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**PLENARY III: DEMOCRACY AND DEVELOPMENT: HOW DO THEY FIT TOGETHER?**

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## P R O C E E D I N G S

MS. WITTES: Now I want us to think about the relative roles and responsibilities of governance in these countries, of civil societies, of donor states, international institutions, and the private sector. I'm going to introduce this very distinguished panel that is going to help us explore all of these questions.

At my left we're delighted to have with us His Excellency Minister Amr Darrag who was appointed a little over a month ago as Minister of Planning and International Cooperation in Egypt. He is also a member of the Higher Commission and the Executive Board of the Freedom and Justice Party, Egypt's ruling party. And if his current duties are not a heavy enough burden, he was last year carrying the burden of being the Secretary General of the Constituent Assembly that drafted Egypt's new constitution. Welcome.

MINISTER DARRAG: Thank you.

MS. WITTES: To his left is my friend and former colleague, Nazanin Ash. She is our Deputy Assistant Secretary of State for Near Eastern Affairs in Washington with responsibility for foreign assistance and partnerships, including MEPI, the Middle East Partnership Initiative, which I know many of you in the audience are aware of and many of you work with. She has a distinguished career in development work inside the U.S. government in the State Department and USAID beginning as a White House Fellow and in the NGO community. Welcome, Nazanin.

DEPUTY ASSISTANT SECRETARY ASH: Thank you.

MS. WITTES: And then finally on the other end of the dais is Rabea Ataya who is the founder and CEO of Bayt.com, which is the Middle East's leading jobsite, sort of Monster.com of the Middle East. Is that a good analogy?

MR. ATAYA: Or linkedin.com.

MS. WITTES: Or linkedin.com of the Middle East. Rabea is a serial entrepreneur, I think is the term, having founded several successful information technology startups across the Middle East. And so he brings with him not only a private sector perspective, but a perspective that is on the edge of economic dynamism in this region as in the global economy. Welcome, Rabea.

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MR. ATAYA: Thank you.

MS. WITTES: I'd like to begin, if I may, with a question for Minister Darrag. You are a politician from Egypt's leading party. Now you're responsible for the ministerial portfolio that manages foreign assistance to Egypt and in that role sort of coordinates between Egypt's development policy and plans and the outside world. Your party is facing parliamentary elections we hope within a few months.

So I wonder what you can tell us about the expectations of the voters that you anticipate your party will be facing in a few months' time. What are the expectations on which you think the FJP will be judged by voters at the polls with respect to development? And how do you see your role in this period of time before the elections in meeting those expectations?

MINISTER DARRAG: Thank you, Tamara. I think you started with a very tough question. I thought you'd be easier on me. But anyway, before I start let me make an important qualifier. I'm here representing myself. Right now, yes, I'm a minister of the Egyptian cabinet, and sometimes I will explain some of the policies the cabinet is pursuing. But, nevertheless, the opinions I'm going to say are really my own opinions. So it is very important not to mix this up, and this will make me more comfortable handling your tough questions.

MS. WITTES: Please.

MINISTER DARRAG: What we are going through right now is a very difficult time, and it's a twofold mission for the government or any government, our government or any other government. We need to handle problems, long-term problems, related to Web governance for so many years. At the same time we need to deal with the extensive problems related to transition and both are very tough and very difficult. If you combine them together, it's even tougher.

As an Egyptian citizen, I have a lot of aspirations. I expect a lot from the government, from our leaders, in order to at least put us on the start of the road towards real development and real prosperity and real reform. However, there are a lot of difficulties facing this mission. The first one in my opinion is the very high aspirations of people. People would like a lot of things to be done and would like everything to be done now. And we were talking about this yesterday that if it's tomorrow, it would be very late. So everything has to be done right now. People expect their leaders to have different buttons

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to push this to solve the problem of gas, to push this to solve the problem of electricity, to push that to achieve social justice, and so on and so forth. And if I was not in the government, I would have had the same expectations, definitely, and I'm not blaming them for that. They have waited for a long time just for this moment, for tens of years for this moment. But this puts a lot of pressure, extensive pressure, on any government. You are stuck between -- you'd like to achieve a lot and you need to do this within a calm environment. You need to concentrate. You need to put plans and execute them with the help of everybody without extensive pressure. So this is one of the difficulties, probably the most difficult one.

The other thing is what we term in Egypt and in some other countries as the deep state. The previous regime and the previous systems have left a deeply rooted system of corruption, of bad governance, that is very difficult to give up. Yes, we had a revolution. Yes, we managed to get rid of a tyrant and his immediate circle. But the bigger circle, the tools that used to be used for implementing all the techniques of corruption and bad governance are still there everywhere. And, unfortunately, it turned out to be much more intense and much deeper than one would have thought. And I'm starting to realize this even more when I'm in government right now.

So there is like a big system that is trying to resist everything that you do. Not just that, but it's trying to create a crisis every day. Of course, we have difficulties, but they make things more difficult. Crisis in fuel supply distribution, crisis in electricity supply, crisis when you're having gas for your own car, things like that. Sometimes these are problems that are really needs; they are not there. Of course, we have problems that are related to that, but many times there are schemes and plans to make these things even worse. And this is supported by extensive media coverage that is not most of the time really balanced the way they should be. So this is another big difficulty.

And the third difficulty is that the world, although everybody everywhere is saying that we are very happy about the Arab Spring, and we would like to support the Arab Spring, and we would like to give support to new democracies, but yet this is not really translated in terms of actions. Sometimes it is even applied in the form of pressure. Yesterday we were talking about this, and you would hear explanations that this is not really pressure, but it is just helping you to manage in a better way and things like that. But it is really, if you look at many of what we are hearing, it is really pressure.

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MS. WITTES: So if I ask you, as you have taken on this role and have begun to travel to foreign capitals, talked to them about the role that you'd like them to play in supporting Egypt's transition, what is that you are asking for beyond the patience that you're asking of the public as well?

MINISTER DARRAG: Okay, the number one -- it's not even a word, it's letters. The IMF. This is the magic word that I hear everywhere. "When are you going to have the IMF deal signed?" "Is it going to be signed at all?" Or "Where are you right now?" Of course, we are. We are quite interested. We are quite keen on having this deal secured as soon as possible. I hope within weeks. And this is important not because it is the IMF deal, but because what we are doing, what we are planning to do, is really stemming from our real needs to do a lot to start a lot of reform in terms of handling the budget, the deficit, and so many other things. So this is the first. Everybody in the world seems to be connecting the support to securing the deal. And it seems to be like tied to the moment of signing the deal rather than hoping with the purpose of reaching the deal. Right now we are already implementing several steps that could be considered part of this deal because they are, again, our programs. They are part of our programs, and we are implementing. So people are not many times willing to take this into account so that the support can be provided in parallel with the implementation of the reform. This is number one.

The second thing that we are always asked about or we talk about is what is termed consensus, political consensus, and definitely it would be very nice to have agreement on everything. It would be like -- actually we did manage to have that during the 18 days of the revolution. During that time everybody in Egypt was focusing on one single point. Everybody agreed to that. But, unfortunately, this is not the case when it comes to real life. You can always disagree on so many issues. You can never -- if you wait in order to move forward, if you wait until everybody agrees on everything, this is really kind of a dream in my opinion. However, what we should be looking for is a mechanism for providing the platform for what I call managing differences rather than achieving consensus.

Of course, we have to realize that differences are there; that's why we have different political parties; that's why we have democracy. There is a platform that includes the opinion of everybody, but this platform does not mean that everybody should be in the driving seat. This is very important. We have to realize that in any democracy there is a majority. There are elections that result in

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a parliament, a government that has a plan and a scheme to implement. There is an opposition that helps -- the role of the opposition really helps the government to always correct its path, to do whatever is good for the people. And if the ruling party or the ruling government fails to do that, the people will just get rid of it in the next elections. But to wait until everybody agrees on everything, this is in my opinion not realistic at all.

