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Economic Aspects of Egyptian Gov't Statement

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On 3 July 2018, Egyptian Prime Minister Mostafa Madbouly delivered the policy statement of his government, which included five axes. In his statement, Madbouly referred to a range of economic issues, which are as usual loose and lacking commitment to real programs with specific timings. However, it is clear that the government has made unviable promises, including achieving self-sufficiency in the main crops in the medium term, providing 900,000 jobs a year, and improving the standard of living of the poor: "We will never leave a poor citizen begging for help," Madbouly said.

In this piece, we attempt to analyse these promises and find out to what extent they are viable in light of the government's performance as well as its economic policies.

First: The claim of achieving self-sufficiency

"The Prime Minister pointed out that the national security protection axis also includes important programs, including the achievement of water security, the preservation of Egypt's water rights, the development and rationalization of the use of available water resources, as well as food security and providing adequate stock of strategic goods in the short term and achieving self-sufficiency of major crops in the medium term," Al-Ahram, a government-owned daily newspaper said on 4 July 2018.

If the content of the government's program was to stop at achieving food security, it would not be possible for anyone to criticize it, as food security could be achieved through local production or imports. But to announce that the government would achieve self-sufficiency in the main crops in the medium term is obviously devaluation

of the Egyptian community. There are many obstacles and challenges that prevent Egypt from achieving self-sufficiency in wheat, corn, beans, lentils, or oily plant crops due to the failure to adopt economic and agricultural policies that achieve self-sufficiency in these goods, even at rates exceeding 75%.

The challenge that the government of Medbouly must be accounted for after 5 years is to achieve self-sufficiency as promised, although the program referred to by Al-Ahram did not include the policies necessary to achieve such goal, nor the content or timetable of programs to achieve self-sufficiency. The Egyptian governments after the military coup of 4 July 2013 never encouraged farmers to increase strategic crops, such as in wheat, where the government usually delays announcement of supply prices which are often unprofitable for farmers, and push them to move to growing other crops. Furthermore, the areas allowed for the cultivation of rice have been reduced and the government later announced it will import rice from abroad, adding a new burden to the food import bill, amid a funding gap of more than \$ 22 billion.

Second: the reality of self-sufficiency in strategic goods

Self-sufficiency Ratios of Some Strategic Food Commodities (during 2012-2016)

Commodity	2012	2013	2014	2015	2016
Wheat	55.7	56.7	52.1	49.1	47.7
Maize	67.7	56.8	65.1	56.2	56.3
Rice	102.3	108.8	100.4	102.6	99.7
Beans	38.8	27	33.8	31	20
Lentils	1.6	0.8	1.3	1.6	2.1

Source: Central Agency for Public Mobilization and Statistics, Egypt, 2018, p 71

The data in the above table show that all crops declined in terms of self-sufficiency in 2016, compared with the rates of 2012, which means that there is a decline in the production of these crops, or that the production is no longer sufficient due to the increased consumption rates resulting from a high rate in overpopulation during the period. However, the figures for the same source show that the wheat crop production in 2016 fell by 2.8%, where the amount of the wheat crop in 2016 was about 9.3 million tons, compared with 9.6 million tons in 2015.

There is also a significant decline in the self-sufficiency rate of beans, a popular dish for the poor amid the high inflation rates and reduced incomes, with the implementation of the IMF program. The self-sufficiency rate of beans fell by 18.8% between 2012 and 2016. As for rice, the self-sufficiency rate declined by about 2%.

The figures mentioned in the table above show that it is difficult for Egypt to produce strategic commodities related to food, which makes it almost impossible to achieve self-sufficiency in such commodities as the Egyptian Prime Minister announced, especially in light of the recent water crisis.

The current situation costs Egypt about 10 billion dollar worth of food and grain imports annually.

