

**CHAPTER 3: THE STATE, NATIONAL DEVELOPMENT AND HUMAN
SETTLEMENTS IN EGYPT, 1974-2002**

Table 3.4 Changes in National Development Planning in the Period 1970 - 2002

	SADAT ERA (1970 - 1981)		MUBARAK (1981- TILL PRESENT)	
	1970 - MARCH 1974	APRIL 1974 – 1981	1981 – 1991	1991 - 2002
ATTITUDE TO MARKET	Market-Critical Redressing imbalances and inequalities created by market processes	Market-led Correcting inefficiencies while supporting market processes (e.g. public sector reform, Investment Law 43 and 32, Public Sector Reform Law 111, Public Sector Labour Management Law 48, and encouraging private sector to take a major part in the development process)	Market-led Correcting inefficiencies while supporting market processes (e.g. the implementation of several social programmes such as urban upgrading and infrastructure provision projects, Investment Law 230, Town Planning Law 3, encouraging private sector to take a major part in the development process, the first attempt to adopt and apply the ERSAP in 1987)	Market-led Full and unlimited support to market processes while providing the basic and fundamental services seeking socio-political stability (e.g. Mubarak Housing for Youth) since the adoption and application of ERSAP in 1991, Investment Laws 203 and 8, joining the WTO in 1995, signing the free trade agreement with the EU 2001, and the L.E. de-peg from the \$ in 2003
PURPOSE AND SCOPE OF PLANNING	Provide the basic public services such as health, education, and provision of urban infrastructure, housing, and large-scale industrial projects seeking socio-political and socio-economic stability (e.g. low income housing projects) Management of urban and rural affairs in the name of 'public interest' Equal distribution of resources and opportunities (e.g. land, income and job)	Environmental improvement and management in the name of 'public interest' mainly through physical/spatial and socio-economic policies (e.g. New Map of Egypt policy, New Towns Programme, Open Door Economic policy, and Free Labour policy) Providing economic and spatial incentives to encourage private domestic and foreign capital to invest mainly in the industrial sector (e.g. Investment Law 43 and Law 59 for the new urban communities management and its economic incentives)	With the growing realisation of the need for investment in order to maintain social stability (given the food riots in 1977 and 1980), the main focus of the 1980-4 national plan was to meet housing requirements of growing population, review the subsidies and pricing policy, and to improve the coordination and management of public investments.	Enable market and promote city competitiveness internationally to achieve efficiency through minimal economic and physical/spatial intervention by state to support market (e.g. the adoption and application of ERSAP in 1991) Shift from state planning to private sector planning and management in order to promote investment growth and employment by intensifying the structural reform agenda through trade liberalisation, privatisation, deregulation and fiscal and financial sector reform

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	SADAT ERA (1970 - 1981)		MUBARAK (1981- TILL PRESENT)	
	1970 - MARCH 1974	APRIL 1974 – 1981	1981 – 1991	1991 - 2002
PURPOSE AND SCOPE OF PLANNING			The liberalisation of the foreign sector and directing public and private sector towards export-orientated investment coupled with preparing the domestic market to join the international markets and benefit from globalisation and free-trade agreements (e.g. the Investment Law 230)	Improving the health and education systems through the application of comprehensive service reform programme which aims at the elimination of bureaucratic impediments to economic activities, improving the efficiency of government services, and building a cadre of well-paid and efficient civil servants
PLANNING METHODOLOGY	Scientific rational methodology	Scientific rational methodology	Scientific rational methodology	Scientific rational methodology
PLANNING TOOLS	Master Plan / Zoning urban programmes and projects to provide basic needs using national funding and/or foreign aid	Master plan / Zoning New Towns/ Settlements National/regional policy on urban development focusing on both rural and urban areas to lessen and control population growth in cities Partnership projects and programmes between the state and private sector Sectoral urban programmes and projects to provide basic needs using either national or international funding Urban upgrading projects	Master plan / Zoning New Towns/ Settlements National/regional policy on urban development focusing on both rural and urban areas to lessen and control population growth in cities Partnership projects and programmes between the state and private sector Sectoral urban programmes and projects to provide basic needs using either national or international funding Urban upgrading projects	Master plan / Zoning New Towns/ Settlements National/regional policy on urban development focusing on both rural and urban areas to lessen and control population growth in cities Partnership projects and programmes between the state and private sector Sectoral urban programmes and projects to provide basic needs using either national or international funding Urban upgrading projects Privatisation and structural adjustment policies Urban management programmes