MS. WITTES: So the term "consensus" you're saying is setting too high a bar. So maybe it's a misleading term.

MINISTER DARRAG: I would say so.

MS. WITTES: But when we think about a platform for managing differences, in a consolidated democracy you have those institutions. Is it part of the challenge in Egypt today that there isn't a full parliament, that those elections haven't taken place yet?

MINISTER DARRAG: Definitely. This is one of the main problems we're having right now, but I would say that we've moved quite a bit in terms of having democratic institutions in order to be able to finish or get done with the transition period as soon as possible. We do have a president who is democratically elected. We do have a constitution. We do have one of the chambers of the parliament, and we are looking forward to having the other one. We did have it, actually. It was dissolved, and that in my opinion was a big mistake at least in our party. Our strategy was always to concentrate on having a full set of democratic institutions as a prerequisite for anything. So we have been pushing again for having the elections and having the elections done, but due to several reasons, they get delayed every now and then.

I hope now that by -- hopefully by the end of the year we'll have the elections and we have the parliament. So we have the platform that will allow us to manage our differences and move properly on the democratic pace. And if we can achieve that in two or two and a half years after the revolution, I think that's okay. I mean that's not too long in my opinion.

MS. WITTES: Thank you. Let me turn now to Rabea if I may, and I'd like to talk to you a little bit about some of the insights that you can draw from your customer base. You know, we talk a lot in this region about the challenge of employment, especially among young people, and also about the

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aspiration for self-determination, which, of course, has a political dimension, but it's also about forging your own path in life.

So I'd love to hear a little bit about your customers and what you can tell us about what they're looking for, not just from government, but in their professional lives as well.

MR. ATAYA: Thank you, Tamara. I'd like to start off obviously by thanking the Forum for having me.

MS. WITTES: I'm sorry. I think the microphone's not working.

MR. ATAYA: Hello?

MS. WITTES: There you go.

MR. ATAYA: There we go, perfect. So I'd like to thank the Forum and the organizers for putting this together. As I mentioned to Tamara earlier, I've been very pleasantly surprised by absolutely every part of the experience. And obviously I'm honored to be amongst such a distinguished panel and audience.

When we started Bayt -- it's been a 13 year enterprise -- one of the big challenges we had in the region was obviously there was a very significant lack of information about what is happening economically in the region, what is happening by way of jobs, and what are youth doing in terms of trying to get control of their destinies? And so very early on we realized that it was incumbent on us as we were trying to serve our communities to try and produce some urgent research, to get some insight into what our populations desired and what they're looking forward to.

And one of the very interesting stories has been a story that's given to us or produced as a result of some consumer confidence surveys that we do on a quarterly basis and that we've done since 2007. Now as we've done those surveys, and they're done in partnership with a leading polling organization called YouGov, we've generally divided the questions into questions that relate to the present tense and questions that relate to the future. So how do people feel about where they are today, and where do they project they and their economy will be in the future?

Now what's been interesting is if you track those trend lines, they tend to follow each other in most places almost exactly. So if you look at the UAE, for example, as the personal situations of

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people have improved, so has their expectation of the future. And as it turns to the negative, for example, in the global financial crisis, people's expectation of the future also turned negatively, almost in an exact parallel line. The same is true in Syria where after the civil war started, both the current situation as well as expectations of the future, the sentiment turned by over 50 percent very rapidly.

Now the interesting story may be Egypt's story where towards the revolution we saw both people's assessment of their present situation declining as well as their assessment of what their future held. Then the revolution happened and what happened there was the trend lines went in wildly opposite directions. So if you look today, Egyptians, since we started the survey, continue to be more optimistic about their future prospects than they ever have, at least, and when I talk about ever it's since early 2007. However, when you ask them about their current situation, they continue to find that their current economic situation is deteriorating.

And so this comes back to the question of democracy and development. There is an inherent desire for democracy, and there's a realization that democracy eventually leads to development; however, in the present sense, that has not led yet to the development that people have expected.

Which brings me to the next question, which is what do people in the region want? And other than democracy, I've heard in a lot of the working groups and side conversations talk about the youth of the region essentially wanting to be government employees and wanting more government handouts. And our research has shown that couldn't be further from the truth. So we recently conducted research with Stanford University on the topic and found that over 60 percent of the youth in the region would prefer to be self-employed and would prefer to be part of an entrepreneurial venture. And so they are not sitting there waiting for someone to give them a handout, and they are interested in getting control of their own destiny. However, when asked about their challenges, one of their biggest challenges remains the issue of government regulation and corruption. And the fact that it's not only challenging to start a business, but it's even more challenging to stay in business. And as an entrepreneur in the Middle East who's been doing it for a while now, I can tell you that there isn't a year that passes where we do not face, due to government regulation, an existential challenge to our business, where literally a government official may knock on our door and say, "Listen, we're going to shut you down today." To which the

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question is always, "Why? We've checked every box. We've followed every government regulation." And so that opacity continues to be a massive challenge.

And I'll just cap it off by saying research globally has shown that employment is primarily driven by SMEs and entrepreneurships. So even in the United States, there was a Kauffman Institute study that showed that the job market would have contracted every year since the 1970s had it not been for companies that are less than five years old. So that entrepreneurial segment is essential, and in the Middle East it's even more essential because that entrepreneurial and that SME spirit shows that democracy and representation is alive and well. However, that is the segment that remains the most challenged in the region. And it is incumbent on all of us to press hard to try and facilitate the experience of entrepreneurs setting up businesses and operating them.

MS. WITTES: So it sounds to me as though what you see in the surveys is a desire not only for political democracy, but for in a sense economic democracy, that people want the ability to forge an economic path for themselves, forge a career path for themselves, that's not dependent on these bigger structures, but that the policy environment makes a huge difference in their ability to do so.

MR. ATAYA: Without a doubt. And, again, it affects every part of their experience in trying to forge their self-determinations. So the fact that the regulatory framework is so difficult doesn't only mean it's difficult to incorporate, it's difficult to raise capital. It's difficult to attract talent. It's difficult to continue to license. It's difficult to -- oftentimes it, again, feels like you're trying to put a circular peg in a square hole-type of thing. It is a continuous challenge. And those countries in the region that have striven or strived to bring down the regulatory requirements have been very successful in attracting entrepreneurship. And I always cite the example of the Bayt, which has done a phenomenal job of basically making it easy for entrepreneurs from all over the world to come to town, to set up shop, and to operate relatively freely. And I think it's a great example from a regional perspective for the rest of the cities and countries in the region.

MS. WITTES: So from a private sector perspective where if you're trying to raise capital or if you have capital to invest, what are you looking for in that policy environment? What's most important?

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MR. ATAYA: So a few things. One is obviously a structure that you can invest in. So if you look at the corporate structures in the region, they tend to be quite limited and quite complex in nature. In many countries you are forced to partner with a local. Even if you are a local in many countries, you have a limited form of corporate structures that you can pursue. And so the fact that as an investor you don't have an easy structure to invest in or potentially to exit from is in and of itself a challenge and that's right at the outset. You still have not started to operate.

The next challenge is one of transparency with regards to the legal environment. So how can you expect government to react to your normal course of business? And in many parts of the region, I always find it amusing that as you register for a company, you actually have to specify the type of work you're doing. That's taken from a master list and oftentimes that master list is 20 years old. So if you're trying to start an Internet business in a certain field that just doesn't exist, and so you're left to your devices as to which box do I check. And should you check the wrong box that opens up the door for someone knocking on your door at some point and saying, "You're doing something illegal."

And so the regulatory framework tends to over regulate and not to create enough freedom of movement, and then the interpretation tends to be very opaque. And, again, that does not help an operator nor does it help an investor.

MS. WITTES: So there's unpredictability in the way government is going to enforce its regulations?

