

Social Policies of Al-Sisi And Its Implications on the Political Instability in Egypt

Amany Abdellatif

PhD Candidate at the Faculty of Economics and Political Science, Cairo University
Senior Program Coordinator at the Ministry of International Cooperation, Egypt
amany.alateef@gmail.com

Eman Fakhry

PhD Candidate at the Faculty of Economics and Political Science, Cairo University
Senior Economic Researcher at the Ministry of International Cooperation, Egypt
emanfakhryf@gmail.com

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Abstract:

There is no doubt that since 25 January 2011 until "4 December 2016", Egypt has been going through a rough revision of its social contract and the state-society relations in every sense of the word. And this rough revision may seem to be eased after adopting the new constitution on January 2014, electing a new president on May 2014, announcing -on March 2015- a long term vision 2030 "Sustainable Development Strategy" which covers broad aspects of sustainable development ranging from economic, environmental to social dimensions and aims to boost economic growth and pave the way for social justice. In this context, this paper is concerned with the social policies in Egypt by focusing on one aspect of this policy which is the subsidies in the light of the current economic challenges that affect the classes structure in the country and therefor its stability. It's also worth to mention that throughout the Egyptian history there have always been a strong relation between the subsidy policies and the political instability, and the crystal clear example for this was the "bread riots" in 1977. In this prospect, this paper seeks to evaluate the impact of the subsidies policies in El-Sisi's era on the political instability by answering this key question "what are the results of the government's orientation towards reforming the subsidies on the political instability in Egypt from 2014-2016?".

Key words: Egypt, Social Policy, Subsidies, Egyptian Public policy, Sustainable Development in Egypt

There is no doubt that since 25 January 2011 until now "4 December 2016", Egypt has been going through a rough revision of its social contract and the state-society relations in every sense of the word.

And this rough revision may seem to be eased after adopting the new constitution on January 2014, electing a new president on May 2014, announcing -on March 2015- a long term vision 2030 "Sustainable Development Strategy" which covers broad aspects of sustainable development ranging from economic, environmental to social dimensions and aims to boost economic growth and pave the way for social justice;

It's very obvious that this strategy is very ambitious, however it constitutes a real challenge for the government, as the situation turns to be different after one year from announcing this strategy, where the government revenues deficit through the fiscal year that started in June 2015 increased to 9.4% compared to 7.3% for the same period last year¹ which will negatively affect the social development targets of this strategy.

In this context, this paper is concerned with the social policies in Egypt by focusing on one aspect of this policy which is the subsidies in the light of the current economic challenges that affect the classes structure in the country and therefor its stability.

It's also worth to mention that throughout the Egyptian history there have always been a strong relation between the subsidy policies and the political instability, and the crystal clear example for this was the "bread riots" in 1977.

¹ (Al Jazeera), **Egypt's budget deficit rises to 9.4%.**, 8/5/2015, Available in Arabic on : www.aljazeera.net/news/ebusiness/2015/5/8/عجز-الموازنة-المصرية-يرتفع-الى-9.4 Retrieved 10/5/2016

In this prospect, this paper seeks to evaluate the impact of the subsidies policies in El-Sisi's era on the political instability by answering this key question "what are the results of the government's orientation towards reforming the subsidies on the political instability in Egypt from 2014-2016?".

And even though there are many measures for political instability; the study will measure it through two categories, the first is the conventional measures where we will concentrate on "the ministerial reshufflings and the rate of protests and strikes for social or political reasons). While the second category is the non-conventional measures will tackle any other reaction such as the non-social movement 'Asef Bayat' and specifically the social media's reaction towards reforming the subsidies, given the important role the social media played during the revolution.

The paper's methodology shall depend on the main arguments of the state-society approach for Joel S.Migdal, where he had described several forms of relations between state and society, so we will monitor the effect of reforming the subsidies on the political instability by examining the type of the relation between the state and society since El-Sisi seized power in 2014 until 2016, and whether the iron fist of the state had forced the society to accept this orientation, or was the society strong enough to stand against the regime's desire to reform the subsidies, and tried to force the state to take their demands into consideration.

And to answer all the above-mentioned questions the study shall be divided into five parts, the first investigates the socio-economic context of Egypt from 2011 to 2016 and the main pillars of 2030 vision. And the second part sheds the light on the status and the reform of the subsidies system in the fields of food and power "electricity and fuel" subsidies from 2014 to 2016, while the third part evaluates the subsidies reform in the light of the SDGs number (1) that is related to

poverty alleviation and number (7) that is concerned with ensuring a sustainable energy source for everyone, then the fourth examines the reflections of these changes on the Egyptian people and how the citizens dealt with these changes. Finally the fifth part which will present forensic scenarios for the relation between subsidy policies and political instability in Egypt.

Introduction

In this introductory section we shall shed the light on two issues; the first Issue is the socio-economic context of Egypt from 2011 till 2016 while the second issue is the vision of Egypt 2030 with a special attention to its goal to achieve social justice in the Egyptian society by 2030;

A- Socio economic context of Egypt from 2011-2016:

There is no doubt that among the main reasons of the 2011 revolution were the social and economic status of the country, and that can be easily recognized from the revolution slogan (bread/ Freedom/social Justice);

Ironically, the Egyptian economy was experiencing a remarkable performance prior to the revolution, after taking significant steps to reform by the neoliberal technocrat government. Where during the mid-2000s, growth in gross domestic product (GDP) averaged an impressive seven% annually², the public debt fell by nearly the third from 2004-2009, also the size of the foreign debt dropped below the value of the foreign reserves for the first time in decades³.

² (Middle East Eye), Henry Harding, **Egypt's Economy 5 Years After The Revolution**, 23/1/2016, available on: <http://www.middleeasteye.net/news/analysis-egypts-economy-5-years-after-revolution-1084797209>, Retrieved 10/5/2016.

³ Noha Bakr, **The Egyptian Revolution**, in Stephen Calleya and Monika Wohlfeld, Mediterranean Academy of Diplomats Study, Malta, 2012, P58.

Moreover in 2010, according to the Central Bank of Egypt (CBE), the foreign currency reserves were equivalent to US\$35billion, and in the same year GDP per capita stood at US\$2,600 according to World Bank indicators, an increase of almost 50 percent on US\$1,400 in 2006⁴.

However, this growth was not evenly shared, where Egypt was creating a better environment for the rich and businessmen, but other segments of the society were soaring, and the proof of that is that poverty ration increased from 21.6% in 2008/2009⁵ to 25.2% in 2010/2011⁶, and the middle class shrank from just over 50% of the population in 2009 to 44% in 2011⁷, and 85% of Egyptians remained trapped in poverty or lower middle class status (living on less than \$5 a day) could, at least partly, explain why the majority of Egyptians were dissatisfied in spite of economic growth⁸. And that of course was among the main reasons behind the revolution on 25 January 2011.

In the aftermath of the revolution, the Supreme Council of the Armed Forces (SCAF) ruled the transitional period (February 2011- June 2012) which was marked by high level of political instability and this was reflected negatively on the economy, as the GDP growth dropped to 1.8% in 2011⁹.

Furthermore the foreign reserves dropped to US\$14 billion in 2010/2011¹⁰, while the FDI dropped from US\$10 billion in 2010 to US\$ 3billion in the 2012/2013¹¹. Also the tourism sector

⁴ Henry Harding, **Op.Cit**

⁵ Heba El Laithy, **The ADCR 2011: Poverty in Egypt (2009)**, Arab Development Challenges Report, United Nations Development Program, 2011, p2.

⁶ (Al Ahram), **Egypt's poverty rate rises to 26% in 2012/13: CAPMAS**, 28/11/2013, available on <http://english.ahram.org.eg/NewsContent/3/12/87776/Business/Economy/Egypt-poverty-rate-rises-to-in--CAPMAS.aspx> , Retrieved 10/5/2016.

⁷ Laura M. James, Recent Developments in Egypt's Fuel Subsidy Reform Process, **Research Report**, Canada, Available on: http://www.iisd.org/gsi/sites/default/files/ffs_egypt_lessonslearned.pdf, International Institute for Sustainable Development, April 2015, p 2 , Retrieved 10/5/2016

⁸ Ibid

⁹ (Social Watch), Nawara Belal, **Two Years of January 25 Revolution**, 22/8/2016, Available on: <http://www.socialwatch.org/node/15801>, Retrieved: 5/10/2016.

¹⁰(Daily news), Doaa Farid, **Egypt's economy over three years of turmoil**, 20/9/2014, Available on: <http://www.dailynewsegypt.com/2014/09/20/egypts-economy-three-years-turmoil/>, Retrieved: 5/10/2016.

"that accounts for 4.3% of the GDP" was harshly affected, as the tourist arrivals dropped in November 2011 by 42% compared to 2010¹².

In June 2012, the presidential election took place and resulted in SCAF handing the power to Mohamed Morsi, and in his era the economy continued to face real challenges, where the budget deficit widened sharply, from under 8% of GDP in 2010 to 14 % in 2013, while government debt rose from 73% of GDP to 89% over the same period. Real GDP growth fell from over 5% in 2010 to an average of 2% in 2011-2013. Driven by the slowdown, unemployment increased to 13% in 2013. At the same time poverty rates rose significantly to 26.3 %in 2013¹³, and there was a sever energy crisis (electricity blackouts and shortage of fuel at cars petrol stations) causing Egypt's worst crisis since the 30s, said Galal Amin¹⁴.

At the same time, further reform, including reducing energy subsidies, remained politically difficult so President Morsi pulled back from agreements with the IMF in late 2012 and early 2013, fearing further unrest¹⁵.

Due to several reason, thousands of people demonstrated in 30th June 2013 calling Morsi to step down, and in response to the 3rd July 2013 demonstrations the Minister of Defense –at that time- General Abdel-Fattah El-Sisi stepped in to remove Morsi. A road map was declared and according to the constitution Counselor Adly Mansour the head of the Supreme Court became the president until a general election is held, and in May 2014 President El-Sisi won the presidential election with more than 97% of the vote. His election marked the start of a new stage

¹¹(American Chamber), **Foreign direct investments: Egypt remains an attractive FDI destination**, 27/8/2014, available on the official web site of the American chamber of Commerce in Egypt: <http://www.amcham.org/egyptbusiness/topics/dt/2.asp?artid=51>, **Retrieved: 5/10/2016**.

¹² Nawara Belal, **Op.Cit**

¹³ Laura M. James, **Op.Cit**, p:3.

¹⁴ (The Guardian), Patrick Kingsley, **Egypt 'suffering Worst Economic Crisis Since 1930s'**, 16/5/2013, available on <https://www.theguardian.com/world/2013/may/16/egypt-worst-economic-crisis-1930s>

¹⁵ Laura M. James, **Op.Cit**, pp:2-3.

with more political stability despite the continued tension with the Muslim Brotherhood and the instability in Sinai Peninsula¹⁶.

The Governments since 2014 up to date have been trying to implement reforms to help the economy out of its recession, by reducing the budget deficit, and among these reform measures were cutting governmental expense and the bright example for that is decreasing the energy and food subsidies as we will discuss in details in the second section¹⁷.

Although the successive Egyptian governments tried to attract more investments the economy faced and still facing two major challenges, the first one is the foreign reserve, that dropped in June 2013 to US\$14.5billion "below the critical threshold of three months of import cover"¹⁸.

Meanwhile the second challenge is the depreciation of the Egyptian pound against the USD, where the Egyptian pound had fell from L.E 5.5 in January 2010 to L.E 7.8 to January 2013¹⁹, and then in March the Central Bank of Egypt devaluated the pound by 14.5% of its value²⁰. The severe shortage in foreign currency reserve led to an expansion of black market, and to widen the gap between official price which is equal to 8.77²¹ against 14.25 on black market²² for the first time in history.

¹⁶ Laura M. James, Op.Cit, p:2

¹⁷ Henry Harding, Op.Cit.

¹⁸ (Oxford Business Group),Egypt's economic reforms should boost growth prospects, , available on: <http://www.oxfordbusinessgroup.com/overview/needed-reforms-inward-investment-and-cuts-expenditures-should-boost-growth-prospects>, Retrieved: 29/9/2016.

¹⁹ Henry Harding, Op.Cit

²⁰ (Al Jazeera), What does the devaluation of pound officially mean?, Available in Arabic on: www.aljazeera.net/news/ebusiness/2016/3/14/ ماذا يعني خفض قيمة الجنيه المصري رسمياً Retrieved:11/10/2016

²¹ Central Bank of Egypt, Available on:<http://www.cbe.org.eg/ar/Pages/default.aspx>, Retrieved:11/10/2016

²² (Masr Alarabia), Mena Ahmed, Price of USD against pound in the black market on 11/10/2016, Available in Arabic on: www.masralarabia.com/2016-10-11-1281941-اقتصاد-تحديث-سعر-الدولار-اليوم-الثلاثاء-في-السوق-السوداء, Retrieved:11/10/2016

And in this context and in the light of the Egyptian government desperate desire to acquire the IMF loan, the government has officially devaluated the pound on 3/11/2016, and as a result Egypt acquired the first instalment of the IMF loan on 12/11/2016²³, and the USD is on rise where it recorded 18.75 on 28/11/2016 in the Egyptian banks.

