

# **Egypt in the Twenty-First Century**

Challenges for development

**Edited by M. Riad El-Ghonemy**

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# Egypt in the Twenty-First Century

Over the past twenty years, Egypt has been a testing ground for extensive IMF-led economic reform and restructuring. This book examines the existing and potential consequences of these experiments.

The book focuses on three main themes:

- Overpopulation associated with low productivity, unemployment, persistent poverty and weak savings and investment capacity;
- The post-1950 development strategies and their outcomes;
- The institutional structures that are constraining economic and political progress.

*Egypt in the Twenty-First Century* is a much needed investigation into long-term economic reform and restructuring and examines the challenges ahead for the country. It provides authoritative analyses from a collection of respected academics and a wealth of new data. It will appeal to all those interested in the political economy of contemporary Egypt.

**M. Riad El-Ghonemy** is Senior Research Associate at the International Development Centre, University of Oxford, and Fellow in the Department of Economics, the American University in Cairo. He is also Emeritus Professor at Ein-Shams University, Cairo.

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# Acronyms and abbreviations

AHDR	Arab Human Development Report of 2002
AID	Agency for International Development of the USA (Washington, DC)
CAPMAS	Central Agency for Public Mobilization and Statistics (Cairo)
CBE	Central Bank of Egypt
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index or retail price index, referred to as cost of living index
DHS	Demographic and health survey
ERSAP	Economic Reform and Structural Adjustments Programme (Egypt, 1991)
EU	European Union or European Community (Brussels)
FAO	Food and Agriculture Organization of the United Nations (Rome)
GDP	Gross Domestic Product or national income
HABITAT	United Nations Centre for Human Settlements (Nairobi)
HDI	Human Development Index
HIECS	Household income, expenditure, and consumption survey
IFAD	International Food Policy Research Institute (Rome)
IFPRI	International Food Policy Research Institute (Washington, DC)
ILO	International Labour Organization (Geneva)
IMF	International Monetary Fund (Washington, DC)
INP	Institute of National Planning, Ministry of Planning (Cairo)
LDCs	Less Developed Countries
MNCs	Multinational Corporations
NGOs	Non-governmental Organizations
NICs	Newly Industrialized Countries
SFD	Social Fund for Development, Prime Minister's Office (Cairo)
UNDP	United Nations Development Programme (New York)
UNEP	United Nations Environment Programme (Nairobi)
UNESCO	United Nations Educational, Scientific and Cultural Organization (Paris)
UNFPA	United Nations Fund for Population Activities (New York)
UNICEF	United Nations International Children's Emergency Fund (New York)
UNIDO	United Nations Industrial Development Organization (Vienna)
WEF	World Economic Forum (Geneva)
WHO	World Health Organization (Geneva)



*Frontispiece Map of Egypt*

Mega projects for 1997 to 2017 are underlined.

# 1 Introduction\*

*M. Riad El-Ghonemy*

At the start of the twenty-first century, the principal structural problems characterized by Charles Issawi in *Egypt at Mid-Century* (1954); over-population and poverty – remain. Despite a series of economic reforms and notable progress in human development, these twin features have continued to be associated with low income per head, weak capacity of savings, investment and export, as well as cumbersome bureaucracy and limited political participation. The task ahead which this volume attempts to explore is, therefore, enormous and the agenda for the twenty-first century is long.

While the principal development problems remain as critical as ever, the world economy and the socio-political aspirations of the Egyptian youth of the 2000s are quite different from those of the 1950s. Rapid globalization accompanied by the fast spread of electronic information have greatly influenced the expectations of the fast-growing population which reached 68 million in 2002 and is projected to be 95 million in 2020. In the meantime, faith in the government's ability to enforce regulatory rules, and to reduce poverty and inequalities of opportunities quickly enough has dwindled. Scepticism has recently grown in connection with realization of the great design of the development strategy 1997–2017. Among the contributing factors to scepticism are: the increasing dependence of the economy on external sources for financing development, the premature contraction of the two main commodity-producing and labour-absorbing sectors, agriculture and manufacturing industry, coupled with the shrinking interventionist role of government at a time when private investors and exporters need law enforcement to integrate the economy into the global capitalist market, and when victims of the post-1991 economic reforms require protection and an active state role to minimize social costs. Another important contributor is the government's reluctance to deepen the developmental voluntary work of non-governmental organizations (NGOs) and to reform the institutional infrastructure, including the provision of equal opportunities for political participation and the removal of abuses of an antiquated bureaucracy. Besides, there is discontent with the very slow progress in reducing illiteracy and tackling the adverse effects of environmental degradation on people's productivity and well-being which can neither continue to be suffered in silence, nor be taken any longer for granted.

