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“Socio-Economic Malaise as a Security Threat - Which Model and Reforms for Egypt?”

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Selection of Input Statements

(as submitted by the participants; papers have not been edited by DGAP)
When the authoritarian regimes shattered in the Middle East and North Africa, the unavailability of organized political parties and formal platform of political expression exposed to a number of risks for the pace and extent of political change in the region. Despite the cohesion achieved among the protesters during the uprisings, the sheer lack of organized and effective pluralism in various political groupings makes transition process much more difficult in Egypt. In the process of political change, Islamic movements/parties such as the Muslim Brotherhood’s Justice and Development Party and Al-Nour Party emerged as the most organized political opposition groups and obtained the majority of the seats in parliament in the last elections. While for some it means an Islamic takeover, others talk about the viability of Turkish AKP (Justice and Development Party) model for the new regime in Egypt.

The AKP is a good example of how Islamic movements can evolve into moderate and pragmatic parties and function in a secular democratic system within a neoliberal framework. However it is my contention that to contribute to these discussions in an analytical level, different experiences in the Turkish and Egyptian neoliberal transitions on the evolution of Islamic business groups in both countries should be addressed. ¹ My previous research has shown that Islamic groups’ behavior over time and their differences from one another in undertaking a market-oriented direction can be explained through different levels of engagement of Islamic groups with elements of the state during the process of market transformation.

In Turkey, an export-oriented economic liberalization program facilitated the emergence of strong Islamic business groups. Small and medium enterprises (SMEs) in the Central Anatolia, the so-called “Anatolian Tigers” took advantage of the economic opportunity spaces that resulted from Turkey’s export-led trade policies in the 1980s. They generated enormous resources outside the control of the Turkish state, and invested these resources in their political party (the AKP), which were committed to more liberal and moderate stance in favor of business interests.

Contrary to Turkey’s market reforms, the Egyptian economic liberalization program had a limited impact in the periphery where Islamic sentiments are strong. The geographical distribution of SMEs has continued to remain quite uneven in Egypt. ² Unlike Turkey, provincial SMEs did not find any opportunities for benefiting from economic liberalization policies in Egypt. Large portions of SMEs

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¹ Islamic businesses are an integral part of the Turkish and Egyptian economy, and required to follow the rules set by the secular state. The term “Islamic business” is problematic, since there are no specific rules concerning the conduct which noticeably separates Islamic economic activities from their secular counterparts in Turkey and Egypt. Additionally, making such blanket generalizations about “Islamic business” is complicated because there are important ideological and organizational differences amongst various Islamic business groups. I employ the categorization “Islamic business groups” to refer to various individuals and economic groups who are affiliated with Islamic parties, religious communities, and business associations.

² Egypt is divided into twenty-six governorates (Muhāfāzāt), and four of them are urban’s governorates: Cairo, Alexandria, Port Said and Suez.
have clustered in the governorate of Cairo, followed by Damietta, Daqahlia, and Giza. Nine governorates – Aswan, Ismaliya, Matruh, North and Sud Sinai, Port Said, Red Sea, Suez and Wadi al-Gidid have accounted for less than one per cent of the total SMEs (Djoufekkit-Cottenet1999, 5). These governorates witnessed the rise of Islamic activism in the 1990s. Islamist groups such as the Jihâd and al-Jama’a al-Islamiya were active in Upper Egypt. Economic reforms deepened poverty in the Upper Egypt very badly where the upper poverty line reached to 91 per cent in the urban areas of the governorate of Asyut (Farah 2009, 48; Ikram 2006, 255). Among other reasons, the socioeconomic structure created by economic liberalization also contributed to the rigid division between the secular center and the Islamic periphery in Egypt.

The state’s retreat from the economy as the main provider of welfare services was not filled by the nascent private sector. The social contract created between Nasser and the middle classes officially ended with “the shifting of public service expenses to the private sector under ERSAP’s privatization program.” The state cut spending on health and education. For example medicare expenditures as a share of GDP fell from 1.9 per cent in 1981 to 0.6 per cent in 1995. According to Adly, government expenditure as a percentage of GDP declined constantly from an average of 36.8 per cent in the period 1990-95 per cent in 1995-2004 (2011,301). The overall result of this was a decrease in wages and an increase in unemployment for the middle and lower classes (Clark 2004, 47-48). Educated unemployment remained an especially challenging problem in Egypt. A 1991 estimate states that 78 per cent of unemployed Egyptians held at least an intermediate educational degree (Wickham 2002, 43).

It was in this stinking political and socio-economic context that state-Islam relations had another turn in Egypt. The Muslim Brotherhood (MB), the most Islamic group in Egypt, became the main critic to the regime’s economic liberalization policies and constituted itself as the main opposition group in the country. The MB by focusing on building institutions and social networks within the Gâmi’a Shari’a Sunna Mohemedia, offered a strong alternative to provide social services for ordinary people in the absence of the Egyptian state during the time of economic liberalization. The MB has continued to utilize the Gâmi’a Shari’a as the main instrument for islamization of society from the bottom up. Islamic social organization proliferated in the form of medical clinics, educational institutions, day care centers, orphanages, secondhand clothing shops and etc. These social organizations were registered with the Ministry of Social Affair under the category of Private Voluntary Organizations (PVOs). It is estimated the percentage of Islamic PVOs at 43 per cent in 1991 and the majority of them (56.8 per cent) were located in the cities of Upper Egypt (cited in Clark 2004, 50).

These organizations helped to alleviate the devastating effects of economic liberalization for the masses. As Halabi puts it “change in the political and economic order can be promoted and also impeded by civil society whose institutions help social groups to organize collective actions against the existing order, but these institutions can also absorb shocks originate in the economic realm.”

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3 The Gâmi’a Shari’a, the biggest Egyptian philanthropic society, was founded in 1913. It is estimated that Gâmi’a Shari’a possesses 450 branches in twenty-six governorates and has two million members ( Antar 2006, 16; Wickham 2002,100).
4 The number of religious organizations was 16,829 in 2010, compared to 12,832 in 1991 (Shehata 2012,8)
mitigate their impact on the existing political order” (2001). In the absence of business interests for the Egyptian Islamic constituency, Muslim social organizations began providing an alternative to the incumbent regime. This contributed to the strengthening of the ideological dispositions within the Egyptian Islam.

Unlike the Turkish counterparts, the Egyptian Islamic movement constituted its legitimacy by isolating itself from the state during the process of economic liberalization. The MB’s political and economic responses to the economic liberalization policies led to more confrontational relations with the Egyptian regime which prevented further interaction between Islam and the state. The economic activities of the MB, which were focused in areas where the state failed to invest during the market transformation, contributed the duality between Islam and market policies in Egypt.

Some of the businessmen I interviewed when I was conducting my dissertation fieldwork said Islamic business groups preferred to avoid association with the MB due to the risks associated with involving politics. 5 Under these conditions; it is possible to argue that business interests inside the MB were not strong enough to create ideological moderation during the Mubarak era. One of my interviewees from the Wasat Party claimed that the regime’s oppressive measures can partly explain the weakness of business interests within the MB. He said even though the MB’s top members, like al-Shater and Malek were multimillionaire tycoons, the MB as the main opposition group constituted its political discourse on the ideological stalemate which called for heavy state intervention in economy. 6

A younger generation of the MB leadership generally referred to as “the Middle Generation,” wanted to separate the Da’wa (missionary) activities from the party politics and sought to form an independent political party which would convey religiously-inspired yet secular messages in the mid-1990s (Stiltz 2010). 7 A younger generation of the MB sought to increase their ability to contest in parliamentary elections when the MB was trapped by the regime’s repressive tactics and its own stagnant ideology. The appointment of 74-year-old Mustafa Mashur as the new Supreme Guide in 1996 increased the ideological alienation and generational conflict among the young members and accelerated the formation of the new “Wasat” Party in the same year. The Wasat Party claimed itself “a centrist civil political party with an Islamic frame of reference”, and adopted more moderate position in comparison to the MB.

