Beyond Electoral Politics

Crony capitalism, collective action and the distribution of public spending in Egypt

A Thesis

By

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ABSTRACT

This research is a multimethod investigation into the drivers of spatial variation in public spending in hegemonic party systems. It challenges the narrow electoral focus of the distributive politics literature on vote buying to address the important question of "who gets what", and unpacks the politics of it. Rather, it identifies two conditions salient to authoritarian regime persistence, and can in turn reshape the geography of public resource allocation in hegemonic party autocracies. These two conditions are the attainment of positive economic growth to earn performance legitimacy and the preclusion of threats of contentious collective actions.

In this research I argue that, by aiming to attain performance legitimacy, autocrats will seek to develop the economy in order to convince citizens of their political and economic mandates. To this end, they will nurture mutually beneficial relationships with a group of crony capitalists who can support the state in formulating and implementing its economic policies. Those business cronies, in return, will enjoy disproportionate access to scarce public resources which will be allocated to districts where they want to expand their businesses. Moreover, I make a case for the effect of contentious politics on the distribution of public resources. To consolidate political power, autocrats will attempt to buy off aggrieved actors who have strong capacity for undertaking collective action. The more organised and resourceful aggrieved actors are, the better the bargain they can strike with the state to accede to their demands for collective consumption services. The argument presented in this research is illuminated through the case of Egypt under Mubarak. It is based on a mixed-methods design and draws on 50 elite interviews, policy documents, minutes of parliament and regression analysis.

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BOT	Build-Operate-Transfer
CAOA	Central Agency for Organization and Administration
CAPMAS	Central Agency for Public Mobilization and Statistics
EMG	East Mediterranean Gas Company
ERC	Egyptian Resorts Company
ERSAP	Economic Reform and Structural Adjustment Programme
FEP	Free Egyptians Party
GAFI	General Authority for Free Zones and Investment
GM	General Motors
HDI	Human Development Indicators
HIECS	Household Income, Expenditure, and Consumption Surveys
IDSC	Egyptian Cabinet's Information and Decision Support Centre
KPIs	Key Performance Indicators
LAU	Local Accounting Unit
LEC	Local Executive Council
LMS	Labour Market Survey
LPC	Local Popular Council
MB	Muslim Brotherhood
Mb-SNA	Model-building Small-N Analysis
MCIT	Ministry of Communications and Information Technology
MEDOR	Middle East Oil Refining Company
MHUUD	Ministry of Housing, Utilities, and Urban Development
MoT	Ministry of Tourism
MTEFs	Medium Term Expenditure Formulas
NDP	National Democratic Party
NUCA	New Urban Communities Authority
OHD	Orascom Hotel Development
PRE	Politically Relevant Elites
PRI	Institutional Revolutionary Party

SCC	Supreme Constitutional Court
SNA	Small-N Analysis
SODIC	Sixth of October Development and Investment Company
SYPE	Survey of Young People in Egypt
TDA	Tourism Development Authority
TMG	Talaat Moustafa Group
UNDP	United Nations Development Programme

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1

Introduction

On the 25th of January 2011, thousands of Egyptians took to the streets demanding the overthrow of the then president Hosni Mubarak. Social injustice fuelled the resentment of the majority of Egyptians who endured three decades of poverty, corruption, unemployment, and poor living conditions. These mounting grievances were encapsulated by the uprising's most emblematic chant '*eish, horriya, adala igtema'iya*' (bread, freedom and social justice), which echoed through Egypt's major cities, streets, and squares for 18 days. One form of this social injustice was manifested in decades-long bias in the distribution of national wealth and public resources across the governorates of Egypt. The Mubarak regime favoured only a few constituencies with the allocation of physical infrastructure.

Regional disparities in the provision of collective consumption services are typically viewed in extant literature as reflections of the workings of electoral politics. However, in Egypt, where parliamentary elections were vulnerable to fraud and authoritarian interventions, electoral politics in fact can tell us little about the differential relation between the state and society in terms of provision of public services. Actors from both the centre and the local rather dictated the terms of this relationship and led to discrepancies in the provision of these services across the different Egyptian localities. In this research I will explore those relationships and elucidate 'why' and 'how' the operation of budget institutions in Egypt under Mubarak, over the period (1981 – 2011), responded only to the interests of certain groups in the Egyptian society and ignored the demands of a large faction of the population. Crony capitalism from above and contentious politics from below in the presence of corporatist and centralised bureaucracies are central variables to unravel the fortunes of the selective provision of collective consumption services across Egypt.

1.1 Research Context

As shown in Figure 1.1, Egypt is divided geographically into 27 governorates in four main regions: Urban governorates[1] (the metropolitan), Frontier governorates[2], Lower Egypt (the Nile Delta)[3] and Upper Egypt[4]. Various forms of disparities were evident across the four regions that differed sharply on a wide range of social and economic issues.

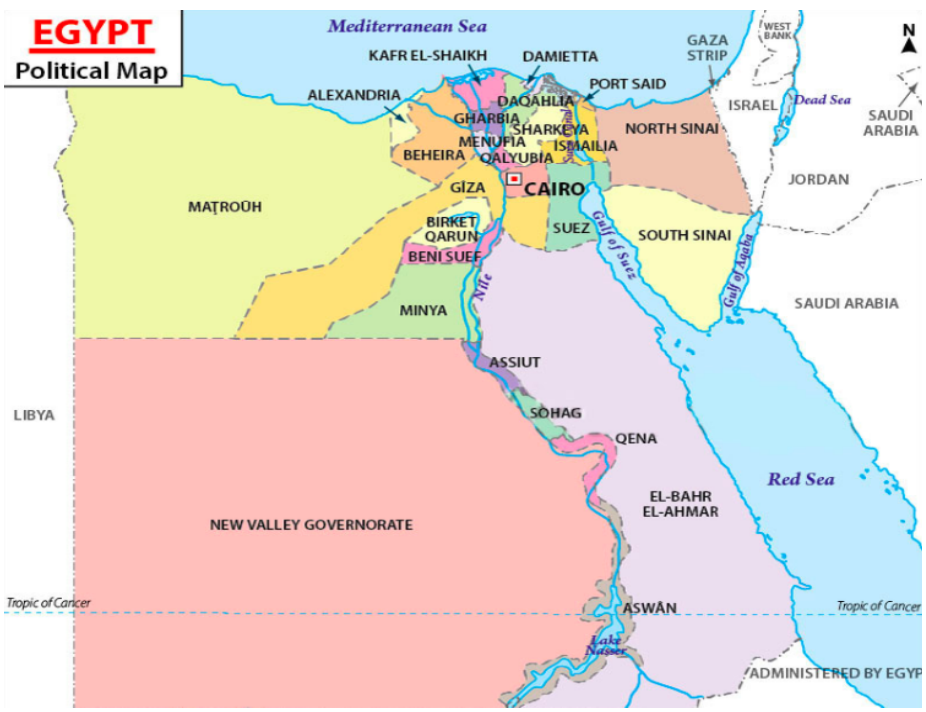

Figure 1.1 Map of Egypt[5]

[1] The Urban governorates are Cairo, Alexandria, Port Said and Suez.
[2] The Frontier governorates are Red Sea, South Sinai, North Sinai, Matrouh and New Valley.
[3] Lower Egypt governorates are: Behira, Damietta, Dakahlyia, Kafr El Sheikh, Garbia, Menoufia, Sharqia, Ismailia and Qaliyoubia.
[4] Upper Egypt governorates are: Giza, Beni Suef, Fayoum, Minya, Assiut, Sohag, Qena, Luxor and Aswan (some sources consider Giza as part of Greater Cairo instead of Upper Egypt).
[5] Source: https://www.bizbilla.com/country-maps/egypt.html [last accessed Nov 10th, 2018]

In the social and economic spheres, Mubarak's developmental policies always exhibited a notable bias against Upper Egypt in favour of the Urban and Frontier governorates. The development contrast between the north and the south of Egypt was conspicuous. Higher allocations for infrastructural development and public services provision were allotted to the Urban and Frontier regions where 21 per cent of Egypt's population resided in 2010. Over the years, the Mubarak regime invested heavily in the delivery of collective consumption services in the two regions and largely ignored the needs of Upper Egypt, the home to 37 per cent of the national population. Concurrently with that, the Mubarak regime conceded only to selective social demands of the Lower Egyptians, who made up 42 per cent of the total population. Lower Egypt received more attention from the Mubarak state, compared to Upper Egypt, to develop its infrastructural facilities and provide better education and healthcare services (see *Appendix A* for more details on those spatial disparities). Residents of Lower Egypt as a result enjoyed better living conditions and more job opportunities under Mubarak.

Indeed, the allocation of collective consumption services in Egypt did not correspond to the needs of under-developed areas where the level of public provision was considered inadequate. During Mubarak's thirty-year tenure, most of public investments in sanitation, water, roads and bridges were concentrated in the Urban and Frontier regions.[6] The two regions started with the highest level and best quality of public services provision countrywide, and they maintained, under Mubarak, the lion's share of public investment. The quality of education and healthcare services, in the two regions, was also superior to those offered in Upper and Lower Egypt. This was reflected

[6] In 2007, those capacities amounted to 965 and 714 litres per day per person for water; 536 and 220 litres per day per person for sanitation, in the Urban and Frontier regions, respectively. By contrast, in Upper and Lower Egypt, per capita sanitation treatment capacity has amounted to 70 and 123 litres per day per person, respectively, over the same period (IDSC, 2010).

in a lower number of inhabitants per bed and less classroom densities in public schools in the Urban and Frontier governorates, compared to the national average [7] (see *Appendix A*).

By contrast, the Mubarak regime was able to muzzle public discussion on the need to invest in the provision of collective consumption services in Upper Egypt despite exhibiting the most unfavourable developmental outcomes nationally. The level and quality of public services provision in this region was lacking to a great extent. Taking the provision of infrastructural services as an example. In 2005, about 60 per cent of the Upper Egyptian had no access to public sewerage networks. Even those who had access to this service suffered from its poor quality. Water and electricity services in Upper Egypt were also reported to be of poor quality, which caused substantial reduction in their supply for several hours per week in many areas, resulting in frequent power cuts. Furthermore, the low investment in the public transportation system in Upper Egypt, and the infrastructure of highways and feeder roads that connect rural villages with major urban centres, limited the prospects of social and economic mobility for the Upper Egyptians. This diminished investment imposed high economic costs on regional business activities and caused a developmental lag in Upper Egypt that housed 61 per cent of the total poor in 2005 (UNDP, 2005).

The level and quality of education and healthcare provision in Upper Egypt was also dwindling. This was reflected in higher rates of students' drop-out, and the largely insufficient number of public schools built there, as I will demonstrate in chapter 7. Similarly, the healthcare system in Upper Egypt suffered from the unavailability of health clinics in many areas coupled with a shortage in the number of qualified personnel and service providers (see *Appendix A*). The

[7] There is no publicly available data on aggregate healthcare and education capital spending per governorate, therefore I use number of inhabitants per bed and class room densities as proxies for infrastructural capacities.

continuous neglect of the demands of this region for collective consumption services, as a result, trapped the majority of the Upper Egyptians in vicious cycles of poverty and material deprivation.

This spatial investment bias in favour of the north resulted in better living conditions and more job opportunities in the Urban and Frontier governorates. Conversely, it caused declining social and economic living standards in Upper Egypt and some parts of Lower Egypt that did not receive ample attention from the Mubarak regime. Read against this backdrop, I seek to understand the main economic, political, and institutional imperatives that invoked discrepancies in the provision of collective consumption services across Egypt's governorates. Accordingly, the overarching question that the present study will seek to answer is:

What factors drove spatial variation in the allocation of collective consumption services in Egypt in the Mubarak era?

To answer this question, the present study will illuminate the basis on which recipients of those services were spatially selected. It will look into the reasons why the Mubarak regime favoured few governorates through higher allocations for the delivery of collective consumption services, irrespective of the level and quality of provision there at the outset. Additionally, it will investigate the causes of neglecting the demands of Upper Egypt for those services, whereas the regime acknowledged selective demands in some Lower Egyptian constituencies. The empirical investigation will also shed light on the main institutional configurations that the Mubarak regime developed to allocate public expenditures. This institutional focus, in turn, will enable us to expand a comprehensive understanding of what guided, encouraged, or constrained the preferences of Egyptian policy actors in the distribution of public resources across various geographic areas.

1.2 Preliminary Theoretical Assumptions

To answer the research's inquiry, this study engages with the distributive politics literature that posits a direct link between the results of legislative elections and the cross-regional distribution of public spending in hegemonic party systems[8], my focus in this thesis. According to this literature, authoritarian rulers establish legislatures to project an image of electoral legitimacy and organise the demands of political elites whose support is of a paramount significance for autocratic survival. A seat in those legislatures confers considerable benefits to its holder, and therefore, powerful elites who are interested in being an integral part of autocrats' spoil system will run for legislative seats that entitle them to multiple political and economic advantages. To get voters to support them in these elections, candidates who are affiliated with the ruling clique will deliver tangible benefits to their constituencies in exchange for electoral support. The manipulation of access to public resources, in this context, had been argued to drive spatial variation in the allocation of collective consumption services across localities (Magaloni, 2006; Blaydes, 2011; Fox, 2011; Stokes et al., 2013 and Wallace, 2014).

The work of Blaydes (2011) on Egypt builds on this argument. She largely attributes the geographic selectivity of infrastructure investment in Egypt in the Mubarak era to the outcomes of legislative elections. The author claims that areas where the Muslim Brotherhood and the Wafd opposition party received most of their votes in the 1984 parliamentary elections were deprived for ten years of the necessary funds to extend public water and sanitation connections. The author,

[8] Hegemonic party autocracies, according to Reuter and Ghandi (2011) are "regimes in which dictators rule with the aid of one dominant party, while still holding regular multi-party elections" (p.83).

as such, ascribes the discrepancies in the cross-regional distribution of collective consumption services in Egypt to the workings of electoral politics.

This electoral perspective, nevertheless, can only offer partial explanation for what causes regional disparities in the provision of collective consumption services in hegemonic party systems. Indeed, parliamentary elections are important for autocrats to bolster the electoral legitimacy of their rule. However, authoritarian regimes can in fact exploit a range of less costly electoral manipulation strategies for this purpose instead of relying heavily on the geographic targeting of public spending to win the counting. For instance, they can revoke these elections, ban the opposition from getting on ballot or arrest influential challengers if polls show sign of incumbent defeat (Bölme, 2015). For that reason, multiparty elections in hegemonic party systems have always been condemned as being unfree and subject to authoritarian interventions (Brownlee, 2007). The common use of these manipulation strategies makes us therefore question the effect of parliamentary elections on the distribution of collective consumption services in electoral autocracies.

In Egypt, for instance, electoral clientelism could be of relevance to the distribution of public spending during the 1980s when Mubarak held relatively free competitive parliamentary elections. However, due to the excessive intervention of the Mubarak regime in these elections in the 1990s, the opposition parties boycotted the 1990 elections, and held less than 3 per cent of the seats in the 1995 parliament, as I will explain in chapter 5. These outcomes cast doubt on the relevance of Blaydes' argument to the subsequent time periods, which she did not include measures for in her quantitative analysis. It is therefore important to question why would the Mubarak regime keep punishing an area for more than 20 years because of its electoral outcomes in a country that was largely plagued with political apathy.

The case was also substantively different during the 2000s. Opposition parties in Lower Egypt and the Urban governorates gained almost equal share of votes in the 2000 and 2005 parliamentary elections. Yet, the two regions, as demonstrated earlier, captured vastly different shares of physical infrastructure during this period. This electoral argument, accordingly, does not tell us much about the reason for favouring the Urban region over Lower Egypt despite their quite similar election results over the same period. This means that other non-electoral factors came to play a more significant role in influencing the amount of funds the Mubarak regime invested to provision collective consumption services across localities. Therefore, in this research I challenge this narrow electoral focus of the distributive politics literature on vote buying to explain how public resources are geographically deployed in authoritarian regimes, and rather take this analysis out of the realm of electoral politics. By doing so, I seek to unravel the different threats and opportunities that autocrats in hegemonic party systems face when they decide on their distributional policies.

1.3 The Argument

To remedy the shortfalls of the existing theoretical assumptions on distributive politics, I develop a new theoretical model that builds on a massive literature on the political economy of social policy and authoritarian regime survival. This framework asserts the importance of two conditions for authoritarian rulers to achieve political consolidation: the attainment of economic growth to earn political legitimacy and the preclusion of threats of contentious collective action. I contend in this research that these two conditions are, in fact, more salient to the persistence of hegemonic party autocracies compared to the importance of winning ostensible competitive elections in these political systems, as I will explain in chapter 2. In order for autocrats to achieve these two conditions, they need centralised and corporatist budget institutions of weak governance that could allow them to pursue politicised resource allocation strategies and buy off political consensus.

The first condition for the maintenance of hegemonic party systems emphasises the necessity of attaining staggering economic growth in order for autocrats to convince citizens of their political mandate and finance various social entitlements. To this end, autocrats will nurture mutually beneficial relationships with a group of crony capitalists who can support the state in formulating its economic and public policies. Those business cronies will additionally lend political backing to authoritarian rulers to enhance the longevity of their governance. In return, politically-connected business elites will enjoy a disproportionate access to preferential economic opportunities that could enable them to expand their businesses and accumulate considerable capital.

Elite incentives, however, will only be provided to business cronies supportive of autocrats' governance. If, by contrast, the direct beneficiaries of this spoil system will be investors who have the capital and skills to grow the economy, but may challenge incumbent power when they get enriched, then those investors will be denied of similar economic concessions. This means that crony capitalism is a function of two things: political support for incumbent authority and the achievement of high economic gains. Autocrats, nevertheless, tend to place more weight on the former than the latter when they evaluate economic opportunities.

To situate this argument in an empirical context, in this research I will focus on the real estate and tourism markets in Egypt, in which the ties between the Mubarak regime and crony capitalists were apparent but have not been explored by the prior literature. I will demonstrate how business cronies could acquire state-owned land in prime locations at knockdown prices, and get infrastructure facilities installed in time, in return for political support. This exchange, in the longer-term, has afforded residents of the Urban and Frontier governorates, where the greater part of private capital was invested, better opportunities to advance their share of collective consumption services, causing disparities in the development of infrastructure facilities across the governorates of Egypt.

On the effect of contentious politics, I argue that autocrats in hegemonic party systems will attempt to buy off aggrieved actors who have the capacity to instigate conflicts in pursuit of collective consumption services. Contentious politics, in the context of this study, follows McAdam et al. (2001) definition as "episodic, public collective interaction among makers of claims and their objects when (a) at least one government is a claimant, an object of claims, or a party to the claims and (b) the claims would, if realised, affect the interests of at least one of the claimants." (p. 4). In employing this definition, I disregard deliberately recurrent political events that cannot be described as episodic, such as presidential and/or parliamentary elections, even though both events may elicit contention. I rather focus on sporadic, contained and transgressive events of contention in which actors use either institutional or prohibited repertoires of contestation to force powerholders into attending to their claims (McAdam et al., 2001; Tilly, 1978). Events, as such, typically grow out of aggrieved actors' sense of despair in uncertain political and economic environments.

Aggrieved actors, faced by high threat of exclusion from the policy process and low opportunities for development, will have no genuine alternatives but to rely collectively on petitions, marches, demonstrations, riots, strikes, traffic blocking or sit-ins to express their communal grievance. The more unresponsive and repressive authoritarian governments are; the more compelled those actors will be to make their claims outside the boundaries of bureaucratic institutions (Alimi, 2015). The more organised and resourceful aggrieved actors are, the higher their capacity for contentious mobilisation will be, and the better the bargain they can strike with the state to accede to their demands for collective consumption services.

This capacity for contention is influenced by four structural factors: the degree of material deprivation and educational attainment among aggrieved actors; the spatial proximity of aggrieved actors to the seat of government; and whether they can demonstrate a history of activism in support of their capacity for coordinating collective acts of defensive mobilisation. The four factors combined, which I derive from the empirical analysis, are best seen as causal pathways that can determine the amount of funds channelled to an area to provision collective consumption services. Aggrieved actors who score highly on those measures will make better targets for the provision of such services. Autocrats, in doing so, will attempt to wean those aggrieved actors away from undertaking acts of contentious politics. Conversely, they will ignore the social demands of other geographies of weaker capacity for collective contention, irrespective of the available quality and quantity of collective consumption services provision in these areas.

In order to capture this argument in broad strokes, in the following chapters I will analyse the different approaches which the Mubarak regime adopted to deal with the welfare demands of Upper and Lower Egypt and the Urban governorates. Residents in the three regions widely differed in their interests and willingness to organise collective action in pursuit of collective consumption services. Accordingly, I will explain why the regime was unwilling to acquiesce to the demands of aggrieved constituencies in Upper Egypt who scored very low on measures of contentious politics. Conversely, it placed the demands of the Urban governorates on top of the policy agenda.

I will also clarify why the regime forged a degree of conciliation with the Lower Egyptians whose remarkable ability to engage in collective action played to their strengths.

The theoretical framework suggested in this research additionally sheds light on the institutional configurations necessary for authoritarian rulers to be able to pursue the aforementioned politicised resource allocation strategies. Autocrats need centralised and corporatist bureaucracies to effectively manage the demands of crony capitalists and buy off threat political consensus. This institutional structure, however, tends to perpetuate and reproduce, in the long term, existing cross-regional disparities in the provision of collective consumption services in autocracies.

In short, in this research I argue that the high capacity for contentious mobilisation, and crony capitalism above all tend to exert substantial influence on the amount of funds that hegemonic party systems will distribute to meet the demands of various spatial areas. In an Egyptian context, to combine both sides of this argument, I claim that the Mubarak regime devoted more public resources to the Urban and Frontier governorates where crony capitalists had vested economic interests, and actors could undertake collective action, notably in the Urban region. Conversely, Upper Egypt that was of low economic significance for the regime and the business elite, and where aggrieved actors had no experience of institutional forms of collective contention, had to clamour for the provision of basic collective consumption services. Lastly, the governorates of Lower Egypt that captured an adequate share of industrial product and where residents were organised around active labour unions and opposition parties, received moderate spending on the provision of those services. To pursue such distributional strategies, and be able to maintain a central grip on public resources, the Mubarak regime operated centralised and corporatist budgetary systems in which rent-seeking and regulatory capture practices were evident.

This theoretical argument builds on and fills the gap left by the literature on survival of authoritarian regimes, crony capitalism, regulatory capture, varieties of capitalism, power resources approach and social movements (e.g. Tilly, 1978; Stephens, 1979; Korpi, 1985; McAdam et al., 2001; Hall and Soskice, 2001; Haber 2002; Dal Bó, 2006; Hall and Thelen, 2009). Existing political economy and social policy accounts have largely focused on understanding the historical development of welfare measures across a variety of (mostly Western) countries, especially the introduction of social insurance schemes and cash benefits (e.g. Esping-Andersen, 1990; Pierson and Castles, 2006; Castles et al., 2010; Hay and Wincott, 2012). However, in doing so, scholars of social policy have paid little attention to the examination of what invokes discrepancies in the cross-regional distribution of public spending within the same country, my focus in this thesis. The present study, as such, will contribute to these existing sector- (industry-) specific political economy and social policy accounts, by adding a new spatial dimension to the analysis. It will explore the mechanisms at work across a wide array of instrumental intra-country cases, situated within the same political setting, which allows me to develop an empirically falsifiable explanatory theory of wider applicability to other cases of similar political and economic features.

The theoretical framework proposed in this research additionally adds to the existing scholarship on the political economy of development. The prevailing literature typically focuses on understanding the logic behind the introduction of urban-biased developmental policies in agricultural economies that seek to industrialise (e.g. Lipton 1977; Bates 1981). This research, by contrast, does not stop at the ‘urban versus rural’ dichotomy that is commonly entertained in this literature, but rather illuminates the reasons why policy makers similarly differentiate between various urban groups in the allocation of collective consumption services to consolidate political authority. This new focus, as such, makes a distinct contribution to this literature.

1.4 Case Selection: Why Egypt?

This research is a multimethod investigation into the mechanisms that drive spatial variation in public spending in hegemonic party systems. In order to unpack those mechanisms, Egypt will provide the empirical materials on which I will test and challenge the narrow focus of the distributive politics literature on vote buying, and rather advance new institutional, political and economic insights on the topic.

The examination of the Egyptian case will offer many opportunities to contribute to these theoretical discussions. In the context of the Middle East politics, Egypt, the largest country in the Arab world with a total population of 100 million citizens, is a case in point on how Arab autocrats rely heavily on public spending to maintain governance. Arab dictatorships for long have used the provision of public services to consolidate their power. They offer what is widely known in the academic literature as 'social pacts'; a form of social contract that repressive elites provide to their subjects in order for the latter to overlook the repressive practices of the former so long as material aid flows from those elites (Charron and Lapuente, 2011; Dilek, 2015).

Social pacts typically encompass the provision of a wide range of welfare and public services including; food and energy subsidies, free education and healthcare services, subsidised infrastructural facilities, social housing and/or guaranteed public employment. Arab autocrats, by extending those social pacts to a broader section of their population, managed to cultivate dependence among a variety of intersecting societal groups and to "incorporate interests, absorb oppositions, co-opt competitors, build flexible coalitions, articulate cross-cutting and seemingly inconsistent policies, reconstitute privileged social networks" (Heydemann, 2007, p. 35). The clienteles of those authoritarian regimes have become dependent on state-financed social policies to provide for their basic necessities, which severely undermined the collective capacity of citizens for contention if they were to mobilise against their dictators.

Populist social pacts are typically evident in the wealthy states of the Persian Gulf that are widely known as rentier economies. The economy of these oil-producing countries, according to El-Beblawi and Luciani (1987), share three essential features (1) rent in those states is not the only source of income in the economy, yet it prevails; (2) the origin of this rent is external to the economy; (3) a minority in the population is involved only in the distribution of this rent (p. 12). Arab rulers in such rentier states attempted to maximise their utility function by using rents from oil production to finance the provision of far-reaching public services. In so doing, they claimed a social contract under which they asserted their right to serve on behalf of the people.

