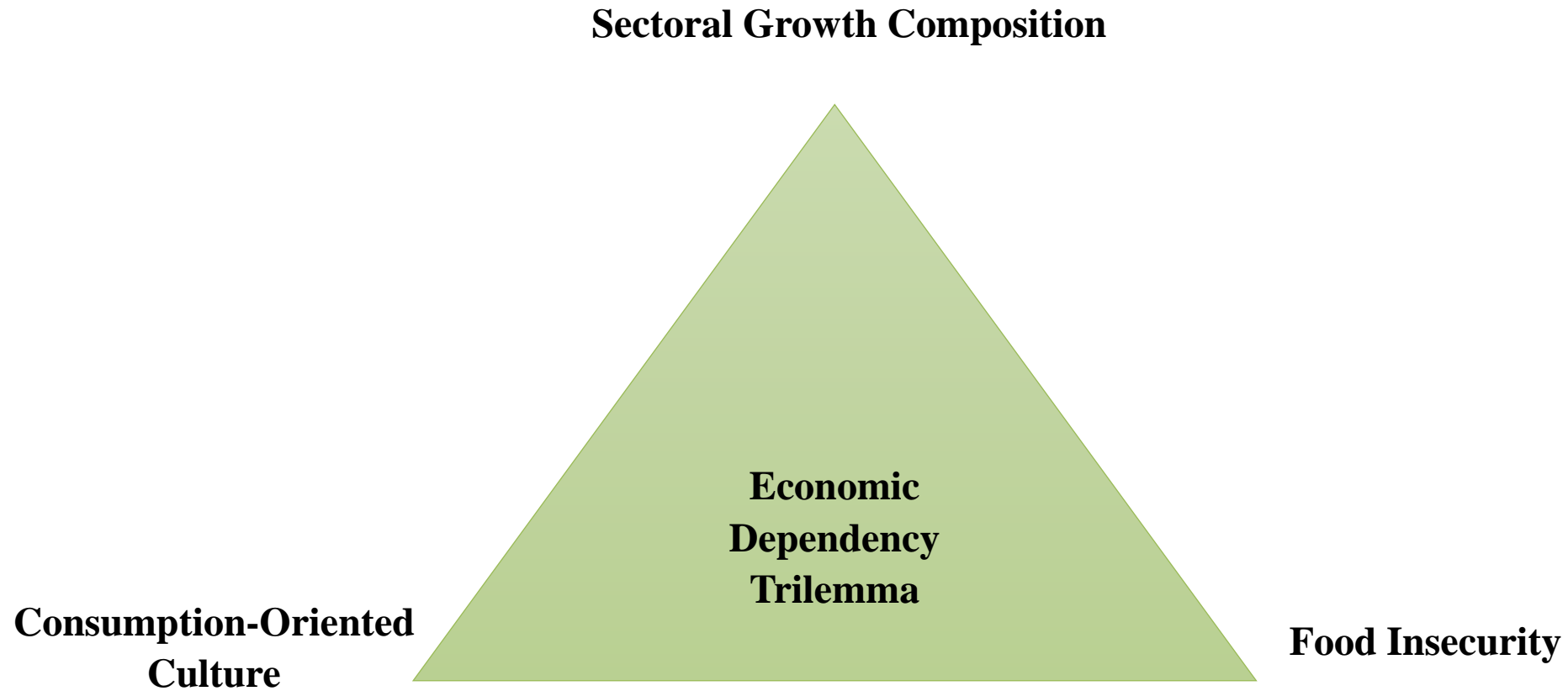
- Contributed to inadequate growth productivity and weak fiscal management.
- Contributed to the under realization of social equality promised by successive governments.

ii. The Fault in our Economy: *External Dependency*

- Egypt's history of external dependency, dating back to ancient times, colonial legacies and has shaped its political and economic landscape.
- Fundamental driver of Egypt's vulnerabilities and inability to stand resilient to domestic, regional, and global shocks.
- Also often led to delays in necessary reforms due to the interests of Western, Eastern, or regional allies, who may not always support Egypt's increased regional influence.