INTRODUCTION

This chapter aims at presenting, analysing and explaining the Egyptian context within which physical planning has been practised since 1974. This seeks an understanding of how and why decisions regarding national development policies are made, who makes those decisions and their influence on the formulation and implementation process of such policies, and on the ongoing changing roles, goals, and values of the Egyptian state and the private sector. This is not to say that this chapter only presents the values, interests and goals of the key actors involved in the national development planning process, but also the reasons and consequences of their actions with specific focus on the relationship between the institutions, agencies and individuals within the state and private sector during the study period (1974-2002).

Given the analytical framework constructed in chapter two and the entry points for the analysis of physical planning practice, this chapter provides empirical evidence for the direct, interlocking and dynamic relationship between planning practice and the socio-political and socio-economic context at the national level in Egypt. To achieve such aims, this chapter is divided into four main sections. The first section presents a brief background regarding Egypt's national development potentials and challenges including: population growth, human settlements, and economic challenges. The second provides an understanding of the power and authority structures of the decision-making process. This is illustrated by analysing the political and administrative machinery of the state and the different roles of its components within the national development process. This includes the central government (i.e. the Presidency, the Cabinet, Ministers, and their affiliated institutions), legislatives including the Peoples' Assembly (i.e. *majlis al-shaab*) and the Consultative Assembly (i.e. *majlis al-shoura*), the public sector institutions, and the local government.

The third section illustrates and analyses the main national development planning policies adopted by the state to face the national development challenges presented in the first section. This section focuses on the two main influential national development planning policies adopted: first, in April 1974, the 'Open Door Policy' (ODP) and its sub-policies including the Open Door Economic Policy (ODEP) and Egypt New Map Policy (ENMP). Second, the Economic Reform and Structural Adjustment Programme (ERSAP) adopted and applied in 1991 under pressure and influence of both the International Monetary Fund (IMF) and the World Bank (WB).

The final section illustrates and examines the consequences of such development policies on the relationship, roles, values, interests and perception of the institutions, agencies, and individuals within the state (including those in the public sector) and private sector in the development process and the effect of such ongoing change on the decision-making process at both the national and local levels.

3.1 EGYPT'S NATIONAL DEVELOPMENT: POTENTIALS AND CHALLENGES

Egypt's history of national development since 1952, like that of many Third World countries, has been a long struggle for independent development¹. Such struggle has been an arduous one with many obstacles and hurdles to overcome and its main feature has been the considerable efforts to strike a balance between the national development potentials and challenges (Zaalouk 1989). Understanding Egypt's national development potentials and challenges provides a background to the analysis of the case study and aids in explaining the adoption and application of certain national development policies in specific times and their consequences at the local level in TRC.

Despite Egypt's various national development potentials such as an abundant labour force, natural resources including oil and water, fertile arable land, tourism potentials, and fishing resources, the specific nature of Egypt's historical national development lies largely in its geopolitics. This is manifested in, first, its strategic location; second, its leading role in the liberation movement that took place in Africa during the 1950s and 1960s. It is also manifested in its political, economic, and social leading role in the Middle East Region.

Because of its Strategic location, Egypt was occupied by the British Empire since 1882 to safeguard its route to India, to protect its interests in the Middle East Region, and to control the West-East trade route through the Suez Canal. Later on, during the Cold War period, Egypt was seen as being vital to the security of the USA for its strategic location in the midway to the Soviet Union. This was evident in the report of

¹ Social and political tensions in the late 1940s (i.e. 1948 Arab – Israel War) led to great unrest and widespread political alienation; and the need for reforms was advocated strongly by a growing number of intellectuals. In the first six months of 1952, Egypt had five different cabinets, one lasting only 18 hours. On July 1952, the army moved and seized power; and a new chapter of Egypt's political, social and economic life was initiated. The Free Officers' coup (revolution) of July 1952 was to represent a practical attempt to build both the institutional and economic foundation of a modern state. The banners were more 'socialistic' and the concept of social justice was explicitly pronounced to guide the state actions. (Aliboni *et al* 1984, p. 198; Ayubi 1991, p. xii)