The Wasat Party applied for a licence four times in 1996, 1998, 2004 and 2009, but all of them were denied by the Shura Council’s Political Parties Affairs Committee. The Wasat Party initiative was also not welcomed by the so-called old guard within the MB. Deputy General Guide Hudaybi harshly criticized the new initiative, and ordered all Brotherhood members who had joined the new party to return to the MB or face expulsion. The MB leadership as having enjoyed almost a total monopoly over Islamic political society feared the possibility that the new Wasat Party would cause a major change on the balance between the regime and the MB. What is certain is that the MB’s fierce

5 In January-March 2012, in Cairo and Alexandria
6 In February 14, 2012, in Cairo
7 The most prominent names belonged to this group were Abu al-Ela Madi, Salah Abdel Karim and Issam Sultan. This group also known 1970 generation (jil al-saba’inat) gained political experience in professional syndicates and they became more discontented about the exclusionary decision making structure of the MB (Stacher 2002, 419).
opposition to the Wasat Party contributed to the persistence of the current configuration of power in Egypt.

Despite the fact that the Wasat Party adopted a more liberal position on various sensitive issues, including the role of Islam in political and economic life, principles of democracy, minority rights and liberal economy (in sharp contrast to the MB’s public discourse), the Wasat Party has remained weak in moderating political Islamic groups as well as in transforming the secular state agenda toward political Islam in Egypt.

The Wasat Party’s economic policy is quite similar to the Turkish AKP which endorses a liberal economy, free market and greater integration to the world economy. In sharp contrast to the MB, the Wasat Party did not take a critical position regarding the Egyptian economic liberalization reforms. According to the Wasat Party Program in 2007, the state is responsible for the protection of private wealth and for providing the right incentives to the owners of capital to invest in development projects. The state is also equally responsible for achieving social justice. The party opposes the public financing of state owned economic enterprises, and called for privatization of most of them to cut the state expenditures.

Like the AKP Party Program, the Wasat Party Program has a special section on the SMEs. The SMEs are defined as the backbone of the Egyptian economy. The party program suggests that zakat (almsgiving) and sadaqat (voluntary donation) should be used for supporting and funding SMEs. It says “the role of zakat could be extended to support and fund SMEs which would contribute overcoming unemployment and poverty” (2004,12). However, “unlike the AKP where the party was able to build on the success of the liberalization program and compensate for the dislocations by way of increased social spending and unemployment benefits, the Wasat Party has been unable not able to find a healthy balance between a liberal economy and social protection, or a constituency to support its endorsement of the status quo. The outcome is minimal support among the peripheral business and masses” (Abdulkadir 2010, 248).

To what extent will the recent revolutionary movement be a turning point for ideological moderation for political Islamic groups in Egypt is still an open question. It remains yet to be seen whether Egypt’s new political order will be accommodative enough to prompt a change in the state-Islam relationship in Egypt. The new order has serious work ahead. But based on the Turkish AKP experience, one can argue that Egypt’s economic reforms necessitate the integration of small and medium size Islamic business groups with the market in the peripheral quarters. As these provincial Islamic business groups begin to prosper and integrate with the global economy, they will commit to a more liberal and moderate stance in order to forward their own business interests.

WORKS CITED:


The Way to Human Capital Development in Egypt

By Noha Nassar

Human capital is one of the main components in any process that aims to improve the business climate. Integrating human capital as part of the production process has its direct effect, still, the process, in its turn, has its effect on human capital. It is a two-way relationship between the production process and human capital.

Egypt is one of the most populated countries in MENA region with a population exceeding 80 million more than half of them are younger than 24 years old. Considering the yearly increase in population size, it becomes more important to reinforce the role of human capital as an essential engine for improving the business climate. But the human capital development in Egypt faces great challenges (like unemployment, educational system, poverty, gender and agriculture health, housing, and transportation…etc)

So, the question is: how could Egypt develop and implement policies to invest in human capital and achieve the development?

The paper firstly discusses the challenges facing Egypt. Secondly, it suggests some solutions or policy viewpoints that could help overcoming these challenges and achieving human capital development in Egypt.

The challenges

Unemployment

Unemployment is a critical problem facing the international community; its rate and effect vary from state to another according to the state resources and capabilities to absorb the amount of graduated youth every year. It is a fact that (and of course) unemployment rate is higher in developing countries than the developed ones. One of the figurative countries of the third world is Egypt which has a very high unemployment rate especially in the educated youth. Every year the Egyptian society faces a large amount of graduated youth in every field who don't find job opportunities to be employed.

Unemployment became a structural multifaceted problem that has many root reasons. First of all is the nature of the economic system in Egypt whether it can be classified to be socialist or liberal. It is notable that these dichotomies became old-fashioned and inappropriate for any sound analysis. Still, to draw economic policies and create job opportunities is related to the philosophy of the economic system. In Egypt, there is a lack of a coherent economic, henceforth employment, policies because of the absence of a clear definition to the nature of the economic system. Another reason is the mismatching between the governmental educational institutions and market requirements. This is related to the philosophy of education per se that is tackled in the following point.
Education

Questioning why education doesn't produce a competitive and capable graduate for the market is significant in terms of the problems within the education scheme per se.

Egypt suffers from the shortage of skilled labor force and this can be explained in reference with the failure of the education policies. Such failure can be easily touched in many manifestations, such as the quality of education, inflations in classes and the increasing rates of drop-out from schools and universities. In spite of the government tries and spending to improve the income of teachers and providing programs to train them how to develop their teaching methods, they still unqualified. Public school suffers from the shortage of courses that could enhance the capabilities of the student in activities like sport, art, music, and technology. Also Egypt lacks the philosophy of the training; the school just focuses on giving certificate without a parallel focus on understanding or guiding the students how to implement what they learn. Besides, illiteracy still exists as a threat. One of the most important initiatives to fight it was “Reading for All” during Mubark's rule. It encouraged erasing illiteracy and also enhancing the skills of reading and writing of the young students. But empirically, it wasn't adopted for all over Egypt, the government focused on the capital, Cairo, and abused the regional, didn't reach the poor in the Upper Egypt who really needed it; and during the last decade of Mubark's rule it died slowly like a lot of initiatives.

Poverty

Egypt like many developing countries still has a high poverty percentage, in spite of the high economic growth during some times of good policies. The numbers of poor has increased over the last decade, because of the rampant corruption in the body of the Egyptian system as whole. Causes of poverty persistence in Egypt are due to some structural problems such as the rigid centralization, the absence of good governance, the shortage of proper execution policies and programs, low productivity and wages, long working hours with harsh conditions, high prices of basic goods and services and insufficient employment opportunities. The poor have to accept the bad conditions with a low wage because they need money even it not much just to survive. It's a very big obstacle faces the development in Egypt.

Gender

However women participation in the Egyptian society is becoming more effective during the last three decades, women still struggle for their rights for having a job opportunity and a good conditions for a good life. It's a fact that the numbers of unemployed educated female are high than males in Egypt.

Large numbers of female workers are suffering from discrimination in wages between males, a low wage with along working hours. When some sectors want to fire their workers according to financial

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1 That's why many literatures in the ILO coined the term "decent job", referring to the human and safe conditions of work.
reasons, they start with women, like what happen in the privatization policies, a high number of female workers in public sector companies were laid off.

Agriculture

Egypt is one of the greatest agricultural countries in the world. It’s classified as an agricultural country during its long history because of the Nile River and its fertilized land. Agriculture stills the main activity in the Egyptian economy and the most important source for income and employment to the rural majority people of Egypt. Over the three last decades there were a lot of encroachments in the agricultural land because a lot of return emigrants’ remittances used in building new huge houses on agricultural land. On the other side the government instead of giving the youth land in desert to reclaim it and contribute in increasing the agriculture area, it gave it to the business men with very low prices, to achieve a personal profit, and this because of the corruption policies in allocating land which government adopted. The great threat to Egypt now is the scarcity of agriculture land and this may led to food crisis in a country with more than 80 million people.