B- The Vision/Strategy of Egypt 2030:

Egypt released a five year macroeconomic framework and strategy FY2014/2015- FY2018/2019 before launching (EEDC) in March 13th, 2015 to present a detailed plan for the government's economic vision and midterm reform program and Layout the strategies for invigorating the key economic sectors²⁴.

And in this context, the vision/strategy of 2030 was launched on February 24th, 2015²⁵, the strategy is based on three main pillars (Restoring Macroeconomic Stability, Social Inclusion, and Job Creating Growth)²⁶.

And since the paper shall focus on the social aspect that is related to the food and energy subsidies we shall give further details in this prospect within the 2030 vision as follows:

- **Social justice and subsidies:**

The 2030 vision aims to create an Egyptian society based on equality in the sense of rights and commitments, and economic and social opportunities. A society that provides protection, and support to marginalized and vulnerable groups²⁷.

²³ (BBC Arabic), Egypt receives the first tranche of IMF loan, Egypt received the first tranche of IMF loan Available in Arabic on: <http://www.bbc.com/arabic/business-37958139> Retrieved:28/11/2016

²⁴ **Official website of the EEDC:** <http://www.egyptthefuture.com/egypt-economic-development-conference-eedc/objectives/>, Retrieved: 5/10/2016

²⁵ (Egy News), Samiha Abdel Aleem, **Egypt's strategy for sustainable development "Egypt's vision 2030"**, 6/3/2015, available in Arabic on: <http://www.egynews.net/838628/838628-2/>, Retrieved: 5/10/2016

²⁶ **The official website of the Ministry of Planning:** <http://www.mop.gov.eg/vision/egyptvision.aspx>, Retrieved: 5/10/2016.

And to achieve this goal the strategy has 3 main strategic targets²⁸:

Raising the level of social integration, cohesion and partnership between (state, civil society, private sector).

Stimulating opportunities for social mobility through an institutionalized system to achieve equal rights and economic, social and political opportunities.

Ensuring a distributive justice and to reduce class gaps by supporting marginalized segments of society²⁹.

In line with the overall objectives of the government's social policy framework, the channels of intervention are categorized as:

- Short-term social protection: to alleviate economic hardships and offset the impact of the fiscal consolidation measures on the poorest and most vulnerable sectors of the population;
- Longer-term human capital formation: to help in empowering the poor and enabling them to directly benefit from economic growth, breaking the recurrence of inter-generational poverty cycles. And to overcome the key efficiency, targeting and coordination challenges arising from existing forms of social protection, the government has embarked upon a gradual shift from in-kind towards cash and semi-cash transfer programs³⁰.

And regarding the food and energy subsidies reform within the context of 2030 strategy they were as follows;

²⁷ **The official English website of the 2030 strategy:** sdsegypt2030.com/البيداجتماعي/العدالةالاجتماعية, Retrieved: 5/10/2016

²⁸ (El-Watan), **Main features of the 2030 vision**, 1/12/2015, available in Arabic on: <http://www.elwatannews.com/news/details/848273>, Retrieved: 5/10/2016

²⁹ **The official Arabic website of the 2030 strategy:** sdsegypt2030.com/البيداجتماعي/العدالةالاجتماعية, Retrieved on 6/10/2016

³⁰ The Official site for Ministry of Finance, Strategy: Egypt's five years macroeconomic framework and strategy FY14/15-FY18/19, Available on: <http://www.mof.gov.eg/MOFGallerySource/English/Strategy.pdf>, P: 28, Retrieved: 5/10/2016.

- **Food Subsidies:**

A new system has been introduced to reduce leakages and save 20-30% of wheat purchases. It also aims to improve the quality and choice of basic commodities offered to the public. The government is expanding social safety nets with a new approach to reaching the most vulnerable segments of the population through better targeting mechanisms³¹.

The government has already scored an early success with respect to its efforts to rationalize spending and improve public service delivery with its roll-out of a new food subsidy system – which is now a semi-cash transfer scheme (and may be transitioned to a fully-fledged cash transfer program)³². The Ministry of Supply has overhauled the bread subsidy scheme and shifted it towards a points-based system that is strongly integrated with ration cards³³.

In the light of the complicated economic and social context, and the structural reforms adopted by president El-Sisi, the government committed itself to improve its pro-poor investments to protect the poor and address historical regional and social disparities. As the fiscal savings from these reforms will be directed to vital sectors.³⁴

- **Energy:**

The reforms in the energy sector over the medium-term will encompass a multipronged strategy that includes:

³¹ Strategy: Egypt's five years macroeconomic framework and strategy FY14/15-FY18/19, **Op.Cit, P:29**

³² **Ibid, PP:17-29**

³³ **Ibid, PP:17-29**

³⁴ **International Bank for Reconstruction and Development: Project appraisal Document on a Proposed Loan in the amount of US\$400 Million to the Arab Republic of Egypt for a strengthening Social Safety Net Project**, 20/3/2015, p:2, available on : <http://documents.worldbank.org/curated/en/944911468023332501/pdf/PAD6110PAD0P14010Box385454B000UO090.pdf>, Retrieved:5/10/2016.

- Continued price reform through a reduction in the energy subsidies and that was justified by the necessity to eliminate the drain on budget resources and to slash wasteful energy subsidies³⁵.
- Raising the efficiency of energy use and diversifying the energy mix: by introducing a feed-in tariff to incentivize private sector investment in solar and wind energy; purchasing and installation of energy efficient LED light bulbs ; additional household connection to the natural gas grid; the electricity grid is being upgraded to be compatible with the use of renewable energy;
- Adopting smart cards system: to prevent smuggling, and ensure access to subsidized fuel only to eligible consumers.
- Structural and financial reforms in the petroleum sector³⁶

In other words, the vision of 2030 is a very ambitious strategy in all its schemes especially at the social justice and energy schemes, considering that Egypt is struggling with a soaring economy and severe social and poverty problems.

The Subsidy System in Egypt from 2014-2016

Historically, Egypt for decades has relied heavily on subsidy system as a main tool to provide social protection and political stability. Consecutive governments have committed themselves to preserve the citizen's right to social justice. This is also reflected clearly in the Egyptian constitutions of January 2014.

³⁵ Strategy: Egypt's five years macroeconomic framework and strategy FY14/15-FY18/19, **Op.Cit, PP:15-17**

³⁶ Ibid, pp:15-17.

Despite of all this, the current administration is oriented towards reducing subsidies in order to decrease the budget deficit and to increase the GDP growth as we have mentioned in the first section, so in this section we will shed the light on the reform of the subsidy system in two specific sectors (the food supplies sector "specially bread subsidies" and energy sector) from July 2014 to December 2016.

A- Food Subsidies:

Since Nasser and the food subsidy system has become a crucial part of the governmental policies, and when El Sadat administration decided in 1977 to decrease the subsidies of some food commodities; even though the main food products such as baladi bread remained untouched what was known as the "bread riots" or "equity riots" broke out where thousands of poor people had demonstrated against this decision and 79 people were killed and over 566 injured and almost 1250 arrested, and the protests only ended with the deployment of the army and the cancelation of the termination of the subsidies³⁷, and further expanded subsidy system³⁸.

So basically, the riots of 1977 reflected that the food subsidies became a vital part of the social contract between the government and the citizens since the latter perceived food subsidy as a safety net and important tool in promoting social equity³⁹, thus the Egyptian regime realized that the food subsidies issue is a red line that shouldn't be crossed to maintain social peace and political stability and dealt with it with extreme cautious⁴⁰.

³⁷ This step was to cope up with the World Bank and International Monetary Fund conditionality to support Egypt with a loan.

³⁷ Ram Sachs, **On Bread and Circuses: Food Subsidy Reform and Popular Opposition in Egypt**, (Stanford University, Center for International Security and Cooperation), May 21, 2012, pp30-32.

³⁸ Akhter U. Ahmed (ed.), Op.cit, P:7

³⁹ Ibid, P:7

⁴⁰ Assem Abohatab, **Op.Cit**

Therefore, Mubarak's administration was very careful while dealing with this issue. Although since 1982 there has been a general trend to reduce subsidy, the administration depended on making indirect, intangible and slow modifications⁴¹.

Generally, Mubarak's approach of the food subsidies issue was a balance of repression of any protest and new social benefits by extending food subsidies. But this approach started to fail as the need for a more participatory political system was demanded, so the regime was threatened. The effects of high food prices along with political oppression, government ineffectiveness and restrained rights may have been strong drives behind the 2011 Egyptian Revolution. The Arab Spring proved that the basis of the long standing social contract had limitations⁴².

And after the revolution the food subsidy system didn't change much, where it increased by 28.4% to reach L.E 10.4 billion in the budget of 2012/2013 compared to L.E 8.1 billion in the budget of 2011/2012⁴³.

In 2012/2013, the Egyptian government spent 32.5 billion L.E on food subsidies alone⁴⁴. The Muslim Brotherhood adopted the “democratization of bread” mentality to gain votes as voters are driven by tangible benefits provided by politicians. Given that food comprises 40% of Egyptian expenditures⁴⁵. But again it did not last. In 2013/2014, the last year before El-Sisi announced the subsidy reform food subsidy was equal to L.E 35.5 billion⁴⁶.

⁴¹ Flavia Lorenzon, The political economy of food subsidies in Egypt Reforms and strengthening of social protection, THE PUBLIC SPHERE – 2016, Available on: http://publicspherejournal.com/wp-content/uploads/2016/02/05.egypt_.pdf, P:118, Retrieved:6/10/2016

⁴² Flavia Lorenzon , Op.cit, P:120

⁴³ **Report on the Economic and Social Status of the Egyptian Families After 25 January 2011 Revolution**, (Cairo, Information and Decision Support Center, No66, September 2012), P10.

⁴⁴ Financial Statement for state budget FY15/16, June 2016,P: 53 , Available in Arabic on: <http://www.mof.gov.eg/MOFGallerySource/Arabic/Financial-Statement2015-2016.pdf>, Retrieved: 6/10/2016

⁴⁵ Ram Sachs , Op.cit, P:15.

⁴⁶ Financial Statement for state budget FY15/16, Op.cit, P:53

- **The reform of the food subsidy system from 2014-2016:**

The food subsidies in Egypt has several components (Baladi Bread, sugar, cooking oil, Wheat flour), but the baladi bread has always been the top priority of the food subsidies system in Egypt because it's the most strategic commodity for the Egyptian people. Over the history, the provision of subsidized bread in particular has become a "powerful symbol of the broader social contract" between the government and the population;

The bread subsidies recorded L.E 21.3 billion in the budget of 2013/2014 which means it acquires almost 58.7% of all food subsidies in Egypt⁴⁷. And that was a major challenge for El-Sisi administration where he was caught in the middle between the must to decrease the bread subsidies and the fear of instability if he does.

El-Sisi's administration approached this issue in a very different manner, where the food subsidies increased by 19.6% from L.E 31.557 billion in FY 2014/2015 to L.E 37.751 billion in FY 2015/2016⁴⁸, and it increased again by 8.95% to record L.E 41.115 billion in the budget of 2016/2017⁴⁹.

For the first glimpse that maybe an extra burden for the government, but it meets the targets of the 2030 vision to protect the vulnerable, and also can be justified by the fear of political instability. The increase of the food subsidies wasn't the only change El-Sisi made on the food

⁴⁷(Arabic CNN) **Egypt: Removal of subsidies on Gas Entirely and Bread by 13% in the Next Budget**, 16/7/2014, available in Arabic on: <http://arabic.cnn.com/middleeast/2014/07/16/egypt-food-and-gas-price>, Retrieved: 6/10/2016

⁴⁸Financial Statement for state budget FY15/16, **Op.cit**, P: 53

⁴⁹ (Youm 7), **Increasing the Subsidies for Food Commodities**, 27/5/2016, Aavailable in Arabic on: www.youm7.com/story/2016/5/27/-المالية-2735987/ترفع-دعم-السلع-التموينية-في-موازنة-العام-المالي-الجديد, Retrieved:6/10/2016

subsidy system, where he also expanded the basket of the subsidized food products since July 2014 to reach 54 products⁵⁰.

In the same context, there was another major reform in the food subsidy system in 2014, where it was transformed from paper-based ration cards to electronic smart cards and to semi-cash transfers. And according to the Supplies Minister Khaled Hanafy, about 18 million families "69 million citizens"⁵¹ are entitled to have a monthly ration at L.E 15 per individual, within this system⁵², in addition to five loaves of bread a day at the subsidized price of EGP 0.05 a loaf⁵³.