Economic Dependency



Economic Dependency

Sectoral Growth Composition

- Egypt's industrial sector, experienced significant growth between 1952 and 1964. From 12% to 26% of GDP, then declined to 22% in early Infitah years (Mohieldin et al., 2024).
- Since then, growth accounting in Egypt has been not in favor of productive sectors. Cross ref (ElShair, this volume).
- Literature denoted Egypt's Infitah capitalism model relied on imported models, with investments shifting toward real estate and speculative financial practices. (El-Essawi, 2009)
- The misuse of windfall rents, subsequent stabilization programs contributed to weakening productivity and investment in industrial sector.

(Abdel-khalek and El-Zeiny, 2023) Misallocation of resources led to "hollowing out" of the economy. Decline of productive sectors coincided with a rise in service sector, weakening internal linkages and increasing vulnerability to economic crises.

Consumption-oriented culture

- Infitah fueled a consumption-oriented culture. Since Infitah, growth is dominated by household consumption sector. Cross ref (Abdelbary and Rashdan, this volume)
- The "**Political economy bias**," favoring consumers over savers, prevailed and contributed to fiscal imbalances (Ikram, 2018).
- Influx of consumption goods hampered industrial development, limited savings and entrepreneurial culture and kept the economy operating below its potential.
- Reliance on short-term, high-cost borrowing to finance consumption increased external dependency and reflected on Egypt's trade balance for key commodities.
- Unchecked trade liberalization fueled by consumption appetite led to:
 - Overvalued exchange rates and suppressed exports.
 - historic debt crisis in the 1970s.
 - worsened Egypt's external economic position..

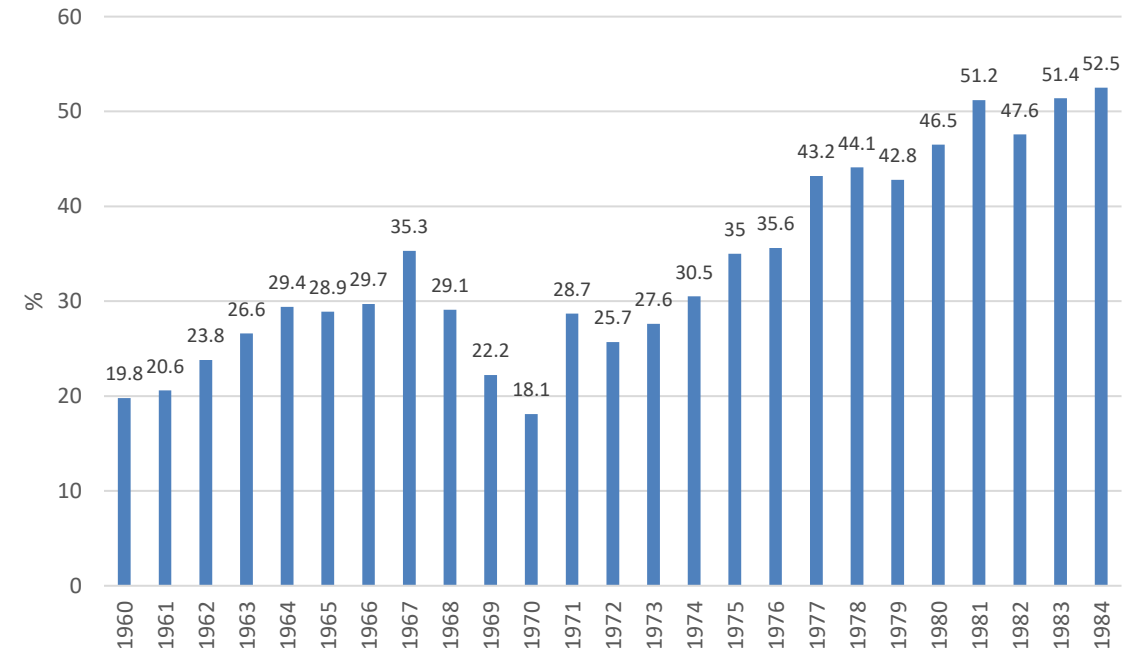
Economic Dependency

Food Insecurity

- Another compromise has been evident through the increased reliance on external food sources.
- In 1961, Egypt imported **only 7%** of its food commodities; by 1971, imports covered **20% of** national needs, to more than **50 %** by 1984, till today. **Cross ref (Abu Hatab, this volume)**
- A growing population and the prevailing dependent development model both contributed to preventing Egypt from reducing reliance on wheat imports to less than 50% of total consumption (Gebeltová et al., 2023).
- This dependency increases vulnerability to global shocks, supply chain disruptions, and fluctuating international food prices.
- Crises such as the COVID-19 pandemic and the Russian-Ukrainian war have intensified existing challenges.