Policy Viewpoints

As explained above, Egypt is facing a lot of challenges or drawbacks stop forward at the Egyptian economy and the whole process of development. The best, ideal and empirical solution is improving its human capital which is an asset because it posses more than 80 million human resource. We try to draw policy viewpoints may contribute in providing some solutions to the challenges that Egypt faces.

Regarding Unemployment

These are some suggested viewpoints:

- Adopting new policies encourage increasing the domestic and foreign investments, and also increasing the role of private sector by reducing the obstacle which it faces.
- Focusing on the goal of job creation, by improving the work conditions and solving the informal sector problems.
- Raising the productivity by upgrading and enhancing the youth skills, use their energy to increase the innovations, so Egypt should invests heavily in its human capital and this request raise the spending on vital fields such as health, nutrition and education.
- Reforming the public institutions and in the same time achieving growth in the private employment.
- Legislate a law to determine the minimum wage; it should be suitable for facing the high prices of goods and services; In align with confirming the state protection and role in monitoring and balancing the movement of supply and demand.
- Fighting the fiscal and the administrative corruption (like: hiring nonqualified person just because he is relative to the director of the institution “nepotism”) in the governmental institutions, and firing the bribed employees.
- Achieving the balance between the social justice in the short term and the employment growth in the long term.

**Poverty reduction**

One of the very important goals of the Millennium developmental goals is fighting the poverty and reduces it to its half rates by 2015. We have three years later and there isn’t any hope to reach this goal. Some of policy viewpoints are suggested below to fight this challenge in Egypt; like:

- Small and medium enterprises (SMEs): what SMEs can provide to reduce the poverty in Egypt? According to Egypt Human Development Report 2005, SMEs contribute to total value added and GDP, from 25% to more than 40% over a ten year period. Since 1980, SMEs formal and informal in all non agricultural sectors considered as the main private sector employment. It characterized by its ability to offer large numbers of jobs at a low cost. It provides affordable goods and services for poor who can work within it or benefit from it and improve their life conditions. It encourages the young ambitious entrepreneurs to achieve their innovation and experimentations. despite SMEs depending on own saving and private resources , government put some barriers like , not giving premises for building, so there is a need to legislation and to flexible labor laws, especially for women who heading households, they are the poorest of the poor in Egypt. Moreover, if we look to the marketing and trade systems we see that they have to be more developed, to raise the competitiveness of SMEs products in local and international markets by providing SMEs with the efficient mechanism for marketing their products and providing them with market information and quality control. Providing them by soft loans and also increase its access to bank finance and financial leasing.

- Fighting slums by reallocate the poor to new areas saving their humanity by improving the quality of life and the standard of living, and enhancing their capabilities through education and training especially in rural areas.

- According to the World Bank’s Poverty Reduction Strategy (2004), it recommended three important strategies based on :
  - Increasing current earnings through growth and employment: through reducing the rate of inflation, decentralization of public investments plans and focusing on labor intensive investments, supporting the rural development by extending the agriculture area and facilitating the financing of small farmers particularly in the Upper Egypt.
  - Increasing future earnings through education: reducing the cost of education to the poor, building more schools in poor areas and encouraging girl’s education
  - Protecting the vulnerable through social safety nets: the governmental cooperation and working with NGOs in identifying and enrolling the poor in remote areas in
social assistance programs, improving the poverty-orientation of the Social Fund for Development (SFD) by facilitating private remittances and charity payments to the poor.

**Educational system**

Some recommendations policies are suggested such as

- Focusing on enhancing the quality and the efficiency of the education system at primary and secondary levels.

- Upgrading the skills of teachers by training them on new ways of teaching and in the same time adopting a performance evaluation system.

- Ensuring the education for girls and poor by reducing the cost of education especially in basic education.

- Improving the technical education by upgrading its quality through reforming the vocational training system by establishing accredited training centers benefit from the energy of the students in manufacturing in the future.

- Increasing the capacity for innovation by increasing the collaboration between the private sector and universities in order to achieve more productivity and competitiveness.

- Improving the schools health insurance.

- Fighting illiteracy through the active role of civil society groups.

**In the agriculture field**

Reforming the agriculture sector in Egypt is an essential matter to enable it achieving a sustainable development, through:

- Supporting the rural development through the agricultural extension by reducing pollution and stopping the encroachment on the agricultural land and the wasting of resources.

- Improving the farmer’s income through enhancing the productivity by using technological means, implementing advanced researches, improving the veterinary services and facilitating the crops transportation.

- Providing fair crop prices for the farmers and expanding the agriculture in high value crops.

-立法 a new law for the transparency in allocated land with facilities for youth to own land for agricultural reclamation and giving priorities in land ownership for the landless and small landholders.

**Gender**

- The great investment in girl’s education is a real investment in the Egyptian human capital, with expanding the female vocational schools. According to World Bank report 2004, the impact of female education on GDP and poverty reduction has positive effects on the
economic growth, and according to ILO report 2008, education and skills enhance the productivity of both women and men and increase their job opportunities.

- Women’s labor force participation contributes in the welfare of the family, improving income, health and children’s education, so the government should facilitate work conditions and family life for women; this will happen through fair wages, suitable work hours, good social and health insurance.

Conclusion

To achieve a sustainable development, Egypt should develop a new human resources strategy to improve the quality of its human capital. It should focus on job creation for youth by facilitating the operations of local and international private entrepreneurs, Improving the business climate by upgrading youth skills through enhancing the quality of education, training and innovations, increasing female participation in the labor market, supporting SMEs in urban and rural areas, reforming the agricultural sector and strengthening the food security and improving the trade policies and agreements. By adopting these policies, Egypt will be able to achieve its human capital development
Youth Unemployment in Egypt - Short-term Policies Supported by External Actors

By Silvia Popp

Even though today’s young people are better educated than previous generations, they face all over the world enormous problems when trying to find decent employment. Worldwide about 75 million young people between 15 and 24 years are currently unemployed. Many more are underemployed or vulnerably employed. The International Labour Organisation (ILO) is warning that this situation may lead to a lost generation and also that it may pose a threat to social cohesion. With respect to the events of the Arab spring, the ILO’s social unrest index indicates that unemployment and a decline in disposable income (and to a lesser extent a rise in international food prices) are most strongly associated with an increasing risk of social unrest. Therefore, high youth unemployment is one of the most important causes of the recent social and political movements in Egypt. The question arises what external actors can do to support and foster the economic inclusion of young people in order to avoid continuing social unrest?

Due to the youthful age structure of Egypt, a large number of young people enter the labor market every year. The youth bulge – a very high proportion of young people between 15 and 24 years in the total population – has already peaked in Egypt shortly after the millennium. Since then, the share of youth in the total population started to decrease, even though the absolute number of new labor market entrants continues to grow. Partly as a result of the demographic transition, in 2010 Egypt faced a very high youth unemployment rate of more than 25 percent (54 percent for young women). The Egyptian economy has been unable to absorb large youth populations into the labor market. The employment scenario for young people has been worsened in consequence of the Arab spring, so that the youth unemployment rate might be even higher today.

However, the high level of youth unemployment in Egypt is not new. According to data from the ILO, the youth unemployment rate was on the similar level with 23 percent in 1998. The rate declined since the late 1990s and rose again after the recent global financial crisis. Furthermore, youth unemployment rates in Egypt are more than five times higher than those of adults. Unemployment in Egypt is, therefore, primarily a youth problem. Mostly affected are young people after graduation in vocational education and training (VET), followed by university graduates. Nevertheless, young people who leave school with few or no qualification have problems finding employment, too. There is rising concern about the so called NEETs, young people who are neither in education nor in employment or training. Some of these young people have left the labor market, which means that they simply have given up looking for a job. Therefore, the unemployment rate alone does not reflect the complete situation, as many young people who have left education do no longer appear in labor force statistics.