Consequently, development criteria and evaluative judgement are based today on broader concerns than in the 1950s. It is inescapable, therefore, for this volume to bring the issues outlined above under scrutiny for the purpose of suggesting alternative or supplementary actions. Being a policy-oriented book, our hope is that it would induce further research, and contribute to the current debate on Egypt's development challenges in the twenty-first century.

### **The aims and approach**

The present book grew out of an awareness of the need to fill a gap in our knowledge about the long-term development perspective for Egypt, including the knowledge gap between the perception of the elderly and the demands of youth. It includes also the gap between using available limited resources for meeting immediate or short-term consumption needs to maintain political stability and the long-term development requirements for the well-being of present and future populations. A study over a prolonged period like ours allows for understanding changes in political, social, institutional and economic structures, and development successes and failures, from which pressing challenges emerge.

The study of these components within Egypt's social organization is best approached by the discipline of political economy as a branch of social science, thereby the economics of development cannot be separated from politics, history, behavioural sociology and psychology (e.g. with regard to consumers and investors as decision-makers). Also, it cannot be isolated from moral principles, customary beliefs, and formal and informal institutions or regulations and rules. For example, it examines why and how substantial resources allocated within tight planning coupled with economic control have not achieved their aims. Have external forces, uncertainty of expectations, centralized bureaucracy and lack of accountability and competitive political participation prevented the desired results? Also, the book examines the place of economic growth, employment and human development in the several strategies and formal plans initiated between 1957, when planning began after the 1952 Revolution with its heavy defence commitments, and 2017 when the current development strategy ends. Collectively, the authors present and analyse the best available data, judge market and government successes and failures in tackling fundamental development problems, and suggest what is to be done in the foreseeable future.

The book does not, therefore, aim to provide a comprehensive analysis of Egypt's entire development problems and policies. Rather, it examines major themes about which there is a general concern, and each contributor gives enough data to support his or her argument and emphasis has been placed on institution-induced development. For this purpose, the contributors neither use sophisticated theoretical and statistical analyses, nor do they provide a detailed historical background, a task that has been accomplished elsewhere.<sup>1</sup> Having made these clarifications, I explain how the discussion is organized in the book. It is divided into three parts and a concluding chapter.

The first part presents the state of development and its consequences at the end of the twentieth century in terms of both major development indicators and the realities of the components of living standards and well-being. The second part consists of an assessment of development strategies and sectoral policies between 1950 and 2017, and identifies the challenges facing Egypt's development in the twenty-first century. Part III examines conceptually and operationally the existing conditions of policy-making, the powers of the executive authority and the extent of people's effective participation in the political system. This part also examines the problems and prospects of voluntary development work of NGOs not merely in terms of creating public awareness, but chiefly in local communities' sharing in decision-making, through their own representatives, in order to tackle community problems and raise their living standards. The concluding chapter reviews the major findings, and it links the functions and consequences of economic institutions, assessed earlier in Part II, with those of political institutions examined in Part III, focusing on the essential matching of economic reforms with the required political reform in order to realize an expansion of real opportunities in life and equitable development.

## **The themes**

In this introductory chapter, I shall identify the recurring themes about the central issues examined throughout the volume, and trace the authors' arguments for or against the traceable elements. Of the wide range of issues covered in this volume, four recurring themes have received a broad consensus on their importance and the challenges they present. Closely related but assessed differently, the themes are: (1) overpopulation associated with low productivity, unemployment, under-employment, and persistent poverty; (2) judging the different development strategies, plans and policy reforms; (3) competitiveness in economic and political activities; and (4) reform of institutional infrastructure, including the political system. Without attempting an exhaustive presentation of each contributor's views, I shall highlight the salient features of the arguments and conclude by characterizing the central challenge.

