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The American University in Cairo
The Effects of Neoliberalism on Poverty in Egypt
A Thesis Submitted by
Adham Sameh El-meligy
To Department of Political Science
April, 2018
In partial fulfillment of the requirements for
The degree of Masters of Arts

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Chapter 1

Introduction

The issue of poverty is one of the major obstacles for economic and social development. Also, it is considered one of the key problems that negatively impact global economy. Egypt is one of the countries that suffered from poverty since 1960s. Poverty had widened the gap between the rich and poor. In 1990s, Egypt implemented neoliberal policies- namely structural readjustment and economic liberalization programs- for the sake of enhancing the economy and alleviating poverty. This thesis primarily examines the role of structural readjustment and economic liberalization programs in developing GDP and its negative impact on poverty reduction in Egypt. Furthermore, it discusses key economic policies and pro-poor policies adopted by different regimes in Egypt. The thesis concludes- as per the National Initiative to Develop the Poorest 1000 Villages - that the absence of good governance and rule of law led to the expansion rather than alleviation of poverty in Egypt.

The major research question that this thesis is focusing on is why structural readjustment and economic liberalization programs have led to GDP growth until 2010, while not led to the decrease of poverty rates in Egypt? From this question, other questions follow: what are the major features of neoliberal policies, especially structural readjustment programme and economic liberalization (SAP) in Egypt? what are the key effects of neoliberal policies- namely structural readjustment programme and economic liberalization- on the procedure of socio-economic development especially the issue of poverty reduction in Egypt? Does the structural readjustment and economic liberalization programs help in achieving socio-economic growth? How far does the structural readjustment and economic liberalization programs would assist the Egyptian government in decreasing poverty rate?

According to the senior vice president and chief economist of the World Bank Joseph E. Stiglitz, good governments make difference in the economy, as good public institutions-

from independent and capable judiciary to efficient restriction of monopoly- are necessary for enhancing the performance of the economy¹. He also stated that what differentiates between developed countries and developing countries is knowledge and organization. Referring to Democratizing the International Monetary Fund, Stiglitz said:

“Only broad-based policies and institutions can wage a serious war on poverty, the kind of war that might lift up the lives of billions of individuals”²

Research Hypothesis

According to Neoliberalism, especially Post-Washington Consensus policy, I hypothesize that good governance and the rule of law are major contributors in poverty reduction.

Without these two pillars, poverty reduction cannot be attained³. Referring to Joseph E. Stiglitz who initiated Post-Washington Consensus Policy, it had been stated that good governments play vital role in successful development through enhancing the performance of certain sectors and assist in establishing institutions that endorse resourceful investment allocation and savings. In addition, sufficient institutional infrastructure made privatization an asset-stripping instead of wealth generation. In countries that lack governance, privatized companies exploit consumers while privatized firms accompanied with effectual regulations lead to high growth rates⁴.

In order to understand the Post-Washington Consensus theory, we have first to recognize the concept of neoliberalism, which is a modified form of the liberal thought. It calls for

¹ Stiglitz, Joseph E. "Democratizing the International Monetary Fund" 123.
https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2003_Democratizing_the_International_Monetary_Fund.pdf.

² Stiglitz, Joseph E. "Democratizing the International Monetary Fund" 123.
https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2003_Democratizing_the_International_Monetary_Fund.pdf.

³ Filho, A. S. (2010, November). Growth, Poverty and Inequality: From Washington Consensus to Inclusive Growth. Department Economic and Social Affairs Working Paper, 7-7. Retrieved from http://www.un.org/esa/desa/papers/2010/wp100_2010.pdf

⁴ Stiglitz, Joseph E. "Democratizing the International Monetary Fund" 122.
https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2003_Democratizing_the_International_Monetary_Fund.pdf.

economic liberalization, which believes that states shouldn't intervene in the economy and support free and self-regulating markets⁵. While Post-Washington Consensus theory is an amended form of Washington consensus that aimed to tackle issues resulted from the theory of Washington Consensus through regulated government intervention in the economy⁶. Both theories will be discussed more clearly in this chapter.

Research Method

The research question is answered and the hypothesis is tested using qualitative research methods, deskwork, and analysis. The key qualitative method is in-depth semi-structured interviews, since they give better quality of data due to the fact that they restrain the range of information offered to avoid any informal chats during the interviews. In addition, the semi-structured interviews acknowledge the possible importance of context, offer rich data, and data gathered can be examined in various ways. Furthermore, the open-ended questions help in gathering useful data for research⁷. Firstly, the in-depth interviews were primarily conducted with two male beneficiaries from Beni-Rouh village, Malawi center, El-menya Governorate, one female beneficiary from Abu Qalta village, Malawi center, El-menya Governorate, one female beneficiary from Elbarajel village, Malawi center, El-menya Governorate. Second, the in-depth interview was carried out with one supervisor of Gamaaya Elsharaaya, which is a non-profit religious organization that aims to assist poor people through charity and provides social assistance to the poor, in El-menya Governorate. Third, the researcher interviewed the National Project Director of Social Contract Center, which is part of the Information and Decision Support Centre

⁵ Thorsen, Dag EinarEinar, and Amund Lie. "What is Neoliberalism?" 2-4.
<http://folk.uio.no/daget/neoliberalism.pdf>.

⁶ Stiglitz, Joseph E. "Democratizing the International Monetary Fund" 122.
https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2003_Democratizing_the_International_Monetary_Fund.pdf.

⁷ Newton, Nigel (2010) The use of semi-structured interviews in qualitative research: strengths and weaknesses 1-4. Paper submitted in part completion of the requirements of the degree of Doctor of Philosophy, University of Bristol. Retrieved online at
http://www.academia.edu/1561689/The_use_of_semi-structured_interviews_in_qualitative_research_strengths_and_weaknesses

(IDSC) of the Egyptian council of ministers. Moreover, the researcher conducted interview with the former member of the higher council for policies of the National Democratic Party (NDP), and was a strategic planning team member. These interviews conducted in both Arabic and English to ease the writing of the research. The in-depth interviews provided an insight and a clear explanation of the major impacts of neoliberal policies on the process of economic development especially poverty alleviation, the nature of neoliberal policies in Egypt, and possible ways to implement good governance and rule of law in Egypt to tackle the issue of poverty today. In addition, the researcher did deskwork, which included online research and library research. The main purposes were to understand more about the key features of neoliberal policies, collect data on the results of neoliberal policies globally and in Egypt especially during the period between 1990s and 2000s, learn more about concepts of good governance, rule of law, and sustainable human development and how they can contribute in reducing poverty rate in Egypt. Last but not least, the research used a literature review as a method in the research, since it analyzed neoliberal policies and their relationship with poverty, good governance and rule of law.

Theoretical Framework

Definition of neoliberalism

In order to examine the major problems of structural adjustment programs in strengthening the process of socio-economic development in Egypt and the potential roles of good governance and rule of law in tackling poverty in Egypt, we will review the theories of neoliberal economic development and how they perceive the importance of good governance and the rule of law. Theories of neoliberalism will help us understand the concept of economic liberalization, which emerged from this theory. Neoliberalism became one of the most commonly used words in economic, political, and social fields,

since it replaced the economic theories of John Maynard Keynes and Keynesianism⁸. In the 1930s, the theories of neoliberalism emerged as a counter-movement to the rising popularity of state regulation for the economic life. Neo-liberalism, which is based on neo-classical economics, was known for being an influential ideology, since it employs concepts of freedom, youth, dynamism, self-centeredness, and consumerism⁹. According to Jacques Cros' doctoral thesis, "*Le _néo-libéralisme' et la révision du libéralisme*", neoliberalism is a political ideology that emerged from a few efforts by political theorists such as Friedrich von Hayek and Wilhelm Röpke to revive theory of classical liberalism in the period before and during the second World War. Cros argued- in his doctoral thesis- that neoliberals aimed to redefine liberalism by turning back to a more right-wing position on economic policy issues in comparison to the modern and democratic liberalism of Keynes and Beveridge¹⁰. It had been stated that liberal principles were guided by the reformation of the relationship between capital and the state, and between society and the state, with the intention of renovating the unregulated process of market forces; these reforms were applied in some developed capitalist economies such as the United States and United Kingdom, and in developing states as well¹¹. Referring to the neo-liberal point of view of society, the market is the domain of freedom, while the state is the realm of power. This power is not well utilized by self-serving players of the state that is seen as less effectual than the market¹². Neo-liberal ideology includes a collection of interconnected policies that aim to widen the role of markets in a regulated economic atmosphere through privatizing public enterprises, minimizing control on capital movements, decontrolling credit of labor markets, spreading free-trade agreements

⁸ Cervantes, Juan. "Ideology, Neoliberalism and Sustainable Development." 2013, 27.

Accessed March 1, 2015. http://humangeographies.org.ro/articles/72/7_2_13_3_cervantes.pdf.

⁹ Gosme, Sylvie. "Some Aspects of the Neo-Liberal Ideology." 2002, 2-3. Accessed March 1, 2015. <http://sys.glotta.ntua.gr/Dialogos/Politics/gosme-neoliberal-ideology.pdf>

¹⁰ Thorsen, D. E., & Lie, A. (n.d.). What is Neoliberalism? 9-9. Retrieved from <http://folk.uio.no/daget/neoliberalism.pdf>

¹¹ Cammack, Paul. *Neo-liberalism, the World Bank, and the New Politics of Development*. 158.

¹² Gosme, Sylvie. "Some Aspects of the Neo-Liberal Ideology." 2002, 2-3. Accessed March 1, 2015. <http://sys.glotta.ntua.gr/Dialogos/Politics/gosme-neoliberal-ideology.pdf>

among states, abide by IMF conditionality, and applying new regimes of intellectual property¹³. Referring to Austrian-American economist Joseph Schumpeter, he stated:

“The neo-liberal revolution has thrown the six components of postwar political economy into reverse. State managed stabilization policies to prevent recession or depression have given way to internationally managed policies of restructuring, often deliberately inducing domestic recession; redistributive taxation to bring about greater equality of income has been abandoned in favour of fiscal reform that rewards entrepreneurship and accentuates inequality; measures to regulate price have been dropped; public control over the labour and money markets has been systematically stripped away; the indefinite extension of ‘the sphere of wants...to be satisfied by public enterprise’ has been thrown into reverse; and social security legislation has been restructured to promote rather than work against market forces”¹⁴

Additionally, neo-liberalism is based on the rejection of state intervention in the economy, as the free market and competition control both economic and social organizations¹⁵. However, the state is responsible for very limited economic roles such as regulation of the money supply, defining property rights, and enforcing contracts. The British anthropologist David Harvey had defined neoliberalism as a political economic process that suggested human being could be exceptional through liberating personal entrepreneurial freedoms and capabilities within an institutional context, which defined by free markets and free trade and strong private property rights. On the other hand, the

¹³ Evans, Peter, and William Sewell. "The Neoliberal Era: Ideology, Policy, and Social Effects." 2013, 5. Accessed April 1, 2015. [http://sociology.berkeley.edu/sites/default/files/faculty/evans/Evans Sewell Neoliberalism DRAFT 5-17-11.pdf](http://sociology.berkeley.edu/sites/default/files/faculty/evans/Evans%20Sewell%20Neoliberalism%20DRAFT%205-17-11.pdf).

¹⁴ Cammack, Paul. *Neo-liberalism, the World Bank, and the New Politics of Development*. 163.

¹⁵ Mardones & Aguirre 1989, *El hombre y la sociedad de consumo ante el juicio del evangelio*, Editorial Sal Terrae, Bilbao.

major role of the state is to establish and secure an institutional framework suitable for such practices. Furthermore, the state should guarantee the quality and reliability of money. It must establish military, police and legal arrangements and purposes needed to safeguard private property rights and to assure the appropriate operations of markets. In addition, state should provide education, health care, land, water, and social security if they didn't exist in markets, but beyond these areas the states should not intervene. State interventions in markets must be in minimum range, since the state cannot acquire enough information to second-guess market signals (prices) and because interest groups will lead state interventions for their own interest¹⁶. Referring to neoliberalism, the neoliberal state should support the rule of law, free market, free trade, and individual private property rights. Additionally, the individual right to freedom of expression, choice, and action must be secured by the state. Neoliberals believe that the lack of private property rights is considered one of the major institutional obstacles to economic development and the enhancement of human welfare in many developing states. Moreover, they claim that public sectors must be privatized and deregulated from any state intervention¹⁷. Neo-liberal theory call for free movements of capital, goods, services and money between states in which banks, enterprises, and individual investors are free to move their properties between states and free to attain properties across national boundaries¹⁸. All obstacles to the free movement (like tariffs and disciplinary taxation arrangements) should be eliminated, excluding areas related to the national interest of the state. As a result, stated should work closely in reducing obstacles to movement of capital across border and globalizing local markets for both capital and commodities¹⁹. Another main feature of neo-liberalism is its interest in market equilibrium, which is simply

¹⁶ Harvey, David. *A Brief History of Neoliberalism*. 2-3 New York, NY: Oxford University Press, 2005

¹⁷ *Ibid*, 64-65

¹⁸ Kotz, David. "Globalization and Neoliberalism." 2000, 1-2. Accessed March 1, 2015. http://storage.globalcitizen.net/data/topic/knowledge/uploads/20121107132223123800_Glob_and_NL_02mm.pdf

¹⁹ Harvey, David. *A Brief History of Neoliberalism*. 64-65 New York, NY: Oxford University Press, 2005

supply and demand both converging together in the market and that should verify the equilibrium price, hence guaranteeing the best allocation of resources²⁰. As for the issue of governance, neoliberals believed that governance by majority rule is a possible danger to individual and constitutional rights. Hence, they tended to support governance by elites and experts. Neoliberals believed in rule of law, as any conflicts must be mediated through courts or any legal system²¹. Harvey stated that neoliberalism had increasingly relied on the public-private partnerships, this idea was strongly backed by Margret Thatcher since she formed “quasi-governmental institutions” like urban development corporations to proceed economic growth. As for Civil Society, neoliberals supported the emergence of non-governmental and grassroots organizations, since they believed in the opposition organized outside the state structure as the center of oppositional politics and social change. Last but not least, neoliberal schools and intellectuals believed in the significance of education for improving societies. They also claimed that social inequalities can be diminished and employment opportunities can be enhanced through equal distribution of education. Accordingly, the education structure needs more skills in order to generate more employment chances. Furthermore, it’s important to avert the disparity between the education structure and the market. Neoliberal scholars and institutions like WB declared that education is a human asset not an institution which expands social and wealth disparities among societies²².

A critical analysis of neoliberalism

Some academics, intellectuals and scholars criticized theory of neoliberalism for several reasons. According to the book “Neoliberalism – A Critical Reader”, some authors of the

²⁰ Gosme, Sylvie. "Some Aspects of the Neo-Liberal Ideology." 2002, 3. Accessed March 1, 2015. <http://www.citationmachine.net/chicago/cite-a-journal/manual>.

²¹ Harvey, David. *A Brief History of Neoliberalism*. 76 New York, NY: Oxford University Press, 2005

²² Sika, Nadine. "Neoliberalism, marginalization and the uncertainties of being young: The case of Egypt." *Mediterranean Politics*, February 22, 2018, 3-4. <https://doi.org/10.1080/13629395.2018.1434067>.

book- like Saad-Filho and Johnston- believed that power and wealth were in the hands of multinational corporations and elite groups due to the application of an economic and political ideology, which named neoliberalism. These entities and groups benefited a lot from neoliberalism as they control the key elements of the economy²³. Furthermore, Wendy Larner- a professor of Human Geography and Sociology at the University of Bristol- observed that neoliberalism was inspired by left-wings academics and political activists. She added that theory of neoliberalism is a political programme that sought to replace public values with both private and individualistic values of market rationale as the directing doctrine of economic governance, state policy and day-to-day life. She added that neoliberalism is sometimes hypothesized as a hegemonic ideology and as a unique form of governmentality. In other words, neoliberalism sought to control all aspects of economy for the benefit of group of people who have power and money²⁴. In addition, critical theories of neoliberalism that recent history had shifted away from public values into private and individualistic one. At the same time, there is a normative framing of such theories around a form of theoretical and ethical binaries: public versus private; market versus state; individual benefit versus shared solidarity; consumer versus citizen and liberty versus equality. Referring to Harvey, he criticized neoliberal states for creating legislations that benefit corporations such as energy and pharmaceuticals rather than the impoverished people who need some attention from the state. He also added that in many examples of public-private partnerships, the state takes much of the risk although the private sector gains most of the profits. Neoliberal state adopts compelling legislations to suppress any opposition to business power and protect corporate advantages²⁵. Other critical theorists argued that theories of neoliberalism declined

²³ Thorsen, D. E., & Lie, A. (n.d.). What is Neoliberalism? 7-7. Retrieved from <http://folk.uio.no/daget/neoliberalism.pdf>

²⁴ Barnett, C. (n.d.). PUBLICS AND MARKETS What's wrong with Neoliberalism? The Handbook of Social Geography, 2-2. Retrieved from

²⁵ Harvey, David. A Brief History of Neoliberalism. 77 New York, NY: Oxford University Press, 2005

energetically citizenly value, public life and morals of solidarity and equality²⁶.

Meanwhile, critics of theories of neoliberalism claimed that they reduced democracy, generated poverty and inequality, and forced by either external or by strange elites.

Theories of neoliberalism were blamed for undermining collective unity, public domain, social justice, and democracy. Moreover, they discharged considerations of motivation, rational action, and decentralized harmonization²⁷. On the other hand, Harvey argued that neoliberalism didn't succeed in reinstating conditions for constant economic growth and capital accretion. He stated that neoliberalism had been a redistributive rather than a reproductive programme, directed by approaches of "accumulation by dispossession".

This manner sought to shift public assets into private ones. Furthermore, he stated that the results of state withdrawal from welfare delivery were serious, since its role in areas like public education, healthcare, and social services were diminished which left large division of the population exposed to poverty²⁸. According to Harvey's analysis, accumulation by dispossession led to a disintegration of social conflicts compared to the approaches that maintain growth throughout shifting to the labour-process based on extended wage-labour that have positive impact since they reduce transparent their own class matter²⁹. Referring to Dean and Jones, neoliberal government don't get debt to activate the economy, however poor people are the ones who suffer from these debts. Neoliberal reformations restricted the progress of labour wages on both developing and developed countries³⁰. Meanwhile, Harvey stated that neoliberalism didn't serve terribly practical role in following accumulation by dispossession, however it is a good-looking mask full of words such s freedom, rights, and liberty to hide the ugly truths of the renovation of naked class power. He also argued that theory of neoliberalism raised the

²⁶ Ibid, p.3

²⁷ Ibid, p.3-4

²⁸ Harvey, David. *A Brief History of Neoliberalism*. 76 New York, NY: Oxford University Press, 2005

²⁹ Ibid, p.4

³⁰ Sika, Nadine. "Neoliberalism, marginalization and the uncertainties of being young: The case of Egypt." *Mediterranean Politics*, February 22, 2018, 3.
<https://doi.org/10.1080/13629395.2018.1434067>.

Gramscian concept of hegemony that benefited group of people on expense of the others³¹. Referring to Harvey's thoughts, neoliberalism became hegemonic through an unclearly defined ideological tool of 'naturalization':

*“For any system of thought to become hegemonic requires the articulation of fundamental concepts that become so deeply embedded in common-sense understandings that they become taken for granted and beyond question. For this to occur not any old concepts will do. A conceptual apparatus has to be constructed that appeals almost ‘naturally’ to our intuitions and instincts, to our values and our desires, as well as to the possibilities that seem to inhere in the social world we inhabit.”*³².

The Hungarian-American economist Karl Polanyi criticized the approach that human welfare could be secured through liberalizing markets, as he believed that free market could generate fast growth by declining the circumstances of human sociality.

Furthermore, he declared that the concept of creative destruction was more disparaging than it was innovative³³. Polanyi had also stated that theory of neoliberalism exemplifies the success of a formal economizing approach of market rationality that led to the extraction of economic activities from a broader perspective of substantive social relationships, norms, and institutions³⁴. Some critiques of the perception of neoliberalism argued that it negatively impacted the society since it raised levels of socio-economic inequality, corrupt government, authoritarianism, and the concentration of wealth in hands of a group of people which were known by “elite”. In addition, the concept of neoliberalism had been known as individualistic and selfish since it sought to benefit individuals (elite group) rather than the group (people). At the same time, neoliberalism

³¹ Ibid, p.4

³² Barnett, C. (n.d.). Publics and Markets What's wrong with Neoliberalism? The Handbook of Social Geography, 5-5. Retrieved from

³³ Ibid, p.6

³⁴ Ibid, p.6

was seen as “a programme of the methodical destruction of collectives”³⁵. Referring to Harvey’s analysis of the theory of neoliberalism, he claimed that the retreating of the state led to the destruction of social solidarities and anti-social behavior and criminality. On the other hand, the result of the withdrawal of the state led to the reconstruction of social solidarities around other areas of nationalism, religion and morality, and associationism. Harvey declared in his analysis that the “movement society” had been raised as result of the rolling-back of the state; as a consequence, gangs, cartels, narco-trafficking networks, and mini-mafias throughout non-governmental organizations (NGOs) and grassroots grew rapidly³⁶. Finally, Harvey added that the appearance of international human rights movements and the NGOs were not welcomed as complicit with the notion of individual rights and privatization of neoliberal ideology.