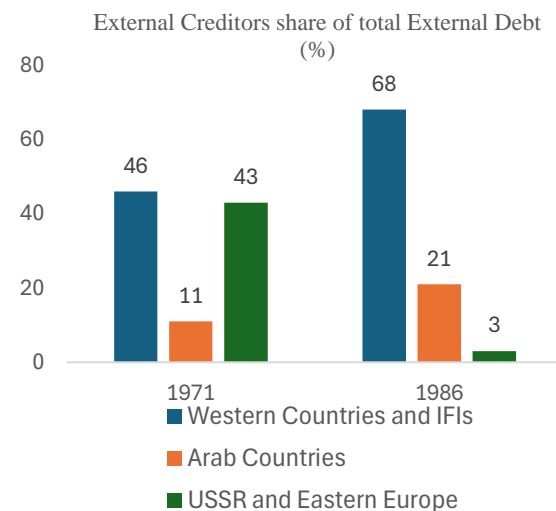
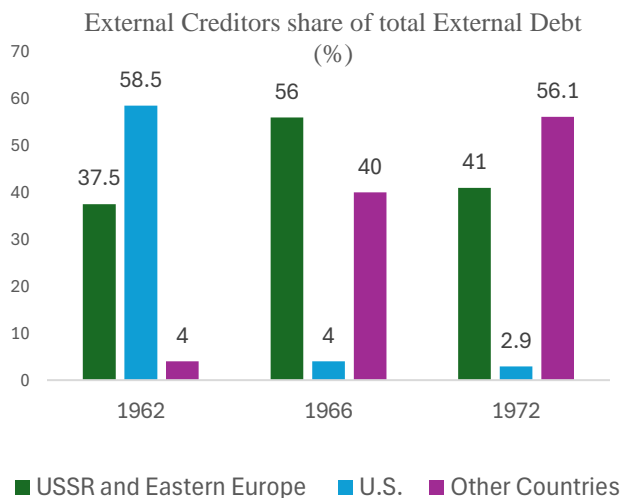


Figure (2): Grain supply, share imported, Egypt, 1960-84



Relations with External Creditors

- Creditors, over history, exercised explicit or implicit power to influence development policy.
- A persistent pattern of dependence on external financing exists, even during eras of economic prosperity and evident windfall rents.
- Favorable conditions did not necessarily lead to prudent borrowing practices, repaying old debts or the effective utilization of domestic resources. Raising this question on the political economy driving Egypt's relations with its external creditors and borrowing agendas;
- Fostering future dependency and loyalty, creating markets for allies' surplus products or a combination of both. **Cross ref (Elkhishin and Rashied, this volume)**



Egypt and the IFIs

- Relations with IFIs cooled in 1950s (High Dam, Suez Crisis), renewed in 1974 with pro-Western shift of the Infitah program.
 - The re-engagement with IFIs in 1974 marked a significant political realignment, resulting in increased Western influence in Egypt's external debt.
 - Agreements are influenced by Egypt's strategic importance to IMF and World Bank shareholders.
 - Today, Egypt remains the IMF second largest borrower after Argentina with credit outstanding for 14.5 percent of total Fund credit (IMF, 2023)
- Share of Western countries and IFIs increased from 46% in 1971 to 68% in 1986.
 - Arab countries' share increased from 11% to 21%.
 - Debt from the Soviets and Eastern Europe decreased sharply from 43% to only 3%.

Reliance on Geopolitical Rents

- Egypt's geopolitical history is closely tied to its strategic location and the interests of global powers in the Middle East.
- Historical geopolitical influences, shifting alliances, and Egypt's role in the Arab world have significantly impacted its economic and political evolution.

