

The 1,000-Day Reform Program: Another Fairy-Tale?

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REFORM is known to come slowly in an economy like that of Egypt's. But, recent announcements by the government that it will begin implementing a 1,000-day reform plan to allow market forces to play a much larger role in the macroeconomy have left many in anticipation.

The government has yet to reveal its reform program to the general public and various ministries are still in the process of putting together their reform proposals.

Various ministers have talked about the possibility of introducing serious privatization

reforms as part of the 1,000 day reform effort. Others have talked about reforms in education, health care and even in the civil service system.

Of course, the concern of many international donors is focusing on what this document will outline in terms of macroeconomic reforms. The government's initial announcements that it will implement a 1,000-day plan left many international donors at odds since various organizations had thought that they had come to terms with the government on a host of initial macroeconomic reforms which is some cases exceeded or were to be implemented over time periods of less than 1,000 days.

With the government promising the public much in terms of reform the major concern of

many is that this 1,000-day reform plan may end up being no more than rhetoric very similar to what we witnessed in the late 1970s.

Now Prime Minister Atif Sidki and a host of his most prominent ministers have taken it upon themselves to promise to the general public that within 1,000 days the Egyptian economy will witness very serious signs of revival. This is truly interesting since for revival to come about the government will have to implement various structural adjustment policies in a broad spectrum of economic activities ranging from exchange rates, energy prices to public sector reform and privatization. The government has thus far failed to move significantly in any of these areas for various reasons, most of them political.

Has the prime minister been given the green light to proceed with reforms that may in the interim make life a lot harder for a considerable number of Egyptians? If the government abides by the agreed upon reforms with entities like the International Monetary Fund (IMF), electricity and fuel prices will rise significantly and the Egyptian pound will be significantly devalued.

In addition, the government will likely devalue the Egyptian pound significantly over the 1,000 days. Since Egypt imports over 60 percent of its raw materials for local industry from abroad devaluation will increase the cost of such inputs significantly. This will likely lead industrial producers to carry over these additional costs to the general public and in essence devaluation will fuel inflation by making both locally manufactured products and imports more expensive.

But, if Egypt is going to be effective in the export promotion game the exchange rate cannot remain at its artificial level. A correct exchange rate will enhance export growth and devaluation is the only means to this end. The removal of fuel and electricity subsidies and devaluation will likely be accompanied by a host of privatization reforms that will directly affect the lives of many redundant state employees.

The general public should be confronted with

the basic facts of how their lives will be affected by the proposed reforms the government has already promised international donors that it will implement.

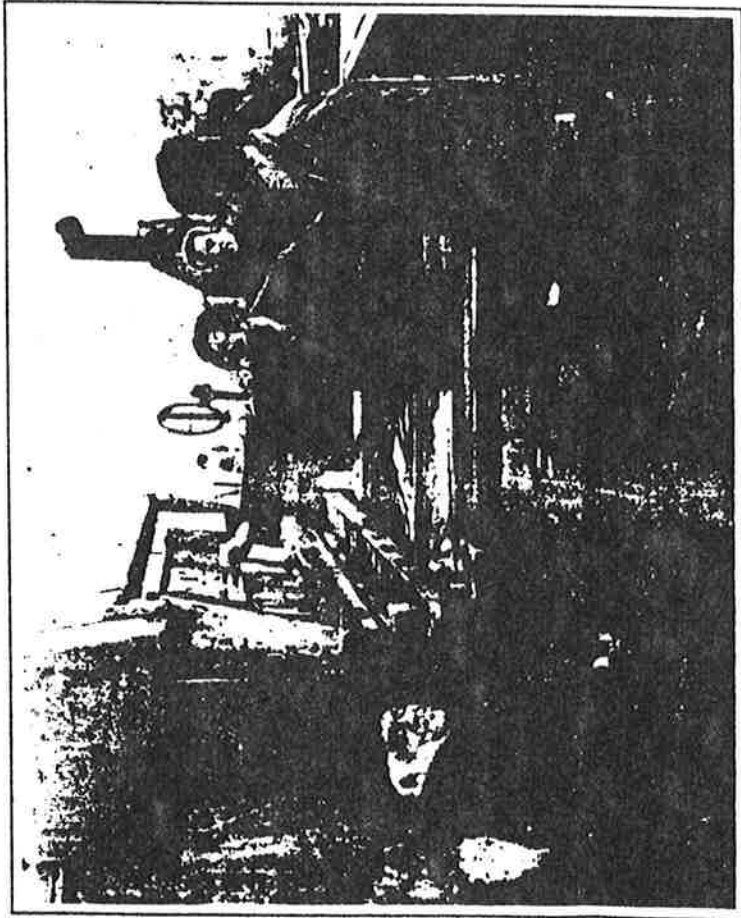
Structural adjustment will bring additional hardships to Egypt in the short term and the hope is that in the medium term the economy will show signs of growth and dynamism. But, this may not happen. The Gulf crisis has once again emphasized that two of our major foreign income earners are simply underperforming. Egypt's remittances and tourist revenues will continue to take a turn for the worst if the Gulf crisis is prolonged.

When the 1,000-day reform program is finally drawn out and agreed upon by the legislature one would hope that an accountability element will be included in the equation. Our ministers must be held accountable for the failure of whatever reforms they may choose to implement.

It must be remembered that many of these ministers have been in their posts for over eight years. In that period why have they not implemented the reforms they are now claiming will turn the Egyptian economy around in 1,000 days, or in just less than three years? What should make any one of us believe that in three years they can produce more effective results if very little has come out of their portfolios over the past eight?

And why a 1,000-day reform program? Was this number chosen because it is simply a nice round figure? Or is it because the Soviet Union is implementing a 500 day reform program and our officials feel that we will need twice the time to implement similar reforms? Or was the 1,000 days chosen because world figures like President John F. Kennedy and Anne Boleyn both met with serious misfortune after 1,000 days employing some serious end results for ministers that fail in their reform efforts?

Whatever the reason for choosing this time limit the ministers should not forget that if failure is the net outcome, President Mubarak and the general public may decide to hold certain ministers responsible for their miscalculations.



Make no mistake. It's going to get worse before it gets better.