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MORALITY BEFORE KNOWLEDGE

The influence of the international monetary fund (IMF) on economic liberalization development in Egypt: A geopolitical and economic analysis (2011-2018)

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ABSTRACT
Background: International Monetary Fund (IMF) as an international financial institution implements a liberalism policy for countries that need loan funds. In 2016 after lengthy negotiations and numerous rejections from the public, the Egyptian Government finally made an agreement with the IMF. This agreement is the first agreement after the revolution in Egypt in 2011, which was also assessed as a result of implementing IMF policies. Egyptian society feels that the policies set by the IMF did not bring prosperity evenly. The influence of the IMF on the implementation of economic liberalization policies then becomes an interesting thing to study. **Methods:** This study aims to analyze the background and influence of the IMF on the development of economic liberalization in Egypt and explain how Egypt implements the policies set by the IMF. This research is a qualitative research with a descriptive analytical approach. **Findings:** The theory that will be used in this research is the institutional neoliberal theory developed by Robert Owen Keohane and elaborated with the concept of interdependence. **Conclusion:** This research concludes that the negotiation agreement between the IMF and Egypt in 2016 is because the Egyptian economy is in a state of decline. And the program agreement that was agreed with the IMF as an international organization had an influence on Egypt both in monetary, fiscal and structural terms. **Novelty/Originality of this article:** This study reveals that Egypt's IMF-backed reforms stabilized the economy but primarily benefited the elite, while the poor faced harsher conditions. Despite these negative social impacts, Egypt continued the reforms due to its interdependence with the IMF.

KEYWORDS: economy; Egypt; IMF; liberalization.

1. Introduction

The Arab Spring events in 2011 in the Middle East and North Africa region resulted in significant political and economic transformations, particularly in Egypt, which is often referred to as the 2011 Egyptian Revolution (Koussa, 2023; Rudolf et al., 2023; Barakat & Fakih, 2021). One of the underlying factors contributing to Egypt being affected by the Arab Spring was the widespread poverty and unemployment, coupled with rising living costs and declining purchasing power (Puspitasari, 2017). Nearly 25.2% (21 million people) of Egyptians lived below the poverty line in 2011 (Al-Riffai et al., 2015; Egypt's economic crisis challenges El-Sisi, 2014). Egypt's economic growth, which averaged 7% per year throughout the 2000s, concealed the fact that the government's economic policies of liberalization only led to inequality and uneven growth (Hamdy, 2025).

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In June 2011, the Supreme Council of the Armed Forces (SCAF), which had taken over power following the ousting of Hosni Mubarak, initiated negotiations for a loan with the International Monetary Fund (IMF) (Piazza, 2018). However, SCAF rejected the IMF's conditions for the loan agreement, which amounted to USD 3 billion under the requirement of signing a Staff Level Agreement that included austerity measures or subsidy cuts. This decision was driven by concerns that such measures could trigger social unrest and diminish the military's popularity among the public (Hecan, 2016).

In 2012, during the administration of Mohammad Morsi, there were also efforts to negotiate with the International Monetary Fund (IMF) to address economic challenges and restore foreign confidence, particularly in Foreign Direct Investment (FDI) and tourism. At this stage, a Staff Level Agreement was signed for a loan of USD 4.8 billion. Morsi, who at the time had the authority to act as a legislative body, introduced economic reforms to enable Egypt to meet the qualifications for the IMF loan. These reforms under the Staff Level Agreement required Egypt to increase taxes on goods and services, such as alcoholic beverages, cigarettes, and others. However, Morsi's negotiations with the IMF ultimately failed. He struggled to sustain the economic reforms, which led to the withdrawal of the agreement with the IMF. This failure was primarily due to widespread protests from the public and opposition from the military faction. Morsi had indicated that negotiations with the IMF would resume in 2013, but his administration could not endure, culminating in a military coup. The consolidation of political and economic power by the military following the coup against Mohammad Morsi was seen as a return of Egypt to a nationalist or socialist phase under the governance of Gamal Abdel Nasser (Joya, 2016).

The IMF's visit to Cairo following the 2011 revolution to negotiate a loan triggered protests from various groups, including political factions, labor unions, and civil society. They opposed the renewed loan application to the IMF, arguing that Egypt was in a transitional period. Additionally, they criticized the lack of transparency in the negotiation process and rejected agreements involving cuts to food and fuel subsidies. While the IMF acknowledged the hardships faced by the Egyptian population due to these policies, it was reluctant to admit that its policies were the root cause of Egypt's challenges.

Egypt's efforts to reform its economy under the agreed terms with the IMF experienced fluctuations, as the country remained concerned about its political stability (Hecan, 2016). Egyptians argued that the economic liberalization measures and integration into the global economy had failed to deliver equitable welfare to the population. Middle-to-upper-income citizens might have benefited from the infitah policies, as they were already economically and culturally advanced, enabling them to endure the impact of economic reforms.

The issue of Egypt's uneven economic growth was largely overlooked by the IMF. The 2016 agreement continued to push the Egyptian government toward deeper economic liberalization. The IMF maintained that such measures would foster stronger economic growth for Egypt. This study aims to analyze the influence of the International Monetary Fund (IMF) on the development of economic liberalization in Egypt from 2011 to 2018.

2. Methods

2.1 Types and characteristic of research

The type and nature of research employed by the author to analyze the influence of the IMF on the development of economic liberalization in Egypt from 2011 to 2018 is descriptive-analytical research. Descriptive research aims to provide a systematic, factual, and accurate description of phenomena, presenting facts and characteristics of a specific population or region. Meanwhile, analytical research seeks to examine the dynamics of correlations between these phenomena (Usman & Akbar, 2003).

