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Assistant to the Prime Minister reveals details of the document highlighting strategic direction for the Egyptian Economy until 2030

Assistant to the Prime Minister and Head of the Information and Decision Support Center, Dr. Osama El-Gohary, revealed details of the research project, entitled "Document Highlighting the Strategic Directions for the Egyptian Economy for the New Presidential Term (2024-2030)," which outlines policy priorities for the Egyptian economy until 2030.

[Link]

In this issue of “Views on News,” the commentary comprises general comments on the document as a whole, as well as specific comments.

I. General comments

1. The issuance of the “Document Highlighting the Strategic Directions for the Egyptian Economy for the New Presidential Term (2024-2030)” comes at strange timing. Such documents are usually expected as a work program from a new government expected to take over. It should be an integrated work program with performance indicators whose implementation will be properly monitored. For this program to come from the incumbent government is incomprehensible, unless the same government system will continue to function, which is not expected in light of its modest performance and the unprecedented accumulation of debt. There is a need for new ideas and blood in the new stage.
2. The document begins by listing the achievements of the previous period without mentioning its problems, shortcomings, or the slow progress of their goals, implicitly assuming the soundness of the policies previously followed, and hence the intent to continue in the same direction, but with higher goals, without conducting an objective assessment of the success or failure of these policies in achieving the desired goals.
3. In its general context, the document attributes, as usual, any lackluster performance in the previous period to external factors such as the Ukraine war, global consequences of the Covid pandemic, and others. While this is

partly true, it is important to recognize that the current economic situation is largely the result of institutional problems in managing the economic system. Dealing with inflation and currency crises, and relying on a limited set of tools to temporarily alleviate problems (such as moving the exchange rate and interest rates) is essentially addressing the symptoms of economic problems rather than their institutional and structural roots.

4. There is no disagreement over the goals set forth in the document's strategic directions, but they seem too ambitious in light of the current reality. What matters is how these goals will be achieved and the time-horizon of implementation—both of which are ambiguous. Moreover, implementation is not feasible without an objective assessment of the current situation, and without introducing radical changes to the institutional structure of the economic and social system in Egypt; both are key to solving the problem.
5. The document also does not highlight the sources of financing for these ambitious goals.
6. Although the strategic directions are closely related on the ground, this is not reflected in the document. For example, Egypt cannot achieve the goal of strong sustainable growth and the desired global standing without immediately initiating serious institutional reform,[1] changing the compass guiding priorities, and conducting the policy change required on the

[1] Research conducted by ECES in this respect can be consulted via the following link: https://eces.org.eg/

ground. The absence of such a link renders the method of presenting strategic directions incomplete and makes it look more like a theoretical proposal rather than a practical and realistic one.

7. One of the key points in the document considers the securitization of dollar resources to pay off short-term debt. This proposal is risky, as it focuses on paying off debt as a primary goal in itself, away from reforming the system, and within a different time horizon. This means that we are seeking - as usual - to pay off debt quickly, but tend to adopt reforms through an open-ended schedule. Thus this proposal, provides for continuation of the same management style, with separate performance by each state entity, and opens the door once again to more debt and more imbalanced priorities—a vicious circle of poor performance, through which the goals of the first strategic direction were not achieved, depriving Egypt for many years of the dollar revenues badly needed for development, in the absence of alternatives due to the system's lack of dynamism.
8. It is more realistic to reschedule debts while adopting radical institutional reforms, and resort to the IMF for further support to achieve the required flexibility in the exchange rate until the current parallel market ends and the economy begins to perform normally.
9. There is conflict among the goals of the strategy. Increasing investment to 25% or 30% of GDP is an expansionary policy that is inconsistent with

the financial consolidation and control of inflation mentioned in the same document, especially in light of the shrinking role of the private sector.

Secondly: Specific comments

1) The document sets a target for the agricultural, industrial and technology sectors to contribute 35% of GDP in 2030 at a minimum, which is the same target as the previous structural reform program slated to be completed in 2024. So, what has changed? Why not first assess the achievements of the first structural reform program before moving into the second? Moreover, the target for agriculture, industry, communications and information technology is extremely broad, as there are many specializations under each, with significant differences that require relevant policies in the case of each. The question is: where are the studies that specify which areas require focus?
2) The document expects an increase in job creation by five million in infrastructure projects, which implicitly means that these projects will continue despite being the reason behind debt accumulation, and a decision made to slow the pace of their implementation.
3) Regarding the exchange rate, a flexible exchange rate policy shall continue, which is required though not being achieved on the ground. It is important to set 36.83 as the exchange rate as suggested (though not mentioned specifically in the latest IMF report). The IMF is careful not to suggest a specific price, as flexibility requires dealing through market forces.

4) The target for both manufacturing and exports was one specific figure, namely, 20%, which warrants identification of the studies on the basis of which this percentage was set.
5) The document mentions a set of strategies, such as the National Investment Strategy 2030, the National Employment Strategy 2030, the Governorate Competitiveness Report, and finally the Strategy (2024-2030) to increase exports by $145 billion. The question is: Where are these strategies? Their results were not announced. Also, have the efforts made to reach the target of $100 billion in exports been evaluated before pushing this figure to a higher value?
6) With regards to exports, it is important to specify that what is required is to increase the real value of exports, not just the export value. The latter may be linked to an increase in the prices of the exported products, not their quantity. As with countries that are serious about improving exports, it is important to monitor the quantity, not just the value. Finally, it is important to remember that without investment and production there will be no products for export. Therefore, stimulating exports is not a goal separate from investment.
7) There is a proposal to establish a company to promote investment abroad, and another to export real estate. Despite the importance of such a proposal, the inclusion thereof in the strategic directions document is considered hasty, as it is not based on a study of current capacities to achieve these goals, and without a detailed study of the cost and return

from such companies. Besides, these are specific instruments whose inclusion in the state's strategic directions document is illogical.

8) In the same vein, five new free zones were outlined, including zones that deal in services, as in the case of information technology, without evaluating the performance of free zones until now. It is neither scientific nor logical that the shift to a free zone be the proposed solution to eliminating bureaucracy and stimulating investment and export. It is also illogical, when encouraging investment and export, to rely on incentives such as the golden license. In fact, all licenses should be "golden," and investment should not require a special law. The business environment should be reformed fully and quickly to meet the needs of the period, and the required unification of entities (again, institutional reform) should be adopted to achieve this goal.

9) Other points remain to be discussed in detail in the upcoming issues of Views on News.