

Economic Reform Program and Social Costs in Egypt as a Developing Country

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Abstract: - All developing countries, including Egypt, suffered from the problem of structural imbalances as a result of the mismanagement of economic policies adopted by those countries in the context of the process of economic development, especially after the emergence of the external debt crisis in 1982, so most developing countries implemented economic reform programmers through agreement with the Two Organizations of Burton Woods (IMF and World Bank) in order to eliminate those imbalances,

The importance of research was to clarify and answer some questions, including:

- Have economic reform programmers achieved the goals and objectives for which they emerged?
- Has Egypt benefited from the implementation of economic reform programmers?

In addition to focusing on the disadvantages of economic reform programmers, which are the social costs of economic reform programmers.

The research also proceeded from the premise that the economic reform programmers implemented in many developing countries had resulted in negative costs and effects that had been reflected in the realities of their community members.

In order to find out the most important of these costs, a group of parts were discussed in this article, including an introduction to the reform program in Egypt, as well as the method adopted and some studies related to this study, and in the theoretical aspect, the reality of the Egyptian economy was discussed after the implementation of the reform program, and in this part the topic branched out into general economic indicators that were talked about, including (GDP). External indebtedness, public budget, inflation rate(as well as social cost indicators including (unemployment, poverty, poor income distribution)

The research reached a number of conclusions, including enabling capitalist countries to channel the macroeconomic policies of developing countries in proportion to their interests with the assistance of the Burton Woods Organizations.

Key-Words: - International Monetary, reform, inflation, Unemployment, Public Expenditure, Costs

1 Introduction

Egypt is among the developing countries that adopted the implementation of economic reform programs after the economic decline that affected its economy, particularly in the second half of the 1980s, which consisted of low rates of economic growth and high rates of budget deficits, unemployment rates, inflation and external indebtedness, so economic reform programs were implemented in agreement with the International Monetary Fund and the World Bank in 1991 and in order to identify the most prominent indicators of social costs caused by the reform programs Economic.

As for the researcher's hypothesis was based on the premise that economic reform programmers

implemented in many developing countries had resulted in negative costs and effects that had been reflected in the reality of their community members.

And in terms of importance of research was to clarify and answer the following questions:

- a. Have economic reform programs achieved the goals and objectives for which they emerged?
- b. Has Egypt benefited from the implementation of economic reform programs.

2 Literature Review

- 1- Mohamed Nazim Hanafi, Economic Reform and Development Challenges, Faculty of Commerce, Tanta University, 1992, this study concluded to show the policies of economic reform and its impact on the process of economic development and the researcher stressed the imperative of combining the temporary social costs of the application of these programs, which can be reduced by rationalizing the policy of stabilization and structural adjustment through the application of a structured and thoughtful program aimed at social justice.
- 2- Hiba Ahmed Nassar, Some of the Social Implications of Economic Reform Programs in Egypt, Cairo, Arab Future House, 1994. This study sought to assess the social implications of economic reform programs and ultimately concluded that the negative effects of economic reform policies were serious, even if they were short-term, as they had an impact on the poor and low-income groups in society, which make up the vast majority of the population.
- 3- Hussein Abbas Hussein, role of economic policies in exacerbating poverty and wealth in some developing countries, analytical study, Faculty of Management and Economics, University of Babylon. This study emphasized the failure of the development programs and economic reform and structural adjustment policies adopted by most developing countries to address their economic imbalances, which has exacerbated the phenomenon of poverty year after year, especially after the lifting of the state's hand on economic activity for the benefit of the private sector in some Arab countries.
- 4- Ibtisam Ali Hussein al-Azzawi, Economic Reform Policies and Its Implications for Human Development, Ph.D. Thesis, Faculty of Management and Economics, Baghdad University, 2009. This study presented the most important aspects of economic reform policies and development indicators and concluded that the application of economic reform programs in developing countries had a range of economic and social implications and that these effects were mostly negative, especially in the short term, and the social cost of the economic downturn is the first.

3 Methodology

The research is based on descriptive and analytical method based on economic data and reports related to indicators of the social costs of economic reform programs and general economic indicators.