To sum up, some theorists, scholars, and intellectuals believed that theory of neoliberalism would be beneficial for the market since it will encourage competition between various corporates, which will increase efficiency. Moreover, theory of neoliberalism eased the movement of capital, goods, money, and services between countries that will have positive impacts on the global economy. On the other hand, the critics believed that theory of neoliberalism widened the notion of private rather than public. Additionally, it increased levels of socio-economic inequality and injustice, corruption, and authoritarianism that negatively affected both the economy and society.

Neoliberalism and poverty

As for poverty, neoliberalism raised the issues of poverty and distribution. In fact, neoliberals argued that increase in economic growth will benefit all social segments, as economic growth assists in enhancing living standards for the population because better economic chances will offer better quality of life to the poor people. In OECD countries,

³⁵ Ibid, p.23

³⁶ Barnett, C. (n.d.). Publics and Markets What’s wrong with Neoliberalism? The Handbook of Social Geography, p.5. Retrieved from

neoliberals claimed that efforts to redistribute income from the rich to the poor had diminished economic incentives. They stated that high marginal tax rates had lessened economic inducements among all groups of income earner, although high welfare benefits meant that work will not be paid for the poor. In less developed states, neoliberals argued that poverty reduction policies had falsified economic inducements. Meanwhile, neoclassical trade theory appeared to assure that liberalism will benefit the poor in developing countries as eradicating trade barriers would widen demand for low-skilled labour and enlarging unskilled employment and wages. Furthermore, the grouping of trade liberalization and the demolishing of state intervention would inspire the agricultural sector, which is considered the major sector that employed the poor. Some academics, NGOs, and policy makers criticized neoliberal policies, as they negatively impacted the poor people. Referring to Cornia and others (1987), it had been stated that public-sector employment and wages had been decreased; however private-sector employment had hardly enlarged. Furthermore, employment opportunities did not increase in the approach predicted by neoclassical trade theory. Poor people in rural areas didn't witness a formation of agricultural livelihoods . During 1980s and 1990s, some data had recognized harsh escalation in income inequality between rich and poor in many countries. In the meantime, IMF and WB initiated the Poverty Reduction Strategy Papers (PRSP) based on a neoliberal economic policy. The PRSP process sought to relocate government and donor expenses on areas related to poverty reduction. This had been criticized for being old-fashioned method of combating poverty. To conclude, neoliberal polices failed to tackle poverty as it benefited the rich rather than the poor.

Conceptual Framework

Washington consensus policy

This part will primarily demonstrate the key features of the Washington Consensus policy (WC). Also, the chief purpose of this part is to recognize the main objectives of the

Washington Consensus policy. During 1980s and 1990s, development theory was directed by a single and supreme pattern that positioned market forces at the core of policy. The Hungarian-American financier named that pattern 'market fundamentalism', while others called it the 'Washington Consensus'. In Latin America, the theory had been known as 'neoliberalism'. However, others termed it 'free-market economics'. In 1990s, economist John Williamson- after examining the point of views of the economic agencies of US government, the Federal Reserve Board, the political Washington of Congress, senior member of the American administration, and the technocratic Washington of the international financial entities- named it 'the Washington Consensus' as well. The former American President Ronald Reagan, the former British Prime Minister Margaret Thatcher, and the former German Chancellor Helmut Kohl used this policy to renovate the economies of US, UK, and Germany³⁷. During 1980s, the WC became a worldwide policy that conquered developing states development programmes³⁸. In 1982, along with the debt crisis that took place in Mexico, the US Treasury Department allowed the IMP to play a key role in spreading WC policies on borrower nations as to be the macro-economic conditionality for public and private sector loans³⁹.

The failure of Washington consensus

This part will primarily show some evidence of the failure of WC policies in several Asian, Latin, and African states. Besides, it will demonstrate critiques of WC policies by several economists, theorists, and political analysts. WC policies sought to achieve economic growth in developing countries through implementing neoliberal policies that were sponsored by developed countries like US and UK and by financial institutions such as WB, IMF, and WTO. However, these policies failed to achieve their goal due to

³⁷ Broad, R. (2004, December). The Washington Consensus Meets the Global Backlash: Shifting Debates and Policies. 1(2), 129-129. Retrieved June 15, 2016, from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.472.4170&rep=rep1&type=pdf>

³⁸ Ibid, 131

³⁹ Ibid, 131

several reasons that will be addressed in this part. Referring to the English economist John Williamson, WC policies had nothing to say about both social and environmental issues that negatively affected developing societies. In addition, he thought that WC policies of the 1980s would be a pity that was fundamentally disdainful of equity concerns⁴⁰. The ‘on-the-ground’ outcomes of the WC policies had widened inequality in developing communities, lessened worker rights and benefits for the interest of rich elites, expanded environmental destruction. Critics of the WC had not only diminished the growth record in various developing states but also benefited wealthy elites, big corporations, a subgroup of workers who were employed in export industries, and some customers through lower prices on some products and services. The effects of such results led to the occurrence and evolution of citizen movements in several states; these movements had opposed the WC approach and the major public and private institutions that supported such approach⁴¹. As i mentioned before, some Asian states witnessed rapid economic growth, nonetheless countries- such as South Korea, Indonesia, Thailand and followed by Russia- had suffered from economic crisis due to the extreme financial liberalization⁴². Due to the implementation of WC policies, Argentine economy collapsed by the beginning of 2001, since it entered economic free fall in late 2001 and was obliged to declare bankruptcy in 2002⁴³. Moreover, the Argentine currency collapsed due to the application of WC policies⁴⁴. All these events have affected the credibility of WB, IMF, and WTO, since they proved that their policies were not effectual in developing societies. As for trade liberalization, some critics of WC policies stated that East Asian tigers have succeeded to establish strong domestic markets in 1960, as Stiglitz noted that East Asian

⁴⁰ Broad, R. (2004, December). The Washington Consensus Meets the Global Backlash: Shifting Debates and Policies. 1(2), 132-132. Retrieved June 15, 2016, from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.472.4170&rep=rep1&type=pdf>

⁴¹ Ibid, 132

⁴² Ibid, 133

⁴³ Ibid, 134

⁴⁴ Woo, W. T. (n.d.). Serious Inadequacies of the Washington Consensus: Misunderstanding the Poor by the Brightest. 12-12. Retrieved June 16, 2016, from <http://faculty.econ.ucdavis.edu/faculty/woo/Woo.Inadequacies of Washington Consensus.pdf>

nations were successful because they didn't follow sponsors of neoliberal paradigm. In addition, he claimed that policies of IMF led to the East Asian financial crisis⁴⁵.

Concerning privatization, debt states began to sell their public assets and entities between late 1980s and the beginning of 1990s. By 1990s, most public services- such as health care systems, water systems, and electrical utilities- were privatized so the poor governments could be able to pay their debts. As a consequence of privatization wave, worldwide anti-corporate globalization movement expressed its concern due to the huge unemployment that caused from government sales of mines⁴⁶. By the mid-1990s, significant evidence claimed that privatization didn't improve competition, efficiency and good governance in developing states. It added that corrupt public monopolies could be changes by corrupt private monopolies, which were obvious in most developing countries⁴⁷. To recap, it had been concluded that WC policies were not successful as it led to major economic problems of developing countries. First, it didn't tackle both social and environmental issues; however it focused on economic issues only. Second, it increased level of inequality, benefited rich people rather than poor, didn't tackle issue of poverty, and minimized workers' rights. Last but not least, the absolute withdrawal of governments in economies led to the emergence of corrupted corporates and downfall of standard of living of poor people in different developing states.

Structural adjustment programmes in developing states: precursor to neoliberalism

This part will primarily demonstrate the key features of Structural Readjustment

Programme (SAP), which was sponsored by IMF and WB in most developing countries.

Also, the chief purpose of this part is to recognize the main objectives of SAP. First of

all, SAP is an economic reform policy that aimed to maintain long-term economic growth

⁴⁵ Ibid, 140

⁴⁶ Broad, R. (2004, December). The Washington Consensus Meets the Global Backlash: Shifting Debates and Policies. 1(2), 141-141. Retrieved June 15, 2016, from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.472.4170&rep=rep1&type=pdf>

⁴⁷ Ibid, 142

in poor countries through reforming the economy and decreasing government intervention in the economy. SAP included management of balance of payments, devaluation of currency, decreasing taxes on high earners, minimizing government services through budget deficit cuts and public spending cuts, privatization, encouraging foreign direct investment (FDIs), decreasing inflation, increasing free trade, and reducing tariffs on imports. Moreover, it advocated fiscal discipline, competitive exchange rate, and aimed to secure property rights. In addition, SAP called states to minimize their role in the economy through privatizing public enterprises and opening up the economy for foreign competition⁴⁸. In other words, SAP obliged developing states to change their economic policies in a way that supports economic deregulation of finances, investments, and trade, which were in the interest of rich countries rather than poor, as it weakened the domestic industry for the sake of foreign trade, which was manipulated by rich states. In addition, IMF forced several developing states to implement SAP, regardless of their economic or political structure⁴⁹.

A critical analysis of structural adjustment programmes

This part will primarily show some evidence of the failure of SAP policies- in several developing states. Besides, it will demonstrate critiques of SAP policies by several economists, theorists, and political analysts. SAP policies sought to achieve economic growth in developing countries through implementing neoliberal policies that were sponsored by developed countries like US and UK and by financial institutions such as WB, IMF, and WTO. However, these policies failed to achieve their goal due to several reasons that will be addressed in this part. Many developing countries had implemented the policies of IMF and WB –namely SAP- as result these countries suffered from high

⁴⁸ "Structural Adjustment Programmes (SAPs)." Accessed March 1, 2015.

<http://www.who.int/trade/glossary/story084/en/>.

⁴⁹ Abdelazim, Saleh. "Structural Adjustment and the Dismantling of Egypt's Etatist System." 2002, 73. Accessed March 1, 2015. <http://scholar.lib.vt.edu/theses/available/etd-12232002-083424/unrestricted/Front.pdf.pdf>.

debt and poverty rates. These programmes had been criticized for many years as it increased dependency on the developed countries. Apparently, International Financial Institutions (IFIs) had imposed SAP policies to reconstruct the economy of poor countries and guarantee debt repayment through obliging poor countries to minimize spending on education, health, and development for the sake of debt repayment. In other words, IMF and WB had required poor states to lessen the standard of living of their people as to reform the economy and ensure debt repayment. The IMF and WB provided financial aid to poor states in return they will apply neoliberal economic agenda which included liberalization of the market, privatization of stated-owned enterprises, minimization of the role of state in the economy, abolition of subsidies such as food subsidies, devaluation of the currency⁵⁰. The effect of these policies on poor states were devastating since they were obliged to export more- before they are economically and socially stable in order to be able to pay off their debts and were told to focus on similar crops and commodities, thus the resources of the poor countries became cheaper, which benefited consumers in developed countries. Meanwhile, developing governments were in need to widen their exports in order to stabilize their currencies and get more foreign currency to pay off their debts. Consequently, poor governments were obliged to cut their expenses, decrease consumption, and lessen or remove financial regulations. By the time, the value of labor decreased, and capital flows became instable, which led to protests and social unrest in these countries⁵¹. Referring to the American Economist J.W.Smith, poor state lose out when they exported commodities to developed ones because raw material are cheaper than finished goods. In addition, he stated that poor states were obstructed from industrial capital and technology transfer, as developed countries don't give them the space to produce more advanced products. Moreover, poor states import finished products from western states, which are more expensive as result of the added labor to produce the

⁵⁰ Shah, Anup. "Structural Adjustment—a Major Cause of Poverty." *Global Issues*, March 24, 2013. <http://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty>.

⁵¹ Ibid.

product from their resources. Therefore, developed countries guaranteed that the circulation of money remains in their own economy. This had been a key reason for dependent economy and poor countries. This also had been known as “unequal trade”⁵². According to *Global Problems and the Culture of Capitalism*, the American Anthropologist Richard Robbins stated:

*“At first glance it may seem that the growth in development of export goods such as coffee, cotton, sugar, and lumber, would be beneficial to the exporting country, since it brings in revenue. In fact, it represents a type of exploitation called unequal exchange. A country that exports raw or unprocessed materials may gain currency for their sale, but they lose it if they import processed goods. The reason is that processed goods—goods that require additional labor—are more costly. Thus a country that exports lumber but does not have the capacity to process it must then re-import it in the form of finished lumber products, at a cost that is greater than the price it received for the raw product. The country that processes the materials gets the added revenue contributed by its laborers”*⁵³.

SAP were criticized for encouraging poor countries to open up for trade in an aggressive manner claiming that these policies will create a “level playing field” with rich countries, however the reality was that SAP didn’t give the opportunity for poor countries to compete with rich ones, since it benefited developed countries on the expense of the poor ones⁵⁴. Furthermore, SAP negatively impacted developing states as it undermined democracy and democratic accountability and minimized the poor government capability to take decisions for their own people⁵⁵. As we discussed before, SAP sought to reconstruct the economy and reduce poverty levels in developing countries, although this programme declined living standards of poor people, diminished employment rate, and

⁵² Smith, J. W. *The World's Wasted Wealth 2: Save Our Wealth, Save Our Environment*. 1st ed. Institute for Economic Democracy;. 127,139 .

⁵³ Robbins, Richard. *Global Problems and the Culture of Capitalism*. 1999. 95-95.

⁵⁴ Shah, Anup. "Structural Adjustment—a Major Cause of Poverty." *Global Issues*, March 24, 2013. <http://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty>.

⁵⁵ Ibid.

altered the distribution of incomes for the sake of rich people⁵⁶. In 1990, Latin America and some states in the Caribbean suffered from the absence of economic growth and major setbacks on the social side. Some evidence showed that poverty and inequality have risen considerably in some states and regions that implemented SAP. Additionally, some evidence claimed that SAP slowed down growth rate or didn't achieve economic growth in poor states. SAPs in Latin American led to a redistribution of income away from labor to capital. Besides, inequality of incomes was also dominant in Jamaica and Trinidad and Tobago⁵⁷. It had been proved that SAP impacted poverty since domestic market liberalization in the practice of the abolition of price and exchange rate distortions had negative effected poor people. Especially the abolition of subsidies such as those on necessary food commodities severely affected the poor since these commodities constitute high percentage of their consumption basket. Moreover, trade liberalization- as part of SAP- didn't asset developing countries in achieving economic progress, yet it had been argued that trade liberalization led to slower growth and widened inter- and intra-state inequality and poverty. Finally, tax and labor market reforms had weakened the positions of labor as it eradicated minimum wages and lessened trade union power. The interpretation of the tax system often impacted benefits to the poor like the abolition of basic food subsidies. To recap, SAP proved its failure to achieve both economic progress and poverty reduction, since it worked on developing the economies of developed countries on the expanses of the poor economies, which suffered from continuous exploitation of their resources by western states

Post-Washington consensus policy

The researcher used Post-Washington Consensus because it was intended to tackle poverty through initiating pro-poor policies and adopting concepts of good governance

⁵⁶ Melville, Juliet A. "THE IMPACT OF STRUCTURAL ADJUSTMENT ON THE POOR." November 21, 2002, 3. [http://www.caribank.org/uploads/publications-reports/staff-papers/StrucAdj\[1\].pdf](http://www.caribank.org/uploads/publications-reports/staff-papers/StrucAdj[1].pdf).

⁵⁷ Ibid, 3.

and rule of law, which sought to establish strong institutions and justice to guarantee equal distribution of income and enhancing living standards of the poor while SAP was mainly designed to benefit the rich rather than the poor through implementing set of economic policies that didn't tackle the issue of poverty. First of all, Post-Washington Consensus policy was initiated by the American chief economist of the World Bank Joseph E. Stiglitz as part of theory of neoliberalism after the failure of SAP in tackling some socio-economic issues like poverty and unemployment in most of the developing countries that adopted the SAP.

The East-Asian development model and post-Washington consensus

Stiglitz's policy was driven from the East-Asian development, which didn't implement the ideas of Washington Consensus⁵⁸. It had been stated that there had been an interest to tackle poverty and governance issues that started in the early 1990s⁵⁹. Several researches and publications, that were mainly inspired by the success of East Asian states, highlighted the significance of institutions and the necessity to enhance the performance of the country as a vital component of market-oriented systems. Some reports claimed that Asian crisis was essential, as it created a serious crack between WB and IMF. With the emergence of Post-Washington Consensus, IMF paid more attention to regulatory reforms that were principally related to both financing and banking systems. In addition, it admitted the prominence of solid institutions and good governance, since they both contribute in achieving economic development⁶⁰. Post-Washington Consensus Policy had

⁵⁸ Stiglitz, J. (n.d.). More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus, 51-52. Retrieved February 1, 2016, from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.2709&rep=rep1&type=pdf>.

⁵⁹ Onis, Z. (2005, February). Rethinking the Emerging Post Washington Consensus. *Development and Change*, 273-273. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus.

⁶⁰ Onis, Z. (2005, February). Rethinking the Emerging Post Washington Consensus. *Development and Change*, 274-274. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus.

also recognized that states played significant role in development process. While Post-Washington Consensus supported liberalization of the economy and dependence on the market, both states and markets were seen to be supplementing for each other. With the futuristic function of the state in a market-oriented environment, there were undeniable aspects that needed precise attention. For instance, there was an obvious prominence on the modulation of the financial system, since it had been claimed that the extreme risk-taking by undercapitalized banks could lead to chief source of crises. Accordingly, appropriate modulation of financial system is necessary in terms of assembling capital, enhancing distribution of investment, and making depositors feel more confident in banking system. Referring to Post-Washington Consensus, states had vital role in providing infrastructure such as transportation at reasonable prices, which is a key element in development process. Moreover, states played key role in transmission of technology like agricultural extension services. Lastly, states could contribute effectively in promoting equality and alleviating poverty⁶¹. The idea of the Post-Washington Consensus went far behind national developmentalism by concentrating on the question of how to enhance the capability of the state and avoid the failure of state.

States and markets in post-Washington consensus

In this perspective, Stiglitz addressed the fact that the efficiency of countries could be enhanced by relying on market mechanisms. He also argued that states are significant for the effectual performing of markets from one side and markets or market-like mechanisms are essential for the efficient performing of states. In other words, both states and markets or market-like mechanisms work together in achieving economic development⁶². Apparently, markets could enhance the performance of the states through

⁶¹ Ibid, 275

⁶² Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 275-275. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

following some important elements. First of all, the quality of state bureaucracy could be enhanced through providing incentives systems and reward systems. Second, governmental effectiveness could be achieved through competition, as states could assist to encourage competition and benefit from competition as well. Furthermore, states might establish contesting public entities and inspire private corporates to challenge public entities, which in return benefits the economy. Actually, competition had been important than private ownership. Also, it had been argued that public corporates could perform as effectual as private firms when they follow competitive measures⁶³. According to several reports, it had been stated that international economy during the era of Washington Consensus had failed to offer a suitably attractive environment for economic and social development for several reasons. Firstly, private capital flows to developing countries were chiefly concentrated in specific states. Second, aid flows to developing countries had been lessened severely between 2000 and 2005. Third, developed countries had imposed restrictions over market access by developing states in major areas agriculture. Lastly, labour-intensive manufactured goods were a key obstacle to the exports of developing countries. Accordingly, the principles of the Post-Washington Consensus were not limited to the local sphere but also represent a global dimension. Developed states can play a part in developing through rising aid and market access to the products of developing countries, which in return would be beneficial for international development⁶⁴. What differentiated Post-Washington Consensus from WC was the acknowledgment of the necessity of reestablishing strong states, which were major components of the new development approaches. Post-Washington Consensus highlighted the importance of both social and income distributional results of economic policies. For instance, better education and health care contribute in economic growth. As

⁶³ Ibid, 276

⁶⁴ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 276. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

for fiscal policy, if deficit reduction was through diminution of government expanses in education and health, hence growth wouldn't be achieved. In addition, Post-Washington Consensus acknowledged the significance of the creation of transparent and accountable states by democratic government⁶⁵. Referring to Post-Washington Consensus, it had been claimed that democratic governance and institution building were key pillars of the process of prosperous development. The Post-Washington Consensus also shifted its focus on growth and effectiveness to tackle chief social problems such as poverty, unemployment, and inequality⁶⁶. The Post-Washington Consensus new prominence on institutions signified an essential acknowledgment that markets couldn't work without accompanying states and social measures. Such measures contained market-oriented state organization, joint private sector agencies able of highlighting significant development issues, and systematic public-private exchanges. Nevertheless, Post-Washington Consensus didn't provide a political practical way towards the development of such measures. Some critics of Post-Washington Consensus argued that the supremacy of developed states in the global economy is wide-ranging especially in trade, technology, and finance. They added that 90% of all copyrights were located in developed states and around 60% of world trade is dominated by only 500 trans-national corporations (TNCs)⁶⁷. As developing states sought to acquire foreign investment, developed government faced some obstacles in dealing with the growing power of such corporations located in developing countries. Some scholars, intellectuals, and researchers argued that developing states had made significant progress towards trade liberalization in past years, yet developed states rejected the idea of granting increased market access for developing

⁶⁵ Ibid, 276

⁶⁶ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 276-276. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

⁶⁷ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 278-278. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

state exports. In other words, Post-Washington Consensus didn't assist developing countries to increase their exports for the sake of maximizing the superiority of developed states. It's crucial to democratize international financial organizations to be a pro developing states positioning and to create effectual international tools for the restriction of the monopoly of TNCs that contributed in a short-term uncertainty in developing states. As a result, developing states were not able to either compete with developed countries or to enhance their development processes⁶⁸.