Nicholas Veliotis, US Assistant Secretary of State in 1982, when trying to justify the AID money received by Egypt and other countries as follows:

“... The south-west Asian and Gulf Regions, a critical source of energy to the free world, is simultaneously threatened by the Soviets through Afghanistan and radical forces from within the area. Therefore, our programme (USAID) is directed at supporting our efforts to bolster the security of countries both in the region and en route which are critical for the United States’ access and presence in the region in times of crisis” (Veliotis 1982 cited in Zaalouk 1989, p. 3)

By the End of the Cold War period, the Whole Middle East Region became of specific interest to the USA for its oil. Nevertheless, Egypt retains its vital strategic location as the gateway to the Gulf Region. This is documented in several USA administration key figures’ speeches and writing (see Hilal 1982; Hiltermann 1985). A former Carter White House strategic analyst was quoted as having said:

“... We have no alternative to Egypt either in terms of the peace process [...] or strategic position. If we could not get to the Gulf through Egypt, either overnight flights for example, we could be in very, very serious trouble” (Hiltermann 1985, p. 49-50)

Given the international importance of its location, Egypt was forced both to play a vital political, economic and social role within the Middle East Region and to enmesh quite early in the capitalist world economy. Since the early 1919 revolution, Egypt was perceived by colonised countries all over Africa, the Indian sub-continent, and the Gulf area as the leading figure and prime example for liberation struggle². Nevertheless, such important and distinct location can be seen either as a potential or a challenge. The interests of global political, economic and military powers in the past and today were focused on Egypt for such location. For instance, the Soviet Union tried to help strengthen Egypt’s economy, pacify its population, and stifle unrest in return for gaining a strong and stable ally midway to the USA and the UK. Moreover, the USA and the UN and its affiliated international finance institutions including the WB and IMF repeatedly tried to control the course of its national development process and decisions, in return for their loans and AID.

² The 1919 revolution was the precursor of several nationalist independent movements, most significant of which was India’s nationalist movement. Moreover, the 1952 revolution triggered a number of liberation wars in Africa and the Arab World. During the 1950s and 1960s Egypt was extremely active on the Third World international scene. Egypt supported various independent movements, instigated liberation struggles and helped to establish the non-aligned movement, which still stands as a symbol of liberation (Zaalouk 1989, p.3; Hilal 1982, pp. 16-33)

Given its national development potentials, successive Egyptian governments were faced with many persistent development challenges. The most important and daunting of all are the human settlements and economic challenges. This research argues that such challenges not only are recognised as the main obstacles to national development but also as the prime triggers for the adoption and application of Egypt's major national development policies between the 1970s and early 1990s.

3.1.1 Human Settlements Challenges

The human settlement challenge is a daunting obstacle to national development policies, where the imbalance between the inhabited and deserted areas, the rapid population growth and its negative consequences, the over expansion of urban areas over arable land, and the rising number of squatter areas, hinder development efforts and absorb any promising growth in the gross national product.

Human settlements challenges can be illustrated in five interlocking challenges. First, Egypt was divided into eight planning regions according to the presidential decree 495 in 1977, which was amended by the presidential decree 181 in 1986 whereby Egypt is to be divided into seven planning regions instead (figure 3.1 shows the seven planning regions). However, the planning regions' borders are not the same as the administrative borders of their governorates, for instance the case of the Red Sea governorate³. Such mismatch between planning regions' borders and the administrative borders of their governorates affects the decision-making process with respect to the allocation of resources towards services and infrastructure provision within each governorate and the local development processes within each planning region⁴ (The