MR. ATAYA: Absolutely.

MS. WITTES: I want to come back to the issue of the IMF loan that you raised, Minister Darrag, because I think it's important to get a handle on what this means. What does an agreement with an international financial institution mean not only to governments or to donors, but to the private sector as well? But we'll come back to that in a few minutes.

Nazanin, I want to ask you as somebody who's been working on the donor side of this picture for quite a while, how have governments like the United States or others who provide foreign assistance -- what lessons have they drawn from their experience about this relationship between policy environment and economic development?

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DEPUTY ASSISTANT SECRETARY ASH: Thank you, Tamara. Thanks for the question. Thanks for hosting all of us. And I add my admiration to my fellow panelists, and it's a privilege to be on this panel with you. And it's an excellent question.

I think what we know from the history of the development experience and the donor experience in it is that development progress depends first and foremost on the actions and the choices of political leadership. Now, donors can play a role that they can -- and in the course of their engagement, you look at community responses or donor responses that -- there's nothing that donors can do to educate a critical mass, to provide a central security, to create the enabling environment for a vibrant entrepreneurship and inclusive economic growth. Those are essentially decisions that need to be taken up by political leadership. And in the absence of those decisions, the kind of assistance donors provide can have limited effect.

So the question for us becomes one of how we can play a role in supporting reformers and in mobilizing the political welfare reform and where that comes from. And it's part of why the U.S. government has been at the forefront in democracy promotion. We see the relationship between democracy and development as an essential one, as an essential pathway for influencing precisely the kinds of challenges that you identified, Your Excellency, where you have state institutions and leadership structures that have been held by elites that are captured by limited segments of the population. And the most effective pathway to opening up those systems for the broader good, for the benefit of the broader population, is by bringing them into a political process that allows them to hold their leadership accountable and that allows them to have a voice in the decisions that affect their lives.

So as we seek to calibrate the way we play a role in what is essentially a political process, that's increasingly what we're taking onboard in decisions we make about how we cooperate, especially in these transitioning environments.

MS. WITTES: I'm really struck by the way that both of you have talked about this challenge of reform; that it's an intensely political challenge and that creating wider economic opportunity, development that really affects the whole population and brings everybody up, is something that's contested; it's fought over.

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A lot of the criticism that one hears of international donors and development agencies is that they take a very technocratic approach to reform. And it sounds to me as though you're saying, Nazanin, that a technocratic approach doesn't work.

DEPUTY ASSISTANT SECRETARY ASH: That's right. So the challenge for donors is that what we can bring to the table are the technocratic approaches, right, because we're blunt instruments. So we can bring financial capital. We can bring technical assistance. We can bring transfers of technology. But as you hear from Rabea, as you hear from others who speak to the experience, those are necessary, but deeply insufficient. They have to be entered into and they have to be brought into an enabling environment that's created by the policy and legal and regulatory structures of the state that allow for those inputs, those technical inputs, to really take hold.

That doesn't mean that there isn't a role that we can play and, again, mobilizing reform toward that enabling environment. I think that means we have to be much more cognizant about being directly supportive of reformers both in and outside of government. It is part of what you see in some of the new instruments that the U.S. government has proposed, something like the Middle East and North Africa Incentive Fund. What we're trying to do there is say where governments have put forward credible reform plans to deal with these incredibly difficult issues to take on the political process in their countries to achieve reform. We want to be able to put support behind that.

It's also why we provide support on the demand side for citizens, for civil society, for the legal frameworks that protect fundamental freedoms of expression and association and assembly as essential tools in being able to mobilize reformers among constituencies, among citizens, and mobilize the citizen movements that have been so powerful, that we've seen to be so powerful, in breaking open what have been these tremendously closed systems and creating the opportunities for broader benefit.

MS. WITTES: Minister Darrag, DAS Ash was just suggesting that when you're facing that resistance from inside the bureaucracy or inside the old elite of the deep state that those outside in civil society can be an ally. How do you feel about the role that those outside government can play in advancing that reform agenda?

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MINISTER DARRAG: I'll answer that, but I would like to comment on something that Nazanin mentioned, and actually this is something that I'm finding and I'm realizing during the few weeks that I've been in the office. When it comes to foreign aid or support or whatever, what I'm finding is that on many occasions, there is no compatibility between the real needs of the society, the real needs of our country, and the support that is due. And I'm not blaming the donor or transition for that to the country. I'm blaming the states for not defining the real objectives through which these support measures should be challenged. I believe and on many occasions I'm finding that the only PPI that is being monitored is that whether or not this kind of money was spent or not, whether the project was completed on time or not completed on time, these technical things, technocratic things that you refer to. But whether the real outcome of this project really shows in terms of improvements of the overall environment in the country or achieving progress one way or the other or whether this progress is within the priorities of the countries or not, I'm afraid on many occasions this is really not the case. I believe that the proper planning -- which I happen to be in charge of right now, the planning -- and it is time -- you realize our message is planning and international cooperation. These are actually two ministers. But it's very important to connect them together because when you start planning for the country and you look for the resources that you have within the country and you look for external support to fill gaps, you have to have an overall picture that is fitting within the needs of your own country and your own people.

So this is what I have in mind and would like to start implementing, to apply very strict criteria on the choice of the projects, the choice of the plans that are being financed either by foreign or local means. It's also not good to look in the fact that there are very limited resources. It is not wise to spend that on things that are not of high priority. So it is very important and there is very big room for cooperation between the government and the international organizations to work together on defining these priorities and monitoring whether they are really achieving their goal or not, not just they are being spent. Sometimes they are not even being utilized. This is something else.

And then this will bring us to your question, and I believe that the role of the civil society is very important in cooperation with the government in defining this progress. This is an absolute necessity because it's -- the time is over for the government that is setting all the rules for the society, that

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is making decisions on behalf of everybody, that is setting the priorities without discussion with everybody. Of course, somebody would come and say, but this is not happening the way it should be. And then, of course, it's still not happening because we need time in order to be able to do that. There are a lot of things to be done in order to put us on the right track to be able to implement this. But in principle we have to realize that this is very important, to have a very good and lively civil society that will help direct the government towards the proper priorities, the proper planning, and proper implementation. That's why we have plans also within the planning function of the government to involve the public in the planning process. We are planning a couple of ambitious projects for several things. For example, to have our public projects, our intended public projects, and our running public projects put on the Web very transparently so that they can be monitored. They can be discussed and suggestions can be made by anybody.

The other thing is to simplify the planning process in the eye of the citizen in order to allow the citizen to contribute, to make a positive contribution in the planning function. And this can be done through a process of extensive discussion within the society. In order to be able to do that you have to have, of course, a strong civil society. This is a necessity. But, again, we need to realize that we need to have time in order to allow this process to be activated in the proper way.

MS. WITTES: We've been talking a lot about the long-term horizon on development. The kinds of performance indicators that it sounds like you think are more appropriate are things where you would only see impact over a longer time horizon, but part of the challenge that all of you have cited is rising expectations and short-term stabilization.

So how can we bridge the gap between transitional governments that are urgently seeking solutions to stabilize their economies and to keep their political transitions on path, but have a challenge in getting those decisions made and in a way that can stick, and donors who understand this is a very sensitive environment and they can't come in in a heavy-handed way? And yet the local government may not be ready to put forward a full slate of plans and priorities, so how do we bridge that gap? Nazanin, do you have any thoughts?

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DEPUTY ASSISTANT SECRETARY ASH: So I think it's an incredible challenge. You've identified one of the most difficult ones. And I think reflecting on the way the U.S. has been engaged in these, we sought early on to be a partner in fiscal stabilization. In many cases we sought to do that in conjunction with international partners as a means to making our limited assistance go further in helping to address and supporting the implementation of necessary fiscal stability reforms.