Poverty reduction strategy (PRS) and comprehensive development framework (CDF)

According to the Post-Washington Consensus Policy, Washington Consensus had been proved to be inefficient in dealing with poverty issues, since it aimed to stabilize budget deficits, inflation, and balance of payments on the macroeconomic level and achieve long-term efficiency through distribution of resources along with global market signals. On the other hand, Post-Washington Consensus intended to reduce poverty rate through setting up the Poverty Reduction Strategy (PRS) approach, which highlights country ownership and civil society participation as major factors in development collaboration. Referring to World Bank and IMF, the new policy aimed to discard SAP in favor of a development approach that stress on partnership and collaboration between international financial institutions (IFIs), governments of developing states and Civil Society. Moreover, governments will own and be responsible of development approaches that they choose while IFIs will be a source of information and knowledge to those governments⁶⁹. In addition, Comprehensive Development Framework (CDF)- introduced by the former World Bank president James Wolfensohn in 1999 and the most essential policy tool of the Post-Washington Consensus, represented the poverty reduction

⁶⁸ Ibid, 279

⁶⁹ Ruckert, A. (2006). Towards an Inclusive-Neoliberal Regime of Development: From the Washington to the Post-Washington Consensus. *Labour, Capital & Society*, 39, 35-37. Retrieved February 1, 2016, from <http://www.jstor.org/stable/43158260>

strategies that aimed to tackle poverty issues in developing countries. CDF emphasized the interdependence of all aspects of development- economic, social, human, and financial- and sponsors a long-term strategy that focus on minimizing poverty rate. Also, the framework aimed to develop government's role in owning and managing the development strategy and the IFIs will be the major partners only. The main purpose of the concepts of ownership and partnership is encouraging developing governments to voluntarily implement structural adjustment policies. Referring to World Bank and IMF, the new partnership concept is a method to make development collaboration between states and IFIs more effectual and efficient; in addition, the notion of ownership will help to apply neo-liberal adjustment policies⁷⁰. Stiglitz claimed that CDF would assist in building mutual trust between both governments and IFIs, which guarantee the reformation of processes of developing country governments⁷¹.

In 1999, the World Bank launched the Poverty Reduction Strategy Paper, which was part of the CDF and the most perceptible tool of Post-Washington Consensus; the new strategy paper had been integrated into all development policies of all IFIs like World Bank and IMF. Furthermore, every national Poverty Reduction Strategy Paper introduced developing structural, macroeconomic, social policies over a three years period. Poverty Reduction Strategy Paper pointed out that the development strategies must be owned by the countries, identify the causes of poverty and tools to tackle it, focus on the results that would be in favor of the poor, encourage the participation of development partners, and set medium and long-term strategy for poverty reduction⁷². The International Financial Institutions also had addressed four priority fields, which they believe to be essential for both achieving economic growth and approving on lending governments for a Poverty

⁷⁰ Ibid, 44-45

⁷¹ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 280-280. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

⁷² Ruckert, A. (2006). Towards an Inclusive-Neoliberal Regime of Development: From the Washington to the Post-Washington Consensus. *Labour, Capital & Society*, 39, 47-47. Retrieved February 1, 2016, from <http://www.jstor.org/stable/43158260>

Reduction Strategy Paper. The four fields were effectual structural reform, macroeconomic programs, suitable funding for poverty alleviation programs, and enhanced governance⁷³. According to World Bank's Sourcebook for PRS, economic growth plays major role in lessening poverty in developing states, since various statistical studies had proved the solid link between national per capita income and national poverty indexes⁷⁴. In addition, macroeconomic stability is a key tool in sustaining poverty reduction, as it is crucial for economic growth. The World Bank added -in its sourcebook- that policies that enhance the distribution of income and assets in the society, like pro-poor public spending and land ownership reform, are vital to state's poverty reduction plan⁷⁵. The sourcebook mentioned that Fiscal policy and budgets of developing countries could have positive effects on poor through directing budgets into poverty areas such as education and health care⁷⁶. Moreover, financial liberalization- according to the sourcebook- is necessary to tackle poverty, since it provides poor people with access to credit markets and safer assets that might positively impact their living conditions⁷⁷. Finally, the sourcebook claimed that the participation of civil society and poor is a new aspect in dealing with poverty issues; the main purpose of this step is to incorporate the critics of neo-liberal policy in the policy-making process. Referring to the sourcebook, participation could be through information circulation, participatory research, and creation of working groups that deal with issues related to Poverty Reduction Strategy Paper⁷⁸. Post-Washington Consensus stressed on the importance of independent regulatory institutions with the aim of preventing political intervention, however it disregarded the obstacles they might face in communities that were dominated by powerful interests.

⁷³ Ibid, 48

⁷⁴ Ibid, 49

⁷⁵ Ibid, 50

⁷⁶ Ibid, 52

⁷⁷ Ibid, 53

⁷⁸ Ibid, 59-60

Relationship between neoliberalism and the post-Washington consensus

Under Post-Washington Consensus, some developing countries exerted great efforts to sustain democracy, although there were some political obstacles that hindered the spread of the advantages of development. Furthermore, the state might not be able to accomplish its partial role under Post-Washington Consensus due to the diminishing of the state framework and the erosion of effectual state interference under neoliberalism. Neoliberal practices of the late 1990s had negative effective on state bodies and officials, as it weakened their capabilities to readapt a new framework concerning fresh views in areas like poverty alleviation. In addition, it had been argued that any efforts by national governments in tackling poverty issues and more equal distribution of income would have positive impact if the hindrances preventing the poor from expressing their political thoughts were demolished⁷⁹. The supporters of the Post-Washington Consensus were stood clear from conducting a balanced evaluation of the neoliberal course and in particular from recognizing the reasons that led to the marginalization of large sectors of population in developing countries. Additionally, they disregarded rising evidence connecting development in poverty alleviation with an entire set of distributional issues especially ownership patterns⁸⁰. Along with the implementation of Post-Washington Consensus policies in some developing countries, it had been stated that poverty and inequality issues were notably excluded in rising economies such as Argentina and Turkey that witnessed harsh financial crisis. With regard to the IMF short-term adjustment reforms, circumstances related to poverty and inequality were not able to integrate into its programmes in both Argentina and Turkey. Apparently, some argued

⁷⁹ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 279-279. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

⁸⁰ Ibid, 280

that IMF and World used poverty issue for widening the neoliberal programme⁸¹. The issue of employment had been known for its significance for improving the economy and sustaining social unity in the countries, however Post-Washington Consensus didn't adequately highlight it in its programme. Moreover, Post-Washington Consensus didn't prioritize the issue of industrialization, which contributes positively in the economy of developing countries. Post-Washington Consensus was also criticized for not dealing sufficiently with issues of education and human capital, since they are key problems in the economies of developing states. As we mentioned before that TNCs were known for being powerful players in the global economy, both Washington Consensus and Post-Washington Consensus agreed on protecting transnational companies from being regulated by host countries. Accordingly, transnational companies' became more powerful than developing states due to their domination of main elements of global economy. Therefore, some critics of Post-Washington Consensus called for regulating their activities worldwide⁸². The Post-Washington Consensus faced a challenging dilemma in unifying its concentration on global market incorporation with democratic governance, as some governments had been deprived from their powers in order to decided policies in the socio-economic sphere. As a result, the inability of governments to deal effectually with certain socio-economic problems had led a loss of credibility in the eyes of the people. In the meanwhile, the focus of the Post-Washington Consensus to enhance economic performance through collaborating state with market failed to identify that worldwide market had seriously shifted the balance of power between institutions for the benefit of the market. Lastly, the failure of state to enforce rules to regulate market power had caused problems for both legitimacy and accountability of developing states⁸³.

⁸¹ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 280-280. Retrieved July 1, 2016, from https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

⁸² Ibid, 281

⁸³ Onis, Z. (2005, February). Rethinking the Emerging Post-Washington Consensus. *Development and Change*, 282-282. Retrieved July 1, 2016, from

Relationship between neoliberalism, good governance and rule of law

This part will demonstrate key features of good governance and rule of law as part of Post-Washington Consensus. It will also help us to understand the potential role of both concepts on improving the procedure of socio-economic development in Egypt. Many developmental organizations focused on reforming legal and judicial institutions through promoting the concepts of good governance and rule of law. The United Nations Development Programme (UNDP), Nations Environment Programme (UNEP), and the World Bank are obvious examples of institutions, which directed their resources to reform judicial and legal institutions. The issue of good governance had become fundamental to developing countries in the end of the Cold War. Furthermore, the concept of good governance aimed to maintain organization efficiency through combating corruption, which is considered one of the key reasons that hinder processes of economic development. Also, good governance was primarily used to signify fiscal probity. The UN defined governance as the procedure of decision-making and the procedure in which decisions are applied in a good manner. Moreover, it pointed out that bad governance is considered one of the major causes of evil within the society, as it leads to corruption and inequality⁸⁴. The United Nations Development Programme (UNDP) defined that factors of good governance or sound governance as follows: freedom of association and participation, fair judicial system, political legitimacy, financial and bureaucratic accountability, well-organized and effectual public sector management, freedom of information, and collaboration with civil society like Non-governmental organizations (NGOs).⁸⁵ The Asian Development Bank designed a set of criteria of governance, including accountability, transparency, and participation. The rule

https://www.researchgate.net/publication/227711376_Rethinking_the_Emerging_Post-Washington_Consensus

⁸⁴ Kingsbury, Damien. *Politics, Governance, and Development*. 215-215.

⁸⁵ *Ibid*, 215

of law is another concept that is used to enhance development process⁸⁶. It is fair independent, and accessible legal and judiciary institutions, with a government that applies equal laws among the public⁸⁷. As previously demonstrated, WGI recognized the rule of law as an effective tool for maintaining good governance. Besides, the Asian Development Bank stated that strengthening the rule of law is essential to attract private sector investment and fight corruption. According to Post-Washington Consensus policy, Stiglitz claimed that the implementation of the concept of good governance is crucial for achieving economic growth, thus diminishing poverty rate. Furthermore, World Development Report 1997: The State in a Changing World demonstrated that effectual state positively impacts the process of development. Referring to a data from 94 countries over thirty years, the report concluded that the quality of state's institutions is as vital as economic policies and human capital to determine economic results⁸⁸. Stiglitz added that governments in developing countries suffer from both weak markets and institutions; hence they should enhance their capabilities through strengthening their institutions. This does not mean simply enhancing the administrative and technical capabilities, but setting rules and norms that prevent act of corruption by state officials. Stiglitz had listed five mechanisms that can help in improving state capacity. First of all, rules and regulations are essential for a proficient bureaucracy, since an independent judiciary, institutional inspection and balances, and effectual supervisory bodies can contain corruption and arbitrary actions by the state. Second, state capacity can be improved through partnerships by getting the government close to its people and by listening to stakeholders' feedback in policymaking and service that the government offers. Third, the civil service has to be more efficient thorough providing attractive wages to bring in

⁸⁶ Ibid, 216

⁸⁷ Durwood, Zaelke, and Sachiko Morita. "Rule of Law, Good Governance, and Sustainable Development." 15. Accessed April 1, 2015.

http://www.inece.org/conference/7/vol1/05_Sachiko_Zaelke.pdf.

⁸⁸ Stiglitz, J. (n.d.). More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus, 29. Retrieved February 1, 2016, from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.2709&rep=rep1&type=pdf>.

skillful people. Fourth, government can enhance their capacity by adopting market-like methods in the civil sector such as creating performance standards and setting up incentive systems based on performance degrees. Last but not least, the government needs to implement policies that lessen the scale for rent seeking. Limitation of discretionary activities- like trade restrictions and licensing- helps in diminishing rent seeking⁸⁹.

To sum up, good governance and rule of law are crucial for development process, since they pave the way for public institutions to work effectively, thus tackling development issues like poverty, education, and health care. The implementation of good governance capacities positively impact poverty in poor countries through protecting property rights of the poor, adopting anti-corruption policies that guarantee equal distribution of resources, demanding better public services from the state, and ensuring that major part of the public goods are delivered to the poor⁹⁰. Referring to the IMF Managing Director Michel Camdessus, it has been stated that:

“Good governance is important for countries at all stages of development. . . . Our approach is to concentrate on those aspects of good governance that are most closely related to our surveillance over macroeconomic policies—namely, the transparency of government accounts, the effectiveness of public resource management, and the stability and transparency of the economic and regulatory environment for private sector activity”⁹¹.

To conclude, this chapter had identified various theories, policies, and concepts of socio-economic development. It reviewed different theories of neoliberalism and their critiques

⁸⁹ Stiglitz, J. (n.d.). More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus, 30. Retrieved February 1, 2016, from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.2709&rep=rep1&type=pdf>.

⁹⁰ Khan, Mushtaq H. "Governance, Growth and Poverty Reduction." DESA Working Paper No. 75 ST/ESA/2009/DWP/75, June 2009, 9. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.431.5307&rep=rep1&type=pdf>.

⁹¹ International Monetary Fund. "Good Governance The IMF's Role." 1997. <https://www.imf.org/external/pubs/ft/exrp/govern/govindex.htm>.

and various neoliberal policies and concepts namely Washington Consensus, Structural Adjustment Programmes, Post-Washington Consensus and concepts of good governance and rule of law. This chapter concluded that WC had enlarged inequality in developing communities, benefited the rich and big corporations, and made rich richer and poor poorer. Besides, it showed that SAP aimed to achieve economic growth through increasing GDP rates, however it didn't deal with poverty; in other words, SAP had no impact on poverty alleviation, since its policies made rich richer and poor poorer. Furthermore, this chapter reported that Post-Washington Consensus have clear relationship with good governance and rule of law, as Stiglitz claimed that socio-economic development couldn't be achieved without effective governance and rule of law; meantime, they assist in combating poverty due to the establishment of effective and non-corrupted institutions that help in tackling poverty. Moreover, this chapter argued that good governance and rule of law are vital for combating poverty, since it works on establishing strong institutions, combating corruption, ensuring accountability, and encouraging partnership between government, private sector, and Civil Society organizations that are necessary for ensuring equal distribution of wealth and resources from one side and sustain social justice in the society

Chapter 2

Neoliberalism in Egypt

This chapter will primarily discuss the political economy of Egypt during Sadat's era, since it will demonstrate key aspects of open-door policy (Infitah) and its effect on some socio-economic issues such as economic growth, poverty, and employment. Second, it will give a brief on the Egyptian political economy between 1980s and 1990s. It will address key economic policies during 80s and the implementation of SAP during 90s and its impact on issues of economic growth and poverty. Last but not least, this chapter will show main features of the Egyptian political economy between 2000 and 2010, as it will state the economic programmes that were implemented at that time and their effects on economic growth and GDP from one side and poverty alleviation and employment issue from the other side.

Historical Overview of Egypt's Neoliberal Policies

Egypt had been facing several economic changes especially after 1952 revolution, accordingly this chapter will mainly review socio-economic policies that were implemented in Egypt since 1970s till 2010. First of all, this chapter will address key socio-economic policies, namely liberal market policies and open-door policy, which were implemented by Sadat's regime right after 1973 war. Furthermore, it will reveal the impacts of such policies on economic growth, poverty, and employment in Egypt. Second, it will demonstrate major socio-economic policies that were adopted by Mubark's regime between the period of 1980 and 1990s. Besides, it will show the nature of SAP in Egypt, which was implemented by Mubark's regime in the early 1990s and its effects on issues of economic growth and poverty. Third, this chapter will point out main socio-economic policies that were applied between the period of 2000 and 2010. In addition, it will review the outcomes of such policies on the process of socio-economic development, GDP growth, and poverty alleviation.

Egypt had witnessed several critical turning points in its development outlook and its economy between 1957 and 1960. It moved to sectoral and central planning led by the government's institutions particularly the public sector. In the period between 1961 and 1964, the Egyptian government nationalized all private-owned entities such as banks and local medium and large enterprises, as it sought to control all means of production of the Egyptian economy. According to this policy, Egypt did not witness significant economic progress, as the public sector was incapable of strengthening the economy.

Sadat's socio-economic approach

After the death of Nasser in September 1970, Sadat took power and worked on getting rid of his political opponents who preferred to resume Nasser's Statist policies, which were against Sadat's approach. Sadat aimed to regain the occupied lands in Sinai; hence he directed all state's financial resources to rebuild the Egyptian military which negatively affected the GDP growth of Egypt during the first three years of the 1970s⁹². Following 1974, Egypt witnessed positive economic transformation. First of all, the reopening of the Suez Canal, which was the major source of income for the Egyptian economy. Second, the inflow of foreign capital from in means of investments, loans, and grants. Third, remittances from workers -who migrated to Gulf countries- increased, and the regain of Sinai oil fields. However, the Egyptian economy was still facing economic and social problems due to the weak performance of the previous regime in dealing with these problems⁹³.

⁹² Al-Sayyid, Mustapha Kamel. "Politics and Economic Growth in Egypt (1950-2000)." July 2003, 11.
[www.gdn.int/html/GDN_funded_papers.php?mode=download&file=Politics%20and%20Economic%20Growth%20in%20Egypt%20\(1950-2000\)_728.pdf](http://www.gdn.int/html/GDN_funded_papers.php?mode=download&file=Politics%20and%20Economic%20Growth%20in%20Egypt%20(1950-2000)_728.pdf).

⁹³ Ates, Davut. "ECONOMIC LIBERALIZATION AND CHANGES IN FUNDAMENTALISM: THE CASE OF EGYPT." 135.
http://ierc.sbu.ac.ir/File/Article/ECONOMIC%20LIBERALIZATION%20AND%20CHANGES%20IN%20FUNDAMENTALISM%20THE%20CASE%20OF%20EGYPT_93104.pdf

Infitah in 1970s

Due to the economic and social problems along with political and foreign policy considerations, Sadat aimed to reconstruct the Egyptian economy, accordingly he adopted neoliberal policies- known as the open door policy or infitah- that aimed to open up the market for the private sector and transformed that economy from corporatism- that was adopted by Nasser's regime- to a more liberal market economy after the 1973 war with Israel⁹⁴. As a consequence, the Egyptian economy transformed into a more liberal one, as it became incorporated in the global economy through encouraging private and foreign investments in the Egyptian economy⁹⁵. This economic approach was legally driven by law 43, which was formed in 1974, and its revision by law 32 in 1977. Accordingly, they opened up the Egyptian economy to foreign investment, offered tax exemption for new investments, and provided protection of investments against any attempt of nationalization⁹⁶. The open door policy had included several economic policies namely industrial, financial, and investment policies.

The outcomes of Sadat's socio-economic policies

Economic liberalization had a significant effect on the Egyptian economy, however it didn't tackle most of the socio-economic problems. Furthermore, the expected central reform in the economic policies was not clear, and the economy's growth started to slow down in 1978 after it witnessed significant growth between 1974 and 1977. In fact, it didn't benefit the Egyptian economy as the government had projected. This was clear when the private investments were mainly directed into construction, finance and tourism

⁹⁴ Ateş, Hamza, Mehmet Duman, and Yüksel Bayraktar. "A Story of Infitah: Egyptian Liberalisation Under Stress." 62. <https://egyptinrevolt.files.wordpress.com/2011/11/egypt-under-stress.pdf>.

⁹⁵ Ates, Davut. "Economic Liberalization and Changes in Fundamentalism: The Case of Egypt." 134. http://ierc.sbu.ac.ir/File/Article/ECONOMIC%20LIBERALIZATION%20AND%20CHANGES%20IN%20FUNDAMENTALISM%20THE%20CASE%20OF%20EGYPT_93104.pdf

⁹⁶ Ateş, Hamza, Mehmet Duman, and Yüksel Bayraktar. "A STORY OF INFITAH: EGYPTIAN LIBERALISATION UNDER STRESS." 62. <https://egyptinrevolt.files.wordpress.com/2011/11/egypt-under-stress.pdf>.

fields and ignored the industrial sector, which is the key pillar of economic prosperity. On the contrary, the percentage of industrial activity in the Egyptian economy was lessening⁹⁷. What went wrong with open-door policy in Egypt was that consumption went up and production stood still which led to the downfall of the industrial sector in the Egyptian economy. However, open-door policy helped in diversifying exports as Egypt was exporting cotton, vegetables, fruits, and petroleum. Export performance was not doing well in comparison to the import side due to the fact that Egypt was importing every single commodity from food to luxury goods. This phenomenon had negatively affected Egypt's financial accounts because the gap between production and consumption and exports and imports were completely financed by internal and external borrowing, which led to the increase of internal and external debts⁹⁸. In addition, open-door policy didn't attract foreign investment, however it developed the local market, specifically the market for imports. The major sources of stimulus for this market were income from rents and migrant workers, as their remittances were primarily spent to purchase everything from necessity goods to houses and imported goods such as home appliances. Fast economic expansion, and particularly import expansion had been known as a severe economic weakness⁹⁹. Also, the Egyptian economy had suffered from fiscal deficit; as a result, the Egyptian government tackled internal fiscal deficit through printing money, which enlarged inflation¹⁰⁰. As for foreign aids, Gulf countries had established the Gulf Organization for Development in Egypt (GODE) in 1976. GODE had allocated 2 billion dollars with the purpose of funding development projects and balance of payment needs;

⁹⁷ Cooper, Mark N. *The Transformation Of Egypt*. London, 1982.

