

**Good governance, rule of law, and economic performance. The case of Egypt
from 1952 to 2010**

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AHMED, Maha

THESIS

Submitted to

KDI School of Public Policy and Management

In Partial Fulfillment of the Requirements

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ABSTRACT

There are numerous studies around Concepts like good governance, the rule of law and economic performance in the countries categorized with inefficient government policies. However, in the history of developing economies, some attention has been given to studies about the Egyptian Government's challenges in achieving effective policies for 200 years before the 2011 Revolution. Hence, this research examines the case of Egypt in light of the key argument of the World Bank's 2017 World Development Report (WDR2017). The discussion highlights the three Cs of commitment, coordination, and cooperation in the WDR2017 as critical policy drivers and robust tools to achieve good governance. It also sheds light on policy deficiencies that have caused corruption, poverty, and dissatisfaction among Egyptians, despite the government's efforts to accomplish high economic performance and address socio-political issues.¹ Awareness of the characteristics of good governance is recently focused (Grindle M. S., 2010). But not focused on the Three Cs commitment, coordination, and cooperation as a policy drivers, therefore, it was essential to give considerable attention in this thesis to these elements, adding them to the previous aspects; all together can be a great incentive to any democratic system that supports good governance. The research also extends the three Cs related theoretical discussion initiated by the WDR2017, and provide empirical evidence from the Egyptian case from 1805 to 2010.

Keywords: Egypt, good governance, the rule of law, economic performance, commitment, coordination, and cooperation.

¹ In the thesis, the term three Cs refers to commitment, coordination, and cooperation.

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INTRODUCTION

This thesis attempts to answer the question: how can we understand the social problems of poverty, corruption, and high dissatisfaction rate in Egypt before the 2011 revolution, in light of the principles of good governance, rule of law, and economic performance as they pertain to the three Cs: commitment, coordination, and cooperation as policy efficient drivers?²

The discussion takes “commitment”, “coordination”, and “cooperation” as three essential drivers of institutional building. These drivers are needed to ensure that rules and resources are best used and utilized to provide the desired economic outcomes, and are necessary for making policies useful; and thereby, achieve the intended development goals.

In this realm, there is a growing body of literature, supported by the World Bank’s 2017 World Development Report (WDR, 2017), that recognizes the importance of understanding the three Cs as drivers for an active policy to achieve good governance.

Other principles like transparency and accountability are policy drivers too, needed for the efficiency of policies to assure citizens are involved in a democratic process by monitoring the government performance.³ Still, the three Cs drivers in examination have significance and value

² In the dissertation, the World Development Report 2017: Governance and the Law. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/25880> License: CC BY 3.0 IGO.n

³ For overviews of the evidence for the competing arguments, see: “(WDR, 2017)R17 \l 1033 eWorld Development Report 2017: Governance and the Law. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/25880> License: CC BY 3.0 IGO.ö; Gaventa, John, and Rosemary McGee. 2013. “The Impact and Effectiveness of Transparency and Accountability Initiatives.” *Development Policy Review* 31 (7): 3628; Joshi, Anuradha. 2013. “Do They Work? Assessing the Impact of Transparency and Accountability Initiatives in Service Delivery.” *Development Policy Review* 31 (7): 29648; Fox, Jonathan A. 2015. “Social Accountability: What Does

to achieve a successful development, because in line with the "Economic theory of incomplete contracts", policies require the three Cs drivers to assure their credibility as per the WDR using the case of Egypt.

This thesis also tests whether this argument sufficiently accounts for what has happened in Egypt moving towards development. Since 2011, Egypt has undergone two revolutions and had changed five heads of state; and so the change has manifested in social problems like dissatisfaction, poverty and corruption that have been a primary outcome of the encountered policy inefficiency. Overextended period of fluctuations in the Egyptian government's structure and role has had an aggregate impact on the development process and the Egyptian society as a whole. It has become increasingly difficult to overlook the destructive effects of corruption and poverty. Recently, the government of Egypt has taken various measures to solve these problems, rendering conditions to improve slightly, but the problems persists.

In the contemporary global economy, adopting good governance has become a central issue for economic development as well as for the political development. Therefore, the concept of good governance forms a necessary base for developing an economic structure for any country that aims at having a prosperous future. Good governance helps to facilitate the practical use of a nation's limited resources, such as money, time, or human capital, to improve economic

the Evidence Really Say? World Development 72 (August): 346-361; Grandvoinnet, Helene, Ghazia Aslam, and Shomikho Raha. 2015. *Opening the Black Box: The Contextual Drivers of Social Accountability*. New Frontiers of Social Policy Series. Washington, DC: World Bank; Fox, Jonathan A., and Joy Aceron. 2016. "Doing Accountability Differently: A Proposal for the Vertical Integration of Civil Society Monitoring and Advocacy." U4 Issue.

4 (August), U4 Anti-corruption Resource Center, Chr. Michelsen Institute, Bergen, Norway; and Khemani, Stuti, Ernesto Dal B , Claudio Ferraz, Frederico Finan, Corinne Stephenson, Adesinaola Odugbemi, Dikshya Thapa, and Scott Abrahams. 2016. *Making Politics Work for Development: Harnessing Transparency and Citizen Engagement*. Policy Research Report. Washington, DC: World Bank.

performance. Accordingly, this thesis examines the causes of the social problems plaguing in Egypt in the context of good governance and the rule of law frameworks.

In all countries, governance rules vary widely between good and bad governance. To this context, the presence of effective policies shows the quality of governance, and the enforcement of these policies is the evidence of using a good governance rule. In Egypt, poverty indications reflect the need for effective policies to alleviate poverty and lift the status of the poor segment of the Egyptian population. While, on the other hand, the high dissatisfaction percentage in the wellbeing index reflects that even the population with higher living standards are not happy and, more precisely, do not perceive their living as good or of quality⁴. Looking at the wider picture, both segments of the society, poor and rich, still suffer from a high level of corruption reaching up to 65%⁵ as shown in the recent years. No wonder, that such environment and circumstances have paved the roads to revolting reactions in 2011.

Since the early years of 1805, Egypt has faced many challenges. An early example is the forced labor "corvee"⁶ by foreigner rulers and the digging of the Suez Canal that has killed around 120.000 Egyptians.⁷

⁴ The Egyptian prime cabinet report; Gallup. (2011). "Egyptians' Wellbeing Plummet Despite GDP Gains". Retrieved from Gallup: www.gallup.com/poll/145883/egyptians-tunisians-wellbeing-plummets-despite-gdp-gains.aspx; (OECD), O. o. (2013). OECD Guidelines on Measuring Subjective Wellbeing. . Retrieved from Organization of Economic Cooperation and Development (OECD). 2013; Hussien, S. a. (2010). Determinants of Happiness and Life Satisfaction in Egypt "An Empirical Study Using the World Values Survey, Egypt 2008". . Cairo: Information and Decision Support Center Working Paper Series (IDSC-WPS).

⁵ World Bank. Worldwide Governance Indicators (WGI) Project. The World Bank, Washington DC, USA (2011).

⁶ The meaning of the word "Corvee" is forced labor exacted by a government, as for the construction of public works.

Another important event occurred in the 1950s, an excessive nationalization project, which took over all the private money and properties from wealthy Egyptians to redistribute the wealth among the population; and as a result, it has restricted the work of the private sector due to adopting a socialist ideological framework⁸. That has driven another weakness in the primary sectors like agriculture resulting in a diminished income per capita. A more recent government decision in the 1990s, privatization, had also its downsides, followed by the "Early Retirement Program" which has increased the rates of unemployment in a market that was not prepared for such a move. All these shifts and changes have allowed social problems like corruption and poverty to flourish, causing very high levels of dissatisfaction among Egyptians. These were three examples of the main events that will be presented later in details.

Hence, it becomes essential to shed light on the history of economic policies in Egypt, through real events examined based on the literature that explain good governance, the rule of law, and economic performance regarding the drivers of effective policies.

⁷ Samarko, A. (2015). (qnat alsuways tarikhaha wamashakiluha) Translation of the book (Suez Canal history and problems). Cairo: National Library of Egypt.

⁸ Montaser, S. (2017, August 24). Al Ahram newspaper. Retrieved from Mjrd ra'aa eindama erfna ean altaamim (just an opinion - When we knew about nationalization): <http://www.ahram.org.eg/News/202367/11/610203/%D8%A7%D9%84%D8%A7%D8%B9%D9%85%D8%AF%D8%A9/%D8%B9%D9%86%D8%AF%D9%85%D8%A7-%D8%B9%D8%B1%D9%81%D9%86%D8%A7-%D8%B9%D9%86-%D8%A7%D9%84%D8%AA%D8%A3%D9%85%D9%8A%D9%85.aspx>

The connected causal hypothesis of this study follows this arrow diagram:

A q r B

C

In this diagram A is the Independent variable which will be governance in Egypt from 1805 to 2010, B is the dependent variable which is the scaling of social problems indicator in Egypt, (q) and (r) are the controlled variables such as wars and revolutions, and C is the intervening variable such as the 3Cs commitment, coordination, and cooperation named drivers of effectiveness.

The thesis is divided into four chapters: the first chapter discusses the definitions of two groups of information, in order to link their influence to efficient policies later. The first group is the three support terms of the economy development which are good governance principle, level of the rule of law, and economic performance. The second group presents definitions of terms increased social problems; namely, corruption, dissatisfaction, and poverty, which occurred as a result of lacking effective policies caused by the lack of the three Cs.

The second chapter explores the governance history in Egypt from 1952 to 2010, this chapter presents the evidence prove that the three drivers are significant drivers for effective policies while analyzing the main events in the Egyptian modern history, which cover the quality of governance in Egypt throughout different sectors supported by a historical data graphs. The third chapter intends to determine the extent to which what started before in chapter two about the significant effect of the three Cs commitment, coordination, and cooperation on policies efficiency with the competing arguments. And finally the last chapter offers concluding remarks.

Chapter one

1 Governance terms in Egypt

1.1. Introduction

Egypt is a resourceful, North African country of more than 7000 years of civilization (Jarus, 2016). With the richness of the Egyptian culture and history, came decades of struggles with various land occupations, all characterized by different government systems and had impacted social, political and economic life in Egypt until today.

In such times of struggle and continuous change in a country's regime, it is essential to understand the vital factors that affect government's performance, guarantee appropriate practices and the adoption of effective policies. This understanding is a means to find the reasons behind the standards of living, satisfaction, and/or happiness among the population. In addition, the government practices that are responsible for poverty, corruption, and/or dissatisfaction.

Therefore, this chapter discusses the definitions of two groups of information, in order to link their influence to efficient policies later. The first group is the three support terms of the economy development which are good governance principle, level of the rule of law, and economic performance. The second group presents definitions of terms increased social problems; namely, corruption, dissatisfaction, and poverty, which occurred as a result of lacking effective policies caused by the lack of the three Cs.

Later, chapter three will present the three driversø set which are commitment, coordination and cooperation as drivers of effective policy, based on a growing body of

literature, supported by the World Bank`s 2017 Development Report, which recognizes the importance of using these drivers for the effective policies to achieve economy development.

1.1.1. Figure (1): Central concept diagram

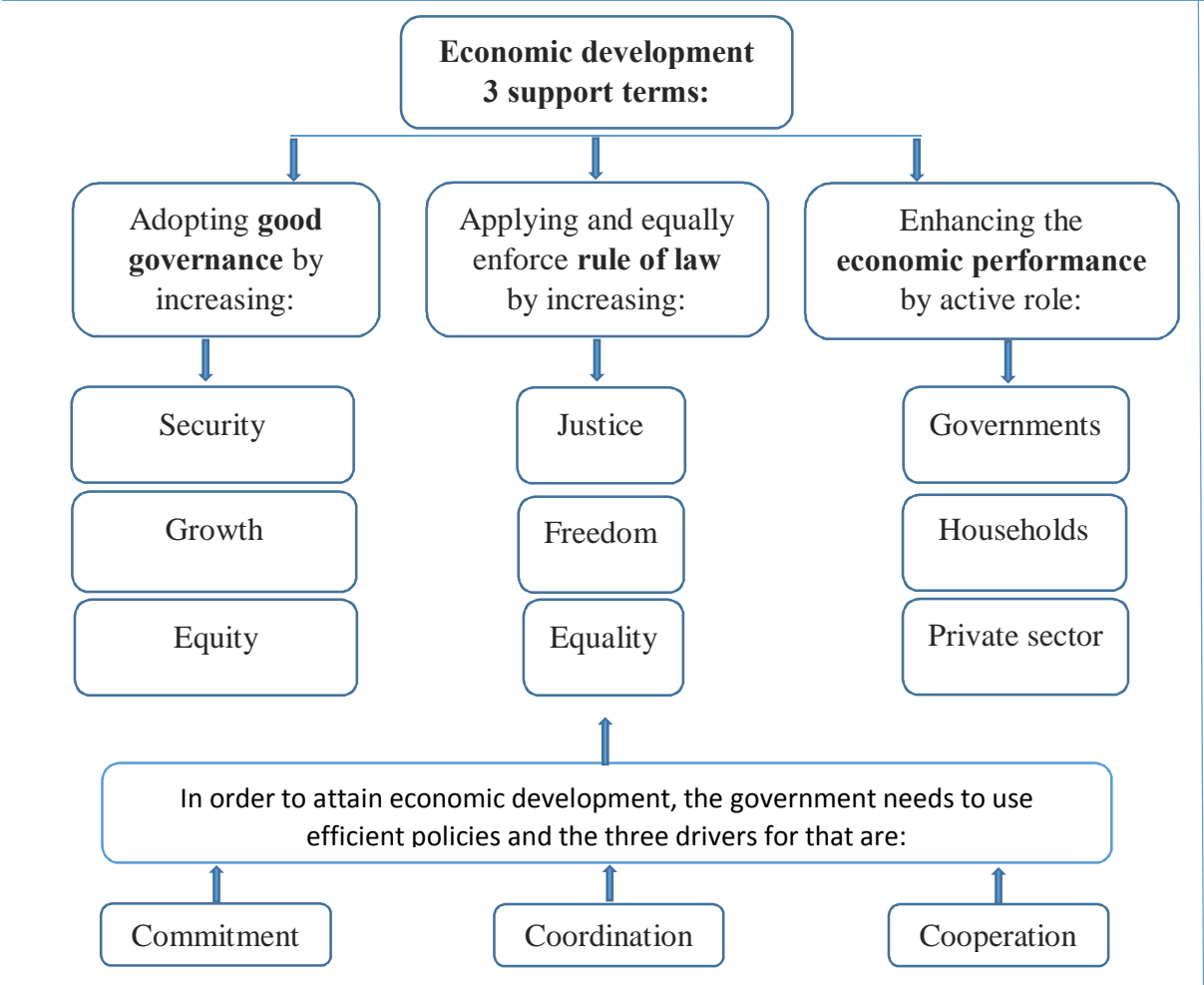


Figure (1) shows a central concept diagram of the economic development backbones; good governance, rule of Law, and economic performance, in relation to the 3Cs drivers for efficient policies (commitment, coordination, and cooperation).

1.2. Good governance, rule of law, and economic performance

1.2.1. Good governance

In the history of economy development, government and decision-making have been a key factor in the quality of good governance (Sheng, 2009). According to Sheng, governance is the series of actions which are carried out through the decision-making in order to achieve a particular result, then ensures whether the plans have been done or not, formal and informal actors should be involved in the decision-making process in order to implement the decisions. The definition of governance has three main factors, which are the decision-making, institutions, and actors involved in the decision-making to determine the main achievements: first, a governance is good or bad; second, which are the decisions to be made or what are the decision-making process; third, actors, and governmental structure. The three of them can play an important role in addressing the issue of good governance (Sheng, 2009).

Government is one of the actors and the main governing body of a nation (Robinson, 2017). In 1989 the World Bank identified the main problem behind the development problems in Africa as a matter of governance and it was declared as "a crisis of governance" (Gisselquist, 2012). The 2005 Paris declaration, pointed to the significance of the government role in attracting donor agencies for aid (Gisselquist, 2012).