While not a traditional rentier economy, Egypt's reliance on external rents shapes its economic policy, stemming from: **tourism**, **remittances**, **Suez Canal** and previously more from **oil exports** and **foreign aid**.

- External Rents percent of GDP (approximately):
 - 20% in 2004/2005,
 - 15% in 2023/ 2024

Geopolitical Rents

The Suez Canal

A crucial strategic asset since the British Occupation, serving as "the gateway to the British Empire" (Peevers, 2013).

- Played a significant role in Cold War dynamics, regional power struggles, and access to economic resources.
- The 1965 Suez Crisis marked a decline in British power amidst Cold War challenges, reinforcing the Canal's importance as a source of external funds in a volatile Middle East.
- Remains a source of Egypt's most strategic, yet most volatile sources of external funds/ rents



External rents significantly contributed to Egypt's foreign exchange earnings and government revenue.



Why then are they perceived as *bad*, in as much as they form another dimension of dependency?

- **Volatile**, making Egypt vulnerable to external shocks from changes in foreign flows and global conditions.
- **Impact Growth and Development:** Theories show that this reliance on geopolitical rents hampers:
 - Domestic productivity and labor force development.
 - The capacity to leverage tax revenues for sustainable fiscal sources to finance debt.
- **Reinforce political dependency and rent-seeking behavior**, as regimes prefer easier paths to revenue over less popular tax reforms (Ikram, 2018).
 - Navigating geopolitical advantages, leveraging regional influence to secure external support and avoid economic collapse.
 - Sidestepping structural imbalances by utilizing their pivotal regional role to attract external rents, stabilize public finances, secure deals, and navigate crises.



iii. Political Institutions, Political Cycles and Economic Policy

Political institutions influence economic policy in various ways, as demonstrated throughout this chapter:

1. Executive-Legislative Dynamics and Fiscal Behavior during political cycles
2. Monetary-Fiscal policy management

Egypt parliamentary governance is one of the oldest in history

The first Egyptian parliament is argued to be established under Muhammad Ali Pasha, in 1824. Some historians even note that representative parliaments were present during the reign of Khedive Ismail in 1866.



Despite its historically active political landscape and known to be one of the oldest countries in the world to witness a parliamentary life, Egypt has consistently struggled with political instability and weak political institutions.

The First Egyptian Parliament

- Free parliamentary elections held post-1923 Constitution.
- Established under Muhammad Ali Pasha in 1824.

Executive-Legislative Dynamics and Fiscal Behavior during Political Cycles

Egypt Parliament Composition (1969-2020)

- **The Political Landscape Prior to 1952** : Vibrant political landscape, led by Al Wafd party.
- **1952, Nasser bans all political parties.** Political vacuum persists for 15 years.
- **Political Parties Law 40/1977. Reintroduction of Political Parties** Establishes three parties.
 - Restricted partisan pluralism until 2011.
 - One-party democracy, despite de jure multi-party system.
- **Post-2011 Developments**
 - Decree-Law No. 12 to amend 1977 Political Parties.
 - Initial parliamentary elections increase plurality but lead to fragmentation.
 - Dissolution of the National Democratic Party causes political vacuum.
- **2014 Constitution till today**
 - Further solidifies fragmentation. Parliament dominated by "Support Egypt Coalition," a majority bloc of independents (until 2020).
 - *Mustaqbal Watan*: Established in 2014, controlling majority seats in House of Representatives and Senate.



Highlights of Egypt's parliamentary life and its interaction with fiscal behaviour

- One-party democracy – eras of explicit political repression - eras of political void.
- *Opportunistic fiscal behavior*: rent-seeking, compensations, and rewards to gain legitimacy.
- *De jure* judiciary independence *versus de facto* political dominance by the executive.



How did this impact macro-fiscal outcomes?

Examples of empirical evidence: Cooper (1979); Hansen (1991), Elkhishin and Zaky (2019)

- **Spending Bias** and expanded fiscal spending during political cycles to obtain public satisfaction.
- **Political concentration of power (voracity effect)** and weak political competition widen the scope of political influence over the budget.
- **Procyclical fiscal behavior**, and consequently, weak fiscal outcomes.
- **Weak Debt management**

El-khishin and Kassab (2022) (theoretical findings using game theory)

- Fiscal rules can mitigate political dominance, even at low levels of central bank independence.
- This is particularly relevant for developing countries with overriding growth objectives.

