

Public Policy Analysis in the Field of Energy Subsidies in Egypt: Petroleum Products Subsidies During the Period of 2003-2015

Medhat Mohammed Alrefaey and Salwa S. Gomaa
Faculty of Economics and Political Science, Cairo University, Giza, Egypt

Abstract: This study aims to identify the policies pursued by successive Egyptian governments, since the beginning of the second millennium and until 2015 with regard to subsidization in general and that of energy in particular, including electricity, natural gas, gasoline and diesel. The study also addresses the effect of raising the prices of those products on average and low-income Egyptian citizens where the rise in the prices of energy leads to a rise in the prices of goods and services. In addition, the role of the state in controlling the market is tackled. The study also discusses the means of rationalizing subsidies provided by the government and how to involve civil society organizations, decision-makers, representatives of the trade unions and the parliament, the press and the media in order to start an extensive community dialogue on the issue of subsidization which I suggest to be called “community dialogue on subsidization: priorities and challenges”. The media should shed light on this community dialogue and periodical hearings should be held to offer different insights and perspectives on the priorities of subsidization and to make suggestions with regard to defining these priorities and setting mechanisms for the implementation of such suggestions. Various alternatives should also be proposed to address the waste of subsidization and its failure to arrive to those who deserve it. These hearings should also draw attention to the sectors which should get more subsidization and the ways and mechanisms which can be used to conserve subsidies.

Key words: Subsidization, energy, budget deficit, rationalization of subsidization, government, subsidies

INTRODUCTION

The topic of subsidization of goods and services draws its importance from the fact that it not only concerns policies related to the production of goods or general resources or services but is also related to the public distributive policies within the framework of the state's obligation to alleviate the burdens on the citizens and the general political and social obligation to provide basic goods and services to the citizens at reasonable prices. This is particularly true of the subsidization of food products which provides food security to citizens while being transitioned to the market system.

In light of the successive developments in the world and the emergence of different problems, many political leaders in different political regimes have realized the importance of solving these problems which affect the citizens and responding to their demands in order to achieve their goals within integrated programs and plans, known as public policies. The topic of public policy has drawn the attention of many academic researchers and political leaders and has become an interdisciplinary research field.

The study will use the SWOT analysis which aims to study the policies of energy subsidization in Egypt over

successive governments, since the beginning of the second millennium and till the end of 2015. The analysis also addresses the social and economic consequences of these policies on the Egyptian citizen and whether these policies have achieved their goals. In addition, the study will tackle the means by which these policies were set and whether they were truly reflective of the different needs and demands of society or merely expressive of the vision of the authority or a mixture of both.

More attention has been drawn to the topic of public policy after the end of the Second World War with special focus on its concept and how to identify its goals, topics and means of implementation within an analytical framework. According to James Anderson, policy is a “meaningful platform followed by individual or group performance in order to address a problem, issue or topic”.

On the other hand, in 1971 H.D. Lasswell defined public policy as the answers to the questions of “Who gets what? When? And how?” this is a very important description for public policy that will be used in the study.

Subsidization policies are the most common among countries whether developed or developing, taking into consideration that these policies and the means of their

implementation differ as the countries themselves differ. In some countries, the goal of these policies might be political or social by decreasing poverty and achieving social justice and redistribution. In other countries, the main goal could be to deal with a crisis or disaster or to address the impact of some specific economic and financial policies. The reason behind formulating subsidization policies in some countries could also be to gain political support from the citizens, acquire real legitimacy and increase the sense of national belonging. In most cases, subsidization policies in Egypt aim at these aforementioned goals especially under the current circumstances which Egypt is passing through. Polls have revealed that the subsidization of goods and services is important for poll-takers who make use of different subsidization programs, especially those of goods.