And then in the medium term really sought to focus on many of these aspects of job creation, support to entrepreneurship as a new growth that Rabea mentioned, recognizing the same thing that my fellow panelists has recognized and that so many have recognized from the region, that this is an essential note of addressing demands for economic opportunity.

MS. WITTES: So I'm sorry, can I just go back to the short term for a sec?

DEPUTY ASSISTANT SECRETARY ASH: Sure.

MS. WITTES: So when you're engaged in that multilateral dialog with other donors, is there a sort of bottom line consensus amongst you on what those key steps are that the transitional governments have to take to stabilize their economies?

DEPUTY ASSISTANT SECRETARY ASH: So I think importantly it's not a consensus among just international donors, I think there's broad consensus on the challenges in the macroeconomic environment. There's broad consensus on those challenges and there's broad consensus on what needs to happen. Where there isn't consensus -- and that's not just among international donors. I think that's also with respect to the partners with whom we -- the governments with whom we partner.

What's more difficult is consensus around the implementation of those conclusions: When, what, how, and on what timeframe. That's where there's much more -- there's much less consensus, and I think that remains part of the dialog. You saw sort of very rapid fiscal stability support in the Tunisian context, for example, and they've just signed their IMF agreement. In the Egyptian context it's been more difficult as the government has grappled with questions of what and when and how. Can I add one more --

MS. WITTES: Yes.

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DEPUTY ASSISTANT SECRETARY ASH: So for the short term -- so in the macroenvironment in answer to the fiscal stability concerns. But the other thing that I think we've really sought to focus on in the short term is building those institutional foundations that we think are going to be essential over the immediate medium and long term to making some of these important decisions. And that's where you've seen support to civil society, support to new political processes, support to emerging free media -- that's another place where we've made significant investments in the transitions in the immediate term because we see the important role they'll play over the course of an unfolding political process.

MS. WITTES: And Rabea, from a private sector perspective, is this question of fiscal stability and the kinds of reforms that are linked to, for example, an IMF deal, how meaningful is that? What kind of signal does that send to the private sector and the capital markets?

MR. ATAYA: When you look at, I think, an economy with the various players in it, you have the large publicly listed organizations that get a lot of international investment where that is allowed. And certainly to show that type of deal being done and that type of stability is extremely important for the international investor. I would say your average person on the street is far more concerned about his bread-winning today and about what type of things are making his or her life easy or difficult in the very present term. And I believe there are lots of quick wins that can be done for that person on the street that leverage a lot of the technologies that exist today that make their life significantly different, whether or not from a global perspective the investment environment has improved.

So, again, we go back to the story of corruption in the region, which seems to be in a lot of places pervasive and absolutely every one of life's major transactions. So the average person, whether or not they're trying to get a phone line, a passport, documentation, certification, incorporate a company, in each and every one of these steps, they may be facing a corrupt official on the other side, and they may realize that that transaction could not occur unless they pay homage to the person standing behind the table.

And so when I look at the problem, there is certainly the macro that has to be dealt with and stabilizing the fiscal status of the country. But I also feel that on a grassroots perspective, there's a

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lot that can be done. And we had this conversation just before this panel. I think technology can be significantly leveraged to resolve a lot of these things. The concept of e-government, the ability to actually do a lot of transactions without having to go stand in line, without having to meet the bureaucrat, without having to pay homage, would facilitate and expedite a lot of transactions and would make your average person on the street feel like something has fundamentally changed.

And, obviously, those technologies help with transparency. They help in terms of an audit trail. And they have an automatic sense of something's happened. It's a quick win. And as I said earlier, I don't believe those should be immediate replacements to the existing systems, but they can run in parallel. And then it is left up to the consumer whether or not they want to pursue the electronic system or whether they would like to stand in line and process one of their transactions.

And so I look at the IMF deal and I think that is very significant, but I also feel that on a day-by-day basis, the governments in the region can do a lot to make their citizens and their residents feel like they are in control of their destiny and that they do not have to be a part of the corrupt system. And I think those deals do not have to fight the deep government and should be done and can be done immediately.

MS. WITTES: Minister Darrag, you talked earlier about the work that's already underway in terms of tax reform, in terms of subsidy reform, to deal with some of these structural and macroeconomic challenges. How would you respond to Rabea's point about quick wins? Where's the balance for you between the quick win and the deep institutional reform?

MINISTER DARRAG: This is one of the challenges, of course, and I totally agree with Rabea on the point he was making, and we were having a discussion before this panel about this.

In Egypt, for example, we are not lacking the technology or the ability to implement a system like this. As a matter of fact, I'm finding that there are already systems that have been designed, that have been installed, that are there just waiting for somebody to push the button, and nobody was pushing that button. And it was a real political decision.

The idea of hiding things, the idea of -- in order to be able to go ahead and utilize the means of corruption, this is something that will definitely hurt you if you want to do that. So there was a

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strong -- and there still is -- a political will within the government and agencies, but is not to go ahead with something like this. So this is important.

But we are -- we do have the intention to move as fast as possible, and as action we are already implementing this in, for example, public tenders. This is all now provided online and everybody has the access and can know what to do and how to put in the bids. The fiscal information and the balance sheets of all public companies are also now posted on the Web so that they can be looked at and problems can be identified.

But on another context I would like to point out that the fiscal reform and the deal with the IMF is not really the reform, the whole reform. This is step one of the reform. It's very important to realize that because some people when they talk about this when we have an IMF deal or we achieve the objective of reducing the budget deficit, that's it; we made it. Unfortunately, this is not the case.

So we are having -- we are pursuing a plan, and this is very soon going to be available to the public to start discussing so that we can have the proper support of implementing it. It's like maybe six or seven steps to pursue reform, and number one is the fiscal reform. Afterwards there are necessities that have to be dealt with. Number two after the fiscal reform is fighting corruption. This is absolutely important and the mechanisms to do that have to be well defined. It is. We've been discussing this this morning, and it is really like a cultural problem rather than a technical problem. Sometimes it's even hard to define corruption. When you ask the employees, they think that what they are doing is part of the job. It's not a corrupt behavior or anything like that. So this is something that has to be dealt with in the long term. If you decide to start to attack corruption once and for all, you'll end up with having nobody working in the government. And you'll sacrifice a lot of experiences that are there and that are needed for the reform process. So this has -- the process of handling this has to be very well designed to achieve the balance between fighting corruption and maintaining the functions of the governments.

And you need also definitely a legal framework through a parliament that has to work on a lot of legislation in terms of, for example, money laundering, in terms of protecting witnesses for cases

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related to corruption, in terms of transparency, freedom of access to information, all these kinds of legislation is very important to be put in place in order to help in fighting corruption.

Number three, and this is also serious, is to facilitate employment and push for the inclusiveness of as much of the society as possible, particularly the young people and the best way to do this is through SMEs. That's why it's one of the main priorities when we discuss with our partners on developments is how to really help us implement this. The problems are not just -- sometimes we talk about entrepreneurs ala Dubai model, which is starting leveraged businesses and stuff like that. But we're talking about very small investments that will help somebody to have his own work and maybe employ a couple of people to be able to move forward.

So how to get financing. How to manage the risk related to this type of financing. How to build the capacity of those people in order to be able to do what they need to be doing without having previous experience in this. How to market the products of these SMEs. How to integrate these products within a larger context of an industrial development. How to direct the development in SMEs, not just to help the people managing their own lives, but to help also larger development plans in terms of industrial development. So this is absolutely important, the work on SMEs and in parliament and inclusiveness of the society.

Then we can start talking about attracting investments, whether local or foreign investments, providing the environment, the proper environment to be able to do that through legislation, through procedures, so many things. And hand in hand we work on also putting on the table a lot of mega projects. This is what we're working on right now in the planning stage, mega projects that will help us take the area of the country that we are living on from 6 or 7 percent to maybe 30 or 35 percent of the area of our country within 20 or 25 years. We talk about the Suez Canal Corridor Project. We talk about extensive industrial development based on mining. A lot of development in infrastructure and renewable energy. These are large projects, and we intend to empower the private investments into these mega projects quite extensively because the means that the government has is unlimited for that.