³ Egypt's planning regions according to the presidential decree 181 in 1986 are as follows: 1. Greater Cairo Region, which includes Cairo, Giza, and Qalubia governorate; 2. Alexandria Region, which includes Alexandria, Behera, and Matrouh Governorate; 3. Suez Canal Region, which includes North Sinai, South Sinai, Port Said, Ismailia, Suez, Sharkya, and the north part of the Red Sea governorate; 4. Delta Region, which includes Kafr El-Sheikh, Gharbia, Menofia, Domyat, and Dakahlia governorate; 5. North of Upper Egypt (*Shamal Elsaeid*) Region, which includes Bany Sweif, Fayoum, and Menia governorate; 6. South of Upper Egypt (*Ganoob Elsaeid*) Region, which includes Sohaag, Qina, Aswan, and the south part of the Red Sea Governorate; 7. Assiut Region, which includes Assiut and El-Wady El-Gadid governorate (National Report 1996, pp. 12-3)

⁴ There are continuous adjustments for the administrative borders of many governorates all over Egypt to solve administrative and most of times governors conflicts regarding control and authority over local development and their share in resources and fund allocated by the central government to each planning region and governorate. For instance, the presidential decree 24 in year 1994 regarding the adjustment of the administrative borders of 6 governorates that are Bany Sweif, Menia, Assiut, Sohaag, Qina, and the Red Sea governorate. The presidential decree 102 in 1990 regarding the Adjustment of the administrative borders of Aswan with both the Red Sea and El-Wady El-Gadid governorate. The presidential decree 411 in 1981 regarding the adjustment of the administrative borders between Assiut and El-Wady ElGadid governorate (The Development and Construction Map 1998, p. 64)

Table 3.3 Main National and International Events that affected the National Development Planning Policies in the Period 1970 - 2002

	SADAT ERA (1970 - 1981)		MUBARAK (1981- TILL PRESENT)	
	1970 - MARCH 1974	APRIL 1974 – 1981	1981 – EARLY 1991	1991 - 2002
EVENTS	<p>September 1970 Nasser's death</p> <p>May 1971 The Corrective Movement (<i>Haraket Al-Tashih</i>) followed by the major change in the political party system - from being a one party system to be controlled political pluralism.</p> <p>1971 the promulgation of the Egyptian Constitution</p> <p>1973 October War</p>	<p>April 1974, Open Door Policy</p> <p>1974 application of Law 43 regarding the foreign investment in Egypt</p> <p>1975 plurality of political orientation was practically permitted and political parties (i.e. <i>manaber</i>) to be established followed by the democratisation process of 1976</p> <p>June 1975 the reopening of Suez Canal</p> <p>1975 application of Law 111 regarding public sector management and reform</p> <p>1977, the amendment of Law 43 of 1974 by Law 32 giving more incentives to foreign investment</p> <p>Jan. 1977 the food riots</p> <p>Nov. 1977 Sadat's visit to Jerusalem</p> <p>1978 application of Law 48 regarding the public sector labour and management</p> <p>1979 the sign of Egypt – Israel Peace Treaty</p>	<p>1981 the application of the State Emergency Law</p> <p>1982 application of Law 3 regarding the urban and town planning practice</p> <p>1985 the general election and constitutional changes</p> <p>1985 the collapse of oil prices</p> <p>1986 the mutiny of the Central Security Forces against the state authority</p> <p>1987 the re-election of Mubarak for the second term in office and the first signs of push towards the adoption and application of the Economic Reform and Structural Adjustment Programme (ERSAP)</p> <p>1989 application of Law 230 regarding the rules that guide investment, taxation and incentives, which was later on replaced by the Investment Law 8 in May 1997</p> <p>- 1990/1991 the Gulf Crisis and the Desert Storm War</p>	<p>June 1991 the adoption and application of the ERSAP followed by major adjustments in tax system and tariffs</p> <p>1991 application of Law 203 regarding the role of the public sector and rules governing its activities</p> <p>1991 the launch of the privatisation policy and pegging the Egyptian pound (L.E.) to the USA Dollar (\$) on the rate of 3.39 L.E./\$</p> <p>1992/1993 major prices, tax and tariffs adjustment followed by severe economic stagnation</p> <p>1995 Egypt became a member of the World Trade Organisation (WTO)</p> <p>1997 the launch of TOSKA project to develop the south-west desert of Egypt</p> <p>1997 the tragedy of Luxour City terror attack and the severe decline in Tourism revenues</p>

