
BACKGROUND NOTE ON THE STATE OF ECONOMIC AND GOVERNANCE REFORMS IN EGYPT

Economic Reforms

The Government under Prime Minister Dr. Nazif is working with determination since its appointment in 2004 to foster sustainable economic growth in order to raise living standards. Egypt's long term vision of development includes two main goals: achieving high and sustainable growth and alleviating poverty and income disparity. To this end Egypt is implementing a five-year national development plan seeking to achieve growth by maximising use of the private sector as a catalyst for development, as well as changing the role of the government in managing the economy. In the past four years, economic reform has been a top priority on the government's agenda. Egypt has focused on changing the business environment to facilitate investment by reducing tax burdens, providing clear and stable investment policies and regulations, and improving the interface between business and government. Within a relatively short period these reforms succeeded in boosting GDP and FDI to record levels. Egypt has delivered one of the best performing emerging stock markets worldwide. With new, more transparent monetary policies and a renewed privatisation program, Egypt has revitalised the business community and fostered a worldwide confidence in Egypt's economy. The transformation to an open market economy is influencing Egypt in different ways: more business is in the hands of the private sector, markets are liberalised through bilateral trade agreements and attractive investment opportunities have been created in a variety of sectors that reflect the diversity of the Egyptian economy. Results of this policy are already visible: economic growth has increased from 3% in 2003 to 7.2% in 2007; the currency has stabilised and the foreign reserves have increased while the exports are growing at 20% a year.

Demography and Unemployment in Egypt

Egypt has a very young population, 32% is below the age of 14 compared to 20.5% in OECD countries. The population growth rate, although decreasing, is still significant. According to estimations, Egypt needs to create 650,000 new jobs a year, which is a considerable challenge. Providing the conditions for adequate employment perspectives for the young population is a critical target for the government. Although solid economic growth is improving the midterm scenario, unemployment is still at 10.1% and approximately 50% of the unemployed population is under 24 years. These figures explain the emphasis placed on economic reform.

Public governance reform agenda

The government has ambitious goals regarding the improvement of the quality of life for Egyptian citizens by raising the standard of living through economic growth and job creation and by improving social services such as health, education, housing, transport and basic infrastructure.

➤ **Modernisation of structures, functions and procedures**

Egypt has initiated a program to conduct functional reviews for selected government ministries and agencies in order to: 1) assess, develop and redefine the roles, missions and tasks of the different entities at the

different levels of administration; 2) establish the appropriate role for the government in each sector by identifying redundant functions, and duplication between and within institutions. In general terms, Egypt is redefining the government's role from an executor to a policy maker and inspector, assigning a larger role to the private sector for execution. One of the main roles of the Ministry of State for Administrative Development is to simplify administrative procedures in order to reduce bureaucracy, and corruption and to improve the quality of public service delivery. Administrative simplification procedures have reduced the period required to establish a company from 55 days to 3 days.

➤ **Improving public service delivery**

E-Government plays a key role in Egypt's search of efficiency and effectiveness. Over 55 government services are available at the Government Services Portal that includes not only information, but also inquiry and full transaction services. For example, filing tax forms or enrolment in Universities can be entirely done electronically. Municipalities have made good progress in the setting up of one window stops. Technical advances are thus being made increasingly available to the population. The Ministry of State for Administration Development has been working on spreading the culture of excellence within governmental entities in order to upgrade the quality of public service delivery. For instance, a National Excellence Award, rewarding the performance of public services, websites and managers has been put in place in 2006.

➤ **Increasing integrity and transparency**

Fighting corruption is considered as one of the key priorities of the Egyptian Government. Several local, regional and international initiatives have been undertaken in order to fight corruption, especially wide-spread small bribery. A Transparency and Integrity Committee (TIC) has recently been established within the Ministry of State for Administrative Development to develop strategies and spread awareness for fighting corruption in the public sector. For instance, the Ministry created a new complaint channel for citizens to communicate their complaints to the Cabinet and to ministries through a Citizen Relation Management (CRM) system. One of the main objectives of the Egyptian Government is to empower civil society and achieve an increased level of transparency in data management, regulations and procedures. A new legislation for Information Freedom has been drafted and will be presented to the Parliament in the next session.

➤ **Improving capacities for reform**

The Ministry of State for Administration Development has drafted a new civil service law thus replacing the law ratified in 1978 which had been in place until recently, despite the numerous social and economic changes that took place during the last decades. The law introduces new evaluation techniques that are more transparent and effective, career development, and reward/punishment schemes. Special attention is given to the selection, appointment, and management of senior civil servants. The Egyptian government works towards improved leadership in the public sector. Egypt has set up a National Institute of Management that is mandated to provide consultancy services to public and private entities and training courses to middle and senior managers.