⁹⁸ Nagarajan, K. V. "Egypt's Political Economy and the Downfall of the Mubarak Regime." *International Journal of Humanities and Social Science* 3, no. 10 (May 2013): 27. https://www.ijhssnet.com/journals/Vol_3_No_10_Special_Issue_May_2013/3.pdf.

⁹⁹ Aulas, Marie Christine. "Sadat's Egypt: A Balance Sheet." <http://www.merip.org/mer/mer107/sadats-egypt-balance-sheet>.

¹⁰⁰ Nagarajan, K. V. "Egypt's Political Economy and the Downfall of the Mubarak Regime." *International Journal of Humanities and Social Science* 3, no. 10 (May 2013): 27. https://www.ijhssnet.com/journals/Vol_3_No_10_Special_Issue_May_2013/3.pdf.

as a consequence, Egypt suffered from high external debt¹⁰¹. Under Open-door policy, a new Egyptian capitalist class emerged. The backgrounds of this capitalist class were not as same as of their predecessors, who were mainly landowners, producers, and entrepreneurs. This class was not interested in risk taking businesses or real entrepreneurship, however it preferred to make a fast and easy profit through involving in the market of imports. As a result of the widespread of imports and migration of workers, the owners of some local industries were forced to shut down their businesses¹⁰². The new capitalists were classified into three different types. The first type was the big landowner families who converted themselves into global businessmen due to their connections and knowledge of foreign languages. The second type was the top officials of the public sector companies who used their power in the private sector. The third type was the people who emerged from the bottom through illegal ways¹⁰³. The majority of Egyptian population, such as state employees, small producers, industrial workers, and poor urban unemployed, suffered from open-door policy. Its ideology and economic impacts risked their existence as it favored the rich over the poor. Consequently, most of these people were either forced to emigrate to Gulf countries or Europe to seek respectful job opportunities. Moreover, open-door policy negatively impacted middle-class state employees, who were supporting Nasser's economic policies, since their salaries were not affording their needs due to high inflation¹⁰⁴. Regarding income distribution, the class form and income distribution changed in favor of the rich people. In addition, the group of economic policies, which included tax exemptions, minimization in marginal tax rates, and tax concession distorted income distribution for the benefit of wealthy people. Finally, the middle class suffered from deteriorated income and escalating prices and the

¹⁰¹ Boogaerde, Pierre Van den. Financial assistance from Arab countries and Arab regional institutions. Washington: IMF. 21.

¹⁰² Aulas, Marie Christine. "Sadat's Egypt: A Balance Sheet."
<http://www.merip.org/mer/mer107/sadats-egypt-balance-sheet>.

¹⁰³ Ibid,

¹⁰⁴ Aulas, Marie Christine. "Sadat's Egypt: A Balance Sheet."
<http://www.merip.org/mer/mer107/sadats-egypt-balance-sheet>.

lower class fell in poverty¹⁰⁵.

Mubarak's socio-economic policies

This section will mainly reveal major socio-economic policies that were adopted by Mubarak's regime between 1980s and 2010. Furthermore, it will show key impacts of such socio-economic policies on the process of socio-economic development, GDP growth, and poverty alleviation.

Post-infatih policy

During Sadat's presidency, Hosni Mubarak was Vice-President of Egypt. After the death of Sadat, he became president of Egypt on 14 October 1981. Mubarak came to power with no clear vision or agenda in contrast to Nasser and Sadat. He aimed to pacify the country from the encroachments of the Sadat regime in its latest years. He positioned himself as a pragmatic leader who aims to solve problems that were facing the country. He released thousands of prisoners who were imprisoned by Sadat's regime. Besides, he allowed civil society organizations to function normally with limited restrictions. Egypt was facing economic crisis due to Sadat's open-door policy that failed to elevate the economy¹⁰⁶. As a consequence, Mubarak regime decided to renovate the open-door policy that was implemented by Sadat's regime. While the objective was to restore the open-door policy, Mubarak could not afford to shift rapidly in this direction. The public sector remained large during Mubarak's era while the private sector was still small, as it was focused in few areas. Furthermore, the subsidy system for necessity goods remained as it is. Mubarak sought not to disassemble it too rapidly, as he feared to face another food riots like the one in 1977. Across his thirty years rule, Mubarak applied the open-door policy as to adjust internal consideration, pressure from aid donors, creditors, and

¹⁰⁵ Ibid,

¹⁰⁶ Soliman, Samer. *The Autumn of Dictatorship Fiscal Crisis and Political Change in Egypt under Mubarak*. CA: Stanford Press, 2011. 36-36.

International Financial Institutions such as IMF and WB¹⁰⁷. As to come up with new ideas to tackle such problems, Mubarak arranged a closed-door economic conference on 12 February 1982. He invited wide range of distinguished economists in order to evaluate the status of the Egyptian economy with an objective to conceive an action plan. With the end of the economic conference, the Egyptian government had announced that it would return to central economic and social planning and direct the open-door policy towards production rather than consumption. Besides, the government had declared the First Five Year Plans (1982-1987). Apparently, the Mubarak Five Year Plans were more of investment distribution plans under the supervision of the Ministry of Planning. Under the Five Year Plans, many infrastructure projects were launched and a set of policies to enhance industrial activities- including lower interest rate on industrial loans, minimized taxes on industrial projects and tariff barriers to safeguard local industries- were also implemented. This was a reversion of the Import Substitution Industrialization (ISI) policies that were adopted in earlier period. These policies assisted local industrial sector to develop. Besides, both public and private sector industries profited from this government intervention at the expense of Egyptian consumers who were forced to pay more than to bring from abroad¹⁰⁸. In spite of the bright side of these changes, Egypt faced an economic crisis by the end of 1987. The origins of the problem were varied. First of all, public sector expenditure kept on rising along with the implementation of Infitah during the Sadat regime. Second, food subsidy spending was growing tremendously after the 1977 food riots. Third, in the 1980s, oil prices fell down; as a result, oil revenues went down and Suez Canal returns decreased due to lesser ship traffic. Moreover, foreign aid was reduced due to the extreme recession in the donor states. Internally, tax revenues dropped down. Consequently, the Mubarak regime had no

¹⁰⁷ Ibid, 36

¹⁰⁸ Soliman, Samer. *The Autumn of Dictatorship Fiscal Crisis and Political Change in Egypt under Mubarak*. CA: Stanford Press, 2011. 36-38.

room to cut expenses in order to avoid upcoming food riots¹⁰⁹. On the contrary, the government kept on spending which increased budget deficits harshly. On the global level, the fall in revenues had widened balance of payments deficit. Hence, Egypt had no choice but to negotiate with IMF and WB about the SAP to be able to get loans to deal with the crisis. In May 1987, Egypt decided to apply the IMF programme, which called for liberalizing the private sector, lessening public spending, and enhancing the performance of financial markets. Therefore, the Paris Club- which is a group of officials from donor countries who are responsible to find sustainable solutions for debtor countries that have difficulties to pay back loans- decided to rearrange debt repayment. With the end of 1987, the agreement had been terminated due to Egypt's failure to abide by the terms of the agreement. This was notable when Egypt widened public spending instead of lessening it as per the IMF request. The gap was primarily financed through printing money, which raised inflation rate to 20 %¹¹⁰. Egypt had continued negotiations with IMF regarding the SAP, but the government kept on postponing the agreement. As a result, creditor countries started to pressure on the Egyptian government to come up with an agreement with IMF. In addition, the WB suspended loan until Egypt decreases subsidies on energy. The US Agency for International Development (USAID) also pressured on Egypt to abide by the IMF programme¹¹¹. These pressures didn't lead to any comprehensive agreement between both sides because the Egyptian government was concerned about internal political backlash.

Socio-economic policies in 1990s: economic liberalization

In 1990, Egypt was facing harsh bankruptcy due to lack of productivity and high consumption. Therefore, the Egyptian regime decided to stabilize the economy through series of economic reforms. First, the Egyptian government liberalized interest rate on

¹⁰⁹ Ibid, 41-42

¹¹⁰ Seddon, David. *The Politics of Adjustment: Egypt and the IMF*. Review of African Political Economy, 1987. 96.

¹¹¹ Ibid, 97-98.

Egyptian pounds in January 1991. Second, it decided to open the foreign exchange market and to create primary and secondary markets in February 1991¹¹². Along with the Iraqi invasion to Kuwait in 1991, US assembled its allies- including Western and Arab countries- in order to stop this invasion. Hence, Egypt made a deal with the US and its allies which was the participation of Egyptian ground forces in the US coalition. In return, creditor nations will cancel half of its external debt. Also, part of the deal was the conclusion of the Structural Adjustment Agreement (SAP) with the IMF. Accordingly, Egypt signed agreements with IMF and WB in May 1991 and November 1991 known as SAP¹¹³. The main objectives behind these agreements were to stabilize the economy and maintain economic growth. Therefore, the Egyptian government implemented economic reform that aimed to lessen the role of the state in the economy which known as market liberalization and privatization. Additionally, it applied market based economic conceptions and integrated the Egyptian economy with global economy through encouraging exports and competition, and widening the economy's dependence on local revenue. As a result of SAP, the inflation rate had fallen from 19.7% in 1991 to 15.7% in 1994 to 7.2% in 1996. Moreover, foreign currency became no longer available for commercial banks only which led to steadiness in the currency. This period had seen economic stabilization and privatization efforts, as one third of public-owned enterprises assets were privatized between 1991 and 1998¹¹⁴. Furthermore, the growth rate of GDP raised to 6.3% in fiscal year (FY) 1998/9¹¹⁵. This policy eliminated a number of market falsifications and escalated private investment during 1994. In addition, it reduced deficit

¹¹² Alissa, Sufyan. "The Political Economy of Reform in Egypt: Understanding the Role of Institutions." October 2007, 4.

http://carnegieendowment.org/files/cmec5_alissa_egypt_final.pdf.

¹¹³ Nagarajan, K. V. "Egypt's Political Economy and the Downfall of the Mubarak Regime." *International Journal of Humanities and Social Science* 3, no. 10 (May 2013).

¹¹⁴ Alissa, Sufyan. "The Political Economy of Reform in Egypt: Understanding the Role of Institutions." October 2007, 4.

http://carnegieendowment.org/files/cmec5_alissa_egypt_final.pdf.

¹¹⁵ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). *Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt*. United Nations Department for Social and Economic Affairs, 9-9. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study egt.pdf

through enhancing local and external imbalances with sacrificing economic progress¹¹⁶. According to IMF, Egypt adopted macroeconomic policy which lessened inflation, stabilized currency, enhanced public finances, and reinforced banking system¹¹⁷. Value of exports in Egyptian pounds was elevated due to the devaluation of the Egyptian currency, however government spending didn't decrease¹¹⁸. Additionally, the Egyptian government didn't lessen social expenditures while it lowered projects in the electricity and tourism sectors to save needed funds for subsidies on public services and commodities. The Egyptian government also decided to diminish its economic role through decreasing its stakes in several state-owned enterprises, eased bureaucratic barriers, and presented new investment laws that aimed to facilitate the process of investment in the Egyptian market¹¹⁹. In 1995, Egypt decided to join World Trade Organization (WTO) in order to gain access to global markets. Accordingly, Egypt moved towards freeing its trade through gradual removal of barriers to trade like tariffs and non-tariffs barriers and reduction of state's role in international trade. This was significant when the Egyptian government removed its protection on both textile and telecommunication industries. Besides, WTO regulations required liberalization and transparency as part of economic transformation. Consequently, the Egyptian regime decided to implement these principles within the General Agreement on Trade in Services (GATS)¹²⁰.

Socio-economic liberalization: the issues of good governance and rule of law

This part will primarily address good governance and rule of law in the period of economic liberalization in Egypt. With the end of the Cold War, the IMF became

¹¹⁶ Mokhlis, Zaki Y. "IMF-Supported Stabilization Programs and their Critics: Evidence from the Recent Experience of Egypt." 1878.

¹¹⁷ Handy, Howard. "Egypt : Beyond Stabilization. Toward a Dynamic Market Economy." 163 (May 1, 1998). 1.

¹¹⁸ Soliman, Samer. *The Autumn of Dictatorship Fiscal Crisis and Political Change in Egypt under Mubarak*. CA: Standford Press, 2011. 47

¹¹⁹ Arvind, Subramanian. "The Egyptian stabilization experience: An analytical retrospective." 1997, 14. <https://www.imf.org/external/pubs/ft/wp/wp97105.pdf>.

¹²⁰ Rutherford, Bruce K. *Egypt after Mubarak: Liberalism, Islam, and Democracy in the Arab World*. Princeton University Press. 200-202.

concerned with high levels of corruption and poor governance globally. In the meantime, it reconstructed its relationship with Egypt through the “Declaration Partnership for Sustainable Global Growth in 1996”. The IMF took the role as a sponsor of good governance and anti-corruption through outlining the causes and impacts of poor governance. The IMF introduced real methods for combating corruption in different areas like public sector and civil service¹²¹. The IMF made it clear that challenges of poor governance and corruption was obvious in developing countries, such as Egypt. Also, it stated that if they didn’t tackle such problems, like corruption and ineffectual financial sectors, they will lose foreign investment¹²². The 1996 Egypt-IMF Stand-By Arrangement, which revised the IMF recommendations regarding governance, stated that the Egyptian regime took these recommendations into consideration. As a consequence, Egypt had fulfilled the IMF’s persistence on implementing reforms to reorganize the Egyptian civil service, which is a reorganizing procedure that contained the initiation of a new general sales tax and new income tax and the lessening of both public sector entities and public workers. On the other hand, the report highlighted that the Egyptian regime was not able to present the “Unified investment law” through parliament¹²³. Additionally, the report criticized the Egyptian government for not presenting a legislative bill in parliament that would widen the penalties for fabricated tax declarations¹²⁴. The IMF also insisted on the establishment of transparency legislation and decentralization in the Egyptian financial institutions¹²⁵. Referring to the 1996 and 1997 Transparency International Corruption Prediction Index, Egypt had been placed poorly due to poor

¹²¹ International Monetary Fund. " Arab Republic of Egypt – Second Review Under the Stand-By Arrangement." 1997, 4-6.

¹²² Ibid, 17

¹²³ Ibid, 24

¹²⁴ International Monetary Fund. "Arab Republic of Egypt - Staff Report for the 1997 Article IV Consultation and Third and Fourth Reviews Under Stand-By Arrangement. Supplementary information." 1997, 2-5.

¹²⁵ Ibid, 46

reform in the areas of corruption¹²⁶. To recap, the IMF promoted the principles of good governance, anti-corruption, and economic transparency. It obliged the Egyptian regime to apply such principles; as a result Egypt made more room for the private sector and contributed in new good governance programs. However, it didn't promote for an accountable system and didn't work on tackling corruption and nepotism in the public institutions.

Outcomes of neoliberal policies in 1990s

Although some international financial institutions- such as IMF- had praised Egypt for its success in SAP, others claimed that it was a fractional success due to the fact that SAP was targeting short-term fiscal considerations. Some researchers claimed that SAP didn't work on boosting productivity of the economy and widen supply, which was essential for long-term growth for Egypt. Additionally, they stated that Egypt's growth in 1990s was not resulted from high levels of exports, as projected by IMF, but was because of local demand growth primarily in the construction sector¹²⁷.

Poverty alleviation

As for poverty alleviation, SAP didn't work on tackling this issue, yet it raised levels of poverty. The issue of poverty had emerged with the initiation of open-door policy by Sadat in 1974. Along with the application of SAP in the 1990s, the level of poverty kept mounting tremendously. In 1991, the World Bank issued a report that analyzed the issue of poverty in Egypt and outlined a strategy to deal with it. According to the report, it had been stated that 20 to 25 % of the Egyptian people suffered from poverty and 10 to 13 % of them were considered extremely poor. In addition, it mentioned that the level of poverty was more advanced in rural areas, since they suffered from weak educational and

¹²⁶ Transparency International. "Corruption Prediction Index." 1996, 2. and Transparency International. "Corruption Prediction Index." 1997, 14.

¹²⁷ Harrigan, Jane R., and Hamed El-Said. "Aid and Power in the Arab World: The IMF and World Bank Policy- Based Lending in the Middle East and North Africa.

health facilities and low food subsidies. The report also argued that the reason behind rural poverty was unequal distribution of land, since the wealthiest 20 % of landowners controlled about 70 % of agricultural land however the bottom 20 % owned 5 % of total lands in rural areas. Another factor of the mounting poverty was the extreme augmentation in food prices. The report claimed that the cost of “minimum cost diet” rose by 216 % in urban areas and 242 % in rural areas between 1982 and 1987¹²⁸. Additionally, the report stated that the cost of food in urban areas raised 40 % between May and August 1989, while wages didn’t increase which affected the life of urban poor. The World Bank report acknowledged that SAP and privatization policies negatively affected poor people. Moreover, the report had listed three types of costs that impacted vulnerable. The first type was labor displacement, which resulted from privatization. The second type was the increase of necessity goods prices. The third type was the decrease in the delivery of social services such as education and health care¹²⁹. In 1991, the Egyptian government had founded the Social Fund for Development (SFD), which relied on funds from both governmental institutions and international donors. Its role was to lessen poverty and sponsor programs in health, education, microfinance, and infrastructure. A group of World Bank researchers assessed SFD programs and realized that some of its programs were not pro-poor. In addition, some observers recognized major problems in the way of managing and operating its programs. Besides, SFD had been known for being politically manipulated by the government, as the majority of its board members were public officials¹³⁰.

¹²⁸ World Bank. "Alleviating Poverty during Structural Adjustment." 17. Washington, D.C: World Bank, 1991.

¹²⁹ Ibid, xvii-xviii

¹³⁰ Reddy, Sanjay. "SOCIAL FUNDS IN DEVELOPING COUNTRIES: RECENT EXPERIENCES AND LESSONS." 1998, 37.

<http://www.un.org/esa/socdev/social/papers/reddy1.pdf>.

The issue of unemployment

Regarding the issue of unemployment, the Egyptian government, before mid 1980s, generated guaranteed jobs in either the government or public sector enterprises for each graduate; however, the ESRAP, which was adopted by the Egyptian government in 1990s, changed the structure of the labour market and decreased the government's capability to provide jobs, since it regulated the government's current and capital spending. Hence, the unemployment rate increased from 8 % in 1990 to 11 % in 1995¹³¹. Under this program, Egypt witnessed a significant growth in the GDP as it increased at an annual rate of 4.6%, however Egypt still suffered from key socio-economic issues, mainly poverty, unemployment, and inequality.

Employment and human development

As for issues of employment, unemployment, and human development, the economist Karen Pfeifer stated that IMF didn't tackle the subjects of employment, unemployment, and human development in Egypt. Referring to IMF sources, the unemployment rate in Egypt was between 10-22 % in 1995, while the percentage of Egyptian living in severe poverty was approximately 7.6¹³². Neo-liberal policies- as applied in Egypt in 1990s- intended to promote competitive economy, however they benefited firms owned by business families that have strong connections with the political leadership¹³³.

¹³¹ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt. United Nations Department for Social and Economic Affairs, 17-17. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study_egt.pdf

¹³² Pfeifer, Karen. "Does structural adjustment spell relief from unemployment?: A comparison of four IMF 'success' stories in the Middle East and North Africa. In Shahin, Wassim and Dibeh, Ghassan (eds.), *Earning Inequality, Unemployment, and Poverty in the Middle East and North Africa.*" 143-143.

¹³³ Mitchell, Timothy. "No factories, no problems: the logic of neoliberalism in Egypt." 1999, 455-455.

Egypt's political economy under Mubark's regime: 2000-2010

This part will primarily demonstrate key economic facts between 2000 and 2010. As a consequence of the global economic crisis resulting from 9/11 attacks in 2001, the economic growth of Egypt had fallen down to 3 % in FY 2001/2. The economic decline continued till 2003, followed by high inflation rate, growing fiscal deficit, high unemployment rate, and widening domestic debt. In addition, the Egyptian economy had witnessed low levels of productivity, lack of foreign currencies, and high real interest rates¹³⁴. In 2004, the Egyptian regime appointed a new government to enhance this weak economic performance through implementing a course of reforms that focus on improving the business environment and apply trade and tax reforms; for instance, a new tax law was passed to lessen personal and corporate taxes by 50 % in June 2005. As a consequence of these reforms, a real GDP growth rate had reached 5.1 % in FY 2004/5 and rose to 6.9 % in FY 2005/6, and to 7.1 % in FY 2006/7. As a result of the global crisis that took place in 2007, economic growth had declined notably in 2009 to less than 4 %. This was majorly due to the downturn in exports, investment, and private consumption; therefore it negatively impacted the prices of food, which led to a large inflationary pressure on the Egyptian economy¹³⁵.