A considerable amount of literature has been published in the definitions of both governance, and good governance, and a primary concern about the difference in meaning between both. Therefore, the term "good governance" plays critical role in maintaining citizens' lives and rights (Grindle M. S., 2010) (Maldonado, 2010).

Also the United Nations Secretary-General Kofi Annan noted, good governance is perhaps the single most important factor in eradicating poverty and promoting development (UN 1998).

The World Bank definition of good governance is "The exercise of political power to manage a nation's affairs" (World Bank 1989: 61). Few years later, the World Bank (1994: xiv) redefined good governance as "The manner in which power is exercised in the management of a country's economic and social resources".

In this later definition, there are three main elements to highlight: the form of political regime, the process by which authority is exercised in the management of a country's economic and social resources for development, and the capacity of governments to design, formulate, and implement policies and discharge functions (World Bank 1994: xiv). In the light of these elements it becomes clear that the policies behind decisions in need to the concept of good governance to be sure of it is efficiency.

In more recent definition by the World Bank too, good governance is "The manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services" (World Bank 2007a).

The definition of good governance has been developing based on real experience over time, and it became has a wide variety of meanings; therefore a good governance concept should be supported by conducting effective policies.

These definitions of good governance showed the importance of the effectiveness of the policies used by the ruler through the government he chooses to run the government structure, which is based mainly on effective policies.

According to the World Development Report 2017, there are three essential drivers of policy effectiveness: commitment, coordination, and cooperation, these are the factors to guarantee that the right policies will be efficient therefore ensuring compliance with good

governance standards. For example, the government uses good policies but the poverty rate is still high, and many citizens are still frustrated and dissatisfied. The positive results of effective policies emerge through successful and productive economic development. Thus, poverty reduction, for example, is an indicator of increased economic growth.

In conclusion, in the light of understanding this group of definitions, it shows that the World Bank evolution of the definition shading light on the relationship between manners and good governance principle and from the other side it shows that the effect of these manners exceeds the political and economic levels to the social problems too. Here it is essential to connect that with the World development report argument of the three Cs to guarantee the efficient policies of a good governance regime (WDR, 2017).

Many factors shape how a government rules or intervention to conduct policies, programs or projects. The government needs to conduct research and carry out studies to determine how best to shape policies and initiatives needed for economic development.

1.2.1.1. A hierarchy of governance priorities

Egypt, as an institutionalised competitive state, should accomplish five governance priorities. These priorities are: to be able to ensure essential services to all citizens, to be able to guarantee equality, fairness, and justice, and access to service, to open government decision-making and implementation processes, to be able as a government to respond to input from organised groups and citizen participation, and the last priority is a government fully accountable for its decisions and their consequences. Still, many people fail to obtain their rights because of corruption. (S.Grindle, 2011).

1.2.1.2. Country goals: security, growth, and equity

In the year 2015, the Millennium Development Goals (MDGs) were replaced with Sustainable Development Goals (SDGs) by member countries of the United Nations. This new approach transforms the old way of thinking from (dialogue based on ideology) to (dialogue based on ideas) to create a suitable environment to achieve SDGs.

Moreover, sustainable development goals SDG 16 calls for support concerning peace, justice, and strong institutions relates to governance.

Based on the normative standpoint analysis of the World Development Report, every nation should free its citizens from the constant threat of violence (security), promote prosperity (growth), and fair distribution of wealth (equity). To avoid the socio-economic problems such as poverty, corruption, and/or dissatisfaction and to avoid social explosion like revolutions (WDR, 2017).

1.2.2. Rule of law: why does the concept of the rule of law matter for development?

The rule of law has a good connection with social control (Feeley, 1976), law schools and social science departments present research about the impact, compliance, and legal effectiveness on social life. Studying the influence effect of law in society requires research to cover development, the precise meaning of legal doctrine and judicial decision-making (Feeley, 1976).

If we can consider the law an independent variable, then the dependent variable will be the events caused by the law, in other words, the consequences. The output of the interactions between law and social control is the formal legal rules when the outcomes are the changes in the

area which are controlled by the ruler. That is why researchers should work for law in certain social conditions to achieve the development goals.

1.2.2.1. The principle of law

There is a gap between the ideal of the law and the actual practices flowing from it (Feeley, 1976) that is why researchers have been working on defining the concept of Law (Johnson, 1977) (Hart, 1994). There is a growing body of literature that provides definitions for the law. Such as the WDR 2017 which provide three main categories of definitions; (1) law involves principles of justice and right; (2) law is a traditional rule system established by governments; and (3) law consists of fundamental customs and usages that order social life (WDR, 2017).

Supporters of the first idea are natural Lawyers such as Thomas Aquinas who define the characteristics of law is its morality, justice, and fairness. The second idea contained primary and secondary rules, and supported and defined by H. L. A. Hart and other legal positivists. The definition of the existence of a legal system that consists of substantive laws (original rules) and laws governing how those rules are made (secondary rules), without considering justness of the law. The report defines two categories for what called Evil legal systems or evil laws. Both are ineligible as law in the first category, but in the second one it counted as law but divided in customary law and international customary law, and the word customary refers to the customs or usual practices associated with a particular society, place, or set of circumstances.

The third category appointed by anthropologists and sociologists such as Eugen Ehrlich and Bronislaw Malinowski. They focused on customary law or living law. They did not take the legal system but identified that the primary rules are what have been taken by the social

interactions as law and committed to that. Three main lines in these conceptions of law: the first regarding the normative value of law, the second the systematic form of law, and the third the function of law (WDR, 2017).

There are fundamental ideas that should be a part of any decision-makers work. First, the law is no secret. It should be available for everyone. Second, the rules should be applied and enforced equally. Nobody is above the law. Third, the rules should meet the people's needs and benefit them. The people should enjoy justice which relies on a non-discriminatory basis, or in other words on judicial independence. "Dam was also clear in his findings that the degree of judicial independence correlated with economic growth." (Doyle, 2017).

1.2.2.2. Rule of law is a legal supporting structure for development

The rule of law gives a legal measurable extent for good governance that is considered an approach to governance. The rule of law gives suitable circumstances legal system which can be shown in two main conditions; first, the business risks could be easily estimated to an acceptable degree, and the second condition is about the stability and expected lower required in the future for the cost of the transactions in the bank. The economic environment needs to have a convenient law environment to be qualified. Adopting and respecting the rule of law are important to establish a fair society and in developing the social life and it has an important role in decreasing poverty.

The World Bank provides aspects for the rule of law; one of these aspects points to the importance of concluding the meanings of justice, freedom, and equity within the law as a fundamental for the base of the rule of law. These meanings are the basis for fighting corruption and poverty. In a nutshell, the concept of judicial reform under good governance is a

fundamental need today in parallel with legislative reforms and dispute settlement to improve the judicial system.

In 2007 the World Bank started in cooperation with the United Nations an initiative to retrieve the stolen assets, called Stolen Asset Recovery STAR, the aim of that is to use it as a tool for fighting corruption, and from that time the whole world started to use a new scientific term, the term (rule of law) instead of the term (judicial reform) (Maldonado, 2010).

In conclusion, after a long history of struggles and wars, the world started to go forward to respect the law and use it as a strong tool to protect people's rights, support the principle of good governance, and fight corruption and poverty.

1.2.3. Economic performance

Households, firms, and government are three main sectors of the economy in any country. When we compare the income level in Egypt today with the income level in the United States the result will be one hundred to twelve; which means an almost eight fold difference. (Robinson, 2017)

The economic performance is the mirror that reflects how policies are efficient; it is also one of the evaluation tools to define governance quality as well as a quantitative tool to increase poverty when economic performance is malfunctioned. A country's economic performance represents the changes in the income of people and indicates on whether the economy is healthy and whether there are any obstacles in the economic performance such as a recession, or that the economic environment is suitable for growth.

One of these significant indicators that presents a picture for the economic performance is GDP per capita, and this indicator is one of the essential indicators that often correlate to the standard of living and the extent of economic development in a country.

The number of achievements should assess the performance of any country. There are two kinds of performance assessments for economic objectives; the first is the long-term one such as development or sustainable growth, and the second one is described as short-term, i.e. managing economic shocks or the effect of unpredictable events on economic.

For example, what happened in Egypt; the country has been occupied for a long time and got involved in many wars and that had an impact on the economy. Especially affecting the income, the most significant factor to measure both GDP and the economic performance, high and low income determines factors like poverty and reflects the good or bad performance of the government, also it shows the level of using policies, programs, and projects, which are selected by the government to play a role in economic development.

Chapter three presents significant indicators through years as an assessment for both long and short term in order to present a picture for the economic performance that is affected by many decisions and policies of rulers and socio-political problems that have accumulated over long years in Egypt.

1.3. The social problems in Egypt: Satisfaction indicator, Equity distribution, and Corruption

1.3.1. Satisfaction indicator

Indicators of happiness and satisfaction are important variables in the formulation of sustainable development strategies because of their ability to measure the well-being of individuals more precisely than those based solely on economic variables. In the context of the tension and turmoil experienced by the country after the revolution of 25th of January 2011, it is possible to rely on indicators of happiness and satisfaction to predict the state of stability in the Egyptian society. The indicators of happiness and satisfaction in Egypt were signs of danger in 2008 before the revolution. The results of the World Values Survey indicated a low level of subjective well-being index, indicating that individuals in the community are approaching the danger zone (dissatisfaction and unhappiness) (Survey-Egypt., 2008).

1.3.2. Equity fair distribution

The level of income is one of the most important indicators affecting the level of happiness and satisfaction of the individual. The Egyptian society witnessed a rise in **poverty rates** of 26.3% in 2012\2013 and the increase in income inequality among the various segments of Egyptian society.

The Gini coefficient reached 30% for the total of the Republic, 24% for the countryside and 33% for the urban sector. It is noted that although the rural poor are concentrated, the disparity in urban incomes is greater compared with rural areas. It should be noted that this indicator help to explain the reasons for the outbreak of the revolution in the urban areas at the outset and take a period to extend to rural areas, and the acceleration of events and tensions and violence is more severe in urban areas compared to rural areas.

Developing the infrastructure and services provided and making them fair to all, which will positively affect the level of satisfaction in the future.

1.3.3. Corruption

World Bank's former president Wolfowitz wrote: "Improving governance is certainly about fighting corruption". Corruption and poverty are of the main two identified reasons by this study for the slow growth and weak development in Egypt before 2011. Corruption is a point reference for the healthy state of the economy and a standardized problem.

The corruption announced as a sensitive topic to deal with in the World Bank before the year 1980 (Maldonado, 2010). In the World Bank's agenda for good governance, the matter of corruption became every important especially for the matter of transparency and information. The bank defines corruption as "the abuse of public power for private gain". This definition concludes two problems: The first one is moral objections in the case of the bad use of power which translated into bad governance, and the second meaning is a result of the first one which described by Maldonado as the substantive or incorporeal gain (Maldonado, 2010).

In the years after 1990, the World Bank started to deal with corruption as an obstacle to development; therefore, the bank started to help in fighting corruption or the "cancer of corruption" as the bank described it and in 1997 the bank established a policy framework for the comprehensive anti-corruption. Then in 2007, the bank in cooperation with the United Nations initiated the "StAR Initiative" which is an acronym for "Stolen Asset Recovery" to return the stolen assets. In the same year, the bank put a strategy for the "Governance and Anti-Corruption Strategy" to clarify the difference in meaning between anti-corruption and government which is

concerned with the public institutions or the country performance while the corruption is happening in the private sector also.

Corruption is an obstruction for development in Egypt. Forms of corruption in Egypt vary in the daily businesses also the culture of nepotism or favoritism has corrupted Egypt's climate of the economy and investment. The reasons behind the high rate of corruption in Egypt included to not only an inadequate legal supporting framework but also a widespread culture of corruption lead to that business reliant on strong connections and the use of middlemen to finish many works.

1.4. Concluding Remarks

This chapter has identified the basic definitions that occur around two groups of information describes terms of economy development and terms of social problems in order to link them in next chapters to the three Cs and discuss their influence to efficient policies.

The major finding regarding the first set of terms for economy development's three backbones good governance, rule of law, and economic performance were;

The most obvious finding to emerge from this chapter is that adopting good governance by increasing security, growth, and equity is playing a critical role in maintaining citizen's lives and rights (Grindle M. S., 2010) (Maldonado, 2010). Therefore, good governance term should be supported by conducting effective policies.

This chapter one has also shown that the term rule of law is a legal supporting structure for development because the output of the interactions between law and social control is the

formal legal rules when the outcomes are the changes in the area which are controlled by the ruler. Also the degree of judicial independence correlated with economic growth." (Doyle, 2017).

This part has found that generally the rule of law gives a legal measurable extent for good governance because it gives suitable circumstances legal system for two main conditions; first, the business risks could be easily estimated to an acceptable degree, and the second condition is about the stability and expected lower required in the future for the cost of the transactions in the World Bank. Also the increasing of the rule of law level is important to establish a fair society and in developing the social life and it has an important role in decreasing poverty.

These experiments confirmed that the economic performance is the mirror that reflects how policies are efficient; it is also one of the evaluation tools to define governance quality as well as a quantitative tool to increase poverty when economic performance is malfunctioned.

The second major finding in this chapter presents definitions of terms increased social problems; namely, corruption, dissatisfaction, and poverty, which occurred as a result of lacking effective policies caused by the lack of the three Cs.

The results of this investigation show that the indicators of happiness and satisfaction are important variables in the formulation of sustainable development strategies because of their ability to measure the well-being of individuals more precisely than those based solely on economic variables. In the context of the tension and turmoil experienced by the country after the revolution of 25th of January 2011, it is possible to rely on indicators of happiness and satisfaction to predict the state of stability in the Egyptian society.

The investigation about the equity fair distribution has shown that the level of income is one of the most important indicators affecting the level of happiness and satisfaction of the

individuals. Other investigations about the term of corruption has shown that in the years after 1990, the World Bank started to deal with corruption as an obstacle to development, and it confirms that improving governance is certainly about fighting corruption especially for the matter of transparency and information. The bank points to the moral objections in the case of the bad use of power which translated into bad governance (Maldonado, 2010). Corruption is an obstruction for development in Egypt. Forms of corruption in Egypt vary in the daily businesses also the culture of nepotism or favoritism has corrupted Egypt's climate of the economy and investment before the year 2010. The reasons behind the high rate of corruption in Egypt included to not only an inadequate legal supporting framework but also a widespread culture of corruption lead to that business reliant on strong connections and the use of middlemen to finish many works.

In conclusion, in the light of understanding this group of definitions, it shows that the World Bank evolvement of the definition shading light on the relationship between manners and good governance principle, and shows that the effect of these manners exceeds the political and economic levels to the social problems too. This chapter is essential to connect that with the World Development Report argument of the three Cs to guarantee the efficient policies of a good governance regime (WDR, 2017). Therefore, next chapter aims to introduce the needed background to provide evidence of the synchronization between historical events and changing in the presented indicators in chapter one to provide the reasons behind the social problems like corruption and poverty. These governmental behaviors had an evident effect on economic based on performance lacked by the three Cs.

Chapter Two

2 The governance history of Egypt between two revolutions 1952 and 2010

(Focusing on the Policies Imposed by the Rulers)

Since the policy is a set of ideas or plans that is used as a basis for making decisions in politics, economics, or business, consequently, this thesis is pointing to these bases reflecting the background of decisions in Egypt for two hundred years to illustrate the effect of the three drivers: commitment, coordination, and cooperation by government on these policies. This chapter presents the evidence prove that the three drivers are significant drivers for effective policies while analyzing the main events in the Egyptian modern history, which cover the quality of governance in Egypt throughout different sectors supported by a historical data graphs. This chapter considered to be the base for next chapter which tests the effect of using three Cs on policies, assumed by the world development report 2017.