The descriptive and analytical research methods were utilized by the author to outline, describe, and depict the involvement of the IMF and its influence on the development of economic liberalization in Egypt. This was achieved by collecting, organizing, detailing, and analyzing the data gathered during the research process.

2.2 Research approach

The approach employed by the author in this study is a qualitative approach. Qualitative research is used to conduct in-depth analyses of specific cases without relying on statistical calculations, as is common in quantitative research. Instead, it focuses on analyzing facts and phenomena as they occur.

The selection of this research approach was based on the author's consideration that the qualitative method is the most appropriate, given that the study involves several research questions and is descriptive in nature, providing a detailed depiction of the situations and processes under investigation. Moreover, qualitative research is characterized by its dynamic and evolving nature, which aligns well with the dynamic phenomenon of IMF involvement in Egypt. Additionally, data collection in this study was conducted directly by the author, referred to as a human instrument or key instrument. This allowed the author to freely select and prioritize the necessary data sources, in contrast to quantitative research, which typically relies on tools and instruments for data collection.

2.3 Data collection methods

The data used in this study is secondary data, which consists of various documents closely related to the research topic. The secondary data sources supporting this research include theses, articles, journals, books, magazines, and websites on the Internet. Documents play a crucial role in the data collection process for this study. A systematic search for relevant documents is a primary consideration in the data collection process, ensuring that the data aligns with the objectives and scope of the research.

2.4 Data analysis methods

In conducting research, data analysis is essential to ensure the effectiveness and efficiency of the research process and to minimize errors. The data analysis method used in this study follows the framework proposed by Matthew B. Miles and A. Michael Huberman. According to Miles and Huberman, there are three stages in analyzing research data: (1) data condensation, (2) data display, and (3) conclusion drawing (Miles et al., 2014).

The first step taken by the author was to collect both primary and secondary data related to the research topic. Subsequently, the data underwent condensation or reduction. Data condensation involves selecting, simplifying, and refining data. In this study, the author gathered data and documents related to the relationship between the IMF and Egypt, as well as information on Egypt's broader political and economic conditions. From the collected data, the author filtered the important information and eliminated irrelevant or unimportant data.

Following the condensation process, the author presented the refined and filtered data systematically and in an easily understandable format. Data and information regarding the relationship between the IMF and Egypt were displayed using systematic representations such as charts, concise yet informative descriptions, diagrams, and other visual aids. The final step in the analysis process was drawing conclusions. This involved interpreting the data that had been collected, reduced, and presented. In this research, after presenting data related to the relationship between the IMF and Egypt, the author drew conclusions about the influence of the IMF on the development of economic liberalization in Egypt.

3. Results and Discussion

3.1 The influence of the International Monetary Fund (IMF) on the development of economic liberalization in Egypt 2011-2018

The IMF and Egypt's agreement on a loan of 12 billion USD in 2016 to reform the economy with the Extended Fund Facility (EFF) program certainly influenced the development of economic liberalization in Egypt. This influence can be seen from the agreed monetary, fiscal, and structural programs, which emphasize financial liberalization to grow the Egyptian economy.

The influence experienced by Egypt is a consequence that arises due to international transactions in the form of flows of money, goods, people, and messages, which are the effect of mutual dependence or interdependence. With interdependence, Egypt is not the only actor; there is a transnational actor, namely the IMF. The economy is the main instrument; welfare replaces security as the main goal. The economic sectors in the interdependence between countries are (1) trade, and there is mutual dependency in terms of goods and services that cannot be produced alone; (2) investment, the presence of foreign investors; (3) finance, the money exchange rate is very vital to regulating so that it does not slump compared to foreign currencies.

In providing loan funds, the IMF has determined that it will provide it in stages over 3 years. The Egyptian government will not receive disbursement of the loan funds if it does not implement the policies determined by the IMF. The IMF will also continue to supervise Egypt so that the Egyptian economy grows with the agreed program. Moreover, this is what then causes the interdependence relationship to become stronger. Interdependence takes place in the middle and is influenced by a series of rules, norms, procedures, and expectations that guide the IMF and Egypt so that they can also control the consequences.

3.1.1 Egypt's monetary influence

Liberalization of Egypt's exchange rate is seen as the key to offsetting emerging problems, and indeed, in the long term, devaluation can overcome fiscal imbalances. In 2017, after the implementation of currency liberalization or devaluation, Egyptian workers' wages increased by 13%, reaching 8 billion USD. Bankers also reported that previously thriving black market circulation had disappeared, and banks were enjoying increased dollar liquidity. However, the result was that inflation, which was previously in the range of 8 – 15% between 2011 and 2016, increased to almost 30% in 2017 (Momani, 2018).

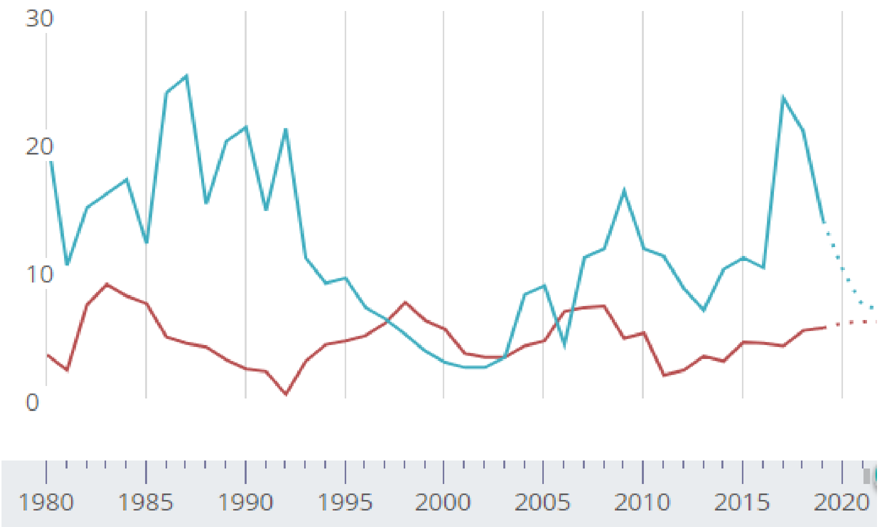

Fig. 1. Egypt GDP growth and Inflation rate (%)