Investment

Regarding investment in the Egyptian economy especially with the implementation of SAP, public investment had been used to decrease the changeability of total investment; yet, it is obvious that the growth rate in public investment has declined in which real

¹³⁴ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt. United Nations Department for Social and Economic Affairs, 9-9. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study_egt.pdf

¹³⁵ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt. United Nations Department for Social and Economic Affairs, 10-10. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study_egt.pdf

growth averaged 2.1 % during the period FY 1993/4-2006/7 in comparison to 18.6 % in 1970s. Furthermore, private investment widened by nearly 33 % in FY 2006/7, however real public investment in education, health, and electricity fell down by 20 %, 13 %, and 35 % correspondingly¹³⁶. This showed that private sector did not exist in education, health, and electricity sectors. Following the success of SAP in balancing the economy, the exclusion of a number of market falsifications and the application of key financial liberalization, the rate of investment increased from 1994 as a result of obvious growth in private investment. As a result of the three external shocks, this positive trend started to downfall after reaching an approximately more than 22 % of GDP in FY 1996/7. Stagnation negatively impacted investment for three successive years from FY 1998/9 until FY 2000/1, then this situation worsened in FY 2001/2 in which private investment witnessed a negative real growth of 46 % which caused a huge decline in investment by 23 % in spite of government efforts to recover investment by widening its share by 22 %. During FY 2002/3 and 2003/4, real investment led to a deeper recession in the Egyptian economy. Along with the appointment of a new government in 2004 and the formation of the Ministry of Investment with the prime objective of encouraging investment, key reforms and efforts had been accompanied by the Egyptian government to enhance the atmosphere of investment. In 2004, the new cabinet succeeded in increasing investment by 15 % and escalating private investment by almost 26 %. Between 2009-2011, Egypt had witnessed an invasion of capital flows in form of Foreign Direct Investment (FDI)¹³⁷.

Inflation

As for inflation, SAP succeeded in shortening the inflation rate in Egypt throughout using nominal exchange rate and controlling the budget deficit. Accordingly, inflation rate

¹³⁶ Ibid, 14.

¹³⁷ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt. United Nations Department for Social and Economic Affairs, 15-15. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study_egt.pdf

declined from 15.7 % in 1995 to less than 5 % by the end of the 1990s. With the escalating pressure of local currency and the increasing devaluation resulted from the three external shocks along with the failure of the government to tackle these shocks, inflation started to rise again. Furthermore, the subsequent enlargement in prices of imports as the result of the government's decision to float the currency in January 2003 negatively impacted inflation rate¹³⁸. Even with the creation of a Monetary Policy Committee in 2003 which was responsible of placing a monetary policy with price stability, the Wholesale Price Index (WPI) increased by 20.5 % between January 2004 in comparison to 14.8 % during July-December 2003. The WPI inflation rate decreased to 4.2 % in May 2005 and to 3.8 % in November 2005. Moreover, the Consumer Price Index (CPI) widened by approximately 4.9 % during the first half of FY 2004 and touched 12.7 % in October 2004. The CPI annual inflation rate declined to 4.7 % in June 2005 compared to 9.5 % in January 2005. The decline in both indexes was due to the stability in the foreign exchange market that assist in decreasing inflationary conjectures, the non-expansionary monetary policy implemented by the CBE, the diminution in tariff rates, and lower global commodity prices that were applied in September 2004. Since July 2006, the Egyptian economy had witnessed tough inflationary pressures, as inflation rate increased to 7.6 % in 2006 and 12.6 % in February 2007¹³⁹.

Unemployment and real wages

Regarding unemployment and real wages issues, in the mid 1980s, the Egyptian government was responsible to grant each graduate a guaranteed job either in the government or in the public sector companies. The reforms that were applied in the 1990s

¹³⁸ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt. United Nations Department for Social and Economic Affairs, 15-15. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study egt.pdf

¹³⁹ Ibid, 16.

lessened government's capability to provide jobs through restricting government's current and capital expenses; hence, the unemployment rate increased from 8 % in 1990s to 11 % in 1995. Subsequent to the business cycle in Egypt as mentioned above, unemployment rate minimized to 8.4 % in 2001, nevertheless it increased to 9.9 % in 2003¹⁴⁰. In spite of the initiation of the new labour law in 2003 that give employers some elasticity in hiring and firing employees, this law didn't tackle the issue of high unemployment rate in the Egyptian economy. According to the World Bank report, the unemployment rate lessened from 10 % in 2004 to 9.5 % in 2005. As for the status of women in labour force, participation of female in in labour force did not exceed 24 % of the total labour force; in addition, the female unemployment rate was 26.4 % in comparison to the male unemployment rate, which was 5.9 %¹⁴¹.

Foreign trade

Regarding the issue of foreign trade, Egypt didn't succeed in sustaining high export growth, while it followed an open-market ad export-promoting approach. Furthermore, high technology exports were almost one % of manufactured exports. Major imports of Egypt remained to be equipment, food products and means of transportation. In 2006, the deficit in trade balance had been enlarged to 8.4 billions dollars compared to 7.8 billion dollars in 2005. Nonetheless, the trade deficit share of GDP had decreased from 2.3 % in 2005 to 1.6 % in 2006 as a result of the escalation in GDP in comparison to the increase in the trade deficit. Still, the actual deficit had been recompensed by the services leftovers, primarily Suez Canal revenues, tourism earnings and workers' remittances¹⁴².

Throughout the first half of 2007, Suez Canal revenues widened by 14.4 % to 2 billion dollars, tourism earnings by 9.1 % to 4.3 billion dollars, and investment rate increased

¹⁴⁰ Khorshid, M., Kamaly, A., El-Laithy, H., & Abou El-Enein, S. (march 2011). Assessing Development Strategies to Achieve the MDGs in The Arab Republic of Egypt. United Nations Department for Social and Economic Affairs, 16-16. Retrieved March 26, 2016, from http://www.un.org/en/development/desa/policy/capacity/output_studies/roa87_study egt.pdf

¹⁴¹ Ibid, 16.

¹⁴² Ibid, 18.

with global interest rates, which assisted in increasing GDP rate. As a result of the last global crisis, the commodity exports decreased along with decline in Suez Canal and tourism revenues¹⁴³. T

Poverty

As for poverty, Egypt had witnessed high economic growth in the 2000s, however the poverty rate widened. Referring to the World Bank data, the poverty rate rose from 16.7% in 1999/2000 to 25.2% in 2010/2011. In addition, the Egyptian poverty map showed that Upper Egypt Governorates, especially Assuit, Aswan, Qena, Sohag, had higher poverty rate than Urban Governorates, such as Alexandria, Cairo, Port Said, and Suez¹⁴⁴. Regarding the issue of unemployment, Egyptian economy had witnessed high unemployment rate as it was 9-11% in the 2000s and increased to 13.2% in 2014¹⁴⁵. As for the national poverty line, poverty rate had enlarged during 2000s, as the rate increased from 16.7% in 1999/2000 to 26.3% in 2012/2013. By this increase, Egypt reached double the 12.1% rate aimed for the Millennium Development Goals. By 2004/2005, the extreme poverty rate reached 3.6 % and rose to 6.1% in 2008/2009 and then lessened to 4.4% in 2012/2013¹⁴⁶. According to UNICEF statistics, it had been stated that around 50 % of the Egyptian population lives under upper poverty line (which is 5066 EGP per person per year) in 2012/2013. Referring to UNDP and Ministry of Planning report, poverty rates in Urban Governorates- which include Alexandria, Cairo, Port Said, and Suez- and Urban Lower Egypt- which included 9 Governorates in Delta region- reached 7 % in 2008/2009, however the rates in Urban Upper Egypt and Rural Upper Egypt reached 21% in 2008 and then 44% in 2009. This shows that poor people were mainly located in Upper Egypt rather than Lower Egypt. In 2008/2009, the poverty rate in urban regions was 11%,

¹⁴³ Ibid, 18.

¹⁴⁴ Tsuchiya, Ichiki. " Poverty in Egypt during the 2000s." Interim Report for the Household Expenditure Patterns in Egypt during the 2000s, 60-60 2016.
www.ide.go.jp/library/Japanese/Publish/Download/Report/2015/pdf/C11_ch4.pdf.

¹⁴⁵ Ibid, 61.

¹⁴⁶ Ibid, 63.

although it was 28.9% in rural regions¹⁴⁷. The World Bank 2007 Poverty Assessment report showed that the poverty gap index of Egypt was 3% in 2000, 3.6% in 2005, and 4.1% in 2009¹⁴⁸. In addition, the report stated that poverty gap rate in rural areas was higher than in urban areas. Referring to World Bank 2011 report, Egyptian economy was notably impacted by the global food prices shock in 2008, since the annual inflation rate moved to 25.7% in August 2008 that negatively affected the poor. Additionally, the report argued that 9.6% of the Egyptian population moved out of poverty, however 5.9% of them remained poor between 2005 and 2008. The major reasons behind the escalation of poverty rates in the 2000s were varied. The first reason was the inconsistency of economic growth rates. The second reason was the insufficiency of social policies such as social protection and redistribution of resources policies. The third reason was the nonstop high unemployment rate among the population. The fourth reason was the rising levels of corruption that negatively affected redistribution of wealth and social justice. The last but not least reason was the implementation of improper development policies that were in charge of tackling poverty issues¹⁴⁹.

To sum up, two decades of structural adjustment and economic liberalization programs in Egypt have led to GDP growth for a few years, however, poverty levels had increased, and education and health care programs had not developed. This was due to the unequal distribution of resources and wealth. Furthermore, GDP growth didn't enhance the quality of education and health care programs, which are key pillars for socio-economic development.

¹⁴⁷ Tsuchiya, Ichiki. "Poverty in Egypt during the 2000s." Interim Report for the Household Expenditure Patterns in Egypt during the 2000s, 64-64 2016.

www.ide.go.jp/library/Japanese/Publish/Download/Report/2015/pdf/C11_ch4.pdf.

¹⁴⁸ The World Bank. "Arab Republic of Egypt POVERTY ASSESSMENT UPDATE." 1 (September 16, 2007): 7-7.

<http://documents.worldbank.org/curated/en/412381468266380471/pdf/398850v101OFFI10Update10Main0Report.pdf>.

¹⁴⁹ Tsuchiya, Ichiki. "Poverty in Egypt during the 2000s." Interim Report for the Household Expenditure Patterns in Egypt during the 2000s, 71-72 2016.

www.ide.go.jp/library/Japanese/Publish/Download/Report/2015/pdf/C11_ch4.pdf.

Chapter 3

Poverty and Pro-poor Policies in Egypt

Definition of poverty

Poverty is a global issue that hinders the development of any society. In the below part, we will demonstrate different definitions of poverty, poverty in the Arab world, and poverty and pro-poor policies that were adopted in Egypt. Some academics and scholars defined poverty as economic poverty and human poverty. First of all, economic poverty is known as a shortage in the financial resources of household to afford its basic needs, which had been defined as absolute or relative poverty. Absolute poverty is a series of resources that must be obtained by a person to guarantee minimal standard of living for survival. It's a problem of severe hunger, hardship, and early death¹⁵⁰. While relative poverty is interested in the degree of worse off a person or household in comparison to other people in the same community. It reflected the level of inequality like the incapability to access services and goods¹⁵¹. Peter Townsend had defined relative poverty as the level of impoverishment in which persons are incapable to be in charge of specific role, follow the habitual behavior of the society, and contribute with other people¹⁵². Absolute poverty lines are edge in which households cannot sustain a minimal standard of living. They are mostly common in the developing countries and USA¹⁵³. Second, human poverty is poverty in different aspects- namely knowledge, standard of living, long and healthful life, and contribution in the society. Human poverty followed people path through guiding resources and attention in fields of personal capacity building like

¹⁵⁰ Schwartzman, Simon. "The statistical measurement of poverty." Expert Group of Poverty Statistics, 2002.

¹⁵¹ Mowafi, M., and M. Khawaja. "Poverty." J Epidemiol Community Health, 2005. <http://dx.doi.org/10.1136/jech.2004.022822>.

¹⁵² Townsend, Peter . The International Analysis of Poverty. Hemel Hempstead, England: Harvester Wheatsheaf, 1992.

¹⁵³ Lanjouw, Jean Olson. "Demystifying Poverty Lines." Poverty Elimination Programme, 1998.

education and health¹⁵⁴. The human poverty index- as part of human poverty- is a tool of measuring illiteracy, access to healthcare, longevity, and other public services, thus it helps in comparing these indicators between intra-country and inter-country¹⁵⁵. Poverty has also been known as a deprivation of human capabilities. Capabilities deprivation has categorized poverty with reference to the freedoms that the people have and the lives they can lead¹⁵⁶. Capabilities mean the capacity of an individual to translate goods into valuable achievements in one's life¹⁵⁷. Additionally, capabilities are known as the substantive freedoms that people practice in order to live a valued lifestyle. According to the American Philosopher Martha Nussbaum, a list of 10 capabilities must be guaranteed by a government to its people, so they can play effective role in the development process. The first capability is the right of life through averting early death. Second, a government should assure bodily health to their people through well nutrition. Third, a government should support senses, imagination, and thought through providing suitable education and protecting political freedoms. The fourth capability is the right to play and enjoy entertaining activities. Fifth, a government should ensure bodily integrity via protection from assault. The sixth capability is emotions in which people have the right to love and sadden. The seventh capability is affiliation through supporting freedom of involving in different social interactions. The eighth capability is practical reason in which ensuring freedom to plan one's own life. The ninth capability is control over one's environment through assuring equal employment chances, political engagement, and ownership of property. The last capability is to freely interact with other species from the nature.

On the other hand, some international intuitions had defined poverty in a different manner. At the World Summit for Social Development took place in March 1995 in Copenhagen under the sponsorship of United Nations Economic and Social Affairs

¹⁵⁴ UNDP. "Human development report 2000: Human rights and human development." Oxford University Press, 2000.

¹⁵⁵ Moez , D. "Analytical tools for human development." Human Development Report Office, UNDP 3rd (1997).

¹⁵⁶ Sen , A. "Development as freedom." Random House, 1999.

¹⁵⁷ Sen , A. "Commodities and capabilities." *Oxford University Press*, 1985.

Council (ECOSOC), poverty had been defined as the absence of income and productive resources adequate to guarantee maintainable source of income; starvation and malnourishment; incomplete access to education and basic needs; deteriorated health conditions; insufficient housing; social injustice and segregation; insecure environments. Furthermore, poverty is identified by an absence of political participation, and in social, cultural, and civil life. Poverty is also an obstacle to access to basic services such as respectful health care and people who are living in poverty are highly exposed to conflicts and social disasters. Referring to the statement announced by the Committee on Economic, Social, and Cultural Rights of the United Nations in 2001, poverty was defined as “the scarcity of basic abilities to live in dignity. This definition included poor education, hunger, injustice, and social exclusion¹⁵⁸ According to UNDP, poverty was primarily defined in four different clusters. The first cluster is income-poverty or consumption poverty, which is the inability to generate income to afford daily needs. This cluster is widely common among people living in poverty. The second cluster is material lack which is chiefly lack of wealth, shortage or low quality of shelter, means of transportation, clothing, and furniture. This cluster also includes the absence or poor access to basic services. The third cluster is known as capability deprivation, which is basically lack of skills and physical capabilities, and absence of self-respect in society. The last cluster took more generally multi-dimensional view of deficiency with material scarcity¹⁵⁹. Furthermore, scopes of poverty includes not only income-poverty and material scarcity, but also the web of poverty’s disadvantages which are essentially lack of education/ capabilities, lack of information, physical ill-being, insecurities, material poverties, lack of political power, and weak social relations¹⁶⁰. The Division for Social Policy and Development of the Department of Economic and Social Affairs of the United

¹⁵⁸ Legislative Council Secretariat. "Definitions of Poverty." 1. <http://www.legco.gov.hk/yr04-05/english/sec/library/0405fs10e.pdf>.

¹⁵⁹ Ehrenpreis, Dag. "What is poverty? Concepts and measures." Poverty In Focus, December 2006, 3. <http://www.ipc-undp.org/pub/IPCPovertyInFocus9.pdf>.

¹⁶⁰ Ibid 3-4

Nations issued the Report on the World Social Situation in 2003, which defined poverty. The report declared that poverty and vulnerability interrelate with each other, as they formed a vicious circle in which they strengthen each other. Furthermore, the report stated that poor people are highly exposed to economic traumas, losses of prosperity, and material losses. Accordingly, these actions can prevent the poor people from moving out of poverty on short and long terms through lessening their physical and human assets. In addition, the report claimed that poverty might widen susceptibility through stimulating the possibility of social tension and declining the social consistency needed to deal with possible dangers. At the same, an expanding in vulnerability negatively impacts the poor people since they will be incapable of managing potential risks, like health problems, death, and loss of employment¹⁶¹. The World Bank (WB) had also defined poverty through initiating the Participatory Poverty Assessment in 1990s¹⁶². It was a participatory research procedure that aimed to realize poverty in its local, political, social, and institutional frame, integrating the perceptions of various stakeholders and engaging them straightforwardly in designing follow-up action. The major stakeholders engaged in the research practice were mainly poor people and women. Also, it included some decision makers from the governmental institutions, civil society, and local elite in order to have distinctive perceptions and interests to follow-up action¹⁶³. This policy had revealed five main findings that best explained poverty.

The first finding is that poverty is a multidimensional social phenomena, since definitions and sources of poverty are varied by culture, gender, age, and other social and

¹⁶¹ Legislative Council Secretariat. "Definitions of Poverty." 3. <http://www.legco.gov.hk/yr04-05/english/sec/library/0405fs10e.pdf>.

¹⁶² Ehrenpreis, Dag. "What is poverty? Concepts and measures." Poverty In Focus, December 2006, 2. <http://www.ipc-undp.org/pub/IPCpovertyInFocus9.pdf>.

¹⁶³ World Bank. "Participatory Poverty Diagnostics." 162. <http://siteresources.worldbank.org/INTEMPowerment/Resources/486312-1098123240580/tool20.pdf>.

economic settings¹⁶⁴. The second finding stated that poverty is defined as the shortage of necessary features of material well-being such as food security and employment. Food insecurity and starvation are considered the key concerns of the poor people, since poor families struggle daily in order to provide food, water, and shelter for their members; this became critical for whom suffer from unemployment and underemployment or lack of secured source of income. The issue of employment is another key feature that affects poverty, since they hardly find permanent or salaried jobs that secure their basic needs. Accordingly, this type of people enroll in informal, casual, and daily wage labor with low salaries that don't afford their daily needs¹⁶⁵. The third finding of poverty is psychological well-being. Poverty has psychological drawbacks on poor people, as they face psychological disorders for being unable to provide food or shelter for their children or to secure daily meals needed for their family members. In addition, poor people lack power and voice in the society due to the fact that they feel powerless, humiliated, and marginalized. Furthermore, poor people pointed out that they have minor effect over the political representatives, as they believe that political representatives don't work on improving their living conditions. Also, the sense of powerlessness and helplessness of people poor derived from their bad experience with spoiled and ineffective state officials who treat them badly. Poor people lack voice and power as a result of bad relationship with state officials, employers, bankers, market, and lenders. In other words, poor people are treated badly by various groups of people due to their poorness. In some countries, poor people declared that wage labor are the most manipulated due to the fact they were forced to work in hard conditions and for long hours with no compensation and to accept inferior salaries. Also, they noted that poor people are obliged to ask help from the people who manipulate them such as moneylenders and landowners due to the reason that they

¹⁶⁴ World Bank. "The Definitions of Poverty." 26.
<http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1124115102975/1555199-1124115187705/ch2.pdf>.

¹⁶⁵ Ibid, 29-30

don't have any other alternatives or resources that secure their necessities¹⁶⁶. Cultural and social norms are other main features of psychological well-being.

Participatory poverty assessment

Participatory Poverty Assessment stated that societal ties can assist in stabilizing the community and diminish psychological stresses of poverty. For poor people, sustaining social unity is essential for them while the failure to participate in social events can have negative results such as loss of honor, communal marginalization, humiliation, and segregation from significant social networks. Apparently, poor people see that violation of cultural and social norms is one of the major causes poverty. Moreover, Participatory Poverty Assessment added that clothing function is a key social marker, as some reports pointed out that children felt "marked" due to their nasty clothes and were being labeled by wealthy teachers and children, which negatively impacted their psychology¹⁶⁷. The fourth finding of poverty is the absence of basic infrastructure, which is basically roads, transportation, health facilities, marketplaces, and water. Poor people mainly suffered from lack of these resources. Participatory Poverty Assessment highlighted the importance of such services for poor people as it assist them in coping with daily problems. Also, it had been stated in Participatory Poverty Assessment that poor people, who live in urban areas, were considered less poor than in rural areas, since they had access to fundamental services and infrastructure. Many reports mentioned that several poor countries suffered from either the absenteeism or poor condition of infrastructure such as roads and bridges. Furthermore, Participatory Poverty Assessment claimed that shortage of qualified roads can decline society's political access, as state officials avoid going to villages that were accessible through poor roads. Participatory Poverty

¹⁶⁶ World Bank. "The Definitions of Poverty." 31-33.

<http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1124115102975/1555199-1124115187705/ch2.pdf>.

¹⁶⁷ World Bank. "THE DEFINITIONS OF POVERTY." 36-36.

<http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1124115102975/1555199-1124115187705/ch2.pdf>.