2 UN Population Division: World Population Prospects: The 2010 Revision
Another labor market indicator, the employment-to-population ratio, defines how many of the working age population are actually employed. The youth employment-to-population ratio is defined as the proportion of an economy’s population between 15 and 24 years that is employed. This ratio increased between 1990 and 2010 from 22 to 25 percent. This was mostly due to an increase in female labor participation resulting from higher education of young women. There are, however, enormous gender differences: in 2009 the male youth employment-to-population ratio (15-29 years) stood at nearly 53 percent, while the ratio was below 10 percent for female youth. The youth employment-to-population ratio is at a very low level and can be interpreted as an economic development characterized by employment creation which fell short of population growth. Additionally, a low ratio shows that a large share of the young population is not directly involved in market-related activities, because they are still in education, unemployed or out of the labor force altogether. A very high youth unemployment rate in combination with a low youth employment-to-population ratio highlights structural labor market deficiencies. There is an increasing inactivity rate among young Egyptians, who depend on state or family assistance. The duration of unemployment spells for first-time job seekers following graduation from university or VET may last for years – a situation named waithood or stalled transition. For young people it has become nearly impossible to reach the full status of adulthood, due to the lack of job opportunities. Without having a good job, the chances of marriage and leaving the parents’ household to buy an own house are restricted.

The reasons for high youth unemployment are complex. On the labor supply side, there is a skills mismatch between qualifications obtained in universities as well as in VET programs and qualifications requested by employers, especially in the private sector. Egypt’s investment in VET programs over the last years resulted in limited success: there are still only weak linkages between the educational contents and the requirements of the labor market. A recent study of the International Finance Cooperation and the Islamic Development Bank in Egypt found out, by asking human resource managers, that only 29 percent of newly hired university graduates have appropriate hard skills. The share was even less for VET graduates, only 16 percent have appropriate skills. But skills mismatch is only one aspect – even though it is the most frequently cited aspect of youth unemployed in the North African region.

With respect to the labor demand side, the Egyptian economy is characterized by an unbalanced growth within the different economic sectors in a non-diversified economy, which depends heavily on agriculture, tourism, and cash remittances. The majority of the newly created jobs belong to the informal economy. Between 1998 and 2006, the share of informal employment in total employment increased from 49 to 58 percent, resulting in a higher demand for unskilled workers than qualified employees. Skills mismatch is highly associated with the preference of young people for public sector jobs, since the Government of Egypt introduced employment

5 Population Council West Asia and North Africa Office: Survey of Young People in Egypt, 2011
6 Wolfensohn Center for Development: Stalled Youth Transition in the Middle East – A Framework for Policy Reform, 2008
7 IFC and Islamic Development Bank: Education for Employment – Realizing Arab Youth Potential, 2011
guarantees for university graduates in the 1970s. This policy has been especially attractive for young women, who, after the public employment guarantees has been abandoned, face the biggest problems in finding a decent job. Therefore, unemployment is a structural phenomenon of the Egyptian labor market, youth being disproportionately challenged.

The current political instability and the economic downturn will intensify the struggle for young people to find a job. The creation of good jobs with decent working conditions and employment according to obtained qualifications will be the main challenge for the next decades. Policy responses must correspond to the different reasons for youth unemployment. Appropriate policies must address structural labor market deficiencies like missing job opportunities in the private sector (including a growth strategy), tight regulation of employment, and insufficient investment in diversification of the economy. Furthermore, there is a need for structural reforms of the education system. Most promising are well-functioning dual education systems which combine on-the-job training with schooling. The dual education system tends to reduce the youth unemployment rate in countries like Germany. It is, however, obvious that deficiencies cannot be solved in a short period of time.

In addition to the structural economic reforms and investments in the education systems, short-term activities and programs are needed and they can be supported by external actors. There are two main options for short-term policies in co-operation with external actors. First, for university and VET graduates bilateral or multilateral temporary migration programs can be designed in order to enhance the skills of young graduates and to let them gain their first work experience in foreign countries like Germany. According to ILO data, more than two-thirds of unemployed youth in Egypt would consider emigration for employment purposes. Temporary migration programs may reduce the pressure on the labor market in the short run. The technical knowledge and language skills which young people may acquire and the networks they may build up over time are investments in human capital. All this is necessary for economic development and it is a chance for international co-operation in the long run. In combination with credit programs and other return incentives addressing the returning young people, such programs may boost further development and contribute to a diversification of the economy by supporting business start-ups.

Not only by enhancing the probability of gaining decent employment, the international community can also help to improve democracy-building capacities for youth in order to sustain the political transformation in the North African region. The German Federal Parliament has decided to enhance its International Parliamentary Scholarship (IPS) for additional 100 university graduates from the Middle East and North Africa. This program is designed for graduates with an interest in politics, offering them the opportunity to gain first-hand experience of the German parliamentary system and political decision-making processes. The aim of the program is to support democracy-building in the Arab world.

Second, the quality of VET programs, voluntary courses on business start-ups, and on-the-job-training can be improved with the help of external actors, as shown by the European Training Foundation’s intervention strategy in Egypt and different projects of the ILO’s Youth Em-

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10 ILO: Global Employment Trends for Youth, 2010
11 http://www.bundestag.de/htdocs_e/bundestag/international/exchange/ips/arabian.html
ployment Programme (YEP). Such programs focus not only on knowledge building but also on changing the preferences among young job seekers from employment in the public sector to employment in the private (informal) sector, on school-to-work transition, on career guidance (linkages between education and employment), and on addressing the role of women in the labor market. In addition to VET programs, active labor market programs (ALMP) can help to generate employment in the short run and to improve the qualifications of young people, for example by labor-intensive public work programs, wage subsidies, and employment intermediation services. These programs can be provided privately or publicly. Due to budget constraints, international financial assistance is necessary. Unfortunately, a recent evaluation of private ALMP in North Africa which was carried out by the World Bank concluded, that there are major constraints to implementation. Amongst others, there is a lack of stakeholder co-ordination, a majority of supply-driven programs which are not combined with employment services and intermediation, and a targeting towards male university graduates from middle and high income households. Further evaluation of the existing programs is required in order to ensure appropriate policies for the Egyptian labor market involving all stakeholders from the public and the private sector.

However, temporary migration programs, VET programs and ALMPs cannot serve as a substitute for a comprehensive employment strategy focusing on the labor demand side of the market and ensuring a stable macroeconomic environment. In Egypt more young people will crowd into the labor market over the next decades. These young people provide the basis for the economy and society of tomorrow. Therefore, they should be seen as a chance for economic and social development one has to invest in, instead of regarding them as a security threat. Political transformation in Egypt must go hand-in-hand with economic and social development and the creation of good (decent) jobs for youth. If not continuation of dissatisfaction with the political and socioeconomic opportunities and social unrest may be expected.

14 The World Bank: Non-Public Provision of Active Labor Market Programs in Arab-Mediterranean Countries: An Inventory of Youth Programs, 2010
1. Introduction

Much has been said about Egypt’s risks and challenges after the fall of Hosni Mubarak’s regime on 11 February 2011. Observers discussed the potential threat that rising Islamism would bring for (a) Egypt’s core income generator, tourism, (b) Egypt’s fragile minorities, especially the Copts, and (c) the region’s overall stability, i.e. with respect to Israel. Only little attention has been paid to Egypt’s fundamental structural problems, namely it’s insufficient economic structure. The country cannot survive without massive external support, and the economy is not prepared for more competition from both within and outside. Therefore, the main thesis of this paper states that Egypt’s biggest threat does not result from potential religious fundamentalism (action problem) but from the lack of sound economic potential (structural problem). This having said the author wants to avoid misunderstanding in a way that it is not his intention to deny that Islamism (especially in the form which is promoted by the second-biggest faction in the Egyptian national assembly, the An-Nour party) does bring tremendous problems for the democratic future of the country. The intention (and therefore the main thesis) of this paper is to show that apart from the dominating public discourse there are serious constraints and shortages that deserve at least equal, if not even more attention, and ask what the EU can contribute for Egypt overcoming the upcoming economic challenges.