However, many of the Arab non-oil authoritarian regimes, could not perform the functions of a rentier state and afford the cost of providing broad social contracts. It was the case in Egypt under Mubarak, Tunisia under Ben Ali and Syria under El Assad where long-held social pacts were dismantled in light of the financial hardships those countries underwent over the past few decades. These non-oil authoritarian regimes, compared to their neighbouring Gulf states, have access to limited domestic resources, and therefore could not finance a comprehensive provision of collective consumption services. El Beblawi and Luciani (1987, p. 132) make this distinction between allocation and production Arab states in their explanations of the main pillars of rentier economies. Whereas the former has enough wealth to buy off political consensus through the extension of broad social pacts to the public, the latter, for financial reasons, conversely limits this provision to a select few (ibid).

These authoritarian regimes, faced with budget constraints, focused mainly on accommodating the demands of a selected coterie of Politically Relevant Elites (PRE) whose support was necessary for the sustainability of their governance. PRE, a term advanced by Perthes (2004), typically encompass "people who wield political influence and power in that they make strategic decisions or participate in the decision-making on a national level, contribute to defining political norms and values, and directly influence political discourse on strategic issues" (p. 5). Bureaucrats, political leaders, international actors and/or influential members of labour unions, syndicates and civil societies associations are among the examples for PRE.

By accommodating the demands of PRE, Arab autocrats endeavoured to co-opt the most heterogeneous voices in their societies whose discontent could pose the biggest threat to the persistence of their power. Knowing that "no durable regime can rule by repression alone" (Miller, 2015a, p. 696), they used the geographic targeting of public spending to strengthen their support base, deter spatial forms of contentious mobilisation and earn political legitimacy. However, in doing so, they caused violent protests to break out, demanding the overthrow of tyrant systems that fostered a culture of social injustice. The cost of undertaking contentious collective action, in that respect, and the benefits attached to it, outweighed the status quo at the time of the uprisings.

In light of this, the case of Mubarak's Egypt is representative of many non-oil Arab dictatorships, in which rulers used public spending as a political tool to exert hegemonic control over polity. Importantly, the insufficiency of domestic resources in Egypt to finance a universal coverage for collective consumption services allows me to unravel the various economic and political tradeoffs that authoritarian rulers, faced with budget constraints, typically encounter when they decide on where to allocate scarce public resources to finance the provision of these services. For that reason, I particularly focus on the Mubarak era that witnessed the dismantling of Nasser's long held social contract. Compared to President Gamal Abdel Nasser who created an authoritarian system based on a combination of despotism and rentierism in the 1950, and President Anwar El-Sadat who maintained Nasser's social policies in the 1970s, Mubarak rather reduced public spending on the provision of collective consumption services, and was selective in the geographic allocation of these services.

The examination of the Egyptian case, as such, sheds new light on the literature on Arab authoritarianisms. The prior literature has mainly focused on understanding the links between the extension of national social contracts and autocratic resilience (*see* El Beblawi and Luciani, 1987; Larbi 2016; Hertog, 2017; Diwan, 2017). None to my knowledge has examined the topic from a sub-national perspective to explore how intra-country geographic variation in public spending can result in growing levels of popular discontent among various societal groups. This study, by contrast, does not stop at the prevailing academic and policy debates on how the recent neo-liberal economic policies in the MENA region, and the breaking down of the social contracts between Arab autocrats and the public, caused the outbreak of the 'Arab Spring'. Rather, it examines the different spatial forms that those social contracts have taken in an Arab authoritarian state and how they were designed to consolidate incumbent power.

Beyond the Middle East context, the theoretical insights brought by the Egyptian case can also travel to other cases of East Asia's and Latin America's autocracies. Egypt makes a case in point for a hegemonic party system whose examination can offer numerous parallels with other electoral authoritarian regimes. Mubarak ruled Egypt for thirty years with the aid of one dominant party in power, the National Democratic Party (NDP), in the presence of multi-party parliamentary cosmetic elections. Therefore, the hegemonic authoritarian system that existed in his era represents one of the most common forms of autocracies in the world (Magaloni, 2006). Hegemonic party systems, according to Magaloni and Wallace (2008), made up 22.8 per cent of total dictatorships between 1950 and 2000. By comparison, monarchies and military dictatorships constituted 9.7 and 14.3 per cent of total autocracies over the same period.

The case of Mubarak's Egypt, in this context, bears interesting similarities with other comparative touchstones such as the cases of Mexico under PRI and the case of Indonesia under Suharto. The two cases similarly exhibit hegemonic party autocracies of politically driven resource allocation system, comparable to the one existed in Egypt under Mubarak (Magaloni, 2006; Berenschot, 2018). Nevertheless, the empirical evidence collected on the Egyptian case does not conform to all existing electoral theories informed by the prevailing distributive politics literature on Latin America's and East Asia's authoritarian regimes. In fact, some of the results adduced from this empirical investigation, as I will demonstrate in the following chapters, challenge several mainstream constructs. This divergence allows for an intriguing and compelling theoretical comparison between Egypt and other hegemonic party systems. In the subsequent chapters, I intend to highlight those contrasts where existing arguments can be substantiated, and where I challenge dominant distributive politics theories.

1.5 The Dependent Variable

The present study, as noted earlier, challenges the narrow electoral focus of the distributive politics literature to answer the important question of 'who gets what' and unpacks the politics of it. In this literature, the transfer of public resources to identifiable groups or localities aims to meet one of two goals; functional or tactical. On the one hand, a functional distributional approach seeks to maximise public welfare and individual opportunity at large by meeting the demands of lagging areas. This social politically insensitive distributional tactic is typically informed by a number of indicators that account for population size and poverty figures at the local level. Tactical distribution, on the other hand, is rather guided by ad hoc political and economic directives that take no account of the social needs of constituencies, but the political interests of policy makers (Herron and Theodos, 2004; Gordin, 2006). This research is concerned primarily with the provision of collective consumption services that are more fit for tactical allocation purposes.

It is therefore important to differentiate between two types goods and services that authoritarian regimes largely provide to the public; programmatic and localised. The key difference between these two categories is whether their provision is rule-based or policy makers rather enjoy unfettered discretion over the decision on how and where to allocate funds for the distribution of those goods and services. Programmatic goods and services are typically offered to a large group of citizens irrespective of their political affiliations or geographic locations. Social securities and pensions, for instance, normally fall under this classification for being entitlement-driven, and as such, policy makers tend to exert limited influence on their spatial distribution (in some non-democratic systems, there is a room for sector-specific bias in the provision of those transfers, usually in favour of members of the army and police, as has been the case in Egypt since 1950s).

By comparison, the provision of water and sanitation services are forms of localised collective consumption services that political elites enjoy considerable discretion over their allocation. These services are widely known as *pork-barrel* in the distributive politics literature on democratic systems (Golden and Min, 2013). In an authoritarian setting, localised collective consumption services are often provided to a few districts that enjoy disproportionate material benefits. It is especially the case in authoritarian states with limited institutional capacity and domestic resources to allow a universal coverage of these services.

Lastly, other goods and services can follow either of the two categorisations, depending on the basis on which beneficiaries are selected. For instance, the provision of government jobs is considered political patronage if recipients are chosen according to their political affiliation. Conversely, if those jobs are created with a Keynesian macroeconomic objective that serve to reduce high national unemployment levels in a given country, irrespective of the political affiliation of beneficiaries, then the provision of these jobs will fall under the categorisation of programmatic goods and services (Golden and Min, 2013).

In light of these classifications, the study of favouritism in the geographic targeting of government goods and services compels researchers to examine localised collective consumption services whose allocation do not follow rule-based formulas. As such, the analysis herein focuses primarily on the cross-regional distribution of public investment in local infrastructure in Mubarak's Egypt. This policy domain, in specific, was guided by opaque allocative mechanisms, in which rent-seeking practices were evident. Accordingly, the examination of this policy area is well-suited to the theoretical debates under discussion. In fact, the discretion that policy makers tend to enjoy in the geographic distribution of infrastructure investment is widely acknowledged in the academic literature. As Castells and Solé-Ollé (2005) explain "It is by far easier to reallocate road funds from one region to another than it is to carry out the same redistribution through public employment or consumption" (p.1). In this research, I will explain how this redistribution can contribute to the persistence of authoritarian governance.

The choice of this policy domain additionally makes a distinct empirical contribution to the literature. There is limited research to date on what invoked spatial discrepancies in public investment in local infrastructure in Egypt. Hence, by exploring the causes of this variation, this research engages with a very important empirical question. In doing so, it collects and introduces original data on a policy domain that not only has not been previously analysed, but also not widely accessible to researchers. This process should add to the meagre academic literature on the topic within and beyond the Middle East context.

1.6 Research Design

This study, as discussed earlier, adopts a case study research strategy to investigate the mechanisms that drive spatial variation in public spending in hegemonic party systems. Even though the main motivation behind the research enquiry is the welfare consequences that may stem from an inequitable distribution of resources, the primary concern of this study is not those welfare outcomes but rather the primary factors that underlie the variation in the cross-regional distribution of public spending in those electoral authoritarian systems.

To verify the relevance of the dominant electoral theories in the prevailing academic literature[9], that I briefly discussed in section 1.2, to the Egyptian case under investigation, this research starts with a preliminary quantitative analysis. In this analysis, I attempt to quantify the effect of

[9] I refer here to the theoretical models advanced by Magaloni (2008); Blaydes (2011); Wallace (2014) and Stokes (2007)

parliamentary elections in Mubarak's Egypt on the provision of infrastructure services. The undertaken analysis, however, as I will demonstrate in chapter 5, shows that the outcomes of parliamentary elections cannot fully explain the variation in public spending on their own. It rather calls into question the validity of those theoretical arguments. Instead, I identify other important factors that are more central to understanding the causes of infrastructure disparities in Egypt in the Mubarak era.

To address the gap between theories and the empirical evidence, the preliminary quantitative analysis was followed by Model-building Small-N Analysis (Mb-SNA) to make within case empirical inference (Liberman, 2005). This SNA draws on evidence generated from process tracing. Over two years, I conducted 50 elite interviews with policy actors and researchers, with differing ideological backgrounds, who were involved in the formulation and execution of the state budget throughout the period from 1982 to 2010. Furthermore, I augmented the interview data with statistical information, collected from the ministries of Finance, Planning, Tourism, Housing and Investment as well as other independent research centres. The empirical material was additionally complemented with minutes of parliamentary discussions on state budget during the period in question. The large amount of evidence adduced from the data collection process was coded and analysed using thematic analysis techniques, which I present their findings in the following chapters.

1.7 Thesis Outline

The rest of this study is structured as follows. Chapter 2 will explore existing scholarship on authoritarian regimes survival, with a focus on electoral clientelism and patronage politics. It will additionally introduce the theoretical model underlying the research project.

Chapter 3 will discuss the main methods of data analysis. It will explain how a set of systematic and non-systematic factors contributing to the outcomes under-investigation were unveiled using a nested analysis approach. This approach has encompassed the use of both quantitative and qualitative methods. In this chapter, I will clarify how the operationalisation of the research strategy was decided on to fulfil its purpose. Issues related to coding, research validity, reliability, sampling and limitations will also be dealt with in this chapter.

Chapter 4 will deconstruct the different institutional arrangements that guided the allocation of public spending in Mubarak's Egypt. In this contextual chapter I will argue that the operation of hierarchical and corporatist systems of resource allocation resulted in inefficient central bureaucracy in Egypt and a dysfunctional system of local administration. To substantiate this argument, evidence derived from elite interviews and state budget data will be used to answer the questions of: 'how did planning and budget institutions in Egypt work? Who were the main actors and stakeholders involved in the budget allocation process? And why did the outcomes of the allocation process lead to fiscal inefficiencies and horizontal inequity across localities?' In answering these questions, this chapter will provide insights into the interaction between institutions and politics, and how both of them can exert substantial influence on major allocation decisions.

Chapter 5, through the use of quantitative methods, will test the relevance of dominant electoral narratives to the Egyptian case. In this chapter, I will present the results for regression models that quantify the effect of the 1984, 1990, 2000 and 2005 parliamentary elections on the provision of infrastructural services. Additionally, I will advance alternative empirical explanations, beyond electoral politics, for understanding patterns of variation in public spending across the governorates of Egypt under Mubarak.

Chapter 6 will take on a different dimension to the analysis, in which I will depict the economic side of the story. The argument in this chapter will shed light on the positive value that the Mubarak regime attributed to economic growth to attain legitimacy. The chapter's analysis will focus on the real estate and tourism sectors in Egypt from 1982 to 2010. It will explore how Mubarak's economic policies that conferred considerable emphasis on the interests of capitalist oligarchy reshaped the geography of public resources distribution in favour of a few Urban and Frontier governorates where the business elites invested the greater part of their capital.

Chapter 7 will draw on the contentious politics literature to argue that the collective mobilisation capacity of governorates contributed to their ability to attract more funds from the central government. In this chapter, I will demonstrate how residents of Upper and Lower Egypt and the Urban governorates differed in the relative value they assigned to collective consumption services, which profoundly impacted the repertoires of contention they adopted to express their communal demands. This, in turn, affected the willingness of the Mubarak state to concede to or neglect the demands of the three regions. In so doing, this chapter will provide answer to the queries of 'why contentious politics yielded great benefits to the Urban governorates and some advantages to Lower Egypt while it only brought despair to Upper Egypt?'

In the conclusion, key insights from exploring the Egyptian case will be synthesised to situate the research findings within the broader academic literature. Existing theoretical constructs will be re-visited to evaluate convergence and divergence of the Egyptian case from the mainstream comparative accounts. Following on, new parameters to study distributive politics in non-democracies will be suggested. Paths that could not be explored through the course of this study, and untapped areas, will also be pinpointed.

2

Literature Review and Theoretical Framework

Distributive politics is a burgeoning academic subfield with a massive literature on the motives and tactics of resource allocation in autocracies as well as democracies. For many years, however, most of this literature focused mainly on modelling and analysing the relationship between the outcomes of legislative elections and the geographic allocation of concentrated public goods in authoritarian regimes. In so doing, scholars of distributive politics largely neglected the relevance of other intricate factors, apart from elections, that can bring about spatial variation in public spending. Therefore, in this chapter, I argue that we need to recast the analytic problem by examining the relationship between distributive politics and authoritarian regime resilience, rather than limiting the analysis within the domain of electoral patronage politics. This, in turn, will enable us to treat the shortcomings of current theories on distributive politics and capture a comprehensive understanding of the topic.

To this end, in this chapter I will develop an alternative theoretical framework that goes beyond the narrow electoral focus of the distributive politics literature on vote buying to explain the outcomes of the cross-regional distribution of public spending in hegemonic party systems. This framework will establish two necessary conditions for authoritarian regimes to achieve political consolidation; *the attainment of positive economic growth to earn political legitimacy* and *the preclusion of threats for contentious collective action.* For both conditions to be fulfilled, autocrats will establish *centralised and corporatist budget institutions of weak governance* that could allow them to pursue non-programmatic distributional strategies and buy off political consensus.

The first condition for the maintenance of authoritarian regimes sheds light on the importance of economic growth for autocrats to finance long-held social entitlements and appease powerful interests. However, given the insufficiency of tax revenues to glean, those regimes will not be able to perform key patronage functions unless they create an incentive structure for capital owners to invest and grow the economy. In so doing, they will build networks of crony capitalists who can support the state in formulating and implementing its public policies. Nevertheless, they will grant economic opportunities only to those who have strong political clout, rather than those who have the skills or assets to invest. In return, economic and political rent will be expropriated from enterprises that take part in crony deals with the state, which in the longer-term should guarantee acquiescence to authoritarianism as I will demonstrate in this chapter. Crony deals, in the context of the present study, take the form of higher allocations for infrastructure development in areas associated with prominent businessmen. The amount of funds channelled to finance the installation of those services will depend on the value of political services, which politically connected elites can provide to the regime to enhance its longevity.

Along the same lines, in this chapter I will make a case for the effect of contentious politics on the spatial distribution of public resources. Here, I will focus on four structural factors that can influence the capacity of aggrieved actors to mobilise in the pursuit of collective consumption services, namely; their degree of material deprivation and educational attainment, the spatial proximity of aggrieved actors to the seat of government, and whether they can demonstrate a history of collective activism in support of their capacity for contestation. The four factors combined are best seen as causal pathways that have the effect of determining the amount of public resources channelled to an area. Actors who score highly on those measures of contentious politics, can strike better bargains with the state and force autocrats into acceding to their demands for collective consumption services. Conversely, actors who are incapacitated to pursue one communal interest will receive fewer resources and enjoy less benefits.

The presence of centralised and corporatist bureaucracies, in this theoretical framework, is a necessary precondition for autocrats to pursue such politicised resource allocation strategies. Authoritarian rulers in hegemonic party systems need exclusionary and informal budgetary institutions of weak governance in order to maintain a strong grip on central material resources, and be able to extend elite benefits. This institutional structure will take no account of prevailing equity concerns in the allocation of public resources. Rather, it will foster rent-seeking behaviour in the distribution of public finance in an attempt to maximise the wealth of autocrats and prolong their governance. This in turn will perpetuate existing disparities in the provision of collective consumption services across localities in hegemonic party autocracies.

To proceed, this chapter is divided into three main sections. In the first section, I will explore existing scholarship on distributive politics in authoritarian regimes, with a focus on clientelism and electoral patronage politics. Thereafter, in section 2.2 I will propose a new theoretical framework to study the phenomenon of interest from a different non-electoral perspective. This theoretical framework, as noted in the previous chapter, will build on and complement massive literatures on strategies of authoritarian survival and the political economy of social policy. Lastly, I will conclude with a summary of the main argument that constitutes the terrain of my empirical analysis.

2.1 Legislative Elections, Clientelism and Autocratic Resilience

The question of how dictators maintain their grip on power has long been addressed in the academic and policy debates. While repression used to be a classic answer to this question, it turns out as not being enough since citizens can feign loyalty when they are about to revolt. Goemans et al. (2009) counted, between 1946 and 2004, 226 dictators out of 427 leaving power through regular means, compared to 201 leaving power through an irregular exit. Similarly, Svolik (2012) established that, between 1945 and 2002, some 113 dictators out of 339 left power through violent means whereas 226 dictators left power through peaceful tactics. Iran's Black Friday in September 1978 presents a case in point on how security forces could not contain mass uprisings in the aftermath of killing hundreds of anti-Shah protesters, causing an end to the Shah's reign in January 1979. These examples indicate that some sort of bargain between the ruler and society ought to be present in order to maintain authoritarian forms of governances. Otherwise, autocrats would be staking their legitimacy solely on repression, which can trigger popular discontent, international sanctions or aid conditionality (Escribà-Folch, 2013).

This need for public support is even more pressing in electoral authoritarian regimes such as Egypt, Algeria, Jordan, Pakistan or China. Authoritarian regimes, in response to international pressures, establish pseudo-democratic institutions that can project an image of electoral legitimacy. By virtue of adopting democratic rituals, these institutions make electoral authoritarianism politically more open, as compared to personalist, military or single party autocracies. They are also relatively tolerant of organised opposition groups, such as political parties, labour unions and civil society associations (Miller, 2015). It is therefore no wonder that hegemonic party regimes which make up 22.8 per cent of total dictatorships, between 1950 and 2000, witnessed the highest rate of riots and demonstrations among autocracies (Magaloni and Wallace, 2008). This means that unless autocrats in electoral authoritarian regimes signal the futility of the opposition groups to mount a real challenge against the ruling party, it becomes very difficult for them to maintain stability and status quo.

Therefore, having a threshold of legislative support is of a paramount importance for autocrats to bolster their electoral legitimacy without having to run the risk of democratic uncertainty (Schedler, 2002). De Mesquita (2002) defines this threshold as 'selectorate'; the most influential elites whom autocrats must win over through the extension of material and organisational benefits. For that reason, authoritarian legislatures make an expedient institutional forum that can serve a variety of purposes. Configured to be corporatist avenues, authoritarian legislatures can bind the demands of autocrats and selectorate so as not to be revealed as acts of resistance, hammer out compromises without undue public scrutiny and dress resulting agreements in a legalistic form (Ghandi and Przeworski, 2007, p. 1282).

Authoritarian elections are also important tools for collecting information (Miller, 2014; Malesky, and Schuler 2010). Acting as apparatuses of local surveillance, legislative elections can enable autocrats to identify those areas which support the regime party and areas of support for the opposition. This information can ascertain the level of public support that autocrats have across localities. Furthermore, it helps the authoritarian regime to identify cadres who are publicly accepted in order to co-opt them into the ruling party. Autocrats, through legislative elections, can also come to grips with issues of public concern and figure out potential cleavages that may threaten the stability of status quo. For instance, greater opposition at the ballot box conveys discontent with the policy-making process. Similarly, local variation in voter turnout rates and elections results warns for political upheavals.

In light of this context, scholars of distributive politics, such as Lust-Okar (2006); Pepinsky (2007); Blaydes (2011); Fox (2011); Higlers (2011); Stokes et al. (2013), among others, have repeatedly suggested a link between results of legislative elections in authoritarian regimes and the allocation of public spending. At the heart of this relationship lies electoral clientelism and patronage politics. Clientelism, in that vein, can be defined as complex, informal and interpersonal mode of electoral exchange that is sustained through a series of mutually beneficial and reciprocal transactions (Roniger and Güneş-Ayata, 1994). Patrons (candidates), on the one hand, promise access to concentrated material benefits, whereas clients (voters), on the other hand, promise electoral support. Simply put by Graham (1997), "take there, and give here". Clientelistic relationships, accordingly, require the trust of one party that the other would keep their promises, while iteration and repeated interactions in the longer term would enable the two parties to assess and predict the reliability of the other group, and whether they can be trusted (Hicken, 2011; Stokes, 2005). These transactions, in fact, reflect the differential control of societal groups over scarce public resources.

Clientelistic relations normally take one of two forms; either direct or indirect. Whereas direct clientelism involves face-to-face interactions, local brokers can also mediate indirect electoral exchanges between clients and patrons (Hicken, 2011; Stokes et al., 2013). These brokers, who are chosen based on the depth of their connections and influence in local communities, play an important role in crafting and marketing terms of the different clientelistic exchanges. They can be government officials, respected businessmen, or a group of local notables (Hicken, 2011). Within the larger socio-political context, clientelism is argued to dominate the political arena when the patron-client relationship extends at the national, regional and local levels of society. At each level, lower-level patrons will act as clients of other higher-level patrons who typically enjoy higher access to scarce public resources (Kassem, 1999, p. 12)

Under conditions of resource scarcity and power asymmetry, clientelism has been argued to drive the spatial allocation of public spending in autocracies (cf. Blaydes, 2011; Fox, 2011; Stokes et al., 2013). While election candidates have an incentive to win legislative seats and access inner elitist circles, the majority of voters, are less interested in policy debates in authoritarian legislatures devoid of representative authority (Lust-Okar, 2009). They are rather concerned with the ability of those candidates to deliver tangible benefits to their constituencies. These benefits may take the form of non-conditional benefits to individuals,[10] 'pork barrel politics'[11] or votes/turnout buying.[12]

This is typically the case in candidate-centred electoral systems where the decisive factor for voters to make a choice is not party ideology, but rather how benefits are distributed among networks of supporters. In those systems, members of the same party often compete over the same parliamentary seats as independent candidates. Therefore, they have to appeal to their clientele on some basis other than party reputation to win the elections (Shugart and Haggard, 2001, p. 87).

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[10] Non-conditional distribution of benefits is a form of politicised resource allocation that is pursued when the main intent is to generate goodwill among the recipients of benefits without imposing any conditions to enforce compliance with the terms of the electoral exchange. Recipients of these benefits usually enjoy a great deal of autonomy in making their political choices, knowing that they can vote according to their conscience and face no sanctions if they defect (Stokes et al., 2013).

[11] Pork barrel politics entails the allocation of public resources to geographic constituencies of potential political support with no guarantee that the targeted areas will actually support their benefactors (Stokes et al., 2013).

[12] Votes and turnout buying are two forms of clientelistic exchange that take place when voters are bribed to turn out and vote for the benefactor. However, unlike the non-conditional distribution of benefits, clients suffer punishment if they choose a party or a candidate other than that of their patrons (Nichter, 2008).

This leads them to extend material benefits to voters in order to win the counting instead of campaigning for addressing national policy issues.

In developing countries, the scarcity of public resources leads poor groups to favour clientelism over institutional channels of public resources allocation in order to overcome any unpredictable problem that may occur in such insecure political systems (Hilgers, 2011). This, in turn, allows autocrats to manipulate access to public goods in a way that would prolong their governance (Slater et al., 2014). Therefore, it is often asserted that "the more authoritarian leaders allow political competition, the more redistributive clientelism becomes and the less authoritarian leaders are able to back their clientelistic bargains with credible threats of coercion, the more power clients gain vis-à-vis their patrons" (Hilgers, 2012, p. 12-13). The relationship between clients and patrons, as such, is mainly determined by the influence each group can exert on the distribution of public resources.

The way clientelism tends to influence the distribution of targetable goods is highly contingent upon the prevailing political environment and the governance structure in place. As Fox (2011) identifies in her account of public spending in Latin America, electoral clientelism takes multifaceted forms at the macro-, meso- and micro-levels of policy, each contributes to the maintenance of political order. Table 2.1 shows that, at the macro level, a systematic use of the budget cycle can tie the provision of welfare programs to one party in order for incumbents to garner support in return for access to social benefits. Likewise, at the meso-level, autocrats can associate the outreach of social programmes with allegiance to a select of partisan operatives in order to induce loyalty in some electoral geographies. Accessibility to welfare benefits, at the micro, a.k.a. the individual level, can also be designed to be conditional on partisan affiliation

Table 2.1 **Political Use of Social Programmes**

Impact of Politicisation	**Macro (national)**	**Meso (subnational region)**	**Micro (individual)**
National	Systematic electoral use of budgeting and/or media to induce political support for party associated with programme	Social programmes with national coverage systematically favour or target partisan constituencies	Individual access to programmes widely perceived to be biased by partisanship
Regional	Intensive budgetary and/or media targeting of specific regions and constituencies	Subnational politicisation: Access to social programmes is conditioned on political loyalty within specific regions or states	Partisan organisations control individual level access to government programmes
Local	Highly localised partisan publicity linked to programme at citizen interface (e.g., at agency offices)	Retail delivery of programme benefits controlled by partisan operatives in specific regions	Without coordination, local government officials take their own initiative to condition programme access on loyalty

Source: Fox (2011, p. 206)

The architecture of this clientelistic system makes autocracies more resilient, despite the presence of organised opposition groups that are granted the right to participate in legislative elections. When autocrats have ultimate control over public resources, legislative elections function as institutional forums for intra-elite competition, rather than a competition between opposition groups and a dominant party. On the contrary, some opposition groups are actually tempted to form alliances with powerholders and accept the patronage of autocrats to access central resources, and win the elections (Kassem, 1999). However, in so doing, these ‘co-opted’ opposition groups are compelled not to disrupt the general peace of autocracies and to accept existing political hierarchies. The political interests of those groups, in the long term, become aligned with those of the autocrats instead of other subversive political parties, and therefore they represent no political threat to autocrats' governance. This is one of the differentiating factors between corporatist dictatorships and pluralist systems of governance. On the one hand, integrative democracy guarantees the autonomy of participation and the incorporation of different political views and ideologies. Corporatism, on the other hand, creates a discriminative system of interest intermediation to negotiate policy. As a result, resources end up being diffused among interest groups and coalitions of powerholders.