And regarding the baladi bread, El-Sisi decreased its subsidies by 13% to be L.E 18.5 billion in the budget of 2015/2016⁵⁴; So basically what happened is that the government in 2014 stopped subsidizing the flour for making the bread and instead they subsidized the final product "bread loaf", and according to the smart card system the unused monthly allowance of Baladi bread can be converted into points and used to buy other food commodities, which played a key role in rationalizing the consumption of bread and gave the Egyptians a variety of choices⁵⁵ to change their diet and tempt them to try other subsidized foods, specially that you can use the bread extra points to get very popular products in the Egyptian diet too like "Rice, Sugar, poultry"⁵⁶.

⁵⁰ Strategy: Egypt's five years macroeconomic framework and strategy FY14/15-FY18/19, Op.cit, P:29.

⁵¹ (English Ahram), Waad Ahmed, Egypt's New Subsidy System Tackles Bread Consumption, 14/7/2014, <http://english.ahram.org.eg/NewsContent/3/0/106252/Business/0/Egypt-s-new-subsidy-system-tackles-bread-consumptio.aspx> Retrieved:6/10/2016

⁵² Strategy: Egypt's five years macroeconomic framework and strategy FY14/15-FY18/19, Op.cit, P: 29

⁵³ (English Ahram), Egypt Raises Food Subsidies by 20% Citizen in Bid to Counter Weakening Pound, 26/4/2016, <http://english.ahram.org.eg/NewsContent/3/12/204503/Business/Economy/Egypt-raises-food-subsidies-by-pct-per-citizen-in-.aspx>. Retrieved:6/10/2016

⁵⁴ Egypt: Removal of Subsidies on Gas Entirely and Bread by 13% in the Next Budget, Op.Cit

⁵⁵ Document of the World Bank, FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING, Report No. 100978-EG, the world bank, 23/11/2015,p:47. Available on: <http://documents.worldbank.org/curated/en/630471468186542188/pdf/100978-PGD-P157704-R2015-0233-1-Box393255B-OUO-9.pdf>, Retrieved :6/10/2106

⁵⁶ Waad Ahmed, Egypt's New Subsidy System Tackles Bread Consumption, Op.Cit

The food subsidies reform expanded to include the subsidized infant formula, as its prices increased by 40% in the first of September 2016⁵⁷, where the price of the formula of the baby from one day old to 6 month became L.E 5 instead of L.E 3, and the price of formula for older infants increased from L.E 18 to L.E 26, meanwhile the prices of the baby formula rose by 15-30% in the non-governmental pharmacies⁵⁸.

It's worth to mention that the subsidies of medicine and infant formula in the Egyptian budget doubled from L.E 300 million in 2014/2015 to L.E 600 million in 2015/2016⁵⁹, and the spokesman of the ministry of health stated that Egypt subsidizes formula milk for the poorer people by half a billion pound annually⁶⁰.

The aforementioned figures may draw a rosy picture about the food commodities prices in Egypt in favour of the poor and marginalized sectors of the Egyptian society, however the government's efforts were not reflected on the real ground, since the food prices inflation percentage was off the roof, where in August 2014 the prices of cooking oil increased by 20%, and grocery increased by 13% dairy products by 10% than the prices in July of the same year⁶¹.

Moreover, the tremendous increase in prices of food where in August 2016 the food prices inflation recorded an increase of 19.3% compared to food prices level in August in 2015⁶², and also the increase of different energy components led to an increase in the inflation rate from 10.9

⁵⁷ (Washington Post), Heba Mahfouz, To Get Subsidized Baby Formula, Egyptian Women Need Breast Examinations, 21/9/2016, <https://www.washingtonpost.com/news/worldviews/wp/2016/09/21/to-get-subsidized-baby-formula-egyptian-women-need-a-breast-examination/>. Retrieved:6/10/2016

⁵⁸(Masr Al-arabia), Bassma Abdelmohsen, **Officially 40% increase in the Prices of the Subsidized Baby Formula**, 1/9/2016, available in Arabic on: www.masralarabia.com/تقارير وتحقيقات/1234740-رسميًا-40-زيادة-في-أسعار-لبن-الأطفال-المدعم Retrieved:6/10/2016

⁵⁹ in the budget there is no specific item for infant formula alone, as its always combined with medicine in one item

⁵⁹Financial Statement for state budget FY15/16, Op.cit, P: 53

⁶⁰ (Moheet), **Ministry of Health: the State Supports Baby Formula with 450 million annually**, 4/9/2016, available in Arabic on: www.moheet.com/2016/09/04/2470803/450-الصحة-الدولة-تدعم-لبن-الأطفال-بقيمة-450 Retrieved:6/10/2016

⁶¹ (Sky News Arabia), **Rising Food Prices in Egypt**, 7/8/2014, available in Arabic on : www.skynewsarabia.com/web/video/681224/ارتفاع-أسعار-السلع-الغذائية-بمصر Retrieved:6/10/2016

⁶²(Trading Economics), Egypt Food Inflation, <http://www.tradingeconomics.com/egypt/food-inflation>, Retrieved:6/10/2016

in 2014 to 13.11% in 2015⁶³, and at the Same time the inflation rate in August 2016 reached its highest rate since 2008 and recorded 16.4% ⁶⁴.

The country has witnessed a severe shortage in sugar, images of empty shelves and long queues spread on the social media. Whereas the price has doubled in stores that still have supplies⁶⁵.

And of course this significant increase was caused by several factors such as the decreasing the subsidies on fuel and the dwelling of the country's foreign reserve even with the aid flow of the gulf countries which didn't neither increase the foreign reserve nor increase the value of the Egyptian pound that lost more than 30% of its value against US dollar⁶⁶.

B- The Energy Subsidies:

It's worth mentioning that in Egypt there are two types of energy subsidies; the first is the explicit subsidy, which means apparent public spending, which is recorded clearly and explicitly in the expenditure side of general budget. Like direct support of basic goods and services or indirectly to finance the budget deficit for general economic bodies .

While the second type is implicit subsidy that represents general revenue which does not explicitly appear in the general budget, but they contribute to increasing the deficit, such as the support of electricity prices .

⁶³ (English Ahram), Waad Ahmed, **Food Price shocks Drive Egypt's Inflation to Highest in Five Years**, 10/6/2015, Available on : <http://english.ahram.org.eg/NewsContent/3/12/132422/Business/Economy/Food-price-shocks-drive-Egypt%E2%80%99s-inflation-to-highe.aspx>, Retrieved:6/10/2016

⁶⁴(Middle East Monitor) Egyptian inflation rates at 8-year high, 9/9/2016, Available on: <https://www.middleeastmonitor.com/20160909-egyptian-inflation-rates-at-8-year-high/>, Retrieved:6/10/2016

⁶⁵ CNN, Kieron Monks, Sugar crash sparks crisis in Egypt, 2/11/2016, Available on: <http://edition.cnn.com/2016/11/02/africa/egypt-sugar-crash/>, Retrieved:5/12/2016

⁶⁶ (The National), Mahmoud Kassem, **Egyptian Inflation Keeps Rising with Food Prices Higher**, 8/10/2015, Available on:<http://www.thenational.ae/business/economy/egyptian-inflation-keeps-rising-with-food-prices-higher>, Retrieved:6/10/2016

In this concern, Petroleum product subsidies are recorded explicitly in government budget since 2005/2006, meanwhile subsidies of petroleum products are subject to varying estimations and revisions from different sources such as the Ministry of Petroleum, Ministry of Finance and individual researchers ;

The main reason for these variations is the nature of production of the petroleum sector, and difficulties in measuring costs accurately. Different approaches are used to assign values to different cost items of production, which is affected by world prices of crude oil and changes in prices of other cost items. Accordingly, subsidies for each product are measured twice: first as the difference between estimated actual cost and domestic price; and then as the difference between world prices and domestic prices.

Generally speaking, energy subsidies has always been a burden over government's budget in Egypt, so Mubarak's administration announced in 2004 a program to eliminate the fuel and electricity subsidies by 2014, and the prices increased, but Ahmed Nazeef's Government managed to keep everything under control due to the continues growth of the GDP during this period so the citizens were not severely affected by the increase in prices⁶⁷.

Moreover, as a result of the unbalanced economic growth between classes in Mubarak's era, the richest 20% of the population got 46% of the benefit from petroleum subsidies, while the poorest 20% received just 9%. In urban areas, the top quintile received eight times as much benefit as the bottom one⁶⁸. Also, old licenses for iron factories involved lifting energy subsidies gradually

⁶⁷(Al Arab), Mohamed Nawar, Egypt starts a new era with decisive economic reforms,7/8/2014, available in Arabic on: <http://www.alarab.co.uk/m/?id=27376>, Retrieved: 6/10/2016

⁶⁸ Laura M. James, Op.cit, P:4.

until it is totally eliminated, but this was never implemented by Mubarak administration due to its strong ties with businessmen⁶⁹.

It's also worth to mention that from 2008 till the revolution in 2011 the prices of fuel and electricity didn't increase⁷⁰.

After the revolution, the public spending on energy subsidy increased. But the widened budget deficit, forced Morsi's regime to increase the prices of natural gas for some businesses and electricity for households in early 2013⁷¹, and overall the subsidy cost increased from 9% to 22% during 2002-2013. As a result, the energy subsidies share in the GDP grew from 3.0% to 7.0%.⁷²

As for electricity, its tariffs had not changed during the period from 1993 till 2003. Then, the government raised tariffs in 2004. And another rise happened in 2008⁷³. Then Morsi regime increased prices of natural gas for some businesses and electricity for households in early 2013⁷⁴. And finally the subsidy reform plan started in 2014.

- **The reform of the Energy subsidy policy from 2014-2016:**

⁶⁹ (Al-Borsa)Interview with Dr.Omneia Helmy ,Dr. Helmy launches a strong alert: slow government efforts for economic reform threaten revolution of the hungry, 6 January 2013, Available in Arabic on: www.alborsanews.com/2013/01/06/د أمنية حلمى تطلق صرخة قوية تباطؤ الحك Retrieved: 6/10/2016

⁷⁰ (Fekr Online), Sameh Shams, **Economic consequences of removal of subsidies on petroleum products**, 17/8/2014, available in Arabic on: <http://fekr-online.com/index.php/author/%D8%B3%D8%A7%D9%85%D8%AD-%D8%B4%D9%85%D8%B3?page=2> Retrieved 12/10/2016

⁷¹ Laura M. James, Op.cit, P:4.

⁷² Document of the World Bank, **FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING**, Op.cit, p:22

⁷³(**English- ASHARQ AL-AWSAT**)**Sabri Najeh**, Egypt Hikes Electricity Prices 40% as Stage Three of Economic Reform Launches, August 9,2016, Available on: <http://english.aawsat.com/2016/08/article55356072/egypt-hikes-electricity-prices-40-percent-stage-three-economic-reform-launches>, retrieved :10/6/2016.

Electricity prices increased during November 2012 and then February 2013

The first consumption category did not witness any changes, keeping the pricing structure for this category unaltered since 1993. The tariff for the second category, increased by 4.4 percent. Including the previous increase, this category had witnessed a 10 percent hike in cost since November 2012. The two higher consumption categories saw an increase of more than 17 percent each. Electricity tariffs have not changed for more than a decade until 2004, when the government announced a plan to raise prices which was halted in 2008 as a consequence of the international economic crisis. In July 2012, gas consumption categories were reduced from three to two categories. The tariff for the first category of monthly consumption up to 30 cubic metres remained at LE0.10 per cubic metre. Also any extra consumption was charged at LE0.5, versus a maximum of LE0.3 previously.

⁷⁴Marwa Hussein, **Egyptian households see energy prices increase**, 31 March 2013, Available on: <http://english.ahram.org.eg/NewsContent/3/12/67954/Business/Economy/Egyptian-households-seeenergy-pricesincrease.aspx>. Retrived:6/10/2016.

El-Sisi's administration tackled this issue boldly, where he stated clearly that cutting down the fuel subsidies is a bitter pill that we will have to swallow, and also the former Prime Minister Ibrahim Mahlab said that he expects to completely eliminate fuel and electricity subsidies within 3-5 years⁷⁵.

In this context, the comprehensive subsidy reform announced by the government over the five-year (2014-2019) included adjustment to the prices of major fuel categories and electricity between 40-78% in 2014. Also in the same year the share of energy subsidies in GDP fell by half saving around 3.3% of GDP⁷⁶. This also was due to declining international oil prices.

The government confirmed that the reforms in the field of energy will reduce the market share of energy holding companies from 92% last year to 85% by 2018⁷⁷, and at the end of the five years reform plan, subsidies will represent only 0.5% of GDP by FY 2019 through periodic increases of fuel and electricity prices, with remaining subsidies covering only LPG and electricity consumption of the poorest households⁷⁸.