2. Economy and democracy – two sides of the same medal?

It is one of the oldest discussions within political science which connection exists between democracy and the economic system. Though challenged by exceptions (such as India as a poor but functioning democracy), the mainstream claims that democracy though not necessarily requiring sound economic development, a “healthy” economy increases the chances for democracies to settle, prosper and survive. This goes for well-established democracies and even more for transitional countries as yet-to-develop democracies.

In consequence, it can be said as Hypotheses A that The better an economy is functioning, the higher are the chances for the democratic system to be accepted by the people. Further, we assume Hypotheses B that Free market economies offer the best conditions for generating income and coping with external economic constraints such as short-term shocks or long-term crises. Finally, Hypotheses C states that Market-economies need social securing to care about those who cannot adapt to economic restructuring and transformation quickly enough and are therefore prone to precariousness.

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2 Germany can be quoted as an illustrating example for both cases: When after the fall of the Berlin wall and the country’s unification the German economy came under pressure in the early 1990s (especially in the Eastern parts, but also in the West), political extremism and violence rose in both parts of the country. Homes for asylum-seekers were ignited in several cities, for example in Rostock (1991, East) as well as in Solingen (1993, West). Right-wing parties such as the DVU or the NPD gained so far unseen shares in votes and parliamentary seats in Sachsen (East) as well as in Baden-Württemberg (West).
3 In addition, the “reversed relationship” is also worth mentioning: economic growth should be embedded in democratic structures to avoid crony capitalism and corruption. Otherwise, the risk exists that only the well-established
3. Economy and democracy in Egypt: The myth of successful privatisation

An internationally comparative analysis of the relation between democracy and market economy, for instance done by the Transformation Index of the Bertelsmann Stiftung, shows that Egypt is “above the trend,” meaning that the level of market economy is more developed than its level of democracy, compared to the international trend (cf. figure 1).

Reason for this was the central interest of the Ahmed Nazif government (2004–2011) to modernise and restructure Egypt’s stagnating economy without political reforms. Before, the Egyptian economy had been competitive with the world market in only rare sectors, so now (not least due to the pressure of international donors) the Egyptian government started an unprecedented privatisation programme. Some results were impressive, such as in the area of telecommunications and media. New telephone providers ended the monopoly of state-run Egyptian Telecom, new TV channels blew fresh air into the unbearable blah-blah of stone-age state TV ERTU.

Though these progresses were widely visible and welcomed by a huge majority of people, the government forgot to (or, more precisely, willingly did not) consider the social side of privatisation. More and more people lost their jobs, the reduction of state subsidies for core products of daily use made prices rising, the well-connected decision-makers saved the biggest piece of the economic cake for themselves – if somebody was about studying crony-capitalism, Egypt was the ideal case.

A timeline comparison of the BTI Market Economy Status Indices 2006 to 2012 offers interesting insights into the overall progress of Egypt’s economy reform, but also into the most urgent problems that remain to date. Figure 2 illustratively shows Egypt’s improved ranking in the “Market Economy Status Index” of the biannual Bertelsmann Transformation Index (BTI) over time from the BTI 2006 to the BTI 2012 by 0.97 points.

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elite benefits from economic upswing, meanwhile the majority of people still remains in poverty and precariousness; cf. Drury / Kriekhaus / Lusztsig (2006).


5 cf. www.bti-project.org/atlas, 2 May 2012.


7 cf. Völkel (2012c).

8 cf. footnote 3 for theoretic reference.

9 cf. footnote 3 for theoretic reference.

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4.46 5.36 5.43 5.43 Score

1  #89 #66 #68 #67 Ranking

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On a scale from 1 (bad) to 10 (excellent), Egypt’s economic transformation was scored 4.46 in the BTI 2006 but jumped to a 5.36 in the consecutive BTI 2008, mostly due to the impressive economic reform programme of the new Nazif government. These were the times when the World Bank called Egypt the world’s “top reformer” in their 2008 Doing Business report. However, from that time on, the reform speed came to a halt, and no real improvement was any more measured; Egypt remained a “market economy with functional flows.” So, after the hopeful start of the Nazif government, disenchantment and frustration took place over the disruption of economic improvement and the non-realisation of hopes and promises – “Egyptians felt no hope in their future.”

**Figure 3: Development of single Economic Indicators BTI 2006 (left) to BTI 2012 (right)**

A detailed analysis of Egypt’s economic development as done by figure 3 shows another striking result. Out of the seven criteria within the BTI Market Economy Status Index, five show remarkable improvement in the period BTI 2006 > 2012, namely +2.0 for “Private Property” and “Economic Performance,” +1.2 for “Market Organization,” +1.0 for “Sustainability” and +0.5 for “Currency and Price Stability.” No progress, though, was measured in “Socioeconomic Level” and “Welfare Regime” – both being the socially relevant ones. Having the first showing the overall economic living-conditions a society has to live in (and which, as can be seen, is with 3.0 extremely low in Egypt – comparable to the situation in countries such as Angola, Iraq, or Zimbabwe), the latter indicates how people struck by poverty and economic exclusion are supported by the state – and also here, Egypt performs bad (4.0).

The picture does not get better when Egypt gets compared with the regional average, as done in figure 4. Being roughly on average in the criteria that improved after 2006, “Socioeconomic Level” and “Welfare Regime” (accompained by “Sustainability”) are clearly below the regional average. In sum, we can confess that the social aspects of the economic reform process have been neglected by the Egyptian government; no progress has been reported in these areas, and the relevant criteria are worse than the MENA regional average.

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13 The MENA region as understood by the BTI comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Iran, Iraq, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, Turkey, UAE, and Yemen.
The year 2011 brought further deterioration for Egypt’s economy, with an unprecedented decline in tourism and investment. Hence, the Supreme Council of the Armed Forces warned in summer 2011 that 70% of the Egyptians live below the poverty line, with 25% unemployment rate (and even 60% youth unemployment rate).15

4. Europe’s part in Egypt’s start

Before the 2011 turmoil, the European Union contributed 33% to Egypt’s imports (2010: US-$19,557 mio.) and received 39% of Egypt’s exports (2010: US-$9,372 mio.), making the EU Egypt’s most important trading partner. A stabilisation of Egypt is hence also from an economic perspective of utmost importance for the EU. However, the possibilities to support the economic development are restricted, not least because of the EU’s own current fiscal problems. Much money is not for distribution these days.16

Egypt’s huge population (82 mio.) in combination with its high population growth (+1.98% for 2011)17 require a high economic growth rate for keeping the GDP/p.c. stable – if not making it grow. The most recent GDP growth rates were promising (between 4.7 and 7.2% since 2007) but fell to 1.8% in 2011.18 In addition, the public deficit grew tremendously, summing up to ca. 10% of GDP in 2011 and 2012; the public debt will amount to ca. 85% of GDP.19 Here, external budget support is indispensable, but the EU’s possibilities are limited. According to IMF estimates, US-$10-12 bn. are needed to meet Egypt’s financial needs over the next 12-15 months. Therefore, a cooperation of several international donors is imperative, incl. the US, the Gulf Cooperation Council countries, and the IMF.20 However, latest news show that there are huge reservations within the current parliament towards IMF loans, as only 6 out of the 365 parliamentarians support the lending plan.21

For future development, plenty of investment possibilities exist, especially in the area of alternative energy. Though still in its infancy, the potential and need of alternative sources for Egypt’s growing energy demand (annual consumption grows by 8%) have been identified. A 150mw hybrid power plant with solar components has been opened in Kuraymat in summer 2011, and a thermal power station with a gross production of 1,300mw is under construction in Ain Sokhna,

14 Graph produced with the BTI 2012 Transformation Atlas, cf. http://www.bti-project.org/atlas, 2 May 2012. The red line indicates the regional average value. Besides the economic criteria, the criteria from the “Democracy Status Index” (purple shaded) as well as from the “Management Performance Index” (orange shaded) are also presented, but will not be discussed in more detail here.
16 Besides the financial problems, many observers refer to the EU’s internal inconsistencies that make EU policies in the MENA region little stringent; cf. for example Schumacher (2012).
17 Estimates by the CIA World Factbook.
20 cf. Völkel (2012d)
both with European support. Last year, the World Bank has announced grants for the extension of wind and solar energy production of US-$ 220 mio. and 270 mio. respectively, so more investment is promising.