2.1 Introduction from 1805 – 1952

The last two centuries in Egypt have seen a lot of political changes; like separate on the Ottoman Empire, colonization, army movement against the king, and getting onto a chain of wars. Egypt begins a new era of development by Mohamed Ali 1805-1952, it's characterized by building a modern and robust army and the cultivation of long-staple cotton, the new army takes 60% of the resources to military spending but most of the battles were for reasons of expansionism outside of Egypt, to extend Ali's kingdom. Furthermore, families had to accept the

new changes in their life after losing their primary breadwinner when poor peasants from the rural areas faced conscription (Williamson, 2015) (Fahmy, 2002) (Panza, 2015).

The ruler's policies expanded the cultivation area, and has to dig new canals for irrigation, and roads to connect governorates together in a short amount of time, and used the forced labor system (corvee) which caused shortage in labor in the early of 1820s. According to that the annual revenue increased from 8 million francs in 1805 to 50 million francs in 1821 but the rural society started to resist the corvee when they could not pay taxes which multiplied about forty times or increase production (Fergany, 2012) (Fahmy, 2002).

This forced the ruler to give more attention to them. He introduced the needed institutions and promised new policies to gradually reduce suffering, replacing the previous harsher policies of the years from 1805 to 1820. Moreover, as a result, the economy became stronger and income of the government cabinet increased, consequently with improving bureaucratic performance.

Moreover, one of that era's characteristics is that the Egyptians were not allowed to own any land, only lease and pay taxes to the government, only the ruler was considered to be the owner of the land. Later in Said's era he allows Egyptians to be employers in the administrative or military classes in the army instead of foreigners and provide a granted plots of agricultural land to them as a reward (Fergany, 2012). In 1821, he used very strong pressure policies on Egyptians, he prevent them of consuming part of their crops for personal uses, they had to buy the crops again from the governor's stores, Some farmers began burning some of the governor's stores and he was forced to change his policies (Fergany, 2012). During Ismail's rule, he dug 112 channels, bringing the total number of channels to 139 but the ruler established a monopoly in importing metal water bridges from Europe (Fergany, 2012). From 1840 to 1849, tax for exported products and food prices decreased as the strong policies start to soften for two reasons: The first

reason was hunger and political dissatisfaction and the second was the condition of the Anglo-Turkish convention of 1838 which afford penalties on Egypt for using their army for expansionist purposes. As a result, all policies that gave the government complete control disappeared entirely (Panza, 2015).

The Suez Canal (1859 to 1869) is one of the world's most important waterways, between 8% and 12% of global trade flows through the channel. The canal connecting between the Mediterranean and the Red seas. Mohamed Ali Pasha rejected the idea of digging the Suez Canal, fearing that it would become a cause of occupation. However, Said Pasha approved the project and gave a concession to a foreign company. The company pledged to provide water, food, and medical treatment for around one million workers. However, 120.000 of them died while working on the project due to, thirst, hunger, or disease (Samarko, 2015). The French Company did not pay wages to Egyptian corvee workers, missing to agreements with the Egyptian government. The Egyptian government did not take serious steps to solve the problem, which should be a coordinating role, during the era of Said. Even after Said, Ismail too could not resolve the problem with the French, despite some international intervention efforts by Turkey. Unfortunately, all coordination efforts to solve the problem failed, and the massacre became out of control, leaving Egyptians with the option of either protesting or dying. In conclusion, the violence, poverty, and dissatisfaction were the results of this absence of rights and security.

In conclusion there have been many reasons behind the military movement in 1952, like corvee system that make shortage in labour and disability for paying grand taxes or increase production, the Anglo-Turkish convention of 1838 which penalties Egypt and weekend the army, also preventing the middle or lower class of Egyptians of owning the agriculture land, adding to the massacres against the Egyptian workers during digging the Suez Canal. And finally the

British protectorate to Egypt which cost Egypt to pay the cost for England's army during the world war. These reasons led to the free Officers' Movement which is a military movement in 1952.

2.2 Nasser reforms

As a result of the previous introduction and on July 23, 1952, a group of Egyptian army officers ousted King Farouk, the last king of Mohammed Ali's family. The main principles of the movement were; elimination of feudalism, colonialism, the establishment of a strong national army especially when the Egyptian army got weakened because of the Anglo-Turkish convention of 1838, the establishment of social justice, and the establishment of the democratic life. Egypt's political and social face and economic dependence changed drastically. For the first time since the Pharaohs, an Egyptian ruler ruled Egypt. Then, within a short period, the Egyptian police were able to help the Egyptians to end the foreign protectorate. Britain left Egypt permanently in the mid-fifties exactly in 18 June 1956.

2.2.1 The disappearance of the constitution for long years from 1952 to 1971,

The Provisional Constitutional Declaration dated June 18, 1952 replaced the 1923 constitution. In terms of the general characteristics of this declaration, it was not a separate constitution. It was concise and included only eleven articles that were quite general in their content. As a result, of the temporary nature of this constitutional declaration, it was in operation for only three years (Hilal, 2011). The eleven generalized provisions, resulting in the temporary disappearance of the constitution in Egypt. There was no constitution at this time to serve as a legislative framework for the ruler's decisions to guarantee rule of law.

2.2.2 The nationalization of the Suez Canal in 1956, the canal remains one of Egypt's most important economic resources. As we mentioned, the Egyptians suffered a lot during their digging to the canal. As Egypt has suffered because the colonization is occupying the Suez Canal. The decision of nationalized the Canal was to support the Egyptian economy and to undermine the control of foreign capital inside Egypt as well as the decline of foreign influence in the affairs of Egypt, therefore the decision is an addition to the strength of the Egyptian economy. The date of the completion of the concession was approaching and the date for the delivery of the company to Egypt. Although, the period of the concession of Sues Canal to the French company was about to end (12 years out of 99), ended in 1968 and Abdel Nasser decided to nationalize the channel in 1956. Despite pursuant to Article 1 of the Suez Canal' Nationalization Resolution, which guarantees the shareholders and the founders' shareholders for paying for their shares, at their estimated value according to the previous closing price on the date of the implementation of this Law on the Paris Stock Exchange, except if England and France with Israel held aggression against Egypt to occupy the peninsula of Sinai as a reaction.

The Egyptian president decided to nationalize the Suez Canal in response to the decision of the World Bank and the United States and Britain to withdraw their funding for the construction of the High Dam. And that was an individual and very fast decision (in two days). It is understood from the decision that Egypt uses the canal to discipline those who is not complying with Egypt. Egypt's enemies used this decision to question Egypt's ability to manage the channel, even though the channel is Egyptian and on Egyptian land. Egypt is naturally managed without the need for nationalization. The decision did not include arrangements for the deployment of the armed forces in the Sinai, in conclusion, the decision lacked planning and advice from political. In response to this decision in 1956 the British government decided to freeze the financial assets

of Egypt on the banks of England. The individual decision taking by rulers lacked planning, coordination ends in conflicts.

2.2.3 Widespread nationalization of all forms of wealth, the decisions taken by Nasser nationalized the wealth of the majority of upper class Egyptians and ended the rule of the private sector. The definition of Nationalization in the business dictionary is the takeover of privately owned corporations, industries, and resources by a government with or without compensation. Common reasons for nationalization include (1) prevention of unfair exploitation and large-scale labor layoffs, (2) fair distribution of income from national resources, and (3) to keep means of generating wealth in public control (Business dictionary). A stage in which the independent state usually passes within the framework of the process of transfer of ownership and the establishment of government rules so that the state will return ownership of what is to be nationalized (Shawqi, 2014).

2.2.3.1 The most massive nationalizations operation which took place in Egyptian modern history was in 1960, started with the Bank Misr Group, which was responsible for about 20% of the industrial production in Egypt. In the middle of 1961. The resolutions governing that nationalization occurred as follows: all companies working in the cotton industry, all companies operating in the field of foreign trade, including all banks and companies, 44 industrial companies in the field of primary industries such as cement and electricity. Moreover, half the capital of 86 companies in the field of trade and light industry, and the transfer of ownership of shares of more than ten thousand pounds in the capital of 147 companies to the nationalization list. In October of the same year, the wealth of 167 wealthy Egyptians was confiscated. By November, 500 more had been added to the list. These measures were later justified as one of the

aspects of Arab Socialism. In short, by 1962 Egyptian capitalism wholly aborted. Most private capital has been eliminated either through nationalizations or through confiscation. This type of Socialism was one of the aims of the revolution from the very beginning, tax laws were drafted on this basis. On July 20, 1961, resolutions were issued to nationalize around 800 Egyptian companies, and set salary limits in all public posts not exceeding LE 5,000 per year (LE 416 per month). Moreover, a progressive tax on the free income of up to 90% (up to 95%) was established, and a plan to impose progressive taxes (Montaser, 2017).

One of the constitutions' roles is to protect equity rights. As well, as limits the cases of nationalization so as not too less, or increase than what do the constitution and the law permit, and the law should establishes punishment in the case of unjustified nationalization. The lack of commitment and cooperation from the ruling side caused poverty and corruption increased. The reason for these decisions, apart from the state's goals, was to abolish the individual incentive, which is the basis for any success and the conversion of any additional gains that the individual would acquire to the state in the form of taxes. These decisions resulted in a halt in the progress of housing construction and the erosion of individual activities, ending the role of the private sector. Moreover, the dependence of the individual on the state to provide its needs ensured obedience under the Socialist Union (Montaser, 2017). Private capital withdraws from Egypt; because of nationalization and expropriation, investment in large enterprises became a significant risk. The degree of security enjoyed by large bank deposits also became uncertain. Private capital withdrew from the scene. It became necessary for the government to provide the necessary funding for all investment projects a task that proved to be a burden on governments, not only in Egypt but also across the globe. Attracting private capital became a hard mission.

2.2.4 Building the high dam in Upper Egypt from 1960 to 1970. The High Dam was built in Aswan, in southern Egypt on the Nile River. As a project of Nasser's reforms to protect Egypt from the annual floods that was destroying homes, besides introducing electricity and other benefits. After building the dam the agricultural land became ready for planting for the whole year. The Nile's silt deposits in the ground was the reason for the renewal of the land, the new dam hid the silt behind, and its absence resulted in lacked nutritional crops that negatively affected people's health. The advantages of High Dam cannot be overstated. It led the transformation of Egypt's land from seasonal to permanent irrigation, reduced damage to lands and villages caused by floods, as well as providing electricity to cities and villages across Egypt and protecting Egyptians from crocodiles, which to this day is one of the famous features of the river Nile. However, this project, like any other, has disadvantages as well. These shortcomings include deprivation of agricultural land from silt. A grand project like the high dam needs the government to adopt the policy formulation that provides a framework that covers all the possible obstacles and provide the coordination mechanisms besides adopt the risk framework that automatically solves these problems, in a kind of commitment from the government to the best use of resources.

2.2.4.1 Deprivation of agricultural land from silt. The Nile silt was the natural defense of the agricultural lands against desert encroachment after the flood. However, the construction of the high dam avoided the flooding that was carrying silt to the soil, which caused the agricultural soil in Egypt to waste, and lose its productive capacity and fertility, which negatively affected production of crops. By completing construction of the high dam, silt deposited instead in the lake located south of the dam. Consequently, it almost disappeared entirely from the water used

for irrigation. The construction of the high dam necessitated an increase in the need for chemical fertilizers (Nashasheby) (Fergany, 2012).

Although one of the benefits of the Aswan High Dam was the ability of farmers to grow crops year round, the stoppage of the Nile floods has had negative effects as well. The yearly flooding deposited a layer of rich, fertile soil that was excellent for growing crops. Without the flooding, farms in Egypt have had to begin using artificial fertilizer to enrich the soil every year in the sixteens. Many fertilizers consist of harsh and dangerous chemicals that can leak into the ground and drinking water systems if not used properly. Scientifically, the addition of chemical fertilizers to agricultural soil causes the loss of many essential elements in produce. Additionally, the soil lost the fertile layer of silt that was covered during the flood, after the construction of the dam there was no longer silt for fertilizing the soils.

2.2.4.2 An American study proved the bad impact of using chemical fertilizers. Many studies have been conducted on critical soil loss due to the use of chemical fertilizers, including a study in the United States of America on 43 crops over a fifty-year period from 1950 to 1999, which found that the soil lost six essential elements because of the use of chemical fertilizers. These elements are phosphorus, calcium, iron, ascorbic acid, vitamin C, and riboflavin-vitamin B2 (Donald R. Davis, 2013). Another study also conducted in the United States followed crops over 160 years from 1845 to 2005, which did not use, or only slightly used, chemical fertilizers. These soils did not lose their elements and fruits and vegetables maintained all of their nutrients. This study was conducted two parts, from 1845 to 1960, and after 1960 when the use of chemical fertilizers and pesticides began. The study pointed out the loss of four trace elements of zinc,

copper, magnesium, and iron in soil. The food grown in this soil also lacked these elements (P.McGratha, 2008).

The Egyptian policies regarding the high dam building did not consider the important of silt aspect to the Egyptians' health. Lacking the commitment and/or cooperation drivers, when decided to stop digging the Canal of Gongli behind the high dam (as a part of the project). This canal was a part of the project on the southern border with Sudan to protect their northern lands of sink. The Sudan side replied by an international prosecution against Egypt in the international supreme court, as a result Egypt had to take a loan from the international bank to pay the decree for Sudan.

2.2.4.3 The lack of essential crops' elements' effect on health for the human capital. Most of the health problems currently being experienced by people with heart and kidney disease or reproductive problems are due to the lack of ecological balance of elements in the plants they consume⁹ (AboFarha, 2006). It means that soil in Egypt produces crops that lack the essentials of food balance needed to live a healthy life and have the ability to work efficiently. As cancer and other diseases spread, there is a tremendous economic and social cost both for individuals and for the government, which affects the overall production and economy in general. One of the

⁹ For example, potassium K enters the process of irritation of muscles and nerves and the transfer of nerve waves and regulation of the heart. A lack of potassium K: leads to underdevelopment (mentally) and weakness in the body and general inability to use legs. Calcium Ca: Incorporates blood, heart function, muscles, nerves, lymphocytes, blood clotting, regulating the permeability of membranes, and effectively stimulating enzymes, neutralizing acids and bases in the body. Its deficiency leads to ease of bone fracture, osteoporosis, paralysis, and deterioration in overall health. Magnesium Mg: essential for the stimulation of phosphatase enzyme and deficiency leads to non-control of heart and kidney function. Sulfur S: enters the synthesis of methionine acid in the skin and enters into the synthesis of insulin and in the vitamin thiamin responsible for the safety of nerves, including reproductive nerves and vitamin biotin, which enters the enzymes and the lack of metabolism, causes delayed growth and deformation of embryos. Iron Fe: necessary for the formation of blood and deficiency leads to anemia (AboFarha, 2006).

essential components of good governance is committed to the optimal use of resources of the country and providing for the needs of individuals. Therefore, Egypt is still suffering of problems caused by the use of chemical fertilizers and because the silt in the lake behind the dam has not been exploited. The government policies regarding building that dam carried a good and reasonable reasons for the general benefits but lacked the drivers of commitment and coordination or cooperation makes everyone suffer not only because of the lack of nutritious elements but also because the water in river Nile is polluted with these chemicals causing more diseases, also had a bad effect on the foreign relations with Sudan.

2.3 Sadat reforms

2.3.1 Since 1966, the government has been re-engaging the private sector. Law No. 56, which allowed foreign capital to conduct joint ventures with the public sector, was enacted. President Sadat started his governing in 1970, the government's outlook on the private sector changed substantially in 1971, when Law 65 on Private Investment and Free Zones passed. However, these measures in aggregate were insufficient to attract private capital, both domestic and foreign, as required. The latest reform of agriculture has not been more than two years old. Some people have exploited the climate distorted by inappropriate economic policies to increase their wealth quickly and illegally. This brief, presents a broad explanation of the story of Egyptian capitalism from the 1952 revolution, which was undoubtedly a painful one.