With the beginning of the 20th century, there has been more demand on nonrenewable energy resources, namely petroleum products. As a result, the prices of petroleum products have risen which has placed a pressure on the budgets of developing countries which offer these resources at prices lower than the international ones. This has resulted in a huge imbalance where more money is allocated for the subsidization of petroleum products at the expense of such important services as health, education, scientific research and infrastructure. This problem requires studying and analyzing public policies related to energy subsidization. In the case of Egypt, the increasing demand on energy resources especially after the open-door economy policy in the seventies and the growth of economy led to an increase in the consumption of petroleum products, whether due to industrial or urban expansion or population growth and the consequent increase in the number of public or private vehicles. As a result of all this, the demand for petroleum outgrew the local Egyptian production which led Egypt to import from abroad, increased the demand on foreign currency and multiplied the allocations for petroleum products subsidies.

Subsidization policies emerged in Egypt in 1941, contrary to the common misconception which associates them with the 1952 Revolution.

After the Second World War, the prices of food products increased, so, the government imported huge amounts of flour and wheat from Australia and sold them at government outlets for reduced prices. This program which included all citizens was then expanded to include all goods such as sugar, oil, tea and kerosene, using the supply card system to distribute goods to the consumers monthly and for a specific amount per family member. In the fiscal year 2014/2015, the expenditure on energy

subsidization (of petroleum products and electricity) reached 127 billion pounds but the actual figure decreased in the second half of 2014 and 2015 due to the decrease in the international prices of petroleum.

Subsidization is divided into several categories, including supply goods and petroleum products in addition to subsidization of electricity, exports, transportation, industrial production, low-income housing and health and medical insurance. Subsidization is considered one of the most important measures taken by the government to help the poor where it allows low-income citizens to afford goods and services. On the other hand, subsidization encourages producers to continue their production.

Corruption is one of the most challenges that facing societies and countries, in our case there's a lot of problems facing subsidization policies which mostly founded in practices and behaviors.

The research problem: In light of the economic crises witnessed lately by the Arab Republic of Egypt, the urge to reconsider the issue of subsidization in general and that of energy in particular has emerged. Allocations for energy subsidies have reached 147 billion pounds in the 2013 budget which exceeds more than two thirds of the total allocations for subsidization. Such requires reconsidering the current public policies which address subsidization due to its importance in relation to budget deficit.

In the case of Egypt, subsidization policies are associated with the issue of social justice. Thus, the main problem lies in how to adopt energy subsidization policies which decrease the budget deficit on the one hand while achieving social justice among citizens on the other.

Within this framework, it has been called for making use of successful international expertise in the field of energy subsidization in developing countries which can contribute to the development of the policies and system of subsidization in the case of Egypt.

As such, the research problem of the study lies in attempting to recognize the policies that have been followed to rationalize subsidization in general and that of energy in particular and the effective parties which formulate subsidization policies in general and those of energy in particular and to examine how far the energy subsidization system can be developed in Egypt by focusing on petroleum products subsidies in light of international expertise.

Objectives of the study: The objectives of the study are as follows: Analyzing the roles of different actors like the

executive, legislative and judicial authorities and the civil society in the process of public policy making and their influence on its different stages.

Analyzing the policies that have been set to address the problem of wasting subsidies in Egypt and their inaccessibility to those who deserve them and defining the points of strengths and weaknesses in the current policies of energy subsidization in Egypt.

Offering international expertise in the field of energy subsidization and pinpointing the most important characteristics of the case of Egypt in the field of energy subsidization.

Explaining how to take advantage of international expertise in the field of energy subsidization to improve the policies of energy subsidization in Egypt.

Defining the problems and challenges which stand in the way of adopting effective policies of energy subsidization in Egypt.

Literature review: The previous literature reviewed by the researcher can be divided into two approaches as follows: The first approach which addresses issues related to the change of the role of the state and the emergence of new actors and the consequent need for paying more attention to the issue of subsidization and developing the system of subsidization in Egypt. The second approach which addresses the policies and attitudes of the state in the field of energy subsidization.