To favour some provinces over others with the allocation of benefits is, in fact, a common feature in most electoral authoritarianisms as well as democracies. The distribution of government grants across US constituencies, for instance, was found to be a factor of their local political productivity, a measure of "electoral votes per capita, the variability in the vote share of the incumbent government in past elections and the predicted closeness of the presidential elections" (Johansson, 2003, p. 884). In terms of autocracies, similar allocation patterns were evident in Mexico, where disbursement of the PRONASOL poverty alleviation programme's funds, under Partido Revolucionario Institucional (PRI), was contingent on election results (Magaloni, 2006). Likewise, in Sub-Saharan Africa, the provision of social programmes was subject to the ethnic and lingual characteristics of the receiving citizenry and the ties they could make with parliamentary representatives (Olivier de Sardan, 1999).

Irrespective of the underlying political setting, the question remains as to whom should public resources be targeted with concentrated benefits, and what resources should be deployed to meet the demands of end beneficiaries. In answering these questions, scholars of distributive politics have typically divided voters into three distinct groups: core support groups, "who have consistently supported a candidate in the past and to whom he looks for support in the future"; swing voters, "who have been neither consistently supportive nor consistently hostile"; and the opposition, who are believed to be highly unresponsive (Cox and McCubbins, 1986, p. 376). Targeting one of the three groups with the allocation of material benefits is typically subject to how much risk election candidates are willing to take. Commonly, risk-averse contenders will invest in core supporters whose electoral behaviour is the most predictable. Conversely, risk-acceptant candidates may invest in swing voters to yield higher electoral returns if they decide to vote for their benefactors (Hiken, 2011).

Political machines additionally account for other administrative considerations when they decide on where to pour more funds on the eve of parliamentary elections. According to Dixit and Londregan (1998), if political parties are equally capable of levying taxes across constituencies, but tend to be more efficient in allocating benefits to areas of core supporters, then they should target this group while taxing the opposition. If, however, this ability differs across geographies, election candidates may therefore target marginal voters and low-income groups who are indifferent about the ideological programs of the competing parties, but rather keen on the receipt of redistributive benefits.

At the central level, autocrats may also pursue one of two distributional strategies based on the results of parliamentary elections. They can punish areas supportive of the opposition by denying them the necessary funds to provide collective consumption services (Magaloni, 2008; Blaydes, 2011). By adopting such a coercive resource allocation strategy, autocrats aim to undermine the mobilisation capacity of dissidents whose livelihoods depend on the provision of these services. Alternatively, autocrats can try to win over areas affiliated with the opposition by increasing their share of collective consumption services; an approach that is commonly known in the distributive politics literature as a 'squeaky wheel' allocative strategy (Wallace 2014).

Despite these widely held views on elections as the key driving force behind spatial variation in public spending, concentrating solely on parliamentary election results and turnout rates to fully account for the causes of regional disparities seems less germane in situations of political apathy. Parliamentary elections in hegemonic party systems, as noted in the previous chapter, are typically subject to authoritarian intervention. While autocrats need to win the counting to signal the futility of mounting a challenge against them to dissidents, there is no need for such autocrats to spend heavily on the provision of collective consumption services to achieve this purpose. They can alternatively employ a variety of electoral manipulation tactics to prevent opposition groups from getting on ballot, or in other cases revoke the elections all together if polls show sign of incumbent defeat (Bölme, 2015). The use of these cost-efficient strategies cast doubt on the claims advanced by scholars of distributive politics that parliamentary elections exert substantial impact on the cross-regional distribution of public spending in hegemonic party systems.

Egypt is no exception to this argument. The majority of voters paid little attention to the workings of parliamentary elections in the Mubarak era that were subject to electoral fraud and manipulation (Brownlee, 2007). That is why voter turnout rates for the 2000 and the 2005 legislative elections, the most contested elections under Mubarak, did not exceed 28 per cent, on average, whereas politics in governorates with high turnout rates was dominated by a group of local notables, and largely conducted through clan and lineage networks. Nonvoting in those governorates was thought to be an offensive act that could provoke social problems. Moreover, despite the almost equal share of vote cast for the opposition in Lower Egypt and the Urban governorates in the 2000 and 2005 elections, these two regions captured substantially different shares of public spending in the subsequent time periods, as noted in Chapter 1. This means that neither voter turnout nor elections results can fully explain the spatial variation in public spending in Egypt on their own, but rather other non-electoral factors.

Additionally, it is worth noting that opposition groups in Egypt boycotted the 1990 elections and only held 14 out of 454 seats in the 1995 elections. In the 2000 parliamentary elections, two thirds of MPs were replaced; a total of 329 parliamentarians, and most of them were later incorporated into the National Democratic Party (NDP) (AbdelNasser, 2004, p. 121). In other words, the fear of losing legislative seats to the opposition was not a primary concern to the Mubarak regime that would necessitate the mitigation of this risk through the provision of collective consumption services. The regime always managed to co-opt winners from outside the NDP into its party. Besides, the regime had the above-mentioned menu of electoral manipulation to win legislative elections through intimidation, appointing voters to government jobs or rigging the elections count all together. The aforementioned tools of electoral fraud happened to be more cost efficient in a country where resources are scarce and poverty rates amounted to 25.5 per cent in 2010. This calls our attention to other dynamics that could be of greater relevance for the maintenance of authoritarian systems beyond the effect of electoral politics.

In other words, the tendency of distributive politics scholars to focus exclusively on the promises made on the eve of legislative elections to understand how resources are spatially allocated to maintain governance is very limited. If the main intent is the consolidation of political power, elections are just one means to that end. Other non-electoral strategies of survival can be exploited for the same purpose, and may, in turn, affect the way public spending is allocated across localities.

That said, I do not discount the relevance of clientelism to the understanding of distributive politics in hegemonic party systems. Yet, I point to the shortcomings of this conceptual framework in fully accounting for the broader picture.

2.3 Theoretical Framework

In this dissertation, I develop an alternative theoretical framework that attempts to explain spatial variation in public spending through the lens of authoritarian strategies of survival. By mechanism, I mean entities and activities of a causal process that engage in causing a change, on their own or in conjunction with other entities (cf. Hedström 2005, p. 28). This change is contingent on the properties of the participating entities and the way they are structured spatially and temporally. The suggested mechanism does not provide an exhaustive explanation for all the elements that might have contributed to an outcome of regional disparity in the allocation of collective consumption services. Yet, it captures the crucial elements of the underlying logic that stood against the materialisation of a counterfactual state of programmatic allocation that is rationed by social needs and concerns for equality. In so doing, the mechanism adduced here dismisses the irrelevant factors that minimally affected the outcome under examination, and mostly focuses on teasing apart the multiple crucial elements and recurrent sequences that brought about a spatial change in public spending in hegemonic party systems. This is, however, the most challenging task, since crucial elements tend to concatenate with one another in the making of the final outcome.

The alternative explanation developed in this study, as reflected in Figure 2.1, suggests an overarching goal of '**Political Consolidation**' as the main motive behind the operation of state apparatuses in hegemonic party autocracies. Political consolidation, in this research refers to the ability of authoritarian rulers to eliminate all major sources of contestation and improve the way through which they govern a society (Levitsky and way, 2002). To realise this goal, two background conditions have to be fulfilled through a non-programmatic allocation of collective consumption services in corporatist and centralist institutional systems:

1. Performance legitimacy has to be attained through the achievement of positive economic growth.
2. Threats for contentious collective action should be precluded.

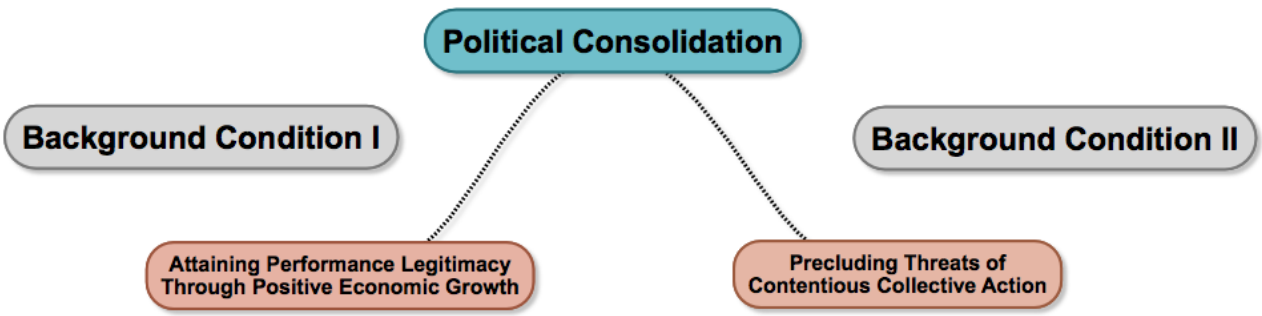

Figure 2.1: Author's Figure – Necessary Conditions to Achieve Authoritarian Consolidation

2.3.1 Attaining performance legitimacy

The first condition required to achieve political consolidation assumes the centrality of attaining a certain level of legitimacy to maintain autocracies. Lipset (1959, p. 86), in that respect, defines legitimacy as "the capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate or proper ones for the society". Even though legitimacy is of a multi-dimensional nature, I focus here on performance legitimacy, which is of more importance in authoritarian regimes than electoral legitimacy. While the former is normally claimed when autocrats receive public support in response to economic growth, electoral legitimacy is rather attained through the adoption of democratic rituals that can justify political authority. Relying solely on one of the two sources, however, has been proven to be risky, especially when electoral outcomes fall short of adhering to democratic ideals. This was the case in Post-Soviet Eurasia where the outcomes of parliamentary elections, in the absence of economic growth, rendered the regime unable to deliver on its policy promises (Martin et al., 2016).

Similar to democracies where politicians have enough incentives to produce positive economic outcomes and meet the demands of median voters, autocracies need economic growth in order to convince citizens of their political, economic and nationalist mandates. Benjamin Friedman (2005, p. 86) explains this as rapid economic growth motivates people to benchmark their well-being against the past and feel satisfied with their political system. Conversely, slow growing economies, combined with a retreat from generosity in social policy, motivate people to compare themselves to others and see public spending as a zero-sum game. The frustration which may result out of this comparison often generates intolerance, mistrust and in some cases the rise of social movements. Being aware of the political consequences of slow economic growth in authoritarian systems, rulers of many of the Gulf countries, which El Beblawi and Luciano (1987) refer to as 'rentier states', distribute wealth among citizens to buy off political consensus. They recognise the importance of this distribution to induce political loyalty to those Arab authoritarianisms. Otherwise, they will be risking the usurpation of power by influential elites who can appeal to the masses and undermine the legitimacy of their governance.

Economic crises may exacerbate this detrimental outcome when they instigate disagreements among members of a ruling party (Ghandi and Reuter, 2011). If those members disapprove of incumbents' decisions on how to run the national economy, they will find it in their interest to split and challenge the ruling party in the national elections, as was the case in PRI's Mexico (Magaloni, 2008). Autocrats, therefore, in an attempt to maintain power, will join hands with prominent investors and large conglomerates in crony deals that could enable them to realise substantial economic gains and deter elite defections. The architecture of this system, as such, creates a mutually beneficial incentive structure in which the economic interests of business cronies and the political interests of the regime are entangled. Scholars of East Asia's autocracies have discussed the outcomes of this structure in the 1960s' Japan, South Korea and Taiwan, and more recently in Malaysia and China where autocrats managed to claim legitimacy through managing extensive networks of crony capitalists who supported the state in formulating and implementing its public policies (Woo-Cumings, 1999; Haber, 2002). Such autocrats were not essentially benevolent as they did not reify the distinction between what is economically efficient and what is politically functional. However, they knew that politics and the contour of their relationship with business elite is what drives economic choices. The relationship between authoritarianism and development, in this context, should not be perceived as indispensable. Even though Leftwich (1995) argues an elective affinity between the two, an effective state apparatus must align and coordinate interests of the politically connected elites, the bureaucrats and the business junta for such a relationship between authoritarianism and economic growth to develop.

Crony capitalism can take multifaceted forms. At the spatial level, which will be my focus in this study, crony deals can take the form of uneven infrastructure investment allocated to areas where salient businessmen have vested interests to expand their enterprises. They will seek to advance their share of infrastructure and build new roads, airports, railways and harbours or install electricity, water and sanitation services.[13] The choice of the state regarding where to spend funds

[13] Research in that field has shown the paramount importance of infrastructure investment for businessmen to expand their enterprises. For instance, in analysing the effect of transportation infrastructure on Foreign Direct Investments (FDI) in 20 African countries, using panel data from 1986 to 2000, Khadaro and Seetanah (2010) concluded a positive

for infrastructural development will depend on the political weight of these regime cronies and the level of support they can provide to autocrats in order to bolster their performance and electoral legitimacy. This support may take the form of financing ever more expensive electoral campaigns, running for legislative elections, mobilising electoral support, being highly-ranked members of the ruling clique, or controlling private media outlets that negatively report on contentious collective action to drive public attention away from demands that do not conform to mainstream politics.

It is therefore imperative to understand the nature of bargains that autocrats and business cronies typically strike to engage in politically and economically fulfilling agreements. Crony capitalism is in fact a function of two things: political support for incumbents and the realisation of high economic gains. While autocrats normally provide economic concessions to a group of politically-connected business elites to accumulate private capital, in return, they expect those cronies of the regime to grow the economy and bolster the legitimacy of their governance. By achieving high economic growth, autocrats additionally aim to generate higher returns on their private assets. This matches the claim in Olson (1993) that an authoritarian ruler who has a large stake in society is more likely to take action to provide public goods. If, for instance, a rational self-interested autocrat receives "one-third of any increase in the income of his domain in increased tax collections […] he would then have an incentive to provide public goods up to the point where the national income rose by the reciprocal of one-third, or three, from his last unit of public good expenditure […] In other words, the autocratic ruler has an incentive to extract the maximum possible surplus from

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statistically significant correlation between the two. Likewise, Cheng and Kwan (2000) reported a strong impact for public infrastructure on the spatial distribution of FDI across Chinese regions from 1985 to 1995. In Argentina, Castro, Regis and Saslavsky (2007) reached a similar conclusion when they examined the relationship between investment in infrastructure and FDI. In their research, a 10 per cent increase in paved roads per capita was reported to increase FDI flow from 17 to 33 per cent, on average, in the hosting regions. This was associated with an increase of 12 to 14 per cent in FDI flow in the neighbouring regions, provided that the network of paved roads is extended to those areas.

the whole society and to use it for his own purposes" (p. 569). This reflects the importance of economic growth not only for autocrats to bolster their performance legitimacy by generating greater welfare for societies, but also for them to increase gains on private assets.

Hegemonic party systems, however, do not evaluate market opportunities only according to their economic consequences, but also the political implications they may result in. When faced with a forced binary choice between economic gains and political support, autocrats typically place more weight on the latter than the former. In other words, if the direct beneficiaries of economic growth will be investors, who can potentially challenge the power of autocrats if they get enriched, then those investors will be excluded from this authoritarian spoil system. To put it simply, the ultimate arbitrator in such economic choices is the political interest of those autocrats and not necessarily their concern for the aggregate welfare of the society.

Crony capitalism, as such, while may seem of ostensible importance for economic growth at the onset, may eventually result in a self-defeating strategy. The fear of losing political power may rather lead to economic inefficiency and increased poverty. Acemoglu et al. (2005, p. 390) describe this as a 'commitment problem' that arises when powerholders cannot commit not to use their authority in their best interests, and as a consequence, distribute economic resources in an inefficient way that would prolong their governance. Paradoxically then, cronyism against its initial intent can eventually trigger a contentious sentiment among the public that often culminates in mass uprisings. That is what typically happens when rent seeking arrangements become overwhelmingly onerous for autocrats to fulfil, and in turn increase the burden on state budget and result in more corruption.

Developing countries often experience this effect when cheap credit, subsidies and tax breaks are granted to businesses in exchange for political support, or when monopolies are authorised for crony enterprises to claim the benefits of charging higher prices that international competition would not otherwise allow (Haber, 2002). Likewise, when collective consumption services are provided in selected geographies where business operations are located instead of their provision in lagging areas. These crony arrangements make it difficult for the state to circumvent intra-elite competition over public resources, which causes corruption to spiral out and co-exist side by side with growth.

Over time, it will then become too difficult to break these shady agreements so long as the groups benefiting from their existence have veto power in determining the policy agenda. These groups will abuse their excessive authority to nurture their political connections and reinforce further profitable crony arrangements. On this point, Eibl (2016) gives the example of food and energy subsidies in Egypt and Tunisia to demonstrate how the state could not strip well-entrenched networks of traders, businessmen and local producers of the most coveted benefits they received. This can be attributed to two reinforcing accounts. The first deals with the creation of complex institutional and interest group constraints that influence subsequent courses of public policy action (Haggards and Kaufman, 2008). As elucidated in Mahoney's (2000) quote "an institution can persist even when most individuals or groups prefer to change it, provided that an elite benefit from the existing arrangement has sufficient strength to promote its reproduction" (p. 521). The second account focuses on the expansion of power of the initially targeted groups, who once grow in size and political weight, can perpetuate, if not improve, their bargaining positions vis-à-vis the government (Haggards and Kaufman, 2008).

In order for those business elites to maintain their share of power, they will run willingly for legislative seats to access an inner elitist circle that entitles them to numerous benefits. This was the case in Egypt under Mubarak where the financial and political privileges of a legislative seat were very palpable, resulting in an increase in the number of election candidates from 3,879 contenders, competing over 448 seats in the 1984 elections, to 5,177 contenders, competing over 444 seats in the 2005 elections. Out of this number, businessmen made up 22 per cent of the candidates in the 2005 elections, as compared to 17 per cent in the 2000 elections and 12 per cent in the 1995 elections (El Tarouty, 2015). The majority of these candidates ran as independents who, once they were elected, joined the ruling party and became the main coalition of the Mubarak regime. According to Koehler (2008, p. 984), the numbers of the NDP deputies elected as independents rose from 22 per in the 1990 elections to 46 per cent in the 2000 elections. Autocrats, as such, can bolster their electoral legitimacy when an overwhelming majority of legislators decide to join the ruling party. This, as argued before, helps the authoritarian state to project an image of political invincibility and signal the futility of mounting a challenge against authoritarianism to subversive groups. Otherwise, business MPs, as potential collective actors who have the capacity to mobilise their social bases against the authoritarian state, can pose a direct threat to the sustainability of the regime if they refuse to submit to the authority of dictators, as I explain in Chapter 7.

When business cronies hold positions of power in those authoritarian legislatures they can also manipulate the policy making process in their favour. George Stigler (1971) in his seminal article 'The Theory of Economic Regulation' refers to this practice as 'regulatory capture'; a term that demarcates a range of actions which pressure groups (such as private firms and legislators) may undertake to control state agencies, initially established to enhance the productive efficiency of the economy, to rather pass policies that are favourable to their interests. Legislators, in that respect, can use their agenda-setting power to pass a particular law or provision a public good to pursue better outcomes for themselves even though this may not necessarily contribute to national well-being (Dal Bó, 2006).

There is substantial evidence for regulatory capture in Mubarak's Egypt. In 2005, for instance, Ahmed Ezz, the steel mogul who chaired the budget committee in the 2005 parliament, changed the penalty that was suggested by a draft Law on the protection of competition and the prohibition of monopolistic practices from a fine of 15 per cent on the sales revenues of monopolists to a maximum fine of EGP 300 million. By enacting this legislation as such Ezz avoided incurring a loss of EGP 1.7 billion had he been charged a 15 per cent fine on the revenues of his steel company (El Tarouty, 2015).

Politically-connected business elites, therefore, need institutions to engage in collaborative discussions before they reach such crony agreements. Authoritarian legislatures, in that context, can provide a deliberative avenue for strategic interaction. The presence of deliberative institutions, as asserted in the varieties of capitalism literature, enables collaborating actors to share information and coordinate on equilibrium strategies that confer the highest rate of return on policy actions to all concerned parties (Hall and Soskice, 2001). This in turn increases the confidence of autocrats and business elites in the strategies likely to be taken by each actor and facilitate the formation of creditable commitment among the two groups.

This, in fact, echoes the same logic behind the establishment of authoritarian legislatures devoid of any meaningful representative authority. In such corporatist avenues, autocrats can forge agreements with different political factions, which typically encompass both inducement and constraint components. Inducement through the extension of material and organisational benefits combined with some constraints to enforce compliance through the application of threat and negative sanctions (Collier and Collier, 1977, p. 969). The operation of the two mechanisms, combined, ultimately enable autocrats to exert hegemonic control over polity.

Authoritarian legislatures can also help dictators to induce economic cooperation from investors, especially in regimes that are more dependent on domestic investments and less dependent on natural resources, as rightly the case in Mubarak's Egypt. Capital owners, in those regimes, need some sort of guarantee that autocrats will not renege on their policy promises and confiscate private assets and mobile investments as part of a new nationalisation wave. Legislatures, in that regard, can resolve these commitment problems by ensuring the presence of binding arrangements that can limit the power of autocrats for expropriation, and motivate domestic and foreign investors to flow more funds into a country (Wright, 2008).

2.3.2 Precluding threats of contentious collective action

The second condition for the maintenance of authoritarian systems highlights the importance of precluding any threat for contentious collective action that can undermine regime stability and durability. Hegemonic party autocracies, as mentioned earlier, are more subject to collective events of contention owing to their relative tolerance of organised opposition groups. Therefore, they are more willing to trade concessions and buyoff collective actors in exchange for political subservience. Otherwise, reverting to repressive tactics can cause a cascade in favour of subversive groups (Magaloni and Wallace, 2008, p. 15). Concessions, in this research, take the form of unequal allocations for collective consumption services in favour of few provinces.

The size of this allocation as well as the entailed benefits will depend on the capacity of collective actors to back their claims for higher public spending with credible threats of contentious mobilisation and the form of mobilisation that is pursued by aggrieved actors. This form of collective mobilisation is usually a product of the surrounding socio-economic and political structures which tend to shape the ideology and principles of aggrieved actors and the way they are raised to interact with central authorities. Farmers in rural areas, for instance, are used to a distinct form of mobilisation that is vastly different from the means through which the urbanised industrialists challenge incumbents in authoritarian systems. In urban areas, the existence of strong labour unions and syndicates makes it easier for aggrieved actors to utilise those organisational networks in pursuit of a common good or service. Authoritarian rulers are also more responsive to the demands raised by these groups lest the eruption of mass unrest discourage foreign and domestic investment (Bates, 1981). Conversely, those mobilisation networks are less prevalent in rural areas, which makes it more difficult for aggrieved actors to organise around one communal goal.

Collective actors can be divided into four main groups in accordance with their interests, willingness to contentiously mobilise in pursuit of a common good, and the value they assign to these collective goods, namely; misers, zealots, run-of-the-mill contender and opportunists. The four classifications were first advanced by Charles Tilly (1978) in his classic work 'From Mobilization to Revolution', in which he examines how collective actors come together to make political claims and organise social movements.

The four groups largely differ in their interest-orientation and the willingness to expend resources in the acquisition of collective goods. Misers, according to Tilly (1978), "value the resources they already hold so highly that hardly any available collective good can draw them into expending their mobilized resources on collective action" (p. 88). In principle, this group often support the general cause of social movements. Yet, in practice, they refrain from participation unless the general goals of the movement would bring them significant gains that exceed the high cost of undertaking collective action (Barrington, 2009). Conversely, zealots "set an extremely high value on some collective good in terms of the resources required to achieve that good […] they maintain higher levels of mobilization than other kinds of actors. They therefore have more chances to acquire their desired collective goods, but they also run a greater risk of heavy losses" (Tilly, 1978, p. 88). Zealots typically form a group of highly principled collective actors whose mobilisation is often provoked in pursuit of a specific good, which they attach a great value to its attainment. As compared to other collective actors, zealots accept only a limited set of collective goods, for which they exert the utmost effort to attract public attention to their significance.

Run-of-the-mill contenders, likewise, aim for a few set of goods. However, they expend the least amount of resources in their attainment. As such, they remain inactive if the "combination of mobilization and opportunity makes a net loss on the exchange likely" (ibid). Lastly, opportunists, unlike zealots and run-of-the-mill contenders, aim for any collective good they can get their hands on. In doing so, they attempt to "maximize their net return – the difference in value between resources expended and collective goods obtained – regardless of which collective goods they acquire" (ibid). That is why in all political systems opportunists are always the most rewarded and their mobilisation is generally regarded as the most effective.

Even though inequalities and dissatisfaction with a policy process may spark consensus among the aforementioned four groups on the need to reconstruct a prevailing political or economic system, they are not enough to initiate a collective act of change. Other structural factors, instead, determine the capacity of actors to mobilise, and shape the way collective action emerge and employ a variety of tactics to frame communal goals and ideologies. The absence of those factors reflects the inability of claimers to incorporate their demands in the policy agenda. Here, I focus on four determinants of contentious mobilisation capacity at the spatial level in my touchstone case, Egypt, namely; *the degree of material deprivation* and *educational attainment, the spatial proximity of aggrieved actors to the seat of government,* and if they can demonstrate *a history of collective activism* in support of their capacity for contention. Accordingly, aggrieved actors who score highly on those measures of contentious mobilisation capacity will be better targets for co-optation and trade of concessions. By contrast, fragmented actors, who always abstain from collective contention, or pursue an illegitimate form of contestation, will be prone to receiving fewer resources and social benefits.