So definitely the last thing, which also helps achieve a quick win for the case of Egypt and probably Tunisia as well, is tourism. Tourism is a very important tool. We have the ingredients. We

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have the infrastructure. We have qualified people. All that we need is a lot of tourists to come and help our economy and also we help them enjoy themselves in order to have good vacations. So this is a very important tool to work on to achieve quick wins I think in the short term as well.

MS. WITTES: So you just laid out six components of a development agenda: Fiscal reform, anti-corruption, empowering SMEs in the private sector, improving the investment environment, investing in mega projects, and building back tourism.

MINISTER DARRAG: That's right.

MS. WITTES: So you now have a six-point plan for Egyptian development. Donor and IFFy audience, please take note.

Nazanin, you wanted to make a point earlier, and I didn't get back to you.

DEPUTY ASSISTANT SECRETARY ASH: Yes, a quick one. Yes, a couple of quick ones. To the question that you posed to Rabea on the significance of the macro structuring and the related IMF support and why this has been such a huge issue in the donor community, I 100 percent affirm what you said about the need for the quick wins and for changes in the space that immediately impact the lives of populations that have been disenfranchised. It's also a huge part of why the donor community has been so active on the fiscal stability issues and the macro restructurings. In so many of these countries, those subsidy systems have been instruments of patronage themselves and have been a real factor in taking resources out of the economy that's available to development that benefits the broad base of the population. So part of the reason -- and there's a real opportunity in this moment, in the real moment of fiscal stability crisis, to address that, but also to communicate that for what it is as consistent with the platforms on which new leadership has emerged for greater equity and for greater justice and for greater economic and political opportunity.

And speaking from the perspective of the United States, again, I go back to why we care. It's not because -- it's not a decision that's isolated from a desire to see more of the resources in-country going to more of the population in a more equitable distribution and not through patronage systems that benefit elites. And that's the restructuring opportunity that's available when you look at things like subsidy reform that are being required by so many of the macro restructuring programs.

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On the SME front and to a point that you've made, Your Excellency, on donor priorities, it's a place where it perfectly illustrates a point I made at the outset of the conversation where donors can do good in this environment. So we've provided a lot of entrepreneurship mentoring. We've set up enterprise funds in Egypt and Tunisia to provide financing to entrepreneurs. We're doing a lot of education for employment-type programs and various other programs that have made financing or technical assistance and mentoring available to emerging entrepreneurs.

What we find, though, is that the impacts of those initiatives are tremendously limited. Again, we can't get to scale that's necessary when we immediately run up against the policy, legal, and regulatory restrictions compounded by corrupt institutional practices that get in the way of growth. It's a huge contributor to the fact that so much is happening in the informal sector. It's a huge contributor to the fact that employers have such a hard time growing their businesses and taking on new employees. So we make those investments in the space where we can, but we could be so much more impactful as a partner if those other more difficult issues were taken on.

And my last point, which is that there's a real privilege in sequencing that I fear that current leadership doesn't have. These issues are all interrelated -- corruption, subsidy reform, SME, regulatory environment reforms -- I mean these are all very related. We're eager to find a way to partner on a more aggressive agenda that addresses them.

MS. WITTES: So, you're saying the challenge of political will that you mentioned, Minister Darrag, is compounded by all these things that have to be done at once.

I'm also struck, though, putting together what I've heard from each of you about the relative role of government versus private sector in generating economic opportunity. It's almost as though there's a sense in government, and particularly in those who have been working in government for a long time, that the state should be the driver.

But, Rabea, you seem to be saying that on the part of the public and young jobseekers, expectations have already been set. They're not looking to the state to make opportunities. They want to make those opportunities themselves. So, perhaps those in government who fear a public backlash if they were to step back from that driver's seat role in economic development -- you're suggesting that

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public backlash isn't necessarily there?

MR. ATAYA: I certainly don't believe it is, nor has my experience shown it would be. I think the public has come to the realization that over the years, if government continues to drive economic growth, the benefactors tend to be a very slim segment of the society who get very, very wealthy while the rest of the society doesn't. And so, there's a fundamental understanding that government continuing to drive growth will perpetuate the systems that people have already rebelled against.

And I think just going back to a point His Excellency made about, you know, the training and the experience for entrepreneurs and SMEs. That's certainly welcome, but I generally find if you look all over the world, entrepreneurs aren't trained to be entrepreneurs. Entrepreneurs, for the most part, are some of the most successful in the world. They're college dropouts who are willing to take risks, and there's a regulatory environment and there's a risk-taking framework that supports them in doing that. So whether it's a Steve Jobs or a Larry Ellison or a Bill Gates, at age 19 or 20 dropping out and deciding to pursue that path -- I don't know that they were trained to be entrepreneurs.

Now, that's not to say training isn't important and mentorship isn't important, but the first and foremost step is about creating the regulatory framework that allows people to take risks, that allows people to bet on those taking risks. So, an investor to pursue them. And then once that bet pays off, to either make a lot of money or, if that bet doesn't pay off, to walk away and try your next bet. And that whole framework does not exist right now, and that's the fundamental first step.

Everything else, to me, is secondary. And this speaks to the point that Nazanin made, that we will always be limited in our scope to help SME growth if we're not focusing first and foremost on the regulatory framework.

MS. WITTES: On the regulatory framework. I want to get to questions from the audience, but I see that each of you wants to make a brief point. So if you could briefly.

MR. DARRAG: A couple of points. I'm not saying we need to train people to be entrepreneurs. There are a lot of people who have the will to be entrepreneurs but they simply do not have the tools to be successful. This is the point. So, they unfortunately fail.

They don't have the ability to have a reasonable feasibility study. They don't have the

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basic knowledge of how to manage the finances. They don't have even the markets to market their prudence. So, these are the areas that require training and they require support, but I cannot just train somebody to convince him to become an entrepreneur. This is something that is built in his or her nature that allows them to. So, this is very important.

And the other very important point is related to the role of the states, and I would like to clarify that. When I refer to planning, I'm not saying that the state should be the driver of the economy or the country. What I'm saying is that the state has to play the role of the state in providing the regulatory platform and providing that the overall, if you will, scheme of development in the country -- that people know that development in these directions would lead to very good results.

In our planning and budget for investment, for example, we are allowing investments of at least two-thirds to be coming from the private sector. So it is not led by the public sector. But it is very important also for the government, and that has been proven through recent experiences when the governments do not really play the role that they should be playing.

When you leave everything to the markets, you know, you start to get a lot of problems, and this has been proven significantly during the last few years. So, there should be a balance between the role of the state as providing the political regularity and the planning platform, and then leave the initiative to the private sector and to the civil society in order to lead the development process themselves.

MS. WITTES: Thank you. Nazanin.

MS. ASH: Yeah, I want to go back to your framing of a state-led process and the way both of my fellow panelists have commented on that. And I've been -- I'd emphasize that while there's a distinct role for the state to lead, you know, appropriately what they're leading is a process that brings, you know, their citizens and their private sectors and their civil society organizations robustly into the decision-making frame.

And we think about how much better any discussion about changes in the regulatory environment and the policy environment would be -- if Rabea is at the table and can speak from his personal and his aggregated experience as an entrepreneur and as a leader of entrepreneurs, right? Or think about, you know, the failures of any models of 10 smart economists in a room trying to make

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decisions about -- to address the diversity of needs and the nimble solutions required to respond to a population of 90 million.

And the greater problem is that in so many of these countries it's not 10 smart economists in the room, it's a closed political process of a small number of political leaders with their own patronage and constituencies and it's political bargaining in a closed-door system without the pressures of the population to be able to force broader responsiveness.