The first approach addresses issues related to the change of the role of the state and the appearance of new actors. The role of the state has changed from being the main actor who formulates public policies and represents the society while making policy decisions, setting plans and following up the implementation thereof into merely a first participant among different others who run the affairs of the state and the society. Therefore, the role of national governments, private sector and civil society organizations should be reconsidered where the actors of the community (private sector and civil society) have acquired a greater role in influencing public policies. The study has addressed the importance of redefining the relationship between the state and the society where the state has become a stimulator and director but not an implementer. Studies of this kind include Salwa (2001) Sharawy's study on the concept of the administration of the affairs of the state and the society, in the year 2001, she had stressed on the public policies analysis.

Within the same context, the study addresses the evaluative role of the governmental administration in light of liberal economic policies and the development of the attitude of the schools of public administration towards

the role of the governmental administration and the logical foundations of this role in the liberal economic schools. The study also tackles the expected and actual economic role of the governmental administration in the capitalist countries and the logical foundations based on which the government administration intervenes in the economy of the market in the developing countries and the expected and actual role of the Egyptian government administration in the public economic policies during the period from 1991 till 2005.

By reviewing the previous literature, it has become clear that the transformations in the public economic policy all over the world has influenced the development of the role of the Egyptian government administration at the evaluative level where the school of public administration has emerged in the early eighties and a growing tendency towards privatization and competition has appeared, since, 1980 till 1989. When the trends of public economic policies have shifted towards the third route, the school of new public service has emerged and more focus has been directed to the concept of citizenship and state of luxury. The inability of the Egyptian public economic policies in general to influence the Egyptian governmental administration with regard to undertaking its evaluative role in the market economy by protecting the consumer, competition and labor rights and reaching the maximum capacity of production has led to the monopolization of the irresponsible private sector and consequently the rise in the prices of the basic goods and services and the inability of the law of the market to reach a price that represents a balance between supply and demand. As a result, the Egyptian market has suffered from inflation in the prices of basic goods and services and a recession in the prices of non-basic goods and services in 2012. Therefore, the ordinary citizen hardly feels the fruits of economic reform in Egypt and labor, social and economic turbulence takes place the study by Ahmed (2008) has discussed the importance of the existence of an effective policy to subsidize the prices of goods and services for average and low-income citizens who can no longer afford all these surges in prices.

Hussein (2001) study is one of the most important literatures that addressed the role of NGOs in managing the affairs of the state and the society where it referred to the relationship between NGOs and the government, civil society organizations help guide the authority in the process of policy making by playing the role of the mediator between the individual and the state. This can be achieved through influencing public policies by mobilizing the efforts of some sectors of the inhabitants, involving them in public affairs and getting them to help

the government by means of working directly, funding or offering a better performance of public services and satisfying the citizens in 2001.

As such, strengthening these organizations is very important because of their ability to reach the poor who have no access to governmental services and because they can offer services at a relatively lower cost. These organizations are also capable of summoning up local resources and developing small family projects and local societies through which the poor can better their financial status.

The first approach also points out the development of the unit of analysis of public policies. In the nineties, the focus was on the state and its institutions as a unit of public policy analysis where studies which dealt with the role of lobbies or parties only tackled their ability to influence public policy making which was practiced by the state, the main actor in the field of public policies. As the role of state changed, the interaction between private sector institutions on the one hand and public sector organizations on the other increased and the role of other actors such as multi-national corporations, international organizations and international NGOs was reinforced. Therefore, many trends have emerged which view public policies as the result of official and non-official interactions between a number of actors at both local and central levels. According to these trends, public policies result from the will of these actors who are usually members in an organized network which the government is also part of.

Salwa (2004) advocated of this new concept found that focusing on networks as unit of analysis of public policies would reinforce the role of participants from the civil society who were marginalized for a long time, in the process of public policy making which would result in the expansion of democracy.

Within the framework of the first approach, Ahmed (2002) study emerged the literature also reviewed in detail the philosophy of social funds and the actual experiences of these funds in third-world countries, the role of the social fund was highlighted where it contributes to increasing the efficiency of NGOs in Egypt. The fund which was established in 1991, also helps decrease unemployment, deals with the negative effects of the economic reform and increases the efficiency of NGOs by funding projects which support them. Studies using this approach also pinpointed the most important services offered by the fund and those who take advantage of these services in addition to the most important problems which face NGOs while dealing with the fund.