4 Theoretical framework The reality of the Egyptian economy after the implementation of economic reform programs

During the 1980s, especially after 1985, the Egyptian economy experienced structural imbalances that reflected the reality of the Egyptian economy through low rates of economic growth, reaching a halt or negative rates, in addition to the budget deficit and high inflation rates, which reached more than (20%) The accumulation of external indebtedness, which has reached high rates, has been estimated at more than 200%. in 1989 as a proportion of GDP.

As a result of these structural differences and the deterioration of the Egyptian economy, the Egyptian Government signed an agreement with both the International Monetary Fund (IMF) and the World Bank to reduce the structural imbalances that were experiencing the Egyptian economy, known as economic reform and structural adjustment programs.

The Egyptian government has adopted a series of measures recommended by both the IMF and the World Bank at the beginning of the economic reform phase.

- Reducing the size of the public sector by making room for the private sector (privatization).
- Remove most customs barriers and reduce import tariffs.
- Encourage foreign investment by providing the right climate to attract such investments.
- Raising the prices of energy sources (fuel and electricity) in addition to transportation prices by bringing their prices in line with their real prices.
- Reducing subsidies for goods and services while keeping them only for needy groups.

4.1. General economic indicators

3.1.1 GDP

Table 1 shows that there was a marked improvement in the volume of GDP at the beginning of the implementation of economic reform programs in Egypt, except in 1991, the year EGYPT implemented economic reform programs, in which GDP fell to \$34,220 million from \$35,489 million in 1990 and at a negative growth rate of (3.6 PERCENT). This decline IN GDP volume and growth rate is the result of a decline in fixed investment as well as a misallocation to non-productive and commodity sectors, after which GDP rose to \$41,750 million in 1992 with a growth rate of 22.5 PERCENT. In the same year, this rise is a good start for the Egyptian economy as a result of the implementation of these programs, but the rate of GDP growth is gradually declining to 7.5%. And (9.7%) In 1999 and 2000, respectively, despite the gradual rise in GDP volume, it reached As a result of a series of internal and external political and economic shocks, such as the terrorist attack on Luxor, which briefly adversely affected tourism in Egypt, as well as the fall in global oil prices and subsequent global financial crises in 1998 and the events of September 11, 2001. GDP gradually declined to \$78,491 million in 2004 from \$90,285 million in 2001, registering a negative growth rate of 3.0 present. 2004 compared to (7.4%) 2001.\$88,950 million in 1999 and \$97,550 million in 2000.

As a result of high oil prices and high rates of economic growth, particularly for the countries of the region (oil), it helped to recover the Egyptian economy and thus the volume of Egyptian GDP increased to (107478) million dollars in 2006 and at a growth rate of (20.0%) GDP continued to rise and grow until 2008, but the mortgage crisis in America at the end of 2008 and its effects on developing economies, including Egypt, were reflected in all economic aspects, including GDP, which began to grow to 15.6 present. And (16.2%) In 2009 and 2010, respectively, GDP growth continued to decline for years (2011 and 2012) as a result of the political events ravaging the Arab region (the Arab Spring revolutions) and their negative effects on the Egyptian economy.

3.1.2 Religion from abroad

In the last years of the 1980s, Egypt's external indebtedness increased in proportion to GDP by 220 percent. From GDP in 1989, which led to the exhaustion of the Egyptian economy, Egypt, in

agreement with both the International Monetary Fund and the World Bank, hastened to implement economic reform programs and through Table 9 shows that the volume of Egypt's external debt began to decline when it reached (28,303) million dollars in 1993. In addition, its ratio to GDP fell to 60.40%. In the same year, the main reason for the decline in the volume of Egypt's external indebtedness in the early 1990s was external intervention, Egypt was able to reduce its foreign debt when creditors from the Paris Club countries cancelled about (24) billion dollars of Egypt's foreign debt in exchange for Egypt's participation in the Second Gulf War in 1991 on Iraq.