And you know, when Your Excellency talks about the pressure of the press and the pressure from the street, you know I think one way to look at that is as the opportunity. As, you know, to free your press, you know, open your books, open your decision-making processes, be more transparent, bring citizens into the -- give them the tools they need to be able to be a productive participant and allow citizens to organize and associate and mobilize, to help contribute to the prioritization process and to the solution set that will be most responsive to what they need and when they need it.

MS. WITTES: Thank you. Well, we've put a lot on the table and I can see some hands up already. So I'm going to ask our staff members with the microphones -- we'll start here in the front with Imam Migat.

MR. MIGAT: The question I have, the role of the army.

MS. WITTES: The role of the army.

MR. MIGAT: The army. Literally in those emergent democracies. That in some countries, the army controls so much of the investment. How do you break from that?

The second question I have is something called "inside trading" in America, where somebody you know sells the stocks before everyone else. In the third-world countries, they have inside information. The political parties who control the government get inside information, pass it to their businesspeople to say, we need sugar. And therefore, we see the people who are doing the business are from the political party ruling. But they are not saying that we're giving them the contract, but we tell them when to get the contract. How do you address those issues?

MS. WITTES: Okay. So, question about the role of the military in the economy, and also we've been talking a lot about petty corruption, but I think this is a question about crony capitalism and



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high-level corruption. Who would like to start?

MR. DARRAG: I am assuming that question was directed to me --

MS. WITTES: I think so.

MR. DARRAG: So, I volunteer to answer it. Okay.

I'll be very frank. In countries where the military have heads significant role in the states, the political life, economic life for years and years and years is very important to realize that you cannot achieve a safe transition suddenly. You have to allow some time for a safe transition to take place. And this is what I believe we are doing right now in Egypt. We are doing this through gradual courses.

First, we started -- actually, I give credit to the president, President Morsi. Started by abruptly putting an end of the interference of the military into the political life. That's what took place last year. It was very decisive, it was very well-received all over the country.

And as a matter of fact, even by the military because the military realized that by getting too much involvement into politics it affected their credibility and their status in society very much. So, this is a very important step that was made.

When it comes to the economy, it's very difficult to try to plan to get the military out of the economic activities. In a country like Egypt, some estimate that the military contribute to more than 30 percent of the economy. I'm not sure whether this is true or not, but some say it's less, some say it's more. But nevertheless, it's a significant part of the economy.

What is -- actually, the amount of involvement is not the important issue. The important issue is how transparent this involvement is. Right now, we are according to our constitution, our new constitution, all companies owned by the military that are involved in civilian activities are going to be monitored the same way as any other public company. The budget's open, audits, everything is quite transparent. So, this is very important.

The other thing when it comes to controlling the military budget --- maybe you didn't ask about this, but this is to complete the picture. It is not right now, according to our constitution, just up to the military to decide on this. This is a joint decision between the military and the civilian within the context of what we term the national defense council. That is, formed half-civilian, half-military, chaired by

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the president, who is civilian. So, there is a very careful tool and mechanism to look into the issues of not just the budget, but also how fit the army is to do its function, to manage its responsibilities.

So, it's very, very important to handle this issue, but carefully, but gradually in order to achieve a safe transition. And this has been the experience of all other countries that went through the same experience before.

When it comes to the other issue of transparency and the privilege that some businessmen have information, that's why they can achieve benefit, the only way to do this is to try to implement a transparent process as much as possible. As I said, right now all public tenders, the moment they are announced they are put on the Web, so they are known. And the tendering process is quite transparent.

But more importantly, when we talk about planning, about setting up priorities, we intend to have a significant role of the public within this planning process. So, nothing comes suddenly. Everybody -- right now, for example, we talk about the development of the Suez Canal corridor or the large industrial development based on mining. All this is still -- I mean, the planning did not even start yet, but still we are announcing our plans and we are involving the public into discussions. So, this is the way to achieve as much involvement of the public and the civil society as possible in the planning and implementation phases as possible in order to limit the opportunity for anybody who would like to make use of any corruption schemes, as you mentioned.

MS. WITTES: Would either of you like to add anything? Okay. We have a lot of questions already, so I'm going to take maybe two or three from the floor and then come back to the panel for answers, and I'm going to ask each of you, please, to try and be as brief and concise as possible and restrict yourself to one question.

Let's start over here on -- all the way on the right, yeah.

MR. ROGAN: Thank you very much. I'm Josh Rogan with *Newsweek*. You discussed briefly the role of civil society in Egypt, Distinguished Guest from Egypt. I'm wondering if you could talk about the effect of the recent sentencing of 43 NGO workers and 16 Americans on the U.S. bilateral Egypt bilateral relationship. As you know, Congress is threatening to restrict aid based on these

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prosecutions, it has also hurt the reputation of Egypt amongst investors and tourists. And I'm wondering, does the Egyptian government have a plan to get out of this dispute, to move forward from this crisis so that the bilateral relationship can continue to make progress. Thank you.

MS. WITTES: Thank you. And if you could just pass the microphone two seats down to the gentleman there?

MR. MATAR: Zacharia Matar, National Conscious Front of Egypt. I'm speaking to His Excellency Amr Darrag.

MS. WITTES: You're in the hot seat today.

MR. MATAR: You know that in the last 50 years we were adopting the foreign strategies for development and this has failed. When we deposed Hosni Mubarak, I have a burden of debts, 20,000 Egyptian pounds, 60 percent of Egyptians under poverty. Lying -- I mean, you know the other indicators are depressive and provocative.

So, I am telling you that no one will build our country. You know that the American crisis, \$16 trillion debt and also Europe. So, if our people will not build our country, no one will build it.

You didn't speak about stability. There is a faction of Egyptians who is called --- whose position is derailing the development by making instability in Egypt deliberately. That is one, you have to mention it.

Also, the performance of the government is not an efficient. So, you have to speak about this. So, I leave -- it's enough. This -- okay, thank you.

MS. WITTES: So, more of a couple of comments than questions, but we'll see if anyone wants to address those. And then let's go over to this side. Is it Wajiha?

MS. BAHARNA: Thank you very much. Well, I want to comment about the democracy and the --

MS. WITTES: Sorry. Would you just introduce yourself?

MS. BAHARNA: Yes. My name is Wajiha al Baharna from Bahrain. I want to comment about your question about how the democracy and development, they could fit together.

Now, the quick answer to this is that they fit together very well, but it depends on what we

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mean by "democracy". Do we mean just the electoral system and segregation of authorities, et cetera? Or we mean no democracy plus the values of democracy? Because as we have seen, that development would be very endangered and affected if the coming parties or groups to the government -- it will be affected by the type and the point of view of that government.

So, what we need is that to have more or focus on just ruling not only by democracy as a rigid system, but also as values, which means we are expecting the diversity, tolerance, et cetera, et cetera. And this is what should be on our daily life.

Now, my question is that how can we overcome these deficiencies or negative points about reaching the government only by election and according to the concept of majority? So, if the majority is not representing the -- I mean, accurate things or the way of governance or good governance, then the whole people of the country will be affected. And also because the one who is reached by -- according to the majority concept, he will serve only his parties or his people.

So my question is that we used to say democracy is the solution and is the only solution because it depends on the majority. Now, how -- what are the other ways of -- systems which have not the same deficiencies and democracy? Thank you.

MS. WITTES: Okay, thank you. So we've got three important sets of issues on the table, but why don't we start with Wajiha's point about democracy. If we mean in terms of broadening the benefits to all the citizens, then we can't just talk about majority rule, right? So, how do we go beyond that concept of majority rule?