Studies under the first approach also referred to the successive developments of the role of the state which led to the emergence of the concept of partnership between the government and the private sector, especially in the field of public services which took different forms such as service, management, rental and BOT contracts. These contracts have become increasingly popular within the last two decades in order to raise the efficiency of public services and provide funding which is necessary for establishing important projects and improving infrastructure facilities and public services.

Ayman (2008) addressed the experience of Egypt in the field of the natural gas projects in Egypt which were implemented by the end of 1997 when the government signed a contract with eight private corporations to provide natural gas for some cities and governorates in Egypt. The study concluded that it is important to have a unified strategic vision and an acting civil society which has mechanisms of observing, controlling and interrogating. The study also stressed the importance of the economic dimension in the governmental administration and the futility of the partnership with the private sector due to its high prices which further burdened the state. The study pointed out that this partnership did not play any tangible role in the implementation of projects where most of the works were secretly assigned to companies affiliated with the petroleum sector in addition to other drawbacks that were revealed by evaluating this partnership.

The study by Hamed (2000) among tackled the role of civil society organizations in reinforcing the unity of the Egyptian society is the study conducted by. The study aimed to define the role of civil societies in preserving the unity of the Egyptian society and undertaking the burdens of the state in all the fields. The study pointed out that when Egypt adopted the open-door policy, a huge imbalance in the society took place and the state's inability to meet the needs of the individuals appeared. As such, the importance of volunteer work comes to the forefront which can be performed by civil societies that preserve the unity of the society and prevent it from falling apart.

The second approach deals with the analysis of public policies and the attitudes of the state in the field of energy conservation and subsidization. Within this approach in 2010 Dr. Adel El-Ghamry conducted a study entitled "towards the conservation of energy and the enhancement of the specifications of its products to protect the environment" in collaboration with the organization for energy planning. The study aimed to

define the procedures of energy conservation and the protection of the Egyptian environment and concluded that it was important to enhance the steam traps and the efficiency of combustion in the ovens to reduce harmful emissions and that an SOS unit should be installed to conserve energy and protect the environment.

Rashad (1995) conducted a study entitled “energy and its effect on the environment and development”, the study referred to the fact that the increase in the international consumption of energy resulted in the dramatic increase of financial, economic and environmental burdens, the study also stressed the importance of energy conservation programs and that pricing policies played an important role in energy conservation. The importance of developing research, raising the security of nuclear energy and supporting the state’s strategy in the field of new and renewable energy was also stressed.

Abelgalel Ibrahim conducted a study entitled “energy conservation as a means of combating global warming in Egypt” to shed light on the importance of energy conservation as a means of combating the rise in temperature on the Earth in 1995. The study also stressed the importance of the accurate analysis of all economic sectors inside the state starting from the efficiency of activity costs to how far technologies were used in the field of energy conservation.

On the other hand, In the year 2007 Dr. Ahmed Desooky’s study, entitled “medical public policy analysis in Egypt as applied to the public medical sector from 1962-2005” addressed public medical policies which are considered one of the most important pillars of national security. The study stressed the importance of the state’s adoption of an integrated medical policy in order to build up a national, effective, state-of-the-art medical and industrial system which was economically efficient and accessible.

Ahmed (2001) conducted a study entitled “The analysis of tourist public policies in Egypt: The ministry of tourism’s plan to face the consequences of the september 11 events” which addressed the importance of the industry of tourism in Egypt given that it is one of the most important sources of foreign currency. The study stated that despite the importance of tourism, Egypt did not satisfy its potential either in terms of the number of tourists or the amount of tourism income. As a result, serious policies were needed to face the consequences of such international events as those of September 11 or of local events as those of Luxor, Taba, Sharm El-Sheikh and Dahab which took place in 1997, 2004, 2005, 2006, respectively.