Assessment also reported that poor roads restrict trade between rural and urban areas, which negatively impact productivity in these areas. Weak transportation infrastructure is one of major obstacles that hinder people from acquiring basic services such as health care, since they lack access to health facilities, which sometimes risk their lives. Moreover, poor transportation negatively impacts children because they suffer from both reaching their schools and receiving good quality of education due to the fact that teachers avoid working in inaccessible areas. Water security is a major feature that differentiates between poor and non-poor. Participatory Poverty Assessment stated that access to water is essential for drinking, bathing, and irrigation process in agricultural areas. Regarding the issue of electricity, poor areas suffer from either absence or lack of electricity supply that affects their living conditions and level of productivity, since people rely on electricity to lighten their houses and operate their shops and small factories¹⁶⁸. Last but not least, poor people care about assets, which is the fifth finding, rather than revenues and relate their shortage of physical, human, social and environmental assets to their subjection to risk. In the following part, we will deeply identify the four major assets that were listed by Participatory Poverty Assessment. The first asset is known as physical asset, which contains land and material properties. As for poor people, the possession of or access to land is considered a fundamental asset, especially in rural areas, since it distinguish between poor and non-poor. In addition, housing is another key asset for the poor because it is their main shelter and save them from rains. Also, sub-standard housing what differentiates poor from non-poor due to the fact that poor people suffer from leaking roofs, rusted pipe, and broken windows. Human capital is the second known asset, which are primarily labor and health. For people who lack productive and material assets, labor power is considered the most important source of survival for them because it secures money needed for their expanses. Participatory

¹⁶⁸ World Bank. "The Definitions of Poverty." 37-38.
<http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1124115102975/1555199-1124115187705/ch2.pdf>.

Poverty Assessment reported that poor people fear critical sickness within their families. Illness prevents poor people from labor pool and can drive a household into poverty; furthermore, serious illness of one member of the member can risk financial stability of the whole household. The third asset is known as social capital, which refers to the nature of social networks of poor people like relatives, neighbors, and association. The approachability of further resources through social networks allow poor people to afford their daily needs due to the fact the poor people cant afford official insurance that protect them from crises like financial crisis, health traumas, unemployment, natural disasters. Accordingly, poor people rely on such social connections to gain financial, social and political support. Environmental asset is the fourth and last asset. Participatory Poverty Assessment stated that seasonal instability in food and water availability is the most crucial sources of vulnerability for people who live in rural areas. Furthermore, large number of poor people who live in tropical and arid land struggle from low soil fertility, as a consequence large number of poor people moved to low-lying coastal areas. Without mega investments in controlling floods and erosions, these lands won't be appropriate for farming or housing, which will negatively impacts the lives of people who live there. Additionally, poor people, who live in urban areas, are also exposed to environmental risks. Due to inadequate reasonable housing, poor families fled to hillsides and marshlands that are highly vulnerable to floods that risk their lives. Poor people are also struggle from dangerous weather conditions such as droughts and floods that demolish societies all over the world¹⁶⁹.

Poverty in the Arab world

This part will mainly demonstrates various issues of poverty in the Arab World through referring to UNDP Arab Development Challenges Report (ADCR) 2011 and Economic

¹⁶⁹ World Bank. "The Definitions of Poverty." 39-48.
<http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1124115102975/1555199-1124115187705/ch2.pdf>.

and Social Commission for Western Asia (ESCWA) paper on Multidimensional Poverty Index for Middle Income Countries.

UNDP Arab development challenges report (ADCR) 2011

According to ADCR 2011, extreme poverty is usually measured against the global 1.25 dollars poverty line in 2005 purchasing power parity. The report stated that poverty is less extensive in the Arab world (less than 5 % between 2005 and 2009) in comparison to other developing regions such as East Asia and Pacific, Sub-Saharan Africa, and South Asia. Yet, the extent of poverty and the ranking of the Arab World transformed significantly with higher poverty rates¹⁷⁰. In 2008, based on the 1.25 dollars, the Arab region had nearly the same poverty rate of the Latin America and the Caribbean region, while based on the 2.75 dollars, poverty rate is twice of Latin America and the Caribbean. As for the eight Arab countries (Egypt, Syria, Jordan, Tunisia, Morocco, Yemen, Djibouti, and Mauritania) in the sample, poverty rates according to 1.25 dollars line decreased by 2 %, which indicates that, the Arab region will face severe poverty by 2015. Furthermore, the report concluded that poverty is very flat in the Arab region, especially for the population that is grouped between 1.25 dollar and 2.75 dollars lines. Therefore, any minor shock to income distribution will affect poverty in the region. Additionally, the report noted that the choice of poverty line has higher impacts on poverty rates in the Arab World¹⁷¹. ADCR also pointed out that poverty rate in the Arab countries remained at 18.1 % during the last decade, as the rate is lower than the rate for 1990s, which was 20.3 %. As consequence, this showed that there had been slight poverty reduction since 1990. As given the significant difference in per capita consumption levels, poverty rates for Least Developed Countries (LDCs) were approximately double the average for the Arab World. Yet, poverty in Mashreq is closely double that in the Maghreb due to the

¹⁷⁰ UNDP. "Arab Development Challenges report 2011 Towards The Developmental State in The Arab Region." 2011, 2.

http://www.undp.org/content/dam/undp/library/corporate/HDR/UNDP-ADCR_En-2012.pdf.

¹⁷¹ Ibid, 3-4

notably high rate of poverty in Egypt¹⁷².

Multidimensional poverty index for middle income countries paper

According to Multidimensional Poverty Index for Middle Income Countries joint paper by ESCWA and the Faculty of Economics and Political Science in Cairo, there has been much interest in Multidimensional poverty measurement by several Arab countries. At the international level, the Multidimensional Poverty Index (MPI), which was developed by Sabina Alkire who is the Director of the Oxford Poverty and Human Development Initiative (OPHI) and Research Associate in OPHI Maria Emma Santos, is frequently issued by the Human Development Report of the UNDP. The international MPI applies one of the Alkire classes of poverty measures through using data on deficiency in living standards, education, and health. Several developing states had also issued their own local multidimensional poverty measures to suit their national development policy priorities and data limitations¹⁷³. Referring to the recent data issued by OPHI, most middle and upper middle-income Arab state have low Multidimensional Poverty Index. The paper also added that the Arab World contains some of the poorest counties all over the world, such as Mauritania, Somalia, and Sudan. As a result of ongoing civil wars and internal conflicts in some Arab countries since 2011, they faced socioeconomic difficulties like major international population displacement and increased number of refugees across counties. This had negative consequences in dealing with issues of poverty in these countries. The paper also showed that the average weighted amount of deficiency for Arab states is 50.5 %, which is below the average amount for the 101 developing countries, which is 51.3 %. It had been claimed that Somalia has the highest intensity of

¹⁷² UNDP. "Arab Development Challenges report 2011 Towards The Developmental State in The Arab Region." 2011, 5.

http://www.undp.org/content/dam/undp/library/corporate/HDR/UNDP-ADCR_En-2012.pdf.

¹⁷³ Abu-Ismail, Khalid, Heba El-Laithy, Dina Armanious, Maya Ramadan, and Marwan Khawaja. "Multidimensional Poverty Index for Middle Income Countries Findings from Jordan, Iraq and Morocco." 1.

https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/e_escwa_edid_15_wp-2_e.pdf.

poverty which accounts for 63.3 %; however Jordan has the lowest intensity of poverty which is 35 %. Nevertheless, the Arab region's average headcount rate is known for being below world average¹⁷⁴. This fact showed that multidimensional poverty in Arab countries is notably lower than other developing countries. The paper also revealed the distribution of the multidimensional poor and extremely poor population by HDI level for Arab states. Of the Arab population, nearly 52 million are multidimensional poor, and 30 millions of them are in critical multidimensional poverty. The majority of poor and critically poor populations are mainly located in the low human development countries in the region like Djibouti, Somalia, Sudan, and Yemen. Referring to the WB income-based classification, the majority of the Arab multidimensional poor population goes to the lower middle-income group. As for the concepts of good governance and rule of law, UNDP Arab Development Challenges Report (2011) stated that Arab government failed to translate its wealth into improvements in human well-being due to their bad governance. Also, the report argued that corruption along with high levels of economic inequality and high levels of nepotism negatively affected vulnerable group, since they favor the business elite over the poor¹⁷⁵.

Economically, the Arab region showed income, asset, and resource accumulation and distribution of power linked with the powerful ruling elite. Under this political and economic system, neither the poor peasants nor the young were beneficiaries; they suffered from low standard of living due to high levels of corruption¹⁷⁶. This paper concluded that the global MPI undervalued extreme poverty for the majority of Arab states in the middle-income group and specifically for the upper middle-income group¹⁷⁷.

¹⁷⁴ Ibid, 4-5.

¹⁷⁵ UNDP. "Arab Development Challenges report 2011 Towards The Developmental State in The Arab Region." 2011, 65-68.

http://www.undp.org/content/dam/undp/library/corporate/HDR/UNDP-ADCR_En-2012.pdf.

¹⁷⁶ Kaufmann, Daniel. "Governance and the Arab World Transition: Reflections, Empirics and Implications for the International Community." 29. https://www.brookings.edu/wp-content/uploads/2016/07/2011_blum_governance_arab_world_kaufmann.pdf.

¹⁷⁷ Abu-Ismaïl, Khalid, Heba El-Laithy, Dina Armanious, Maya Ramadan, and Marwan Khawaja. "Multidimensional Poverty Index for Middle Income Countries Findings from

In addition, poor governance in the Arab world was major cause of poverty due to unequal distribution of wealth and resources.

Poverty in Egypt between 1980s and 2000s

Concerning poverty, all estimations showed that the rate of poverty widened between 1980-1981 and 1990-1991. Referring to the Egyptian researchers El-Laithy and Osman, the average annual poverty rate had increased rapidly by 0.81 % annually between 1980 and 1996. Some data also showed that real wages for unskilled workers decreased by 18 %¹⁷⁸. In addition, the poverty gap had been widened in Egypt.

The poverty gap had risen in the 1980s but very little from 1990-1991 to 1995-1996¹⁷⁹. Referring to the World Bank, it has been declared that the poor people moved closer to poverty line while poverty incidence and poverty gap declined marginally in 1999-2000¹⁸⁰. Furthermore, the World Bank report had indicated that the incidence of poverty in both 1995-1996 and 1999-2000 was higher in rural areas than in urban areas and it was higher in Upper Egypt than in Lower Egypt. Also, the incidence of poverty decreased by more than half in Metropolitan Egypt, it lessened significantly in both rural and urban Lower Egypt, and it expanded intensely in Upper Egypt. Meanwhile, the poverty rate in rural Upper Egypt was doubled between 1995-1996 and 1999-2000, and it widened from 29 to 34 % in urban Upper Egypt¹⁸¹. This data showed that the Egyptian society had suffered from poverty, which negatively affected human development.

Jordan, Iraq and Morocco." 1.

https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/e_escwa_edid_15_w-p-7_e.pdf.

¹⁷⁸ International Labour Organization (ILO). 1997. Job Creation and Poverty Alleviation in Egypt: Strategy and Programmes.

¹⁷⁹ El-Laithy, Heba and M.O. Osman. 1996. "Profile and Trend of Poverty and Economic Growth." INP, UNDP).

¹⁸⁰ World Bank. 2002a. Poverty Reduction in Egypt: Diagnosis and Strategy. Vols. 1 and 2. (June).

¹⁸¹ Ibid,

Poverty in Egypt: Egypt human development report 2010

This section will mainly highlight key facts of poverty and programmes that aimed to tackle poverty in Egypt through relying on key findings of Egypt Human Development Report 2010. The report stated that the Egyptian government aimed to reduce poverty through empowering the poor people and most deprived classes, participating to their economic and social development, and enhancing their standard of living. Accordingly, the government used several mechanisms in order to achieve their main objectives. Firstly, it worked on offering the education and health services or social benefits for all the people, without indicating a specific group as recipient. The second mechanism was targeting a precise group as beneficiary for instance the programmes of subsidized bread and of subsidized supply commodities. These mechanisms had shown notable disadvantages since the government failed to complete its programmes with the lowest financial cost and to direct subsidies and social benefits to poor people only due to the widespread of corruption among local authorities and the absence of good governance. Consequently, the potentiality of these programmes declined and the effectiveness of public spending and investment had also decreased. Therefore, the government should propose new methods and techniques to target the poor in rural areas and villages¹⁸².

Poverty assessment report in Egypt: poverty map

The Egypt Human Development Report 2010 pointed out that the Egyptian Ministry of Economic Development, in cooperation with the WB, published its Poverty Assessment Report in Egypt in mid-2007. This report presented the “Poverty Map” in Egypt, which provided comprehensive information about the cases of the high rate poverty and low standard of living. The report claimed that the “Poverty Map” can assist in tackling poverty and increase the effectiveness of public spending by targeting poor areas, pinpointing their real needs, and lessening the outflow of benefits to non-beneficiary

¹⁸² UNDP. "Egypt Human Development Report 2010 Youth in Egypt: Building our Future." 2010, 30. http://hdr.undp.org/sites/default/files/reports/243/egypt_2010_en.pdf.

(non-poor). The Poverty Assessment Report used 37 indicators to evaluate poverty at the village level. Furthermore, it identified the key dimensions of poverty, which are the indicators on education (including literacy rate and enrollment levels), on employment (including unemployment rate and the percentage of permanent, casual, and temporary labor), and on public services (such as the amount of houses that have access on safe water network and electricity network). The poverty map included all governorates except the border governorates that have low population density.

The Egyptian initiative to develop the poorest 1000 villages

The poverty map came out with the most significant results, which were the recognition of the 1000+ poorest villages in Egypt and the determination of the fundamentals for targeting poor households to eradicate poverty. The poverty map also showed that more than 1 million poor households out of 5 million people live in the 1000+villages. They accounted for 46 % of the total population of these villages. The percentage of poor people in these villages is almost 54 % of the total Egypt's rural poor and around 42 % of the total poor population in Egypt. Additionally, the report stated that Assuit, Menya and Suhaq have 794 villages and almost 82 % of the total poor in the 1000+ villages¹⁸³. After the completion of the Poverty Assessment Report in 2007, the Egyptian government aimed to establish a development plan that worked on reducing poverty in the 1000+ poorest villages. It sought to reduce poverty through the "National Project for Geographic Targeting of Poverty". As a result, the Egyptian government created a ministerial group in 2007 to apply this project. This group included Ministers of Education, Higher Education, Health, Housing and Urban Development, Transport, Social Solidarity, Environment, Local Development, and Secretary of the Social Fund for Development. This group was responsible of coordinating between ministers whose missions were to enhance services in the villages. In 2008, new ministries were added to this group,

¹⁸³ UNDP. "Egypt Human Development Report 2010 Youth in Egypt: Building our Future." 2010, 30-31. http://hdr.undp.org/sites/default/files/reports/243/egypt_2010_en.pdf.

explicitly the Ministers of Family and Population, the National Sports Council, the National Youth Council, the General Authority for Literacy and Adult Education, and the National Post Authority. In June 2009, the Ministry of Economic Development issued a report on poverty map which reported that the number of poorest villages became 1141 especially in Assiut, Menya, Qena, Sharkia, Behera, Suhag, Helwan, Beni Suef, 6 October, and Aswan¹⁸⁴.

This report argued that good governance required partnerships between three major players in any community, which are government, private sector, and Civil Society organizations. Youth can play major in each of these players. In addition, the report mentioned three main tools for reform. The first tool is improving the internal rules, operations, processes of the government in which youth can play key role through, for instance, investing in the training of human capacities. The second tools is enhancing the role of the private sector and allowing the private sector to contest with government in offering goods and services to the people, hence the quality of goods and services offered to the people will be enhances; youth can play significant role throughout working in the private sector and managing private sector organizations that compete with the government. Third, Civil Society organizations- along with youth cooperation- can monitor the performance of the government through traditional and non-traditional media channels¹⁸⁵. However, this report didn't highlight the importance of good governance and rule of law in tackling poverty. As mentioned earlier, Egypt implemented neoliberal policies in 2000s in order to achieve economic growth, however such policies didn't tackle poverty. Referring to World Bank 2011 report, Egyptian bank researchers identified that the Egyptian economy had witnessed high economic growth between 2004/2005 and 2008/2009, although extreme poverty and absolute poverty widened, hence two-fifths of the Egyptian population became either poor or near poor. The report

¹⁸⁴ UNDP. "Egypt Human Development Report 2010 Youth in Egypt: Building our Future." 2010, 31. http://hdr.undp.org/sites/default/files/reports/243/egypt_2010_en.pdf.

¹⁸⁵ Ibid, 124

stated that 5.1 million Egyptians were harshly food improvised in 2008/2009 and absolute poverty rose from 19.6 to 22 %. The report added that while Egypt aimed to maintain economic growth- through implementing neoliberal policies- between 2008-2009, inflation had cut the real incomes of the poor and near poor by 20 %. Moreover, the report mentioned that living standards of the poor were decreases due to high inflation rate in the first quarter of 2009. The report added that neoliberal policies- namely expanded subsidized food programme- sought to assist households in facing the impacts of 2008 financial crisis although such polices were insufficient to prevent an escalation in poverty rate¹⁸⁶. To conclude, neoliberal policies – adopted by the Egyptian government- failed to combat poverty as they helped in achieving economic growth with no improvement in the living standards of the poor. Regarding the impacts of bad governance on poverty, the researcher will have a case study to show that there is a problem in planning and good governance which primarily combat socio-economic issues namely poverty.

¹⁸⁶ World bank. "Arab Republic of Egypt Poverty in Egypt 2008-09 Withstanding the Global Economic Crisis." June 17, 2011.
<http://documents.worldbank.org/curated/en/535951468236043325/pdf/602490ESW0P1180ose0May0230201200EG.pdf>.

Chapter 4

Field Work and Research Findings

This chapter will primarily address key aspects of the national initiative to develop the poorest 1000 villages in Egypt that was initiated in 2007. It also included a detailed explanation of the interviews that were conducted with stakeholders. These interviews intended to answer my research question and assess my hypothesis in the later section of research findings, which is why structural readjustment and economic liberalization programs have led to GDP growth until 2010, while not led to the decrease of poverty rates in Egypt?

Research Methodology

The research question is answered by developing a case study on the national initiative to develop the poorest 1000 villages in Egypt through analyzing the key objectives and achievements of the initiative. It also examined the link between neoliberal policies and poverty alleviation.

The researcher had conducted a visit to Beni Rouh, Abu Qalta, and Elbarajel villages in Malawi center, El-menya Governorate on 11th of October 2017. In Beni Rouh, people were suffering from poor living conditions before 2007. The village lacked basic social needs such as electricity, sewage network, medical centers, and secured houses. In addition, it suffered from poor roads. However, the initiative showed minor changes as electricity meters were installed in some houses and some roads were reconstructed. The most significant scene was the deep holes that were located everywhere for the incomplete sewage network. In Abu Qalta, people were suffering from the absence of sewage network before 2007. The village had no medical center to serve its people. Moreover, they suffered from lack of electricity and water meters and poor transportation network. Yet, the initiative showed some changes in social benefits, as roads were reconstructed and medical center was established to serve Abu Qalta people. Currently,

the medical center is deteriorated, as it lacked doctors, nurses, and medical equipment. Electricity and water meters were not installed and sewage network was not established as planned in the initiative. In Elbarajel, the village suffered from the lack of sewage network, poor houses, poor medical centers, and absence of electricity and water meters before 2007. The initiative started sewage network construction, but the works suddenly stopped. In addition, the initiative worked on enhancing medical centers, yet the officials didn't complete the project. The initiative didn't work on installing either electricity or water meters.

The interviews had mainly focused on several issues, which were listed in the following questions: What were the major obstacles the faced the initiative, who (governmental and/or international institutions) funded the initiative, did the Civil Society contribute in the initiative (if yes, was the contribution effective and if no, why wasn't it), was the project successful (in which ways was it successful, and in which way wasn't it successful), what are the advantages and disadvantages of the initiative and how can we benefit from this initiative for further poverty alleviation projects, should this initiative be implemented in all villages and why.

In qualitative research, the in-depth interviews had provided an insight and a clear explanation of the major impacts of the national initiative to develop the poorest 1000 villages on the process of economic development especially poverty alleviation and the role of good governance and rule of law in alleviating poverty in 1000 poorest villages.

Primary and Secondary Material

The researcher relied on several reports issued by the Egyptian government and UNDP to demonstrate the key issues of these villages and the initiative's strategy to combat poverty. Secondary material included academic journal articles, books, and media reports.

The Thousand Poorest Villages Initiative

In 2007, the Egyptian government announced its initiative to improve the poorest 1000 villages- as part of the neoliberal approach that was taken by the rule elite- through providing various public and basic services to their people. The initiative also sought to generate a constant enhanced livelihood for the inhabitants of the 1000 villages and to decrease level of poverty and vulnerability of the poorest groups in these villages.

According to the Egypt Human Development Report (2010), the total inhabitants of the poorest villages in Egypt were almost 11.8 million people. More than 5.3 million poor people live in these villages. In addition, around three-quarters of the total number of poor people were mainly located in the governorates of Asyut, Menia, and Suhag. They accounted for almost 54 % of the total of Egypt's rural poor and nearly 42 % of the total poor people in Egypt. Furthermore, 95 % of the total poor in these villages were mainly concentrated in Upper Egypt¹⁸⁷.

Referring to the 2007 Egyptian poverty map, approximately half of the residents of these poorest 1000 villages were categorized as underprivileged¹⁸⁸. Also, the 2007 Egyptian poverty map indicated that the 1000 poorest villages represented almost 54 % of the total rural poor areas in Egypt, as result of the imbalanced distribution of public goods namely public services such as education and health facilities and infrastructure such as roads, water, and sanitation¹⁸⁹. The National Initiative to Develop the Poorest 1000 Villages was being applied by various Egyptian ministries and central authorities which were Ministries of Social Solidarity, Housing and Local Development, Health,

¹⁸⁷ Soliman, Ibrahim, and Mohamed Gaber. "Rural Development Policies in Egypt." 7. https://mpr.ub.uni-muenchen.de/66630/1/MPRA_paper_66630.pdf.