MS. ASH: Sure. And your original point, Wajiha, too was that it can't just be about the ballot box, right? Which is -- which I agree is necessary, but insufficient. And it's why we need the rest of the values and the institutional underpinnings of an effective democracy, including inclusiveness, including minority protections and rights, including open press, and as I've talked about over and over again, freedoms of expression and association and assembly that allow collective voices to be heard and allow concerns to be aggregated and elevated and mobilized in a way that can influence processes, not only in the context of elections but in the context of the constant set of decisions and planning processes that are underway in which citizen voices need to be represented.

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MS. WITTES: So, there was also a point made that Europe and the West are having their own economic troubles, and they're not -- even if they were interested, they're not necessarily capable of providing the kind of support that these Arab post-revolutionary countries need right now. Nazanin, from a donor perspective, do you want to take that on?

MS. ASH: Yeah. I mean, I think that is a fact that we're operating in highly-constrained environments and it places even higher burdens on donor governments to ensure that the assistance that we're providing and the way in which we're partnering achieves outcomes that matter to the populations that we seek to assist, and to the objectives that we share with our partner governments for broader, more inclusive, more sustainable development that leads to, you know, greater stability and prosperity for all.

MS. WITTES: Go ahead.

MR. DARRAG: Well, maybe also to answer this question is -- what we are talking about is not really in terms of what the donors provide and the foreign aid. What we are really looking for and talking about is investment, is tourism, and all partnerships and things like that. And what I know is that in spite of the financial difficulties that Europe and many parts of the world are facing, they do not lack -- investors do not lack cash for investments. This is something else, okay? And what they need to have is an environment that is safe enough and stable enough for them to make profit, and for that profit to be very good.

In a country like Egypt, we do have a great potential for making a lot of development and, hence, a lot of profit for investors, and what we are working on is to right now complete the environment that is needed by the investors to come and invest in our countries.

So, this is very important. It's not -- we will not be waiting for financial aid and financial support forever. This is something that's very temporary. We believe that our country has a lot of potential, has a lot of resources just waiting to be developed. So, this is very important to point out.

I'll go now to the question of the NGOs and this, which is obviously an important question. Let me start by stating that in our policy -- at least as a party, and also as a government -- civil society is one of the three main pillars that we depend on when it comes to development. The three

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pillars are the states, the private sector, and the civil society. So, this is intrinsic in our concept for development. It's very important.

Our work has always been as a civil society organization. You know, regarding my background and the background of our party, we've been one of the most active NGOs for tens of years. So, we know exactly what it means to be an active NGO and what the NGOs and what the civil society can achieve for the society. So, this is very important to realize.

The second thing is that the problems that we are having right now didn't start now. It's not really made by the current government or the current regime. Because I've been reading a lot of statements and notions as if this is a problem of the current regime that was created by the current regime. That was a problem that started even before the revolution and continued a little bit afterwards, then it went through a legal process and what we got, finally, is a legal verdict that has to be dealt with in this context.

Some people would argue that this is not a perfectly -- you know, it is politically-oriented, one way or the other. I can't comment on that, I can't get into the intentions of the judges. But, this has to be contested in the legal context. If we are looking for a state of the law, if we are looking for a state that implements legal processes, we have to follow this.

But let me assure everybody that Egypt is a country that encourages civil society. Right now in Egypt we have 35,000 NGOs working, out of which maybe more than, I would say, 100 foreign NGOs are on the ground. Last year, about 4,500 new organizations were registered, okay? The average used to be 800 or 900 before the revolution. So, the direction is for the empowerment of the civil society. Of course, there are problems related to these three or four organizations, but it's not a problem for everybody, but it has to be dealt with, definitely, and it has to -- this has to be done through the legal process that is appropriate in this context.

We are working now, as you know, on the new NGO law. This has developed quite significantly over the course of time. The presidency actually has undertaken the mission of collecting input from a lot of resources and issued another draft that is available right now. It was sent to the the Shura Council for discussion. Then, it will be subject to more discussion in the Shura Council and more

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public interaction in order to even improve it further.

There is a significant -- if you compare this version. I'm not saying this is the most perfect law that you can ever have. But if you compare this to what we used to have before and you think of the extreme difficulties that civil society used to face, and you compare that to what we are having right now as a draft, okay, you find a significant improvement. And I hope that through discussions, we'll have this improved more for better improvement of the civil society, which is absolutely important for the improvement of our country.

MS. WITTES: Thank you. Nazanin?

MS. ASH: Yes, definitely want the opportunity to respond. We've had many discussions about this over the course of yesterday, which I appreciate.

you know, Josh's question is about the chilling effects on civil society in general -- you know, the effect on civil society and the effect on the bilateral relationship. You know, we are obviously extremely concerned about the outcome of the verdict and the trial. We said from the start that we felt it was politically motivated. That, taken together with actions on the NGO law -- again, we see having an incredibly chilling effect on civil society activity, on their ability to partner with international organizations and share best practices and be productive partners in the development -- the political and economic development process that's underway in Egypt.

And I affirm, Your Excellency, that this was -- with respect to the trial itself, it was a process that began with the previous government. But I think the opportunity at hand with the clemency authorities of the president is to -- not just to reverse the outcomes of the trial because it's important to the bilateral relationship -- but it is, extremely. But also, to do it as an affirmation of the platform that captured the faith of so many Egyptians and that brought this government to power. That it would be a government ensuring greater freedom and greater equity and greater justice.

And, to affirm the very positive statements that you've made about the role that civil society needs to have, and importantly the way they need to partner with themselves and with international organizations to play their productive role.

MS. WITTES: Thank you. Rabea, anything you want to add?

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MR. ATAYA: No, I think I'll pass. (Laughter)

MS. WITTES: All right. I'm going to take the next set of three, and we'll start in the front row here in blue. Is that Mirangese? Sorry, guys. The lights are really hard in here, but I am taking note of your hands.

Go ahead, please.

Ms. KHAR: Thank you. My name is Mirangese Khar, I am an Iranian lawyer. And I just have a question on the issue of Egypt and tourism, because I have been in Egypt in 2011 and I could understand that a major problem for the people -- ordinary people -- was, you know, something that happened for having tourists in Egypt after something happened before victory of (inaudible).

Now, this question I guess is getting more serious because according to the constitution - - the new constitution of Egypt and during that (inaudible) established a government, how can you plan for attracting tourists again to Egypt? Because in Iran, we do have a constitution. It's not very similar with your constitution, but it's full of obstacles for, you know, attracting tourists in Iran.

And this is my question, and I would be appreciative if you helped me on that. Thank you.

MS. WITTES: Okay, thank you. We're going to try to get to as many questions in possible in the 10 minutes we have remaining. I apologize in advance, there's no way we're going to be able to get to all of you. So I'm going to go in the order that I saw you raise your hands, and that would take us to the lady in the white jacket in the center. If you can get a microphone there, please.

Cynthia.

SPEAKER: Hi, Tammy, thank you. Just quickly to come back to the NGO issue in Egypt. Mr. Minister, if you wouldn't mind just addressing again the question of the NGO law, which you suggested was actually freer than previous laws, which I don't believe is actually the case. And I think instead, in the words of the Deputy Assistant Secretary, it will have a chilling effect.

And you also mentioned that the trial -- you know, it's a legal verdict, what can I do. And people can appeal, but in fact one of your citizens, Nancy O'Kale is seeking political refugee asylum in the United States -- can only repeal her five-year sentence for the crime of directing Freedom House in Cairo

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by, in fact, going to Egypt and going to jail, which seems kind of brutal. But, your moderator is actually the expert on this.

MS. WITTES: Thank you, Cynthia. And the gentleman with the mustache in the second row.

MR. KONDALY: Rinash Kondaly. I am a professor in Tunisia of economy -- in Tunisia. I would like to -- we in Tunisia contracted with the IMF for an amount of \$1.75 billion. The problem is not in this contract, but in the difficulty of applying reforms in Tunisia.