Shalaby (2013) conducted a study in 2013, entitled “energy and sustainable development: an economic approach to enhancing the cooperation between Egypt and the European Union”. The study addressed the relationship between energy and sustainable development from the perspective of the economic theory and by reviewing the literature and theoretical concepts. The study also discussed the relationship between energy and sustainable development in Egypt from the perspective of economic politics and dealt with the enhancement of the cooperation between Egypt and the EU. The study concluded that the concepts of sustainability were not new to the history of economic thinking and that sustainability was not a static concept in this history.

MATERIALS AND METHODS

The study is based on using the following methods: Policy cycle approach which will be used to identify the role of actors in the stages of public policy making in order to define the contributions of actors to the formulation of subsidization policies in Egypt. This approach includes the following elements and axes: Policy proposal and agenda setting which focuses on how to make this issue reach the government’s agenda and the criteria according to which the government adopts one issue instead of another. Policy formulation which focuses on providing as many alternatives as possible in order to find solutions to problems. Questions revolve around the goals and contents of these alternatives and the parties which formulate policies and the stages of policy making.

Decision making, where the goal is to reach a consensus on one alternative suggested from the previous stage. The appropriate approach to decision-making and the model used therein are studied at this stage in addition to the types and patterns of decisions to be made.

Policy implementation which is the process of transforming policies from mere statements and documents into real existence. This stage also focuses on the parties involved in the process of implementation and the problems that stand in the way thereof.

Policy evaluation where certain aspects of the policies are estimated known as criteria, e.g., efficiency, effectiveness, convenience, etc. In this case, certain figures are used to estimate how far these aspects have been realized in the implementation of policies.

SWOT analysis: This analysis aims to examine the reality of energy subsidization policies in the case of Egypt in

comparison to other cases discussed by international reports with special reference to the points of strength and weakness, opportunities and challenges.

Sources of information: Primary sources which deal with this phenomenon directly. These sources are usually recent and they include various forms, most important of which are books, periodical articles, newspaper articles, different kinds of reports, patents, conference proceedings, university dissertations, statements, circulars and new governmental bulletins.

Secondary sources which are vessels of information about references which allow the researcher to reach the primary sources after processing, analyzing and presenting them in a new, organized manner. Information provided by this kind of sources is not recent but rather previously published and cited in primary sources. Secondary sources of information include the constitution, regulating laws and bylaws, legislative council minutes, translations, annual books and other reference books which the researcher uses to know a piece of information, figure or name of a certain person or institution.

RESULTS AND DISCUSSION

The review of literature revealed the following the current study is similar to previous studies insofar as they all seek to identify the issue of subsidization and the problems that face it, yet is different from other studies because it attempts to offer new, creative solutions to the problems that face this issue.

The study is also similar to previous studies in that it uses the descriptive approach while tackling the issue of subsidization but is also different in that it focuses more on the method of policy cycle with special attention to the evaluation of policies to test the efficiency of previously adopted policies. The previous studies addressed the issues of subsidization without tackling the subsidization of energy despite its importance.

The study seeks to clearly define the contributions of different actors in the process of public policy making with regard to subsidization by focusing on the influence of the actors on policy makers as far as subsidization is concerned.

Questions of the study:

- What are the main driving reasons behind the adoption of subsidization policies in the developing countries in general and Egypt in particular?
- What are the main problems that hinder the adoption of effective policies of energy subsidization in Egypt?

- To what extent can we benefit from international expertise in the field of energy subsidization?
- To what extent can a balance be achieved between having energy subsidization policies on the one hand and social justice on the other?
- What are the causes of inflation in the budget of petroleum products subsidies? And to what extent can this problem be dealt with?
- What is the stance of the current energy subsidization policies in Egypt in relation to other international policies? To what extent are these policies similar or different from their counterparts in other developing countries? What are the characteristics that distinguish the case of Egypt in this respect?

Theoretical framework: The conceptual framework of the study addresses a number of important concepts, namely public policy analysis, subsidization in Egypt and petroleum products. These concepts will be discussed below.