2.3.2 The openness policy. President Sadat adopted an economic openness policy, but Egypt was not ready because of the corrupt practices have been pervasive among a group of out of control profiteers. Foreign exchange trade expanded, and the black market for foreign currency spread throughout Egypt and became the last resort of the Central Bank in times of severe

liquidity shortage of foreign currency. Spreading the import and export offices, which were then the surest way to get rich quickly. The trade in financing commodities, such as flour, cement, steel, wood, and a long list of goods that sold on the black market has expanded, either because of subsidies or because of market shortages in supply. Loans from unsecured banks increased, as did the number of fictitious projects. First-time fund-raising companies spread across Egypt. Fraud affecting individuals and the state increased to the extent that the position of the Socialist Public Prosecutor became one of the most critical positions in government. The news of those who have fled with millions of dollars has become almost constant on the pages of the newspapers. Tax evasion has also been widespread. In general, increased incomes due to market openness have been associated with an increase in demand for goods with high elasticity of demand for individuals, such as pharmaceuticals, whose trade has expanded on a large scale. In many cases, governments and many public sector employees, either due to pressure of falling salaries or a lack of conscience, have accepted bribe. These and other oligarchs formed the pillars on which the hidden economy is based in Egypt. Some continue to work in the hidden economy, while others managed to wash their money and reappear as a respectable figure, bearing a relatively new title to the Egyptian society, the title meaning "Business Man" (CBA). These policies remains on the conscience of those involved is the suffering and increasing the corruption rate with the dissatisfaction of the millions of Egyptians as the result of unstable growth rates and unethical actions.

2.4 Mubarak reforms

2.4.1 Privatization. Privatization came because of pressure from the International Monetary Fund (IMF) and the US Administration after Egypt signed an IMF agreement in May 1991 and with the World Bank in November of the same year. It seems that the IMF and the US

administration have seen that the privatization process should proceed quickly. Therefore, Egypt changed bringing a new government of a new kind whose ministers were promoters of public sector sales.

2.4.1.1 Privatization caused an increase in the social problems for Egyptians. President Mubarak's policy was an extension of the policy of openness used by President Sadat. The Egyptian government has signed an agreement with the International Monetary Fund (IMF) to schedule debt. The economic situation has reached the point where the state has been forced to borrow from inside, especially from some companies that invest money to buy maize and other crops (Khattab, 2008). The economic situation in 1987 was a sign of development failure with the approach that existed from 1974 to 1987. The solution was to put forward the idea of economic reform. Therefore, the government decided to leave the job entirely to the private sector (Khattab, 2008). Many of the new owners of these companies sold assets owned by companies to obtain the maximum funds possible. A large number of Egyptians left their jobs because the new owners minimized expenses, which led to the exit of a large number of workers in the companies on what was referred as early retirement.

Many Egyptian's families have suffered from low income. When the Egyptian government implementation of the privatization policy led to an increase in early retirement cases from 384 thousand cases at the end of June 2004 to 403, thousand at the end of June 2005 and 40% of the total number of pension cases during this period. Corporate privatization has become a disease of the working class in a state of panic and fear. The maximum period in which the investor has kept his employment is 3 years and then either changes the activity of the project (Asaf, 2009).

Or begins to phase out his workers on the grounds that the company's possibilities and investment conditions are not good and the employer begins to harass and use methods of intransigence to force the workers to resign and resort to early retirement, but in this case the worker loses the value of compensation because the company provides proof that it suffers from the loss (Asaf, 2009). As the experience of offering shares on the companies Workers, also proved unsuccessful after workers were forced to sell their shares in a loss as a result of the company's shutdown or liquidation. All these factors have had the effect of increasing unemployment and inflation, and thus increasing poverty.

2.4.2 The impact of the 2005 elections on the political scene in Egypt and its relation to the 2011 revolution. The 2005 elections were the last election before the 2011 revolution and it has caused many people discontent and so much as to call it a notorious election. The revolution of 2011 was a reaction to governmental behaviour for long years, but the most reason is the absence of the three Cs in the last election campaign for the president Mubarak. In the year of 2011, we see that the behaviour of the government and ruling party was a reason for revolting which affects some significant indicators like control of corruption by decreasing to the lowest value in the last decade.

Although the election of 2005 was the first pluralistic elections in Egypt, and it was a new experience on the political scene at that time, these elections were uncertain about the validity of the result due to several reasons. One of which was that the participation rate did not exceed 23% according to the election commission. Besides, electoral reforms were not enough because election regulations severely restricted independents and overwhelmingly in favors of the National Democratic Party NDP, because of doubt about the seriousness of integrity in

elections. These elections preceded by a surprising initiative by former President Hosni Mubarak to amend article 76 of the Egyptian Constitution, which opened the door to those who qualify to run for presidency. Some of the opposition parties, including the leftist (Tagammu) Party and the (Nasserist) Party, boycotted the elections, saying it was unlikely to be free or fair. Those who oppose the election say electoral reforms were not enough because election regulations severely restricted independents and overwhelmingly in favor of the NDP or the National Democratic Party.

The corruption rate that has increased in the years between 2007 and 2009, also the year 2011 the year of revolution itself carries a high rate of corruption. Because of the security chaos caused by the destruction of prisons and police stations and the escape of prisoners out of prison during the events of the revolution. A comparison of the global values of 2008 and 2013 showed that the state of dissatisfaction and unhappiness has increased significantly. Most individuals in society see the poor state of democracy in society, and more than half of the people in society do not trust the government and institutions like the police, the press, the parliament, the courts and the political parties (Annas, 1993.) (Bruni, 2004.).

2.5 The new investment law 2017. The Executive Regulation of the Investment Law No. 72 of 2017 was issued by the Prime Minister's Decision No. 2310 of 2017 on October 28, 2017. This regulation consists of 133 articles divided into 5 sections: general provisions, facilitation and incentives related to the investor, investor service centre, regulating the investment environment (MIIC, 2017). The new investment law seeks to provide incentives, achieve governance, facilitate cross-border trade, provide guarantees that protect against arbitrary

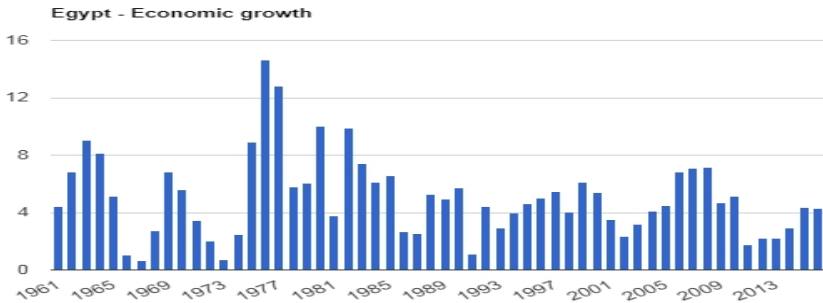
decisions, and provide regulatory tools and procedures to facilitate the process of investment, initiation and activity.

The advantages of the new investment law are; reducing bureaucracy, allowing new incentives, and creating dispute resolution tools to provide a modern and developed to higher degrees in the business environment, and for the first time, investors can apply for services and pay for investment fees through the internet. Timelines for investment services have been set and government authorities must respond to investors during that period. The one-stop-shop was activated for the first time after the successful implementation of the administrative reform which allows the representatives of the various government agencies represented in the Investment Services Center to decide on the documents and applications submitted. The investor does not need to collect multiple approvals from dozens of government authorities, saving time and cost and facilitating the way of doing business and investment in Egypt.

2.6 Economic indicators:

Some economic indicators to illustrate the effect of these events on the Egyptian economic.

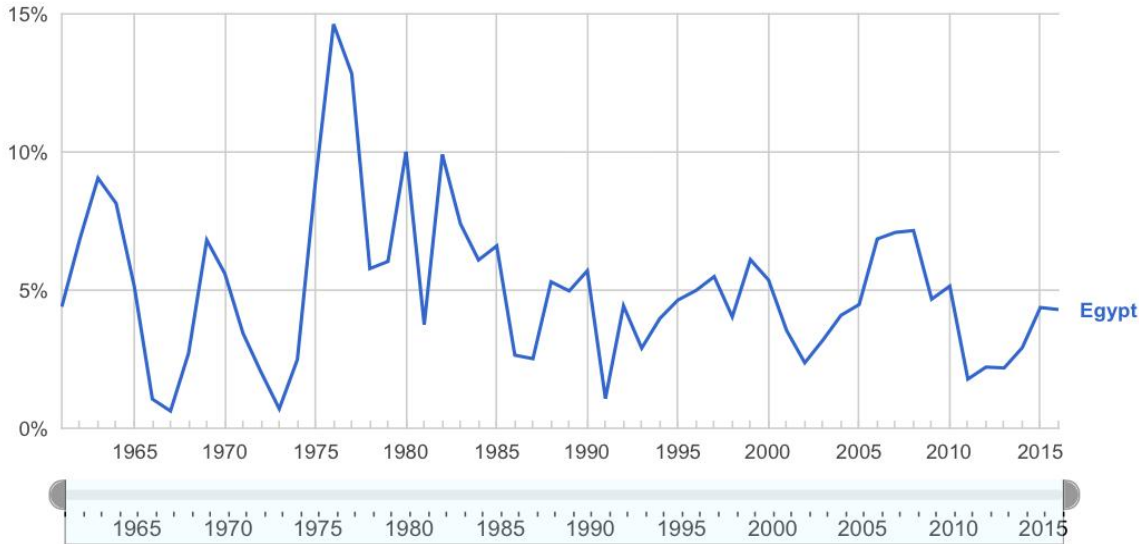
2.6.1 Figure (2): Economic growth in Egypt in the years from 1961 to 2013.



Source: TheGlobalEconomy.com, The World Bank

The World Bank provides data for Egypt from 1961 to 2016. The average value for Egypt during that period was 5.03 percent with a minimum of 0.63 percent in 1967 and a maximum of 14.63 percent in 1976. The average rate of economic growth across many countries is about two to three percent per year. The minimum value was in the years of the wars in 1967, 1973, and 1991, and the revolution of 2011 recorded a low value too. That changes from year to year as the economy goes through recessions and expansions. However, if an economy routinely grows at about five percent or more annually, this is a substantial rate of economic growth. And when the Economic growth rate is 7-8 percent then it is extraordinary.

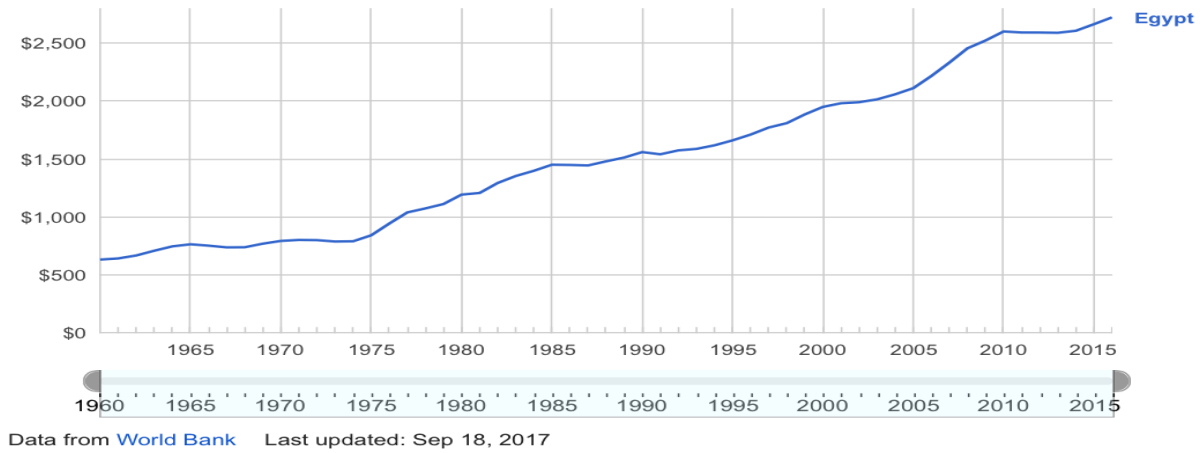
2.6.2 Figure (3): GDP growth rate in Egypt in the years 1960 to 2015.



Data from World Bank Last updated: Sep 18, 2017

The graph shows the GDP growth rate in Egypt from the years 1965 to 2015. The highest value of GDP starts after vector of 1973 war, the lowest indicators was in 1967 and 1973 (war between Egypt and Israel), 1991 (the gulf war), 2002, and 2011 the revolution

2.6.3 Figure (4): GDP per capita in Egypt from 1960 to 2015.



The graph shows the GDP per capita in Egypt from 1960 to 2015, it shows lower values in the years from 1967 to 1973 was a continuous depletion of military and country resources. It increased continually after the victory in the 1973 war. As a result of the war decision between countries it caused an inefficient impact on the economy, therefore on the income, which has caused poverty.

2.6.4 Figure (5): GDP in Egypt and other countries like the UAE, Morocco, Tunisia, and Libya from 1960 to 2016.

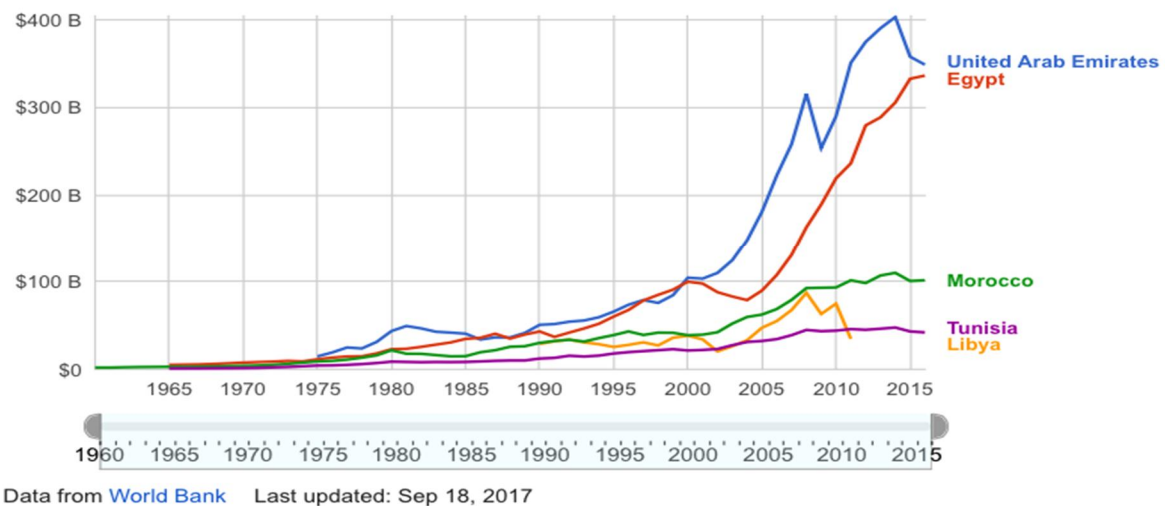
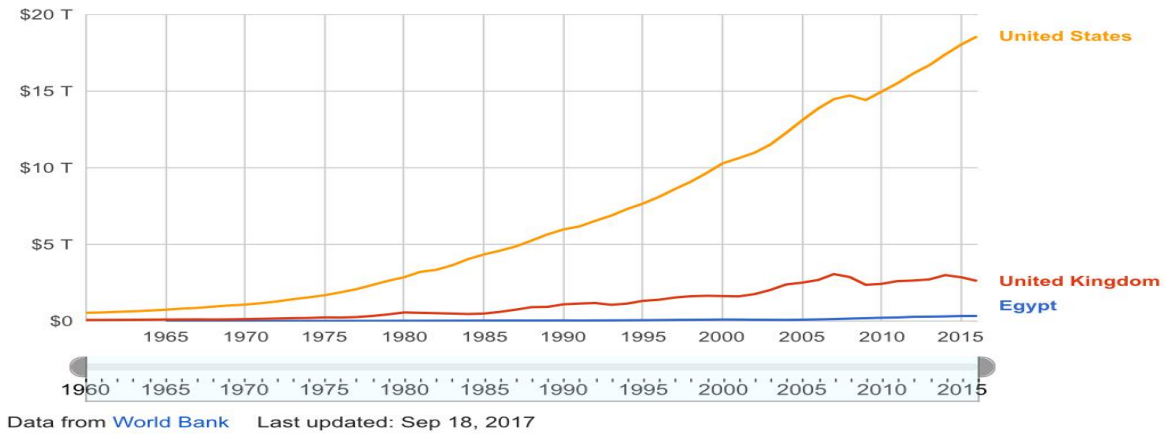


Figure (8) shows the difference between the GDP in Egypt and other countries like the UAE, Morocco, Tunisia, and Libya from 1960 to 2016.