- **Fuel "Petroleum, Diesel and Natural Gas":**

El-Sisi's administration in July 2014 decreased the subsidies causing an increase of the domestic prices of natural gas, diesel and other fuels by 78%⁷⁹, and subsequently the cost of fuel subsidies in Egypt fell from L.E 92 billion in the FY 2013-2014 to L.E 56 billion in the first 9 months of

⁷⁵(Egypt Oil and Gas web portal), Alexander Rifaat, **CHANGE; BUT FOR BETTER? What Egypt's Shift in Energy Policy Means for the Future, February 2015**, Available on: <http://www.egyptoil-gas.com/publications/change-but-for-better-what-egypts-shift-in-energy-policy-means-for-the-future/>, Retrieved:6/10/2016.

⁷⁶ Document of the World Bank, **FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING**, Op.cit, p:22

⁷⁷Ibid, P:35

⁷⁸Ibid, p:32

⁷⁹(English, Reuters), **Ehab Farouk, Egypt to cut fuel subsidies as government seeks to reduce deficit, 9/4/2016**, Available on:<http://www.reuters.com/article/us-egypt-budget-subsidies-idUSKCN0X60EB>, Retrieved: 6/10/2016

the FY 2014-2015, which indicates a decrease of almost 39% of the fuel subsidies in less than a year⁸⁰, and in the same year the government totally eliminated the subsidies on natural gas⁸¹.

And due to this reform, the diesel liter price increased from L.E 1.1 to L.E 2.1 and the Gasoline 80 from 90 piasters to L.E 1.90 per liter, while Gasoline 92 increased from L.E 1.85 to L.E 2.85⁸², The price of gasoline 95 for luxury, diplomatic and high-level government vehicles rose by 7%, but it had already seen a sharp price rise eliminating most of the subsidy in November 2012, causing consumption to fall by 88% year-on-year even before the July 2014 subsidy cuts⁸³.

The Prices of heavy fuel also rose, depending on usage, with the 50% hike for cement production bringing it up to the existing price level for electricity generation, while other industrial uses remained slightly cheaper. Also Natural gas prices were also raised on a complex usage-dependent scale. Differential prices were introduced for residential users, with high-consumption users (more than 50 cubic metres) seeing prices rise by a factor of 7.5, and medium-consumption by a factor of five. However, even for low-consumption users (less than 25 cubic metres), prices more than doubled, to the equivalent of US\$1.7/MMBtu⁸⁴.

Within the same context, the minister of finance (Amr ElGarhy) declared that fuel subsidies will decrease again by 42% in the budget of 2016/2017 to be L.E 35 Billion⁸⁵.

However, unexpectedly the Egyptian government announced on 3rd of November 2016 -few hours after devaluing the pound- another bold decision to increase the fuel prices, where the

⁸⁰(Arabic, Reuters), Ehab Farouk, The cost of fuel subsidies in Egypt fall 39% to about 56 billion pounds in 9 months, 6/4/2015, available in Arabic on: <http://ara.reuters.com/article/businessNews/idARAKBN0MX0BM20150406>, Retrieved: 6/10/2016

⁸¹(Egypt News), Eman Salah El-Deen, Reducing subsidies .. boldest decision in 2014, 23/12/2014, Available in Arabic on: www.egynews.net/113755/2014 بتقليص الدعم القرار الأجرأ في Retrieved: 6/10/2016

⁸²(Klmtly), The Government of Egypt respond to El-Sisi : raising fuel prices in two days, 26/6/2014, Available in Arabic on: klmtly.net/177947- رفع أسعار الوقود خلال يومين www.klmtly.net/177947- Retrieved: 6/10/2016

⁸³ Laura M. James, Op.cit, P:7

⁸⁴ Ibid, P:7.

⁸⁵ (Masr Al-Arabia), Mohamed Ali, The poor are the first class effected by decreasing fuel subsidies in the new budget, 11/4/2016, available in Arabic on www.masralarabia.com اقتصاديون الفقراء المتضرر الأول من خفض دعم الطاقة في الموازنة الجديدة/1007873, Retrieved: 6/10/2016

gasoline 80 increased to be 2.35 L.E, and gasoline 90 rose to 3.50 L.E⁸⁶, and hence the taxi drivers have applied new tariffs to cope up with this increase.

- **Electricity:**

Electricity is considered to be one of the most controversial issues in Egypt especially since 2012 due to the severe and long blackouts the country had witnessed in summer of that year, which was one of the main reasons for the 30 June 2013 demonstrations.

By the summer of 2014, electricity outage reached to critical situation, and a power generation deficit estimated at 5,540 megawatts, equivalent to one-sixth of the country's installed capacity. This resulted in discontent among the citizens and affected the performance of the economy in many ways. In the 2015 Doing Business Report (DBR), Egypt was 144th out of 189 in world-wide ranking in terms of access to reliable power.

Therefore, El-Sisi's administration's decision to decrease the subsidies on electricity was accompanied by the promise of less blackouts, and the government was keen to clarify in several press conferences that the main reason behind decreasing the subsidies is to help the government to offer a better services to the citizens.

An explicit five-year tariff trajectory has been publicly announced. The program includes an increase to the average electricity tariff for all consumers' categories from 0.226 pounds per kilowatt / hour in 2014 to 0.451 pounds per kilowatt / hour by 2018 and convert electric power deficit of about 5540 megawatts in fiscal year 2015 to a surplus of 1000 MW by 2018⁸⁷.

⁸⁶ (Youm 7), Raafat Ibrahim , Petroleum Authority: officially applying the increase of fuel prices in gasoline stations within two hours, 3/11/2016, available in Arabic on : www.youm7.com/story/2016/11/3/2952439/هيئة_البتترول_تطبيق_زيادة_أسعار_الوقود_بمحطات_البنزين_رسمياً_خلال_ , Retrieved:28/11/2016

⁸⁷ Document of the World Bank,FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY And Competitiveness Programmatic Development Policy Financing, Op.cit, p:6

In this context the minister of electricity held a press conference in 3/7/2014 to announce the new tariffs of electricity, where he indicated that the government pays an average price of LE0.47 to produce one kilowatt of energy per hour, while its average selling price is LE0.22, and that is a huge burden on the government⁸⁸.

The first three years of tariff reforms have been implemented on schedule. The process began in July 2014 when electricity tariffs rose on average by 31%⁸⁹. Another increase of electricity tariffs by 19% was implemented in July 2015⁹⁰.

The third and latest electricity tariff adjustments were announced on 8/8/2016 during the press conference of the minister of electricity, where the increase in electricity prices ranged from 25 to 40% for households depending on consumption levels⁹¹ (which was more steeply than originally proposed);

The minister stated that the government is working hard to include 3632 megawatts in 3 months to increase the capacity of the power plants and enhance the services and he said that these efforts were fruitful since only minor blackouts happened since 2014.

The minister also stressed that the subsidies on electricity tariffs will be totally removed in 2019⁹².

The following table indicates the change of the electricity prices during 2014 -2016 based on consumption in kilowatts per month⁹³:

⁸⁸ (English Ahram), Bassem Abo Alabass, **Egypt raises electricity prices to trim state subsidy bill**, 3/7/2014, Available on: <http://english.ahram.org.eg/News/105420.aspx>, Retrieved: 6/10/2016

⁸⁹ Document of the World Bank, **FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING**, Op.cit,P:32

⁹⁰ **Ibid**, p:22

⁹¹ (English Reuters), **Egypt announces sharp rises in electricity prices as it aims to phase out subsidies**, Aug 8, 2016, Available on: <http://www.reuters.com/article/egypt-electricity-idUSL8N1AP3VR>, Retrieved:6/10/2016

⁹² Removing the subsidies in 2019, 8/8/2016, Op.cit.

Kilowatt-month	2014	2015	2016	change in percentage between 2015 and 2016
50	7.5 piasters	7.5 piasters	11 piasters	46.7%
51-100	14.5 piasters	14.5 piasters	19 piasters	31.0%
101-200	16 piasters	16 piasters	21.5 piasters	34.4%
201-350	24 piasters	30.5 piasters	42 piasters	37.7%
351-650	34 piasters	40.5 piasters	55 piasters	35.8%
651-1000		*68 piasters (new category)	95 piasters	33.8%
1000+	78 piasters	84 piasters	95 piasters	31.1%

1 Egyptian pound= 100 piasters

The Evaluation of the Subsidy reform system

· the data for this table were collected from :
 Govt announces 2015/2016 electricity prices, 30/7/2014, <http://www.egyptindependent.com/news/govt-announces-20152016-electricity-prices>
 And
 Ministerial decree No.436/ 2016, Available in Arabic on: <http://egyptera.org/Downloads/ElecNewTariff.PDF>, Retrieved:6/10/2016
 And
 Isabel Esterman, Brace yourselves for higher electricity prices, August 10, 2016
 Available on: <http://www.madamasr.com/sections/economy/brace-yourselves-higher-electricity-prices>, Retrieved :6/10/2016

This section shall evaluate the reform of the subsidy policies in Egypt within the context of SDGs number (1) that is related to poverty alleviation and number (7) that is concerned with ensuring a sustainable energy source for everyone;

There are four main variables to explain the success or failure of any policy change or reform;

1-Government commitment to reform: El-Sisi declared the subsidy reform after winning the presidential with a sweeping support and utilized his popularity to pass the reform. His public discourse promised the people that although tough measures will be implementing but this will be for the future benefits. El-Sisi also announced a number of mega-projects that – according to him- will achieve high revenue and prosperity and will reflect positively on the citizens living standard and hence contribute in achieving the SDG No. 1 concerning alleviating poverty.

2-Tactics and strategies•: even though the decision of the subsidy reform was taken by the government in absence of the parliament which was not yet elected and the opposition parties were not consulted and it was also reported that consultations took place with top business leaders, academics and others⁹⁴, so it was not bottom-up communication;

The positive side is that the government has tried to improve its targeting mechanism and adopt cash transfer program to mitigate the impact of the reform and to influence the way public perceives the reform and this will be tackled in details later.

• These tactics and strategies give the political leadership maneuvering room to compensate potential losers and minimizing the opposition to the policy reform.

⁹⁴ Laura M.James, Op.cit, P:5

3-Public perception towards reform: the widespread public acceptance for such change always results from the people's confidence in the government which makes them more willing to accept economic hardships, and their continuous support is linked to noticing tangible benefits⁹⁵.

After announcing the reform, there was an ongoing public relations campaign by the President and cabinet, including meetings with relevant stakeholders. Also President El-Sisi addressed the nation on television on July 7th ,2014 describing the energy price changes as a necessary “bitter pill” as we have earlier illustrated. Also the Prime Minister, Ibrahim Mahleb, had also held a press conference explaining that the decision had been taken after “delicate studies,” outlining how much would be saved in the budget, and emphasizing that almost half would be allocated to education and health care. Thus, the rhetoric aligned government priorities to public perceptions⁹⁶.

Repetitive media campaign explaining the necessity of rationalizing for the prices increases and asking for rationalizing consumption played a vital role in accepting such reforms. Lately "in the past few weeks" there was an advertisement frequently being broadcasting on TV urging the citizens to rationalize their electricity consumption because the government only subsidize and helps the citizens with less consumption rates, and if the citizens consumed so much electricity then the government isn't responsible for subsidizing their consumption.

4- Achieving the purpose of the policy: There are two criteria to evaluate the subsidy system policy; economic efficiency and social justice.

If we look at the Egyptian subsidy system before the reform, we will find that on one side, it helped to alleviate poverty; the provision of minimum food needs protected people from

⁹⁵ Tammi Gutner , Op.cit, P:10

⁹⁶ Laura M.James, Op.cit, P:14

malnutrition, and sustained political stability. Food subsidies reduced the proportion of the poor and households benefited directly from energy subsidies through lower prices for energy used for cooking, heating, lighting, and personal transport⁹⁷.

On the other side; the subsidy system was inefficient and failed to achieve both economic efficiency and social justice;

In this context, although it could be political sensitivity but the reform was urgently needed to achieve economic efficiency and social justice which wasn't achieved by the previous system;

The reform of the subsidies aims to transferring a crucial part of the energy subsidies savings towards social protection education and health. Thus, government spending on health and education outstripped –for the first time- spending on energy subsidies in FY2015. This is in line with the new constitutional commitment to increase spending on social sectors to 10% of GDP⁹⁸.