The definition of public policy analysis: The method of public policy analysis mainly works on solving problems, i.e., problem solving approach. Based on this, a good formulation or definition of the problem is considered half a solution. Therefore, studies of public policy analysis use tools that allow them to define the problem on one hand and increase the efficiency of the alternatives available to the policy maker on the other. The method of public policy analysis has developed to include both qualitative and quantitative analysis and to utilize the comparative method. The analysis and evaluation of public policies now depend on following a protective, not just curative, approach where problems and solutions to them are usually studied before they turn worse.

Kamal (2004) defines it as “a study of the political, governmental and administrative performance”. In 2004, studying public policies involves studying what the political regime does, so that, an answer is found to Laswell (1971) big question, “Who gets what? When? And how?” Indeed, studying public policy involves the study of the authoritative distribution (or allocation in Davide Eston’s words) of values.

The emergence of public policy making as a science goes back to Lasswell (1971) who wrote his book the policy science in the 50’s of the last century. This science was greatly associated with political sciences, especially the American subject of regime. With the emergence of the school of behaviorism in the early sixties, more attention was paid to analyzing systems in the political sciences where the inputs and outputs of the political

system were scrutinized. By the end of the sixties and the beginning of the seventies, the importance of focusing on the output of the political system, specifically public policies was stressed. This development was brought about due to the aggravation of social problems in the United States between the white and the black and the involvement of the USA in the Vietnam War, so, the need for analyzing these problems and finding policies to solve them inside the institutions of the US government emerged.

Political analysts in these centers often formulated the policies and attitudes of the US towards many issues and problems especially in the eighties where the majority of focus was on the problems of inflation, unemployment, government expenditure, international trade problems and the Middle East. Since, then and over 20 years, the method of research into public policies has developed greatly as a scientific discipline that has its own independent features as a method of analysis used by other social sciences and as a point of intersection between many social sciences such as economy, political sciences, management, etc.

Within this framework, Hogwood and Dunn categorized studies related to public policy analysis into:

- Studies related to the content of policies
- Studies related to the process of policy making
- Studies related to policy output
- Studies related to public policy evaluation
- Studies related to providing information necessary for policy making
- Studies related to enhancing the process of policy making
- Studies related to reinforcing some policies, i.e., policy advocacy

William Dunn believes that the aim of public policy analysis is to provide or produce the necessary information for/about the process of policy making.

The subsidization system in Egypt: The subsidization system in Egypt goes back to 1941, contrary to the common misconception which associates it with the 1952 revolution. After the Second World War, the prices of food products increased, so, the government imported huge amounts of flour and wheat from Australia and sold them at government outlets for reduced prices. This program which included all the citizens was then expanded to include all goods such as sugar, oil, tea and kerosene, using the supply card system to distribute goods to the consumers on a monthly basis and for a

specific amount per family member. The expenditure on subsidization in the fiscal year 2011/2012 reached 133 billion pounds which represents a 7% increase in comparison to the previous budgets.

Subsidization is divided into several components, including subsidization of supply goods, petroleum products, electricity, transportation, industrial production, low-income housing, health insurance and medication. Subsidization is considered one of the most important procedures taken by the government to help the poor where it helps low-income citizens afford the prices of goods and services on the one hand and encourages producers to keep on their production on the other.

If we consider the issue of subsidization in Egypt, we will find that there is a huge gap between prices and the incomes of individuals where the prices have gone up recently whereas there has been no corresponding rise in the average income of the citizens. With the rise in prices and low standard of income, the state must play a role in providing basic goods and services to the citizens.

However, despite the trend towards reducing subsidization, since the early eighties in accordance with the program of economic reform led by Former Prime Minister Atef Sedki, it is worth mentioning each of the following points:

Subsidization figures rose from around one million pounds in 1941-133 billion pounds in the budget of the fiscal year 2011/2012 with a 7% rise compared to the last budget of Dr. Ahmed Nazif's government right before the 2011 Revolution. Subsidization is divided into several categories: subsidization of supply goods (which decreased by 10 billion pounds from last fiscal year to become 18.8 billion pounds) and subsidization of petroleum products (which increased to 95.5 billion pounds in comparison to 82 billion). Other forms of subsidization include that of electricity, exports, transportation, industrial production, low-income housing, health insurance and medication, all of which constitute <20 billion pounds, according to a statement released by the Ministry of Finance on July 7, 2011.