I will give you two examples. First, it is the problem of subsidies. All people were happy about the revolution and all wanted to -- increase subsidies. This will make prices increase, and thus the workers' federations started to say that they want to raise our -- to get our salaries -- to get a raise of salaries. Therefore, this will impose an additional charge on the budget. This is from one side.

From another side, the second question. Reforms are also related to depreciating the currency in Tunisia. We have a bad experience when we depreciated the Tunisian dinar in 1986 by 15 percent. We realize the profits from depreciation, but not through increasing the productivity. So therefore, this was a fake advantage. Therefore, when we depreciate our currency, this will impact the prices of fuel, and this will also increase the subsidies and will impose additional charges on the budget of the state. So, such measures which aim to decrease the bad impacts will have a different impact on the budget.

MS. WITTES: In order to give our panel a chance to respond. So, actually, Rabea, if I can begin with you, because this last question raised the challenge that some of the steps that governments need to take put an immediate burden on the most vulnerable in society. And you know, there's obviously a role that the IMF and other donors can play in trying to ameliorate that effect, but official donors and government money can't do it all.

So, how do we help to ease the path between the short-term pain and the long-term gain?

MR. ATAYA: I wish I knew the answer to that question, but I'll give it my best try.

I think ultimately the question is, as you're removing all of these subsidies and

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assistances, how much of it is going back to the people, and is that measurable? Can people actually see that that is trickling to another place in a non-corrupt fashion that is inclusive? And ultimately, that's a difficult challenge and I'm not sure how to bridge that challenge from a policy perspective.

Certainly, if you remove the subsidies on fuel, everyone in the society feels that instantaneously. And so, can you make them feel the positive effect of that also instantaneously? I think across the region where I've seen it happen, the positive aspect has not been felt, only the negative aspect. That's why we've seen riots and various places where this has happened.

So you know, it's an important question and one that, ultimately, I don't know the specific answer to, though I do know that both the receiving government as well as the governments that are imposing this or requesting this should think deeply about how it affects the man on the street positively.

MS. WITTES: If I may, I think there was one other element of this question that might be worth raising, which is the role of labor unions. Because part of the pressure against these macroeconomic reforms comes from labor unions who are aggregating the interests of their workers, demanding salary increases, demanding that some of these steps be rolled back.

When you talked earlier about the regulatory environment that enables business, for a lot of businesses that means fewer unions or unions that are less powerful. How do we address that challenge?

MR. ATAYA: From my perspective, generally if you look at the region -- and I have a pretty decent regional view, but not necessarily a micro-view to every country. And if you look across the region, labor unions have not historically had a very large role in the region. So the GCC, they're all but nonexistent. If you look across North Africa, I think it varies from country to country. The same is true in the Levant area.

So to me as an outsider, I don't see that big of a role for the labor unions in most of these countries because the labor unions aren't that representative today of the population at large. Now, that may vary from country to country --- so again, I don't know the specific example of Tunis, for example, and how prevalent or strong the unions are there. I don't have personal experience with that.

MS. ASH: I think a big part of the story is in implementation and communication. So,

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there's a lot of collected best practice on how you design effective means-tested social safety nets, and that's how subsidy reform needs to be designed and communicated. That it's not about the elimination of these subsidies, and it's especially not about eliminating them for the neediest.

It's about structuring them so that they are appropriate means-tested social safety nets that are benefiting the poorest and the neediest. And I think that's an important part to bring to the conversation with labor organizations that are powerful in Tunisia. But to be able to communicate and articulate a plan that is about serving the needs of the most vulnerable within a constrained budget and within a planning process that seeks to take into account more equitable and inclusive development progress.

MS. WITTES: Thank you.

MR. DARRAG: I will address the question related to tourism. Tourism, according to our new constitution, is acknowledged as one of the major resources for the economy. So, this is fine.

The good news that I'm having is that we are now regaining the number of tourists that we used to have in 2010, right before the revolution. Probably this year we'll see the same number, around 40 million tourists coming to Egypt. Of course, they are not generating the same level of income, and that is good news for the tourists because things are actually less expensive. That's why it's not generating adequate -- I mean, the same level of income. It's not good news for us, but nevertheless it is showing that tourists are regaining a level of confidence that led them to choose -- to select to come to Egypt as a destination.

The more important indicator is that actually tourists are spending more time in Egypt. Previously, the average tourist used to spend 7 or 8 days. We are seeing numbers around 12 days right now as an average number of nights per tourist spent in Egypt. This indicates many things. This indicates a level of confidence in the security of our country, this indicates, I would say, the gradual diminishing of the concept -- the misconception that people are having that the regime that is supported by the Muslim Brotherhood or Islamists is against tourism -- this is not the case. And maybe that was some sort of, you know, perception that was there right after the revolution, but right now the proof is that we've been there for more than two years, and actually when it comes to tourism, the situation is

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improving.

So, I absolutely agree with you, and we are -- actually, I referred to this particular point in my answering one of the questions, considering tourism to be one of the key pillars for our development, and particularly for it is able to achieve a lot of quick wins very quickly in terms of generating income and generating a good pattern of development for Egypt.

MS. WITTES: Okay. Anything on the NGO question?

MR. DARRAG: Well actually, I can add that I do understand the concerns and the negative feelings that people in the United States or Germany have about this verdict. This is absolutely understood. I am very sympathetic with those who are convicted.

Nevertheless, again, this is the result of a legal process. We as government, we do not have any means of interfering with that. And tell me anywhere in the world that the government can interfere and redirect a verdict.

MS. WITTES: Two points briefly, if I may. Nazanin mentioned the president's clemency power. Is that something that the government is discussing? In addition, I would note that the government has also proposed a law for judicial reform, arguing that this judiciary represents the old regime. So, it's difficult simultaneously to argue that we have to let the judicial rulings stand without interference.

MR. DARRAG: No, but until we have this law -- as a matter of fact, we are being criticized for proposing this law.

MS. WITTES: Indeed.

MR. DARRAG: For the judiciary. And as a matter of fact, the judiciary has been praised for making other verdicts, right? So this is a very delicate issue. And if you invite the president to use his powers for general pardon or things like that, this is something that has to be very well thought of and carefully designed, if you will. What are the implications of such things? What will be the perception of the people in Egypt about an action like this? Of course, it's very important to solve this problem, and from my position I do assure the United States that we do care about having very good relationship with the United States. Our relationship with the U.S. is quite strategic. Sometimes there are problems that

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come between friendly countries, but nevertheless we would like that this does not really negatively affect our long-term cooperation, our mutual interests.

So, we need to deal with this issue quite wisely, quite realistically, and calmly, without extensive pressures, because this is the right environment that will allow us, really, to handle this the best way possible.

MS. WITTES: Thank you. Any parting words from either of the others on the panel?  
Nazanin?

MS. ASH: Well, I'm going to respond one more time on this point, which is just to say that indeed the U.S. and Germany, as the countries with organizations impacted in this trial and the countries contending now with the impacts on the bilateral relationship have expressed concern about this outcome. But, importantly there has also been concern expressed from international organizations, watchdog organizations across the board because, again, this verdict is not just about -- although it is, importantly, about the impact on our relationship and the impact on U.S. or German organizations, but it is also about the -- what it says about rights of association and what it says about the space for civil society to operate in Egypt.

And you know, what we see and, you know, what we see that is squarely within the responsibility of this government is the changes that have come into play between what was articulated in the constitution, which was broad freedoms for civil society to associate, what was articulated in the original law put forward by the Freedom and Justice Party -- which, again, affirmed the original platform for greater freedom for Egyptians -- to what's been articulated now. And that is something that is squarely in the hands of this government, both -- and as I said, is a huge opportunity to affirm your original support for civil society and the freedom to operate.

MR. DARRAG: The law is not final, and there is still a big room to look at it and see what can be done.

MS. WITTES: Okay. Room for dialogue. Ladies and gentlemen, we're going to have to leave it there. Your lunch is waiting for you downstairs.

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