It can be said that this decline in Egypt's external debt was not real because it came through external intervention in the sense that it was not the result of the recovery of the economy or an increase in national product, and despite the rise in the volume of external indebtedness in 1994, 1995 and 1996, we note that the ratio of external indebtedness to GDP is constantly declining, due to the continued rise in the volume of GDP, and the application of the stages of external debt write-off Egypt agreed with the Paris Club of the creditor country, which stipulated a write-off (50%) Egypt's government debt is phased in for three years depending on Egypt's commitment to implement economic reform programs, with 15 percent of the country's government debt to be written off. Of the debt as a first phase in 1991 and (15%) As a second stage in 1993 and (20%) As a third phase in 1996, the volume of external indebtedness and its proportion of GDP continued to decline to \$27,109 million. 27.78%) In 2000, the decline in Egypt's external indebtedness in the second half of the 1990s to 2000 was the result of the implementation of economic reform programmers through economic policies that reduced the budget deficit, which were one of the reasons or motives behind the Egyptian government's recourse to borrowing from other countries.

This is evident from the decrease in the volume of external indebtedness and its ratio to GDP between 1999 and 2002 compared to the size of the budget deficit and its ratio to GDP during the same period of table 10, indicating The government's unwillingness to finance the budget deficit from external borrowing after which the volume of external indebtedness began to rise as a result of the changes in the political arena, particularly the events (September 11, 2001) and the Gulf War 2003, but the high volume of GDP helped reduce the ratio of

external indebtedness to GDP in 2005 and 2006, after which the volume of external indebtedness increased to \$38,824 million in 2012, but despite the high volume of external indebtedness, its ratio to GDP continued to decline to (14.30%) And (15.12%) 2011 and 2012, respectively, as a result of higher GDP.

3.1.3 General Budget

The problem of the budget deficit at the global level and one of the most important economic problems, so many countries, including Egypt, were keen to address this problem, and the problem of the budget deficit is one of the most important reasons that led Egypt and many countries to implement economic reform programs as a result of the association of this indicator with other indicators through the direct and mutual impact between both budget deficits, external indebtedness and inflation, and as is known that Egypt is one of the developing countries suffering from resource deficits. Finances that finance the general budget, therefore, finance this deficit is either through the monetary issuance that leads to inflation, or by borrowing, particularly from abroad, which leads to a rise in the volume of external indebtedness that rose in the last years of the 1980s for Egypt.

However, the implementation of economic reform programs has the effect of reducing the budget deficit, as evidenced by table 3, as the budget deficit relative to GDP has fallen to 6.48 percent. In 1991, after exceeding 20 percent. During the 1980s, as shown in Table 4, the budget deficit increased in 1992 to 7.59 percent. As a result of the increase in the budget deficit, which reached \$3,169 million for the same year, the budget deficit to GDP gradually decreased to 0.63 percent. 1996 and (0.90%) In 1997, when the budget deficit decreased to \$426 million in 1996 and \$688 million in 1997, this reduction in the budget deficit was achieved through increased revenues from the Suez Canal and oil exports, as well as trade taxes, as introduced in 1991. On the other hand, the Egyptian government has reduced and rationalized public expenditures by reducing investment expenditures by 64 percent. This means that the decline in the budget deficit followed fiscal policies in that period consistent with GDP.

The budget deficit to GDP then gradually increased to 8.14%. 2006 from 1.51%) In 1998, it is noted during this period that the annual change rate of public expenditure is greater than the annual

change in revenues, which led to an increase in the total deficit as well as the deficit relative to GDP, after which the deficit rate began to decline to 7.34%) And (6.82%) And (6.91%) For 2007, 2008 and 2009, respectively, as a result of the increase in GDP volume.

The overall budget deficit for GDP gradually increased to 8.12%. And (9.8%) And (10.80%) For 2010, 2011 and 2012, respectively, as a result of the repercussions of the 2008 global crisis, Egypt's declining exports, the stagnation of the global economy, as well as recent political events in the Arab region.