A second rewarding field of cooperation is the strengthening of Egypt’s small and medium sized enterprises (SMEs) whose perception and estimation is still underdeveloped. Egypt suffers from the “missing middle” phenomenon, meaning that only few big companies are internationally competitive, meanwhile the bulk of enterprises are small: 92% of Egypt’s companies have less than 5 employees and do not have the potential to export goods. In consequence, the vast majority of economic actors cannot contribute to the acquisition of external income. Tackling that, the European Bank for Reconstruction and Development (EBRD) has elaborated a “Transition to Transition” initiative last year, offering insights from Europe’s own transformation experience in 1989/1990 and lessons that Egypt can draw; in this initiative, the support of SMEs has a prominent place. Increased access to bank loans and better political representation are part of it.

5. Conclusions

The analysis has shown that the economic challenges for Egypt are exceptional. The recovery of tourism numbers is crucial, as is the solidity of the state budget. Meanwhile the EU can influence the first only indirectly, the second will require the cooperation of several international donors, i.e. IMF and the GCC countries, as the EU is not strong enough to carry the burden alone. Besides the examples shown in the paper (support of alternative energies and SMEs), Europe could successfully contribute to a general strengthening of Egypt’s entrepreneurship. This includes better education, especially in the area of vocational training, increased access to bank loans, and a closer cooperation between companies and academic research. Here, the EU offers expertise and experience that can be successfully used for Egypt’s strategic economic orientation.

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6. Bibliography


This paper takes a look at Qatar’s politics of development assistance, macro-economic stabilization and private-sector development in Egypt. The multiplicity of approaches reflects Qatar’s view of Egypt as a promising market on the one hand and the importance which Qatar attributes to the socioeconomic stability of Egypt for the wider MENA region on the other hand. The question if all measures taken by Qatar and Qatari organizations and business enterprises are ultimately coherent, would be the issue of a different paper. Suffice to say that this diversity is not unique to Qatar’s approach to Egypt, but sheds light on the current state of affairs of coordination of Qatar’s foreign and economic policy in general and of Qatar’s development assistance in general.

Qatar’s support since 2011 for parts of the protest movements both in Egypt and beyond can be seen as an example of general change in Qatari foreign policy which previously had been based on non-partisan mediation between the conflict parties. An early indicator of that change was Qatar’s push in the Arab League to support NATO’s military intervention in Libya in March 2011. With regard to Syria, Qatar became the leading voice in the Arab League in summer 2011 to demand sanctions against the Syrian regime with which it had formerly enjoyed close personal and political relations. At a time when the former power houses of the Middle East – Saudi Arabia and Egypt – do not live up to their role as regional leaders, Qatar seems to be striving to fill this void. It is therefore of importance to analyse the strategies behind Qatar’s new foreign politics in the region and the political and economic instruments employed by it.

For lack of reliable sources, the paper does not delve into allegations against Qatar and other Gulf states to have sponsored activities and election campaigns of the Muslim Brotherhood and of Salafi movements through direct funding of the movements or through donations to charitable organisations. In an interview with the Egyptian newspaper “Akhbar al-Yawm” in November 2011, the Qatari Prime Minister Sheikh Hamad Bin Jassim has denied such involvement in the internal affairs of Egypt by Qatari authorities, but reckoned the existence of private Qatari donors and of donations by Egyptian foreign workers in Qatar. However, a certain political and religious sympathy of the Qatari leadership with conservative Islamic forces can generally be assumed by judging from Qatar’s long-time support for Islamist activists from different Arab states. This support was extended under the condition to refrain from political activities inside and against Qatar. Analysts of Middle Eastern politics tend to see Qatar’s relations with representatives of Islamist movements not so much as an expression of ideological or religious preferences, but of Realpolitik, as Qatar has identified Islamists to be the major forces to be reckoned with in the near future. One should not underestimate the fact that support for

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2 See for example the political asylum offered to Islamists from different Arab states since the 1970s and the media stage provided via Al-Jazeera to prominent figures such as Yusuf al-Qaradawi.
conservative Islamic forces is seen favourably by many Gulf states and especially by Saudi Arabia as without Saudi support several of Qatar’s initiatives in the past had failed.\(^5\)

**Qatar as a donor of international economic assistance**

Wealthy Gulf states like Kuwait, Saudi Arabia and the UAE have been active bilateral and multilateral donors to international development projects in the region for decades whereas Qatar had concentrated on multilateral giving to UN organisations and to the *Arab Fund for Economic and Social Development*.\(^6\) In recent years, however, Qatar has diversified its foreign-policy instruments regarding development assistance. Large amounts of money were invested in the stabilization and reconstruction of war-affected countries such as Sudan or Lebanon.\(^7\) Also several organizations involved in field implementation were set up, e.g. *Reach out to Asia* with a focus on education in Asian countries, *Al-Fakhoora* which is solely focused on Gaza, and *Silatech* with a focus on youth employment in the MENA region. Some of these organisations operate under the roof of *Qatar Foundation*, others follow the model of private philanthropy that has become popular in the entire Arab world in recent years. Sheikha Mozah bint Nasser Al Missned, the wife of the Emir of Qatar, serves as patron of several of these organizations which should therefore be seen as semi-governmental organizations. In addition, the establishment of the *Qatar Development Fund (QDF)* under the roof of the Foreign Ministry was decreed by the Emir already several years ago, but its funding mechanisms and aid modalities are still unclear. On the one hand, duplication with regional neighbours is to be avoided whose development funds concentrate on lending soft loans for large infrastructure projects, on the other hand Qatar suffers from a lack of development experts that would enable QDF to work along the model of Western governmental development agencies. A further point of discussion is if QDF should be given a role in coordinating Qatar’s development activities – a discussion which might increase with the growing number of Qatari actors in development, the multiplicity of their methodological and thematic approaches, and the need or rather wish to boost Qatar’s visibility as a power-broker and mediator on a regional and international level.\(^8\)

The development of such a comprehensive strategy depends on the outcome of an eventual cost-benefit-analysis by Qatar’s political leadership if there is more to gain or to lose by the current heterogeneity of actors and approaches. According to Qatar’s Foreign Aid Report 2010-2011, government aid has amounted to about $ 800 million during those two years, whereas aid by Qatari non-governmental organizations amount to about $ 350,000.\(^9\) Pooling money and subjecting the various organizations under one overall concept might augment coherence and thus potentially the effectiveness of aid, but it might not allow to simultaneously address different local, regional and international audiences to the same extent that is made possible through the current multi-track approach.

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\(^5\) It is assumed that the Qatari mediation attempts in Sudan and Yemen had only limited success due to Saudi opposition to Qatar’s initiatives. See Steinberg (2012) and Niethammer, Katja/Steinberg, Guido (2009): Katars Nahostpolitik, SWP-Aktuell 18, Berlin.

\(^6\) The World Bank (2010), Arab Development Assistance. Four Decades of Cooperation, Washington D.C.