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EVENTS		<p>1979 the formulation of Law 59 regarding the physical planning and investment incentives in the new urban communities</p> <p>1979 the break with the Arab Countries and the change of Egypt's formal name and flag</p> <p>1980 the establishment of the consultative Assembly (<i>Majlis Al-Shoura</i>)</p> <p>1980 the change in the constitution, approved by a referendum, which allows the president to be elected indefinitely (instead of for two terms only, six years each).</p> <p>1981 assassination of Sadat</p>		<p>1997/1998 the collapse of the international oil prices followed by a long-run liquidity crisis in the Egypt</p> <p>1998/1999 East Asian countries and Russian Market Crisis followed by the monetary tightening during 1999/ 2000</p> <p>Jan. 2001 the first sign towards the L.E./ \$ de-peg policy with exchange rate of 3.85 L.E/\$ with band of 1%</p> <p>June 2001 EU-Egypt Free Trade agreement</p> <p>September 2001 the Twin Towers terror tragedy in New York</p> <p>2003 the L.E. floating</p>

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PURPOSE AND SCOPE OF PLANNING	Provide the basic public services such as health, education, and provision of urban infrastructure, housing, and large-scale industrial projects seeking socio-political and socio-economic stability (e.g. low income housing projects) Management of urban and rural affairs in the name of 'public interest' Equal distribution of resources and opportunities (e.g. land, income and job)	Environmental improvement and management in the name of 'public interest' mainly through physical/spatial and socio-economic policies (e.g. New Map of Egypt policy, New Towns Programme, Open Door Economic policy, and Free Labour policy) Providing economic and spatial incentives to encourage private domestic and foreign capital to invest mainly in the industrial sector (e.g. Investment Law 43 and Law 59 for the new urban communities management and its economic incentives)	With the growing realisation of the need for investment in order to maintain social stability (given the food riots in 1977 and 1980), the main focus of the 1980-4 national plan was to meet housing requirements of growing population, review the subsidies and pricing policy, and to improve the coordination and management of public investments.	Enable market and promote city competitiveness internationally to achieve efficiency through minimal economic and physical/spatial intervention by state to support market (e.g. the adoption and application of ERSAP in 1991) Shift from state planning to private sector planning and management in order to promote investment growth and employment by intensifying the structural reform agenda through trade liberalisation, privatisation, deregulation and fiscal and financial sector reform

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PLANNING METHODOLOGY	Scientific rational methodology	Scientific rational methodology	Scientific rational methodology	Scientific rational methodology
PLANNING TOOLS	Master Plan / Zoning urban programmes and projects to provide basic needs using national funding and/or foreign aid	Master plan / Zoning New Towns/ Settlements National/regional policy on urban development focusing on both rural and urban areas to lessen and control population growth in cities Partnership projects and programmes between the state and private sector Sectoral urban programmes and projects to provide basic needs using either national or international funding Urban upgrading projects	Master plan / Zoning New Towns/ Settlements National/regional policy on urban development focusing on both rural and urban areas to lessen and control population growth in cities Partnership projects and programmes between the state and private sector Sectoral urban programmes and projects to provide basic needs using either national or international funding Urban upgrading projects	Master plan / Zoning New Towns/ Settlements National/regional policy on urban development focusing on both rural and urban areas to lessen and control population growth in cities Partnership projects and programmes between the state and private sector Sectoral urban programmes and projects to provide basic needs using either national or international funding Urban upgrading projects Privatisation and structural adjustment policies Urban management programmes

Table 3.5 The Changing Role of the State, the Public Sector, and the Private Sector in the National Development Planning process