Deficit in trade balance of food commodities

Egypt suffers from a deficit in its trade balance of food commodities without grains. Although this deficit fluctuates in terms of value, it continues to be a burden on financial liabilities to the outside world in foreign currencies. The deficit ranged between \$ 4 billion in 2012/2013 and \$ 2.6 billion in 2016/2017. Egypt's imports of food commodities without cereals during that period amounted to about \$ 5 billion, except in 2014/2015, where imports reached worth \$ 4.7 billion, but they hiked up to worth \$ 6.1 billion in 2015/2016.

In terms of exports of food commodities without cereals, they have been improving, as they reached about 3 billion dollars in 2016/2017, compared with 1.3 billion dollars in 2012/2013. Although exports of food commodities without cereals improved over the past years, however Egypt's position regarding grains was quite the opposite.

Cereals are one of the biggest challenges to Egypt's food agenda. Egypt ranks top of the global list of wheat importers. Overall, the gap between cereals' exports and imports is significantly wider over the period 2012/2013-2016/2017. This is illustrated by the deficit data which reached its peak in 2013/2014 and 2016/2017 at about \$ 4.5 billion per year.

Egypt now produces 9.3 million tons of wheat, which represents 47.7% of its needs. To achieve self-sufficiency, Egypt's production of wheat is required to reach about 20 million tons, taking into account the annual increase, due to the population increase.

Third: Impossible job opportunities

After mentioning a set of targets related to the public budget and infrastructure projects, Al-Ahram quoted the government's statement on employment opportunities which will be made available annually as follows: "All these activities result in the provision of about 900,000 jobs per year with a total of 3.6 million jobs in 4 years including shares for the disabled, young people and women heads of households."

Talking about such number of jobs the government will provide is no longer acceptable in the context of reports about the recession experienced by the Egyptian economy, especially the private non-oil sector. In addition, the Egyptian government's employment index is not acceptable, as the Central Agency for Public Mobilization and Statistics (CAPMAS) excludes any citizen that works as little as an hour per week from the rate of the unemployed. This badly affects social stability, including a decline in marriages and an increase in divorce rates due to the bad economic conditions. In

March 2018, marriages fell to 56.9 thousand, compared with 75.5 thousand in March 2017, a decline rate of about 25%. Although the divorce rate declined in March 2018 to about 15 thousand cases compared to 18.5 thousand cases in March 2017, however it is still high.

On the other hand, we find that the actions of the government lead to increasing the unemployment rates. The government announced early 2018 the suspension of the National Cement Company, and offering an early retirement program to 2300 of its workers, which does not indicate any strategy to increase the number of jobs.

Fourth: Protection of the poor

Reporting on the government's policy statement Al-Ahram said: "Madbouly stressed the government's commitment to implementing many social protection programs and stressed that the government will support the poor and put an end to poverty in the country. "We will never leave a poor citizen begging for help. We will create a job for every poor citizen as long as he is able to work, but if he is living below the poverty line and it's hard for him to work, we will do our best to care for him."

The talk about protecting the poor by the post-coup governments since 4 July 2013 has been a kind of political distraction. The government's economic measures of lifting the subsidy and increasing the prices of public goods and services, with no wage increases, amid inequitable distribution of wealth - led to increasing the number of the poor. It is difficult to talk about social protection through social security pensions. What does social protection mean for the poor with an income ranging from LE 350 to LE 450 per month? It is noteworthy that the number of eligible families for pensions is estimated at 5.5 million, according to government data, which is expected to further increase in light of the IMF austerity procedures. This will make it even more difficult to achieve the government's goal of social care for the entire poor. It is noteworthy

that after the military coup, the government tightened its grip on the charitable work and took control of many of the major charities which used to support the poor.

Fifth: Absence of accountability

The pledges made by the Madbouly government in its policy statement are not something new, as there is no real supervision and control practiced by the parliament. As a matter of fact, the policy statement that is usually delivered by a newly-appointed prime minister is just completion of the procedures stipulated by the constitution, as Article 146 of the Egyptian constitution stipulates that a newly appointed prime minister must deliver a policy statement before parliament, after which MPs should vote on the policy, in a process that ends within 30 days of the appointment of the prime minister.