¹⁸⁸ Verme, Paolo, Branko Milanovic, Sherine Al-Shawarby, Sahar El Tawila, May Gadallah, and Enas Ali A.El-Majeed. "Inside Inequality in the Arab Republic of Egypt FACTS AND PERCEPTIONS ACROSS PEOPLE, TIME, AND SPACE." 2014, 102. Accessed March 25, 2017.

<https://openknowledge.worldbank.org/bitstream/handle/10986/17583/9781464801983.pdf?sequence=1>.

¹⁸⁹ Soliman, Ibrahim, and Mohamed Gaber. "Rural Development Policies in Egypt." 7. https://mpr.ub.uni-muenchen.de/66630/1/MPRA_paper_66630.pdf.

Family and Population, Education, Higher Education, Environment, Social Development Fund, National Authority for illiteracy Eradication, national Council for Sports and Youth, and National Post Authority. The initiative had 14 distinctive objectives that aimed to sustain higher standards of infrastructure and social services to the inhabitants of the villages. First of all, the initiative aimed to prepare development plans for the villages. Second, the initiative aimed to enhance the quality of basic education and widening the standards of other levels of education. Third, it sought to eliminate illiteracy among age group 15-35. Fourth, it intended to renovate health services and emergency and ambulance facilities. Fifth, it sought to raise social support and services for serious cases. Sixth, it aimed to offer civic protection services to the inhabitants. Seventh, it intended to enhance the water supply. Eighth, it sought to improve local road networks that connect villages together. Ninth, it focused on providing houses for the most disadvantaged groups. Tenth, it wanted to generate job opportunities through providing small loans. Eleventh, it aimed to enhance the postal services in these villages. Twelfth, the initiative sought to improve youth and sports services and facilities. Thirteenth, it intended to develop environment condition and tackling solid waste issue. Last but not least, it aimed to engage NGOs in the process of implementation of the initiative¹⁹⁰. A total of 1141 villages with total population of 12 million will benefit from these projects.

The Egyptian government was planning on implementing the initiative in three phases. The first phase targeted 151 villages, which included 1.5 million residents. These villages were located in 24 local units in the six governorates of Assuit, Behera, Menia, Qena, Sharqia, and Sohag. This phase was designed on a course of 3 years, as well as it aimed to develop these villages through 12 developmental interventions. First, enhancing the quality of education through developing and building new schools and training teachers. Second, eradicating the illiteracy of the 15-35 years age group though providing

¹⁹⁰ Madbouly, Mostafa. "Egypt Human Development Report 2010 Youth in Egypt: Building our Future." 2010, 197-98. Accessed March 25, 2017.
http://hdr.undp.org/sites/default/files/reports/243/egypt_2010_en.pdf.

classrooms and textbooks from one side and preparing the trainers. Third, improving the health unities, offering equipped ambulance, providing qualified medical teams, and arranging the medical convoys to these villages. Fourth, offering job opportunities for young people. Fifth, widening the scope of social security and social services and providing a social worker for each 50 to 70 households. Sixth, upgrading the drinking water through the construction or development and reconstruction of water networks and stations. Seventh, establishing a joined system to handle the issues of collection and recycling of solid waste. Eighth, establishing stations for home connections and sanitation. Ninth, offering recipient households at a scale of 20 housing units per village. Tenth, creating fire fighter and civil defense units and support every local unit with a fire truck. Eleventh, training some of the inhabitants on firefighting and civil defense work. Last but not least, stimulating the engagement of Civil Society in every local unit to help in the execution of housing and waste recycling projects¹⁹¹. As a consequence, numerous execution steps had been accomplished. For example, the Ministry of Housing had assigned 4.2 billion pounds in order to enhance the water supply in these villages in the fiscal year 2009/2010. Additionally, the Ministry of Health had supplied 151 villages with ambulances and emergency services and established/renovated 40 health care units. The programme expanded to cover extra 576 health units in the poorest villages with a total budget of 1.1 billion pounds. Meanwhile, the Ministry of Education had established 100 schools and finished 123 schools by 2010, with a total budget of 500 million pounds. The Social Fund for Development had also assigned 128 million pounds for small projects along with 63.2 million pounds in shape of funds for public work and civic development projects. Lastly, the programme worked on generating job opportunities for young people through granting small loans to develop their own businesses. Accordingly, 10.7 million pounds were allotted for 270 small projects that had created 755 new jobs in 2008. Besides, 22.2 million pounds were allocated for 6,647 very small projects, which

¹⁹¹ Soliman, Ibrahim, and Mohamed Gaber. " Rural Development Policies in Egypt." 9. https://mpr.ub.uni-muenchen.de/66630/1/MPRA_paper_66630.pdf.

generated 7,975 new job opportunities. By 2009, the numbers raised to 54 million pounds for small and very small projects¹⁹².

The second phase targeted another 912 villages in 4 governorates. These villages were located in 43 centers distributed over Asyut, Menia, Qena, and Suhag. The execution of this phase was planned to take three years. This phase will be accomplished through 8 major interferences. First, improving the quality of basic education in these villages. Second, enlarging the coverage of social security and social services among the poor in these villages. Third, enhancing the health, emergency and paramedic services in these villages. Fourth, building houses for the most endangered household at rate of 20 houses for each village; these projects were mainly funded thorough the allocations of the state investment budget in cooperation with Civil Society, private sector, and businessmen. Fifth, paving and providing the entrances of the villages with light systems. Sixth, enhancing environmental situations and tackling solid waste issue in these villages. Seventh, launching a pilot project of training youth on construction skills- such as plumbing and carpentry through training centers of the Central Agency for Reconstruction. This project will be launched in one village of each governorate of Asyut, Behera, and Sharkia. Last but not least, empowering the Civil Society to help in the execution of the projects in these villages¹⁹³. The third phase aimed to develop 78 villages in another 4 governorates. The application of this phase took place within one year of the start of execution of the second phase. This phase will cover poor villages in 6th of October, Aswan, Beni Suef, and Helwan. The development interferences were set of the projects that were implemented in phases two and three¹⁹⁴.

¹⁹² Madbouly, Mostafa. "Egypt Human Development Report 2010 Youth in Egypt: Building our Future." 2010, 198. Accessed March 25, 2017.
http://hdr.undp.org/sites/default/files/reports/243/egypt_2010_en.pdf.

¹⁹³ Soliman, Ibrahim, and Mohamed Gaber. " Rural Development Policies in Egypt." 9.
https://mpr.ub.uni-muenchen.de/66630/1/MPRA_paper_66630.pdf.

¹⁹⁴ Ibid, 9

Methods

7 semi structured interviews were conducted face to face, as they give better quality of data due to the fact that they restrain the range of information offered to avoid any informal chats during the interviews. In addition, the semi structured face to face interviews acknowledge the possible importance of context, offer rich data, and data gathered can be examined in various ways. Furthermore, the open-ended questions help in gathering useful data for research¹⁹⁵. The interviews were either conducted in English or Arabic Languages, and with the below interviewee information:

- 2 male beneficiaries from Beni-Rouh village, Malawi center, El-menya Governorate
- 1 female beneficiary from Abu Qalta village, Malawi center, El-menya Governorate
- 1 female beneficiary from Elbarajel village, Malawi center, El-menya Governorate
- 1 supervisor of Gamaaya Elsharaaya in El-menya Governorate
- National Project Director of Social Contract Center, which is part of the Information and Decision Support Centre (IDSC)
- Former member of the higher council for policies of the National Democratic Party

Field Work Analysis

The below part shows the major obstacles and funders of the national initiative to develop the poorest 1000 villages in Egypt. Also, it analyzed the contribution of the Civil Society

¹⁹⁵ Newton, Nigel (2010) The use of semi-structured interviews in qualitative research: strengths and weaknesses 1-4. Paper submitted in part completion of the requirements of the degree of Doctor of Philosophy, University of Bristol. Retrieved online at http://www.academia.edu/1561689/The_use_of_semi-structured_interviews_in_qualitative_research_strengths_and_weaknesses

in the initiative and the influence of the initiative in tackling poverty. In addition, it assessed the advantages and disadvantages of the initiative and the role of such initiative in leading further poverty reduction initiatives / projects.

As for the major obstacles of the initiative, one of beneficiaries from Beni Rouh village, Malawi Center- El-menya Governorate, the government visited the village to check people conditions and obstacles that the people face¹⁹⁶. He mentioned that Beni Rouh was one of the poorest villages in El-menya 50% of the populations don't have access to electricity. Even the ones who have access to electricity don't have official electricity meters. He stated that the government intended to establish sewage network in the village, but they stopped the works with the beginning of 25th revolution. The government aimed to establish a role model village, he said. The main obstacle that faced the initiative was the rise of the 25th revolution, which stopped all works in the village due to security instability, and downfall of the government and regime. He mentioned that all projects in Malawi center started by 2008 and stopped by the beginning of 2011. Reference to our conversation, we can see that the initiative was mainly based on a particular government or regime which show us how bad the governance was at that time. All projects/ initiatives in Egypt were either politicized or centralized. As for the other beneficiary, he didn't know the obstacles that faced the initiative. He said that they launched some projects and suddenly stopped with no reason such as sewage network¹⁹⁷. Referring to Abu Qalta beneficiary, she claimed that there were no clear obstacles, but the problem is that they didn't complete the projects that were listed in the initiative. She argued that the revolution might be the cause of the incompleteness of the planned projects. She added that the people were so happy with the projects that started at that time. She stated that the medical center was the sole successful project as they completed all construction works and it served other nearby villages like Elbarajel, Nazlt tuna, and Arab Abu Qalta. They established new units and appointed new doctors and nurses for

¹⁹⁶ Interview by the author with the participant. Beni Rouh, Elmenya, October 11, 2017.

¹⁹⁷ Interview by the author with the participant. Beni Rouh, Elmenya, October 11, 2017.

different units. They didn't complete the construction of sewage network and install both electricity and water meters¹⁹⁸. According to Elbarajel beneficiary, she claimed that the projects were in process, but the works were suddenly ceased with no reasons. They dug for the sewage network without completing it¹⁹⁹. The supervisor in Gamaaya Elsharaaya in El-menya Governorate has another point of view. He stated that the key obstacle that faced the initiative was the absence of coordination between concerned ministries, parties, or authorities of the initiative. Regarding education sector, he added that the committee, which was responsible of establishment/ reconstruction of schools, didn't supervise on the contractors that were working on the schools buildings. Also, the government didn't allocate enough lands to build the planned schools. Moving to sewage network sector, sewage network was not completed as they installed pipes and didn't complete it due to lack of funds and budget was incapable to finalize the project. We can conclude that the Egyptian government suffered from bad governance, as it didn't monitor the projects that were implemented on the ground plus it didn't study the needed funds for completing sewage network, which was one of the major projects in the initiative. Good governance help governments to monitor and asses all projects done by their members, and ensure that all studies will be done efficiently to assist in finalizing any national projects successfully²⁰⁰. The director of Social Contract Center of Information and Decision Support Center (IDSC) has another perspective²⁰¹. First of all, she stated that the center in collaboration with a team of international experts had established the M&E system of the first phase of the initiative. The main objective of the system was to support the government with a policy advice and recommendation regarding the initiative concerning. Afterwards, she claimed that the key obstacle that faced the initiative was that the stakeholders were not consulted at the beginning. They decided to put together a set of essential infrastructure projects in the areas of health, education, roads paving, and

¹⁹⁸ Interview by the author with the participant. Abu Qalta, Elmenya, October 11, 2017.

¹⁹⁹ Interview by the author with the participant. Elbarajel, Elmenya, October 11, 2017.

²⁰⁰ Interview by the author with the participant. Malawi Centre, Elmenya, October 11, 2017.

²⁰¹ Interview by the author with the participant. Cairo, September 23, 2017.

potable water. The meaning of stakeholders were not consulted is that the residents in the villages were surprised when works started. They don't have any idea what is going on and what is going to be implemented, in other words the very important stakeholders were marginalized. She stated that the initiative was a very top down with a very political target. This initiative was mainly related to presidential or parliament election, as the regime believed that this initiative would give them support from the residents in these villages. As for water projects, she declared that the residents in the villages were satisfied by water projects but they noted that it is important to have clean water rather than delivering water, since these regions were not only suffering from scarcity of water but also from quality of water. Regarding sanitation system, the residents were desperate of such system due to the absence of close monitoring or support provided on the ground by stakeholders to initiative. As for the residents of the villages, the government didn't allow them to monitor works that were implemented on the ground due to the fact that they don't know what was going on. Additionally, they were not allowed to assist the stakeholders in developing the projects. Regarding schools, the government declared that they will reconstruct the schools, however the residents asked for better quality of education as their kids don't benefit from schools due to bad quality of education provided by such schools. Concerning health care and medical centers, the government said that it will build new centers and reconstruct old ones, although the residents stated that they suffer from the absence of medical centers and low quality of services and bad health conditions. Finally, she declared that the government sought to create propaganda for itself through building schools and medical centers, however the stakeholders ignored the effectiveness, impact, and functionality of the initiative. She added that the initiative suffered from lack of governance. The monitoring and impact evaluation system that was implemented through first monitoring round was the one and only good governance measure taken at that time and it was not completed. This evidence proves that the government aimed to gain support from people regardless the effectiveness, impact, and

functionally of the initiative. Accordingly, we can conclude that the Egyptian government was not transparent and accountable, since it rejected any support either from the people or Civil Society and didn't monitor or evaluate the projects that were implemented. In other words, the absence of good governance and rule of law were major obstacles for the progress of the initiative. In addition, we asked former member of the higher council for policies of the NDP the same question²⁰². At the beginning, she stated that the philosophy of the initiative had a combination of support with conditions of awareness, education, and healthcare. It was based on Latin America model, which worked on enhancing living conditions of the people in the villages, improving level of education, providing effective healthcare for the people, and widening level of employment. She added that the initiative aimed to benefit households. However, the major obstacle that faced this initiative was that the government directed most of resources and efforts to enhance infrastructure rather than alleviating household poverty, developing strong healthcare, and enlarging degree of employment. We can conclude from these words that the government sought to sustain fake development rather than to tackle the core of the issue, which is poverty.

Regarding the main funders of the initiative, the first beneficiary from Beni-rouh stated he didn't know the key funders due to lack of transparency between the government and beneficiaries. The second beneficiary from Beni-rouh stated that the key funder of this initiative might be Gamal Mubarak and the National Democratic Party (NDP). He claimed that Gamal Mubarak and NDP were in the image at that time. He added that he visited his village to get to know more about their problems. As for the beneficiary from Abu Qalta, she heard from the neighbors and people from nearby villages that Gamal Mubarak and NDP were funding this initiative. She added that he visited her village and asked about their problems in order to be tackled. Referring to the beneficiary from Elbarajel, she heard different voices claiming that Gamal Mubarak is the

²⁰²Interview by the author with the participant. Cairo, September 30, 2017.

key funder of this initiative along with the NDP. As for the supervisor in Gamaaya Elsharaaya, he said that this initiative was fully funded by government represented in Ministry of Social Solidarity and Gamaaya Sharaaya funded some projects such as water networks. The Director of the Social Contract Center of (IDSC) stated that the initiative was fully funded by the government. Originally, they allocated around 3 billion pounds for the initiative came from the government budget. In 2010, they added a separate budget line for the initiative of developing 100 poorest villages. The 3 billion pounds were not fully allocated as they allocated around 1.6 billion pounds for 150 villages of the first phase. When they started implementing the initiative, it became very obvious that 3 billion pounds would not be adequate to complete the planned projects for 1000 villages. This shows us that the government didn't study the financials of the initiative, which resulted from poor governance, and lack of accountability. Meanwhile, the former member of the higher council for policies of the NDP claimed that the initiative funded by the government, as it was part of the government's budget. She added that this was one of the few initiatives that were fully funded by the government with no international funds.

Concerning the contribution of the Civil Society in the initiative, the first beneficiary of Beni-rouh, Gamaaya Elsharaaya participated in the initiative through mediating between the government and the beneficiaries in electricity projects. The government supplied Gamaaya Elsharaaya with electricity meters, and Gamaaya Elsharaaya delivered and installed electricity meters to needed households. He added that Gamaaya Elsharaaya's involvement was effective, since they assisted the people in poor villages with no interests. He stated that the organization believe that they have to help poor people because god asked us to do so. Additionally, he highlighted that most of the houses in the villages were installed with electricity and water meters due to the Gamaaya Elsharaaya and support. According to the second beneficiary of Ben-rouh, he argued that Gamaaya Elsharaaya had played key role in the initiative. They were supporting Gamal

Mubarak and NDP. He added that they mediated between the stakeholders and the people, since they directed the stakeholders to the neediest people in the village. He said that there was no any contribution from other NGOs in either the village or the Governorate. He stated that Gamaaya Elsharaaya's contribution was effective, as they work on the ground with the people long time ago and were aware with the problems of each household in the village. Moreover, they assisted the stakeholders with no personal interests. The beneficiary of Abu-Qalta village heard that Resala and Dar Elorman organizations were contributing in the initiative, but she didn't know their exact role in the initiative. As for the beneficiary of Elbarajel, she stated that the Civil Society has no role in the initiative. She claimed that Gamaaya Elsharaaya and other local NGOs didn't contribute in the initiative in their village. In the meantime, the supervisor in Gamaaya Elsharaaya had mentioned that Gamaaya Elsharaaya supported positively in the initiative, since they assisted the government in water projects through signing contracts with the people to install water meters. He highlighted that Gamaaya Elsharaaya succeeded in installing water networks in 4 to 5 villages nearby Malawi. In addition, it provided clean water through installing all needed networks and they established several water filtration stations, which were mainly funded by donations. On the contrary, the Director of the Social Contract Center of (IDSC) had another point of view. She said that we have seen little engagement of civil society either in the design or implementation in 2007. She added that there were several small NGOs that offered assistance to stakeholders, as they know the needs of people. They asked the government to install sanitation stations and we will provide the villages with water pipes. They don't have the opportunity to do so. The Social Contract Centre- a partial governmental entity- decided to subcontract non-governmental organizations in order to monitor and evaluate the projects that were implemented at that time. Moreover, she claimed that the three rounds of monitoring and evaluation were conducted through subcontractors like nilsen, a market research company. They did the three monitoring and evaluation rounds as the Centre was seeking

non-biased actors. She said that the NGOs that were not involved on the ground, accordingly they decided to implement training and capacity building programs for them in order to be able to identify scientifically the basic needs. At the same time, the centre published report of the basic needs of the people that blamed the government for not assessing the key needs of the people in the villages. They generated this report through capacity building training along with NGOs located in the 150 villages. They advised the government to work on the basic needs and to fix the initiative to incorporate what were really needed for the initiative and to exclude the issues that wouldn't benefit the people. Unfortunately, they didn't take these recommendations into consideration and they ignored them. On the other hand, the former member of the higher council for policies of the NDP stated that the civil society was weak and doesn't have the capability to participate effectively in the initiative. Furthermore, they didn't have the resources to support positively. The government didn't allow the civil society to participate in the initiative, as they don't want any criticism from external players. Furthermore, the government was mainly depending on the IDSC which was responsible for assisting the government in decision making and guiding it. Also, the social contract center was assigned to monitor and evaluate the initiative without the civil society. These answers show us that the government lacked governance, as it didn't allow NGOs to contribute in the initiative due to the fact that it didn't want to face any criticism from external players. In addition, the government always thought that the NGOs are either useless or traitors.