This period of high inflation is expected to continue to accompany devaluation. GDP growth after implementing the policy program provided by the IMF continues to grow, but the inflation rate also continues to increase above GDP growth. The inflation rate in Egypt in 2017 reached above 25%, and the prices of all goods, such as sugar, oil, formula milk, and rice increased. This has then led to hoarding of goods by sellers who want to make more profits. Egypt also relies on imported goods such as medicine. With devaluation, the prices of several medicines, especially medicines for chronic diseases, have increased drastically (Momani, 2018).

Egypt's Central Bank later raised interest rates in an attempt to curb inflation after Egypt floated its currency, but this was a move seen as dangerous for the private sector. The National Bank raised interest rates by a total of 7% for several months before starting an easing cycle in February 2018, raising concerns that inflation rates would rise again. The World Bank states that higher interest rates have put pressure on the private sector as borrowing costs increase (Kassab, 2019).

The exchange rate liberalization implemented following the IMF agreement in November 2016 caused the Egyptian Pound (EGP) to reach its lowest point in December 2016. The exchange rate peaked at 19 EGP per US dollar and remained high, exceeding 15 EGP, until 2019 (CBE, 2019). The IMF emphasized that this policy would stimulate investment and exports. However, many investors remained cautious, seeking better management of Egypt's overall economy due to challenges such as a lack of transparency and strengthened financial governance. Specifically, concerns arose over the Al-Sisi administration's insufficient accountability in public spending and Egypt's broader political issues.

Investors expressed apprehension over Egypt's domestic debt, which stagnated at 95% of GDP, and its budget deficit, which stood at 12.2% of GDP in 2016 (Momani, 2018). The surge in global oil prices, reaching USD 86 per barrel in 2017, negatively impacted Egypt's national budget due to energy subsidies. Financing the budget deficit through consumption taxes led to higher inflation rates. Egypt's foreign debt consistently increased yearly, hitting a record high of USD 108.7 billion in 2019. From 1977 to 2019, Egypt's average debt was USD 38.7 billion, with its lowest recorded debt occurring in 2001 at USD 26.1 billion (Trading Economics, 2019).

Fig. 2. Egypt's debt

Egypt's debt (see Fig. 2) exceeded the projections set by the IMF in its reviews during the program's implementation. In 2017, the deviation was USD 3 billion, and by 2018, it had reached USD 18 billion (Kassab, 2019). This situation has been criticized by some members of Egyptian society, including Muhammad Abdul Mubdi, who argued that while the IMF loan was necessary for Egypt, it came with a very high interest rate (Mubdi, 2019).

The Egyptian government, if it can ensure that foreign exchange reserves are maintained by keeping exchange rates flexible and reducing inflation alongside public debt, will create more space for investment in sectors such as healthcare, education, and infrastructure. This would also lead to a more market-oriented economy, where the role of the state shifts to that of a facilitator rather than a growth driver (IMF, IMF Country Focus, 2019).

Egypt's economic growth, which reached 5.4% in 2018, was seen as a positive outcome for the IMF (Breisinger et al., 2019; Sharaf, 2021). However, this growth was largely driven by strong performance in capital-intensive sectors such as oil and gas, tourism, and construction. While these sectors contributed significantly to growth, they did not have a substantial impact on reducing unemployment in Egypt.

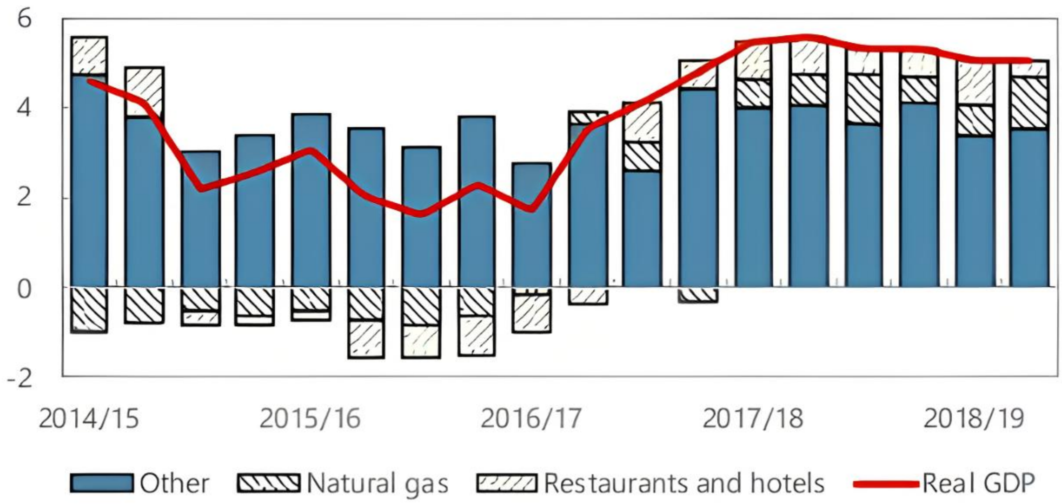

Fig. 3. Contribution to Egypt's GDP
(Kassab, 2019)

Egypt's total exports in 2017 increased by 16.2%, with this growth not stemming from oil and gas exports. In 2018, Egypt further boosted its exports, particularly in the oil and gas sector, marking the first export increase since 2012 following enhanced production at the Zohr gas field. As a result, Egypt's oil imports continued to decline, leading to greater energy independence. This shift allowed Egypt to achieve a trade surplus in oil for the first time in four years, reaching USD 8.1 million in 2018, following a deficit of USD 3.7 billion in the previous year. The growth of Egypt's oil and gas sector successfully attracted two-thirds of foreign investment, which increased from 2.1% in 2015/2016 to 3.1% in 2017/2018 (Kassab, 2019).