### ***Overpopulation: low productivity and persistent poverty***

In Chapter 4, I rank overpopulation top in development challenges in the twenty-first century, defining it, in broad terms, as the pressure of low-skilled and fast-growing population on an economy that is short of land and capital/technology. In my investigation of post-1950 development strategies and standard of living (Chapters 3 and 4), I characterize overpopulation in several features:

- 1 Increasing density of population: its size has more than tripled over the past half-century (from 20 to 68 million) and the rate of growth of the labour force has exceeded that of the total population in an economy that

- suffers from inadequate investment in job creation, resulting in low labour absorption, with rising hidden and open unemployment. In the meantime, the total inhabited area has remained virtually unchanged (nearly 6 per cent of the total area of one million square kilometres (387,000 square miles settled and cultivated), making Egypt one of the world's most densely populated countries. Moreover, and despite increasing migration out of rural areas, the density of agricultural population per cultivable land has more than doubled and the area of fertile lands lost to rapid urbanization has progressively increased, in spite of the legal prohibition of practices causing the loss.<sup>2</sup>
- 2 High private consumption, resulting in a wide saving–investment gap, low shares of savings and investment in national income (GDP) and in Egypt's increasing dependence on both domestic borrowing and foreign sources to finance development.
  - 3 Prevailing under-employment and falling real wages and productivity in agriculture and manufacturing industry, leading to persistent poverty.
  - 4 Increased areas of *ashwaiyat*, i.e. illegally constructed shanty towns and squatter housing that represented, in 1996, nearly half the total inhabited areas in several governorates, especially Cairo.
  - 5 The prevalence of widespread child labour (6–14 years of age) owing to large family size among the poor, the need for children to help poor parents with additional earnings, defective primary education and deficient enforcement of labour laws and compulsory schooling until the age of 15.

This brings us to the important feature of overpopulation – poverty. Adams (Chapter 2) and Radwan (Chapter 5) view overpopulation by way of focusing on poverty determinants such as low productivity, declining real wages in both private and public sectors, the prevalence of illiteracy, the steady rise in unemployment, an extensive informal sector of unskilled wage-dependent workers, and increasing inequality in the distribution of income/expenditure. They also examine the trends and characteristics of poverty. Radwan, referring to the first half of the 1990s, notes:

With population growing at 2.2 per cent a year, and a labour force increasing at an even faster rate of 2.8 per cent a year, the economy, growing at only 2 per cent a year, is unable to generate sufficient demand to absorb the 500,000 new entrants to the labour market annually' . . . 'the characteristics of the unemployed underscore the seriousness of the employment problem, especially among the young, whose position in the labour market does not correspond to their rising expectations.

From his analysis of the results of the labour force sample survey on the labour market demand between 2001 and 2005, he concludes that the majority of the currently unemployed (graduates of intermediate and university education) are not likely to be in demand for jobs and that the labour market policies and institutions must be reformed.

Considering that nearly two-thirds of urban employment and approximately half of the rural employment are wage-dependent workers, the downward trend in real wages over the last two decades means a worsening of annual income and consumption per worker, as well as deepening inequality. Both authors highlight, with alarm, poverty incidence and Adams calculates the poverty gap index and its squared value, indicating a slight increase in both the depth and severity of poverty during the period 1981–97 at rates higher in urban than in rural areas. My examination of the preliminary results of the recently conducted household expenditure survey of 1999/2000 confirms the persistence of poverty and the increasing number of the poor from 27.8 million persons in 1996 to 32.7 million in 2000, using the upper poverty line, while the numbers remain almost unchanged at 13.5 million persons, using the lower poverty line or the minimum food and non-food expenditure levels established by Egypt's Institute of National Planning (INP). Thus different classification of the poor is made; those living below the lower poverty line are named poor and those in the higher category are named 'moderate poor', making it convenient for the politicians to choose the poverty line that suits their motives.

### *Evaluating development experience*

The discussion under this heading enables policy-makers, development analysts and the general public to understand the results of development efforts and how people have been doing (their health and overall well-being) during the past half century. Hence the problem of measurement and assessment of the performance of the economy, the distribution of income/expenditure, the quality of life elements, undernutrition by age, gender and location, illiteracy and unemployment at national and locality levels. In this complex task, there is a general agreement on two principles: making a distinction between means and ends; and the usage of plural measurement instead of a single and narrow measuring rod. Importantly, there is an agreement with regard to viewing economic growth as a necessary means for – but not a sufficient condition of – development, emphasizing that well-being (i.e. enhancement of the individual's status of nutrition, health and education, greater freedom and ability to participate in social and political organizations) constitutes an end in development process. Similarly, in evaluating economic structural reforms, tackling fiscal and monetary problems and increasing exports are not seen as ends in themselves.