3.1.4 Inflation

The Egyptian economy suffered from inflationary rates in the 1980s that exceeded 23 percent. In the middle of that period, after the Egyptian government and in agreement with the International Monetary Fund and the World Bank at the beginning of 1991 adopted economic reform programs and through table 4, the inflation rate fell to (13.6%) In 1992, it was 19.8 percent. At the beginning of the implementation of economic reform programs in 1991, this rate continued to decline to 4.2%. In 1998 as a result of the Egyptian government's policies of economic reform programs and it is known that controlling inflation comes through two ways either to reduce demand or increase supply and the fact that the second option requires a flexible production apparatus that meets the growing demand and this needs investment and large capital, the Egyptian government resorted to the first option in reducing the demand for goods and services and to achieve this the government worked to absorb cash from the market by introducing financial instruments for the first time in Egypt consisting of Treasury permissions with different short-term terms at the beginning of 1991 This has helped to absorb and reduce cash flow, as well as measures to reduce the budget deficit while holding exchange rates, all of which have reduced inflationary pressures.

Inflation continued to decline after 1998 to reach low rates of 2.2 percent. And (2.7%) For 2001 and 2002, respectively, the slowdown in global growth rates after the events of the 1998 global financial crisis could be considered the reason for the decline in inflation, while after 2002 the rate began to rise from (4.2%) 2003 to (18.3%) In 2008 due to high world oil prices, which led to higher inflationary pressures in most Arab countries due to the

economic recovery and high domestic demand, especially oil-exporting countries.

In other hand, the high inflation rate in Egypt after 2003 was the result of the rise in world oil prices and its impact on the Egyptian economy, in addition to the fact that Egypt depends on its economy to export oil, but it has other economic resources affected by the economic recovery of oil-exporting countries, especially Arab countries, such as tourism and investments, high demand for Egyptian goods and services and increased development aid, all of these resources helped the recovery of the Egyptian economy and thus the high rate of inflation.

Inflation subsequently declined in 2009 to 11.8 percent. It continued to decline to (7.5%) In 2012, the Egyptian economy was affected by the 2008 global financial crisis, which slowed global growth rates as well as political events in the Arab region.

3.2 Social cost indicators

3.2.1 Unemployment

Unemployment rates in the Egyptian economy increased in the 1980s to 8.6 percent in 1990. This rate is high compared to previous rates and with the introduction of economic reform programmers in 1991 and as a result of the conditions set by the global institutions sponsoring economic reform programmers, particularly the economic transition from a totalitarian central economy to a free capital economy through an economic system based on the promotion of the private sector, the adoption of a market mechanism, the downsizing and role of the public sector and the lifting of subsidies on goods and production supplies. {1} This means adopting an economy based on allowing the private sector to manage the country's economy, and as is known, the only concern of the private sector is profit, and this requires reducing the level of costs in the project, and considering that the element of work is one of the most important costs of the project or enterprise, this requires reducing the number of workers and laying them off their jobs, which is the main reason for the high unemployment rates in Egypt after the implementation of economic reform programs and the government's resort to privatizing its institutions, as it has increased Unemployment rate to (17.7%) In 1995, it was 9.6 present. In 1991 as shown in Table 5, the rate then fell to 10.5%. In 1996, the decline continued to reach (8.1%) In 1999, this decline in the unemployment rate was due to the expansion of

development projects in the Sinai Peninsula and the New Valley, the sharp rise in FDI and the development of the tourism sector.

This rate is rising to a high of 18.5%) And (20%) In 2005 and 2006, respectively, due to the repercussions of the economic crises of the end of the 1990s, global political events at the beginning of the third millennium and their implications for developing economies, including the Egyptian economy.

After 2007, the unemployment rate fell from 8.9 present. To (8.7%) In 2008, it rose to 9.4%. In 2009, it fell to 8.9 present in 2010. As a result of the political events in the Arab region and its effects on the Egyptian economy, which led to a rise in the unemployment rate in 2011 to (11.9%) Also in 2012 to reach (13.6%).