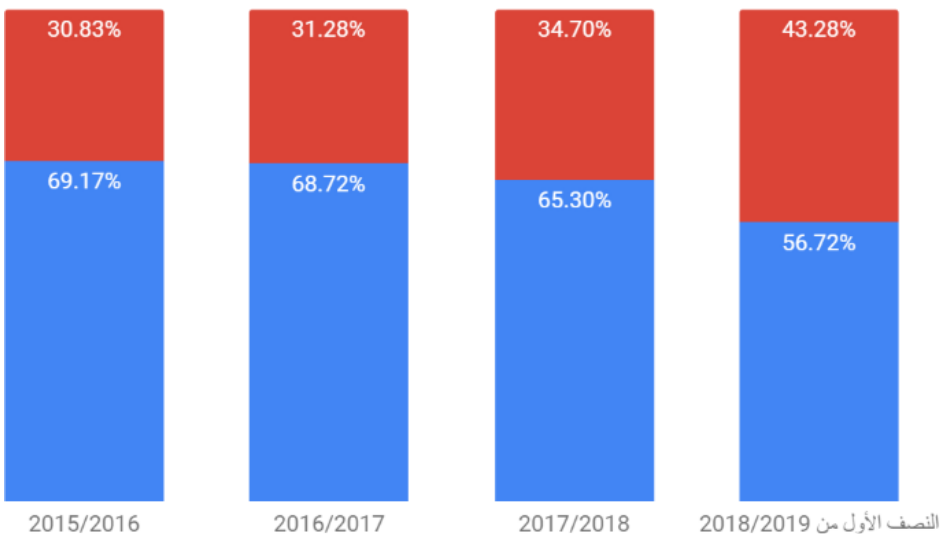

Fig. 3. The growth of Egypt's oil and gas sector
(Kassab, 2019)

Egypt's unemployment rate fell to 8.1% as the government continued to increase oil and gas exports, which reached 43.28% of total exports. However, this rise in exports did not strengthen Egypt's economy, as the country's non-oil imports increased by 8.6%, amounting to USD 55 billion in 2018. The increase in imports, coupled with a decline in workers' wages, caused the current account deficit to widen to 2.6% of GDP in 2018/2019.

The prices of food and beverages rose by 29.3% in December 2016 compared to the previous year. This had a disproportionate impact on poor households. The government's import restrictions led to shortages of essential goods, creating an unprecedented scarcity. A severe crisis emerged in the availability and pricing of medicines, and healthcare services deteriorated due to medical supply shortages. This was particularly problematic as it contradicted Egypt's commitments, expressed during the 2016 High-Level Political Forum, to pursue the implementation of sustainable development goals for developing countries (el-Badrawi & Corkery, 2017).

3.1.2 Egypt's fiscal impact

In the fiscal reform, the IMF program aimed to address Egypt's budget deficit by reducing government spending, particularly through subsidy reform. The subsidy reform began in early 2016 with improvements to the smart card system, which had been in place since 2014. Initially, the Egyptian government removed deceased individuals, immigrants, and those who were registered twice from the smart card system. In the following period, the government began targeting individuals whose living standards were deemed too high to qualify for subsidies. By early 2017, the number of food subsidy recipients was reduced from 84 million to 70 million, cutting almost three-quarters of Egypt's total population of 98 million people (Kassab, 2019).

The government removed individuals whose incomes exceeded a certain threshold from receiving food subsidies for items such as rice, pasta, and other goods. Since then, the criteria for eligibility have been repeatedly changed, and millions of Egyptians have been excluded from the program. The goal was to curb food subsidy costs, which accounted for 27% of all subsidies, grants, and social welfare expenditures in the 2019/20 budget (Kassab, 2019). The subsidy cuts also extended to newborn children, with those most in need of assistance being prioritized. However, the criteria for determining the "most in need" were not clearly defined. Initially, the criteria included newborns in families of more than four people, but this standard was constantly changed and became difficult to ascertain (Kassab, 2019). The smart card designed to allocate subsidies accurately has, in reality, been inaccessible to many impoverished, illiterate, and undocumented individuals in Egypt, preventing them from applying for the card. Egypt has an illiteracy rate of 25% (24 million people), with approximately 7 million citizens unregistered for the card (Momani, 2018). Furthermore, the smart card system is frequently disrupted by corruption and fraud.

In addition, one of the measures taken to reduce the budget deficit was cutting fuel subsidies. Previously, the Egyptian government relied on fuel subsidies as a means of social protection and wealth distribution. This led to rapidly increasing demand, with subsidy bills rising by 26% in 2013, reaching 28 billion USD (IRENA, 2018). The Egyptian government had previously engaged in partnership discussions between national oil companies and international oil companies in 2014 to boost Egypt's natural gas production, thereby reducing reliance on imports. The aim was to manage the energy deficit by increasing domestic production to replace expensive imports. In 2014, the government also announced a gradual phase-out of subsidies due to the high debt burden (IRENA, 2018).