A. Material deprivation and educational attainment → First and Second Determinants

To begin with, in a bottom-up contentious politics realm, poverty is considered a significant impediment to collective mobilisation capacity. As Huntington (2006) explains "people who are really poor are too poor for politics and too poor for protest" (p. 52). They often lack the necessary prerequisites for political participation. They seldom belong to political parties or labour unions, generate voluntary associations, or initiate collective acts of change. This has been shown to be the case both in developing and developed countries.[14] Arab Barometer survey data on the 2011 Egyptian and Tunisian revolutions, for example, show that "the poorest two income quintile had the lowest participation rates in both revolutions" (Beissinger et al. 2012, p. 12).

[14] See, for instance, Holzner (2007); Lipton (1977); Verba and Nie (1972)

The political inactivity of the poor is largely attributed to their embeddedness in a social stratum that lack the necessary education, information and cognitive skills to evaluate the value of a complicated policy proposal. This makes their short-term survival needs often take precedence over long-term collective aspirations (Desposato, 2007). For that reason, they can easily forgo a long-term social policy program of high future returns, in exchange for a sack of rice in the present (ibid). For them, politics is a luxury they cannot afford (Rosenstone and Hansen, 1993: 13). In short, lack of political integration culture renders the poor and the economically vulnerable unable to perceive communal problems as their own, or to assemble and deploy resources in pursuit of a common interest.

Similar to the effect of material deprivation, low educational attainment is another key factor that can undermine the capacity of aggrieved actors to contentiously mobilise and manoeuvre around the complexity of a political system. Autocrats typically fear educational expansion as it changes the outlook of actors and exposes them to different repertoires of contention. This is a fear grounded on past historical events of student movements that culminated in conflict. Huntington (1968) puts it as follows "alienated university graduates prepare revolutions; alienated technical or secondary school graduates plan coups; alienated primary school leavers engage in more frequent but less significant forms of political unrest" (p. 48). As manifested in the case of South Korea during the 1960s; the increase in literacy rates "from less than 20 per cent in 1945 to over 60 per cent in the early 1960s" coupled with the over-production of law school graduates, eighteen times as the legal field could absorb, triggered a change in the governance structure and changed South Korea from a military dictatorship to a democracy (Huntington, 1968, p. 47).

Poor people, however, cannot bear the cost of educating their children over prolonged periods of time. They are typically trapped in vicious circles of social immobility. On the other end of the spectrum, those who belong to community groups that are either intermediate or high on the scale of development are more advantaged in this regard. Data from Survey of Young People in Egypt (2011), for instance, shows that the percentage of youth attending universities from the highest wealth quintile is 10 times higher than the percentage of those attending from the poorest wealth quintile, and twice the percentage attending from the fourth wealth quintile. Likewise, wealthy females and males are five and three times more likely to be attending general secondary school, respectively, than their poor counterparts (Krafft and El-Kogali, 2011, p. 54). This explains why Islamist political movements, most prominently the Muslim Brotherhood in Egypt, largely attracted the educated middle class – who were mainly present in the urban cities of Lower Egypt – to join their organisation and to become agents of change in their locales (Brooke and Ketchley, 2018). This social class made up about 55 per cent of the participants in the January 25th uprisings, even though they only represented 25 per cent of the general Egyptian population in 2011 (Beissinger et al. 2012, p. 14).

The participation of this educated middle class in the Egyptian revolution was mainly attributed to their ability to surmount the attitudinal and cognitive barriers that the Mubarak authoritarian state managed to build over the past three decades. As the Brazilian economist Eduardo Giannetti da Fonseca asserts, the middle class are people who are not resigned to a life of poverty and who have material assets to make their lives easier (Parker, 2009). Therefore, they are more ready to mobilise in order to create a better life for themselves and for the generations to come. For that reason, governments are typically more responsive to pressures from the middle class that monitor its performance and tend to be more politically vocal (Rudra et al. 2018).

In poor communities, the case is quite different. Even those who get the chance to acquire good education become disposed to leave their areas of origin and settle in areas of high pay differential (Lipton 1977). The spatial mobility of those actors, who are most skilled, as a result, denies poor areas of the key organisational base and the social networks needed for them to connect potential collective actors in order to mobilise into politics (Nicholls, 2007). This spatial mobility pattern is typically found in rural areas where the primary concern of educated progressive groups is not broadening the horizons of the poor in their aggrieved communities, but to rather move into districts of better life chances and enhanced opportunities. Eventually, this will result into a skill drain from poor areas (Lipton 1977), leading to regional competitions over the allocation for collective consumption services between poor and affluent communities. This was the case in the rural areas of Upper Egypt where the highly educated groups migrated to the industrial cities of Lower Egypt and the Urban governorates, or sought employment in the Gulf to improve their material conditions, as I will demonstrate in chapter 7. This migration pattern, as a result, stood against the formation of a middle class in this region; one that does not disdain politics and consider themselves free agents in their societies. It also inhibited the reproduction of another group of intellectuals who can attract public attention to the sufferings of their local communities.

Progressive and educated actors, in this regional competition over public resources, will resist any policy outcome that would make them experience a sharp decline in collective consumption. They have the capacity to instigate conflicts and alter the balance of power in their favour. In doing so, ‘grievance entrepreneurs’ in their affluent communities, using McCarthy’s and Zald’s (1973) terminology, will attempt to utilise all means of communication available to them in order to put forward strong arguments in support of higher public spending when the state becomes financially unable to cater for the needs of the two groups. Occurring simultaneously, 'conscience constituents' will donate resources, to enable this (McAdam et al., 1988).

Fearing what this collective contention may unfold into, self-serving autocrats will attempt to adjudicate such territorial conflicts. To this end, they will transfer scarce public resources from areas that are too weak to pose an immediate threat to the stability of the regime, to areas of higher mobilisation capacity. The perceived value of this transfer, following Korpi's (1974; 1985) power resource approach, will depend on the level of aspiration and the degree of relative deprivation of aggrieved actors. Communities that are known for their inability to coordinate collective acts of change will likely experience, what Korpi (1974; 1985) terms 'decremental' deprivation, when their expectations remain stable despite receiving less and less. By comparison, collective actors who score highly on measures of contentious politics will experience 'aspirational' deprivation if autocrats maintain a level of allocation that is below the expectation of this group. Autocrats therefore will be forced into acceding to the growing demands of this latter group at the expense of other negatively privileged actors who are less able to strike high utility bargains.

The final outcome is perpetuated asymmetric relationships between affluent communities of high leadership potential and skill-drained poor areas that neither receive resources nor enjoy social benefits. In the long run, the value expectations that the poor will place on authoritarian bargains will stagnate at a constant level, despite receiving limited resources. Over time, they are bound to face more hardships and accept bargains of lower utility outcomes when the power differential between them and affluent groups becomes wider (Korpi, 1974). This, however, may turn into a self-defeating strategy as allocation bias in favour of areas of high contentious mobilisation capacity ultimately expedites the potential of unrest, which authoritarian regimes will have to deal with in the future. It can also induce higher rates of internal migration to preferential areas, which increases the burden on state budget if the government were to appease dwellers of those politically competitive areas and increase their share of net transfers (Wallace, 2013).

B. The spatial proximity of actors to the seat of government → Third Determinant

The political calculus presented above makes capital cities more relevant for the logic of authoritarian regimes survival. Capital cities are places where political decisions on war and peace are made. Policy issues pertaining to taxation, legislations, crimes, litigations and the general orientation of the economy are discussed. Places where governments are installed and impeached (Therbon, 2008, p. 513). In light of their political and economic importance, spatial proximity to the capital, grants aggrieved actors more wielded influence over the policy agenda. Those actors, by virtue of their closeness to the seat of government, have better chances to maintain contact with the mass media, voluntary associations and influential political leaders. Their areas of residence additionally provide them with good access to higher education opportunities and superior occupations that enable their upward social and economic mobility, which in turn have the effect of enhancing their contentious mobilisation capacity. Moreover, dwellers of capital cities and nearby areas live in places, not only controlled by the state, but global enterprises and crony capitalists who wrangle over the distribution of central resources. Therefore, they are also subject to endlessly changing political, economic and institutional processes that make those dwellers more prone to relative material deprivation if the authoritarian state decides to accumulate substantial wealth in favour of business cronies, as demonstrated earlier, while cutting back on public spending.

The high risk of exposure to material deprivation, combined with the high capacity of aggrieved actors in capital cities for contentious mobilisation, eventually, contribute to the eruption of mass uprisings against seemingly entrenched authoritarianisms. This is facilitated by the relatively low cost of undertaking collective action in capital cities and proximate areas because of the high population density there. Wallace (2013) simply puts it as follow: "In a city of ten million, a riot of 100,000 [people] requires only the extreme 1% of the city's population distribution to participate. In a city of one million, the proportion of the population that must participate for the riot to reach the same size is an order of magnitude larger: 1 in 10 rather than 1 in 100" (p. 635). Collective actions of that size are typically observed by the local and foreign media. Hence, they are more difficult to disperse (Ibid). The ability of those protests to garner media attention magnify the level of threat that aggrieved actors in areas close to the capital can pose on the regime's political and economic interests. It was the case in Egypt under Mubarak and Tunisia under Ben Ali where mass grievance and the high population densities in the capital contributed to the success of the uprisings. In Egypt, the majority of those demonstrations in 2011, and over the subsequent years, took place in two urban centres; Tahrir Square in Cairo and Al-Arbaen Square in Suez. Protests in the two urban cities triggered a far-reaching wave of dissent that took over the whole country and ultimately culminated into the January 25th revolution.

Conversely, residents of rural areas, that are located far away from major urban centres, are less inclined to get involved in acts of contentious politics in pursuit of a common good. Whereas improved communication channels in urban cities allow a variety of aggrieved actors to share and circulate their grievances (Wallace, 2013, p. 632), residents of rural areas get exposed to limited stimuli that can inspire their political engagement. Rural dwellers often have access to the least developed transportation system, which hinders their spatial mobility to the capital. Their limited exposure to news media and the inadequate communication channels they possess severely undermine their collaborative capacity for contentious mobilisation to express their frustration with a policy process.

Despite this, rural dwellers have more opportunities for upward social and economic mobility, through urbanisation, which typically results in relatively stable communities. Conversely, the middle class in urban areas, in the absence of adaptable political institutions, is often more subject to social frustration and more inclined to undertake contentious collective action. This frustration is a result of the gap between rising social and economic aspirations among this group and the inability of the state to meet those expectations. If this group have sufficient access to opportunities for vertical (occupational and income) mobility to make up for the lack of horizontal mobility prospects (through urbanisation), the frustration of the middle class in those urban areas will be reduced (Huntington, 1968, p. 91). This gap between aspirations and living conditions, combined with all of the aforementioned reasons, compel autocrats to appease the discontent of urban dwellers, especially those who reside nearby the capital. By the same token, it inflicts some sort of collective punishment on residents of rural areas who lack the capacity for contentious mobilisation and reside away from the capital.

C. History of collective activism → Fourth Determinant

Having a capacity for contentious mobilisation, however, is not enough for the authoritarian state to allocate more funds for collective consumption services in an area. Aggrieved actors additionally need to present substantial evidence in support of their ability to effectively use different forms of contestation. Nothing can demonstrate this ability more convincingly than having a history of collective activism or past politicisation against authoritarianism. Those actors, are typically the first participants in new episodes of contention as they have what it takes to evaluate accurately the outcomes of possible courses of actions and devise mobilisation strategies that can yield its participants the highest chances of success. They know which opponent can be trusted and who has the reputation to follow through their promises due to their repeated interactions with elite adversaries (Ostrom, 2007). Corresponding to a prisoner's dilemma, with repeated iterations, both sides will eventually reciprocate trust, and cooperation will be induced at the grass-root as well as the institutional level, via bottom-up and top-down processes. Collusion, in that sense, will considerably reduce the cost of contentious mobilisation and enrich the involved stakeholders in long-term policy agreements.

In hegemonic party systems, the existence of well-developed organisational networks in addition to horizontal and vertical ties among aggrieved actors can enhance this capacity for cooperative collectivism. They can create the precondition necessary for collective action to materialise and set the appropriate springboard for actors to express their communal and world views (Della Porta and Diani, 1999). Those networks are often prevalent in communities where civil society and voluntary associations are remarkably proactive, or where trade unions and syndicates are more nascent as was the case in Lower Egypt and the Urban governorates. They also tend to exist in areas where opposition groups have a strong presence and social capital to draw on. Collective actors, as such, can exploit those organisational and social networks as conduits for gathering information on the resource base available for insurgents, in their locales, to promote change (Nicholls, 2007; Tindal, 2015). This will enable past movements' participants to recruit and mobilise potential actors of similar values and attitudes, and alert them to the unfulfilled spatial demands in their communities. However, as discussed earlier, we do not normally find such networks in distant rural or urban areas characterised by material deprivation and low educational attainment, which result in low bargaining power among the poor and decreased public spending.

In the presence of these networks, aggrieved actors will seek to solidify interest in support of a given course of action and to frame community grievance through a collective identity that is distinct from the regime. This is somewhat challenging in heterogeneous communities where group diversity makes it difficult for aggrieved actors to agree on a common goal. Yet, so long as actors join forces to acquire non-excludable benefits, as the case in collective consumption services whose benefits spill over to different community groups, collective endeavours will weigh against opportunistic and individualistic interests. Tilly (1978) describes those collective goods as ideal, inclusive and indivisible: "If any member of the group receives it, all receive it. There is no way of breaking it up into shares" (p. 85). Put simply, the non-excludability of public goods will boost the cooperative capacity of collective actors and reduce contentions among stakeholders. Actors, then, will have the incentive to forgo their immediate self-interest for the benefit of the group.

In fact, we have seen this happening in Latin America's hegemonic party systems where workplace collectivism triggered the initiation of welfare policies. For instance, higher salaries and more favourable employment policies were granted to the members of labour unions in PRI's Mexico, in exchange for political support (Randall 1996). That said, it worth reiterating that the assumption in the present study takes on a different dimension that goes beyond partisan benefits and sector- (industry-) specific welfare benefits. This research rather identifies the conditions necessary for collective actors, who belong to formal insurgent organisational vehicles, to organise in pursuit of collective goods at the spatial level. By doing so, I seek to illuminate the reasons why these actors, if capable of incorporating spatial demands into the policy agenda, make better targets for co-optation and trade of concessions in light of the sense of groupness they developed over a long course of sectoral collective actions.

Now the question is how do hegemonic party systems design their institutional apparatuses so as to enjoy unfettered discretion in deciding the policy agenda and meeting their patronage requirements?

2.3.3 Institutions: preconditions for authoritarian co-optation strategies

Institutions, as a middle link in this causal chain, should not be thought of as being in isolation from politics. Institutions, defined as "humanly devised constraints that shape human interaction" (North 1990, p. 3), facilitate and inhibit some types of behaviours, constrain the preferences of actors, change courses of actions, and influence the costs and benefits accrued to different policy players (Muller, 2007, p. 256). In this research, the presence of corporatist and centralised institutions is considered a necessary precondition for autocrats to manage the above-described networks of crony capitalists and be able to buy off political consensus through the asymmetric allocation of collective consumption services in favour of a few localities.

The varieties of capitalism literature posits a similar institutional perspective. It calls attention to the centrality of equilibrium institutions in coordinating strategic interactions among interest groups to agree on one policy outcome that offers higher returns to all concerned actors (*see* Hall and Soskice, 2001; Hall and Thelen, 2009). These equilibrium institutions do not necessarily generate Pareto improving surplus for the whole society. Rather, they attempt to maximise "the slice of the pie taken by the powerful groups" (Acemoglu et al. 2005, p. 427). In an authoritarian context, formal and informal institutions alike tend to perform this coordination function. They constitute the means through which autocrats can extend elite incentives and provision public resources to put an end to contentious collective actions. The effect of those institutions, as such, follows from the power they bestow on their members and the resources they provide for political mobilisation (Hall and Soskice, 2001, p. 24).

To be suited to those functions required of them, autocrats will design centralised bureaucracies that can place vital material resources in their hands and enable them to holistically decide on the policy agenda. Such a bureaucracy can control public employment and the provision of social grants, subsidies and public services in order for authoritarian rulers to use them in co-opting influential elites and neutralising collective actors. This claim matches Ayubi's (1995, p. 327) account of Arab leaders who find in machine bureaucracy a useful control device to acquire authority. If the developmental role of those bureaucracies contradicts the regime's consolidation goal, then the need to maintain power will occupy a much higher rank than that of development.

Autocrats therefore normally attribute positive value to centralised public allocation systems lest the delegation of power to street-level officials make them lose control to local elites who can challenge existing political hierarchies. According to Ash-Garner and Zald (1987), the greater the decentralisation capacity of local governments, the more likely collective actors can press for demands for communal goods. Likewise, the higher the degree of autonomy of the different branches of government, the more effective those demands will be. By contrast, centralised institutional systems that are designed to be politically rather than socially functional tend to foster rent-seeking behaviour. In the absence of formal channels through which grassroots organisations can exert policy influence, the architecture of this centralised system will not account for egalitarian nor equity concerns to guide the process of public resource allocation, but will rather account for central political directives that aim to maintain autocracies. Bureaucrats, in this context, are not allowed to act independently of the regime's interests, and hence, autocrats will not hold them accountable for policy outcomes, except under conditions of mass unrest that may force the authoritarian regime into punishing some of those bureaucrats to appease public discontent.

Autocrats need those centralised institutions in order to make policy concessions that can guarantee the durability of their governance. To that end, the decisive power in those institutions will be placed in the hands of coercion specialists – i.e. those who can promote a culture of compliance and co-operation among technocrats, bureaucrats and the business elites through corporatism and exclusion (O'Donnell, 1988). Those specialists are also aware of the ways through which they can undermine the role of active political parties and popular organisations to exclude them from the policy making process.

The role of those centralised institutions, as such, should be examined from the perspective of the functions they perform for autocratic resilience. They mainly play an intermediary role to coordinate the interests of regime elites, and therefore could be described as corporatist. Schmitter (1974), in this respect, defines corporatism as a system of interest mediation, in which constituent units are "organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports." (p. 93). These corporatist institutions will be used to extend patronage and benefits to influential elites who can prolong the governance of autocrats. This is typically the case in exclusionary political and economic systems that tend to suppress opposition groups so as not to use various institutional channels to appeal for substantive justice. Eventually, power will only be granted to those elites who stand at the apex of the political hierarchy.

However, by operating exclusionary corporatist institutions in which rent-seeking practices and regulatory capture is evident, autocrats will be establishing inefficient resource allocation systems of weak governance. On this point, Rudra (2011) claims the presence of a positive correlation between inequality in developing countries and the existence of poor-quality governance institutions. This is largely attributable to the fact that formal and informal institutions, in societies where considerable inequalities prevail, tend to perpetuate overinvestment in the interests of dominant political elites at the expense of the aggregate welfare of society (Human Development Report, 2006). Despite this, poor actors often lack the incentive to engage in contentious mobilisation to demand greater access to collective consumption services knowing that their protest will go unheeded (Rudra, 2011, p. 780). As noted earlier, authoritarian regimes largely ignore the demands of this group in light of their limited capacity for undertaking collective action.

In short, to achieve political consolidation, hegemonic party systems will establish centralised and corporatist institutions of weak governance that can maximise the rents of the regime elites and offer autocrats with several means of control over spatial forms of local politics. The presence of these institutions is therefore a necessary precondition for the authoritarian regime to be able to preclude threats of contentious collective action and attain legitimacy. At the spatial level, these institutions will perpetuate and reproduce disparities in the cross-regional distribution of collective consumption services in hegemonic party systems that are predominated by embodiment of political interests.

2.3.4 The Argument

To sum up, the theoretical argument postulated in this study suggests that authoritarian rulers in hegemonic party systems will attempt to consolidate power through two channels:

1. The attainment of performance legitimacy by achieving positive economic growth.
2. The preclusion of threats for contentious collective action.

To earn performance legitimacy and maintain authority, they will join hands with prominent businessmen in crony deals that favour areas associated with salient figures through higher allocations for infrastructure creation. In return, these cronies of the regime will help the authoritarian regime in formulating its public policies to realise high economic gains. Additionally, they will provide political services to autocrats to prolong their governance. These services can take the form of financing electoral campaigns, mobilising electoral support, running for legislative elections as members of the ruling party or controlling widely viewed private media outlets that praise autocrats as benevolent. Crony capitalism, in such an authoritarian context, is a function of two things: the achievement of positive economic growth and political support for incumbent power.

Additionally, autocrats will attempt to buy off subversive actors who have the capacity to mobilise contention and in turn can undermine the existence and persistence of their governance. As such, actors who have greater capacity for contentious mobilisation will receive higher allocations for collective consumption services, whereas actors who are incapacitated to pursue one common interest will receive fewer resources and enjoy less benefits. This capacity for contention is a determinant of four factors that can be considered as causal pathways that shape the geography of public resources allocation, namely; actors' degree of material deprivation and educational attainment, the spatial proximity of aggrieved actors to the seat of government, and whether they can demonstrate a history of collective activism in support of their capacity for contestation.

At the institutional level, autocrats will design centralised and corporatist bureaucracies, in which the distribution of collective consumption services will be guided by central political directives rather than the socio-economic needs of the various localities. The presence of this institutional structure is a necessary precondition for authoritarian rulers to pursue the aforementioned politicised resource allocation strategy. Eventually, the following spatial allocation pattern is expected to take place, as reflected in Figure 2.2, whereas any reform proposed to change this pattern will be challenged by a network of political optimisers who have the capacity to reproduce similar biased allocation arrangements.

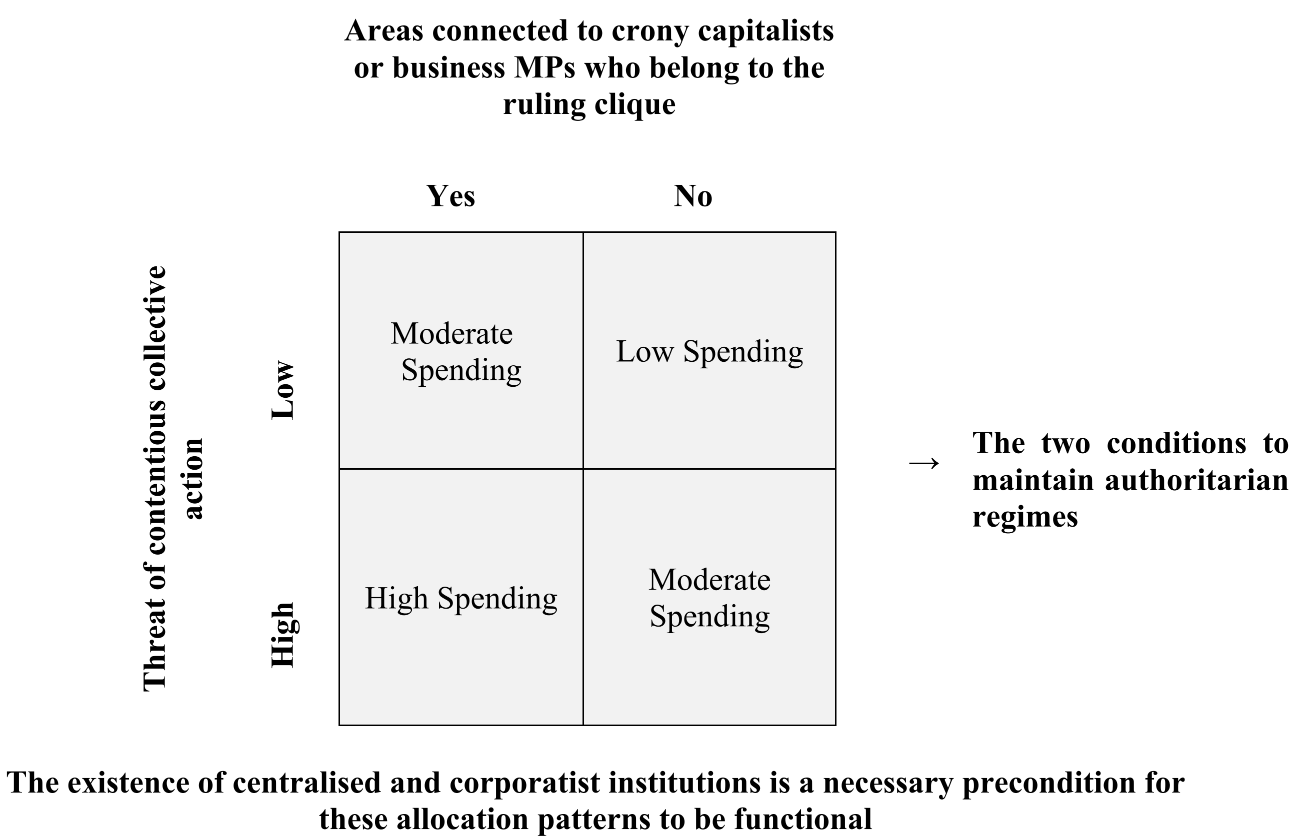


Figure 2.2: Authoritarian Maintenance and Spending on Collective Consumption Services

2.4 Concluding Remarks

The theoretical argument presented in this chapter establishes new conceptual links between the social policy and authoritarian regime survival literatures. It does not stop at election results and patronage politics to understand what invokes discrepancies in the cross-regional distribution of public spending in hegemonic party systems. It rather attempts to explain the policy making process in electoral authoritarian regimes by recognising the different challenges that these systems face in maintaining political stability. This argument, however, does not aim to reduce the rent distributed by autocrats to deal with the various political threats to public spending on collective consumption services. This rent may take other forms, and can be distributed not only at the spatial level, but also at the sectoral and national level. In this study, however, I only focus on one aspect of this distribution, particularly spending on government-supplied collective consumption services at the spatial level in order to understand the logic behind the inclusion and the exclusion of different regions in the applied political calculus.

3

Methodology

In the previous chapter, I laid out the theoretical settings of my research and reviewed the concepts related to the study of distributive politics in hegemonic party systems. I also proposed a novel theoretical model that sheds light on factors that are often overlooked but are central to explaining spatial variation in public spending in authoritarian regimes. In this chapter I will discuss the main methods of data collection and analysis for this study. I will demonstrate how a set of systematic and non-systematic factors contributing to the spatial outcomes under-examination will be unveiled using a nested analysis research approach. The analysis starts with a preliminary quantitative examination followed by 'model-building' Small-N Analysis (SNA). I will also clarify how I operationalised the research strategy in light of the research question. I will additionally explain the type of data collected and questions asked to inform the research inquiry.