And the reform of the food subsidies aims to a better usage of the allocated resources and to avoid the leakage and also to offer a better service and products to the poor and middle income people to improve the quality of their lives;

Therefore, the government adopted some measures to mitigate the effects of this reform, and some of these measures are as follows:

- The Government has been embarking on a new approach to social protection with an emphasis on improving targeting and service delivery⁹⁹. This is done by adopting poverty-targeted SSN programs (Labor Intensive Works, and Takaful and Karama

⁹⁷ International Monetary Fund, Energy subsidies in the Middle East and North Africa; lessons for reform, March 2014, P:3, Available on: <https://www.imf.org/external/np/fad/subsidies/pdf/menanote.pdf>, Retrieved:12/10/2016

⁹⁸ Document of the World Bank, FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING, Op.cit, p:23

⁹⁹ Ministry of International Cooperation, National Review: Sustainable Development Goals, Available on: http://moic.gov.et/MopRep/MIC/English.pdf_915201625622PM.pdf, P:27, Retrieved 12/10/2016

programs) offer a promising avenue in the medium term to reach the poor and vulnerable¹⁰⁰.

These programs prove the government commitment to achieving ‘nationally appropriate social protection’ and ensuring ‘the rights to social security’ as prescribed by the SDGs and Egypt’s constitution¹⁰¹.

- Another set of mitigation measures in the case of electricity reforms helping households to manage their demand for electricity through energy efficiency improvements of residential buildings and promoting the use of energy efficient appliances¹⁰².

However, there are ongoing concerns over achieving the goals of this reform, such as:

There is still a need for consolidation of the existing and fragmented cash transfer (CT) programs and improving the coordination among different agencies which will allow the government to achieve better coverage, provide more effective and efficient protection¹⁰³.

There is a major concern regarding the new food subsidy system, where its main feature was corruption; as mentioned by the economist that Egypt is the world’s largest market for wheat, which is bought by the state and used to make heavily subsidized bread. The state buys some wheat at home at an outrageous mark up to encourage local farmers.

This scheme drains public coffers and is horribly corrupted. Farmers mix foreign wheat with their own and sell it at jacked-up prices. Bureaucrats exaggerate the amount of wheat in government silos and pocket some of the subsidies. A smart-card system that is meant to track

¹⁰⁰ Ibid, PP:46-47

¹⁰¹ Ministry of International Cooperation, National Review: Sustainable Development Goals, P:27

¹⁰² Document of the World Bank, FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING, Op.cit,PP: 46-47

¹⁰³ Ministry of International Cooperation, National Review: Sustainable Development Goals, 27

bread purchases has been hacked, allowing some bakers to load up on subsidized flour¹⁰⁴, and sell it with much higher prices to the consumers.

So theoretically the government tried to mitigate the effect of the reform of food subsidy to consolidate achieving the SDG No.1, but on the real ground these efforts were underestimated by the corruption and also the inability of the government to control the prices of food products, and what promotes this fact is the following:

Although the government is trying to consolidate and strengthen SSN, the World Bank economists estimated a conditional cash transfer programs (CCTP), of EGP 240 (about USD 35) per person annually, to mitigate the reform on the poor. While 86% of Egyptians surveyed said their income was insufficient for covering total monthly needs, up from 74% in vulnerable households earning monthly incomes of L.E 699 (about USD 102) spend 60% of their income on food items. While middle class spends 40%¹⁰⁵.

Although that according to the World Bank estimations, the Gini coefficient fell only from 29.8 to 29.7¹⁰⁶. But other studies indicated that there is a mistrust for data and that the data is being manipulated and used for achieving political purposes. The same study cited the result of Alvaredo and Piketty's working paper which argued that 'household data in Egypt should not be

¹⁰⁴ (The Economist), Egypt has squandered billions of dollars in aid. With more on the way, is it at last ready to reform?, 6 Aug 2016, Available on: <http://www.economist.com/news/middle-east-and-africa/21703393-egypt-has-squandered-billions-dollars-aid-more-way-it>, Retrieved: 12/10/2016

¹⁰⁵ Mahinour El-Badrawi, Fossil Fuel Subsidy Removal in Egypt & MENA: Sustainability or a Matter of Austerity?, 2 SEPTEMBER 2014, Available on: <http://www.iisd.org/gsi/csos/docs/El-Badrawi%20ECESR%20Egypt.pdf>, Retrieved: 12/10/2016

¹⁰⁶ Document of the World Bank, FIRST FISCAL CONSOLIDATION, SUSTAINABLE ENERGY AND COMPETITIVENESS PROGRAMMATIC DEVELOPMENT POLICY FINANCING, Op.cit, PP: 23.

trusted because top incomes cannot be properly measured and proposed a parametric approach to re-estimate inequality' which indicated higher inequality¹⁰⁷.

Moreover, In an article published by the IMF , economists Jonathan Ostry, Prakash Loungani, and Davide Furceri An assessment of specific neoliberal policies concluded that 'The increase in inequality is 'prominent' and that increased inequality caused by specific parts of neoliberalism "hurts the level and sustainability of growth"¹⁰⁸.

Compensation measures to offset the impact of the subsidy cuts put in place by the government have been so far limited¹⁰⁹. Also there should be other programs to counter the impact of reforming subsidies such as unemployment benefits, and other programs to control prices and supervise markets.

And in terms of economic efficiency; although the reform should reduce the budget deficit, but this deficit remains high, so further steps are needed to achieve economic efficiency, and the followings examples supports this fact:

The subsidies for factories intensive energy consumption remain high and contribute considerably to budget deficit.

Factories and MNCs which benefited from the subsidy and account for 59% from the total subsidy in the budget should be reconsidered¹¹⁰. The same energy subsidy treatment given to

¹⁰⁷Vladimir Hlasny and Paolo Verme , Top Incomes and the Measurement of Inequality in Egypt , Paper prepared for the IARIW-CAPMAS Special Conference "Experiences and Challenges in Measuring Income, Wealth, Poverty and Inequality in the Middle East and North Africa" ,November 24, 2015,P:3 Available on: <http://iariw.org/egypt2015/vermehlasny.pdf>, Retrieved: 12/10/2016

¹⁰⁸ Will Martin, The IMF is starting to think that 'neoliberalism' has created an inequality problem, May 27, 2016, Available on: <http://www.businessinsider.com/imf-employees-write-article-questioning-the-effectiveness-of-neoliberal-economics-2016-5>, Retrieved: 12/10/2016

¹⁰⁹ Laura M. James,Op.cit, P:10

¹¹⁰ (Swissinfo), Hammam Sarhan,Eliminating Subsidies in Egypt: the wrong decision or the bitter bill, 24 Aug 2014, Available in Arabic on: www.swissinfo.ch/ara/40504366/ إلغاء الدعم في مصر القرار الخاطئ أم الدواء المر , Retrieved :12/10/2014

local small enterprises are given to MNCs¹¹¹, a report in 2007 by Industrial Development Authority mentioned that 40 factories consumed 65% of subsidies petroleum among them two cement MNCs; Lafarge and Holcim that exports 80% abroad¹¹².

During July 2014 electricity prices were raised for homes and stores (lowest quintile) by 50%, while for intensive energy industries, prices of energy were raised by between 7 and 23%. Also at the same time the reform is being implemented, the government has decided to subsidize natural gas for iron factories to increase the production¹¹³.

Also in terms of sustainability; although the energy subsidy reform should contribute in achieving sustainability, but Egypt has announced –as previously mentioned- expansion in using coal which is a top source of carbon dioxide (CO₂) emissions, the primary cause of global warming, which means that achieving SDG No.7 in Egypt is highly at risk because the current energy policies threaten the energy supply for the future generation and it doesn't utilize or preserve the available energy sources of the country. To conclude, reforming the subsidy system in Egypt was inevitable, but given the dominating features of the economic scene now such as high poverty, inflation, corruption, unemployment, the growing size of the informal economy, adding new taxes value-added tax (VAT) which would raise much-needed revenue, but will represent extra burden on the middle class and poor¹¹⁴, and last but not least Depreciation of

¹¹¹ Nourhan Sherif, Heba Khalil, and Hatem Zayed, Above the State; MNC's In Egypt, Egyptian Center for Economic and Social Rights, Feb 2015, Available in Arabic on: eccsr.org/wp-content/uploads/2015/02/فوق_الدولة_الشركات_متعددة_الجنسيات_في_مصر_المركز_المصري_للحقوق_الاقتصادية.pdf, Retrieved :12/10/2014

¹¹² (Egy News), Eman Salah El-din, Op.cit.

¹¹³ (Sky News), Reducing gas prices for steel and iron factories in Egypt, 13 Mar 2016, Available in Arabic on: www.skynewsarabia.com/web/article/823953/خفض_اسعار_الغاز_لمصانع_الحديد_والصلب_بمصر, Retrieved:12/10/2016

¹¹⁴ Nourhan Sherif and Mohamed Gad, Implementation of VAT and tax justice in Egypt, Egyptian Center for Economic and Social Rights, Available in Arabic on: eccsr.org/2016/08/22/تطبيق_ضريبة_القيمة_المضافة_و_العدالة, Retrieved:12/10/2016

pound value which would lead to even higher prices, as Egypt imports many staples, such as wheat¹¹⁵.

All this has led that the social and economic consequences of this reform put more burden over the poor segments of the society, so this reform may help to decrease the budget deficit, but definitely it will not lead to social justice. So in the next section we shall shed the light on the response of the Egyptian people towards the subsidy system reform.

The Public response to the reform of the subsidy system

There are several indicators to measure political instability, we shall only focus on two categories of indicators, the first category is "conventional indicators" which concentrates on two aspects; (the rate of the government/ministerial reshuffling and the degree of social unrest which includes strikes and forms of political protests).

And the second category is the "unconventional indicators" that includes the non-movement with a deep focus on measurement of the social media's reaction towards the reform in the subsidy system, given the important role the social media played during the revolution.

In this regards, we believe that technology and its applications are just a medium to deliver certain goals and that technology in itself should not be considered as vehicle of change¹¹⁶.

So we thought to include the reaction of social media in the category of "unconventional indicators" and we will explain this concept in details.

¹¹⁵ (The Economist), State of denial, 6Aug 2016, Available on: www.economist.com/news/middle-east-and-africa/21703393-egypt-has-squandered-billions-dollars-aid-more-way-it, Retrieved:12/10/2016

¹¹⁶ Elias G. Carayannis, Ali Pirzadeh and Denisa Popescu, Institutional Learning and Knowledge Transfer Across Epistemic Communities: New Tolls of Global Governance, Springer, P:21

A-Conventional ways

1- Number of cabinet change or ministerial reshuffle:

This indicator has an advantage concerning collection of consistent data, but its disadvantage is that it may result in underestimation or overestimation to the degree of political instability¹¹⁷.

Since El-Sisi came to power, Egypt has had two prime ministers:

Ibrahim Mahlab Government

Mahlab government assumed power again on June 17th, 2014¹¹⁸. During this period only one minister resigned (minister of justice) because of his words which represented a resent to public.

Then minor changes were introduced in March 2015 and later on the minister of agricultural resigned upon accusation of corruption¹¹⁹. Finally on September 12th, 2015 Mahlab government resigned.

Sherif Ismail Government:

It assumed power since September 19th, 2015 till now. From September 19th, 2015 to March 23rd, 2016 only two ministers resigned (minister of justice and minister of supply upon popular refusal for their behaviour)¹²⁰. Minor changes were introduced on March 23rd, 2016 most notable a new ministers for finance and another for investment. During this period only one minister (minister of supply) resigned upon allegation of corruption, and an armed forces general was appointed instead.

¹¹⁷ Ibid, P:16

¹¹⁸ According to the constitution, mahalb's government had to resign after the election of El-Sisi.

¹¹⁸ (Al-Hayat), **Who Are The Ministers of the New Government Mahlab**,17/6/2014, available in Arabic on: <http://www.alhayat.com/Articles/3039079> (retrieved 15/9/2016)

¹¹⁹ (Egy-News), **the Names of Mahlab's government after the last amendment**, 5/3/2015, available in Arabic on www.egynews.net/186404/الاسماء_وزراء_حكومة_محلِب_بعد_التعديل (Retrieved 20/9/2016)

¹²⁰ (El-Watan), **The List of the Members of the New Government Headed by Sharif Ismail**, 19/9/2015, available in Arabic on: <http://www.elwatannews.com/news/details/806220> (retrieved 14/8/2016)

The government of Sherif Ismail is still in power amid a wide speculation of an imminent ministerial reshuffle¹²¹.

It's worth mentioning that since 25 January 2011 Egypt witnessed 7 ministerial re-shuffles and 7 sub-reshuffles¹²². The average lifetime of governments in Egypt decreased to only around one year. While Mahlab's government was an exception since it was the longest government assumed power from February 2014 till September 2015.

The main reasons of the fast rate of change can be traced back to the poor performance especially by the economic ministerial group. Also corruption was a main reason behind resignation of former minister of supply under Ismail government and minister of agriculture under Mahlab government. Finally public pressure on social media was a vital factor behind resignation of two ministers of justice because of their controversial statements which represented resent to common norms and culture of the people.

But generally we can't say that there was a direct linkage between the government reshuffling and the reduction of subsidies, where the governments and/or ministers were changed due to the reasons we have illustrated above.