The general trend with regard to the value of subsidization and those who benefit from it has witnessed a great transformation after resuming the attempts to reduce subsidization since 1982. However, this cut down was executed in a gradual, cautious manner after learning the lesson from the January 1977 events. Subsidization has undergone a real cut down over these 25 years until 2005 due to the policies of the successive governments. The percentage of those who were covered by subsidization decreased from 90% in the early eighties to 55% in 2005. The reports and statistics of the Ministry of Supply pointed out that the numbers of those who

benefited from supply cards went down from 35.2 million citizens who enjoyed full subsidization to 6.7 million citizens who enjoyed partial subsidization in 2005 after many successive processes of cut-downs over one decade and a half which arrived at their peak by not issuing any new supply cards.

Whereas 18 goods (including rice, legumes, ghee, flour and soap) were subsidized in the early eighties, only three goods were subsidized in the nineties namely oil, bread and sugar. The government had to temporarily increase these goods to become 7 due to the surge in prices after floating the Egyptian pound in order to avoid any social upheaval. Furthermore, the role of the cooperative consumer union which used to provide cheap goods to more than 10 million individuals came to an end.

With the beginning of 2005, Dr. Ahmed Nazif's government returned to issue new supply cards that included those who were born after 1989. The expenditure on the subsidization of food increased to reach 2% of the GDP compared to 0.9% in the period between 1996/1997 and 2000/2001. This figure then went down to only 1.1% in Dr. Essam Sharaf's budget after the January 2011 revolution.

With the decrease in the real wages in relation to the domestic product and the deterioration of the standard of living of a huge sector of Egyptians due to the policies of economic liberation, many classes relied on subsidized bread where 81% of the Egyptian families were found to depend on it in 2008/2009, compared to only 76% in 2004/2005, according to a report released by the world bank on July 18, 2010, entitled "Egypt's food subsidies: benefit incidence and leakage".

It is worth noting that one can not understand the huge increase in the nominal value of subsidization and the fluctuations in its value from one budget to another unless in light of two elements: its association with the international prices of petroleum and food which have increased greatly over the last years and the fact that subsidy allocations are not only restricted to the poor. The subsidy of exports ranges from 2.5-4 billion pounds and is taken advantage of by businessman and huge corporations. Further, a huge amount of the subsidy of electricity goes to the factories, whereas the government has gradually raised the consumer prices of electricity for families over the past years in addition to others increases in the prices of public transport, etc. In addition, a significant portion of energy subsidies (which represent 71% of the overall subsidy in the last budget) goes to the subsidies of natural gas in high consumption factories, premium gas and gas tubes in five-star hotels.

The government must play more effort in facing corruption generally and particularly in the field of subsidy for the power because a lot of money lost because of that, generally the trial of palestinian authority to face corruption should be taken in consider as they made anti-corruption law in 2010 which followed by establishing anti-corruption commission and special prosecution and court for this purpose, preparing the strategy of combating corruption such as money laundering act.

Petroleum products: Petroleum products are multi-functional substances derived from crude oil after being refined. According to the composition of crude oil and based on demand, refineries can produce different amounts of petroleum products, the majority of which are used in producing energy. Further, refineries produce other chemicals, some of which are used in the manufacturing of plastics and other useful substances. Petroleum is also rich in sulfur which is produced in high quantities while petroleum is being refined. Carbon and hydrogen are also petroleum derivatives, known as petroleum coke. Hydrogen is used as a catalyst in other processes of petroleum refinement as in the case of catalytic cracking where sulfur is removed using hydrogen.