3.2.2 Poverty

The Egyptian government has announced that reducing poverty is one of the main objectives of long-term development plans aimed at reaching 6 present. Only by 2022 have many policies been designed and implemented to help low-income groups and although there is no specific government agency officially responsible for planning, monitoring and developing various programs and activities for the poor, Egypt has implemented multi-dimensional strategies to raise living standards, clearly through a reduction in poverty to (16.7%) In 1999/00, this represents approximately 10.7 million people who do not have access to their basic and food needs. at the beginning of the third millennium, this percentage gradually increased to 19.6%. In 2004/05, this percentage subsequently declined to (18.9%) In 2007/08 as a result of the recovery of the Egyptian economy, and with the decline in global growth rates as a result of the global financial crisis and its effects on the Egyptian economy, poverty rose to 22.0%. In 2008/09 and (25.0%) In 2010/11. As shown in Table 6.

3.2.3 Misallocation of national income

Despite the positive results achieved by economic reform programs through economic growth, that growth, even if high, does not necessarily distribute to all members of society, i.e. the rate of economic growth increases, but the distribution of income and wealth worsens and for the purpose of studying and analyzing the distribution of national income in Egypt after the implementation of economic reform

programs and for the presence of more than one indicator for measuring and analyzing national income such as (Lorenz trend, Coznets laboratory and genetic laboratory) and given that the laboratory Jenny is one of the most common indicators of income distribution measurement on which international organizations and institutions rely to compare disparities in the distribution of national income, which was adopted in the study of the National Income Distribution Index in Egypt after the implementation of economic reform programs.

Table 7 shows that the Gini coefficient has increased from 32.5 percent. In 1991 it reached (34.5%) 1995 to reflect the severity of the disparity in the distribution of national income among members of society, this increase in inequality is the result of the nature of the application of the market system and privatization, which is one of the main conditions imposed by the institutions sponsoring economic reform programmers, capital programmers aimed at reducing the role of the State in economic activity by reducing public spending and support in particular, freezing wages and always working to activate the mechanism of market prices and encourage the private sector and other policies and actions that negatively effect on the only affected poor groups in society.

This coefficient continued to rise to (36.1%) For 2000, the reasons for the rise in these factors are undoubtedly economic stagnation as a result of the global financial crises and rising poverty rates in the Egyptian economy, as income distribution inequality is linked to the high proportion of the poor, deflationary policies or economic stagnation lead to increased poverty rates and, on the other hand, promote the status of other groups, namely.

Table 1 GDP at current prices and growth rate in the Egyptian economy For duration (1990-2012)%

| Years | GDP (\$1 million) -1- | GDP growth rate Total % -2- |
|-------|-----------------------------|-----------------------------------|
| 1990 | 35489 | 53.0 |
| 1991 | 34220 | (3.6) |
| 1992 | 41750 | 22.0 |
| 1993 | 46860 | 12.2 |
| 1994 | 51670 | 10.2 |
| 1995 | 60540 | 17.1 |
| 1996 | 67300 | 11.1 |
| 1997 | 75610 | 12.3 |
| 1998 | 82710 | 9.4 |
| 1999 | 88950 | 7.5 |
| 2000 | 97550 | 9.7 |
| 2001 | 90285 | (7.4) |
| 2002 | 84111 | (6.8) |
| 2003 | 80928 | (3.7) |
| 2004 | 78491 | (3.0) |
| 2005 | 89528 | 14.0 |
| 2006 | 107478 | 20.0 |
| 2007 | 130367 | 21.3 |
| 2008 | 162464 | 24.6 |
| 2009 | 187848 | 15.6 |
| 2010 | 218387 | 16.2 |
| 2011 | 235464 | 7.8 |
| 2012 | 256669 | 9.0 |

Source

- Column 1, based on, The Arab League et al., Unified Arab Economic Report, miscellaneous numbers
- Column 2 of the researcher's work.
- The numbers between the brackets are negative.

