EGYPT:

Egyptian Center for Public Policy Studies (ECPPS)
The Suez Canal

Water has brought prosperity to Egypt for millennia. The richness provided by the Nile river and fertile soil historically produced agricultural boons, but in modern times an adjacent body of water has brought its own flood of commerce: the Suez Canal. The canal, opened in 1869, is an artificial waterway that connects the Mediterranean Sea with the northern Indian Ocean, via the Red Sea. Each year, this allows 17,550 vessels (25 percent more traffic than the Panama Canal) to bypass up to 4,000 miles of sea travel in each direction.

Since its impetus, the Suez Canal has brought political power-wheeling along with its promise of prosperity. Egypt is no stranger to political tensions. Since its history began there have been powers vying for control of the land — the Persians, the Romans, the Arabs, the Turks, and the British, to name a few. The various outside parties have impacted the daily governance of the Egyptian people, for better or worse.

In recent years, it has become more possible to track the impact of political forces on the country’s performance. Social scientists and international organizations seeking to unlock development have developed novel measurement tools to inform policymaking. One such indicator is the Economic Freedom of the World (EFW) Index, generated by the Fraser Institute. Economic freedom is strongly correlated with other metrics of well-being, for individuals and entire societies. The EFW index captures performance on a range of public policy indicators, to include Size of Government, Legal System and Security of Property Rights, Sound Money, Freedom to Trade Internationally, and Regulation.

Egypt has underperformed in each of these areas. In fact, Egypt is one of the lowest-ranked countries in the latest edition of the EFW Report, coming in 140th out of 159 with a score of 5.73 out of 10. In terms of personal freedom, Egypt is ranked 156th. This hasn’t always been the case. While never ranking at the top of the EFW report, Egypt was consistently near the middle of the pack until the past decade or so. In 2000, Egypt was ranked 72nd out of 123 for economic freedom, meaning that the country has fallen from the top 39 percent to the bottom 12 percent.
The inflection point can be tied to the Arab Spring. On January 25, 2011, Egyptians took to the streets of Cairo’s Tahrir Square to protest for increased political and economic freedom. More than 800 died in clashes with police. The demonstration resulted in the removal of Egypt’s longtime dictator, Hosni Mubarak. Out of the upheaval, Mohamed Morsi, of the Muslim Brotherhood, arose as the nation’s leader, but that was short lived and led to further national turmoil, protests, and another regime change.

The government has long sought to appease the public with increased spending. Such policies have brought new kinds of plagues on the country: subsidies, inflation, and debt. Public debt has surpassed 100 percent of GDP. Fuel, water, and food are heavily subsidized. For example, Egyptians pay only 59 percent of the cost of fuel, and the state pays the rest (amounting to $30 billion over five years). These subsidies account for nearly one third of Egypt’s public expenditures — 13 percent of GDP. This has led to market distortions in the economy, which has chilled investment.

Despite increased public spending, necessary institutions have broken down and society has grown segmented according to people’s connections to power. Under table payments have become prominent and poorly enforced laws and ingrained corruption leave some businesses dependent on leveraged connections and middlemen, while others are well-connected and enjoy special treatment. In 2016, half of Egyptians who used public services paid a bribe. A quarter of businesses identify the current Egyptian court system as a major hindrance to their ability to do business in the country.

The international community has taken notice, and some groups have pursued constructive change.
About ECPPS

The Egyptian Center for Public Policy Studies (ECPPS) is a relatively young think tank, but already has an accomplished past. It is the successor to the Egyptian Union of Liberal Youth (EULY), which was founded in 2007 to build a cultural movement in Egypt that values freedom. More than half of Egypt’s population is below the age of 25, so reaching young people is of paramount importance to affect social change. EULY’s ambitious mission was to not only spread liberal ideas to young people in the country, but to also bring them together and build appreciation for the fruit of liberal culture, such as art, literature, and representative politics.

In 2009, Atlas Network awarded EULY with the Templeton Freedom Award for Excellence in Promoting Liberty for their essay contest, which addressed the prompt, “Why Am I a Liberal?” The initiative was featured by 6 major newspapers, a youth radio station, and two major Egyptian political parties. It was in 2011 that EULY metamorphized into a think tank — ECPPS — in order to create a greater impact on Egyptian society at large.