Despite following different routes of inquiry, Adams (Chapter 2) and El-Ghonemy (Chapter 3) reach similar conclusions with regard to development performance and living standard at the start of the twenty-first century. In his assessment of Egypt's record of development, 1980–97, Adams employs a modified Human Development Index, and compare Egypt's record with that of forty other developing countries along five key indicators: life expectancy, adult literacy, poverty, inequality and productivity (land and labour). He concludes that during the period under review, Egypt performed worse than

the forty other countries in three of the five indicators: adult literacy, income and poverty, and inequality of expenditure. In particular, Adams finds that poverty (urban and rural) in Egypt increased during this period. Only in terms of life expectancy and land productivity does he find Egypt improving at a faster rate than the forty other developing countries. Land productivity improved in Egypt because of a significant increase in yields per feddan/acre, especially for wheat. Nassar and Mansour (Chapter 6) also show a 45 per cent increase in wheat yields between 1986 and 2000, ascribing it to technological advances and production incentives generated by price liberalization.

While El-Ghonemy (Chapter 3) agrees with Adams about the educational policy failure manifested in persistent high illiteracy, he emphasizes the increased social inequalities reinforced by very unequal access to health care and education according to income class and location, causing the population of rural Upper Egypt to be very disadvantaged. In addition, he presents the order of magnitude of social costs of both the prevalence of undernutrition (by age, gender and locality) and the effects of environmental degradation on health, productivity and disability to function in life. He argues, on the basis of empirical evidence, for geographical targeting of resources to improve public services (especially primary education) and to alleviate poverty and undernutrition in disadvantaged locations. In this way, I depart from conventional measurement of the standard of living by stressing environmental death-risk problems and loss of lives (resulting from excessive pollution and road accidents). I point also to potential human capital gains from combating the increasing consumption of narcotic (*hashish*), especially among the youth. In addition, I stress the importance of holding the government accountable for meeting several international commitments made between 2000 and 2015 on education, nutritional status improvement and poverty reduction.

El-Ghonemy (Chapter 4), Nassar and Mansour (Chapter 6) and Aglan (Chapter 7) examine the changing roles of the state and the private firms, both at the macroeconomic and sectoral levels. In the late 1950s and during the 1960s, progressive replacement of the imperfect market mechanisms by a giant public sector took place, through a wave of nationalization and coupling planning and economic control as the foundation for substantial investment, faster economic growth, full employment and fairer distribution of income and opportunities in implementation of the Arab Socialism ideology provided in the National Charter of 1962 (*al-Mithaq*) and the 1971 Constitution (see Appendix 3.1 on pp. 63–5). In their assessments, the authors study the period 1991–2000 in more detail because it has witnessed a swift strategic change, dictated by external and internal economic pressures. It is characterized by a pronounced shift away from a quasi-welfare state towards a capitalist economy based on economic liberalization, conditional foreign debt relief and accelerated preparation of the economy for global competition. Furthermore, during this period the government's long-term development strategy 1997–2017 began and the economic shock caused by the 11 September 2001 events in the USA has deepened instability which I specify in Chapter 4.

In evaluating the changes brought about by the 1991 economic reforms (the Economic Reform and Structural Adjustments Programme, ERSAP) at the sectoral level, Nassar and Mansour (Chapter 6) and Aglan (Chapter 7) explain the rationale behind the set of policy reforms in agriculture and industry, respectively and their short-term impacts. They highlight both the consequences of pre-reform tight control policies, the subsequent price liberalization and the process of restructuring public enterprises before their sale. Safeguarding the interests of workers in privatized manufacturing companies is stressed by Aglan, who explains the three-track approach followed: vocational training of young workers; voluntary severance; and the workers' right to purchase about one-tenth of the company's assets at favourable terms. In my examination of the effects of ERSAP (in Chapter 4), I remind the reader of the situation leading to the government's swift adoption of ERSAP, summing it up as follows:

The economy in 1983–90 was in trouble indeed, and entered a slump phase. Real income per head declined by 20 per cent (from US\$750 in 1986 to US\$640 in 1989, and declined further to US\$600 in 1990). There was also a sharp deterioration in both the manufacturing output and the balance of trade, and total foreign debts reached one and a half times the GDP. In addition to the costly high inflation, these dismaying statistics are manifestations of serious economic structural problems.