In June 2017, the government then cut fuel subsidies by raising prices by 50%. The subsidy cuts were expected to help boost economic growth by creating favorable microeconomic conditions for business development and a prosperous economy. This economic growth was anticipated to provide long-term benefits for Egypt, with increased income and decreased unemployment, all of which would ultimately improve living standards. Higher economic growth also correlated with higher tax revenues, meaning that the government would be able to spend more on developing the economy.

The fuel subsidy cuts were implemented because they were seen as not benefiting the poor enough. However, in reality, they only exacerbated the burden on the average Egyptian citizen, who was also facing rising living costs due to devaluation. The fuel price hikes set by the Egyptian government to reduce public expenditure had a significant knock-on effect on various food prices and transportation costs. The price of medicines increased by 15-20% after production costs rose by 100%, which had already been raised by 20% in May 2016. The government's latest plan was for automatic increases every six months, which inevitably affected the overall availability and affordability of medicines (el-Badrawi & Corkery, 2017).

To protect the most vulnerable, the Tafakul and Karama programs were introduced to shield the poor from the economic reforms. This program took 1% of the savings from the fuel subsidy cuts and redistributed it to those most in need. Through Tafakul and Karama, individuals received 21 EGP per person, but this amount was insufficient to cover the rising costs of essential goods due to devaluation. In June 2017, the amount was raised to 50 EGP per month for the first four family members and 25 EGP for each additional family member. However, inflation remained high at 33% in July 2017, making the increase in subsidy value effectively meaningless.

This situation has led the average Egyptian to spend a larger portion of their income due to the skyrocketing cost of living. Furthermore, at the same time, a new tax law was introduced that increased taxes by 14%. While some staple food products were reportedly exempt from VAT, these changes directly impacted the cost of living and disproportionately affected poor households. Past and current IMF policies in Egypt focus on pursuing economic growth but overlook and exacerbate urgent economic challenges. Egypt may fall into the same trap unless structural reforms are implemented to reduce barriers and concerns that threaten the success of IMF programs.

Social protection has become a point of contention in the overall IMF loan scheme for Egypt. The growth rate and the protection of Egypt's less fortunate people, following austerity measures, have not been addressed. The IMF not only promised growth but also promised that its programs would help achieve inclusive growth and job-rich growth. Inclusive growth refers to growth that benefits the poor, meaning growth that leads to wage increases for the poor and reduces inequality (Kassab, 2019).

The cuts to fuel and bread subsidies, from 4000 loaves to 500, have caused unrest among some segments of the Egyptian population (Harrigan, 2014). Moreover, the increase in overall import costs has also affected access to subsidized baby milk, leading to protests in 2017 on the streets of Alexandria, Giza, Kafr el-Sheikh, and Minya. Protesters surrounded government buildings. This seems to echo the reform period of 2011, which was also triggered by a shortage of wheat. During the 2011 unrest against the autocrat Hosni Mubarak, one of the slogans was "bread, freedom, and social justice". Egypt is the largest importer of grains in the world due to its bread subsidy program for tens of millions of poor Egyptians.

In the IMF program, cutting energy subsidies was supposed to allow the government to increase funding for social protection, especially for education and healthcare. However, what actually occurred was a decrease in the allocation for both education and healthcare as a percentage of GDP. This is inconsistent with the government's commitment to increase spending on key social programs such as food subsidies, cash transfers, pensions, and healthcare subsidies (Kassab, 2019).

Fig. 4 above shows that expenditures for food subsidies, cash transfers, pensions, and health insurance increased slightly in the fiscal year 2017/2018, but then decreased in the following year. Changes in health insurance as a percentage of GDP were not significant. The government was reported to have spent only one-third of what was allocated in the national budget for health insurance in 2017/2018 (Kassab, 2019).

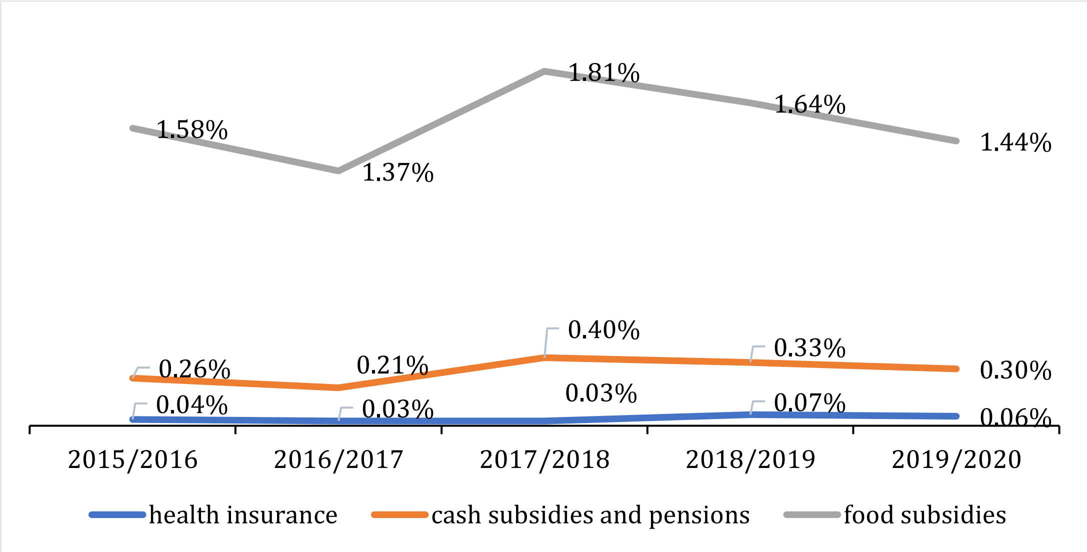

Fig.4. Allocation of funds for cash subsidies, health insurance and food subsidies from GDP (%) (Kassab, 2019)

Fig. 5 shows despite the cuts in subsidies for electricity and fuel payments that led to an increase in food costs, there was no increase in food subsidies. The austerity policies or subsidy cuts were imposed by the IMF to curb the fiscal deficit. These measures were set as benchmarks for the government to qualify for the disbursement of loan installments. As a result of this policy, many Egyptian families expressed their disbelief in a government that had taken away their food to support the state (Kassab, 2019).