The mission of ECPPS is to propose public policies aimed at reforming the legal and economic system in Egypt, promoting the principles of free markets, limited government, individual freedom, and rule of law. ECPPS provides evidence-based research to advocate for legal reforms and public policies in the economic, civil, and political spheres. They use their earned influence to continuing pressing the country toward freedom and reform.

In 2016 the International Monetary Fund (IMF) initiated a $12 billion loan in accordance with the tranches that the Egyptian government requested. This has spurred some economic reforms. So far, the Egyptian government has:

- Floated its currency, untethering the Egyptian pound and allowing market forces to determine its value.
- Strengthened minority investor protections by increasing the rights of shareholders and providing them access to a greater role in major corporate decisions.
- Committed to cutting energy and fuel subsidies.
- Signaled it is pursuing inclusion in internationally held emerging market bond indices.

However, it is unclear whether the changes will be effective at bolstering confidence, from within or from without, and whether any change will structurally improve crucial institutions. Emblematic of the Egyptian political scene, there is a diversity of voices clamoring for influence at this critical time. But one strong voice comes from the Egyptian Center for Public Policy Studies (ECPPS), which has an impressive track record of not just operating within such turmoil but affecting real policy change amidst it.
The Project

The tumultuous social environment in Egypt presents opportunity for change, but it also creates a lot of noise to filter through. Seeing that a problem exists is a cursory first step; grasping the nuance of reality in a way that translates to affecting progress is the real key. While ECPPS’ broad goal is to improve society, to accomplish that end they decided to investigate the core drivers that restrict economic liberties and target them for reform.

To determine these pivotal areas, they partnered with two organizations with robust experience in economic evaluation, the Fraser Institute and Atlas Network. Specifically, with these partners, they launched an Economic Freedom Audit (EFA). This project would not only trace the root of Egypt’s economic woes, but it would provide a roadmap to navigate the path toward greater freedom and prosperity.

Before beginning their audit, ECPPS sought a thorough appraisal of both Egypt’s current standing and how to conduct a successful EFA. They initiated a rigorous review of the 5 main EFW categories and the 42 sub-indicators, drawing on specialized material provided by Fraser. They also reviewed other organizations that had completed successful EFAs. Following this investigation, ECPPS narrowed the scope of the EFA to specifically target four leveraged sub-components of the EFW index: intellectual property, non-tariff trade barriers, monetary and fiscal policies, and subsidies.

The four policy themes emerged as areas ripe for tangible reforms that could dramatically ameliorate Egypt’s steep decline in economic freedom whilst resonating with broad enough groups within society that change could be possible. Once ECPPS identified the targeted policy areas, they created a research plan to build substance for their proposals. The specific outputs included research papers for each of the four target areas.

**CHALLENGE:**
**Standing Out Among the Crowd**

Competing reform initiatives could jeopardize the influence of ECPPS’ proposals. At the time of the audit, Egypt was already in the process of undergoing economic reforms under the direction of the IMF. Instead of competition, however, ECPPS viewed this as an opportunity to magnify their impact. The circumstance allowed them to both review progress and suggest areas for improvement for the government to focus on, tailored by their own localized expertise. Their ideas, then, could be viewed as supplements or even compliments to the existing reform efforts.

For the in-person audit workshops, ECPPS identified stakeholders with direct connections to the identified areas. Then they needed to reach out to them.

ECPPS already had an established database of contacts, which allowed them to quickly identify primary contacts to invite. This freed them up to spend time generating a tiered outreach plan to reach additional stakeholders with whom they had not had prior interactions. ECPPS sent invitations
to embassies, ministries, governmental bodies, political parties, public figures, and even some international organizations, like the World Bank and USAID. They also implemented a social media campaign for outreach activities. And they extended personal invitations over the phone to specific people they deemed vital to the audit.