\(^7\) Barakat, Sultan/Zyck, Steven A. (2010), Gulf-state assistance to conflict-affected environments, London School of Economics.

\(^8\) Interview of the author, Doha/Qatar, August 2012.

Qatar’s assistance to Egypt

Gulf states see Egypt as middle-income country and emerging market. Unlike many Western donor states, Gulf states have thus been hesitant to provide Egypt with non-refundable grants and have been offering loans instead. Egyptian authorities on the other hand hesitate to accept those loans and complain about their unfavourable, i.e. market-based, terms. They argue that this kind of help makes Egypt on the long run even poorer which partly explains the lack of disbursement of money that has been pledged by Gulf states since the beginning of the uprising in January 2011. The transitional government’s refusal to sign loan agreements with the IMF before the elections in spring 2012 also worried Arab donors and thereby further slowed aid transfers.

Qatar’s recent development and stabilization initiatives in Egypt reflect the above-mentioned heterogeneity of approaches. In 2010-2011, ca. $ 400 million of government aid and $ 5.5 million of non-governmental aid, i.e. 49-52% of Qatar’s government aid, was given to Egypt. Qatar deposited for example foreign currency in Egypt’s Central Bank. Between October 2011 and November 2012, three installments of $ 500 million each were given, a fourth tranche of $ 500 million is expected to follow soon. Despite being termed “budget support” by Qatar’s Ministry of Foreign Affairs, it is assumed that these deposits were given as loans, following the example of Saudi Arabia. This stands in contrast to various established definitions of budget support, whereby aid is to be channeled directly to a country’s budget and to be disbursed according to the recipient state’s own allocation, procurement and accounting systems. The contrast lies not only in the grant-loan-matter, but also in the fact that deposits in their very nature are not to be disbursed. Although Qatar considers these deposits for calculating its quota of Official Development Assistance (ODA), World Bank experts argue that such deposits should not be seen as development or aid modality but instead as a macro-economic measure. Such different use of development terminology frequently leads to misunderstandings between Arab and Western donors, often causing challenges to cooperation and coordination in the field.

Qatar’s view of Egypt as a promising market is highlighted by the announcements of Qatari Prime Minister Sheikh Hamad bin Jassim in September, 2012, that Qatar would invest $ 18 billion in Egypt over the next five years to help shore up the economy, especially in electricity,

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10 Interview of the author, Cairo/Egypt, October 2012.
11 On pages 46 and 47 of Qatar’s Foreign Aid Report 2010-2011 (Fn. 9), there seems to be a contradiction in numbers as it is once argued that this share amounts to 49% and once to 52% of total government aid. As these figures are part of the government aid section, it is unlikely that the difference is due to the non-governmental share of aid which is listed on page 65.
13 State of Qatar (2012), see Fn. 9, p. 52-53. The official figures of the 2011 tranche do not add up with the figures for budget support given in Qatar’s Foreign Aid Report 2010-2011. The report clearly indicates large budget support for Egypt, but does not give a break down for individual years in case of Egypt. It is therefore conceivable that Egypt received budget support from Qatar already in 2010.
14 See for example the definition of the 4th High Level Forum on Aid Effectiveness as collaboration between the OECD, the Republic of Korea and UNDP on http://www.aideffectiveness.org/Tools-Aid-modalities-Budget-support.html (accessed on December 15, 2012).
16 See OECD DAC (2009), Chair’s Report: Joint Meeting of Coordination Group Institutions and the OECD Development Assistance Committee in Kuwait, May 10.
natural gas and tourism.\textsuperscript{17} Qatar is seeking to invest in the service and logistics segments of the Suez Canal to transform the channel into an international free zone for assembly operations, storage and global transit, an initiative that would quadruple the canal's current revenue. Qatar also proposed to develop the Port of Alexandria.\textsuperscript{18} Already in late 2011, the Qatari Sovereign Wealth Fund had announced investments in the Egyptian economy.\textsuperscript{19} Likewise, Qatar Petroleum announced to invest hundreds of millions in building an oil refinery in Egypt to lessen Egypt's dependency on diesel imports, decrease Egypt's annual energy subsidies and improve air quality.\textsuperscript{20} Qatar's state-backed QInvest sealed a deal to hive off the investment banking business of Egypt's EFG Hermes through a joint venture in which QInvest would own 60 percent.\textsuperscript{21}

Qatari investments in Egypt (and thus a potential return on investments for Qatar) dwarf the $400 million of development and humanitarian assistance to Egypt of which $5.5 million have been given by Qatari NGOs to Egypt in 2010 and 2011.\textsuperscript{22} As Qatar's Foreign Aid Report does not offer a sectoral breakdown for individual countries, it is unclear which Egyptian sectors – beyond budget support – received Qatari support. Despite this lack of exact information about the actual size of financial support given by individual organizations, the remainder of the paper focuses in the activities of Silatech, a Qatari semi-governmental development organization. This is due to the innovative nature of its activities, which informs about Qatari notions of human development.

\textit{Silatech: Investing in the human capital of the Arab world}

\textit{Silatech} was established in 2008 with the help of a $100 million endowment by Sheikha Mozah bint Nasser Al Misnad, the wife of the Emir of Qatar. The organization is one of the initiatives that were developed in the context of the UN Alliance of Civilizations to promote concrete activities to fight extremism and polarization through the promotion of tolerance and peaceful coexistence between different ethnicities and religions. Qatar's representatives in this alliance identified a need to focus on the more than 100 million young people between the age of 15 and 30 who represent 30 percent of the MENA region’s total population and who by majority have not profited from the economic growth in the region. Their perceptions of an economically insecure future were seen as one potential root of extremism. As a result, \textit{Silatech} was set up to “connect these young people with employment and enterprise opportunities by mobilizing interest, investment, knowledge through research, resources and action to drive large-scale comprehensive employment and enterprise development programs”\textsuperscript{23}. As \textit{Silatech} sees the public sector as unproductive and already blown up beyond reasonable size, employment should preferably be geared towards the private sector. \textit{Silatech} argues that MENA countries can learn

\textsuperscript{17} See http://uk.reuters.com/article/2012/09/06/uk-egypt-qatar-investment-idUKBRE8850YM20120906 (accessed on December 15, 2012).
\textsuperscript{22} State of Qatar (see Fn. 11), p. 65.
\textsuperscript{23} Silatech – A Brief (2011), Doha.
from Asian economies that took advantage of their fast-growing working populations and seized the opportunities from their “youth bulges”. Solutions were to be found for pressing issues such as education, work, migration and brain drain. Timing according to Silatech is critically important, as the demographic window of opportunity – defined as having a large working-age population and a low dependency ratio – is expected to close by 2045. Silatech therefore argues that the time for intentional investments in the region’s young people is now.

Silatech’s projects are based on so-called “end-to-end concepts” tailored individually for the targeted country and society. They engage public and private actors to train young people to become entrepreneurs and to ensure access to supply chains for their products. Silatech has started its work in the four pilot states Yemen, Syria, Morocco and Qatar, but by 2011 it used the events of the Arab Spring to spread activities to several other Arab countries. Through research and opinion polls in all Arab states which are published in the so-called “Silatech Index” and through cooperation in implementation, monitoring and evaluation with NGOs from Arab countries, Silatech is reaching out to young Arabs in many different states.

Silatech’s general strategy of development
Silatech’s work is based on three strategic goals. Strategic Goal #1 is called “Mindset” and aims at improving society’s recognition and support for young people’s contribution to economic and social capital. Investments in young people should not be seen as economic threat, but as a chance to increase economic growth. The mindset of society and of the political leadership towards young people needs to change accordingly. Both the state and young people need to become less risk-averse. Strategic Goal #2 (“Policy”) is aimed at the political leadership and wants to promote the adoption of policies to stimulate increased employment and economic opportunities for young people and social inclusion. This shall improve the competitiveness of the labor market, the strength of the business environment, and the overall employment and economic opportunities for young people. Silatech initiatives that were tested as effective in one country are adapted to other countries. Impact evaluations are therefore an essential part of Silatech’s work. Finally, Strategic Goal #3 (“Access”) aims at improving young people’s access to demand-driven and market-oriented skills training and job placement services and improve micro-, small and medium-sized enterprises’ access to capital, business development services and markets. Silatech and its partners invest in the development and the spreading of technologies that are suitable for young people, e.g. the use mobile phone information and online career training and guidance.