2.6.5 Figure (6): GDP for Egypt, USA, and the UK from 1960 to 2016.



2.6.6 Figure (7): Military expenditure as a percent of central government expenditure in Egypt from the years 1975 to 2010.



The graph shows the military expenditure as a percent of central government budget expenditure in Egypt from the years 1975 to 2010. The graph shows the highest in the years after

the war of 1973 that reached more than 30% of governmental expenditure. The year 1992, after Gulf War in 1991, has only recorded 10% increase, which means more stability and growth. The year 2013 recorded 5% only and compared to the previous years it was the lowest percentage among the 38 years. These expenses show the reason for the delay in growth. The years from 1975 were tough years for Egyptians because the government had to rearm the military forces after the war. The income was not high with the increase in tax, and accordingly poverty has increased.

2.6.7 Figure (8): Military expenditure as a percentage of GDP in Egypt from 1965 to 2015.

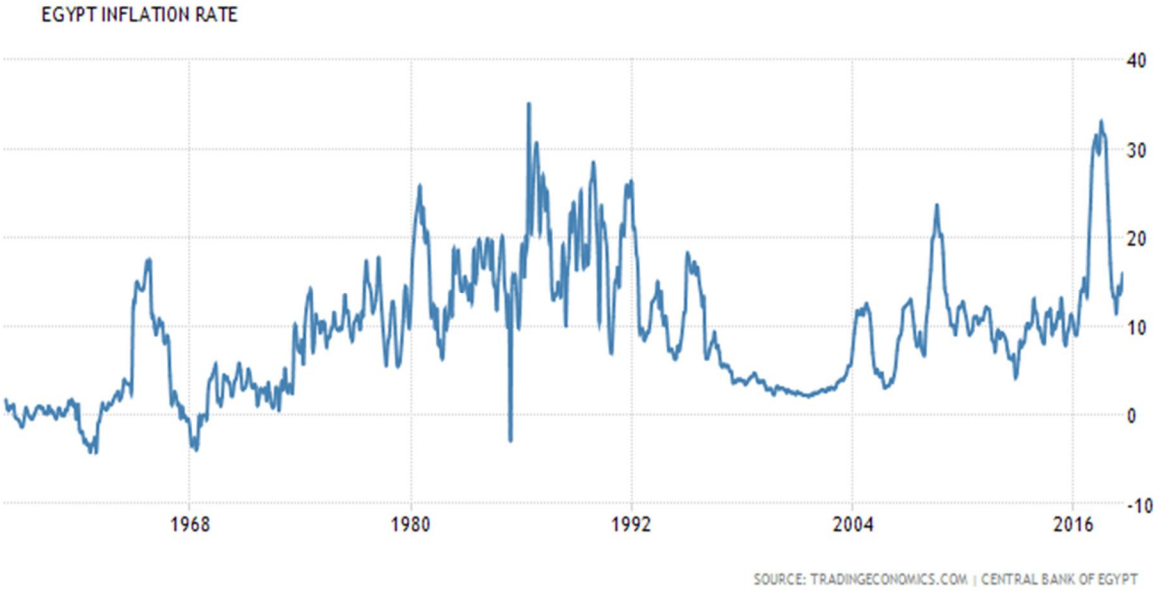


The graph shows the military expenditure as a percentage of GDP in Egypt in the years from 1965 to 2015, covering a period of 40 years, including more than six wars and the revolution of 2011. The 6 of October battle to liberate the peninsula of Sinai took 6 years of preparation and continued an undeclared war, which drained a lot of resources, and of course the growth was not stable or high during the war.

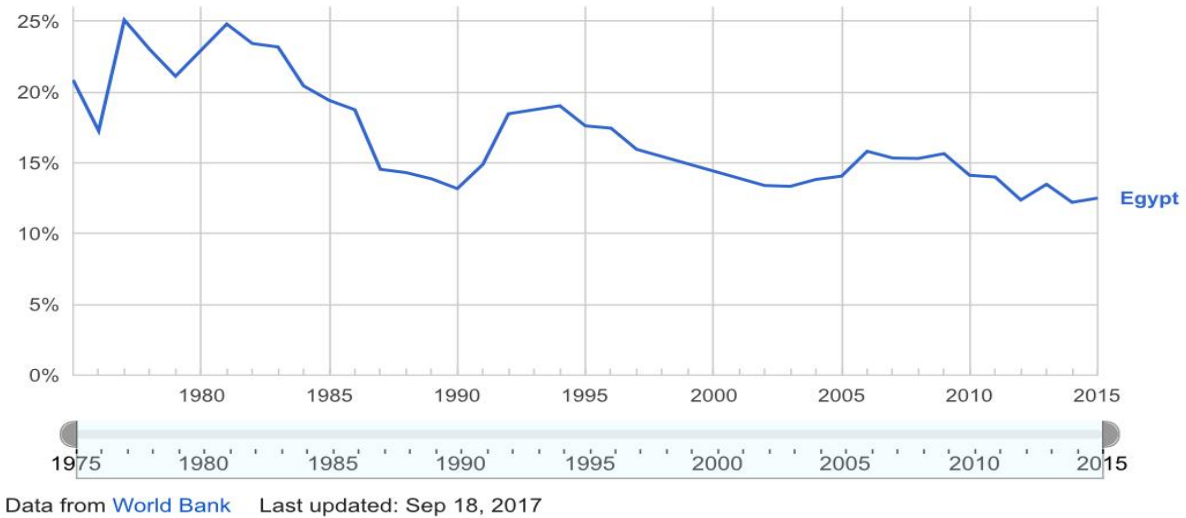
2.6.8 Figure (9): Egypt unemployment rate from 1993 to 2018.



2.6.9 Figure (10): Egypt inflation rate from 1960 to 2018.



2.6.10 Figure (11): Tax revenue (% of GDP) in Egypt from the years 1975 to 2015.



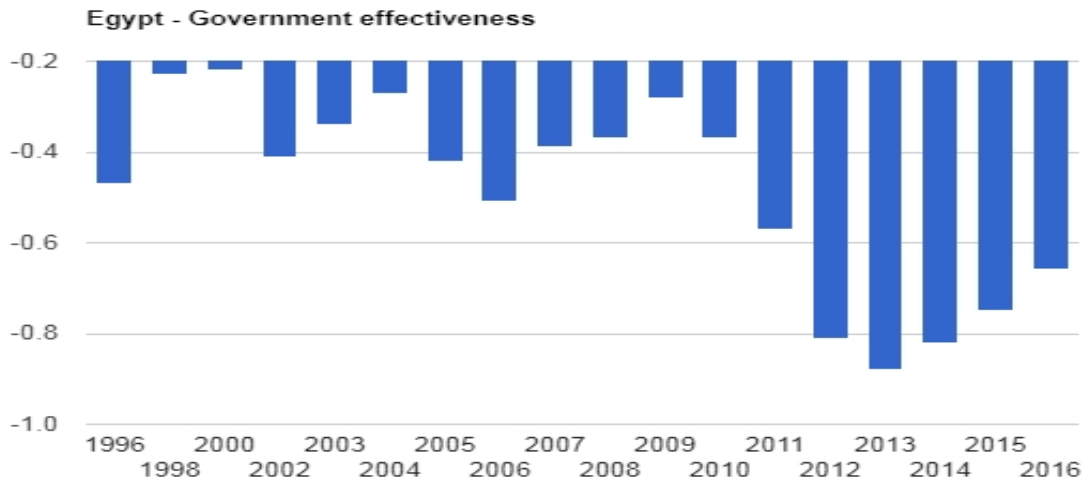
The graph shows the tax revenue (% of GDP) in Egypt between 1975 and 2015. The graph shows that the years between 1975 and 1982 was the highest in tax mostly because of the cost of re building the economy, and funding various public expenditures after the war of 1973. Then during the years of President Mubarak, the tax slowly went down during the last of his period. The lowest value of tax was in 2015.

2.6.11 Figure (12): FDI net inflows in Egypt from 1980 to 2015.



This graph shows the FDI net inflows in Egypt from 1980 to 2015.

2.6.12 Figure (13): Government effectiveness in Egypt between 1996 and 2016.

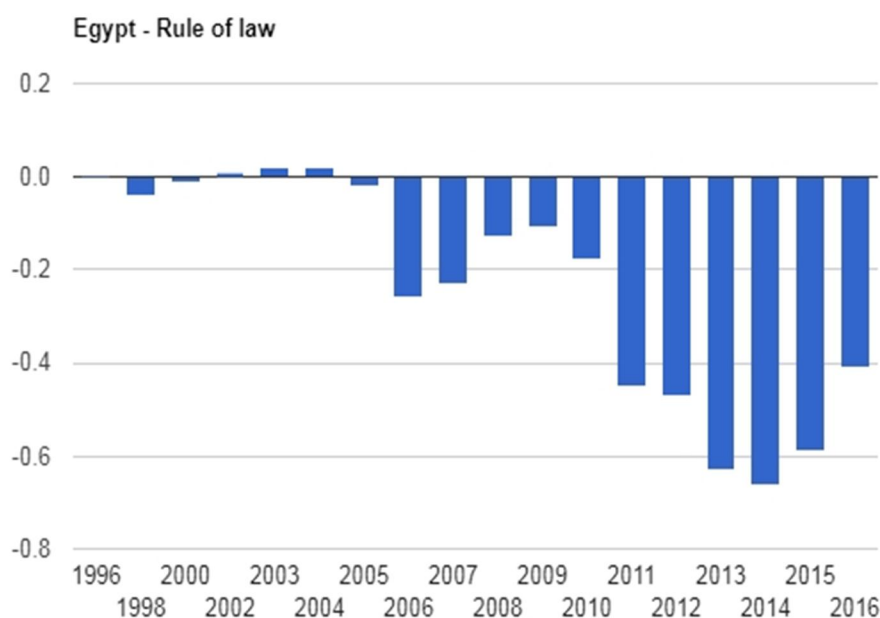


Source: TheGlobalEconomy.com, The World Bank

(s), (Worldwide Governance Indicators, n.d.).

The figure shows the government effectiveness indicator in Egypt from 1996 to 2016. It recorded the highest score in 1998 and 2000, which was 2.5. The lowest is -2.5. Unfortunately the results indicate all negative scores and in recent years they have even lower. The best years in ranking was 1998, 2000, 2004 and 2009. These results are likely related to the weak performance over a long period of time however even the progress was slow and weak. There is a clear drop in 2006 and then again in 2011, after the Egyptian revolution. The lowest score appears the next year in 2013, this drop lasts for three years, and however the government starts to recover in 2014 (Trading Economics, 2017)

2.6.13 Figure (14): Rule of law in Egypt between 1996 and 2016.



Source: TheGlobalEconomy.com, The World Bank

The graph shows the rule of law indicator in Egypt from 1996 to 2016. This indicator is relatively high compared to the previous indicators in the years from 1996 to 2005 meaning public and political institutions demonstrated relatively good performance with the governmental authorities, but still not good enough. The years from 2016 to 2016 indicate lower scores due to the period of political instability after the revolution. The last year shows the beginnings of a recovery. The highest rank was 42 while the lowest was 29.

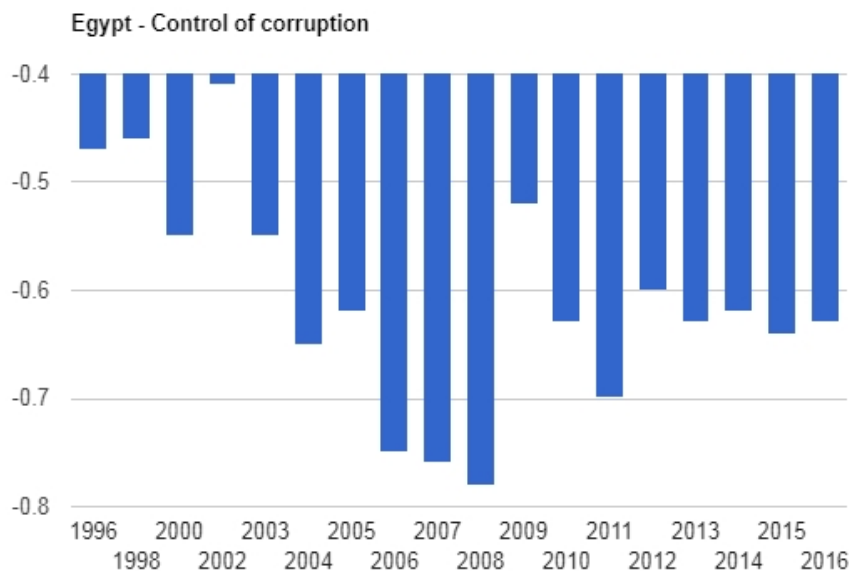
2.6.14 Table (1): The rule of law in a comparison between Egypt and other countries.

Year	1996	2009	2010	2011	2012	2013	2014	2015	2016
Egypt	51.76	52.61	49.76	41.78	40.38	33.33	29.33	31.25	35.58
Morocco	59.30	48.34	50.24	48.83	48.83	46.95	54.33	54.81	49.04
Tunisia	41.21	59.24	57.35	50.70	51.17	49.30	52.88	55.29	55.77
Libya	14.57	18.01	16.11	11.74	12.21	7.51	2.88	2.40	1.44
Germany	93.97	92.89	92.42	91.55	92.02	92.02	93.75	93.27	91.35
South Korea	71.36	81.99	81.52	81.22	80.75	79.81	80.77	80.29	86.06
Canada	94.97	96.68	96.68	94.37	95.31	95.31	95.19	95.67	96.63
UAE	68.84	63.03	62.56	65.26	67.14	69.01	75.00	73.08	79.81
United Kingdom	94.47	94.31	94.79	92.49	92.96	93.90	94.71	93.75	91.83

(s), (Worldwide Governance Indicators, n.d.).

Table shows a comparison between Egypt and countries in North of Africa like Morocco, Tunisia, Libya, and countries in Asia like South Korea and UAE, then two countries from Europe and one from North America: The United Kingdom, Canada, and Germany. The comparison covers the countries score in the rule of law. Morocco and Tunisia are again in the average level and relatively stable with a marginal decline. Egypt, on the other hand, shows a clear decline in the last eight years. Germany, Canada, and the UK are at the highest level, showing the best scores and stable conditions. Again, the UAE is matched with South Korea and is close to the highest level of adopting and equally enforcing the rule of law.

2.6.15 Figure (15): Control of corruption in Egypt in the years from 1996 to 2016.



Source: TheGlobalEconomy.com, The World Bank

The graph provides data about control of corruption in Egypt from the year 1996 to 2016. The World Bank provides data for Egypt from 1996 to 2016. The average value for Egypt during that period was -0.61 points with a minimum of -0.78 points in 2008 and a maximum of -0.41 points in 2002. The control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5. The corruption increased in the year of 2011 therefore that affect the next few years.

2.6.16 Figure (16): Corruption perceptions - Transparency International in Egypt in the years from 2001 to 2016.



Source: TheGlobalEconomy.com, Transparency International

This graph shows transparency data for Egypt from 2001 to 2016. The average value for Egypt during that period was 32 points with a minimum of 28 points in 2008 and a maximum of 37 points in 2014. The lowest value was recorded between 2007 and the revolution of 2011, Corruption Perceptions Index, 100 = no corruption. The average of corruption rank in Egypt from 1996 until 2016 was 84.95, having obtained the highest level ever in the year 2012 of 118, and in the year 1996, Egypt recorded the low of 41 (Egypt Corruption Rank, 2017).