| Years | GDP (\$1 million) -1- | External indebtedness (\$1 million) -2- | Ratio of External indebtedness OF GDP % -3- |
|-------|-----------------------------|---|---|
| 1991 | 34220 | 41008 | 119.83 |
| 1992 | 41750 | 40431 | 96.84 |
| 1993 | 46860 | 28303 | 60.40 |
| 1994 | 51670 | 31149 | 60.28 |
| 1995 | 60540 | 31776 | 52.48 |
| 1996 | 67300 | 30055 | 44.65 |
| 1997 | 75610 | 28179 | 37.26 |
| 1998 | 82710 | 29812 | 36.04 |
| 1999 | 88950 | 28761 | 32.33 |
| 2000 | 97550 | 27109 | 27.78 |
| 2001 | 90285 | 27931 | 30.93 |
| 2002 | 84111 | 28838 | 34.28 |
| 2003 | 80928 | 30548 | 37.74 |
| 2004 | 78491 | 31099 | 39.62 |
| 2005 | 89528 | 29692 | 33.16 |
| 2006 | 107478 | 28958 | 26.94 |
| 2007 | 130367 | 32840 | 25.19 |
| 2008 | 162464 | 32132 | 19.77 |
| 2009 | 187848 | 33287 | 17.72 |
| 2010 | 218387 | 34993 | 16.02 |
| 2011 | 235464 | 33693 | 14.30 |
| 2012 | 256669 | 38824 | 15.12 |

Table 2 External indebtedness and its proportion of GDP in the Egyptian economy For duration (1991-2012)%.

Source

- Column 1 depending on table 1.

- Column 2, relying on the Arab League and others, Unified Arab Economic Report, is sporadic.

- Column 3 of the researcher's work.

| Years | General Revenue (\$1 million) -1- | Public Expenditure (\$1 million) -2- | Deficit or budget surplus -3- | Deficit or surplus to GDP ratio % -4- |
|-------|--------------------------------------|---|----------------------------------|--|
| 1991 | 11354 | 13572 | (2218) | (6.48) |
| 1992 | 15420 | 18589 | (3169) | (7.59) |
| 1993 | 17508 | 19780 | (2272) | (4.84) |
| 1994 | 15272 | 16339 | (1067) | (2.06) |
| 1995 | 16427 | 17163 | (736) | (1.21) |
| 1996 | 17954 | 18380 | (426) | (0.63) |
| 1997 | 19032 | 19720 | (688) | (0.90) |
| 1998 | 20060 | 20900 | (840) | (1.01) |
| 1999 | 20934 | 23563 | (2629) | (2.95) |
| 2000 | 21716 | 25510 | (3794) | (3.88) |
| 2001 | 19164 | 24194 | (5030) | (5.57) |
| 2002 | 17548 | 22880 | (5332) | (6.33) |
| 2003 | 16882 | 21845 | (4963) | (6.13) |
| 2004 | 16130 | 20768 | (4638) | (5.90) |
| 2005 | 18431 | 27017 | (8586) | (9.59) |
| 2006 | 26293 | 35051 | (8758) | (8.14) |
| 2007 | 31545 | 41119 | (9574) | (7.34) |
| 2008 | 40168 | 51257 | (11089) | (6.82) |
| 2009 | 51095 | 64086 | (12991) | (6.91) |
| 2010 | 48528 | 66272 | (17744) | (8.12) |
| 2011 | 45558 | 68849 | (23291) | (9.89) |
| 2012 | 50528 | 78270 | (27742) | (10.80) |

Table 3 The general budget and the ratio of deficit and surplus to GDP in the Egyptian economy For duration (1991-2012)%.

Source

- Column No. (2.1) based on the Arab League et al., Unified Arab Economic Report, Numbers, 1994, 1998, 2000, 2003, 2006, 2008, 2012.

- The numbers between the brackets are negative.

- Column No. (4.3) of the researcher's work.

Table 4 Annual inflation rate in the Egyptian Economy
For duration (1991-2012)%.

| | | | | | | | | | | | |
|------|------|------|------|------|------|------|------|------|------|------|------|
| Year | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Rate | 19.8 | 13.6 | 11.1 | 9 | 8.4 | 7.2 | 5.2 | 4.2 | 3.1 | 2.7 | 2.2 |
| Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Rate | 2.7 | 4.2 | 4.2 | 4.2 | 7 | 9.5 | 18.3 | 11.8 | 11.4 | 10.5 | 7.5 |

Source

Arab Monetary Fund, economic indicators, sporadic numbers.