**CHALLENGE:**

*Getting the Right People at the Table*

The success of the EFA hinged on the stakeholders ECPPS was able to engage. They are the ones positioned to usher reforms into practice. This is one of the most important obstacles think tanks must surmount. ECPPS’ success was directly related to the soft power and personal connections their organization had. They had built trust with multiple social circles within their community based on years of quality work and outreach, so they were well positioned for engaging others in the EFA. However, even with its extensive network and friendly relationships, some stakeholder segments were still hard to reach, especially representatives from certain government agencies. It is impossible to reach every intended audience, but by developing a strong outreach plan ECPPS had built-in contingencies to ensure they gathered crucial and comprehensive feedback.

The initial EFA conference was held on July 30, 2018 at the Golden Tulip Flamenco Hotel in Zamalek. It was well attended by representatives from all the targeted groups. Stakeholders included a Member of Parliament’s (MP) Planning and Budget Committee, an MP on the Economic Committee, the Founder and Chairman of the Terous Misr Foundation for Development, the Deputy Minister of Finance, the Chief of the Central Administration of Authorized Economic Operations of the Egyptian Customs Authority, and the Head of the Egyptian Patent Office. The event was also covered in various media outlets, which was one of ECPPS’ priorities in reaching the public with their reform proposals.

ECPPS staff designed a communications strategy to elevate the reach of the EFA results following the conference. The outreach plan includes meetings with civic leaders, the public, one-on-one meetings with MPs, and workshops for MP staffers. Meetings with government officials are specifically focused on Egypt’s ranking in the target areas, the merits of reform, and the proposed solutions for reform. While the conference was held just a few months ago, in July 2018, it is already evident that there is an appetite for the reform measures ECPPS identified.
An Economic Freedom Audit is more than just a report or a ranking; it is an opportunity to gather experts, propose solutions, and reach a broad audience to enact policy changes. Local think tanks spearhead audits and leverage their contacts and expertise to bring together media, businesses, government officials, and academic communities, usually totaling at least 100 participants. After multiple meetings between important national stakeholders and the think tank, a final report is drafted.

A trained facilitator works with the various groups to engage feedback from diverse participants in a way that stirs ideas together while staying focused on the specific goals of the audit. Involving locals creates ownership, and ensures the audit accurately captures reality because it is designed by people in the nation who understand the situation far better than outsiders do. The deep dive into each category provides real time data on what is truly happening in the country.

The report ranks the target country in seven categories: Size of Government, Legal System and Property Rights, Sound Money, Freedom to Trade Internationally, and Regulation, which consists of three different types (Credit, Labor, and Business). Each category has constituent parts, and each factor is scored. The report also lists policy recommendations for improvement, which are produced through discussion in workshops on each category, drawing on cross-disciplinary perspectives to hone in on key metrics with keen accuracy. The intensive treatment provides a robustness that is unattainable in the broader EFW report.

The final report is not the sole product of the EFA process. Policy change and sustained progress are the goals, and the results in the report are leveraged to garner media attention to impact public opinion and advance which policy options are possible in the target country. Media are engaged throughout the process, including pre-audit news releases and interviews, coverage at the audit, a post-audit press release and more focused interviews, a final report that is full of detailed analysis and policy recommendations, and, ultimately, a formal presentation to the public and government of the findings. These audits are an effective way to convey the advantages of economic freedom directly to a nation’s leaders, and serve as a powerful media tool for communication with the public.
The unique circumstances in Egypt posed an interesting challenge to ECPPS’ EFA. Given the country’s long history of clashing viewpoints and competing factions, and the acute sensitivities of the stakeholders regarding attempts to influence, how ECPPS conveyed its message may have been more important than the message itself.

Egyptians are inherently skeptical of anyone promising to fix their problems, because that has often resulted in the opposite. Yet they are at a crossroads and face a plethora of policy options, increasing the importance for any proposal to be presented credibly. Knowing this in advance, the team focused significant attention on crafting presentations that fostered inclusivity and bolstered credibility. This is clearly seen in the format of the introductory session of the EFA conference. The session was split between three individuals: Ahmed Ragab, Executive Director of ECPPS; Fred McMahon, of the Fraser Institute; and Ahmed Abd El-Wahab, Head of Economic Research at ECPPS.