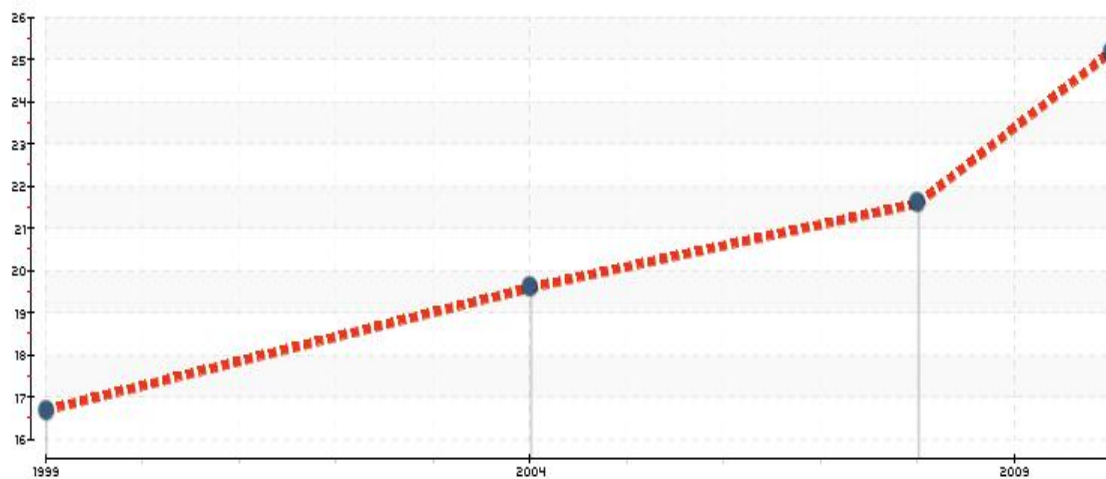
2.6.17 Table (2): Control of corruption in a comparison between Egypt and other countries.

(s), (Worldwide Governance Indicators, n.d.).

Year	1996	2009	2010	2011	2012	2013	2014	2015	2016
Egypt	38.71	36.36	30.95	25.59	33.08	31.75	30.77	30.29	32.21
Morocco	53.23	45.45	52.86	42.18	39.81	44.08	50.00	52.40	52.88
Tunisia	35.48	51.67	48.57	56.40	56.87	56.87	55.77	55.77	53.85
Libya	20.43	7.66	5.24	5.69	3.32	0.96	1.44	0.96	2.88
Germany	94.09	93.30	93.33	93.36	94.31	94.31	94.71	93.27	93.75
South Korea	65.59	71.77	70.95	71.09	70.62	71.56	70.19	66.83	66.83
Canada	96.24	96.65	96.19	95.26	95.26	95.26	94.23	95.19	95.19
UAE	57.53	78.95	78.57	81.99	83.89	87.20	83.17	82.69	88.46
United Kingdom	95.16	91.87	92.38	92.42	92.89	93.36	93.27	93.75	94.23

Table(2) shows a comparison between Egypt and countries in North Africa like Morocco, Tunisia, Libya, and countries in Asia like South Korea and the UAE, then two countries from Europe and one from North America: The United Kingdom, Canada, and Germany. The comparison covers the countries score in the control of corruption. The most robust control comes from Canada, the United Kingdom, and Germany since they consistently occupy the top spots. Moreover, lowest control of rule of law was recorded in Libya. This time Morocco and Tunisia are similar, but Egypt recorded a low score when compared to them and stable in the last eight years.

2.6.18 Figure (17): The population percentage under poverty line in Egypt from 1999 to 2010.



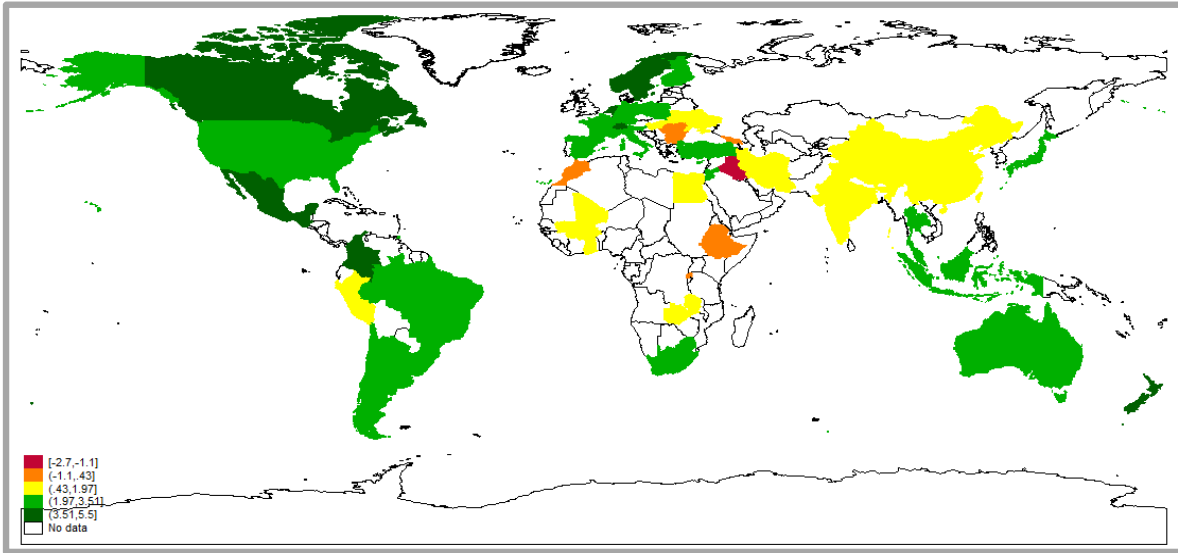
Source : The World Bank
Date : 2015
Creation: Actualitix.com - All rights reserved



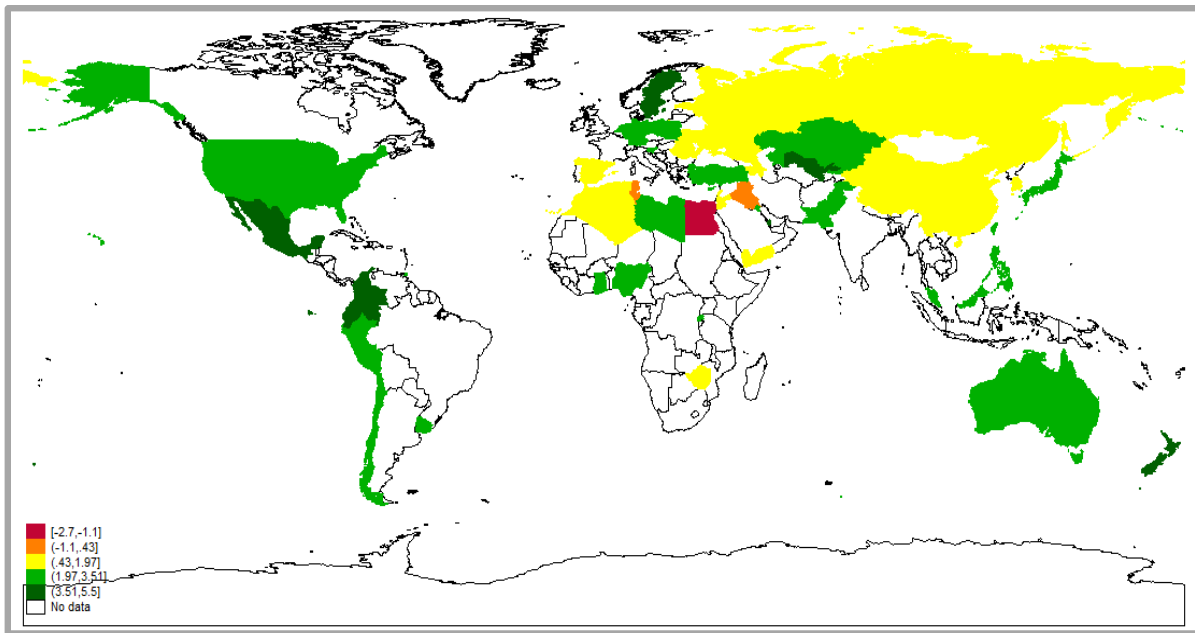
As the graph shows the population percentage under poverty line increased from 15% in the year 1999 to 25% in the year 2010.

2.6.19 Figure (18): Distribution of the subjective Well-Being Index in Egypt and the world (2005-2009 - before the revolution).

(s), Egyptian Prime Minister Support and Decision Making Center.



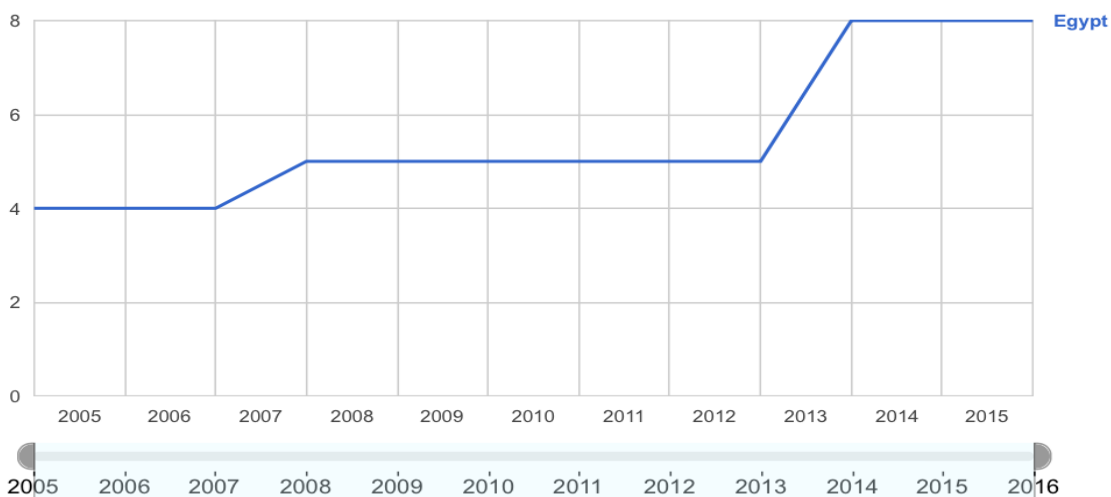
2.6.20 Figure (19): Distribution of the subjective Well-Being Index in Egypt and the world (2010-2014 after the revolution). (s), Egyptian Prime Minister Support and Decision Making Center.



Figures show the low ranking of Egypt among the countries of the world concerning the level of well-being, in other words, the state of being comfortable, healthy, or happy. It should be noted that the situation in 2008 was alarmed by the rising value of the index calculated for the

Egyptian society from zero; the value of the index is 0.58, which makes the situation tend to events that turn the community upside down overnight. The dissatisfaction with the parliamentary elections in 2010 and the general doubts about the project to inherit the rule of Egypt and the government; in addition to, the dissatisfaction of citizens regarding the ways security services had dealt with them were all strong reasons for the revolution of 25th of January 2011 to spark after the Tunisian revolution had flamed. These results are consistent with the results of the Gallup Report on two samples from Egypt and Tunisia in 2009 and 2010, which confirmed the low level of self-sufficiency despite high per capita GDP ((OECD), 2013) (Gallup, 2011) (Hussien, 2010).

2.6.21 Figure (20): The business extent of disclosure index in Egypt from the years 2005 to 2016.



Data from [World Bank](#) Last updated: Sep 18, 2017

The graph shows the business extent of disclosure index in Egypt from the years 2005 to 2016. The years from 2005 to 2010 was during the President Mubarak governance, and it shows the lowest business extent in the years of the graph period. Then the highest value was in the

years from 2014 to 2016 in the period of President Sisi. This reflects the new business environment in Egypt that has changed to a more attractive business environment; the new management policies are more committed to the Egyptian goals and with promises by the government.

2.7 A number of wars and revolutions that occurred due to decisions lacking the three Cs in parallel with the economic performance. It is important to look at the history of Egypt on both the political and the military fronts, which has shaped so many faces of life in Egypt and how the different practices of different Egyptian rulers (in times of peace and war) have affected the economy, natural resources and how business is done. The Egyptian state, society and army have entered into successive wars, which presented a pressure on the Egyptian economy. Egypt has participated in political alliances with some countries against other African or Arab countries.

The observed correlation between these successive wars and the struggle to grow Egypt might be explained as: the ruler decides to engage the army in successive battles, this decision lacked to one or more of the three Cs (Abd, 2013). So, as a result, the resources of the country were drained and based upon that citizens have suffered from political and social instability. During this unstable situation in the sixties and the seventies, rates of foreign direct investment have almost stopped, then the inflation has increased with soaring rates of poverty and corruption. The following part presents a number of events that occurred because of the used policies, evident to lack the three Cs; and supportive graphs to illustrate how lacking the three Cs have negatively affected the policies allowing wars and revolutions to start causing a delay in the economic growth and increasing the probability of poverty.

Introduction: Egypt is located in a privileged location central to the three continents: Africa, Asia and Europe. Therefore, Egypt has been subject to many political and economic pressures as well as military threats (Fergany, 2012). Egypt has fought in many wars, beginning with the 1948 war, then the 1956 aggression and the subsequent tightening of the siege on the Egyptian economy by the colonial powers and the cutting of aid. The involvement of the armed forces in the war in Yemen in 1962, which needed to funds to finance these wars. Then the war of attrition for six years 1967-1973. These wars have resulted in a series of deflationary effects affected the performance of the economy. Especially loss of Suez Canal revenues which had to stop working for long time many times, which constituted a large proportion of public revenues and GDP (Fergany, 2012).

Egypt also lost an important part of tourism revenues, and in human resources, which is the most vital element in achieving economic development. Egypt also lost in the war productive assets that were destroyed and permanently or temporarily disabled. The volume of foreign aid to Egypt decreased during that period compared with the volume of military spending (Fergany, 2012). In addition to these deflationary effects, the Egyptian economy has entered these wars and suffered from some economic problems, perhaps the most important lack of funding for development plans. The 1967 war ended the whole developing planning process. All of the state's objectives were stopped and the military service was served and the economy of war was transformed. Investments and production lines were also diverted to serve the war effort. Consequently, the policy of replacing the imports collapsed. This was the strategy adopted at this stage. All the economic policies of that period were directed at financing military spending, so the existing tax rate was increased and new taxes were imposed.

This is due to the lack of domestic savings and the increase in imports of military equipment, basic ration goods and materials necessary to prepare the Egyptian army for the 1973 war. There is no doubt that all these events led to an imbalance in the allocation and distribution of economic resources, which in turn reflected on economic performance in the implementation of the replacement strategy of imports (Fergany, 2012).