(Scarlata, 2002, Masson, Savastano, and Sharma, 1997)

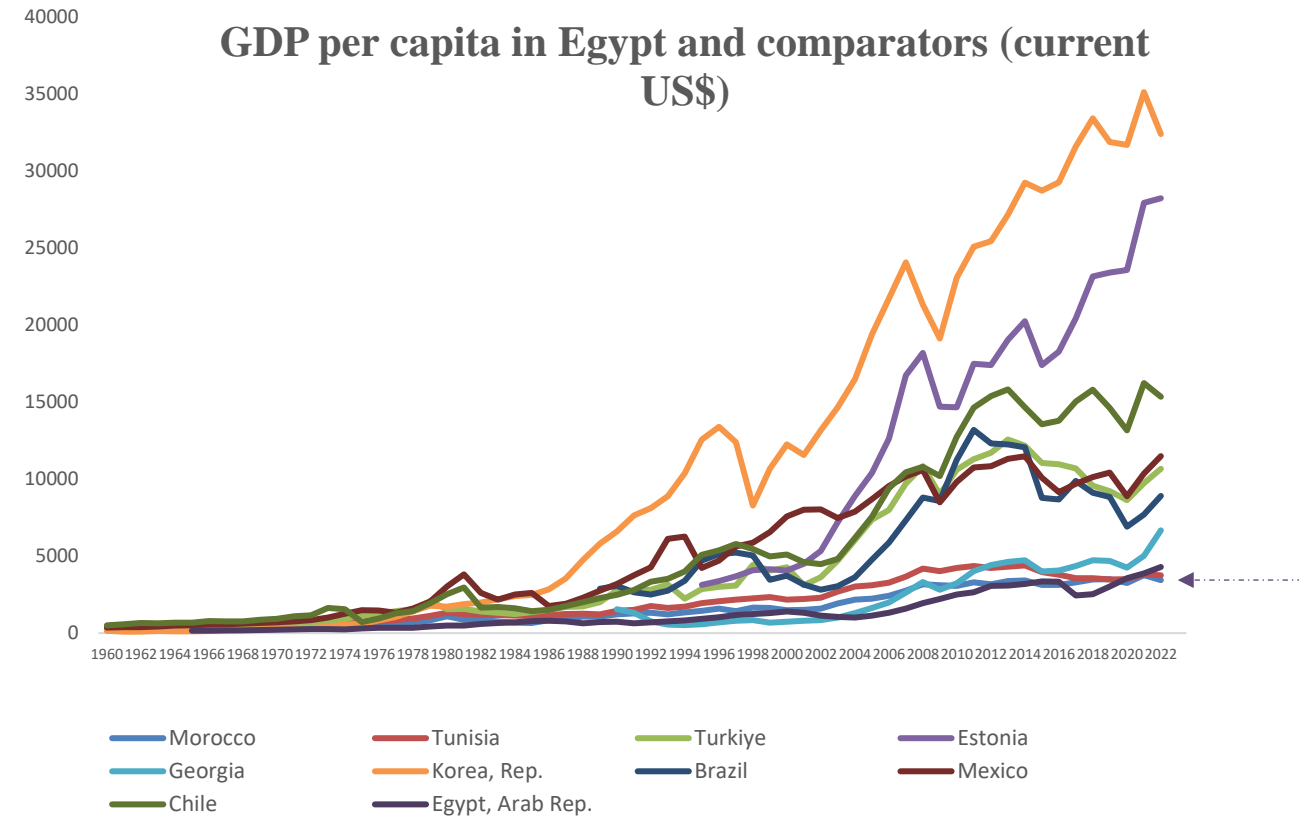
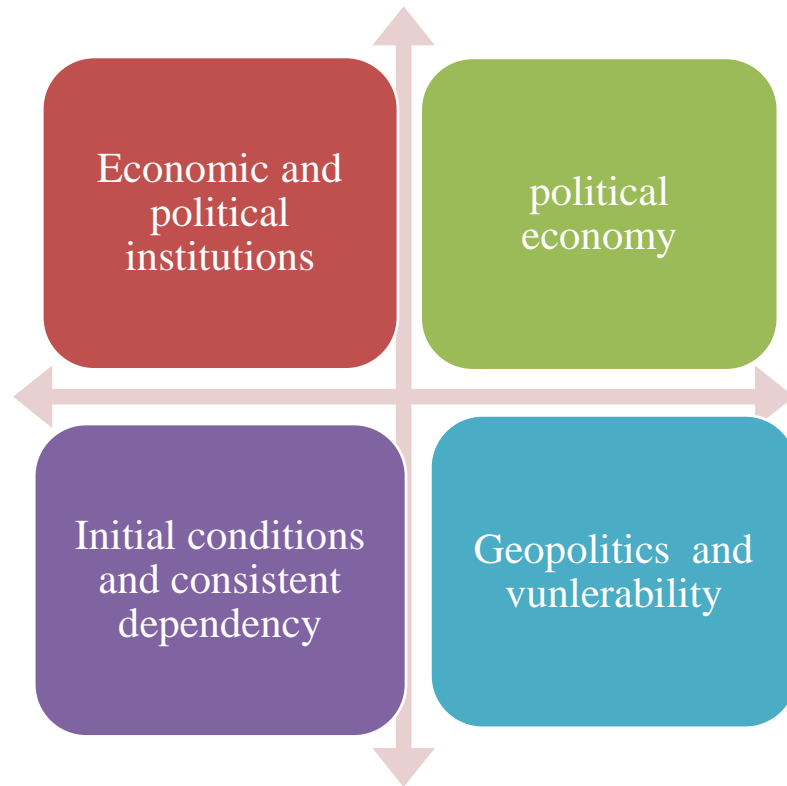
Central bank independence promotes fiscal responsibility by limiting debt financing, a key driver of inflation.