For the convenience of the reader, the macroeconomic achievements of ERSAP identified by El-Ghonemy (Chapter 4) and Radwan (Chapter 5) are summarised as follows:

- 1 recovery of the GDP growth in 1995–99;
- 2 a sharp reduction both in inflation rate and in budgetary and balance of payments deficits but *not* in trade deficit;
- 3 rapid decrease in foreign debts, but *not* in total internal debt owed by the government and public organizations reaching LE174 billion in 2000;
- 4 rising foreign exchange reserves in 2000 four times its 1991 level; and
- 5 sharp expansion in the capital market and in the share of the private sector in economic activities, especially after the privatization of several public enterprises.

On a sectoral level, Nassar and Mansour (Chapter 6) emphasize the favourable results of the removal of government tight controls of crop prices, as well as the speedy liberalization of agricultural credit and marketing of crops starting in the second half of the 1980s. They underline the positive response of farmers to this market-oriented policy manifested in the rapid expansion of value added and, with the exception of cotton, cultivated area and yields of major crops have increased over the reform period of 1985–2000. Deregulation of the credit market and concluding trade partnership agreements with the European Union (EU) and other major importers have helped

increase access to export markets. In addition, both authors bring to the reader's attention the important institutional dimension, saying 'Sectoral policy changes were not limited to the pricing and trading systems, rather they have been extended to the deregulation of agricultural cooperatives and farm tenancy arrangements'. On this institutional dimension, I remark in Chapter 4 that the rushed deregulation of cooperatives (leaving them abruptly to compete with the private sector) and the reversal of agricultural tenants' security are likely to have unfavourable distributional and land-conservation consequences, requiring policy rethinking for the government to undertake selective intervention for correcting market failures, after recognizing how markets are imperfect, and after assessing both the social benefits to be obtained from government action to minimize social costs of ERSAP. I also stress that ERSAP has not brought all the promised benefits owing to the low priority given to the reform of institutional arrangements, affecting investment, exports, economic growth and the distribution of income and opportunities. Failures are also due to the erroneous sequential implementation of ERSAP monetary and fiscal policies that were pushed prematurely by the IMF.

On reviewing the long-term prospects for sectoral development planned in the 1997–2017 strategy, Aglan, Mansour, Nassar and Radwan believe that its aims are achievable provided that its assumed private investment target is met, policies for export-promotion and labour-intensive production implemented, and institutional constraints removed. They also stress the need for the existing wide savings–investment gap to be filled *via* increased export earnings and greater foreign direct investment. Radwan (Chapter 5) highlight the imperative need for a distinct commitment towards labour-intensive investment and small industries expansion. In my argument for alleviating overpopulation (Chapter 4), I point out the need to realize high rate of labour absorption in the mega projects (Toshka, Sinai, etc.) that are intended to add 3.4 million feddans (acres) to the present cultivable area. The aim is to realize equitable rural development and to make a significant impact on the overpopulated old inhabited area, where a large fraction of the labour force remains underutilized. In the conceptual debate on this long-term plan (1997–2017) and beyond, I stress the importance of labour absorption in the choice of investment techniques that benefit the present and future generations, saying:

It is odd to be concerned with the future welfare of big investors, while ignoring the poverty of the millions of landless workers and the unemployed today . . . It is also our obligation to preserve the present wealth of productive land area and scarce water to pass on to the next generation.

On the acute problem of water scarcity, Nassar and Mansour underline the necessity of rational use of the Nile water for irrigation during the twenty-first century, suggesting a cropping pattern change, comprising the reduction of rice and sugar-cane areas, the replacement of surface irrigation of fruits by drip and sprinkler irrigation and the elimination of current water losses.

### *Competitiveness in economic and political activities*

As the authors delve into the important question of competitiveness in the twenty-first century, the discussion indicates the contentious nature of its assessment and comparability. In Parts I and II, the discussion indicates the need for the government to create conditions that help markets make competition work in a global capitalist economy, without harmful elements of monopoly or oligopoly of influential domestic entrepreneurs in alliance with the globally powerful multinational corporations, on whose foreign direct investment the dependence of the Egyptian economy is increasing. It was also underlined that markets and privatization of state-owned enterprises *alone* cannot realize the desired global competitiveness in the absence of substantial improvement in workforce skills and product quality. Above all is the importance of appropriate institutional measures, the provision of which is the task of the government.