2.7.1 Table (3): The main events like wars and revolutions that caused by the rulers' decisions lacked commitment, coordination, or cooperation

Conflict	Egypt and allies		Results	The connection of the three Cs and Economic, political, and social losses
Suez Crisis (1956)	<p>Egypt defend against the occupation try by (Israel, United Kingdom and France).</p> <p>•Egyptian army coup of 1952 ó the ruler was the Revolutionary Command Council officers of the Egyptian army</p>		Ends with political victory.	<p>The Egyptian president decided to nationalize the Suez Canal in response to the decision of the World Bank and the United States and Britain to withdraw their funding for the construction of the High Dam. The nationalisation decision including the buy of shares of those countries in the Suez Canal by the Egyptian government, and in response to this decision in 1956 the British government decided to freeze the financial assets of Egypt on the banks of England. This policy caused problems on the Egyptian affairs with England and France ends with a military aggression by the two countries with Israel to occupy Sinai. The Egyptian army wasn't even ready for protecting Sinai, in conclusion the reason was the poor planning between the decision maker and</p>

				the army. The court of justice judge to end the war because the Egyptian side was committed to pay the shares value. The good planning should provide deferent ways to restore the canal to the Egyptian side with a good political ways. (Losses of 1,65063,000 (military) and 1,000 (civilian) all Egyptians.)
North Yemen Civil War (1962-1967)	(Egypt helps Yemen Arab Republic) against (Kingdom of Yemen and Saudi Arabia).		Ends with Egyptian withdrawal	The war in Yemen has exhausted a large part of Egypt balance of hard currency, and it creates difficulties for two of the most efficient military teams to participate later in the war of 1967 to protect east Egypt of occupation (El-Gamal).(Losses of around 26.000 military Egyptians.)
Six-Day War (1967)	Egypt, Syria, Jordan, and Iraq defeat in front of the Israel occupation.		Israel captured the Gaza Strip, Sinai, the West Bank and the Golan	This war starts with problems between Israel and Palestine, but the Egyptian ruler reply when he ordered the closure of the Strait of Tiran to Israeli ships (lacked commitment), further complicating it and Israel responded with occupying Sinai. Unfortunately, the Egyptian army was not ready for that reaction. (Lacked coordination and poor planning). Losses of

			Heights.	10.000 to 15.000 military Egyptians.
War of Attrition (1967-1970)	(Egypt, Soviet Union, PLO Palestine liberation organization, and Jordan) against the occupation of Israel to Sinai in Egypt.		Continued Israeli occupation of Sinai.	This war was a result of the previous reasons of the six day war. Losses of 2,882 - 10,000 of both military and civilians - all Egyptians.
Nigerian Civil War (1967-1970)	Egypt helps Nigeria against Biafra to reincorporation of Biafra into Nigeria.		Reincorporation of Biafra into Nigeria.	The ruler of Egypt's decision to interference in the affairs of other countries represents a form of wasting strategic resources for Egypt, the army. Means lack of commitment. Also choosing the time to intervene after the six years' war of Attrition was This decision lacked wisdom because the army was not given time to regain its strength and prepare for the 1973 war of victory. Also Israel use the resources in Sinai for six years especially oil,

				and Suez canal stopped providing any services because of war, the peace treaty affect establish any kind of development in a very important province in Egypt for years.
October War (1973)	(Egypt, Syria, Iraq, Jordan, Algeria, Morocco, Saudi Arabia, Cuba, and North Korea) fought together against Israel.		This war liberates Sinai of Israel occupation.	Egypt had to restore the Sinai peninsula of east Egypt and this war ends by vector to Egypt, then Egypt and Israel sign the Peace Treaty to stop war and practice peace between the two countries. The result of this agreement was the severing of political relations with many Arab countries for a number of years, but peace till today to Egypt with Israel because of the commitment to the treaty. (Losses of 5.000 to 15.000 military Egyptians.)

Covering all main events in the years of the last two centuries shows lacked of many characteristics of good governance, resulted in social problems, changing the values of many Egyptians away of commitment, coordination, and cooperation drivers, and of course the policies used was not sufficient enough to target real economic development.

2.8 Concluding remarks

The aim of this chapter was to examine the main socio-political events in the recent history of Egypt, to focus on the policies which is the ideas, plans behind decisions, in order to illustrate the effect of the main three policy drivers on the results of these decision making through that history. The second aim of this chapter was to investigate the effects of these policies on the three backbone of development; by adopting good governance, the level of rule of law and the high economic performance in the case of using the three Cs. On the other side, to investigate the results when policies lacked one or more of the three Cs, measured corruption, poverty and/or dissatisfaction.

The investigation of Nasser's era has shown that, despite his tries to make reforms to solve the problems faced Egypt during Mohamed Ali's era, but the policies used by him marked by the absolute power in his hands or poor planning in some main decisions. The period started by 1952 to the end of the period ruled by Nasser, marked by the disappearance of the constitution for long years from 1952 to 1971, there was no constitution at this time to serve as a legislative framework for the ruler's decisions to guarantee rule of law, worth to say, one of the constitution's roles is to protect equity rights. As well, as limits the cases of nationalization so as not too less, or increase than what do the constitution and the law permit, and the law should establishes punishment in the case of unjustified nationalization. Nasser's reforms holds the nationalization policy to fund the main projects he aims to build in Egypt, the main nationalization was of the Suez Canal in 1956 to fund the construction of the high dam, but the decision lacked coordination ended by the triple aggression held by England and France with Israel against Egypt to occupy the peninsula of Sinai as a reaction to the decision of

nationalization. Even that Egypt's enemies used this decision to question Egypt's ability to manage the canal,

Nasser used a widely nationalization of all forms of wealth, by 1962 Egyptian capitalism wholly aborted either through nationalizations or through confiscation, these decisions resulted in a halt in the progress of housing construction and the erosion of individual activities, ending the role of the private sector and private capital withdrawal from Egypt.

The Egyptian policies regarding the high dam building did not consider the important of silt aspect to the Egyptians' health. Also lacking the commitment and/or cooperation drivers, when decided to stop digging the Canal of Gongli behind the high dam, this canal was a part of the project on the southern border with Sudan to protect their northern lands of sink, as a result Egypt had to take a loan from the international bank to pay the decree for Sudan. There is a tremendous economic and social cost both for individuals and for the government, which affects the overall production and economy in general. One of the essential components of good governance is committed to the optimal use of resources of the country and providing for the needs of individuals.

Sadat reforms re-engaging the private sector, started by adopting an openness policy but some people have exploited the climate distorted by inappropriate economic policies to increase their wealth quickly and illegally, but Egypt was not ready because of the corrupt practices have been pervasive among a group of out of control profiteers. Foreign exchange trade expanded, and the black market for foreign currency spread throughout Egypt and became the last resort of the Central Bank in times of severe liquidity shortage of foreign currency. The trade in financing commodities, such as flour, cement, steel, wood, and a long list of goods that sold on the black

market has expanded, either because of subsidies or because of market shortages in supply. Loans from unsecured banks increased, as did the number of fictitious projects.

President Mubarak's policy was an extension of the policy of openness used by President Sadat, therefore he adopted the privatization policy, with signing an agreement with the International Monetary Fund (IMF) to schedule debt, but results were unexpected because of the high rate of corruption and poverty accumulated by years beside the long years adopting an economy of war. All these factors have had the effect of increasing unemployment and inflation, and thus increasing poverty.

One of the marked political reforms was an initiative by Mubarak to amend article 76 of the Egyptian Constitution, which opened the door to those who qualify to run for presidency. Some of the opposition parties saying it was unlikely to be free or fair. Those who oppose the election say electoral reforms were not enough because election regulations severely restricted independents and overwhelmingly in favor of the NDP or the National Democratic Party. The corruption rate that has increased in the years between 2007 and 2009, also the year 2011 the year of revolution itself carries a high rate of corruption, and the 2005 elections were behind the 2011 revolution.

In the year 2017 the ministry of investment and international cooperation adopted a new investment law to support the decentralization and attract more investors.

Chapter three

3 The three Cs: commitment, coordination, and cooperation

This chapter intends to determine the extent to which what started before in chapter two about the significant effect of the three Cs on policies efficiency.

3.1 Competing arguments

Awareness of the characteristics of good governance is recently focused, development agenda was related to good governance having possibly first described by the 2000s (Grindle M. S., 2010). In recent years, there has been an increasing amount of literature on the elements of good governance; some cases focused merely on the main eight aspects of good governance which are the rule of law, transparency, responsiveness, consensus-oriented, equity and inclusiveness, effectiveness and efficiency, accountability, and participation (Rieseneder) (Sheng, 2009) (Grindle M. S., 2010). But not focused on the Three Cs commitment, coordination, and cooperation as a policy drivers, therefore, it was essential to give considerable attention in this thesis to the last elements, adding them to the previous aspects; all together can be a great incentive to any democratic system that supports good governance¹⁰.



¹⁰ Source: Public participation in China: Sustainable urbanization and governance - Scientific Figure on Research Gate. Available from: https://www.researchgate.net/Characteristics-of-good-governance_fig1_228849066 [accessed 21 Jun, 2018]

Many competing arguments talked about elements and characteristics of good governance, summing up of these works of literature is that good governance contains a blend of methods and measures. The primary characteristics of good governance in democratising systems are aiming to fulfil functions providing security, public services and ensuring equality under the law. Because, it is necessary to assure that corruption is minimised, also to respond to the present and future needs of society. The United Nations Development Program UNDP group a set of principles under five broad themes, these themes are about how the power is exercised and about the results of power. These principals are legitimacy and voice which including participation and consensus orientation, direction, performance, accountability, and fairness which contains equity and the rule of law.

These characteristics are beneficial but with working beside the three Cs will be more effective. That is because that the commitment, coordination and cooperation are the protection and the sheltering that impulse and stimulate the real proposed possibilities to achieve better governance, also, to find solutions to the major problems confronting societies. On the other hand, people increasingly not trust institutions and politics or are not interested in them. Therefore, those democratic institutions and the representatives of the people should try to connect with its citizens as starting condition for more effective and relevant policies which means adopting principles of commitment, coordination, and cooperation by the government bodies and actors.

3.2 Drivers of Effective Policies: Commitment, Coordination, and Cooperation

The first objective, to address good governance, is to use effective policies to develop the country. However, some countries demonstrate that even when growth policies are implemented,

still institutions do not necessarily change. For example, China grew fast but, still, the Chinese fundamental institutions did not develop in parallel with this growth (WDR, 2017). Another example is India, which has grown but cannot control the poverty areas from increasing. Brazil has a full-scale growth but citizens are not satisfied, especially the middle class, and they are still protesting. This proves that these systems need to use effective policies to foster growth and the important factors that allow for the optimal use of resources. Therefore, it is important to test the need for government to adopt the three Cs commitment, coordination and cooperation in their policies to flourish and lift the economy, and enhance people's satisfaction in general.

3.2.1 The first driver: Commitment. Commitment means the ability by actors to enforce commitment aspects, like agreement, and to be sure, that promises are delivered because effective policies require consistency over time. The main factors of policy effectiveness include the principle of commitment that handles the different conditions and political objectives, which stands beyond political changes (WDR, 2017). In general, there are various paths and risks, even with the use of the best practices, some of them succeed and some fail. Therefore, the commitment driver is needed to ensure that rules and resources will result in the desired outcomes (WDR, 2017).

Commitment, from another dimension, is a social behavior carried out by both policy makers and citizens, which results in many advantages. Commitment can increase people's trust in policies (Blind, 2006) which accordingly can correct their behavior such as accepting a policy to work for a longer period. Another advantage is giving more focus to pro-growth policies (Page, 2005) and property rights, which means stability on the microeconomic level leading to a stronger growth. A commitment will also protect current successful policies from changing with every new political change; meaning that successful policies do not change according to the new

political whims, i.e. there is an ongoing policy plan, aside from the circumstances and changing events and different parties must abide by it. The principle of commitment is consistent with the cost of public services, even in changing political circumstances that require increasing the service cost. Therefore, the principle of commitment is one of the factors that protect the country from poor spending. The commitment comes from the real need to prevent corruption whether through decision makers, politicians or public service providers, and grantee the right decision or, else, give the right push for enabling the public service provider (WDR, 2017). For example, one of the commitments of the British Department for International Development DFID is to support commitment as part of the government's growth strategies, for sustainable poverty reduction through international development dialogue, which indicates the supportive rule of commitment to reduce poverty (DFID, 2017).

3.2.1.1 Commitment on the economic level. Commitment is important for the credibility of pro-growth policies and for protecting property rights and is necessary to ensure macroeconomic stability and growth empowerment (Everest-Phillips, 2008). Policies must demonstrate a commitment to ensure the preservation of property rights for example, excessive or unjustified nationalization led to the escape of the private sector and the loss of capital invested in the private sector during the 1960s, resulting in economic problems (Neuman, 1951), that weakness had been negatively reflected on the income of citizens.

A key part of the role of government policies is to conserve resources. For example, the continuous depletion of resources in successive wars in Egypt, some of these wars caused by individual political decision such as the participation of the Egyptian army in the war in Yemen in the 1960s. Which caused the loss of around 5000 soldiers from the Egyptian army, and as a

result of the presence of nearly one-third of the Egyptian troops in Yemen spread between two directions (in Yemen / and in the main eastern operations) (Amer, 2013).

The war decision has dissipated the army resources in wars to which Egypt had no connection to other than supporting the Yemeni government to stabilize security, a form of interference in an internal affair of another state. Therefore, the commitment factor had an important impact on the policies through government roles and decisions.

3.2.1.2 Commitment on the social level. The policies for achieving the equitable distribution of resources needs transparency; and therefore, it makes sense that commitment is a promise made by policymakers, in which the absence of it will result in the lack of confidence in government with all its accompanied serious social implications (Kim, 2010). To protect citizens, the governmental institutions like the Police must be committed to its role of protecting citizens not to be an instrument to enforce power and punish those who disagree with the government. That happened in Egypt in the 1960s and resulted in violence, and of course a lack of trust between people and the government; namely, the Police. As a result, in 2011, the protesters choose the 25 of January, the Egyptian Police Day, to be the day of revolution as a kind of objection.

Therefore, lacking trust may lead to revolutions, because more violence will lower security levels, the matter that hinders long-term growth (Economist, 2011) and increases poverty. After the 1973 war, there was a rapid change in global economic activity, especially in the mid-seventies, the Egyptian government adopted a new policy to liberalize the Egyptian economy out of the stage characterized by the leadership of the public sector of the economy and follow the central planning approach. The strategy used earlier was based on excessive government intervention not supported by efficient institutional mechanisms. The new policy was to liberate the market by relying on the private sector as a key partner in the economic

development process alongside with the public sector. This new policy is called the policy of openness. The goal was to shift from a planned economy to a market economy.

This period when applying the policy of openness was accompanied by the continuous depletion of the Egyptian state's resources in the form of loans repayments to foreign creditors and the interests of these loans, or in the form of deterioration in the exchange rate of exports. The approach of the policy of openness was dumping export (import without currency conversion) and encouraging the capital of the multinational companies that hit the national community and the private sector seriously, as the stagnant industrial store increased and the trend towards complementary industries increased in the public industries.

One of the side effects of the policy of openness is inflation. Wealth is concentrated in a few hands. Foreign influence has increased in the Egyptian economy. Its role has been limited to importing from abroad and flooding the Egyptian market with consumer goods. The consumption of the rich was also a social provocation, leading to social, political and economic instability. Therefore, a number of wars did not give the government a chance to intervene through coordination and cooperation drivers to maintain the policy and correct the path.

3.2.1.3 Commitment on the political level. The essential role of institutions is based on the principle of commitment in order to increase the quality of policies to support the principle of good governance. The basis for that is trust, which gives the government a monopoly on the legitimate use of force (Lijn), all that depends mainly on security (Council, 2016). In the 1970s, President Sadat carried out revolutionary reforms corrections, mainly to correct many of the 1952 revolution drawbacks. He demolished those prisons believing that the failure of state institutions such as the police and intelligence to perform their roles in protecting citizens and the country is a main obstacle to growth (Obeid, 2010).

In 2011, the protesters in Cairo protested against the regime but despite all government trials to solve the problem, protesting continued for more than one year causing an obstruction and a huge disturbance of government services to citizens because the protesters occupied a central and lively spot at the heart of the capital "Downtown Cairo".

3.2.2 The second driver: Coordination. Coordination is the act of involving all the involved parties in a plan or activity to work together in an organized way (Cambridge English Dictionary). Policy coherence and coordination within governments are important for policy development at large, especially in resource-constrained contexts. National policy coordination has been a relevant factor in achieving MDGs in some countries (UN, 2015), although the lack of government coordination capacity has limited this in others. The use of information and communication technology has facilitated coordination and accountability as well as service delivery.

The governmental coordination is a policy factor for investment too. Accordingly, coordination behavior is needed to design effective, responsive and sound policies for a healthy investment climate. Besides, commitment is important for innovation as well (European Communities, 2000). In this case, we can understand the coordination behavior in light of market research principles. Organizations and businesses conduct market research to understand market trends, obstacles, and opportunities. In the process, they coordinate their efforts in order to best utilize resources to serve their clients, increase market share, and/or resolve market failures.

On a decentralized level, coordination between governorates is important to achieve fair distributions of investment; that is because the policies of investors and the laws governing economies have an impact on attracting investment. Based on that, good policy coordination

strategies should be a reason for attracting more investors. Financial stability depending on these successful policies and vice versa.

One of the disadvantages of the centralization is the lack of justice in the investments distributions between the Egyptian governorates. These investments are concentrated in the large urban center leading to the inflation of these centers, and disrupting the Egyptian urban system and losing balance. Based on that there has become spatial bias in the field of development and community (Rageh, 2018).