This chapter will proceed as follows. In the first section, I will lay out the rationale behind choosing a case-oriented nested analysis approach that begins with a regression analysis and ends with a qualitative comparative analysis. In section 3.2, I will explain why process tracing is employed as the main tool of qualitative investigation in this analysis to build evidence on the pathways that led to the distributional outcomes under-discussion. In section 3.3, I will justify the use of elite interviews to collect empirical evidence. In section 3.4, I will discuss the main techniques I use to analyse and code my data, and test the validity of my theoretical argument. In section 3.5, I will address issues related to the validity and reliability of the research findings. In section 3.6, I will reflect on how my insider identity, political commitments, professional background and experiences might have impacted the research questions and the processes of data collection and analysis. I will conclude with a discussion of the main strengths and weaknesses of the research design.

3.1 Nested Analysis Approach

3.1.1 Case study research

A research design is a conceptual framework that guides the process of data collection and analysis (Nachmias and Nachmias, 1992). Its structure is founded primarily on the basis of the research inquiry, which investigators seek to answer through empirical inference. In this research, I attempt to identify the main factors that drive cross-regional variation in the distribution of public spending in hegemonic party systems, which are illuminated and evaluated through the case of Egypt under Mubarak. As such, I seek to answer the following:

What factors drove spatial variation in the allocation of collective consumption services in Egypt in the Mubarak era?

To answer this, I adopt a case-oriented research strategy that is strategically suited to this purpose. Yin (2013) defines cases study as an in-depth multifaceted inquiry into a complex phenomenon within its real-life context. This research approach builds on wide-ranging methodological tools to answer the 'how' and 'why' questions, which in the Egyptian case pertain to the understanding of how major allocation decisions were made in the Mubarak era and why the authoritarian regime favoured some geographic regions through higher distribution for collective consumption services, and ignored the demands of other lagging areas.

Case study research has four fundamental characteristics. It adopts a *holistic* and *empirical* design; one that draws on field observations in order for investigators to understand the interrelationship between people, situations, events, and processes in a specific context (Stake, 1995). Case study research is also *imperative* and *emphatic;* investigators rely heavily on their intuition to guide researcher-subject interactions, and reflect the vicarious experiences of subjects from an emic (culture-specific) perspective (ibid). In light of these four characteristics, case study research offers investigators with a robust framework to develop general theoretical statements about irregular social structures and processes (Becker, 1968).

For case studies to produce general knowledge, Stake (1995) advocates for the use of a flexible research design to answer study's enquiry. By doing so, researchers can modify and reformulate studies' hypotheses, and if necessary make major changes as the analysis progresses. Following this approach, in this research I first review relevant scholarship on the topic, as discussed at length in the previous chapter, and set out the main theoretical assumptions in this literature, which I test their relevance to the Egyptian case thereafter. Beyond this, I additionally gather evidence on other determinants of the spatial allocation of collective consumption services in Mubarak's Egypt that are not necessarily acknowledged in the prevailing literature. This iterative process of revision, instead of a priori bounding of the case, allows me to boost the explanatory power of the research design to provide "a) an accurate rendition of the facts of the case, (b) some consideration of alternative explanations of these facts, and (c) a conclusion based on the single explanation that appears most congruent with the facts" (Yin, 1981, p. 5). It is a continuous process of learning and unlearning that ultimately contributes to the cumulative development of knowledge.

To reveal the multiple facets of the phenomenon of interest, this research's analysis builds on a multiplicity of qualitative and quantitative data sources. It draws on evidence from documentation, archival records and interviews to explore the most salient aspects of the phenomenon through a variety of lenses (Yin, 1981; Baxter and Susan, 2008). I could therefore identify patterns of constant association between different conditions and causal complexes that produce the spatial outcomes under examination (Ragin, 2014).

To assemble this integrative evidence, I adopt a nested analysis research approach. Liberman (2005) defines nested analysis as the combination of "statistical analysis of a large sample of cases with in-depth investigation of one or more of the cases contained within the large sample" (p. 436). It is a commonly-used research approach through which investigators can test prior theoretical assumptions and pose competing explanations for the same set of events in a given context. This synthetic strategy that blends both qualitative and quantitative research methods together in one study should ultimately improve the quality of the under-taken analysis and increase overall confidence in the research findings. The adoption of this research approach, as such, allows me to produce a parsimonious explanation; one that simplifies the complexity of the Egyptian case under-examination in a theoretically guided manner. Figure 3.1 provides an overview of how nested analysis is typically conducted to inform research enquires.

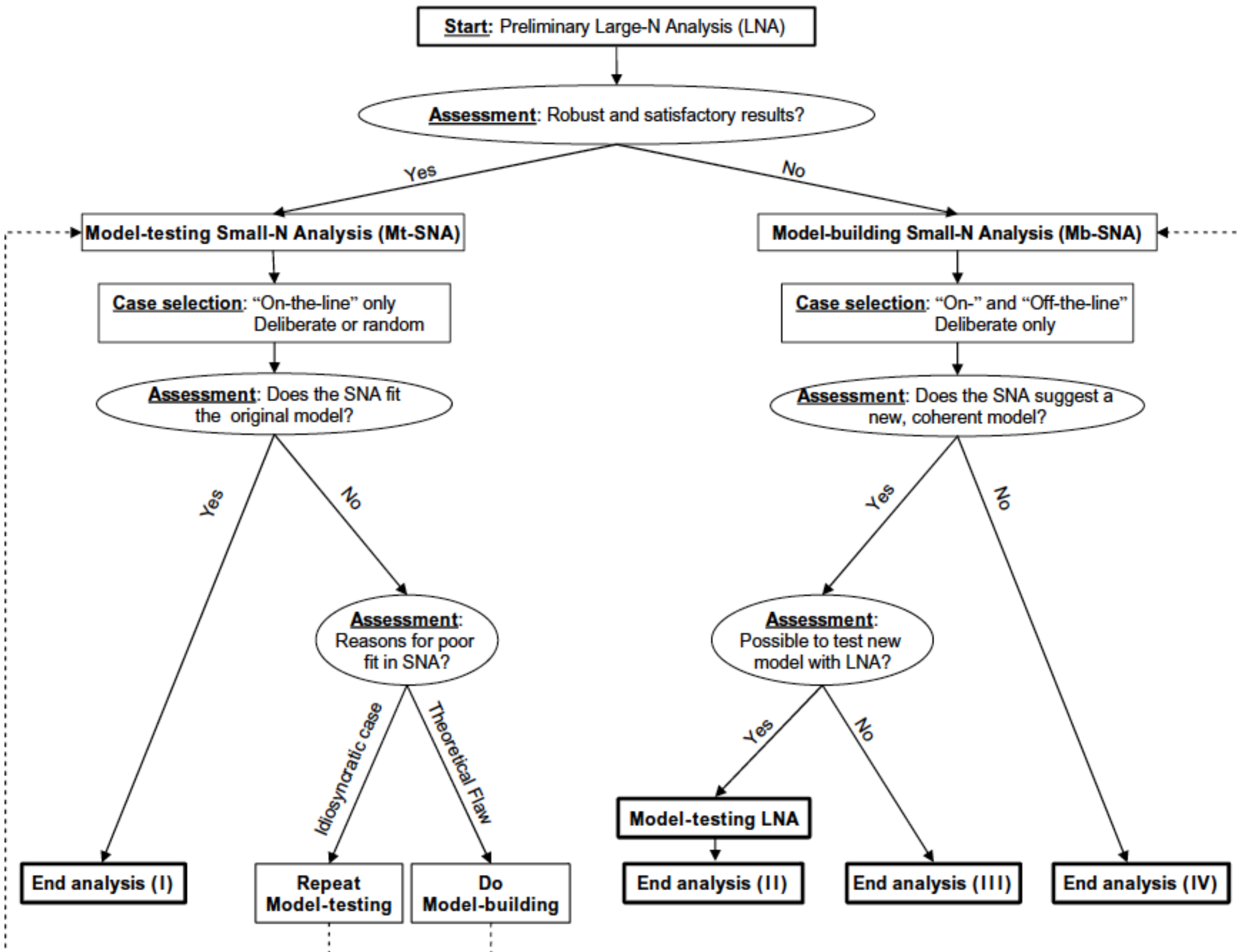


Figure 3.1: Overview of the Nested Analysis Approach

Source: Liberman (2005, p. 437)

3.1.2 Quantitative Analysis

The research project starts with a preliminary 'hypothesis-testing' quantitative analysis, through which I attempt to examine the relevance of dominant electoral narratives in the study of distributive politics to the spatial allocation of physical infrastructure in Mubarak's Egypt. To this end, I replicate and extend existing regression models in the prevailing literature that quantifies the effect of parliamentary elections (the key rival variables) in hegemonic party systems on the provision of collective consumption services (the dependent variable). Through this replication, I test the validity of Blaydes' (2011) argument that a coercive resource allocation strategy was evident in Mubarak's Egypt whereby the authoritarian regime spent less on the development of infrastructural services in governorates supportive of the opposition in the 1984 parliamentary elections. This replication uses the same electoral variables employed by Blaydes in her regression model, which I collected from the same sources she cites in her work, namely; the percentage of vote share for the opposition in the 1984 elections, and the percentage of opposition representation in the 1984 parliament at the governorate level. These two variables are most relevant to the assessment of whether dominant electoral hypotheses posited by scholars of distributive politics can explain adequately the outcomes of the cross-regional distribution of public spending in Egypt in the Mubarak era, as I will explain in Chapter 5.

To extend this model, I additionally combine observations on the 1990, 2000 and 2005 elections with data on the available infrastructural services at the governorate level over subsequent time periods. This pooling of Time-Series Cross-Section (TSCS) data, which combine regional observations measured at several points of time, allows me to examine whether parliamentary elections had consistent effect on the spatial provision of infrastructural facilities in Egypt, or this effect played out differently across time. Panel analysis, as such, provides me with more information on each geographic unit, compared to a purely small-N cross-sectional or time series analysis, which in turn increases the degrees of freedom in the regression models to produce more precise estimates, and reduces the omitted variable bias and the influence of exogenous factors (Kittel & Winner, 2003; Plümper et al, 2005; Hoechle, 2007).

TSCS observations, however, are not independent. The temporal and spatial properties of the data make it problematic to use ordinary least squares (OLS) to analyse auto-correlated and heteroscedastic observations (Beck & Katz 1995). To deal with this, I use fixed effect models with robust estimator clustered at the governorate-level, based on the methodology suggested by White (1980) and Rogers (1993) to account for heteroscedasticity as well as the temporal and spatial dependence in the residuals of the models. The use of fixed effect models additionally allows me to exploit within-group variation over time and controls for other unobserved factors (a detailed discussion of model specification is provided in Chapter 5)

The statistical analysis, nonetheless, does not provide sufficient evidence of the robustness of the prevailing distributive politics hypotheses, hence the need for alternative explanations beyond electoral theories. This is not a surprising outcome in case-oriented research. The initial rejection of preliminary arguments, which are based on literature review, is the first step in case study research before investigators can suggest alternative accounts to explain a phenomena of interest (Ragin, 2014).

3.1.3 Cases selection

A. Deviant Cases Analysis

To make sense of many of the puzzling outcomes of this preliminary quantitative analysis, I proceed thereafter to Model-building Small-N analysis. This enables me to draw a link between empirical facts and theories, and in turn address some of the questions left unanswered by the regression models (Liberman, 2005, p. 436). To conduct this analysis, I select four deviant cases for governorates whose inconsistent regression outcomes cannot be explained by the key explanatory variables employed in the initial quantitative analysis, namely; Cairo, Giza, South Sinai and the Red Sea.

These four governorates, as I will demonstrate in Chapter 5, received subvention from the Mubarak regime to develop their infrastructural capacities despite their support for the opposition, even though resources were withheld from other governorates of support for leading subversive groups in other regions. To unpack this inconsistency, which electoral outcomes can poorly explain, I explore these four cases, which the Mubarak regime favoured continuously through higher provision for collective consumption services, irrespective of the results of the parliamentary elections.

Deviant cases analysis is the examination of cases that do not conform to established generalisations. This method is commonly used when the general intent is to probe for new alternative explanations, or to refine the operational definitions of key explanatory variables (Ragin, 2014). It is of real value when the omitted variables are relevant for explaining the change in the dependent variable, yet they show no close association with the employed key independent variables. Accordingly, in this research the examination of some of the deviant cases whose fitted value was "as far as possible from the observed dependent variable" makes it possible to identify sources of heterogeneity and measurement error in the regression outcomes (Seawright, 2016, p. 83-89). I could therefore pinpoint some of the omitted variables that potentially exert a strong impact on the distributional results under-investigation.

The close exploration of those deviant cases, as such, not only does it weaken the original propositions suggested by distributive politics scholars, but also suggests stronger explanations and produce generalizable hypotheses that can be tested in other situations by further analysis. This allows for the building of new theoretical models of wider application to other cases that share similar political and economic features (Seawright and Gerring, 2008, p. 302). The findings of this deviant cases analysis are presented in chapter 6, in which I reveal patterns of association between the amount of private capital that politically-connected business elites injected in the real estate and tourism markets of the chosen four cases, and the asymmetric geographic provision of infrastructural services in the Mubarak era.

B. Diverse Cases Analysis

Beyond the results of this research's quantitative analysis, I additionally adopt a comparative research design to examine the validity of the 'contentious politics' hypothesis. As argued in Chapter 2, the present study posits a direct relationship between the capacity of aggrieved actors to undertake collective action and the geographic provision of collective consumption services in hegemonic party systems. This capacity is determined by four structural factors, namely; the degree of material deprivation and educational attainment among aggrieved actors; the spatial proximity of aggrieved actors to the seat of government; and whether they can demonstrate a history of activism in support of their capacity for coordinating collective acts of defensive mobilisation.

To assess the relevance of this argument to the Egyptian case, I select three diverse cases, namely; Upper Egypt, Lower Egypt and the Urban governorates, which vary on these four dimensions (the independent variables) as well as on the distributional outcomes of interest (the dependent variable). This selection strategy allows me to achieve a "maximum variance along relevant dimensions" (Seawright & Gerring, 2008, p. 299), and therefore explore how the aforementioned four factors could influence the cross-regional distribution of public spending in hegemonic party systems. Diverse cases analysis, as Seawright and Gerring (2008) explain, requires the selection of a set of cases that "represent the full range of values characterising X, Y, or some particular

X/Y relationship. The investigation is understood to be […] confirmatory (hypothesis testing) when [the researcher] focuses on a particular X/Y relationship" (p. 300). In this research, the use of comparative methods to explain this variation enables the identification of the combination of 'contentious politics' conditions associated with the distributional outcomes under discussion.

This comparison mostly gleans its evidence from qualitative data sources. The use of statistical methods, conversely, might have limited the analysis for two notable reasons. Firstly, the unavailability and low quality of quantitative data on contentious politics in Egypt (the key explanatory variable in this comparison) do not allow for a comprehensive quantitative analysis of the relationship between different variables of interest. Secondly, statistical methods are not combinatorial to explore the interaction of different combinations of conditions with the dependent variables. Statistical methods rather examine each of the conditions associated with a specific outcome in a piecemeal manner instead of investigating situations as wholes (Ragin, 2014, p. 15). Even though with the inclusion of several statistical interactions, the combined effect of those conditions can be examined statistically, in doing so we may encounter problems of collinearity and scarce degrees of freedom, especially when dealing with limited number of observations as evident in the Egyptian case (ibid). To remedy for this, I base deviant and diverse cases analysis on qualitative evidence generated from elite interviews, policy documents and minutes of parliament, as I will explain in the following section.

3.2 Data Collection

3.2.1 Process Tracing

Process tracing is employed as the main tool of investigation in this research's Small-N analysis. Beach (2017) defines process tracing as a method for "tracing causal mechanisms using detailed, within-case empirical analysis of how a causal process plays out in an actual case" (p. 1). Generally speaking, process tracing focuses on three main purposes; theory-testing, theory-building and/or explaining an outcome (Beach and Pedersen, 2013). Firstly, process tracing, as a qualitative research method, can be applied to test the validity of a theoretical argument in a given empirical context. To this end, researchers need to pursue a deductive approach to the analysis, one that starts from a pre-assumed theoretical standpoint, as shown in Figure 3.2. Secondly, the empirical inferences that may stem out of the data collection process is additionally useful in the development of new theories on how causes and effects of a specific process are typically linked. An inductive grounded theory approach, however, works better for this purpose for offering systematic guidelines for how to analyse empirical evidence and construct theories grounded in the collected data (Charmaz, 2006, p. 2). Thirdly, whichever the approach that researchers undertake to the data collection and analysis, process tracing should ultimately permit them to craft a minimally sufficient explanation of how did they arrive at the end results under-investigation.

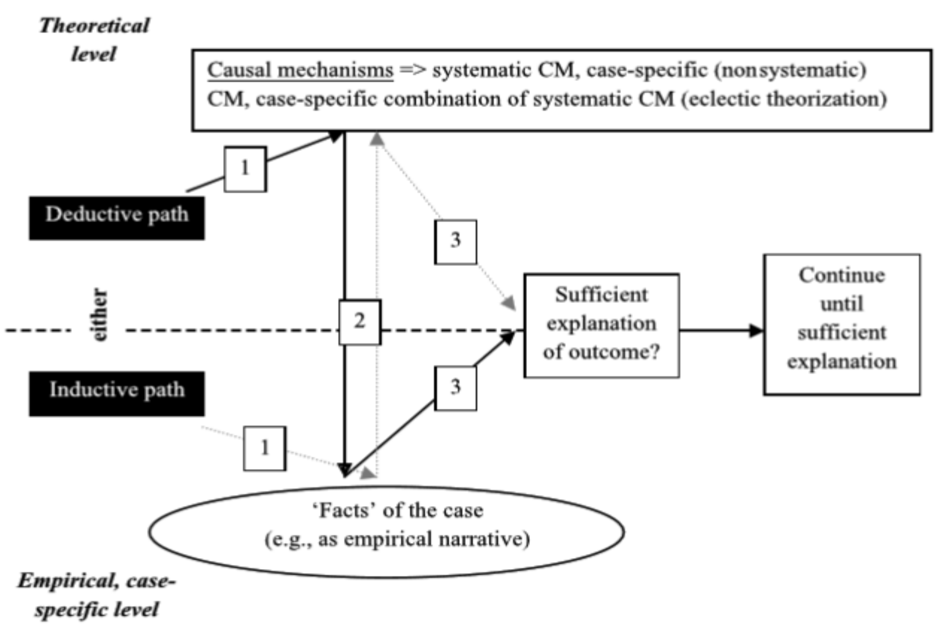


Figure 3.2: Inductive and Deductive Paths to Process Tracing
Source: Beach and Pedersen (2013, p. 20)

In this research, the three aforementioned objectives were complementary. The data collection process started off deductively to test whether the prevailing electoral explanations are of relevance to the process of public resources allocation in Mubarak's Egypt. Through this deductive approach, I attempted to look at a finer level of detail than that of the theories proposed in the literature and check whether the sequence of processes within the Egyptian case fit the events envisaged by the dominant electoral explanations. Following on, to probe for alternatives theoretical descriptions, that are rarely entertained in the distributive politics literature, the data collection process proceeded inductively thereafter.

This inductive process gleaned its data mostly from elite interviews and policy documents. Over a period of two years, I collected three types of casual process evidence which deeply informed the research enquiry; pattern, sequence and account evidence (Beach and Pedersen, 2013). The first type of evidence deals with statistical patterns that capture a holistic overview of the public resource allocation process at large. Sequence evidence, on the other hand, is more concerned with the timing, temporal and spatial chronology of key events that triggered major allocation decisions. Lastly, account evidence builds on the content of the empirical material, including oral accounts of what happened in meetings, in which major allocation decisions were taken, and meeting minutes that report what was discussed in those conventions (Beach, 2017). The three types of evidence, combined, make it possible for me to draw an inferential nexus between causes of spatial variability in public spending in Mubarak' Egypt (X) and their outcomes (Y).

3.2.2 Data on allocation

To gather this evidence, I first visited the Central bank of Egypt, the Central Agency for Public Mobilization and Statistics (CAPMAS), the National Planning Institute, the Egyptian Cabinet's

Information and Decision Support Centre (IDSC) and the Ministry of Finance. In the records and libraries of those institutes I found evidentiary traces of major decisions, actions, and institutional arrangements that guided the distribution of collective consumption services in Egypt. I also got permission to visit the parliament's library for three months, from March to May 2016, where I was allowed to read and make copies of the meeting minutes for the parliamentary discussions on the state budget for the period from 1990 – 2010. The analysis of this evidence enabled me to discern the broader allocation patterns that were present in the era of Mubarak. I additionally compared records on enacted and final state budget from 2004 to 2010, a period for which data on final accounts is publicly available. Through this comparison, I was able to detect discrepancies between approved and executed allocation amounts, in favour of some localities.

To gather additional evidence on the discussions that preceded the allocation of collective consumption services, I conducted 50 elite interviews with policy actors who were involved in the formulation and execution of the state budget. Through those interviews, as I will explain in the following section, I could figure out if there was any justifiable ground for the enforcement of biased allocation patterns that were revealed from the examination of the aforementioned statistical records. The evaluation of every piece of these oral and written evidence took account of the guiding institutional, economic and political context; the roles, motivation and agendas of policy actors; and the circumstances that surrounded the production and release of policy documents. This evaluation allowed me to assess the authenticity and accuracy of observations and make a judgment on whether they should be regarded as trustworthy sources of information.

The analysis of the aforementioned document-based sources initially focused on the 1991-2010 period. This marks the beginning of a new economic phase in Egypt when Mubarak signed the tripartite management agreement between Egypt, the IMF and the World Bank, and adopted the Economic Reform and Structural Adjustment Programme (ERSAP). During this period, the Mubarak regime had to reduce public spending on the provision of collective consumption services in Egypt to decrease the budget deficit, as I will explain in chapter 6. The authoritarian regime was therefore more selective in its choice of where to pour more funds for the delivery of these services. The initial analysis of this time period, as such, seems appropriate for unpacking the relationship between the geographic distribution of collective consumption services in Egypt and the consolidation of authoritarian modes of governance.

After conducting elite interviews, I structured the analysis around three main themes; "budget institutions", "crony capitalism" and "contentious politics". This structure allowed me to narrow down the documentary analysis into two key time periods; from 1991-1997 and 2004 - 2010 for the following reasons. Firstly, final accounts on the state-budget are only available for the 2004-2010 period, which limits the comparison of the enacted and approved state budget to this interval. Secondly, the Nazif cabinet, that was permeated by influential business cronies, was in power during this latter period, which allows me to explore the types of regulatory capture practices that were evident in the Mubarak era, as I will explain in close detail in chapter 6. Thirdly, the majority of contentious collective actions in Egypt took place during the 2004-2010 period. Lastly, the 1991-1997 period witnessed most of terrorist attacks that radicalised insurgents organised in Egypt in the Mubarak era, and therefore the examination of this duration contributes to the analysis of how contentious politics influenced the cross-regional distribution of public spending in Egypt.

3.3 Elite Interviews and Sampling

Elite interviews, as noted above, functioned as the main method of data collection. The rationale behind choosing this is to move beyond written accounts that represent an official version of what happened and capture the complexity of the underlying context. On this point, Tansey (2007) avers "when documents, memoirs, and secondary sources provide an initial overview of the events or issues under examination, interviews with key players can be used to corroborate the early findings […] Elite interviews can shed light on the hidden elements of political action that are not clear from an analysis of political outcomes or other primary sources" (p. 766-767). This was made possible by probing first hand participants at length, in semi-structure interviews, regarding their views and recollections of the allocation process. In so doing, I managed to gather primary data on the discussions and deliberations that preceded the geographic allocation of public spending in Egypt. I could also account for alternative interpretations of major events that triggered specific allocation patterns so as not to interpret them incorrectly. The rich and reliable data that I was able to gather through those interviews enabled me to draw a number of empirical inferences pertaining to the distribution of public expenditures in Mubarak's Egypt.

I employed purposive sampling techniques in order to avoid the exclusion of important figures in those interviews and obtain the insights of key actors involved in the allocation process. The selection criteria, as such, was closely linked with the research objectives. Relevant actors were first identified through positional criteria in relation to the Egyptian state budget. This was followed by snowball (chain-referral) sampling. The initial set of respondents were requested to suggest two or three potential interviewees on the basis of their positions in the government or their reputation as being of influence in the field in question. To avoid skewed sampling that could result in subjective analysis if the respondents were to suggest others who share the same viewpoints, the first wave of initiation was diverse enough to include policy makers, academics, researchers, members of civil society associations and international donors who belonged to different ideological camps (*see* Appendix B for the positions of the interviewees). The interviewed sample involved both primary sources (participants who were directly involved in the allocation process), and secondary sources (participants who observed or researched the allocation process). The analysis, however, attributed higher inferential weight to the testimonials of primary sources as compared to the secondary participants. Table 3.1 provides descriptive summary of the interviewed sample

Table 3.1 **Descriptive Summary of the Interviewed Sample**

Former Ministers (9)
Deputy Ministers and Advisors to Ministers (8)
Senior Central Executives (9)
Governors and Local Executives (4)
Members of the Parliament (2)
Researchers in Think Tanks and CSOs (12)
Professors and Academics (6)

Interviews were conducted in an iterative process. The first wave of data collection encompassed 30 elite interviews conducted over three months from April to June 2016. In those interviews, I attempted to meet two main purposes. Firstly, to test the validity of the prevailing theoretical propositions in the distributive politics literature. Secondly, to identify other potential mechanisms that can explain the causes of variation in public spending across the governorates of Egypt. In

December 2016, I conducted another 10 elite interviews that focused on the main explanatory factors that interviewees in the first wave of data collection described as being of paramount importance. Lastly, in June and December 2017, I conducted 10 more interviews to address some gaps in the data collection process. On average, each interview lasted for over an hour.

I could not obtain written consents prior to the interviews due to the political sensitivity of the topic. Nevertheless, interviewees were requested to provide an oral consent prior to their participation in this study. To safeguard those who are at risk, anonymity and confidentiality of interviewees was guaranteed in order for them to express their views openly without facing any threat of potential backlash. Therefore, instead of mentioning the name and the position of my interviewees, I use a numeric code in this study wherever I cite a direct quote or a piece of information that the interviewees conveyed during the discussions. All interviewees were asked for permissions to use direct quotes. To minimise the level of inconvenience to the interviewees, available statistical datasets and national archives were first consulted so as not to collect this data afresh through the interviews.