- Inflation targeting mechanism is essential in economies with:
 - High reliance on politically motivated discretionary policies
 - High tendency to override inflation with growth objectives.
- The prime condition to implement IT is the prudence and discipline of fiscal policy,
- While inflation targeting is recommended for economies with strong fiscal dominance, it operates poorly in economies with chronic inflation and fixed exchange rates.

- **Delays in operationalizing inflation targeting and recurrent exchange rate crises,**
 - in as much as they relate to the macroeconomic policy environment, they also highlight the significant influence of political economy on Egypt's monetary and financial system.
 - *Drivers of Egypt's structural inflation:* underdeveloped financial system, state control over the banking sector and monetary management have been drivers of structural inflation, alongside factors.
 - Operationalization of IT is challenging with a history of fixed exchange rate and strong fiscal dominance.
- **Financial repression and continued state intervention** in the financial sector prevailed for years despite announced liberalization policies.
- **Passive monetary policy and delayed interventions** and lacking prudent monetary and financial policies following several crises. **Cross ref** (Kassab, this volume)
- **Weak fiscal rules, quasi-Fiscal Operations, Off-budget Spending** (unrecorded public sector activities and debts) and the Central Bank as a Lender of Last Resort . **Cross ref** (ElHussieny, this volume)
- **Weak fiscal rules regulating the government borrowing from CBE** - another form of political dominance over the fiscal policy.
- **Quasi-fiscal operations**, estimated at EGP 765 billion in 2023, include central bank's overdraft facility, off-budget spending and subsidized lending schemes.

(Al-Mashat and Billmier, 2008; Hassan, 2003), (Mohieldin, 1995), (Bahaa El-Din and Mohieldin, 1998), (Mohieldin and Kouchouk, 2003) El-khishin and Zaky (2019) and El-khishin and Kassab (2020)

Unraveling Egypt's Complex Development Path: *Concluding Remarks*



What factors have caused Egypt's development to diverge?

The mismatch between the political change and the economic development has dragged the Egyptian economy into a status slow and reversible development and to a point where the progress with the reforms would act as enabler to widening income gaps and increasing inequalities.