	SADAT ERA (1970 - 1981)		MUBARAK (1981- TILL PRESENT)	
	1970 - MARCH 1974	From APRIL 1974→ Till EARLY 1991	1991 - 2002	
THE STATE	<p>Neutral arbiter looking for stable society through economic, social, and urban development based on technical knowledge</p> <p>Redressing imbalances and inequalities within society (e.g. the corrective movement in 1971 and the construction of the Suez canal cities)</p>	<p>Neutral arbitrator looking for stable society through economic, social, and urban development based on technical knowledge</p> <p>Redressing imbalances and inequalities within society (e.g. Open Door Policy, allowing Egyptian labour to work abroad, mainly in the oil rich countries; and the construction of Salheya valley project)</p>	<p>Support powerful agents and market processes</p> <p>The state role has shifted from an overall developmental role to producer's role while continuing to stress its welfare function (i.e. separation of welfare function of the state from its industrialisation function)</p> <p>A partner working in alliance with domestic and foreign private capital</p> <p>The state becomes merely a large investor among other investors striving like others for profit and cooperating with international capital</p>	<p>Unlimited support of powerful agents (i.e. powerful private investors) and market processes</p> <p>Maintaining a certain degree of relative autonomy vis-à-vis the conflicting interests in the society</p> <p>However, it is open to group alliance internally and externally</p> <p>Cutting down on its welfare function while limiting its role to providing development projects (mainly social and urban projects) that support the regime to continue to govern (i.e. projects that help providing socio-political stability and controlling and keeping the lid on social unrest)</p>
THE PUBLIC SECTOR	<p>Since the second wave of nationalisation in 1961 till the application of Law 111 in 1975, the public sector dominated all types of economic activities through the 50 established Public Organisations (i.e. <i>moassasat</i>)</p>	<p>Remained the primary instrument of carrying out any development plan and undertaking the basic projects that no other sector would embark upon (i.e. public sector would provide the private sector and foreign investments with essential services that they cannot do without)</p>	<p>Subjected to government pressure regarding the socio-political considerations sacrificing profit and financial productivity aspects where:</p> <p>1) Personal and subjective criteria are generally more influential in organisational decisions than objective criteria related to work requirements increasing the loyalty to managers and top government officials</p>	<p>Its role is extremely limited to supply large –scale public services that could not be provided by the private sector (e.g. urban infrastructure); and to help assuring socio-political stability within society (e.g. low income and youth housing projects, employment, low price goods and services)</p>

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	SADAT ERA (1970 - 1981)		MUBARAK (1981- TILL PRESENT)	
	1970 - MARCH 1974	From APRIL 1974→	Till EARLY 1991	1991 - 2002
THE PUBLIC SECTOR	It is seen as the only sector that would achieve economic, social and urban development in the name of 'public interest' without risking the influence of internal domestic private interests and external forces (i.e. Western interests) over the national development planning policies.	For instance, the widely spread infrastructure projects in the New Towns, the construction of several low income housing projects all over Egypt, the many upgrading projects carried out within the urban agglomeration of the main cities, and many projects that aims at providing the rural areas with electricity and clean water supply.	<p>2) Periodic structural reorganisation is applied to solve personnel problems, for promoting certain individuals, or to reflect power and authority relationship between different parts and levels of the public enterprise</p> <p>3) Corruption has grown in scope and magnitude since the launch of the Open Door Policy through the ever growing close relationship between government personnel and the private sector</p> <p>4) There are increasing imbalances in the skill structure with more and more unskilled and unproductive employees, 'experts', 'qualified' managers and technicians</p>	“ The government will implement social policies to tackle poverty, unemployment and infrastructure shortcomings in order to combat the Islamist threat and secure domestic stability [...] this include investing in basic services and infrastructure in slum areas of the main cities and putting extra resources into education and health” (The Economist 1994, pp. 10-1)
THE PRIVATE SECTOR	Limited, or no, role in the development process Its activities were constrained, directed and limited, by the state, to small workshop businesses with limited finance availability or access to resources	Provide the needed investment to cover up the gap between demand and supply in all fields (e.g. employment and housing) while the required incentives, regulations and laws to create the stable environment for such investment would be guaranteed by the state	The private sector enters the nineties with a great deal of momentum. Its rising share in development process has been growing Powerful individuals and interest groups expanded their control of the means of production and administration as their main representatives were incorporated into the ruling class	The private sector is at its full swing, control, and influence over the decision-making process regarding public policies after the adoption and application of the ERSAP in 1991. It is considered as the main and only driving force in achieving economic growth