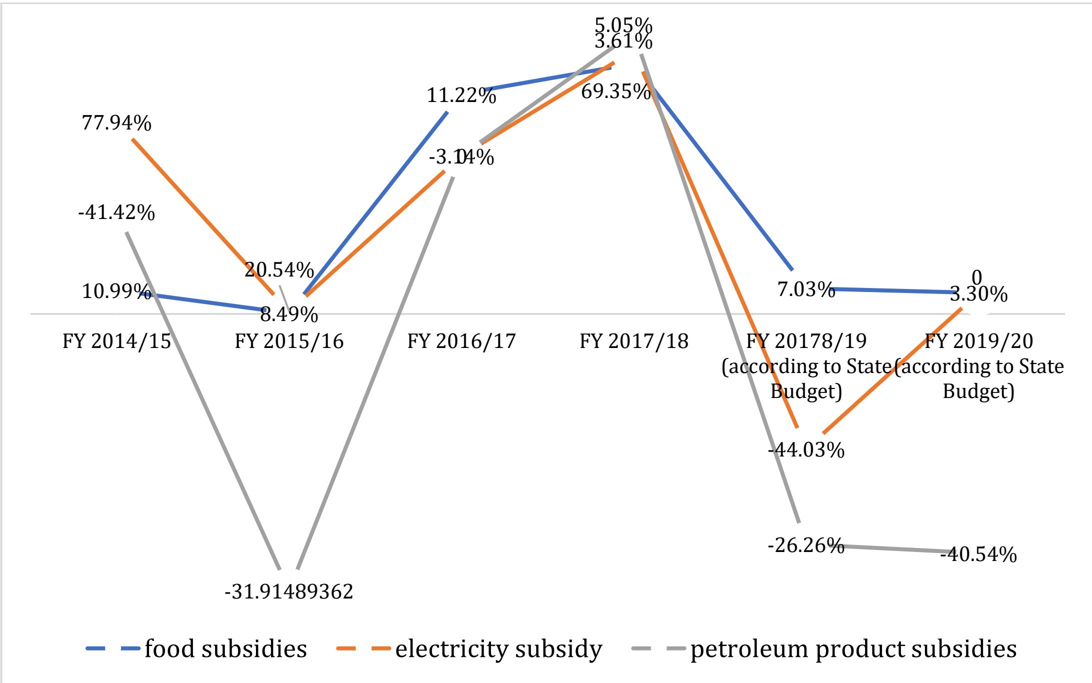

Fig. 5. Changes in Egyptian Government Expenditures (%) (Kassab, 2019)

In October 2018, 1.8 million Egyptians regained food subsidies following protests against President Al-Sisi's government, which were met with widespread arrests, marking the largest crackdown since the president officially took power, with over 3,000 people detained. More than 1,000 detainees interviewed stated that poor conditions were the reason for their protests. The Egyptian government then continued to appeal the exclusion of citizens from the food subsidy list, although the process was slow (Kassab, 2019).

In this context, the government took measures, particularly in liberalizing the exchange rate and removing fuel subsidies. This led to a sharp increase in the prices of many goods and services, such as food products, real estate, transportation, and agricultural products. Many businesses were forced to shut down as they could not bear the rising production costs. More than 13 million people were excluded from the smart card subsidy program for purchasing staple foods amid rising prices for electricity, water, and gas.

3.1.3 Egyptian structural influences

The regulations updated by the Egyptian government to simplify industry and investment licensing requirements remain doubtful to investors. They are concerned about the social pressures that may arise due to high inflation, tax increases, and subsidy cuts, which could lead to Egypt's failure to comply with its economic reform program. Furthermore, the military plays a significant or even special role in Egypt's current economy. Initially, the military's involvement in the economy was to fill the void of private investment in Egypt, but this institution has since overstepped the boundaries of economic sectors, which continues to be a concern for investors.

Additionally, the decision to grant the President the authority to appoint heads of judicial bodies in April 2017 further raised concerns. This led investors from Power Purchase Agreements (PPAs) to eventually leave Egypt (Momani, 2018). Their concerns stem from the regulatory relationship between the government and private investors, fearing that in disputes with local authorities, Egypt's legal system will not be impartial or fair. However, the IMF has consistently recommended reducing or dismantling tariffs to expand the scope of liberalization and promote deregulation under investment policies.

In the 2018/2019 fiscal year, public and private investments in Egypt contributed 45% to the growth structure, followed by exports at 34% (Egypttoday, 2019). According to Mohamed Mait, Egypt's Minister of Finance, the country began reaping the benefits of the economic reform program that started in 2016. He also added that Egypt had restored investor confidence (. However, rapid liberalization led to an increase in imports that was disproportionate to exports, creating a larger trade deficit and putting pressure on the balance of payments. This exposed the country to the need for additional external financing and further debt accumulation.