Unraveling Egypt's Complex Development Path: *Concluding Remarks*

Lacking an autonomous development model

- Rather than being driven by shifts in political ideologies, the country has witnessed eras of ad hoc experimentation and attempts to '*fit-in*', following realigned political agendas or dictated recipes.
- External dependency increased external vulnerability and hindered an autonomous development model.
- Egypt continues to internally struggle with its development path while bearing the heavy costs of the surrounding conflicts in the heated MENA region and global power struggles.

State-Business interplay in Egypt

- State-led growth remained dominant, with unclear roles between state and business.
- Blurred state-business dynamic continues to hinder the development of a healthy, competitive market-led system
- The model – in its explicit or implicit forms – neither promoted development and growth generation, nor was it able to foster equality and social justice.

Unraveling Egypt's Complex Development Path: *Concluding Remarks*

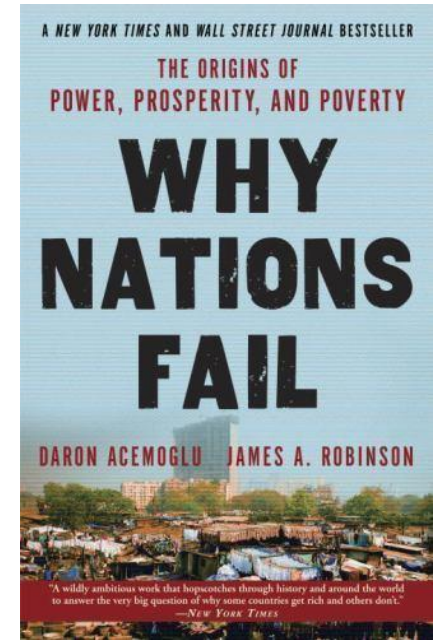
Political override of development agendas

- Consistent political dominance prioritized regime stability over economic reforms.
- Political vacuum during regime changes allowed powerful interest groups to exploit the system.

Exclusive and extractive institutions resulted into skewed reform outcomes

With weak institutions and systems, concentration power and wealth result in skewed outcomes, weak compensations and elite becoming the primary beneficiaries of the system

- Reforms intended to strengthen the business environment often:
 - prioritized powerful groups over efficiency and created space for rent seeking,
 - reinforced existing inequalities rather than promoting equality and negatively impacting the middle-class



Alesina and Drazen's (1991): during transitions, reforms under the influence of political agendas and weak institutions, might disproportionately impact the middle class.

**Unraveling
Egypt's Complex
Development
Path: *Concluding
Remarks***

Three overarching policy proposals, *reiterating* key development priorities and providing a broader framework for action:

1. A New Social Contract:

1. Developing a more sustainable and inclusive social contract is crucial, with a commitment to enforce inclusive institutions and systems.

2. Rethinking Development and pursuing an autonomous growth model

1. Reducing dependence on external forces and fostering a more self-reliant economy.
2. This requires a (1) clear definition of the state's role in economic operations and a (2) move away from dependence on external forces.

3. Strengthening Institutions and isolating political influence:

1. Developing institutions that isolate political agendas from macroeconomic management and promote monetary independence is essential.

Unraveling
Egypt's
Complex
Development
Path:
*Concluding
Remarks*

If we need to define specific policy actions, a focus on the following areas is strongly recommended:

1. **Empowering the Egyptian Legislature:** Developing the *de facto* role of the Egyptian Parliament, beyond the rubberstamp roles : accountability, good governance and inclusive institutions.
 - In Particular, enhance fiscal and debt institutions away from political dominance
2. **Developing the institutional system governing monetary-fiscal coordination:**
 - Reduce the dependence on politically driven decisions that – in many situations – result in unfavorable outcomes.
 - The effective operationalization of inflation targeting through empowered fiscal institutions and monetary independence.
3. **Addressing the exchange rate system:**
 - Not via MF tools only, but rather through strengthening the productive base and reducing dependence on vulnerable sources of foreign finance
 - *So that ER would go back to its original role as instrument to achieve broader macroeconomic objectives and manage external vulnerabilities.*
 - This would create better cushions against repetitive external shocks.
4. **Debt management:** debt remains to be Egypt's most dangerous problem, acting as both a driver and an outcome of the challenges outlined above. Effective debt management is crucial to put Egypt on a sustainable development path. Debt isn't just a macroeconomic problem but it is a matter of intergenerational equity.

Thank you