Table 5 Unemployment rates in the Egyptian economy
For duration (1991-2012)%

| | | | | | | | | | | | |
|------|------|------|------|------|------|------|------|------|------|------|------|
| Year | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Rate | 9.6 | 9 | 10 | 11.3 | 17.7 | 10.5 | 8.5 | 8.2 | 8.1 | 13 | 10.5 |
| Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Rate | 19.2 | 10.8 | 10.5 | 18.5 | 20 | 8.9 | 8.7 | 9.4 | 8.9 | 11.9 | 13.6 |

Source

- Arab Monetary Fund, economic indicators, sporadic numbers.
- Arab Monetary Fund, national accounts, numbers for 1985, 1995 and 2005.
- Arab League et al., Unified Arab Economic Report, Issues, 1994, 1997, 2000

Table 6 Egypt's poverty rate to the population* For different years%

| | | | | | | | |
|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Year | 1992/1991 | 1996/1995 | 2000/1999 | 2005/2004 | 2008/2007 | 2009/2008 | 2011/2010 |
| Rate | 24.3 | 19.2 | 16.7 | 19.6 | 18.9 | 22.0 | 25.0 |

Source

- Arab League et al., Unified Arab Economic Report, 2013.
- * The poverty rate based on the poverty line is calculated on a dollar-one-per-day basis.

Table 7 Gini coefficient in the Egyptian economy for different years%

| Year | 1991 | 1993 | 1995 | 2000 | 2004 | 2005 |
|------|------|------|------|------|------|------|
| Rate | 32.0 | 34.0 | 34.5 | 36.1 | 34.0 | 34.4 |

Source

- Mohammed Abdul Aziz Ajamia et al., Economic Development and Its Problems, University Education House, Alexandria, 2013.

4 Conclusions

- 1- The creditor (capitalist) countries, with the help of the two Bretton Woods organizations, were able to oblige the debtor (developing) countries through the so-called conditionality associated with the loan agreement to direct the macroeconomic policy to reduce the developing countries (the debtor) in a manner commensurate with their interests.
- 2- Most of the developing countries implemented economic reform programs as a result of the structural imbalances that dominated their economies, especially after the global external debt crisis in 1982. This means that the countries that implemented those programs were forced to do so despite the expected negative effects, especially in social terms.
- 3- The economic reform programs have achieved positive results at the economic level through the economic indicators discussed in the research, as the size of the gross domestic product increased during the first years of implementing the economic reform programs and continued to rise, except for some times when the size of the gross domestic product was declining as a result of the impact of some crises. The economic or political situation in the world, in addition to the low ratio of the deficit in the public budget to the gross domestic product and the external debt, as well as the low rate of inflation.
- 4- The privatization policies pursued by developing countries as a condition for implementing economic reform programs led to high unemployment rates when compared with those at the beginning of the period before the implementation of economic reform programs. In Egypt, unemployment rates rose from (5.2%) to 1980 to (9.6%) in 1991 and then to (17.7%) in 1995, as is the case in .
- 5- The austerity policy led to a reduction in the percentage of government spending on the most important indicators of human development (health and education) of the GDP as a prerequisite for reducing the deficit in the public budget. Therefore, we find that this percentage has decreased, especially in the early years of implementing the programs.
- 6- The percentage of public expenditure on the health sector of GDP in Egypt decreased from (1.5%) in 1980 to (0.9%) in 1991, and the percentage of expenditure on education of GDP in Egypt decreased from (5.3%) in 1980 to (4.2%) in 1991.
- 7- The two previous policies (privatization and austerity) resulted in the emergence of two phenomena (poverty and poor distribution of national income). Therefore, the poverty rate in Egypt increased from (17.2%) in 1987 to (24.4%) in 1991. Likewise in Jordan, poverty increased from (3%) in 1986 to (14.4%) in 1991 and then to (21.1%) in 1997.
- 8- As for the Gini coefficient, which measures the severity of the inequality in the distribution of national income, it also increased in Egypt, which reached (32%) in 1991.

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