To give an example, this has led to the absence of a single institutional and legislative system for the management of land in terms of tenure, privatization and use to achieve sustainable development at national, regional and local levels. This has sometimes led to the use of land for speculation and rapid profit rather than for development (Rageh, 2018). However, to implement policies, there is a need to coordinate resources and provide incentives. Therefore, coordination over time in policies is not easy and in line with the economic theory of incomplete contracts, policies require commitment devices to ensure their credibility (WDR, 2017). Therefore, the Egyptian investment ministry launched a new law (Law No. 72 of 2017) guarantees a number of protections for international investors to encourage new development in Egypt to coordinate among concerned ministers (MIIC, 2017).

3.2.2.1 Coordination on the economic level. One of the main roles of the government is to coordinate between markets in order to expand, besides allowing the industries to integrate and open markets for each other because otherwise, in the case of non-coordination inside markets, the market becomes small for large investments.

The argument of "coordination failure" is used by development economists to highlight the importance of coordination for industrial policy (Matsuyama, 2002) (Glavan, 2008). Coordination failure leads the market to an equilibrium outcome lower than it should be, and in which resources would be optimally allocated and all agents would be better off. Developing economies cannot be naturally developed because of coordination failure between complementary industries. Generally, Coordination is an important factor for policy success to become more effective (Gawande, 1998).

3.2.2.2 Coordination on the social level. One of the coordination goals is to solve the investment funding problems to support the steady growth of the population in Egypt because the coordination role of the government is to enhance the performance of cities to do their roles, which expected to grow equally, not just the capital and large cities. It should note that Egypt is a centralized country meaning that most of the government services are centralized in the capital. Decentralization means democratization and to give an ample distance for the liberalization of economic development strategies. Therefore, solving this matter in the constitution of 2014 paved the way for policy decentralization on economic, financial and administrative levels. The lack of coordination resulting from centralization in Egypt led to the fact that the government did not give a fair and proportionate attention to the actual needs of different segments of the society to achieve social cohesion and social justice (Rageh, 2018). That is why Egypt in 2017 launched the new investment law to support the decentralization on the base of ministers which located in the capital. The exclusion of the private sector from the economic scene in Egypt in the 1960s has negatively affected the provision of public services such as education and public transportation when the Egyptian government has undertaken the public and private sectors roles, which no government alone can fully provide. For example, the education became free for

everyone not for the distinguished ones only, which burdens the general budget more than it should. Then the quality of education per student became less than the normal level. This has resulted in the resentment of a large number of the middle class towards paying taxes and a sense of general dissatisfaction and lack of confidence in the efficiency of the government to perform its role (Eaton, 2000).

It is important for the government to use the principal of coordination with citizens to accept rules, which will decrease the social pressure to affects the social norms; for example, the government forbids child labor, but some parents still opt their children out of school and force them to work instead. That called a coordination problem because the coordination role of the government is to enhance the performance of cities to do their roles, which is expected to grow equally, not just the capital and large cities, and to solve the investment funding problems to support the steady growth. Which will be reflected on problems that have arisen because of the population growth. The lack of coordination had a significant impact on the income of citizens and on the high degree of their dissatisfaction. After 60-years of insufficient coordination, the result was high dissatisfaction among Egyptians and accordingly it gives rise to violence that appears in revolutions, vandalism, and corruption that will later explain in more details.

3.2.2.3 Coordination on the political level. Vinod K. Dupont, Aggarwal, and Cédric proved an understanding to the problems of collaboration and coordination in the global political economy by proving that institutions might play a role in enhancing the prospects for cooperative behavior (Dupont, 2004). Egypt was the first to support the liberation movements in Africa before the establishment of the Organization of African Unity through coordination and cooperation for African countries to obtain their freedom, by President Nasser, then that the Egyptian national security is linked to the security and independence of the other countries of the continent.

Egypt established the principles of the first conference of the African continent in April 1958 in Accra, the capital of Ghana, which was an uprising of the Black Continent, which has long governed colonialism. The long history of cooperation and coordination between Egypt and the African countries helped Africa to gain its freedom completely, and to get liberated from both the British and French occupation. Despite, Egypt's historical role in accelerating the process of African integration on scientific grounds and maximizing the role of regional economic groupings. The gap in relations between Egypt and the countries of the continent widened during the era of the isolated president Mohamed Morsi, especially with the Nile Basin countries, which helped in the emergence of the water crisis strongly. He did not take any steps to secure or preserve Egypt's share of the Nile water.

The position taken by the African Union to freeze the membership of Egypt after the 30th of June, 2013 Revolution. Because Egypt left its position on the continent, and there was no Egyptian role to explain to the members of the African Union the reality of what happened behind that behavior. It is true that Egypt is currently providing general military training programs and special counterterrorism teams to most African countries. However, this Egyptian effort is not sufficient given the nature of the challenges. It is also appropriate at this stage to activate the North African Military Brigade, which was based in Libya and the development of military brigades the remaining three in the continent, which suffer from structural problems related to the system of work and mechanisms before they relate to military and weapons capabilities.

Such access may require some coordination with Algeria and Morocco despite the problems of their bilateral relations. The chances of success of this coordination may be linked to the strong Algerian presence in the organs of the African Union and the Moroccan success in

forging excellent relations with Africa over the last decade. In conclusion the coordination through time was an important factor for Egypt's relations with other countries.

3.2.3 The third driver: Cooperation. The factor of cooperation points at the process of working together to the same end, and this joint work supports the quality of governance especially if this cooperation between government institutions and citizens (European-Communities, 2000) (Grindle M. S., 2010) (Mutangira, 2016).

3.2.3.1 Cooperation on the economic level. Cooperation helps indirectly to provide high quality services (ILO, 2015) such as health and education (Mutangira, 2016) and helps to protect individuals from social problems such as diseases and unemployment, also it might reduce the number of deaths across generations. Cooperation also increases the ability to pay taxes (UWCC, 1995), as the primary source of public spending is taxes, which considered one of the main resources for the government to fulfill its obligations. Paying taxes is essential to give more opportunities to invest therefore cooperation helps the good financial flow to solve problems like inflation and to increase the speed of capital turnover for investors. Paying taxes needs to the principle of cooperation to collaborate with citizens and government, because a number of citizens evade paying their share of taxes. Also increasing exports and reducing imports would reduce demand for foreign currency and encourage domestic products, reduce the likelihood of inflation and thus lead to economic prosperity.

Another example about the Agrarian reform law in 1961. The law based on determining the ownership of the agricultural land of the existing owners, and then to re give the ownership of this land again for small farmers. Rather for the land reform laws did not solve the problem of the agricultural landless, which amounted to about 44 percent before the revolution, in 1965 fell

to 40 percent, then rose in 1972 to 45 percent, and reached the end of the eighties to 60 percent of the total rural population. The Egyptian agriculture is generally controlled by the pattern of family farms and the lack of capitalism farms (AboBakr, 2014). Thus, the methods of production rely more on the human forces, because of the lack of awareness of the importance of cooperation and coordination among farmers. In addition to farmers' adherence to traditional crop varieties, regardless of their importance or return. That reflects the lacked coordination between government and farmers also shows weak plans. So that agricultural production is based on self-sufficiency of some basic crops for human and animal food. Which means lacked coordination and commitment affect farmers and general planning for growth and development

Therefore, cooperation is important and vital for growth in a developing country like Egypt because it will affect all development steps.

3.2.3.2 Cooperation on the social level. Previously, this research has pointed at the important role of cooperation between government and citizens. The rate of employment, the mortality and health indicators are a positive sign of cooperation and a strong driver of economic development. Based on this fact, the quality of public services such as education and healthcare has a positive impact on economic growth, because the human capital is one of the main driving forces of the economy.

Moreover, because Egypt is one of the countries with a large human resource base, thus, the government policies are trying to reach a good health care and good nutrition in addition to the good education system. Therefore, the government should cooperate with the concerned institutions in solving social problems such as unemployment or with the necessary coordination for the fair and suitable distribution of jobs. Alternatively, follow the quality of the products and adhere to the production standards whether agricultural, industrial or service.

The cooperation between the government and citizens shows the ability of the government to solve the social problems that citizens cannot solve and need to intervene from the government. Spending governmental income on curing patients or solving the social problems, which already resulted from unemployment, is only a drain on government resources in the wrong place, this depletion leads to delaying or slowing growth.

The world development report mentioned that in the case of providing weak public services the upper class of the citizens and middle class might prefer the private services due to poor social governmental services provided (WDR, 2017), and in turn, weakens its willingness to cooperate and contribute to the realization of public goods. Thereby undermining their incentive to cooperate and weaken compliance to pay taxes, and that called a breakdown of cooperation.

3.2.3.3 Cooperation on the political level. When the government pursues a cooperation methodology to solve citizens' problems, ensures adequate social life and strong economic conditions to avoid the possibility of political problems and therefore political stability. The political stability is crucial to reach development; because the political problems may be a cause of revolutions and the sabotage of resources as a result of the feeling of neglect from the government, and a reason to reduce corruption to protect their rights. International cooperation among governments through international conventions alleviates obstacles to international trade and opens new horizons for local products to emerge globally.

In conclusion, the three drivers of commitment, coordination, and cooperation are effective tools for making strong and effective policies, and for achieving development goals.

Chapter four

Concluding remarks

This thesis confirms, along with the argument of the World Bank's 2017 World Development Report, that the three Cs: commitment, coordination and cooperation are key, essential drivers and a robust tool to achieve good governance and government successful policies. It concludes that lacking one or more driver of the three Cs had caused poverty, corruption and/or dissatisfaction, and the case of Egypt had proven that over the past 200 years of its socio-economic and political history.

This thesis identified the basic definitions that occur around two groups of information describes terms of economy development and terms of social problems in order to link them in to the three Cs and discuss their influence to efficient policies;

The most obvious finding to emerge is that adopting good governance by increasing security, growth, and equity is playing a critical role in maintaining citizens' lives and rights (Grindle M. S., 2010) (Maldonado, 2010). Therefore, good governance term should be supported by conducting effective policies.

This thesis has found that generally the rule of law gives a legal measurable extent for good governance because it gives suitable circumstances legal system, and that, the degree of judicial independence correlated with economic growth, also the increasing of the rule of law level is important to establish a fair society and in developing the social life and it has an important role in decreasing poverty.

These experiments confirmed that the economic performance is the mirror that reflects how policies are efficient; it is also one of the evaluation tools to define governance quality as well as a quantitative tool to increase poverty when economic performance is malfunctioned.

The second major finding in this chapter presents definitions of terms increased social problems; namely, corruption, dissatisfaction, and poverty, which occurred as a result of lacking effective policies caused by the lack of the three Cs.

In linking the three groups of information, indicated in the literature, this thesis sets out the context for whether government policies have potentially increased either corruption, poverty, and/or dissatisfaction among Egyptians, despite government's efforts to accomplish higher economic performance and solve socio-political issues.

In this vein, thesis found that other factors such as timing and the surrounding circumstances were factors that contributed to social problems, affecting the overall economic prosperity. A brief dive into that shows that jointly lacking one or more of the three Cs and bad timing or unfitting circumstances have affected the principles of good governance, and here are three concluding remarks:

First, despite the 1970s good policy of market openness, that time was characterized by a "war economy" giving most of the resources to serve the army, and leaving too little to flourish the inland economy. This policy has led to sectors like imports and exports to flourish over manufacturing, causing extreme divergence in the society between the poor and the rich as a result of the rapid wealth collecting. Here, an apparent lack of coordination and bad timing has resulted in corruption and dissatisfaction among society segments.

Second, similarly, the sound decision of digging the Suez Canal, in the 19th century, was surrounded by circumstances of extreme poverty combined with lack of commitment and coordination (poor planning and poor utilization of resources); all have led to the depletion of the human capital (death of 120K Egyptian). Samarko described this event as òalarmingö that peaceful people like Egyptians may change into a revolting nation, which has occurred repeatedly in later years caused by higher levels of insecurity and increased dissatisfaction.

Third, since Suez Canal is one of Egypt's major resources, all rulers spend efforts to secure it and properly manage it. Despite the decision in the 1950s to nationalize Suez Canal was perceived heroic by Egyptians, it certainly lacked planning. Timing came few months before the renewal of the leasing contract, merged with withholding the British and French shares and banning the Israeli containers from passing through the Canal. The British response to that (1956) was the freeze of Egypt`s financial assets in the banks of England and teaming up with France and Israel to occupy Sinai. All have caused Egypt a price translated into increased poverty. Simply put in the loss of government resources, bearing the cost of rebuilding the canal region, and obstructing development.

To contextualize these remarks, Egypt has been recorded high economic growth according to the indicators between 1950s and 2010; however, post 2010, growth levels have deteriorated against all expectation since state institutions were not empowered enough to support the growth policies. Reasons behind this deterioration varied between socio-political (the elections of 2005 and the absence of security that serves people not the ruler) and economic factors (standards of living, inflation and unfair distribution of income). Leading to corruption, poverty and high dissatisfaction among Egyptians.

How the rule of law frameworks has contributed to the situation in Egypt can be mirrored in two events. The first is obstructing the constitution of 1923 (in 1950s), which has led to ungoverned economic activities and policies that lacked sufficient planning and commitment. The second is the new investment law 2016 that lays the foundations of transparency and fair distribution of wealth and resources, resulting in commitment to economic growth policies, robust coordination between key involved stakeholders and meaningful cooperation on both internal and external levels.

Another set of concluding remarks come from the examined literature studying the relationship between the three drivers' and the social problems that occurred in Egypt. What have emerged from the discussion can be concluded as follows:

The Commitment Driver is the safety valve protecting the country from poor spending, preventing corruption and providing the right push to enable public service providers. The absence of commitment, pertaining public spending on public services, in different times of the examined duration has led to poor public service like education and transportation. According to the WDR 2017, the poor quality provided to the high-middle class makes them drift from paying taxes, causing lack of trust in the government and the development policies.

The Coordination Driver is the seamless process of ensuring fair and easy access to public services. This thesis found that centralization mode of state administering is a major challenge in Egypt, where social cohesion and social justice are important factors to be achieved. In this realm, two remarks are important to shed light on:

Coordination between governorates is important for the fair distributions of investment, which immediately impacts the overall economic and development performance of each governorate.

It is evident that the exclusion of the private sector from the economic scene in Egypt, in the 1960s, has negatively affected the provision of public services, hindering segments of the society from the fair and easy access to public services.

Consequently, it is important to highlight the legislative frameworks that supports and protects investment, in the hopes of attracting more investments. The new investment law of 2017 is a good example of an elevated investment and rural development management when decentralisation is achieved.

The Cooperation Driver is a country`s ability to respond to the surrounding environment where it can ensure the cohesion of its internal and external policies. In a country that has suffered from war and colonialism, Egypt played a pivotal role in supporting African countries to obtain their independence. The political cooperation to ensure the interlinked security between Egypt and the African neighbors has led in later years to resourceful, cultural and commercial relationships maximizing the benefits of each party.

One given example on the lack of all the three Cs is the Agriculture Reforms policy in the 1950s. The fair distribution of income\wealth has been reflected in the policy of agricultural reforms. Despite the good intention behind it to elevate 46% of Egypt`s farmers, who were in the 1950s under the poverty line, it served only 4% due to the lack of the three Cs: Commitment (property rights were not ensured and farmers were left with their traditional methods of irrigation and farming that did not match the whole plan for growth), coordination (farmers used the land for their individual use with no evident master plan to invest their efforts into public benefit), and cooperation (people resisted the enforced policy). In later statistical reports, the decreased percentage of 42% has increased to 60% in the 1980s confirming that the lack of the three Cs has cause the examined problems in the literature.

Egypt has a long history of championing change, internally and in the region. With different doctrines ruling the country: monarchial, socialism, free market, and republican; Egypt has suffered the most from colonialism and the subsequent wars it fought. The depletion of its resources, II world war cost that was imposed by Britain on Egypt to pay, the loss of Suez Canal revenues and tourism returns during the war in Yemen, the war to free Sinai all have affected economic and social life of Egyptians. Policies and reforms to achieve economic prosperity were either accompanied by bad timing, unfitting circumstances; the lack of the three Cs; or the obstruction the rule of law. Hence, good governance has been always under examination to ensure government policies will achieve the desirable outcomes.

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