To probe efficiently, I used a topic guide that allowed me to standardise the data collection process by covering the same range of issues in each wave of data collection. Nonetheless, I still maintained a degree of freedom to explore each sub-topic in depth as the conversation flowed. This consistency minimised the chances of confusion that could have galvanised had I posed different questions in each interview.

Majority of discussions were centred on nine main thematic areas: (I) how collective consumption services were used to maintain authoritarian governance in Mubarak's Egypt; (II) actors and stakeholders who took lead in the conception and the allocation of the state budget; (III) the design of budget institutions in Egypt; (IV) the division of allocative functions across the different levels of governments; (V) the role of legislative and executive bodies in determining the outcomes of the public resource allocation process; (VI) the effectiveness of checks and balances mechanisms in ensuring the accountability of spending units ;(VII) the role of the international donors in correcting and/or enforcing some of the observed allocation patterns; (VIII) the relationship between private investments and the distribution of collective consumption services; (IX) the association between the different forms of collective action and the provision of physical infrastructure in Egypt.

The aforementioned topics were discussed at length in a dynamic manner. The flexibility in those discussions enabled me to make some adjustments in the interviews whenever participants were interested in covering one of those topics in more depth, or even stray from the initial interview structure in order to richly uncover other points which I have not tackled in the original topic guide, yet they were of high relevance to the research enquiry.

3.4 Data Analysis

To analyse the collected evidence, I employed thematic analysis techniques, through which I was able to identify themes and phrases of special meanings in the textual data. After reading and re-reading the empirical material, similar questions and explanations pertaining to the same institutional, political and economic patterns were grouped and segmented. Text segmentation enabled me to assess thoroughly the suitability of interview data for various categories, and map the multidimensionality of the empirical content. Thereafter, I could identify the main themes in the interviews by comparing similarities and differences across the various interview sections and by recognising naturally occurring transitions (Guest et al., 2014). Likewise, I could mark the most important themes by pinpointing recurrent concepts in the interview transcripts.

In an iterative process, the illuminated themes were transformed into codes and compiled into a codebook to categorise and map the relationship between observed meanings (a codebook sample is provided in *Appendix D)*. In so doing, I used a conceptual mapping software to draw connections between the various codes and reflect the thematic level of detail within the text. Guest et al. (2014), describe this process as follows: "you identify an instance of meaning in the text, note its locus, and describe it. What meaning is conveyed or signified as you read the text? The answer to this question leads to the identification of themes" (p. 52). Through this process of themes identification, I could ascertain how much of the analysed text is critical to the research enquiry, and decide on the most meaningful textual elements that can inform the relationships between emerging codes and thematic subjects.

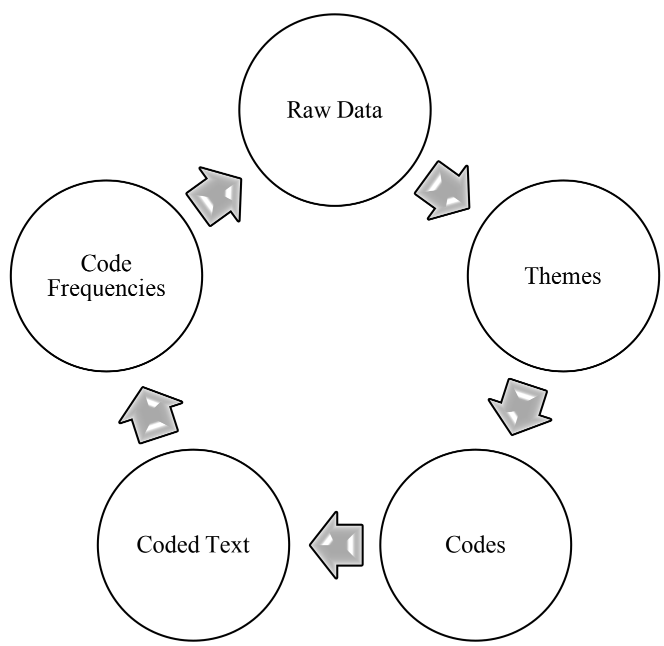


Figure 3.3: Thematic Analysis
Source: Guest et al. (2014)

Given the explorative nature of the present study, codes were not determined *apriori*, but rather emerged from the answers to the interview questions. It was difficult to specify a set of precise code rules at the outset of the data collection process owing to the heterogeneous nature of the empirical material that was produced in different shapes and forms across different time periods (Liberman, 2005, p. 440 – 441). Eventually, codes were compared to ascertain their frequencies and draw evidence in support of or against the competing distributive politics theories. It also helped me to eventually evaluate pre-existing assumptions and build theoretical constructs that can better explain the outcomes of public resource allocation process in hegemonic party systems.

In short, the data analysis process started with reading the transcripts to identify and map the relationship between themes and codes that emerged from the text. This, in turn, resulted in the empirical verification or refutation of the preliminary theoretical assumptions. Eventually, I was able to develop the theoretical model, proposed in chapter 2. Through this process of themes recognition, I was able to identify two main explanatory factors that seemed to exert influential effect on the spatial distribution of collective consumption services in Mubarak's Egypt. Specifically, these were: crony capitalism and contentious politics, which I explore in Chapters 6 and 7 of the thesis.

3.5 Validity and Reliability of the Research Findings

In answering the question: "Are we measuring what we think we are?" (Kerlinger, 1964: 430), a concept is considered valid if "it represents accurately those features of the phenomena that it is intended to describe, explain or theorise" (Hammersley, 1987, p. 69). Likewise, a research method is considered valid if it "measures what it is supposed to" (Black and Champion, 1976, p. 232). In this research, I can make a case for content validity for two notable reasons. Firstly, by relying on elite interviews with actors who took part in the budget allocation process, I managed to acquire relevant information on how the policy agenda was set, and accordingly, understand what caused the different courses of distributive actions under-examination. Secondly, I assessed the applicability of the various theoretical hypotheses that are advanced in the literature on distributive politics to the Egyptian case by running some statistical tests. Those tests incorporated quantitative variables that are as close as possible to the concepts I wanted to represent in the empirical analysis. As such, the methods of data collection and analysis, which I employed in this study, are suited to the research's endeavours for having the appropriate range of content to measure what caused variability in public spending across the different Egyptian localities.

To ensure robustness of the research findings, I purposively chose participants with differing ideological backgrounds who occupied diverse positions in the government. Additionally, I interviewed researchers and policy actors who worked outside the public domain. By doing so, I could check whether the interviewees were telling the truth or they had other clandestine agendas and rather tried to justify their actions. In other words, the diversification of the interviewed sample enabled me to identify areas of convergence and divergence in the transcripts, and recognise the most consistent themes that run through the textual data.

Furthermore, interviews were conducted, transcribed and analysed in the participants' native language, in Arabic (which is also my mother tongue) in order to ensure flexibility in the linguistic engagement. Interviewees, as a result, could convey their knowledge of the topic accurately and freely while avoiding the accumulation of an additional layer of complexity that might have affected the validity and reliability of the research findings (Guest et. al, 2014, p. 96). Four interviews were only exception to this, in which respondents preferred to speak in English.

Data sources and measures were additionally triangulated. Given that the research inquiry goes back in time to the early decades of the Mubarak's tenure and memory lapses could occur, oral testimonials of the interviewees were corroborated with other secondary policy reports. Key accounts highlighted in those interviews were also cross-checked with data driven from the national archives, and stories documented in the national and international newspapers. This triangulation was considerably important to make sure that observations brought up during my interviews with secondary sources – those participants who were not involved directly in the allocation process – did not rely on hearsay (Beach and Pedersen, 2013). Ultimately, the gathering of evidence from a plurality of sources enabled me to improve the reliability of the research findings, which Black and Champion (1976) defines as "the ability to measure consistently" (p. 232). Moreover, I could reveal any weakness in the data collection process that might otherwise have been considered as unreliable (Tansey, 2007). Accordingly, I could preclude any inaccurate measure that was a product of systematic (biased) or non-systematic (random) errors in the empirical analysis (Beach and Pedersen, 2013). Lastly, concerning the external validity of this research, as explained in the introductory chapter, this study contributes to our understanding of distributive politics in a wider context that goes beyond the Egyptian case. It is of relevance to other hegemonic party systems that exist in the Middle East, Latin America and East Asia.

3.6 Researcher's Position

Before I discuss the findings of the empirical analysis, it is imperative for me to note how my values, belief systems, political commitments, professional background and experiences might have impacted the research questions and the processes of data collection and analysis. For the past 15 years I have been a volunteer with Egyptian NGOs, working in deprived areas that lacked functioning healthcare and education systems. This experience made me aware of the vast inequities in the distribution of public resources across the governorates of Egypt. At first, I was interested in understanding the root causes of this variation from an economic standpoint; one that corresponds to my academic training as well as my professional background as someone working in the financial sector in Egypt. Later, however, I started to develop a keen interest in understanding the concatenations of authoritarian regimes resilience and the spatial provision of collective consumption services. The exposure I had during the January 25th revolution was what mainly triggered this curiosity, and partly shaped my personal reflections. My upbringing, community development experience and my being an Egyptian woman, as such, layered my approach as an insider who is attempting to form a scholastic perspective.

It was not easy for me to strike a balance between my identity as an academic scholar and my being an Egyptian. While the methodological trainings I received, on the one hand, pushed me to be objective and detached, my insider identity, on the other hand, made me critical about what I read, wrote, heard and interpreted. As an Egyptian, I grew up to witness the brutality of the Mubarak regime in manipulating the results of parliamentary elections in a way that required low investment on physical infrastructure to win the counting. I was therefore able to approach the topic with some knowledge and be critical of various theoretical assumptions posited by scholars of distributive politics on the effect of parliamentary elections on the distribution of public resources in hegemonic party systems. Being aware of my tendency to reject those assumptions based on my prior knowledge and embeddedness in the Egyptian context, I was nonetheless mindful of detaching my prior assumptions from the processes of data collection and analysis. Rather, I adopted rigorous methodological tools and techniques to re-evaluate what is considered objective and to be able to test the prevailing arguments in the literature. To my surprise, some of these arguments were valid, whereas others were not supported by evidence. In this research, I show both sides of the story in an attempt to minimise my subjective bias as much as possible.

My insider identity has additionally enabled me to access multiple data sources that would have been inaccessible to other – non-Egyptian – researchers. Prior to my PhD, I worked with influential policy actors – some of whom were affiliated with the Mubarak regime – and received academic and professional trainings from them. I could build on these connections to reach interviewees and build personal rapport with potential participants. This network was also beneficial in getting me access to numerous national research centres and therefore I was able to collect unpublished quantitative data on the topic.

During the fieldwork, I was mindful of my behaviour and actions. I adopted a 'back seat' approach in the discussions and refrained from pushing the interviewees into a certain direction. Rather, I relaxed my prior assumptions and opened up a space for inductive probing in order not to fit interview data into pre-set categories. I was interested in the stories that interviewees told me and how they linked back to the overarching research question. That is why I used a topic guide rather than a questionnaire to gather the empirical evidence. This deliberate approach to separate my political views from the data collection process made me recognise the presence of multiple realities different from what I previously held as an Egyptian. To ensure the credibility of my findings, I conveyed those views in the thesis even when they were in contrast with my own personal and political convictions.

Likewise, I never disclosed my political stance as an Egyptian in order not to influence the willingness of interviewees to talk openly about the ways through which policy was conducted in the Mubarak era. I also gave all participants the lead in setting the place of the interview to make them feel comfortable disclosing their opinions in a convenient environment. The fact that I am an insider, who experienced and could relate to what they were saying, additionally made it easier to establish rapport and for them to share many details, which enabled me to probe efficiently and sometimes to understand implied gestures and meanings. Still, there is a risk that interviewees might have withheld some information assuming that it was obvious to me as an Egyptian (Daly, 2002).

Throughout the process of coding, I was challenged continuously to develop new understandings of the political and economic systems of Mubarak's Egypt. This practice enabled me to fully engage with the data and accurately discriminate in selecting core categories and data, which interviewees acknowledged as central to the understanding of the phenomenon of interest. I also revisited interviews transcript once every 2-3 months to make sure that I did not dismiss a relevant theme intentionally because of my prior knowledge of the topic. Nonetheless, I should note that the 'social policy' discipline that I approached the topic from has indeed influenced my choice of themes and codes. Had I approached the topic from a different discipline, the angle of investigation and the framing of the theoretical and empirical findings might have been different. In short, my reflexivity was an ongoing practice throughout all phases of the research process. This process of learning not only has enriched the research outcomes, but has also taught me how to be a conscious researcher alert to my actions that can be implicated in the production of the research findings, and in the generation of the conclusions of this research.

3.7 Strengths and Weakness of the Research Design

Lastly, it is important to note the strengths and weakness of this research design. In this study, I collect and analyse original data on Egypt that is not generally known or widely accessible to other researchers. I build on a multiplicity of qualitative and quantitative data sources to test prevailing theoretical assumptions in the literature and propose new explanations for the causes of variation in the provision of collective consumption services across the governorates of Egypt.

The quantitative analysis, however, is limited by the quality of data available. Most social and economic statistics in Egypt are not broken down by districts. Data is only available at the governorate level. Therefore, I could only run regressions for 78 observations due to the unavailability of further detailed data on the dependent variable. The undertaken regression analysis, as such, is not intended to establish any causation between the dependent and the independent variables. It can only validate or refute the relevance of electoral propositions advanced in the wider distributive politics literature. There were also no appropriate quantitative measures to assess the validity of the crony capitalism and contentious politics arguments through the use of statistical techniques. This in fact made it difficult to differentiate the effect of crony capitalism and contentious politics when both factors were in play in a geographic area.

Nevertheless, I could still verify the relevance of these arguments and make empirical inferences using the evidence generated from process tracing. By blending qualitative and quantitative methods together in one study, I was able to ascertain whether the observed within-case empirical evidence is consistent with the direction and – to a lesser extent – magnitude of the effect that is estimated by the undertaken simple regression (Seawright, 2016, p. 63). In so doing, evidence from process tracing was used to examine the strength of associations between different factors and underscore those that possibly drove the distributional outcomes under-investigation. That is why a combination of regression analysis and within-case qualitative examination, in which different sources are triangulated and several actors are advised, is argued to increase the reliability of research findings. This synthetic strategy allows researchers to check the biases of each method and collect more observations on the pathways that connects the treatment with the outcomes of interest.

Still I should note that the qualitative analysis was also limited with the access I had to respondents. While I conducted 26 interviews with policy actors at the central level, as demonstrated earlier in Table 3.1, I could only reach 4 governors and local executives at the grass-roots level. This means that the viewpoints of local actors were not as integrated into the research findings as the perspectives of the central actors were. Despite this, it is worth reiterating that this research seeks to understand why the Mubarak regime favoured a few governorates through higher allocations for collective consumption services. This means that the research's inquiry is concerned primarily with the interests and motivations of central policy makers more than those of the Egyptian local actors and constituents. This research, by comparison, does not attempt to explain how aggrieved communities came together to undertake a collective action or how they interacted with Egypt's politically-connected business elites. Rather, it elucidates how the regime elites decided on their distributional policies to serve their private interests and how Mubarak responded to local acts of contention to consolidate his authoritarian power.

Indeed, more research needs to be conducted at the local level to expand a comprehensive understanding of the topic at the micro-level of policy analysis. Yet, this is not a significant limitation that affects the study's analysis. In fact, I tried to account for this by interviewing researchers and members of civil society organisations who conveyed the position of local actors whom I could not reach. Still, more could be done in this context. To conclude, the quality of quantitative data and the limited access to local participants were the main limitations I faced while conducting this research. That is why I build on a variety of data sources to remedy the shortfall of the research design and increase the reliability of my findings.

4

Descriptive Account of Budget Institutions in Egypt

In chapter two, I explained why the presence of corporatist and centralised institutions is a necessary precondition for autocrats to control scarce public resources and be able to buy off political consensus. This institutional structure impedes the delegation of power to local elites who can undermine established political hierarchies, and pose direct threat to authoritarian persistence. Fiscal centralisation, however, comes at an exorbitant price, especially when the allocation of resources is not informed by social needs, but ad hoc political directives. It is therefore imperative to unpack this pernicious institutional effect, which the operation of centralised and corporatist budget institutions could bring in its wake, and understand how this institutional design can cause disparities in the cross-regional distribution of public spending in hegemonic party systems.

With this end in view, this chapter will give an institutional account of the budget allocation process in Mubarak's Egypt. It will demonstrate how the authoritarian regime set up budget institutions in a way that afforded political elites unfettered discretion over the policy agenda causing an asymmetric allocation of collective consumption services across the governorates of Egypt. This institutional perspective should come prior to the analysis of the main economic and political factors that caused spatial discrepancies in public spending in Egypt, and the preconditions conducive to its development.

This main objective of this contextual chapter is twofold. First, it shows that the Mubarak regime developed an inefficient system of local administration that was deprived of any meaningful representative authority. The centralised configuration of this system provided the autocratic regime with a base upon which it could cultivate alliances with charismatic and popular local figures who were allowed to make inroads into Egypt's political life. Those local elites, however, had to follow the National Democratic Party's (NDP) policy agenda that aimed to deter spatial forms of contentious mobilisation and earn Mubarak political legitimacy. This institutional design, in turn, afforded the regime with several means of control to tighten its grip over local politics.

Secondly, this chapter explains why the Mubarak regime, in tandem, maintained a central domination over the budget allocation process. This centralisation allowed the authoritarian regime to use scarce public resources in subsidising a few localities to appease political elites and buy off threat of contentious collective action. On this institutional basis, the lack of resources in lagging areas could be ascribed to the informality and centralisation that pervaded every aspect of the annual budget cycle rather than the effect of parliamentary elections as commonly argued in the distributive politics literature.

The micro processes explored in this chapter should ultimately substantiate the overarching argument advanced in this dissertation, and in turn, contribute to the understanding of, not only why resources were distributed in a spatially biased way under Mubarak, but also how the regime managed to achieve political consolidation through the use of budget institutions. In other words, this chapter will endeavour to elucidate the interaction between institutions and politics, as two sides of the same coin, and the ways in which both of them fuelled into each other.

There is a surprising lack of research in the distributive politics literature on the role of local and central budget institutions in shaping the outcomes of public resources allocation. The prevailing institutional accounts instead focus on how the centralisation of the policymaking process could produce inefficient bureaucratic outcomes and distorted information on the demands of local communities in authoritarian regimes (Shah and Thompson, 2004; Moustafa, 2002). This chapter, by contrast, uncovers many areas that have been left unexplored, in this respect, in order for us to grasp the underlying institutional setting of distributive politics in the Mubarak era.

This chapter has two main sections that draw on data from 50 elite interviews and state budget from 1991 to 2010; a period for which budget data is publicly available. The first section takes a temporal dimension to the understanding of the underlying Egyptian context. In this section, I will demonstrate how the design of centralised bureaucracy predated Mubarak ascendance to power in 1981. I will go as far back as 1956 when President Gamal Abdel Nasser corporatized agencies as a hallmark of his military regime that attempted to change Egypt from a feudalist-capitalist monarchy to a socialist nation-state. In that context, the 1952 revolution, which overthrow the monarchy, constituted a critical juncture for central planning ideologies to take over the policy arena. In the absence of permissive and productive conditions to alter the configuration of this system, similar institutional patterns were reinforced and reproduced under the Sadat and Mubarak governments.

The second section deconstructs the different institutional arrangements that guided the process of budget allocation in Egypt under Mubarak. It provides answers to the following questions: how did planning and budget institutions in Egypt work? Who were the main actors and stakeholders involved in the budget allocation process? And why did the outcomes of the allocation process lead to significant variations in the net fiscal benefits[15] provided across localities? In answering these questions, I will explain how the formulation and execution of the state budget was subject to political influence, rent-seeking behaviour and interest groups' lobbying, which often resulted in principle-agent dilemmas and horizontal inequities across Egypt's 27 governorates. Additionally, I will clarify why budget governance was highly opaque and unaccountable which caused the same fiscal violations to be repeated over the years. Finally, the chapter will conclude with a discussion of why the Mubarak regime did not develop a resource allocation system of inverted authority whereby the local administration communicates with the centre, but rather an ineffective system of political communication between the very fabric of local politics and centre-periphery relations.

4.1 Central and Local Administration System in Egypt

Decentralization is widely addressed in the literature as a process that can lead to improved governance and enhanced accountability (Shah and Thompson, 2004). This can be achieved by giving local governments the discretion to decide on local policy agendas, hire and fire local staff with no reference to central authorities and have their own sources of finance (ibid). In the presence of local council elections, decentralisation should create a responsive platform for local political participation to replace hegemonic structures of governance that tend to feed rent-seeking behaviour whereby citizens have no channels of feedback to report bureaucrats' abuses (Moustafa, 2002). It can also improve information flow across different levels of governments to holistically decide on national policies.

[15] Net fiscal benefits are the difference between material and social benefits that households receive from public services and the taxes they pay for the provision of those services (Blöchliger and Charbit, 2005).

Egypt, however, for long has been one the most centralised countries, ranking 114 out of 158 on decentralisation and proximity of government to the people in 2014 (Ivanyna and Shah, 2014). It is a case of de-concentration without authority where the local government operates as an extension of the centre under a multi-tiered government structure. By de-concentration, I mean the handover of some of the administrative functions to a lower level of government with no political devolution (Regan and Stewart ,1982; Mills, 1994). The design of this unitary administrative structure, as such, has created a highly centralised budget system, in which the decision to allocate resources lied largely with central authorities. In order to understand how the configuration of this system came about, we should go back in time to the early stages of central planning to avoid being misled by the direct outcomes of the existing system and dismiss the long-term cumulative consequences of its initial design. This temporal dimension is of a paramount significance to this empirical analysis as it highlights the role of historical causation in reproducing and reinforcing path dependent institutional structures even in the absence of the original triggering event (Pierson, 2004)

The transition from a feudalist-capitalist to a socialist regime, following Nasser's assumption of power and the abdication of King Farouk in 1952 can be viewed as a period of historical openness, or critical juncture. This period necessitated the presence of new institutional configurations to support the extensive expansion in public services provisions coupled with a wide nationalisation of trade, finance and industries. Hence, it was the need to introduce changes to the complex and out-dated laws and regulations that governed Egypt's public administration system, and reorient the relationship between bureaucrats and the public.

Central planning gradually evolved during this period which witnessed a rapid growth in public bureaucracy that exceeded the growth in population size or production. Public organisations in Egypt increased from one entity in 1956 to 46 organisations in 1970. Additionally, Egyptian ministries that totalled 15 in 1952, increased to 29 ministries in 1965. Bureaucratic posts also increased by 70 per cent leading to significant growth in public employment from 35,000 in 1952 to 1.2 million in 1970 (Ayubi, 1990, p. 94), an increase from 0.16 to 3.5 per cent of the population size over 18 years. This increase represents an annual growth of 7.5 per cent between 1962 and 1972, exceeding the national workforce annual growth rate by 2.2 per cent (Rutherford, 2008, p. 134).

While socialism and nationalisation under Nasser enabled major institutional reforms to surface, this was followed by long periods of institutional stickiness and stability. In other words, institutional arrangements were placed on trajectories that were difficult to reverse (Pierson, 2004). It was clearly the case under the government of Sadat and Mubarak, who despite their favouritism for neo-liberal policies, still sustained the same level of bureaucratic growth over subsequent years. In 1978, the number of public employees increased to 1.9 million (excluding public companies) which amounted to 3.2 million employees, when adding enterprise workers to the calculation (Ayubi, 1990, p. 110). Likewise, there was an increase in public employment from 2.87 million employees (excluding enterprise workers) at the beginning of 1980s, to 3.4 million in 1986/87 (Ayubi, 1995, p. 299). This amounted to an expenditure of EGP 3.865 million on wages and salaries in the same year, against EGP 7.46 million allocated for capital investments. The last decade of the Mubarak tenure, however, saw a reversal in public employment patterns, in response to the excessive pressure exerted by the IMF and the World Bank on Egypt to reform state bureaucracy. Over the period 1998 – 2006, employment in the public sector started to contract sharply, yet it still maintained no less than 25 per cent of Egypt's workforce (Labour Market Survey, 2012).

The growth in public employment has long been uneven across different levels of government. Administratively, Egypt is divided into 27 governorates; each has a four-level local government structure, including: 184 Counties (*Markaz)*, 218 Cities (*Madina*), 79 Districts (*Hay*) and 1218 Villages (*Qaria*). The 27 governorates are subordinate to the High Council of Local Administration that is headed by the prime minister.

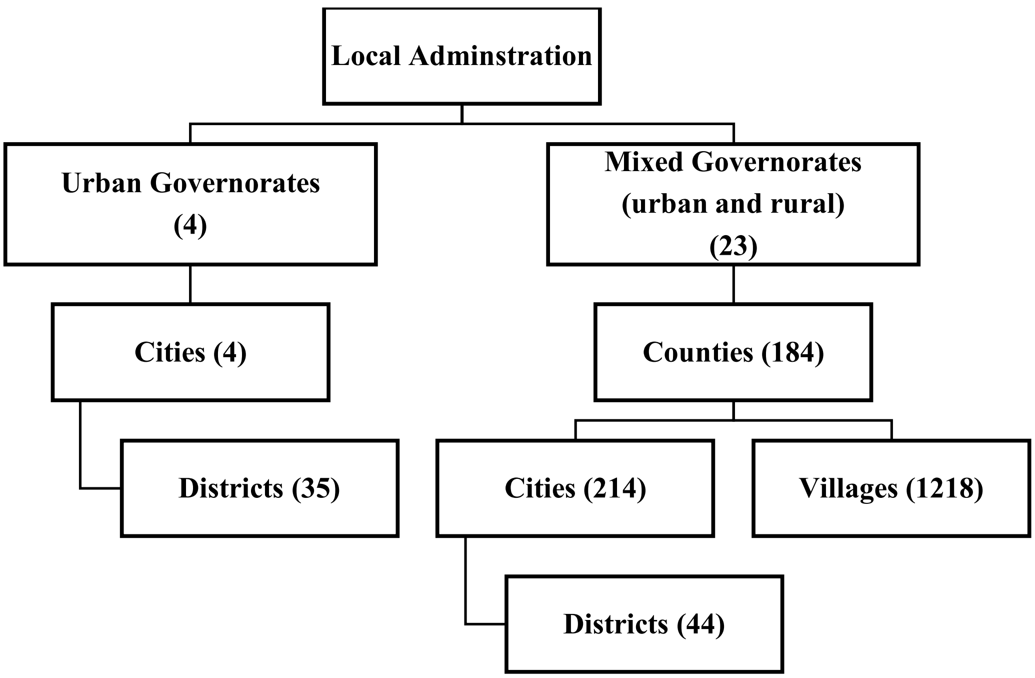


Figure 4.1: Local Administration System in Egypt
Source: Amin (2011)

The organisation of the current administration system was developed on the basis of the 1956 constitution, which divided Egypt into those distinct administrative units. Under Nasser, each unit operated under a unified local council structure of elected members and appointed heads, who had to be members of the Arab Socialist Union that was headed by the president. Nasser additionally had the right to dissolve local councils and appoint temporary councils in their place. He also allowed the central government to get involved in the work of local councils to maintain a strong central grip on power.