Past experience shows that during the period of dominant state monopolies and protectionist barriers, competition among domestic firms was lacking and the quality of products deteriorated. However, the post-1991 frequent emphasis on trade liberalization by the World Bank and the IMF, echoed in government policy statements, is misleading in the absence of institutional infrastructure. Here again, the increasing emphasis on privatization of state-owned enterprises has been wrongly viewed as an end in itself, not as a means to equitable development. Moreover, past development experience shows that with industry as with agriculture, the economic reform's paradigm of export-led growth has not, as yet, worked. Despite post-1995 recovery in GDP growth, export growth remained slow and below expectation. In fact, under existing deficient institutional setting there is no firm evidence during the period 1991–2000 to support the World Bank's strongly held view of export-led economic growth. Aglan (Chapter 7) attributes this weak linkage to the speedy transitory process of manufacturing deregulation, lack of investment in both technology and product quality improvement, especially with regard to textile factories in the public sector. He underlines the need for strengthening labour-intensive small and medium industries to realize their employment and competitive exportable potentials, and calls for the linking of investors' guaranteed tax exemptions to their achievements in both export expansion and investment in labour skilling. Yet, and in spite of apparent ambiguity and lack of consensus on the definition of 'competitiveness' at the firm, macro and international levels,<sup>3</sup> Aglan, together with Nassar and Mansour, emphasizes the imperative need for improving the competitive advantages of exportable agricultural and manufactured products. They are rightly concerned with a number of existing deficiencies, including: high costs of production, bureaucratic red tape, inadequate levels of both technology and management capabilities, and the crucial need for expertise in marketing.

Radwan (Chapter 5) attributes low competitiveness to the long-practised strategy of import-substitution industrialization and to the constrained labour-cost adjustment, owing to labour policies with too many regulations that have 'pushed up labour cost relative to productivity'. He adds:

If past experience is an indicator, it can be said that export-oriented industrialization and flexible labour markets that do not undermine labour welfare help to create the conditions necessary for employment-intensive economic growth. For such a strategy to succeed, Egypt must have a competitive edge that enables its exports to compete in world markets.

To support his argument, Radwan used the results of the World Economic Forum's *Global Competitiveness Report*, 1996, particularly its profile of Egypt, which shows very low scores for labour skills and products' quality control. However, as I indicate in Chapter 4, Egypt's low competitiveness ranking has slightly improved in the 2000 report (42 of 59), but its continuing poor scores in technological advance, spending on research and development, and competition in domestic banking have placed Egypt among the bottom ten countries.

Just as the economic aspects of competition are significant, Springborg (Chapter 8) and Hinnebusch (Chapter 10) emphasize the importance of political considerations. Springborg views competition as the core of the political system, requiring 'free and fair multi-party elections based on universal franchise, free speech and association . . . [which] do not unfairly advantage one contestant over another'. He adds: 'over the past fifteen years the electoral law has been substantially modified three times, with the Higher Constitutional Court invalidating the election law on two occasions. These and other procedures taken by the executive branch have disadvantaged opposition political parties.' He makes a distinction between the rule of law that tends to constrain executive authority and the rule by law that enables the state to expand its authority, and concludes, 'Egypt has rule by law but not rule of law'. Hinnebusch adds that the investors' confidence depends, above all, on strengthening the rule of law and modernizing bureaucracies. Both authors agree that the demand for rule of law appears to be close to a national consensus across Egypt's political spectrum, especially with regard to the protection of property rights.

### ***Institutional obstacles to economic and political development***

The views of Hinnebusch and Springborg on the institutions of authority, property rights and the rule of law bring us to the fourth key theme that has repeatedly appeared in the book. In fact, as synthesized by Hinnebusch (Chapter 10) all authors emphasize the urgency for a direct attack on institutional obstacles inhibiting the speedy achievement of the desired objectives of post-1991 economic reforms, I can say there is a consensus among the contributors that *without* appropriate institutions neither the market economy nor the socio-political system can effectively function to meet the challenges for development in the twenty-first century.

As they are so vital to the development of Egypt, it is useful to explain to the reader at the outset what institutions mean. They are the rules and regulations that shape human choices and actions in the society and determine the