2-protests and strikes:

¹²¹(Al Meryoon), Tarek El-deeb and Ahmed Marei, Will the minister of supply cause bring the government of Sherif Ismail to end?, 7 Sep 2016 Available on:

almesryoon.com/آخر_الأخبار/922581_هل_يكتب_وزير_التنمين_الجديد_شهادة_وفاء_حكومة_إسماعيل/

Retrieved :12/10/2016

¹²² (El Watan),Menna El-Ashmawy, Ministers of the seven government of Egypt after the revolution, 20, Sep 2016, Available on, <http://www.elwatannews.com/news/details/806565>, Retrieved :12/10/2016

· The last government prior to the revolution (Ahmed Nazif government) was in office from June 2004 till January 2011

Interim president, Judge Adli Mansour issued law No.107 for 2013 on public assembly. The law was described by human rights watch as ‘deeply restrictive’ and “will restrict peaceful political demonstrations in violation of international standards”¹²³.

The law prohibits assemblies within a certain proximity to many government buildings, and gives security forces free rein to break up “unlawful” assemblies and demonstrations, and it also gives them the right to disperse non-peaceful demonstrations without defining the limits of peacefulness, leaving this to the discretion of security forces. The law permits them to use violence up to and including lethal force without placing adequate restrictions on the use of such force. Furthermore, the law sets up an authorization regime instead of a notification system, as demanded by the constitution¹²⁴.

Protests against the law were violently suppressed and many activists were arrested¹²⁵.

Protests against the government continued throughout 2014, but they often ended in violent clashes with police. On the third anniversary of the 2011 revolution in January and the first one after El-Sisi came to power, authorities responded to demonstrations with tear gas and live ammunition, resulting in at least 49 deaths and more than 1,000 arrests as reported by freedom house¹²⁶.

¹²³ (Human Rights Watch) **Egypt: Deeply Restrictive New Assembly Law: Will Enable Further Crackdown, Stifle Electoral Campaigning**, 26/11/2013, available on: <https://www.hrw.org/news/2013/11/26/egypt-deeply-restrictive-new-assembly-law> (Retrieved 30/7/2016)

· President El-Sis declared during the youth conference that this law will be subject to revisions

¹²⁴ The Right to Freedom of Assembly in Egypt, 15/3/2014, available on: <http://afteegypt.org/wp-content/uploads/2014/11/UPR-Joint-report-on-freedom-of-Assembly-AFTE-EIPR-CIHRSEN.pdf> (Retrieved 10/7/2016)

¹²⁵ (Freedom House), Egypt-Freedom in the World 2014, available on: <https://freedomhouse.org/report/freedom-world/2014/egypt> (Retrieved on 15/8/2016)

¹²⁶ (Freedom House), Egypt-Freedom in the World 2015, available on: <https://freedomhouse.org/report/freedom-world/2015/egypt> (Retrieved on 15/8/2016)

Strikes by labour movement were restricted and accused its member of sympathizing with the Muslim Brotherhood. Strikes began to increase again in early 2014, particularly around demands for the nationwide expansion of a new minimum wage. Authorities responded with raids, arrests, and intimidation¹²⁷.

In 2015 and on the revolution anniversary, authorities responded to Islamist demonstrations with tear gas and live ammunition, resulting in at least 23 deaths and 516 arrests.

However, strikes continued given the economic situation in the country but with a decline from previous years. Even though, Authorities responded with raids and arrests¹²⁸.

On January 25 anniversary in 2016, media reports suggested that at least 150 opposition protesters were arrested across the country¹²⁹, and left 4 dead¹³⁰. Also police forces arrest 3 admins of Facebook pages allegedly promoting protests on January 25 few days before the anniversary¹³¹. During the same year thousands of workers strike took place due to protest at low wages and bonuses¹³². And the major protests since 2013, took place on April 25th, 2016 over the Egypt-Saudi agreement of redrawing maritime borders which places the Red Sea islands of "Tiran and Sanafir" within Saudi territorial waters. While many analysts believe that the reasons behind the protests were beyond the islands issue and that the protest revealed accumulated

¹²⁷ Ibid

¹²⁸ (Freedom House), Egypt-Freedom in the World 2016, available on: <https://freedomhouse.org/report/freedom-world/2016/egypt> (retrieved 15/8/2016)

¹²⁹ (Mada Masr), **At Least 150 People Arrested Nationwide on Jan 25 Anniversary**, 26/1/2016, Available on: <http://www.madamasr.com/news/least-150-people-arrested-nationwide-jan-25-anniversary> (Retrieved 12/9/2016)

¹³⁰ (Mada Masr), **4 Dead as Police Take Control on Jan 25 Anniversary**, 25/1/2016, Available on: <http://www.madamasr.com/news/4-dead-police-take-control-jan-25-anniversary> (Retrieved 12/9/2016)

¹³¹ (Mada Masr), **Police Arrest 3 Admins of Facebook Pages Allegedly Promoting Protests on January 25, 13/1/2016**, Available on: <http://www.madamasr.com/news/police-arrest-3-admins-facebook-pages-allegedly-promoting-protests-january-25> (Retrieved 19/7/2016)

¹³² (Mada Masr), **Strikes and Labor Protests Hit State-owned Companies**, 5/1/2016, Available on: <http://www.madamasr.com/sections/economy/strikes-and-labor-protests-hit-state-owned-companies> (Retrieved 25/7/2016)

anger¹³³. The Security forces responded by arresting at least 382 people¹³⁴, and many of them is still arrested at the time of submitting this paper.

It's very clear that most of the above-mentioned protests weren't related to the subsidies and rise of prices, however for the first time since El-Sisi seized power in 2014, some of his supporters on August 20th, 2016 protested in Alexandria against the increase of prices of basic goods and demanded the government to control the prices and supervise the markets, calling the president to monitor the prices increase so it won't be an extra burden on them and won't be misused by the Muslim Brotherhood¹³⁵. And the protest ended peacefully.

The second protest in this context was more tensed and it took place on September 1st, 2016 in Cairo, and the participants were moms holding their infants and calling for their subsidized formula milk¹³⁶, and this protest stirred a lot of anger among the people, where the video of one mom screaming at a female police officers and telling her " We are not demanding any food items for ourselves, we are asking for the milk for our babies, our kids will die. Bring us the milk¹³⁷" went viral on social media and even on TV.

Another protester told BBC that "the prices of infant formula increased from L.E 3 to L.E 18 in the governmental pharmacies, and it's not even available"¹³⁸, And that indicates that the prices

¹³³ (English Ahram), **Egypt's 25 April protests: The two islands and beyond**, Available on: <http://english.ahram.org.eg/NewsContent/1/64/204290/Egypt/Politics-/Egypt--April-protests-The-two-islands-and-beyond.aspx> (Retrieved 29/6/2016)

¹³⁴ (Human Rights Watch), **Egypt: Fearing Protests, Police Arrest Hundreds Journalists, Lawyers Among Those Apprehended**, 27/4/2016, available on: <https://www.hrw.org/news/2016/04/27/egypt-fearing-protests-police-arrest-hundreds> (Retrieved 5/8/2016)

¹³⁵ (El-Watan), **Residents of Qaeed Ibrahim demonstrating due to price increases and demanding El-Sisi to control it**, 20/8/2016, available in Arabic on: <http://www.elwatannews.com/news/details/1340434>

¹³⁶ (BBC Arabic), **Egyptian army declares importing baby formula" to counter monopoly"**, 3/9/2016, available in Arabic on: http://www.bbc.com/arabic/middleeast/2016/09/160903_egypt_formula_military_statement (retrieved 3/10/2016)

¹³⁷ (El-Youm El-Sabee'), **The video of the lady screaming at the police officer because of the subsidized baby formula**, 1/9/2016, available in Arabic on: www.youm7.com/story/2016/9/1/2867077/الاطفال/بإفنديو سيدة تصرخ في وجه ضابط بسبب اللبن (Retrieved 1/10/2016)

¹³⁸ (BBC Arabic), **Egyptian army declares importing baby formula" to counter monopoly"**, **Op.Cit**

wasn't the only problem but the availability of the goods was a huge problem too that triggered such a crisis.

The photos of the moms protesting and holding their hunger babies in one hand and their empty milk bottles in the other hand, led to the direct intervention of the army by coordinating with the ministry of Health to import the formula to ease the shortages, and to sell it for L.E 30 which is almost half of the retail price, where many critics on social media accused the army of misusing the crisis to expand his business¹³⁹.

And this forced the military spokesman to dismiss such accusations in a statement on his official Facebook page stating that the army stepped in out of its duty to counter the greed of the pharmaceutical companies working in this field and monopolizes the market and to ease the suffering of the poor citizens, and he also denied any allegations about the possession of the army for the formula in storehouses, and stressed that it will be imported, and later on September 19th, 2016 he announced in his official Facebook page the arrival of the first patch of baby formula to Alexandria port which will be delivered to governmental pharmacies¹⁴⁰.

Therefore, we can say that such protests and anger was expected since the issue of the infant formula has been a sensitive issue to the public, and any slight change in its policy or distribution causes a considerable reaction, and the crystal clear example for this was when the minister of health changed the distribution of the formula from the Egyptian medicine company to be from the Maternal and child centers of the ministry, and that led to protest on April 2nd, 2016 and the protestors used violence as they broke into the premises of the Egyptian medicine company and

¹³⁹ **Ibid**

¹⁴⁰ This indicates the importance of the role of the social media "specially Facebook" in public crisis in Egypt

¹⁴⁰ **The Official Facebook page of the Egyptian military spokesman**, available in Arabic on: <https://www.facebook.com/Egy.Army.Spox/?fref=ts> (Retrieved 1/10/2016)

destroyed its gate and some cars were at the premises of the company to show their rejection to this decision where they indicated that the Maternal and child centers always suffer from lack of infant formula¹⁴¹.

B- non- conventional ways

It was defined by Asef Bayat as the collective actions of non-collective actors; they embody shared practices of large numbers of ordinary people. These practices are considered as not consistent with the public order. The non-movements have come to represent the mobilization of millions of the subaltern; mainly the urban poor, women, and youth who constitute a pressure that may lead to social and political change which he termed the “quiet encroachment of the ordinary”¹⁴².

The non-movement can't be suppressed politically. The most critical feature is that it represents a form of silent political change which legalizes and creates a new order through everyday life practices that change the common norms and standards¹⁴³.

The non-movement will continue to play an important role in the Egyptian scene. And the clear example for that public servants protest against new civil service law ,and clashes between police and street vendors during the government campaign that has started mid- 2014. It's worth mentioning that street vendors returned back to occupy their places once the police forces left¹⁴⁴.

¹⁴¹ Hesham Elhaloti, **Health Minister retract from the decision to ban distributing infant Formula**, 3/4/2016, available in Arabic on: alwafd.org/أخبار وتقارير/1107828/وزير الصحة يتراجع عن قرار منع صرف لبن الأطفال المدعم (Retrieved 3/10/2016)

¹⁴² Asef Bayat, *Life as politics: How Ordinary People Change the Middle East*, (Amsterdam: Amsterdam University Press, 2010), PP: 14-15

¹⁴³ Nada Ghandor, **Marginalized and non-movements in the Arab Spring, uprisings**, 31/3/2013, available in Arabic on: egyptianrenewleft.wordpress.com/2013/03/31/مقابلة مع أصف بيات حول (Retrieved 11/8/2016)

¹⁴⁴ (El-Youm El-Sabee'), **Cairo Governorate illustrate the fact of clashes between security and street vendors in El-Atabaa**, 1/6/2016, available in Arabic on: www.youm7.com/story/2016/6/1/محافظة القاهرة توضح حقيقة الاشتباكات بين الامن والبياعة الجائلين 2744357/open_in_new.(Retrieved 1/8/2016)

Another example related to the subsidy reform policy was what the media called the "Egyptian robin hood", where in Sohag (an upper Egyptian governorate", a group of citizens stopped a car carrying cylinder Cooker and forced it to change its direction to one of the villages there out of the scarcity of the cylinder and they were afraid that it will be sold by the high prices of the black market, so after the citizens took over the car, they organized the process of selling the cylinder cooker with the price the government set, not the price of the black market, and when they sold all the amount and collected the money they handed the money to the employees who were riding the car and they let the employees take the car and go back to the governmental warehouses¹⁴⁵. Maybe this is a funny accident but it can tell us a lot about the confident of the normal Egyptian citizens towards the government, and it gives a clear indicators about what will happen if the supply of such an important product like cylinder cooker was less than the demands, and is being sold with a very high prices in the black market. Maybe this time the citizens dealt with the situation in a non-violent attitude, but if this shortage continued, and then there is a high possibility of violent reactions.