CONCLUSION

The issue of subsidization will always remain contentious due to its large impact on average-and low-income citizens, whereas economic reforms require reconsidering, cutting down or even eliminating subsidization, so that, the state can increase the expenditure on public facilities and services (especially those related to health and education) which suffer greatly from the shortage of allocations assigned to them. The logical solution to this dilemma which achieves both social justice and economic efficiency requires the conservation of expenditure on subsidization. To achieve this clear database should be provided this database should be based on criteria that achieve social justice by distributing subsidies among those who deserve it according to well-defined segments of citizens, each of which should get what it needs without waste. An example of this is the point system applied to bread which was implemented by the ministry of supply to save the huge amounts of subsidized bread that were wasted before. This point system motivated the citizen to get the amount of bread which he/she only needs because doing, so will help him/her benefit from the rest of the subsidy allocated for him/her by getting other free supply goods.

Facing corruption will help the government efforts of increasing the effectiveness and conservation of subsidization and its ability to reach those who deserve it while attempting to relieve the burdens on the public budget especially in light of the rise of the local debt. In this respect, many consider decentralization to be one of the most important means of increasing the effectiveness of subsidization policies, especially that of food, particularly bread.

Reforming the system of subsidization requires first and foremost identifying those who need it and creating a database based on the national number of the citizen which provides information about his/her monthly income, number of family members, residence and services that the citizen needs versus what he/she really gets among other points which contribute to the creation of a database that clearly defines those who need subsidization so that, poor and low-income citizens do not fall prey to the surge in prices which particularly escalate every time the prices of subsidized goods (especially, petroleum products) rise. This surge in prices increases the financial and social suffering of low-income citizens and makes them more prone to crimes and social and moral perversions which have increased lately due to the economic challenges that face this class which represents the majority of the Egyptian society.

At the same time, the state should tighten its control over the markets and service providers to put an end to their outrageous violations in terms of the quality of goods and services they offer which is declining despite the uncontrollable rise in their prices. By doing, so, citizens will have access to goods and services at reasonable prices which will decrease the demand on subsidies to a great extent because in this case subsidized goods and services will go to the poorest that need them the most and as such the allocations for subsidies will reach their appropriate targets.

Over more than 10 years, subsidization policies in Egypt have mainly reflected the government's and president's vision of the priorities of subsidization by focusing on subsidizing bread, providing supply goods, and preserving the price of fuel to avoid any negative impact on the political situation in Egypt and preserve the stability of the regime. This was evident in the government's cautious attempt to minimize any changes in the prices of petroleum despite the rapid surge in its international price in the period between 2007-2008. Even after the January 2011 revolution and in light of the huge demonstrations and protests and the state of political instability, governments preserved subsidization to a great extent. The situation has however, changed after the June 2013 revolution where Ibrahim Mehleb's government tried to take advantage of President El-Sisi's popularity to rapidly change the prices after winning the Presidential

elections in 2014. This shows the fear of the successive governments with regard to cutting down subsidies, especially those of energy (including electricity and petroleum) because the increase in their prices affects every walk of life in Egypt. Previous experiences have proved the government's failure to control prices due to the weakness of its mechanisms of monitoring and accountability and the absence of alternatives that enable it to deal with the crises following the rise in the prices of fuel which is completely disproportionate to the actual increase in the prices of petroleum products.

RECOMMENDATIONS

The way policies are formulated in Egypt needs urgent reconsideration so that more actors can be involved in the process of policy making. These actors include citizens represented by their parliamentary representatives, civil society organizations, syndicate representatives, market-monitoring regulatory agencies, representatives of the Central Agency for Public Mobilization and Statistics, research centers, opinion polling centers, academic departments at Egyptian universities related to public affairs such as the Department of Public Administration at the Faculty of Economy and Political Sciences, Cairo University and of course the executive authority represented by the ministers or their representatives, in addition to representatives of the media, the municipalities and all the society including experts, specialists and others.

As such an extensive community dialogue should be started which I suggest to be called "Community Dialogue on Subsidization: Priorities and Challenges". The media should shed light on this community dialogue and periodical hearings should be held to offer different insights and perspectives on the priorities of subsidization and to make suggestions with regard to defining these priorities and setting mechanisms for the implementation of such suggestions. Various alternatives should also be proposed to address the waste of subsidies and their failure to arrive to those who deserve them. These hearings should also draw attention to the sectors which should get more subsidization and the ways and mechanisms of conserving subsidies.

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