Regarding the influence of the initiative in tackling poverty, the first beneficiary of Beni-rouh claimed that the project was partially successful as 600 families had access to electricity and water, hence positively impacted their living conditions due to the fact that they suffered from poor facilities which negatively affected their health and family. While the project failed to achieve its main objective, which is establishing sewage system that help to lessen diseases and enhance health conditions of the people. Also, it didn't provide suitable health facilities. Additionally, it didn't reconstruct poor-looking

houses. It didn't even combat illiteracy in the village. He stated that the people wanted to see Beni rouh village a role model one, as they were told by the government. This desire wasn't achieved because the government didn't proceed with scheduled projects. The other beneficiary of Beni-rouh argued that this initiative was partially successful, as it supported many households with electricity meters and reconstruction of old houses. He noted that the people were so satisfied with this step, since it changed part of their dark life. At the meantime, he declared that the initiative failed to achieve other objectives, which were construction of new secondary and thanwya schools in Beni-rouh- noting that they failed to renovate to the existing primary schools and establishment of medical center in the village. He added that they promised them with many other projects but they didn't fulfill their promise. According to the beneficiary of Abu Qalta, the initiative was partially successful due to the fact that they renovated the medical center of the village and installed electricity meters for the people. She stated that the medical center was useless, but they added several floors and units, which were vital for the people. Meanwhile, the people had no access to electricity, which affected our lives positively. On the other hand, the initiative failed to complete other projects, which were necessary to us. For instance, they started working on the infrastructure of the sewage network and they suddenly froze the works. The beneficiary of Elbarajel argued that the initiative was well planned, but the execution was so weak. She added that the initiative succeeded in reconstructing the old medical center. However, the initiative failed to fulfill other objectives such as the installation of sewage network and establishing civil registry for our village. The civil registry will serve our village instead of going to the office located in the Centre. As for Gamaaya Elsharaaya's supervisor of Malawi centre, this project was partially successful, as the government set objectives, which were not finalized such as education, health, and infrastructure. They stopped the projects suddenly due to the fact that they didn't set long-term objectives that help to tackle issue of illiteracy, bad health care, and poor infrastructure. The Director of the Social Contract Center of (IDSC) has

another point of view. She stated that we have first to evaluate three major pillars of the initiative, which are design, implementation and impact. First of all, the design of the initiative was not successful due to the fact that the key stakeholders were not involved in the decision making of the initiative. They were marginalized. To what extent the design was able to meet actual needs on the ground, showed that most of the projects that were included in the initiative were in deep needed on the ground, but there were other needs, which were not incorporated. It was a top down design. In other words, we can say that it was partially successful. Regarding implementation, to what extent the implementation was successful. We put the measure of implementation in the M & E. The results of three rounds of monitoring showed that the implementation of the initiative was behind the schedule. Inputs and financial resources and government support were not sufficiently allocated. The executions of the projects were not seen on the ground. Regarding Impact, to what extent the impact was successful in terms of efficiency, effectiveness, and impact. She said that she doesn't know because the projects were not completed and she left Social Contract Centre in 2012. We can conclude from these words that the government lacked efficiency that is part of good governance, as result there success was partial. We asked that same question to the former member of the higher council for policies of the NDP; her answer was somehow different. She stated that the initiative was partially successful in terms of the government had recognized the problem of poverty and poor villages for the first time, hence the government decided to tackle this issue through a national initiative. In addition, she declared that this initiative was political supported by the ruling elite, which led by Gamal Mubarak and policies committee of NDP. Consequently, it gained all support needed from stakeholder, yet it didn't achieve all its objectives. While she stated that the initiative was not successful because it only focused on enhancing infrastructure (electricity, water projects, and sanitation system), however it ignored the issue of education, healthcare, and employment. Furthermore, the government didn't believe in investing in the people capabilities, since they see it a waste

of time and would take too much time to show positive results. They were taking the easiest path to achieve their objective without looking on the long-term benefits for the poor people. We can signify that this initiative was theoretically successful as it highlighted one of the most important issues in Egypt, which is poverty, while it failed to achieve its goals due to bad governance, absence of rule of law, and lack of accountability. In other words, the government introduced initiative, which was not studied well, and sought political victories; hence it didn't affect living conditions of the people.

Concerning the advantages and disadvantages of the initiative, the first beneficiary of Beni-rouh stated that the advantages of the project were the installation of electricity and water meters, which helped the people to gain electricity instead of candles and have access to water instead of getting source of water from the river and water pumps. He added that the meters helped each house to save around 1500/2000 EGP, which is the cost of each meter. On the other hand, the disadvantage of the initiative was that sewage network that was planned installed in Beni rouh didn't work as they didn't stopped the project right after the revolution. He added that the government sent them financial aid (1 or 2 million EGP) to be distributed among households in order to support them in their daily needs, however the local council in Beni rouh took this aid to buy some tractors for the council. Applying such this project will assist in combating poverty and providing basic needs such as electricity, water, and housing. However, there must be a team to monitor stages of project implementation and to ensure that project goes in the right direction and to the right people. The problem in this project that it lacks monitoring system, hence they didn't succeed to achieve the objectives. As for the other beneficiary of Beni rouh, the key advantage of this initiative was that they gained people's respect through installing electricity meters that were essential for households. While the disadvantage was that they didn't accomplish their promises. They promised the people to establish medical center and they didn't do it. He stated that the government could

benefit from such initiative in further poverty alleviation projects if they complete all planned projects. For example, if they completed the sewage network it would help to lessen diseases and improve health condition in the village and provide clean water for both people and lands. The beneficiary of Abu Qalta has the same point of view. She claimed that the advantage was that they were planning to tackle some major issues, however the disadvantage was the failure of completion of projects. She noted that the government could benefit from this initiative in any other poverty alleviation initiative if they have clear timeline with well-defined objectives that should be fully fulfilled. For instance, the medical center cured some people at first, but when they stopped the projects it became useless once again. According to the beneficiary of Elbarajel, the advantage of the initiative was that they recognized the problems and started tackling them and they provided job opportunities for limited people due to the fact that the projects needed seasonal employees. The disadvantage was that they didn't complete the projects, which might change our living conditions. She said that the government can decrease poverty level through encourage small businesses in villages such as providing mothers of orphans with livestock to gain income from selling them and offering financial aid to startup their small businesses. The supervisor of Gamaaya Elsharaaya has another point of view. He mentioned that the advantages were providing services that the people need such as education (building school). Additionally, they enhanced health conditions since they provided clean water, which lessened renal failure disease that came out of dirty water. He claimed that Malawi villages had 28 water filtration stations that supply the people with their daily needs of water. However, the disadvantage was the lack of coordination between stakeholders and local authorities in the villages; as a result most of the projects were not yet completed. He added that the people sought to increase water index, which assist the people in irrigation of their lands. Furthermore, they wanted to enhance roads network in their villages. All these wishes were not accomplished due to the absence of coordination with local units in the villages. This can show us that

government was bad in terms of governance and not transparent, since it aimed to achieve personal goals regardless the benefits for the poor people. Referring to the Director of the Social Contract Center of (IDSC), she stated that the disadvantages were first not engaging stakeholders such as people, NGOs, local authorities neither in the design, in implementation and supporting the implementation of the initiative, and evaluating the impact. She highlighted that miscalculation of the needed financial resources of the initiative was another disadvantage. They underestimated financial resources needed for the project, which resulted to the slow progress of the projects. She added that when the government selected the first 150 villages, they tried to select some semi-vulnerable villages in order not to exert great effort in these villages. Also, the Social Contract Centre had recognized that there are several villages that were not listed in the 1000 poorest villages as per poverty map. Some villages were selected through favoritism and corruption by parliament representatives. On the other hand, the main advantage of the initiative was that the government obviously declared for the first time that there is high poverty rate that must be tackled seriously. In addition, the fundamental way of choosing the 1000 poorest villages was another advantage, as they relied on the poverty map of 2005-2006, but as usual the government launched the initiative with no clear baseline that is essential for assessing the projects that were implemented. Accordingly, the Centre designed the baseline for the government, but this was late as they already started major projects. This answer shows us that the issue of favoritism and corruption negatively affected the progress of the initiative, as the stakeholders excluded some villages and added other villages that were not in the plan. Furthermore, the initiative had no clear study, which resulted in negative results. The former member of the higher council for policies of the NDP has another point of view. She claimed that the main advantage of the initiative was that the government went directly to the poor families, as it aimed to empower poor families in order to lessen high poverty rate in these villages. The government provided monetary and financial support to families. She

added that the government benefited from this initiative through moving towards takafol and karama programme that has the same principles of the initiative under different name and emphasis. She stated that takafol programme is pretty similar to the initiative while karama focused on supporting poor elders through granting financial aids. She declared that the basic idea and intention was perfect but the timing didn't allow us to witness any changes. Moreover, She pointed out that the initiative was not yet fully implemented due to lack of resources. Regarding disadvantages, she stated that the Social Research Center had signed agreement with Dr. Ali Mosalhy, who was the minister of social solidarity at that time, to establish a scientific experimental design with a proper study to compare villages including and not. The main aim was to gather data to assess the projects that were implemented. These studies were mainly funded by foreign parties because the government allocates such resources for infrastructure projects while they don't fund such scientific appraisals, since they see it a waste of resources time. Furthermore, she requested the parliament to adopt the Mexican model which require any national initiative to have a component of evaluation that is quite independent and a have freedom of information to allow the society to have access on information in order to provide constructive criticism. Unfortunately, the government rejects both criticism and evaluation from external parties. Apparently, they don't believe in accountability and efficiency. To sum up, bad governance, absence of rule of law, lack of accountability and corruption negatively affected the initiative, thus it didn't achieve its goals.

As for the role of the initiative in leading further poverty reduction initiatives / projects, the first beneficiary of Beni rouh mentioned that this initiative must be implemented in all poor villages across Egypt. He added that any similar project or initiative would definitely benefit the poor as they suffered from poor living conditions, thus any project or initiative -that focus on infrastructure, education or health care- will enhance their living conditions. In addition, he declared that any one in his case is incapable to have access to electricity and water, since they can't afford them. Such

project must be implemented on the ground so the people live respectfully. This requires a good strategy with a professional execution team that is capable to implement such strategy on the ground. As for the other beneficiary of Ben-rouh, this initiative must be implemented in other Egyptian poor villages, but they must complete the initiative and set a precise timeline to accomplish it. He added that such initiative had provided many households with electricity and water meters, which were crucial for them. He stated that the people were extremely satisfied by such move. On the other hand, the government should avoid the incompleteness of essential services such as sewage network, school, and medical centers. Additionally, there must be close monitoring system to all projects in order to avoid the deterioration of the given services. Referring to the beneficiary of Abu Qalta, she argued that this initiative should be implemented in other poor villages if their intention is to develop poor villages and complete all planned projects seriously. However, if they aim to gain public support and promote for certain person- like Gamal Mubarak at that time- this initiative must not be implemented in other villages because the people feel disappointed when they promise them with things that won't be achieved on the grounds. For instance, the medical center had one doctor after they established new units and appointed new doctors when they stopped all projects. Most of the rooms have signs of specializations with no doctors. Reference to the beneficiary of Elbarajeel, this initiative must be implemented in other poor villages if they complete its projects genuinely. If they plan to do so for political benefits so this initiative must not be implemented due to the fact that they damage our infrastructure and leave it. For example, our streets had been damaged because of the unfinished sewage network. She added that some contractors took their equipment and left the streets with many holes. To sum up, all beneficiaries agreed that the installation of sewage networks is necessary for all poor villages because they will help the people to cultivate their lands and benefit the economy. Furthermore, people will have access to clean water. Most of the diseases- such as renal failure- resulted from dirty water; hence sewage network will help to improve

health conditions of the villagers. Finally, any other initiative must establish vocational schools for the villages in order to provide the labor market with qualified caliber that could contribute positively in decreasing poverty rate and enhancing the economy.

Gamaaya Elsharaaya's supervisor declared that this initiative should be implemented in other villages through setting strategic work and long-term objectives with monitoring system that evaluate the results of such projects on living conditions of the poor. Also, government should have sufficient resources in order to execute the project in the right manner, hence combating poverty. He added that such initiative would help other poor villages to have access to electricity and clean water. Accordingly, it will help in lessening poverty rate due to the fact that these people will be positioned in a better place with better quality of life. The director of Social Contract Centre has another point of view. She claimed that there must be transparency with regard to any future poverty initiative or projects and stakeholder should rely on scientific data while they plan for strategies and objectives. She added that the poverty map of 2005-2006 was updated three times, so they have clear scientific data that can help them in proper and successful targeting for further poverty projects. Moreover, they have to start with the worst villages and then less worse villages. Additionally, they have to allocate proper financial resources that will fund each phase and design clear baseline and engage residents and civil society. Finally, they have to ensure that the projects that will be implemented on the ground are matching the basic needs of the people. We asked the former member of the higher council for policies of the NDP this question. Her response is that for sure this initiative must be implemented in further villages, but the government should have all needed resources to complete it efficiently. If they don't have such resources to do this initiative on national scale they must at least adopt fair criteria for utilizing the limited resources both fairly and effectively. She claimed that the positive thing in this project is that the government directed its concern towards the poor and had a well-defined criteria

to select real 1000 poorest villages. Additionally, the government assisted them in enhancing their living conditions rather than feeding them.

We can conclude from the previous answers that the government along with NDP proposed a new initiative, mainly inspired from neoliberal framework, which raised the issue of poverty that was not raised directly in any other national initiatives or projects. However, the problem is that the stakeholders launched the initiative with no clear vision and monitoring system from one side and with weak execution system from the other side. They- especially NDP- aimed to gain political success regardless the outcome of the initiative. However, the Egyptian government adopted neoliberal policies which raised the issue of governance, it suffered from bad governance. First, it failed to allocate sufficient resources to fund all phases of the initiative. Second, it didn't monitor or evaluate the projects that were implemented on the ground, thus most of the projects didn't achieve their objectives. Third, it sought to achieve fake development, which focus on infrastructure projects, rather than developing the capabilities of poor families in the 1000 villages. In other words, it didn't invest in education and healthcare projects, which are key pillars of any developed societies. To neoliberals, education is significant to enhance the standard of societies and generate employment opportunities, yet the Egyptian government ignored it for the sake of fake development. Fourth, the absence of rule of law was apparent in this initiative, since stakeholders added and removed villages in later phases to satisfy some representatives of the people assembly. Therefore, we can see that the Egyptian government moved far away from neoliberal ideology, which believed in the rule of law. Fifth, the government didn't allow civil society to contribute in the projects due to the fact that they want to avoid any criticism. Besides, they believed that NGOs won't make any changes in the projects. As a result, the Egyptian government violated neoliberal approach that believed in civil society as the core of oppositional politics and social change. Last but not least, the government was not either efficient or accountable because they launched projects with no vision and roadmap. Moreover, they

didn't assess the outcomes of the projects; therefore they failed to achieve their purposes.

To recap, the Egyptian economy aimed to tackle the issue of poverty, however they didn't enhance the living conditions of the poor due to the absence of good governance and rule of law.

Chapter 5

Summary and Conclusion

Poverty is a global issue that hinders the progression of any society or economy. Several states adopt various socio-economic policies to tackle such issue. Neoliberalism is one of the global theories that pinpointed the issue of poverty. Neoliberalism called for free market, free movements of capital, goods, services and money between countries, and limited state intervention in the market. Some critics believed that neoliberalism aimed to contain the economy for the interest of the elite who have power over money. In addition, neoliberalism claimed that economic growth would lessen the level of poverty, since it improves living conditions of the poor by offering economic opportunities that provide better value of life.

As a part of neoliberalism, Washington Consensus (WC) aimed to attain economic progress in developing countries by applying neoliberal policies supported by US, UK, WB, IMF, and WTO. To conclude, WC policies failed to tackle key economic issues in developing countries, since it focused on economic issues and ignored social and environmental problems. Additionally, it benefited the elite, disregarded poverty, downgraded the standard of living of the poor, and widened level of inequality in the society. With the failure of WC to tackle poverty, PWC emerged to deal with poverty through adopting pro-poor policies and implementing concepts of good governance and rule of law that create effectual institutions, improve living standards, assure equal distribution of resources, and sustain equality and justice. PWC acknowledged the significant role of the state in the process of socio-economic development. Additionally, states had key role in providing sufficient infrastructure that contributes in any progression. PWC sought to lessen poverty rate through addressing the Poverty Reduction Strategy (PRS) approach that recognizes the country's ownership and Civil Society empowerment as key contributors in development. Moreover, PWC introduced

Comprehensive Development Framework (CDF) that set the poverty reduction strategies, which combat poverty in developing states. As mentioned before, good governance assists in tackling corruption, which obstruct the process of economic progress. Referring to Joseph Stiglitz, the application of the good governance is necessary for sustaining economic progression and lessening poverty rate.

Structural Adjustment Policy- part of neoliberalism- was an economic reform policy sought to sustain economic progress in developing countries through restructuring the economy and diminishing government involvement in the market. SAP called for some serious economic actions such as devaluation of currency, cutting budget deficit and public spending, encouraging foreign direct investment (FDIs), privatization, and lessening inflation. The results of such actions- on the states that implement this policy- were devastating, since they suffered from high poverty rates, high unemployment rate, and debt. The state directed the distribution of incomes for the interest of the elite. This policy benefited rich countries over the poor ones through opening up trades in developing countries.

As discussed earlier in the chapter, poverty is a global issue that obstructs the development of any state. It was primarily defined as the lack of income, productive resources sufficient to assure sustainable sources of income; inadequate access to basic needs and education; social injustice; deficient housing; and absence of political participation. As for Arab states, UNDP Arab Development Challenges Report (ADCR) 2011 claimed that poverty is lesser widespread in Arab countries than in East Asia and Pacific, Sub-Saharan Africa, and South Asia. However, the rank of the Arab states converted notably with higher poverty rates. As for Egypt, Egypt Human Development Report 2010 declared that the Egyptian government intended to minimize poverty rate throughout the empowerment of the poor and most deprived classes, enhancement of their standard of living, and contributing to their socio-economic progression. As a consequence, the government worked on providing education and health services and

targeting a specific group as beneficiary for programmes of subsidized bread and of subsidized supply commodities. These mechanisms failed to accomplish its programmes with the lowest financial cost and address direct subsidies to the needed people due to lack of governance and the extensive of corruption in the public institutions. The Egyptian Ministry of Economic Development in cooperation with the WB published its Poverty Assessment Report in Egypt in mid-2007. This report introduced the “Poverty Map” in Egypt that included full information about the cases with high poverty rate and low living standard. The report added that such map could help in combating poverty and widening the efficiency of public spending through targeting poor areas and basic needs and diminishing the discharge of benefits to non-poor.

This research highlighted different economic paths from Nasser to Mubarak. In the 1960s, Egypt was adopting a socialist ideology when it came to the economy, since the state controlled all means of production and banned the rise of any private property. This ideology failed to achieve socio-economic development due to the weakness of the administration. With the emergence of Sadat’s regime and specifically after the 1973 war, the Egyptian regime implemented Infitah policy, or what so called open door policy. This policy intended to transform the economy from central planning economy into a market-oriented one through enlarging the function of private sector and encouraging foreign investments. Yet, this policy failed to challenge key socio-economic issues such as, high poverty rate, unequal distribution of resources, high unemployment rate and poor education and health care systems. By 1980s, the Egyptian regime renovated the open-door policy in order to sustain economic progression. Consequently, the Egyptian economy suffered from a serious economic problem due to the lack of needed resources. By the beginning of 1990s, the state had adopted a series of neoliberal policies in order to tackle major socio-economic issues. As a result, the Egyptian regime implemented structural adjustment policies- part of neoliberal policies- to stabilize the economy and achieve economic growth. These policies showed economic stabilization between 1991

and 1998, however it didn't tackle the issue of poverty. By the end of Cold War, the IMF were concerned with high levels of corruption and bad governance, accordingly it sponsored concepts of good governance and anti-corruption, and presented methods for dealing with corruption in the public sector. The IMF obliged the developing countries, which lacked good governance, to combat corruption and inefficient financial sectors; otherwise they will lose foreign investments. Consequently, the Egyptian regime applied reforms to restructure the civil service such as the creation of a new general sales tax and new income tax, but such reforms didn't promote for an accountable system that combat corruption and nepotism in the public institutions. Between 2000 and 2006, Egypt had witnessed a significant GDP growth especially in 2007, although the poverty rate had enlarged.

The Egyptian government- along with the National Democratic Party (NDP) - launched its initiative to develop the poorest 1000 villages through offering different public and basic services for the people in these villages. Additionally, the initiative aimed to lessen the level of poverty and vulnerability of the poorest people in these villages. Different ministers such as, Social Solidarity, Health, Education, Higher Education, Housing and Local Development, and Social Development Fund implemented this initiative. The initiative had various objectives that intended to maintain higher standards of infrastructure and social services for the citizens of the villages, enhance quality of education, renovate health services, and engage NGOs in the procedure of application of the initiative. The researcher had conducted a visit to Beni rouh, Abu Qalta, and Elbarajel villages in Malawi center, El-menya Governorate in order to observe whether such objectives assist in the diminishing of poverty rates in these villages.

Main Findings and recommendations

We concluded from this research that neoliberal policies were mainly designed to benefit the rich rather than the poor. They aimed to promote competitive economy, yet they benefited firms owned by the elite that have very strong networks with the political leadership. This was clear when the government implemented SAP, which increased GDP rates and didn't impact poverty alleviation. However, these policies made the rich richer and the poor poorer. As part of neoliberal policies, we concluded that the Initiative to Develop the Poorest 1000 villages failed to decrease level of poverty in the poorest Egyptian villages due to the fact that the stakeholders lacked clear vision and monitoring system that assesses the execution of the projects and their effects on the people, lacked good governance and rule of law, sought to achieve fake development for the sake of political victories, misallocated necessary resources to fund all phases of the initiative, didn't invest in the enhancement of education and health care, and didn't allow Civil Society to contribute in the project, noting that they can contribute effectively if they have been granted the opportunity. Moreover, neoliberal policies- explicitly Post Washington Consensus- were applied in the Egypt in order to combat poverty, yet they didn't improve the living conditions of the poor due to the lack of good governance and rule of law. Furthermore, we determined that good governance and rule of law are essential for developmental processes, as they establish strong and effective public institutions, hence they could tackle issues of poverty, education, and healthcare, which are key pillars for an effective and productive society. In addition, the application of good governance aids in combating poverty through embracing anti-corruption policies that assure equal distribution of resources, protecting the property rights of the poor, enhancing public services, and ensuring that public goods are adequately delivered to the beneficiaries.

Lastly, the research recommends the Egyptian government to work hard on sustaining good governance and rule of law, as we suffered from bad bureaucratic system

that hinders socio-economic development and escalating poverty rates. First, this could be achieved through adopting a clear long-term vision that aims to restructure public institutions to make it more effective and productive. Second, the government should direct all efforts towards developing the education system and enhancing health care because they are the key pillars of economic development. Third, the government should have both internal and external auditing authorities that assess all national projects and initiatives. Fourth, the government should activate anti-corruption laws in order to maintain the rule of law. Fifth, the government should activate law enforcement in order to sustain equality and justice, hence alleviating poverty. Sixth, the government should promote for having an accountable system in order to appraise all public officials equally on their achievements. Last but not least, the government should empower Civil Society due to the fact that they work closely with the people on the ground and contribute effectively in social projects such as education and health care.

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