Ragab, a visible researcher and thought leader, kicked off the event by listing a sampling of economic problems facing Egypt that were well known by audience members. This included the large amount of economic activity in the informal sector, the large budget deficit, the obstacles in creating capital, and inflation. He also noted that Egypt’s economic reforms — those led by the IMF — have put Egypt on the road to recovery. The initial speech set the tone for the event and fostered a sense of community and shared purpose among the attendees.

McMahon’s segment presented the goal of the EFA: to identify policy reforms that will lead to economic growth, prosperity, and inclusive political institutions. He provided examples of economically free countries — like Botswana, Ireland, Singapore, and South Korea - that Egyptians would recognize and be attracted to emulate. He used data from the Fraser Institute to offer empirical evidence to support his claims and gain credibility with the audience.

The last portion, led by Abd El-Wahab, provided the audience with a roadmap for the later sessions and the EFA in general. He introduced the four policy areas targeted for reform, drawing on his expertise as ECPPS’s head economic researcher to lend further credibility to their strategy. He explained that ECPPS would conduct the research, host a series of conversations with stakeholders and leaders, and promote the policy recommendations. This conveyed local ownership of the reforms being pursued.

Each presenter revealed a particular strength that contributed to the credibility of the program, while presenting in concert quelled reservations against outsider influence.

The opening conference is a key point in an EFA because it is the best shot at getting everyone on the same page, a feat that can return benefits throughout the entire project. Attendees arrive with different backgrounds, skill sets, and knowledge. To bolster the efficacy of the EFA, ECPPS addressed the asymmetrical knowledge of participants in a way that generated more effective and efficient discussion.

Their strategy involved:

1. Establishing a shared sense of community
2. Presenting the goal and eliciting cooperation
3. Including the audience in the solution
Key Takeaway

A unique challenge for ECPPS was uniting disparate interests toward a common goal. Due to their tumultuous history, many Egyptians are wary of calls to reform. And yet, those same people see the prosperity of other nations and desire to engage in the global economy and realize their own potential. This presents a narrow opportunity for sound policy ideas to be adopted when articulated clearly and with credibility.

ECPPS internalized the cultural tension into the entire EFA project. They drew on the common knowledge that policy change is imminent, reinforcing what the public and civic leaders have seen in media headlines. Then they provided a channel for others to participate in the solution. By providing clearly defined policy reform proposals that resonate with the daily struggles of everyday people, and backing them up with sound data and citations in media, ECPPS has fostered the image of a passionate, credible, and action-ready public advocate.
A successful audit can lead to serious policy changes and ideological shifts, so determining the factors that ensure success of an EFA is crucial. From ECPPS’s experience, a number of important lessons arise. First, ECPPS recognized the unique economic position of its country. If there is any time to push towards economic freedom, this is it. Important, sympathetic ears are currently open to suggestions, exemplified by numerous attendees being high-level government employees. Second, ECPPS utilized the experience of its network to reach these Egyptian leaders. Third, ECPPS used its introductory conference to create an efficient, informed atmosphere — one crucial to the success of an EFA.

Although the EFA is currently ongoing, ECPPS’s audit can become the groundwork for more sustained, substantial change in Egypt. ECPPS plans to use their EFA to examine current reforms while also proposing new ones, striking while the iron is hot.

Conclusion
Discussion Questions:

» What enabled ECPPS to expand its outreach to contacts beyond its social network?
» What natural endowment constraints or historical inertia does your organization face?
» How can international organizations help and hinder efforts to advance policies supporting economic freedom?
» What are the cultural tensions in your country that impact the policy proposals that are possible? How could these tensions shift? How can you work around (or through) them?
» What are the advantages (and disadvantages) of targeting a specific age demographic with either certain programs or the organization’s mission?
» How does social change occur in your country? How are your programs equipped to navigate those channels of change? How are you ill-equipped to do so?
» How has your organization pushed the boundaries of what is politically possible? What have you learned from that process? How did you internalize lessons learned into the organization?
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