In this context, there was a call for massive demonstrations on November 11th ,2016 to show the rejection to the tremendous increase in prices, and this call was from a new movement called (haraket elghalaba-the poor movement), and the founder confirmed that the movement doesn't belong to any Egyptian political party or movement. The movement called for massive protests on November 11th and called it (the poor revolution), meanwhile the ministry of interior stated that it will deal firmly with any demonstrations trying to disturb the public order and peace¹⁴⁶.

¹⁴⁵ (Arabic Sputnik News), **Egyptian "Robin Hood" stole "cylinder Cooker" and returned its price to the government**, 15/9/2016, available in Arabic on: arabic.sputniknews.com/arab_world/20160915/1020154411.html (Retrieved 5/10/2016)

¹⁴⁶ (Almesryoon), **November 11 .. muffled calls for an uprising against price rises**, 3/10/2016, available in Arabic on: almesryoon.com/ دفتر 11 نوفمبر دعوات مكتومة لانتفاضة الغلاء أحوال الوطن/939995 (Retrieved on 6/10/2016)

So, the interaction with this call was so limited. This movement declared its statement to call for the poor revolution on its Facebook page on September 10th , 2016;

Which brings us to the reaction of social media, since we have clarified earlier, that we believe that the reaction on social media represents a form of the non-movement by youth and the way they are using the internet as a public space;

So in this context, Last March witnessed the launch of hashtag called "emsek fatora- catch a bill" to show the rejection of the increase of prices for water and electricity bills, also the choice of the hastag name which is being borrowed from the phrase "catch a thief" implies that the government is ripping people off¹⁴⁷.

Many people shared their bills to discuss their experience. Many activists joined to show their support. A parliament member comment on that saying "government is cutting subsidies is always serving and in favor of the rich and against poor"¹⁴⁸.

On August 2016, another hashtag was launched and attracted many public figures and celebrities to refuse the IMF loan to Egypt because of its negative impact on middle class and vulnerable groups¹⁴⁹, and among the most common sentences that was combined with this hashtag was "so the poor won't pay the price# I reject the loan of the IMF"¹⁵⁰. Prior to this hashtag there was a campaign on social media to sign a petition and send it to the IMF and IMF representative in

¹⁴⁷ (English Ahram), Amira Howeidy, **Protests against utility prices go online**, 6/4/2016, available on: <http://english.ahram.org.eg/NewsContent/1/151/198920/Egypt/Features/Protests-against-utility-prices-go-online.aspx> (Retrieved on 8/7/2016)

¹⁴⁸ (Masr Al-Arabia), Mostafa El-Maghrebi, **Revolution on Social Media because of high water and electricity bills rates**, 1/4/2016, [www.masralarabia.com/الكهرباء والكهرباء فواتير أسعار ارتفاع بسبب ارتفاع أسعار فواتير المياه والكهرباء](http://www.masralarabia.com/الكهرباء%20والكهرباء%20فواتير%20أسعار%20ارتفاع%20بسبب%20السوشيال%20ميديا%20991347%20ثورة%20على%20السوشيال%20ميديا%20open%20in%20new) (Retrieved 10/8/2016)

¹⁴⁹ (Masr Al-Arabia), Abdel Ghani Deiab, **Politicians, artists launch campaign for rejecting the IMF loan**, 19/8/2016, available in Arabic on: [www.masralarabia.com/الدولي](http://www.masralarabia.com/الحياة%20السياسية/1213523%20بالفيديو%20سياسيون%20وفنانون%20يطلقون%20حملة%20لرفض%20قرض%20صندوق%20النقد%20الدولي) (Retrieved 1/10/2016)

¹⁵⁰ (Egypt Today), **Activists launch a hastag to refuse the IMF loan**, 15/8/2016, available in Arabic on: [egypttoday.it/2016/08/15/نشطا يطلقون](http://egypttoday.it/2016/08/15/%20نشطا%20يطلقون%20إهاشتاج) (Retrieved on 28/9/2016) [أرفض قرض صندوق](http://www.egypttoday.it/2016/08/15/%20نشطا%20يطلقون%20إهاشتاج)

Cairo asking them not to approve the loan to Egypt, and the activists and public figures clarified if our governments can't and won't hear us then we will deliver our voice to the institute itself¹⁵¹.

Another action was taken in this prospect, where 170 public figure and 5 political parties leaders, head of 4 civil society organizations¹⁵² have signed a letter to president El-Sisi requesting him to suspend all the negotiations about the IMF loan since it will drown the country in an endless debt dilemma, and calling him to start implementing a national program for economic rescue through the reform of public finance and planning to change the pattern of a the economy towards exports and production growth rather than consuming, and the development of social safety net for the poorest, and to recover the stolen money abroad, and also to cancel the energy subsidies from energy-intensive companies that sell at world prices, ad to cut down the public expenditure by cutting the salaries of advisors¹⁵³.

It's worth mentioning that this letter was a very important tool to show the society's rejection to the loan and reducing subsidies, and it didn't only reject it, but moreover it gave El-Sisi plenty of techniques and alternatives to deal with the soaring economy.

Recently, on September 22nd, 2016, a new hashtag was spreading "# the prices in El-Sisi era", tackling the enormous increase of prices that is becoming an immense burden on the shoulders of the normal citizens. The hashtag also expresses the mistrust in government promises to improve the living standards and making basic goods available in reasonable price¹⁵⁴.

¹⁵¹ (Egyptian Report) Fares Elarabi, **launching messages campaign to prevent the IMF loan**, 9/8/2016, available in Arabic on: www.egyrep.com/ **ندشين حملة رسائل لمنع قرض صندوق النقد** (Retrieved on 10/9/2016)

¹⁵² (Al-Bediah), Yara salah, **A letter from five parties and four organizations and 170 public figure to el sisi's: your policies would drive the country's resources to be doomed**, 14/8/2016, available in Arabic on: <http://albedaiiah.com/news/2016/08/14/118855> (Retrieved 20/8/2016)

¹⁵³ (Al-Hayat), Ahmed mostafa, **Egyptian actors** refuses the IMF loan 15/9/2016, available in Arabic on: www.alhayat.com/Articles/16877067/ **قوى مصرية ترفض قرض صندوق النقد** (Retrieved 20/9/2016)

¹⁵⁴ Twitter, hashtag #الاسعار في زمن السيسي, Retrieved: 22/9/2016

Furthermore, Many comics and cartoons spread on Facebook and twitter and even newspapers regarding the increase of prices and the reduction of subsidies of food and energy which reflects the suffering of the middle income and poor Egypt and their rejection to these policies orientation, and we will include some of these famous comics and explain what it means;



The above cartoon was conducted by the most famous cartoonist in Egypt (the late Mr. Mostafa Hussein), and it was published in a governmental newspaper (Akhbar al youm in August 2014), and it shows the electricity conductor knocking on an Egyptian poor family and asking them to pay L.E 540 as the electricity bill and explain that this is due to their expensive air condition and



fridge and freezer. This is to show that the prices are too high for families that can't afford the basics like the fridge.

The above picture is a scene from a very famous Egyptian movie and it went extremely viral on social media¹⁵⁵ and it includes a dialogue between a man and an older man in a crowded public bus, where the younger is asking the older (nothing is going to be cheaper?) and the old man replies by (of course, many things will be cheaper than dust, and this includes you and me and everyone).



¹⁵⁵ (Masr Al-Arabia), Ahmed Alaa, **Facebook complains about high prices: we are becoming cheaper**, 4/12/2014, available in Arabic on: www.masralarabia.com/سوشيال ميديا/446891 رواد فيس بوك يشكون ارتفاع الأسعار إحننا اللي بنرخص/ (Retrieved 27/9/2016)

Another comic was published in a very famous newspaper called (elyoum el sabee "youm 7"), indicating a mother telling her son to bring the bills of the blood pressure and heart disease to your dad because the electricity conductor is here¹⁵⁶.



Almasry Alyoum is another famous and wide spread newspaper; it also published a comic showing a lady asking her husband to write a letter and to tell IMF that her children want some food¹⁵⁷.

¹⁵⁶ (El-Youm El-Sabee'), **Increase of prices and the currency floating comics**, 15/8/2016, available in Arabic on: www.youm7.com/story/2016/8/15/2843399/ اضحك على ما تفرح ارتفاع الأسعار وتعويم العملة في كاريكاتير (Retrieved 19/8/2016)

¹⁵⁷ (Almasry Alyoum), **Sweet and Bitter "Cartoon Page"**, 12/8/2016, available in Arabic on <http://www.almasryalyoum.com/news/details/993088> (Retrieved 25/8/2016)



Even the Olympics inspired the cartoonist to draw the following picture¹⁵⁸, showing an Egyptian citizen wearing torn up clothes lifting weight and the 1st dumbbell is the rise of prices while the second dumbbell is the reduction of subsidies, and the Egyptian citizen can't lift them because they are too heavy.

¹⁵⁸ (Qena Welad Elbalad), **Wining two bronze medals**, 16/8/2016, available in Arabic on, qena.weladelbalad.com/ كاريكاتير الفوز ببرونزينين في رفع الأثقال (Retrieved 20/8/2016)

Floating the Egyptian pound and the increase of fuel prices and goods prices in the aftermath of the floating had the lion share from the comics in newspapers and social media as follows:



This comic shows a citizen putting sugarcane in his car instead of gasoline, to indicate the



difficulty of paying for the gasoline after the increase of its price¹⁵⁹.

The previous picture shows clothes and gasoline and USD and sugar and bread in a giant form compared to the citizen, and the citizen is standing amazed from the prices of these goods that he can't afford anymore¹⁶⁰.



This is considered to be one of the iconic pictures showing someone asking the Egyptian pound which is terrified to jump in the sea "can you swim or you will make us ashamed?", and in the sea there are several sharks waiting for the pound to jump¹⁶¹. This was among the most famous comics and many other comics delivered the same message, which reflects the concerns and the awareness of the Egyptian people from floating the currency.

¹⁵⁹(Masr Alarabia), Mohamed Hagrasy, **increasing the price of fuel**, 7/11/2016, Available in Arabic on: www.masralarabia.com/كاريكاتير/قصب 92 1303910, retrieved 30/11/2016.

¹⁶⁰(Masr Alarabia), Islam gawish, **the citizen and the goods**, 6/11/2016, Available in Arabic on: www.masralarabia.com/كاريكاتير/1303180, retrieved 30/11/2016.

¹⁶¹(Masr Alarabia), floating the egyptian pound, 3/11/2016, Available in Arabic on: www.masralarabia.com/كاريكاتير/1301436 شاهد تعويم الجنيه retrieved 30/11/2016.

Although the comics and hashtags on social media seem as a limited reaction, but they express a latent resistance by the people to show their discontent in a political context marked by atmosphere of fear towards the regime's reaction. So posting satirical and hashtags are used to express the discontent in the sarcastic way the Egyptian use to deal with their surroundings.

Apparently the response towards decreasing the subsidies of food and energy, the overall soaring economic status and the continuous prices increase was limited to few protests and hashtags on social media, which reflected the public discontent, but wasn't strong enough to affect negatively the political stability of the country.

In other words, the response was minimal compared to the Egyptian response in 1977 where the subsidies reduction and prices increase were not severe.

So we have answered the question the we have raised earlier in this paper, however inevitably there is another question rises that we also have to answer, and that question is (even though the situation from 2014-2016 is far more worse in terms of subsidies and prices, so why the Egyptian didn't revolt or at least had a more sever reaction like or even as strong as 1977?);

This question will be answered in the next and final section of the paper by examining the changing nature of the relations between the state and society in Egypt;

Conclusion and Future Scenarios

The state-society relations in Egypt goes way back when the Egyptian were first gathered by the Nile bank for Agricultural purposes, and this relation was always characterized by a strong central state, so the social contract in Egypt initiated the political power not the nation state as in

the west. This contract was based on the strong state versus a weak society or weakened society¹⁶².

Since the Nasser era, the state explicitly derived its legitimacy from delivering social services and guarantying government jobs for youth. For a long period of time subsidy has been at the core of social contract between the government and the population, in a political system where political participation is highly limited¹⁶³.

The revolution in 25 January 2011 proved that Egypt was witnessing a new social contract where the society has become an independent actor and tried to regain its previously limited rights¹⁶⁴.

Nevertheless, after June 30, 2014 the relation between the society and the state has entered a new phase. In this phase, the state was able to regain much of its previously lost power at the expense of the society. It also represents a break from the previous forms of social contracts on both political and economic spectrum. The political rights were strictly controlled at the same time the government implemented the subsidy reform. This shows that the state is gaining power versus the society, so the government legitimacy is no longer based on or linked to providing goods and services to the society.

This leads us to the current situation, which is marked by the society's limited reaction towards the subsidy reform, which can be justified by the following reasons:

Atomization of the society and limited collective action:

¹⁶² (El-Siyasa El-Dwlyya)Amal Kamal Hamada, **Reshaping the State-Society Relation after the Arab revolution**, available in Arabic on <http://www.siyassa.org/NewsQ/2597.aspx> retrieved 10/10/2016

¹⁶³ Tammi Gutner, **Op.cit**, PP:2-3

¹⁶⁴ Amal kamal Hamada, **Op.cit**.