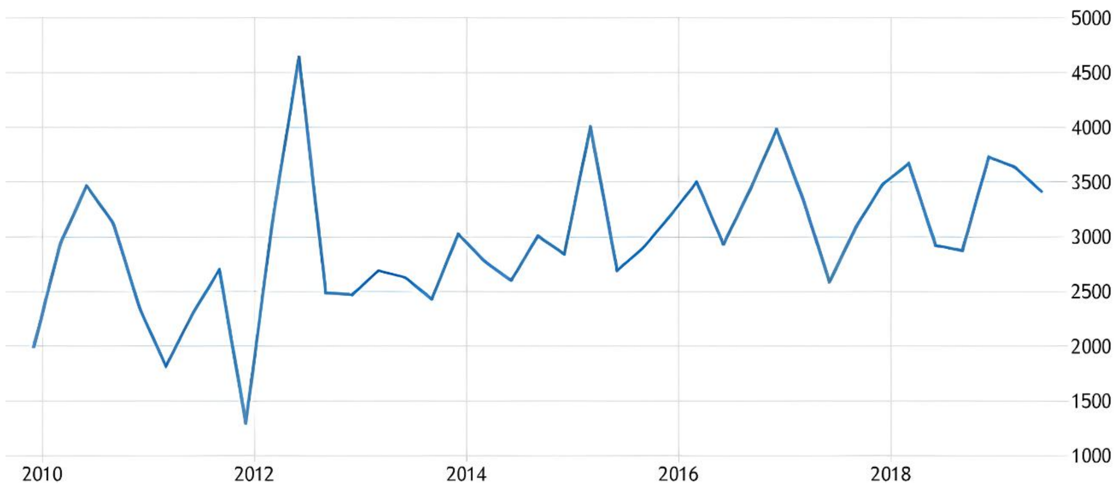

Fig. 6. Egyptian Foreign Direct Investment (Billion USD)
(Trading Economics, 2019)

Foreign Direct Investment (FDI) in Egypt reached 3.4 billion USD in 2018, with the largest contribution coming from the oil and gas sector, which accounted for 44% (Egypttoday, 2019). This investment contributed to job creation but was only able to reduce the unemployment rate to 11.44% in 2018 from 12.41%, a decrease of 1.4%.

Despite improvements in macroeconomic conditions, social conditions remained difficult. Between 2016 and 2018, wages fell below inflation, and the proportion of Egypt's population living below the poverty line increased from 27.8% in 2015 to 32.5% in 2018, marking the highest poverty rate (World Bank, 2019). These structural policies do not support a long-term development reorientation towards growth that generates sustainable, productive, and decent jobs. Egypt needs at least 700,000 new jobs every year to absorb its young and growing population, and this can only come from the private sector.

Domestically, credit access remains problematic. While foreign companies have capital, domestic companies are still reliant on local agencies that suffer from a lack of regulatory transparency, corruption, economic management issues, and persistent market inefficiencies, all of which tend to hinder investment and growth.

In addition to attracting investment, the IMF program also aims to address low growth and high unemployment in Egypt by providing job training programs specifically for the youth, as well as measures to increase female participation in the workforce. In an effort to boost female participation in the workforce, the EFF program proposes to improve safety in public transportation. However, the allocation of 14 million USD from the 12 billion USD IMF loan to enhance infrastructure for Egyptian women seems unlikely to significantly improve current conditions.

The progress of structural reforms is said to be uneven. While the Egyptian government has implemented its commitments, there have been several reforms that have been delayed or failed. For example, industrial land allocation guidelines that were approved were not incorporated into market-based mechanisms, and the government only withdrew minority shares through IPOs from one state-owned company instead of the four initially planned. Additionally, some reform programs have been postponed, such as the introduction of fuel price indexing mechanisms and the approval of new executive regulations for procurement laws.

The influences mentioned stem from the agreement between the IMF and Egypt in 2016, when Egypt was facing a crisis. This agreement resulted in a relationship of interdependence, as the IMF, an international institution, provided loans to Egypt for economic reforms through the Extended Fund Facility (EFF) program. This program was designed for countries experiencing payment imbalances due to structural barriers, typically marked by slow growth. It was offered to Egypt to reform its economy in monetary, fiscal, and structural areas, each of which had significant impacts during implementation.

Interdependence emerged when the IMF loan of 12 billion USD was provided to Egypt in stages over a period of three years. This was an IMF requirement for Egypt to consistently apply the established policies, a common practice in IMF lending. The policies, which included financial and trade liberalization, did not significantly benefit developing countries, as a majority of the population still faced economic hardship.

While Egypt's economic growth was seen as a success of the IMF program, this view contrasted with public opinion in Egypt, which blamed the program for rising costs and the hardships faced by citizens. An economist and head of the financial regulatory authority, the IMF program brought both positive and negative outcomes. On the positive side, the IMF's assertion was correct that macroeconomic reforms required courage, especially in liberalizing the exchange rate regime and reducing energy subsidies. However, the negative side was that the program triggered an unexpected wave of inflation, which was not adequately addressed despite increased spending on social protection programs.

The economic difficulties faced by Egypt cannot be solely attributed to the economic reforms imposed by the IMF, which led to a wave of inflation (El Shaarawy et al., 2024; Fischer & Storm, 2023). Instead, they are more likely the result of the government's failure to accompany macroeconomic reforms with policies and operational programs that encourage productive investment and create sustainable jobs. The Egyptian government met its agreement with the IMF by increasing growth but failed in other critical areas.

During the agreement period, the IMF promoted private sector-led growth, with the expectation that the loan would improve the business environment. However, various assessments have shown that the loan agreement has not sufficiently served the private sector. The share of domestic credit allocated to the private sector was only 23% in April 2019, down from 31% in September 2016, prior to the IMF agreement, as shown by data from the Central Bank (Kassab, 2019).