Silatech’s analysis of the situation of young people in Egypt
As part of its overall research on youth in the Arab world and as preparation for future work in Egypt, Silatech in cooperation with Gallup polled Egyptian youth four times between early 2009 and late 2010. Between 400 to 800 youth between the age of 15 and 30 were interviewed by phone and personally in each of the polls. The results are published in the “Silatech Indexes” that can be found on Silatech’s website. The results of the polls can be summarized as follows:

Ibid.
Already in 2009, employment was seen by Egyptian youth as a particularly daunting challenge. The 2009 report states: “With far too few public or private sector jobs available for the large number of youth eligible to enter the workforce, many young Egyptians found themselves employed in jobs well below their educational qualifications, or more likely, not employed at all. This had major consequences for Egyptian youth’s ability to live on their own, marry, have children, and otherwise establish themselves as independent adults. (...) Only 37% of youth in Egypt said that the areas where they lived were good places to start a business. This was the lowest of any country in the region of the Levant and Egypt (including the Palestinian Territories, where the figure was 49%).”

89% of Egyptian youth said in 2009 that taking part in regular job training programs could aid job hunting. Such confidence in job training was seen as valuable, so providing job training to help matching applicants with available jobs, as well as preparing them to start their own businesses was recommended by Silatech. However, a majority of young Egyptians (57%) said that the primary obstacle people face in receiving job training is the cost. Another 13% said no training is offered near where they live.

The 2009 report states that “39% of Egyptian youth said it was easy to obtain a loan to start a new business; this was among the highest proportion in any country in this region. On the negative side of the business startup ledger, Egyptian youth appeared daunted by the bureaucracy of starting a new business: Just 30% of young Egyptians said the government mad paperwork and permits easy enough for anyone who wants to start a new business. Thus, improvements could be made in this area — either in terms of streamlining paperwork or providing more education and assistance related to the application process”.

By late 2010, young Egyptians were significantly less satisfied than they were in 2009 with the freedom to choose what to do with their lives. Young Egyptians did not perceive that they were benefiting from their country’s economic growth. The 2011 report thus states: “The findings suggested to Silatech that young Egyptians do not feel a sense of control over their lives or economic conditions, which may contribute to their relatively low levels of entrepreneurial aspirations. (...) However, relatively strong social networks among young people in the country seemed to mitigate the effects of the challenges they face. Despite relatively low satisfaction with economic and living conditions and especially with the availability of good affordable housing, most young Egyptians said they were unwilling to relocate to another city within Egypt or another country if unemployed for six months or more”. This relatively low likelihood of migration tendencies among youth was interpreted by Silatech as a potential strength of the Egyptian situation that needed to be capitalized.

In general, opportunities for women represent a special challenge in Egypt, where some women’s rights are not as widely accepted as they are elsewhere in the region. This was seen most starkly in terms of support for women holding elected office. In 2009, only 54% of young Egyptians said women should be able to hold leadership positions in the cabinet and national council. Sharp gender differences are seen on this measure among Egyptian youth, with 66% of young women

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25 The Silatech Index: Voices of Young Arabs (2009), Silatech, Doha, June 2009, p. 58.
26 The Silatech Index: Voices of Young Arabs (2009), Silatech, Doha, June 2009, p. 59.
27 Ibid.
28 The Silatech Index: Voices of Young Arabs (2011), Silatech, Doha, April 2011, p. 46-47.
in favor, compared with only 42% of young men.\textsuperscript{29} In the 2010 report it was found that the majority of young Egyptians who were employed full time were men (84%). At the same time, women made up 84% of young people who were neither in the workforce nor in school.\textsuperscript{30}

\textit{Silatech's projects in Egypt}

The issues of job training and career guidance that had come up in the 2009 polls were picked up by \textit{Silatech} when starting project development in Egypt in 2011. In January 2012, \textit{Silatech} signed a Memorandum of Understanding with \textit{Microsoft Egypt}'s CSR department for a large-scale and long-term project in Egypt. Under the agreement, \textit{Silatech} and \textit{Microsoft} became co-founders of Egypt's first national employability portal. Launched in early 2012, the “Masr Works” portal (http://masrworks.com) provides Egyptian youth with resources and opportunities ranging from online career guidance, employability and entrepreneurship training, to specific work experience and job opportunities. One of the core features of “Masr Works” is the integration of \textit{Silatech's Tamheed} program for career guidance (a computer-based program evaluating the individual’s strengths and interests) with \textit{Microsoft}'s e-learning resources. This creates a platform through which young people can access resources, training, and work opportunities from a range of regional and local partners working to promote youth employment, including the \textit{Education for Employment Foundation} and the Egyptian NGO \textit{Yalla Work}.

In April 2012, a first training with Egyptian trainers and career advisors was conducted by \textit{Silatech} in Cairo. As a result of the training, young people in Egypt can now receive career advising services in youth centers in Giza, Cairo, Helwan and Northern Sinai. Future plans include expanding the portal into all governorates and into other countries in the region, as well as joining forces for other programs to promote employment, entrepreneurship and engagement in the region. This would however necessitate translations into additional languages like French and adaptations to other local and national specificities.\textsuperscript{31}

In addition, \textit{Silatech} is cooperating with the German governmental development organization \textit{GIZ} to improve bank services in the field of micro-saving accounts for young people. The polls of 2009 and 2010 had indicated that young Egyptian entrepreneurs were relatively optimistic about access possibilities to micro-credits. This \textit{Silatech-GIZ} project thus focuses on asset building as means to lift youth out of poverty and increase their ability to access economic opportunities. Banks in Egypt are to increase their awareness for youth as viable constituency eligible for services.

Work on \textit{Silatech}'s Policy goal in Egypt difficult due to the political situation. \textit{Silatech} is facing challenges in its wish for close coordination and cooperation with government programs to ensure sustainability because of the challenge to identify the personnel in charge. For the time being, \textit{Silatech} is thus focusing on collaboration with private partners and postponing policy initiatives in Egypt, thereby missing an essential link in its “end-to-end concepts”.

\textsuperscript{29} The Silatech Index: Voices of Young Arabs (2009), Silatech, Doha, June 2009, p. 59.
\textsuperscript{30} The Silatech Index: Voices of Young Arabs (2010), Silatech, Doha, 2010, November 2010, p. 146.
\textsuperscript{31} Interview of the author, Cairo/Egypt, June 2012.
Conclusion

Qatar has been an active external actor in Egypt already prior to the uprising, and there are no signs that its engagement will be diminishing soon. This is due to Qatar’s good relations with the new political majority in Egypt formed by the Muslim Brotherhood and Islamist movements, but even more so due to Egypt’s economic potential as an emerging market. The examples provided in this paper show that Qatar’s foreign policy is driven to a large extent by economic concerns. The manifold activities of Qatar in Egyptian economy thus balance the impression, which is especially wide-spread among Egyptians themselves, of Qatar as an external actor that is unilaterally supporting conservative political and religious forces in Egypt. For Qatar, Egypt offers a perfect stage to demonstrate its ambitions to become a regional and international political player. Projects of organizations like Silatech which empower Arab youth for the sake of improving economic prospects as a way to fight extremism and intolerance provide Qatar with international recognition also as an emerging donor of development assistance. Stabilizing Egypt through investing in Egypt’s human capital is like killing two birds with one stone as qualifying the Egyptian labor force also ensures Qatar’s investments in Egypt’s economy.