Upon coming to office in 1970, Sadat brought about a sea change in the structure of the local administration system. He introduced a new double-structured system of two branches – an elected Local Popular Council (LPC) and a centrally appointed Local Executive Council (LEC) – to replace the unified local council system (Laws no. 52 of 1975 and Law no. 43 of 1979). Within each governorate, LEC operated under three levels of administration; governorate LEC chaired by the governor, the highest executive authority over all local administrators in a governorate; city LEC chaired by the mayor; and districts LECs chaired by districts' heads. Governors were normally appointed by the president, whereas mayors were appointed by the prime minister and district heads were appointed by governors. Likewise, deputies to governors were appointed by the president and secretary-generals were appointed by the prime minister.

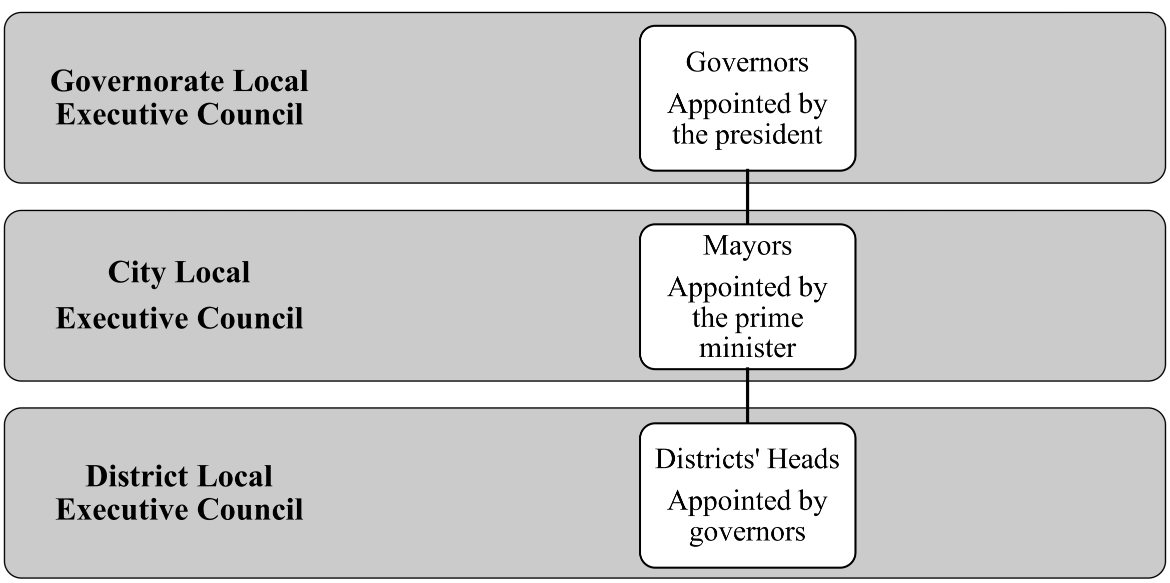


Figure 4.2: Hierarchical Structure of Local Executive Council

Majority of governors were drawn from the army and the police to keep local politics in order and guarantee acquiescence. To be suited to the tasks required of them, governors had to circumscribe the considerable popular influence of Islamists, who had they been given the space to appeal to the masses, would have threatened the stability of status quo. It was especially the case in Upper Egypt where the threat of Islamic insurgency was prevalent, as I will explain in chapter 7. In light of this political threat, neither qualifications nor geographic affiliation to governorates mattered in governors' selection, but allegiance and political connections.

Local council elections were organised in a way that could impede the participation of Islamists. To illustrate, following the historic victory of the Muslim Brotherhood in the 2005 parliamentary elections (they won 88 seats in the 2005 parliament), the Mubarak regime decided to postpone local council elections that were initially scheduled to take place in April 2006 fearing the unfolding of results similar to that of the parliamentary elections. When the elections were eventually held two years after, in April 2008, the Muslim Brotherhood attempted to get on the ballot. Nevertheless, the Mubarak regime made it difficult for their members to register or announce their candidacies. Therefore, the Muslim Brotherhood ended up boycotting the 2008 local council elections, resulting in a low voter turnout rate of less than 5 per cent (Martinez-Vazquez and Timofeev, 2011, p. 393). This again casts doubt on the claim that electoral politics in Egypt exerted influential impact on the cross-regional distribution of public spending (Blaydes, 2011). The Mubarak regime, as described above, could win the counting by employing other strategies of electoral manipulation with no need to use public spending to this purpose.

The central appointment of governors, who ostensibly presided over Egypt's governorates, resulted in bringing governors who had to follow central political directives at the expense of the prevailing local circumstances. Given that the careers of those governors were dependent on the support of the regime's political sponsors, whereas citizens played no part in their selection, governors had no interest in establishing mass social bases. They also had no incentive to voice the demands of their constituents, who had no formal channels to express their dissatisfaction with the system. The role of Egypt's governors, as such, was perceived as being political rather than societal.

Likewise, the administrative structure of local councils in Egypt was designed in a way that afforded little power to its members in order for them to represent the demands of their constituencies. Although the introduction of two local councils' arms – Local Popular Council (LPC) and Local Executive Council (LEC) – was supposed to establish an improved system of checks and balances at the local level, the constitutional foundation of local councils in Egypt, in fact, disempowered elected authorities and led to the domination of the executive board over national and local policies (Ibrahim, 2006). It was mostly evident under the government of Mubarak, who deprived local councillors of many of their representational functions, which Sadat had granted them under his governance. For instance, despite giving Local Councillors the right of interpellation under Law no. 52 of 1975, this right was abolished in 1988 by the decree of Law no. 145, which allowed LPC to only request information or ask questions concerning LEC's plans and performance but not to interrogate their members (Interview: I-46). Adding to that, the Prime Minister was granted the right to disband LPCs for "reasons necessitated by the public interest, and appraised by the cabinet" (Article 145 – Law 43 of 1979).

Also, while local councillors had the right to monitor the quality of social services provision within their constituencies; their power was quite illusive. They could only propose ways to improve services in their localities with no binding authority for implementation (Interviews: I-1; I-2; I-31). On the other hand, members of the executive board were granted the right to reject those recommendations within 15 days, and if local councils insist, the Minister of Local Development or the Prime Minister had the right to settle any contradictory decisions within 30 days and the decision would be final (Ibrahim, 2006).

As a result, members of the elected branch who presumably represented their local communities, in reality, did not have any substantial power in the policy-making process and were unable to hold members of the executive board accountable for government performance. In light of this organisational structure, Egypt had been argued to have a local administration system rather than a local governance structure (Interviews: I-32; I-12; I-36; I-46). The developmental role of this system was often deprioritised whenever it came in contrast with the goals of autocratic resilience. In such cases, the need to consolidate political power had to occupy a higher rank than that occupied by social development (Ayubi, 1995).

The following section, building on the above-explained institutional context of central planning in Egypt, will focus on the different arrangements that guided the process of budget formulation and implementation in the era of Mubarak. It will illuminate how the design of centralised budget arrangements served as locus of calibrated co-optation strategies, which the autocratic regime adopted to consolidate its power. And how the operation of the aforementioned local administration system resulted in significant variations in the net fiscal benefits provided across Egypt's governorates as I will demonstrate in the following chapters.

4.2 The Annual Budget Cycle

4.2.1 Budget Formulation (October - March)

Budget institutions in Egypt were set in a way that afforded the Mubarak regime hegemonic control over the distribution of public resources to be able to meet the demands of crony capitalists and buy off threat of contentious collective action. The allocation of collective consumption services in Egypt started with the reception of a guiding circular at the beginning of the annual budget cycle in October. This circular set out the guidelines for budget preparation by ministries, directorates and central agencies. Consequently, local spending units, including service directorates and local councils, prepared and submitted their annual budget proposals to governorate local executive council (Local Administration Law no. 124 of 1960). This council had to approve the submitted proposals in a general meeting with secretary general and directors of planning, properties and finance at the governorate's headquarters where they negotiated their requests in relation to the regular amount available for the entire governorate (Sawi, 2002).

Normally, those proposals gave priority to projects that managed to garner great media attention to bolster the legitimacy of Mubarak's governance. As I will explain in chapter 6, the building of new urban communities on Greater Cairo's peripheries; the development of integrative tourist resorts along Aqaba Gulf in South Sinai and the Red Sea coastlines; the establishment of industrial zones in Suez and Port Said; and land reclamation projects in New Valley were among the highly promoted projects in the national and international media, whose importance the regime stressed for enabling the growth of infrastructure-intensive economic sectors.

Following the principle of subsidiarity, each local unit had to inform the upper level about their financial needs, starting from the district level-up to the governorate level, where all budget proposals were aggregated and submitted to executive councils for technical finalisation and to popular councils and governors for approval. However, the approval process was not based on any real system of differentiation or comparison, but rather on central political directives (Interviews: I-36; I-11). Governors, unaware of local priorities, used to give precedence to some of the projects pushed through by influential figures with political clout (Interviews: I-46; I-49). This practice was noticeable in the infrastructure sector where the installation of water and sanitation services was prioritised in favour of a few geographies, especially the ones where the real estate and tourism cronies had established enterprises. It was due to the far-reaching political connections that crony capitalists managed to nurture with the Mubarak regime that they could get their hands on costly collective consumptions services in areas where they wanted to expand their businesses, as I will demonstrate in Chapter 6.

Popular councils in Egypt were also not immune to corruption. They used to be permeated by the NDP affiliates who – instead of being independent – were compelled to follow the NDP's policy agenda (Interview: I-46). The majority of executive councillors, as recounted in the quotes below, were appointed in representative positions at the local level, in a clientelistic exchange between voters and some of the NDP's high-ranked officials, and thereby their primary concern was meeting the expectations of their appointers rather than those of constituents. The upper echelons, in this exchange, vigilantly assigned its loyal members to councillor positions so that they could become increasingly involved in local politics. As such, the regime was able to impede the constitution of different forms of contentious mobilisation networks that could be constructed around communal sense of localism.

> Under the government of Ahmed Nazif [former prime minister] members of the parliament had a quota for the number of local councillors they could appoint in their constituencies. Each MP used to request quota increase to keep electoral promises they made to voters on the eve of the parliamentary elections (Interview: I-4, former minister of Finance)
>
> Appointment in local executive councils was used as a form of vote buying in order for the NDP candidates to win seats in the parliament. As a consequence, the majority of local executive councillors did not pay attention to the demands of their constituents, but those imposed by the NDP officials of high profile, those who gave them the job (Interview: I-46, researcher in a political think tank)

This, as a consequence, created principle-agent dilemmas in the budget formulation and preparation process. It was clearly the case when the NDP's demands were not aligned with the real demands of local residents, but with a need for political consolidation as the overarching claim in this study proposes. In such cases, local councillors sought opportunities to prove their allegiance to the regime as well as to central ministers who managed rewards and punishment and had total control over officials' careers.

Upon local councils' approval, final budget proposals were sent out to the Ministry of Local Development, the Ministry of Finance and the Ministry of Planning for approval by the end of December. It is worth noting though, that the Ministry of Finance did not impose a budget ceiling in their budget directives. As a result, local authorities tended to go overboard rather than produce realistic budget proposals reflecting local needs. Knowing that their proposals would be subject to negotiation at the time of formulating the state budget, local councils exaggerated their demands and overvalued many of the underlying matters. In return, the Ministry of Finance and the Ministry of Planning were well aware of this practice, and would therefore cut most demands in a bargaining process. This, in turn, afforded governorates with strong capacity for contestation an opportunity to lead budget discussions and better sell their cases to get supplementary allocations. Eventually, Lower Egypt and the Urban governorates, which had more leeway to agitate in light of their advanced manpower, as I will explain in chapter 7, used to get higher shares of allocations under Mubarak compared to their Upper Egypt counterparts, who were subjected to continuous discrimination by the state.

Residents of those disadvantaged governorates, instead, had to develop informal coping mechanisms to deal with the negligent role of the state and its disinvestment. To make ends meet, those residents had to abandon formal politics and instead rely on the help of familial networks, local politicians, businessmen and Islamic private voluntary organisations, which, while not providing enough for them to earn a living, still enabled them to get by.

The allocation of intergovernmental fiscal transfers, as such, was not informed by a rule-based formula reflective of the financial needs of different localities nor the intensity of poverty. Rather, it was driven by behind the scenes negotiations in the Ministry of Finance that involved high levels of internal politics. Path dependence contributed a great deal to this allocation pattern. A self-reinforcing process was set in motion, in which the NDP forced local councillors and ministers to comply with the regime policy directives. This institutional arrangement left local governments with small room for negotiation and caused historical spatial distortions to continue, whereas the path to change this arrangement was blocked by enormous institutional resistance from privileged governorates that aimed to maintain their historical high share of collective consumption services (Interviews: I-4; I-25). Even when the allocation process was partially determined by population size in some areas of social policies, the central government always favoured projects of greater political visibility that could help the Mubarak regime to consolidate its power.

In short, the domination of the central authorities over the allocation of public resources was evident from the formulation of the state budget. Central bureaucrats often justified this domination on the basis of local government's lack of competence and expertise. To illustrate, a senior official in the National Planning Institute shared in an interview that the Ministry of Planning in 2007 received three budget proposals; one was prepared by the World Bank at a time it was highly involved in some of the local projects; the second was submitted by local councils; and the third was developed by the Ministry of Planning itself. Eventually, the Ministry of Planning's proposal was the one that went through, and the others were dismissed on the premise that local councillors were not qualified to take over the role assumed by central authorities (Interview: I-23).

Likewise, a former Minister of Finance asserted, that local councillors were often beleaguered by criticisms due to their lack of capacity and leadership potential to assume responsibility. They fell short of the central government's knowledge and expertise in order for them to expedite the completion of locally implemented project:

> I am really surprised that the international NGOs working in Egypt ask us to grant local governments more power. We cannot give autonomy to someone who is not sufficiently competent and always seeks help from the central authorities. Local councillors do not understand the state budget. They do not know how important it is. We do not have competent employees who can look after local expenditures, they are not well trained or even know how to run a tender, and supervise the work of engineers. They pretend that they know, however, they are extremely incompetent. Local politics in Egypt is still too nascent to be well functioning (Interview: I-2)

This quote highlights a common discourse that was adopted by the Mubarak regime to inhibit the handover of budgetary functions to local authorities. This inhibition had its technical, rather than political, justifications, as the quote shows. Yet, what actually calls into question the validity of those technical arguments is that no real effort was made by the regime to gradually build up the capacity of the local government. Moreover, the aforementioned accounts cannot justify why local councils were denied most of their representational roles that had nothing to do with their capacity to competently handle the formulation and execution of the state budget. Local capacity is, in fact, an outcome of a variety of elements "support policy from central government, training, recruitment of staff, information, technical equipment, experience, clear distribution of roles and responsibilities, and decision-making capacity" (Jütting et. al, 2004, p. 18). Decentralisation, as such, should have been treated as an on-going gradual process that would require continuous investment in human capital. In building those capacities, local governments' workforce could have been trained on how to carry out new functions assigned to them in the presence of strong control system to evaluate the performance of local authorities and limit corruption and elite capture. This process is often associated with considerable adjustment in wage and salaries structures.

Furthermore, despite the presence of well-functioning local and international NGOs and research centres that had the human and institutional capacities to develop needs-oriented budgets, the central government did not include them in the formulation process (Interview: I-36). The regime instead undermined the works of the media and NGOs in pinpointing corruption and inefficiencies. Those NGOs were often accused of disrupting the general peace and causing political disorder. It was not until the late 2000s when some loosening of control was allowed in areas where philanthropic activities and community efforts existed. This was mainly in response to the pressure exerted by foreign donors that could not be ignored if Mubarak were to create business climate prosperous to international investment.

The loosening of the regime's tight grip on spatial politics redefined the practice of local governance. It marginally enabled triangulation of efforts between local communities, members of parliament, members of local councils, and central executives to take place under the directive of governors and heads of service directorates (Interview: I-36). Local executives who had commitments towards their micro space, as such, were able to accumulate knowledge about the needs of constituents, and therefore mix and match the provision of welfare services based on the preferences of local communities, contributing to the production of more efficient and effective policy outcomes.

4.2.2 Enactment of the Budget (April - June)

Following the approval of the Ministry of Finance and the Ministry of Planning, the proposed budget had to be enacted by the parliament before the commencement of the new fiscal year on July 1. Prior to 2008, the Egyptian parliament did not have amendment powers to modify a proposed budget, only to approve or disapprove it all together, which was an uncommon practice. Moreover, members of parliament were only allowed limited time to discuss and endorse the budget, with restricted access to information on the breakdown of the proposed expenditures. The flow of information from the local to the central level was also asymmetric and often hindered by central political directives, as discussed earlier. Governors preferred to withhold data that can put them at a political disadvantage and often considered information on their localities as classified in light of the various internal political threats that the Mubarak regime faced, as I will demonstrate in chapter 7 (Interviews: I-32; I-49; I-46). A highly-ranked official in the Egyptian Cabinet of Ministers' Information and Decision Support Centre (IDSC) explains:

> Most of the governors came from the army or the police. They were raised on the notion that developmental information should not be publicly disseminated. Governorates' data was also seen as a source of power they should keep hold of (Interview: I-29)

The aforementioned constraints were intended to hinder the ability of members of the parliament to assess the way through which public resources were spatially utilised to subsidise few constituencies. As a result, parliamentary approval was taken for granted even when demands were unrealistic or involved wasteful spending that could not be detected in light of this limited access to information (Interview: I-1). Additionally, there was no public hearing when the Minister of Finance made his budget statement to the parliament that could have allowed local councillors to voice their constituents' demands. Local councillors only took a consultative part in the formulation and the enactment of the state budget, whereas the central government had absolute authority over the allocation of public resources.

Only influential parliamentarians who could support the regime and bolster its performance and electoral legitimacy (as explained in chapter 2) were able to influence major budgetary decisions. In doing so, they established some informal connections that tied them with the President and ministers who controlled the state budget. The operation of 'consolidated modes of informal governance', in this context, enabled the Mubarak regime to collaborate with a group of influential elites outside the formal institutional arenas and to "make side payments, bypass formal commitments, and manage access to informal economic and political networks" (Heydemann, 2007, p. 27). In chapter 6 I will highlight how through this informal structure various practices of regulatory capture were evident in the Egyptian parliament where real estate and tourism cronies exploited their parliamentary authority to pass favourable resources on to districts where they had established enterprises. Those legislators used their agenda-setting power to pursue better outcomes for themselves instead of contributing to national well-being.

4.2.3 Budget Execution (July - June)

With the enactment of the state budget, the execution phase started on the July 1st of each fiscal year. It is worth noting that, whereas the allocation of intergovernmental fiscal grants can take a variety of forms[16] – conditional or unconditional, matching or non-matching and open-ended or closed-ended – in Egypt intergovernmental fiscal transfers mostly came in the form of conditional and closed-ended grants. Those grants were distributed to the local level on an ad hoc basis with no specific formula announced by the central government, whether in relation to population size, poverty and income level or infrastructure discrepancies across localities (Interview: I-41). The lack of allocation formula, as a result, induced inconsistency and uncertainty into local budgets by making the process of execution less transparent for beneficiaries. Additionally, the rigid hierarchical structure of local administration made it difficult for different branches of government to coordinate local spending.

Services directorates, the main arms of the central authorities at the local level, as shown in Diagram 4.3, received government circulars to prepare local budget proposals and send them out to popular councils for approval (Sawi, 2002). Sometimes, line ministries were not involved in the

[16] While unconditional grants are general purpose transfers, conditional grants are allocated for particular expenditure items, which limits the discretion of local governments to spend the money as they see fit. Usually central governments use conditional grants to compensate local units for the cost of providing services of wider national interests, especially when the provision of those services is not perceived as a priority by local beneficiaries (Dillinger, 1994). In that case, conditional grants can either be matching or non-matching. In case of matching grants, central governments cover a pre-specified percentage of the total cost of providing a service through either open-ended (with no limit) or closed ended transfers (Shah and Thompson, 2004). Irrespective of the form of those grants, they should ultimately lead to horizontal equity across localities.

negotiation between service directorates on the one hand, and the Ministry of Planning and the Ministry of Finance on the other (World Bank, 2005). Service directorates also received budget disbursements, whereas governors were only authorised to manage the funds allocated to their own secretariats, which represents about 8 per cent of total governorates' spending. That is to maintain a central control over local spending.

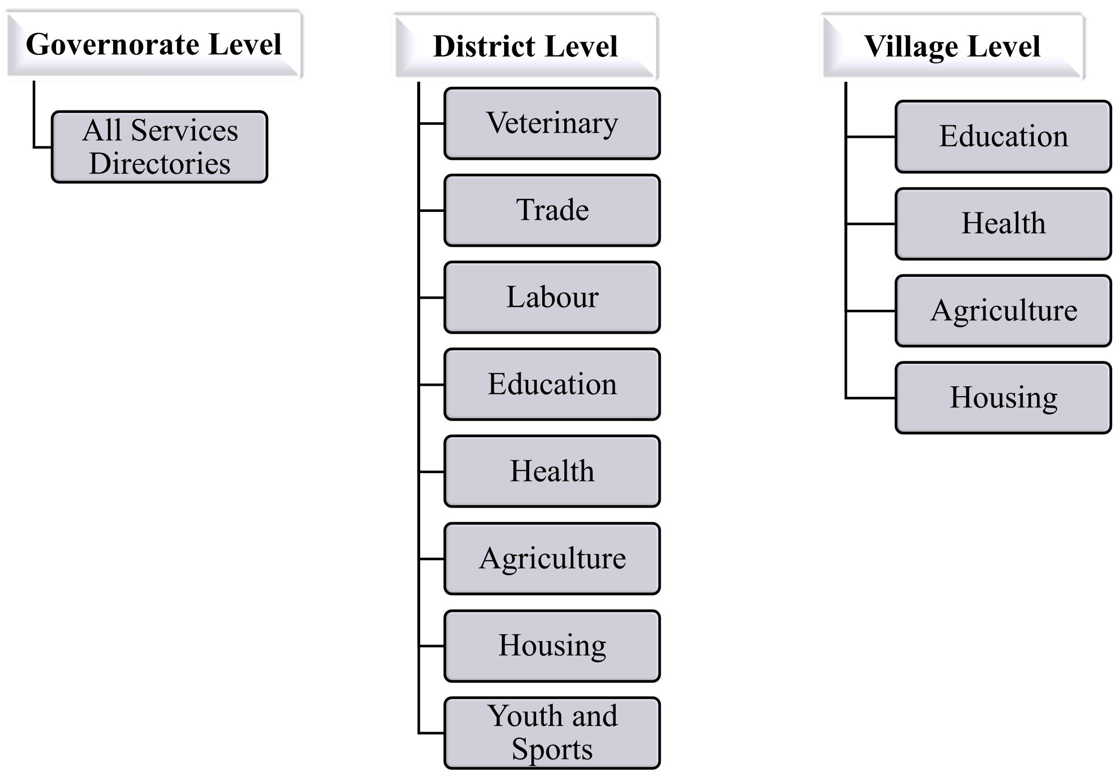


Figure 4.3: Geographic Presence of Service Directories

Nevertheless, the authority of service directorates was still limited. They were not allowed to shift the allocated funds across budget sub-categories without the approval of the Ministry of Finance, and therefore did not have the discretion to change allocation in light of any change in local circumstances. Service directorates also needed parliamentary approval to shift funds across budget categories. In that regard, a shift from basic wages to supplemental allowances required the

Ministry of Finance's approval, while a shift from wages to material supplies required parliamentary approval (Martinez-Vazquez and Timofeev, 2011, p. 400). By contrast, the Ministry of Finance and the Ministry of Planning had the right to amend the enacted budget and increase supplementary public expenditures throughout the fiscal year without parliamentary approval, which led to significant disparities between the enacted and actual budgets. This difference, over the 2005-2009 period, amounted to 800 per cent in the Urban and Frontier governorates where the state provisioned the majority of infrastructure services, as I will note in chapter 6. In the author's interview with a former Minister of Administrative Reforms, he attributed this flexibility in changing the enacted allocation amounts across different projects to the lack of a binding five-year plan that documents where capital investment was supposed to take place.

> We never had a five-year plan that says we would be carrying out this project in this specific area at this specific time. And therefore, whenever we had to change an allocation from one project to another, in response to any sudden political event, there was no evidence of this change, at least on paper, in order to hold anyone accountable (Interview: I-6)

The duplication and overlapping of the functions of governors and service directorates made it difficult for local residents to hold any of the two accountable for the delivery of collective consumption services. Likewise, the double subordination of the 12 service directorates to line ministries as well as governors created opportunities for venue shopping. Local executives were able to choose whom to deal with in meeting the demands of their constituencies. In so doing, the relationship between governors and ministers mattered in the ability of service directorates to attract more funds from the national treasury. The budget of governors, in principle, typically covered five main sectors: "industry (only mechanized slaughterhouses and factories for recycling solid waste into fertilizer), transportation (local bridges and road pavement), public utilities (surveying and drawing maps for utilities and means of transportation), services (traffic, civil defence, fire brigades, and utility police), and informal settlements" (World Bank, 2006b, p. 48). However, in reality, governors of high-profile and considerable political influence, who were drawn from the army or the police, lobbied for funds to cover additional spending items by directly communicating their plans with ministers (Interviews: I-11; I-49; I-46; I-23).