The continuous increasing burden especially on the middle class resulted in a fragmented society. The ordinary citizen has become absorbed by the impacted of the difficult economic condition. In addition the systematic failure by consecutive governments after revolution to perform effectively has led to prioritizing stability above other values as support of revolution wane.

Public opinion poll after the ouster of Morsi showed that when people were asked which is more important, having a democratic government even if there is a risk of instability, or having a stable government even if there is a risk it will not be fully democratic. The results showed that (54%) chooses stability, (44%) adopted the other view saying the priority should be democracy. In contrast to 2013 when (51%) prioritized democracy, while just (43%) prioritized stability¹⁶⁵.

And this should tell a lot about the major change in the Egyptian personality, where the years of political instability post the 2011 revolution, had made a large segment of people to stop believing in change and yet concentrate on their economic status and their priority has become to earn enough money, also the current war in Syria and Yemen in addition to the continuous violence and chaos in Iraq and Libya formed a solid perception for this large segment of people that any protest again the government will lead to a similar situation like the neighboring countries and the most famous phrase you can hear all over Egypt whenever you criticize any orientation or policies of El-Sisi administration was (isn't this better than Syria and Iraq).

¹⁶⁵ (Pew Research Center), **One Year after Morsi's Ouster, Divides Persist on El-Sisi, Muslim Brotherhood: Frustration Mounts as Confidence in Democracy Wanes**, 22/5/2014, available on: <http://www.pewglobal.org/2014/05/22/one-year-after-morsis-ouster-divides-persist-on-el-sisi-muslim-brotherhood/> retrieved 13/10/2016

Division of Political Actors:

The call for protest which was almost regular after 2011 revolution faded away since June 30th, 2013, and that was the main reason behind that there was no response to the April 6th Movement's call for protests against the political repression and the increase of fuel prices. moreover when one of April 6th activist, who held a banner in Tahrir Square reading “You [meaning the President] promised not to remove the subsidy, but you turned out to be a liar”, was promptly arrested¹⁶⁶.

Protests by groups affected negatively by the reform such as taxi drivers and minibus operators were dispersed by the police. The protest were minor and it seems that people adjust to the reform rather than resisting¹⁶⁷.

The wider context witnessed a fierce attack by the regime against Muslim Brotherhood (MB). The party was banned, and MB members tried to promote public resistance against the reform, but given the fact that they advocated subsidy reform when they were in power and even took steps in negotiation with IMF, this undermined their calls¹⁶⁸.

Generally speaking, the structure of political parties in Egypt has always been characterized by division and weakness and their dependency on the system, so the political arena didn't have a leading strong opposition party¹⁶⁹ to criticize the government objectively and offer practical solutions so the people had no public figure, opposition leader or party to hold on

¹⁶⁶ Laura M. James, *Op.cit*, P:14

¹⁶⁷ Ibid, P:10

¹⁶⁸ Ibid, P:14

· there were of course so many opposition leaders after the 2011 revolution like Mohamed El-Baradei and Hamdeen Saabahy, where both were driven by the system to almost be not active in the political systems like Elbaradei and to have limited activity in political arena like Saabahy, who was the presidential candidate against el-sis and enjoyed the support of wide ranged segment of youth, but now we rarely hear any statement from him. Also many of the young revolutionary forces that came into being since the removal of Mubarak from office in February 2011 have become far less active.

to or to trust. In addition, the political parties have weak connections to people, limited support, vague programs, and marked by personalization of parties and volatility. As a result, the parliamentary election showed a low turnout¹⁷⁰.

In the same context, popular movements like 6th April has been accused of being working to implement a foreign agenda and led by members who were trained abroad to change the regime in Egypt.

Repression against criticism and/or protests

As we mentioned before that the reaction of people to subsidies reform was limited specifically in term of protest and riots. This goes back to the general atmosphere of suppression of any protest attempt, and the spread fears of protest consequences among the people which deters them from taking this action

Moreover, El-Sisi speeches also included several messages that any protest will be tackled firmly, for example when he said in a speech in January 2015 "Take care when you are demanding your rights, take care, don't lead us astray with you", and in the same speeches he talked about allegations of human rights violations by the police, he said "we do not approve of them, but this is an exceptional stage in Egypt's history"¹⁷¹.

Also in his speech in September 2016, he said that "the army, along with police forces, will eliminate any danger that threatens Egypt. The army ,he added, has the ability to rapidly deploy

¹⁷⁰ (Al Arabiya Institute for Studies), Mohamed Farag, After 30th July... Coalition of the Egyptian new elite, 26 August 2014, Available at: [studies.alarabiya.net/ideas-discussions/بعد 30 يونيو تحولات وتحالفات النخبة الجديدة في مصر](http://studies.alarabiya.net/ideas-discussions/بعد%2030%20يونيو%20تحولات%20وتحالفات%20النخبة%20الجديدة%20في%20مصر), Retrieved: 2 Feb 2017

¹⁷¹ Joe Stork, **OP.Cit**

all personnel across the entirety of Egypt in just six hours", which was received by many a warning message towards any protest or criticism¹⁷².

Finally we believe that this form of state-society relation will not last for long especially after the harsh economic reform procedures taken by the government and will lead to formulation of new form of the social contract in which the society will try to gain more power and the main driving force will be inequity.

Future Scenarios:

The relationship between subsidy reform policies and political instability is complex, and depends greatly on the specific economic and political context the country faces when it is implementing the reform, where the negative public response to subsidy cuts can sometimes explode into something more destabilizing.

And regarding the Egyptian case we can conclude three future scenarios, these scenarios will be sorted by the likelihood of its occurrence:

¹⁷² **Taha Sakr**, **Egypt desperately needs you: Al-Sisi to illegal migrants**, 26/9/2016, Available on <http://www.dailynewsegypt.com/2016/09/26/egypt-desperately-needs-al-sisi-illegal-migrants/>, retrieved on 10/10/2016.

While there is a trend that riots tended to be inconsequential for political stability because mainly most riots are spontaneous, and don't have a clear agenda except for the prices. Therefore, it is difficult to sustain. While other trend believes that subsidy reform could play important role among other factors and affect the regime stability for example. In the Indonesian case, sudden increases in the prices of fuel and electricity by up to 70% breed deeper discontent about the regime. Student protests quickly spread to include other interest groups, which together called for ousting the old regime. In Sudan, President Nimeiry 1985 was forced out by a coup that followed wide protests sparked by an austerity package that included subsidy cuts. Spontaneous reactions from youth were soon augmented by more sizable crowds, demonstrations, and strikes, which led to demands for Nimeiry's removal. While subsidy cuts were not the main cause of instability, they were a trigger that reflected much deeper dissatisfaction with the president, and the country's economic policies. For more information in this regard please refer to: Tammi Gutner, Op.cit. PP: 5-14 and Bienen, H. S., and M. Gersovitz. Consumer Subsidy Cuts, Violence, and Political Stability. Comparative Politics, 1986. PP:25-44

1- Pessimistic Scenario (Chaos and violent protests):

The fact that the first tranche of removing subsidies went smoothly and without major protests does not mean that this will be applicable for the further tranches, and there is a high probability of chaos and violent protests and this scenario is supported by the following facts:

- The accumulative burden on middle and low classes along with the larger context of the country with the sky rocketing prices and implementing VAT law, without implementing extra social safety net measures, Then it is more likely that the muted reaction will turn to major protests and we believe it can extend to very violent. A clear evidence of this the taxi driver who set fire on himself protesting against high prices.
- The breakup of the coalition that supported 30th June and also supported El-Sisi to run for presidency, where liberals and some businessmen and the Salafists have gone away from power, while now only the military generals are running the country with a severe political, economic and social crisis. So basically the decision is always being made and implemented with any further discussion with other parties and actors or even stakeholders¹⁷³. And the subsidy reduction is a crystal clear example for this. where the decision was made without any further discussion with society stakeholders or a societal dialogue to prepare and involve the people with such an important decision that will affect their lives forever.
- Obviously the government will go the extra mile to get the second and third tranches of the IMF loan, and that means more austerity measures will be implemented, which means

¹⁷³ Ghada Ghaleb and Reda Ghoneim, **A Dialogue with the French thinker Alain Gresh :There is no system in Egypt.. and January 25 will not be repeated**, 4/10/2016, available in Arabic on: <http://www.almasryalyoum.com/news/details/1019230> Retrieved 11/10/2016

nothing for the normal citizens but another high increase in prices and decreasing the ability of many Egyptians to meet their basic needs.

2- The grey scenario (painkiller pills):

This scenario means that El-Sisi's administration will continue in its current orientation with no change, and yet tries to absorb the people's anger by some pain killer pills, and there are strong indicators on the real ground indicating that this scenario is currently being implementing, and some of the examples on the pain killers are as follows:

- The initiative of not buying any goods on 1st of December, to help in controlling the prices, and this initiative was publically supported by the head of the consumer protection agency who urged the citizens not to buy any goods on that day so they would force the merchants not to increase the prices¹⁷⁴. But the initiative wasn't very successful where the prices of the goods remained the same, and the boycott wasn't effective to reduce the prices, also this initiative raised a questions by citizens (if citizens will force the merchants to stabilize the prices, then what is the government doing?), and this reflects the lack of trust between the people towards the government's efforts to stabilize the prices.
- The initiative of the (The People is ordering "El sha'ab Ya'mor " (الشعب يأمر) which was introduced by a famous TV host called (Mr. Amr Adeb) where he on October 3rd, 2016 urged the government, food products companies, other basic goods companies and businessmen to reduce the prices of food and basic products by 20% for 3 months to help the people to cop up with the rising prices, and some businessmen and supermarkets

¹⁷⁴(Youm 7), **The consumer protection agency urges the citizens not to buy any goods on 1st of December** , 17/11/2016, available in Arabic on www.youm7.com/story/2016/11/17/2970824/ديسمبر أول السلع لمنع شراء السلع أول ديسمبر [open in new](#), retrieved 1/12/2016.

responded positively to this initiative and reduced their products prices, however this will only last for few months and then things will get back to its normal course. The initiative is being supported by some public figures like Gehan El-Sadat (Wife of President El-Sadat), and some businessmen reacted positively and reduced the prices of their products.

- The military intervention to ease any ongoing shortage like what happened in solving the subsidized baby formula that was illustrated in the previous section, where the citizens were distracted by the shortage of the product rather than the increased price of this important good for their babies.
- Political Rhetoric where El sisi's has always confirms that he has given orders and instructions to the government to monitor the prices and complete the data base to reduce the subsidies leakage, The main idea behind this was sending a message that the government is trying to take the necessary measures to tackle the soaring prices and helping the poor, but a very little has been achieved on the ground.
- The government's orientation towards borrowing heavily from several donors and institutes where Egypt is seeking this bulk of aid to promote its economic status and foreign reserve, however this doesn't attain any sustainability, and it's a pain killer of today but will be defiantly the headache of the coming decades for the future generations to repay these loans ¹⁷⁵.

· The government has taken the first tranche of the IMF loan and another 2 tranches will be secured in the coming three years with a total amount of \$12 billion, and another \$9 billion from other sources, including loans from the World Bank and African Development Bank. The Egyptian government is aiming to obtain low-cost financing to cut the budget deficit through a number of reforms, which include subsidy reform and the reduction of social spending.

The government is targeting \$21 billion over three years to finance its economic program. In addition to IMF aid \$ 12 billion, \$4.5 billion will come from the World Bank\$3billion and the African Development Bank\$1.5 billion.¹⁷⁵ The funds will be disbursed over three years, and both programs include major pillar related to energy subsidy reform. The first tranche of the AfDB and World Bank were disbursed and preparation for second tranche is taking place

It is also worth to mention that this scenario-that is currently being implemented- will inevitably be the bridge leading to the pessimistic scenario, since the painkiller's effect will not last long.

3- Optimistic Scenario (rationalize reforms and enhancing the social safety net):

This scenario includes a very peaceful process of change, and there are several pillars for this scenarios to be a reality, and these pillars are as follows:

- Assuming that there will be a major shift in the mindset of El-Sisi and his administration in tackling the economic perspective and realizing that huge budget deficit can be handled or reduced through other means not only or primarily by reducing and eliminating the subsidies.
- The gradual phasing in of price hikes, which will lead to less disruptions, and less rejection of the reduction of subsidies.
- Fighting the subsidies leakages and making sure the food/energy subsidies is being received by the people who actually needs and enhancing the SSN as mitigation tool for the harmed group.

However, unfortunately, we believe that there is a slight possibility for this scenario to happen since there is nothing on the real ground supports it except the hopes of the Egyptian people.