Although the IMF's report states that the loan program's primary goal—macroeconomic stability—has been achieved, which is a prerequisite for attracting investment, increasing growth, and creating jobs, the overall vision provided by the IMF to Egypt has been one of deeper liberalization and deregulation, without serious consideration of the potential consequences.

The government of Egypt may need IMF assistance to improve the welfare of its people, but the impact of these liberalization policies has been strongly felt by many Egyptians. In interviews, one individual, a driver for the Indonesian embassy in Egypt, mentioned that prices of necessities have continually risen, and that life became increasingly difficult after the 2011 revolution, with many goods becoming unaffordable (Mubdi, 2019). Additionally, a professional engineer stated that Egypt's economic problems predated the 2011 revolution and worsened afterward. He also added that Egypt's economy under President Al-Sisi's second term is currently in a phase of recovery and improvement (Jamal, 2019).

The impacts of liberalization may not be felt equally across all segments of Egyptian society. The rise in fuel prices and subsidy cuts have not significantly affected the upper-middle and upper classes, nor the Egyptian government itself. However, the responsibility lies with the government to consider the welfare of the population when making agreements with the IMF. Although Egypt has undergone economic liberalization for a long time, it has not brought significant results. Economic problems have been persistent and remained even after five years since the revolution.

With the implementation of the IMF program, Egypt has set a Vision 2030, as outlined in the table. However, this goal seems distant as of now, as the GDP growth rate in 2018 stood at 5.4%, inflation surged to 23.5% in 2017 (double the rate in 2016), and only slightly decreased in 2018. This suggests that despite efforts to implement reforms, the desired economic transformation remains elusive, and the welfare of the population, particularly the lower and middle-income groups, is still heavily impacted.

Table 1. Development indicators for Egypt's vision 2030

Targeted Development Indicators	2016	2017	2018	2030
Real GDP growth (%)	4.2	5.2	5.4	12.0
GDP per capita (USD)	2,761.4	2,817.3	2,907.3	10,000
Inflation Rate (Customer Price Index (CPI)/year) (%)	11.8	23.5	20.8	5.3
Women in the workforce (%)	23.7	23.6	23.7	35.0
Unemployment rate (%)	12.4	11.7	11.4	5.0
Poverty rate (%)	27.8	32.5	32.5	15.0

(IRENA, 2018)

Despite the increase in Egypt's GDP, this growth remains unbalanced when compared to the drastic rise in inflation. This situation has worsened the conditions of low-income Egyptians, with an average income of just USD 2,900, while the prices of basic necessities continue to rise. The unemployment rate in Egypt was still at 11.44% in 2018, a slight decrease from 2016, while the poverty rate continued to increase, reaching 32.5% of the total population in 2018—meaning around 32 million Egyptians were living below the poverty line.

The economic growth driven by capital-intensive investments, particularly in the oil and gas sector, has not resulted in a significant increase in job creation (Abboud & Betz, 2021; Unel & Upton, 2023). Egypt's Vision 2030, with its targets and benchmarks, will not be realized unless efforts are made to support the economic growth of the lower and middle classes. The income gap will continue to widen, exacerbated by liberalization without substantial improvements in social protection programs that provide financial support to those in need. The poverty rate of 32.5% in 2018 represents a sharp increase, with approximately 31 million Egyptians living below the poverty line.

As Majid Jamal mentioned, Egypt's economy is neither in a good nor bad state, as the government is striving for improvement (Jamal, 2019). However, the question arises: should this process of improvement come at the expense of low-income citizens? If this is the case, then liberalization should not have been pursued by Egypt, as the primary responsibility of the government is to ensure the welfare of all its citizens equally, without political agendas involved. The development of liberalization in Egypt, with the support of the IMF, particularly after the 2011 revolution, placed Egypt in a seemingly advantageous position by boosting growth through currency liberalization. However, on the other hand, the country faces significant challenges as the impacts of liberalization are felt most acutely by the Egyptian populace.

4. Conclusions

The agreement between Egypt and the IMF was driven by Egypt's inability to rely solely on foreign aid without implementing economic reforms, especially as the government's budget deficit continued to rise. Both Egypt and the IMF shared the same goal: to restore stability to Egypt's economy, which was increasingly deteriorating, by implementing a set of new regulations. Additionally, Egypt calculated the costs and benefits of accepting the IMF loan, while the IMF also considered the costs involved in providing the loan to Egypt.

The improvements in some sectors primarily benefited the higher-income or elite groups, failing to reach the low-income population. The poor were significantly impacted by the economic reforms, as they were forced to live in increasingly difficult conditions due to their low income, while prices for basic goods continued to rise. The Egyptian government did not manage to mitigate the negative impacts of the economic reforms on the poor by increasing investments in human resources or enhancing social protection measures, including higher allocations for the smart card system and expanding cash transfer programs like Tafakul and Karama. Egypt's government needs a reform program focused on citizens, prioritizing the poor.

Using Neoliberal Institutional theory and the concept of interdependence, the analysis of the IMF's influence on the development of economic liberalization in Egypt leads to the conclusion that the agreement on monetary, fiscal, and structural reforms was reached because Egypt required assistance to stabilize its economy, which had been severely affected after the 2011 revolution. Additionally, the IMF sought to stabilize Egypt's economy to prevent potential negative effects on other countries. While the reform program brought some growth to Egypt's economy, the impact has been limited. The growth in Egypt's GDP has not translated into widespread prosperity due to the negative effects of inflation, fuel subsidy cuts, and rising food prices. Despite this, due to the interdependence between Egypt and the IMF, the government continued to implement the reforms, ignoring the broader negative consequences for the population.

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