On that point, a former governor attributed in an interview his success in securing higher allocations for the Education directorate to having a good personal rapport with a former Minister of Education, which afforded him more influence and power in this respect. Thanks to his relationship with President Mubarak, he also did not have to plead for funds for social housing provisions, despite being on bad terms with a former Minister of Housing (Interview: I-12). Politically connected governors lobbied for these supplementary allocations to meet the demands of residents who could instigate conflicts in an area had not their demands for collective consumption services be met. It was also done to develop areas that were most visited by ministers and senior central executives. Governors of less political influence, by contrast, had to prioritise spending on Mubarak's security state over the delivery of collective consumption services in their localities at a time the state could not bear the cost of fully provisioning both services.

Weak governors, of low capacity for drawing additional funds from the national treasury, as such, were urged to develop alternative sources of income in order to meet the demands of their constituencies. That is why Municipal Special Fund Accounts came to existence as a tool of financial discretion that could enable local governments to operate their own self-governed, flexible budgets. Governors were allowed to keep any surplus from those Special Fund Accounts, unlike intergovernmental fiscal transfer that were mostly spent on salaries, as shown in Figure 4.4, and local authorities were not allowed to keep their surplus nor to shift their expenditure items. For instance, Adel Labib, the former governor of Qena, used those accounts to increase salaries of doctors working in public hospitals and community clinics to improve the quality of the delivered healthcare services (Interview: I-16). On average, expenditures of Special Fund Accounts represented "less than 5 percent of the total local spending" and "almost a quarter of non-wage expenditures" (Martinez-Vazquez and Timofeev, 2011, p. 400). Those accounts got their finance from local residents in exchange for the use of a few public services, in addition to some international grants that local governorates received upon parliamentary approvals.

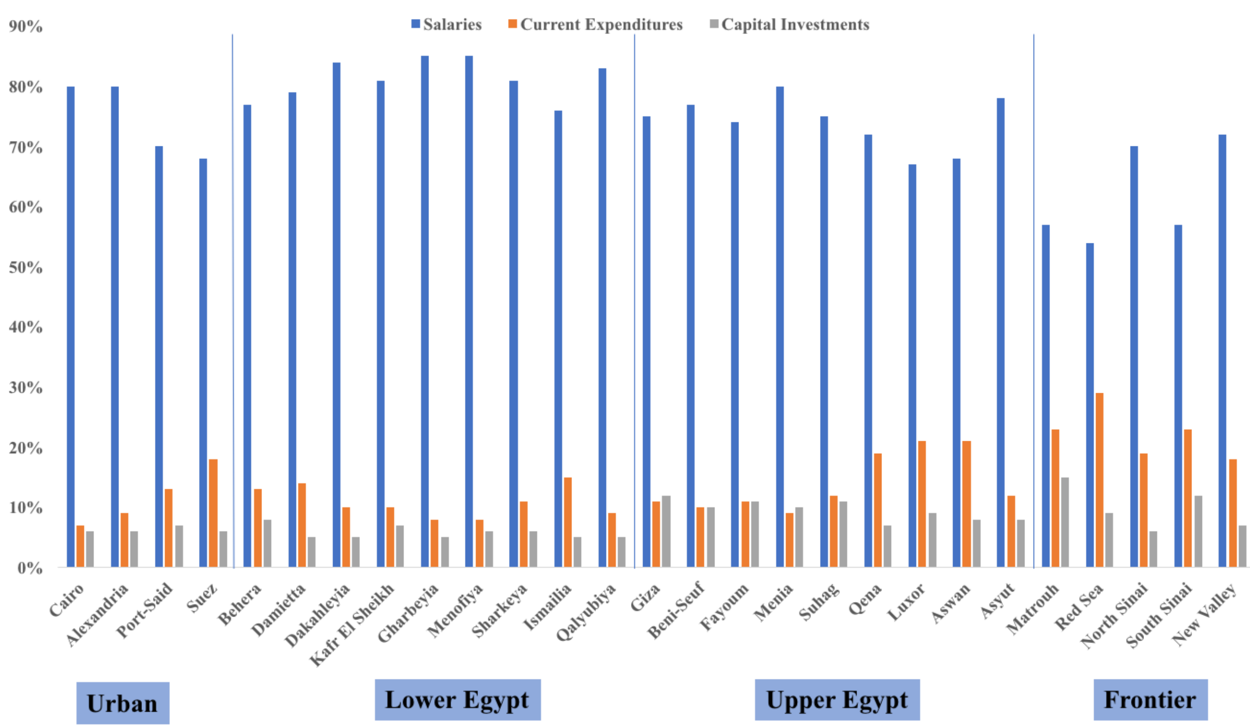


Figure 4.4: Local Government Spending (2004-2009)

Source: Author's Calculation, State Budget, Various Years

Although Special Fund Accounts were expected to be audited ex-ante by the Ministry of Finance and ex-post by the Central Auditing Organisation, they remained subject to corruption. Governors and local authorities were not legally obliged to relay their revenues to central authorities, and therefore expenditures from those accounts remained off-budget. Since their initiation, special accounts accumulated considerable amount of funds, reaching 36 billion EGP in 2010. In violation of the main premise on which they were initially established, some corrupt governors, did not disburse these funds during times of need nor use those accounts to cover the cost of public services provisions for local communities that could not be met by the central authority (Nader, 2015).

The most autonomous local governments are those that have their own predictable and stable sources of finance as well as the discretion to determine tax rates at the local level. To achieve this autonomy, three main components are necessary: "(a) revenue adequacy; (b) expenditure autonomy and; (c) borrowing privileges" (Shah and Thompson, 2004). In Egypt, as shown in Table 4.1, local government were only entitled to collect 2 per cent of total local revenues and spend about 14 per cent of local expenditures, which rendered them financially non-autonomous. The central government, by contrast, collected around 98 per cent of total revenues and covered, on average, 76 per cent of local spending. Most of those expenditures were allocated to capital spending projects that had spill over effects beyond the borders of one jurisdiction, making them more fit for central provision. Other sources of income for local authorities, in addition to Special Fund Accounts, included sovereign revenue and local transfers that local governments were allowed to collect by the decree of Law 43 of 1979 and its amendments.

Table 4.1: **Revenues and Expenditures by Administrative Level (2005-2008)**

	Central Government	Local Government	Service Directorates
Revenues	93.4%	2.2%	4.4%
Expenditures	76%	14%	10%

Source: Author's Calculation, State Budget, Various Years

This law enabled local government units to retain 50 per cent of the locally collected taxes on exports and imports, moveable properties, as well as business and manufacturing income. The other 50 per cent of locally collected taxes went to a joint revenue account from which the Ministry of Finance partially covered local development projects. Joint revenue fund, on average, amounted to EGP 100 million annually (Sawi, 2002, p. 14). Yet, they only accounted for less than 3 per cent of the resources available for heads of local executive secretariats (Martinez-Vazquez and Timofeev, 2011, p. 417). Additionally, local governments received a percentage of the Suez Canal taxes and were authorised to keep 50 per cent of any local revenues beyond budget estimates. However, there was a common practice by Departments of Customs and Taxes not to fully transfer governorates' fair share of these funds. Local government were also able to generate capital income from the sale of assets and borrowing. However, due to capital markets' immaturity in Egypt, and the insufficiency of collaterals that can cover unpredictable defaults, local borrowing used to function on a very small scale (Interview: I-41).

The financial domination of the central government over local government finance resulted in a number of unintended consequences, most remarkably, the transfer of the allocation amounts to projects other than the ones initially proposed, despite not being on top of the local policy agenda. Sometimes local governments found themselves in a position where they could not use the funds as initially planned due to some unpredictable problems that caused delays in the implementation process. Among the most repeated problems, for instance, in the education sector, was the inability of local implementers to secure the availability of land to build schools in the same locations proposed to the Ministry of Planning before issuing the funds, or to ensure the presence of proper infrastructure in place before the construction process takes place. This commonly happened since the Ministry of Planning did not request complete feasibility studies, nor did it require local implementers to finalise tender and procurement documents prior to the allocation of public investments (Interviews: I-5; I-41). Fearing the loss of funds to the national treasury at the end of the budget year and in turn receive lower allocations in the following years because of their seemingly exaggerated forecasting, local governments preferred to divert allocation amounts to other easily implementable projects (Interview: I-43).

As a consequence, governorates with better implementation and forecasting capacities used to secure more allocations for collective consumption services provision and capital spending. Moreover, as shown in figure 4.5, services directorates often requested capital investments without identifying the location of the undertaken projects, lest they face any obstacles in the implementation process and need to renegotiate with the Ministry of Planning the transfer of funds to other projects in the pipeline (Interview: I-23; I-5). In other cases, the Ministry of Finance and the Ministry of Planning had to use some governorates' surplus to cover other governorates' shortages if the submitted proposals were deemed short-sighted and faced cost over-run problems.

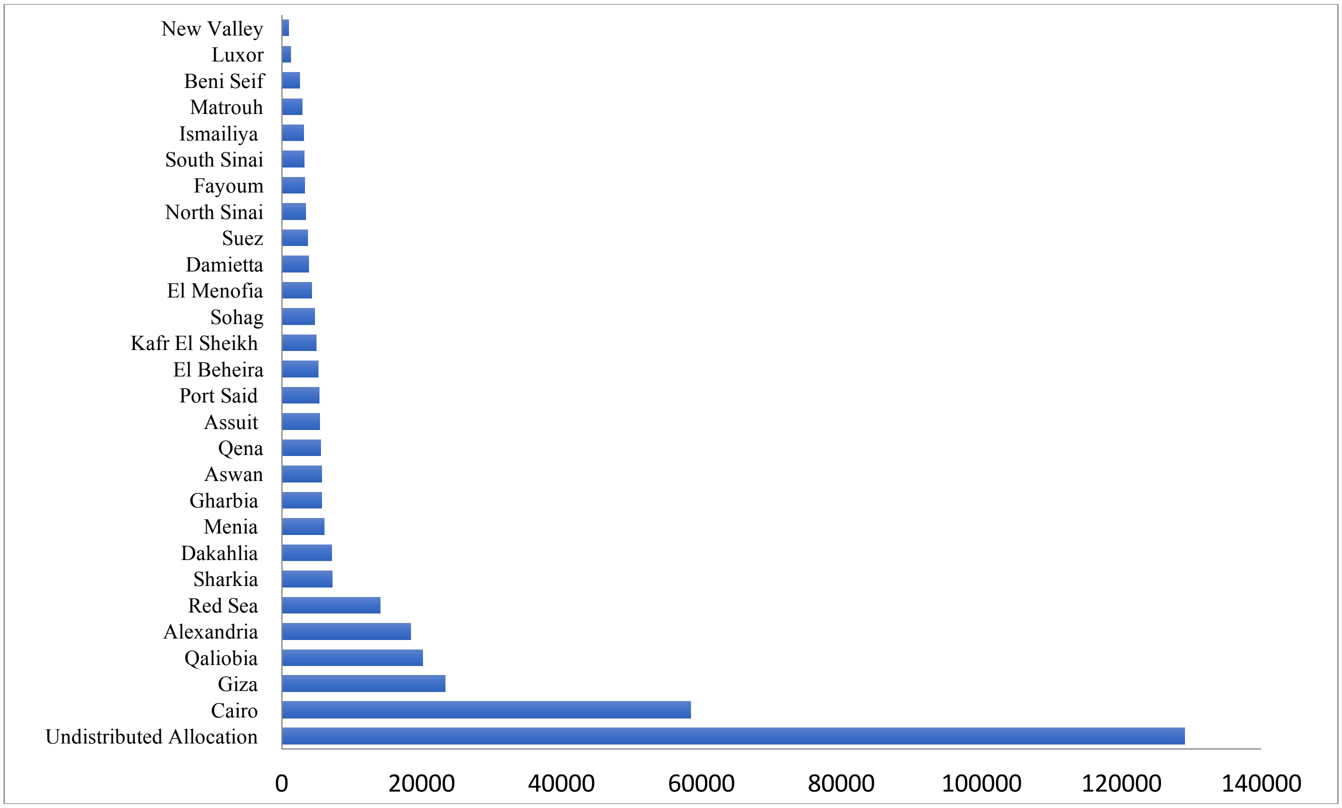


Figure 4.5: Undertaken Public Investments across Egypt's Governorates (2002 – 2013)

Source: The Egyptian National Planning Institute

The transfer of funds to projects different from the initial proposals, in fact, was a common issue. This can be attributed to the incremental annual budgeting system and the absence of Medium Term Expenditure Formulas (MTEFs). Having no medium-term budget perspective made it difficult for local governments to change their entrenched expenditures in light of any new need or different administrative and economic circumstances (Interview: I-41). It also limited the ability of local spending units to recalculate the cost of projects' execution, and correspondingly, restructure their spending priorities with a sense of assurance about the amount of funds they can secure and the allocations they can carry over on the following years.

In other cases, public investment was largely cut across the board whenever the central government did not have enough resources to minimise budget deficit. While being in no position to reduce the wage bill, interests on loans or subsidies' expenditures, they managed to bring budget deficit down by deciding not to spend the promised amount in public investment (Interview: I-2). As often the case in many countries, it is always easier to cut back on capital spending, which comes in fruition in several years, whereas current expenditures carry along immediate political consequences if the government decide to cut back on. This was most evident in labour intensive sectors such as health and education where expenditures on salaries constituted on average 75 and 85 per cent of the two sectors spending, respectively. It was also commonly the case in governorates of low capacity for contestation. In so doing, the regime was cocooned in the comfortable belief that it was impervious to criticism given the inability of those governorates and their powerlessness to subvert the legitimacy of Mubarak's governance. Therefore, the prime minister and most of his cabinet, who were also members of the NDP, focused their efforts on easily implemented projects, in governorates that could coordinate acts of collective contention, to put them on fast track to success.

This cutting approach was actually the main reason behind the establishment of the National Investment Bank and the Ministry of Planning as separate entities to manage public investment apart from the Ministry of Finance (Interview: I-17). However, dual budgeting, as a result of the creation of two central institutions to plan and oversee public spending, created more problems than it initially intended to solve. Because capital investment projects used to receive their allocation from the Ministry of Planning, it was a common case to find many constructed schools and hospitals that did not receive their current expenditures' provisions from the Ministry of Finance to start operation. In other cases, the Ministry of Planning and the Ministry of Finance did not coordinate with the Central Agency for Organization and Administration (CAOA) to appoint teachers or doctors in newly constructed schools and hospitals. As a result, they had to halt operation for a while due to the lack of coordination between the two ministries and CAOA (Interviews: I-17; I-41; I-49). This led to ineffective public expenditures that rather focused on output rather than outcomes. And since the Egyptian state budget was chapter-based instead of being programme-based, these institutions had no Key Performance Indicators (KPIs) to meet (Interview: I-41). As a former Minister of Administrative reforms asserted in an interview, the one single KPI the central government had was how much money the implementers were able to spend, irrespective of the provision of the actual service:

> They had one single KPI, how much did you spend? If I spent half of the money, it means that I had completed 50 per cent of the project. Although, I might have used the money to pay the contractor a 25 per cent deposit, and not necessarily completed half of the project (Interview: I-6)

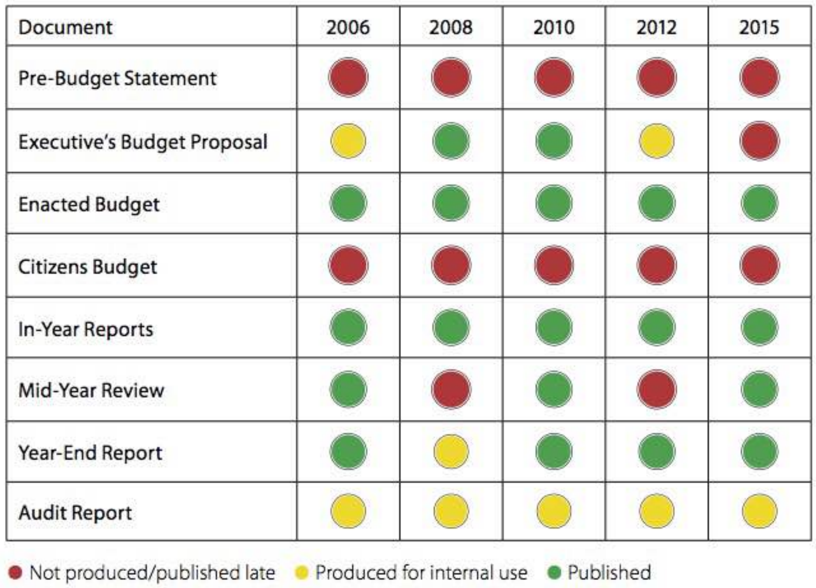
To put it short, the configuration of a centralised resource allocation system caused a number of budget execution problems. On one hand, the operation of loosely coupled institutions, where service providers were subordinated to both central and local authorities, created space for venue shopping in order for policy actors to pick and choose who to deal with in fulfilling the demands of their constituencies. On the other hand, while the primary concern of the prime minister and most of his cabinet, was not equity of distribution, but the consolidation of Mubarak's governance, and maintaining access to an inner elitist circle, they looked for quick success stories. In so doing, ministers focused their efforts on easily implemented projects in governorates of well-developed institutional capacity, usually at and around the capital.

Over time, the initial conditions that affected the level of institutional readiness in under-developed governorates accumulated. This has led to a cumulative causation of disinvestment and limited capacity to absorb additional funds. It has become more expensive and less feasible to implement large-scale developmental projects in lagging areas even when the political will to channel more resources away from the centre existed. Ministers also had the right to amend enacted budgets throughout the entire fiscal year without a need for parliamentary approval. This resulted in significant disparities between enacted and dispersed budgets. It was very common to transfer allocation amounts to projects other than the ones initially proposed and approved. Political visibility of the undertaken projects mattered as well when elections were around the corner. To that end, the regime adopted an engineering approach where the number of schools built and hospitals constructed were of greater significance than the provision of the actual service. That said, in the following sub-section, I examine how budget auditors dealt with the aforementioned execution problems and if their reports carried any meaningful value for policy actors.

4.2.4 Budget Audit (June – December)

Budget governance in Egypt is highly opaque and unaccountable, which led Egypt to score 49 out of 100 on Open Budget Index in 2010 and 16 out of 100 in 2015. The key problems that faced the Egyptian budgetary system were the unavailability of complete and relevant information on policy objectives, key financed programmes and formulas guiding the allocation process. In a pilot study on local governance that was carried out in El Fayoum Governorate in Upper Egypt, with a sample size of 3000 family, "local citizens ranked transparency and participation indicators lowest, with scores of 6.3 and 3.7 out of 100" (Khazbak, 2016). They reported that in the absence of information about the location and scale of the planned programmes, the assigned budget and expected delivery dates; they could not hold public officials accountable for the implementation of local projects.

Figure 4.6 The Availability of Budget Documents (2006 – 2015)



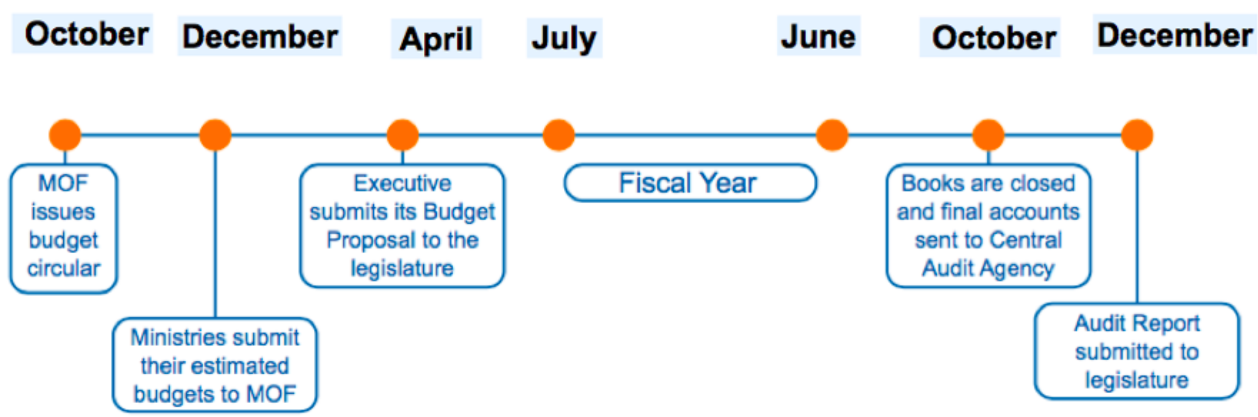
Source: Open Budget Index (2015)

Throughout the above-described process of budget formulation and execution, heads of service directorates were not held accountable for unrealistic budget proposals and wasteful spending. Monitoring and oversight agencies only reviewed the match between actual and approved expenditures, and if service directorates followed the Local Accounting Unit (LAU) rules of spending. Nevertheless, some of these rules were obsolete and in need for amendment to cope with the different economic and administrative conditions. It is worth mentioning though, that no one had to follow up on these oversight agencies' reports, and hence, mostly the same fiscal violations were repeated over the years. These violations were direct outcomes of information asymmetry and distorted information flow between local and central government units which caused inflated transactions costs in the planning and implementation processes in addition to inappropriate allocation of public resources.

Budget auditing reports did not account for social return on investment and whether public expenditures were allocated in alignment with regional social indices and Human Development Indicators (HDI). This, in turn, decreased the effectiveness of public expenditures, despite their considerable amounts, and hindered the process of social development. There has also been a problem of compliance with reports of the monitoring and oversight agencies due to the non-separation of power between the allocating and executing bodies (Interview: I-39). It was commonly the case in spite of the call for having separate service providers and grantors, in addition to linking the allocation amounts with the actual rather than the potential number of beneficiaries. This practice, as a result, substantially affected the quality of public services provision, especially in the absence of market competition in deprived areas where private provisions are not normally affordable.

To summarise, diagram 4.7 outlines the four phases of the annual budget cycle; formulation, enactment, execution and auditing. The process used to start in October with the reception of a guiding circular, which the Ministry of Finance sent to local spending units. This was followed by the submission of budget proposals from district local councils up to the governor's office where all proposals were aggregated and approved. In December, final budget proposals were sent to the Ministry of Local Development, the Ministry Finance and the Ministry Planning, for endorsement before their submission to the lower house of the parliament. With the approval of the parliament, the fiscal year commenced on July 1st and ended on June 30th of the following year. Subsequently, an audit report had to be produced in December of the following year. Throughout this entire process, centralisation and informality pervaded all aspects of formulation and execution of the state budget, which resulted in allocation that was guided by central political directives rather than social needs or concerns for equity of distribution.

Figure 4.7 Annual Budget Cycle



Source: adapted from Krafchik (2014, p. 11)

4.3 Concluding Remarks

The political economy of programmatic politics is grounded on two criteria that could render the process of resources allocation as fully public: A) having rules of public allocation openly established; B) informed by these rules, allocation decision should aim for an outcome of functional utility (Stokes et al., 2013). Violating any of the two conditions would lead to non-programmatic distribution of resources.

As illustrated in the Egyptian case, the two conditions seem to be missing. In their stead, Mubarak operated a centralised and corporatist system of resources allocation, which he inherited from his predecessors Nasser and Sadat. This system was not designed in a way that would allow local representatives to express the demands of their constituencies, but to enable the hegemonic regime to maintain a strong grip on power. While budget discussions took place at a negotiating table from which the public was absent, local units in Egypt were used by the regime as tools for implementing centrally-planned agendas. Also, due to the lack of independent sources of local income, the Egyptian central government exercised enormous control over local policies, whereas ground-level bureaucrats played no role in the decision-making process. Yet, these central authorities failed to adequately assess local needs, causing an inflation in the cost of public expenditures that often resulted in inefficient outcomes.

As such, decentralisation in Egypt should not be perceived as a case of inversion of authority where local councillors could communicate with the centre, but rather distorted system of political communication. Despite the failure of the local administration system in Egypt, any reform attempts against the vagaries of centralisation faced continued resistance from the hegemonic regime that could not risk the resilience of its governance. The regime believed that the greater the decentralisation capacity of local governments, the more likely collective actors could press for their demands and the more successful they could be (Ash-Garner and Zald, 1987). Therefore, the ineffectiveness of this local administration system, in fact, was politically functional for the durability of Mubarak's governance. It allowed the Mubarak regime to use scarce public resources in meeting the demands of political elites and buying off the threat of contentious politics, as the following chapters shall demonstrate.

5

Authoritarian Electioneering and Distributive Politics

In chapter 2, I discussed how a burgeoning body of scholarly evidence has focused its attention on analysing the relationship between electoral competition and the provision of collective consumption services in hegemonic party systems, through a process known as 'politicised resource allocation'. Acknowledging the limitations of the prevailing electoral theories, I proposed an alternative theoretical model that can better explain how collective consumption services are deployed geographically in electoral authoritarianisms to achieve political consolidation. This allocation enables autocrats to realise two fundamental goals for maintaining governance: it precludes the threat of contentious collective action and it helps them to attain legitimacy through the achievement of positive economic growth. Building on this argument, in this chapter I will explain how the prevailing electoral theories do not provide sufficient explanation for what causes regional disparities in the provision of collective consumption services in electoral autocracies.

This will be largely achieved through replicating and extending the existing regression models that quantify the effect of parliamentary elections on the provision of infrastructure services in hegemonic party systems. Contrary to conventional wisdom, I will show that neither the vote share for the opposition nor the percentage of opposition representation in parliament can satisfactorily explain why some areas in Mubarak's Egypt were favoured through higher allocations for infrastructural development over time. By contrast, it turns out that to attribute the selectivity of public service provision solely to the outcomes of legislative elections overlooks the larger picture.

The main objective of this chapter is twofold. Firstly, it will attempt to assess the argument advanced by Blaydes (2011) that a coercive resource allocation strategy was evident in Mubarak's Egypt whereby the authoritarian regime punished governorates supportive of the opposition by denying them of the necessary funds to extend water and sewerage services. The empirical patterns presented in this chapter, however, reveal the opposite. Indeed, there is a weakly negative association between local support for the opposition in the 1984 elections and the change in infrastructural coverage, as argued by Blaydes (2011). Nevertheless, once I account for non-linearity, her results no longer hold. Rather, the findings suggest that the Mubarak regime favoured areas where the opposition won more parliamentary seats in the 1984 elections through higher allocations for the instalment of water and sewerage services.

Recognising the limitations of this cross-section analysis, I additionally combine observations for the 1990, 2000 and 2005 elections in one panel model to examine if parliamentary elections in the Mubarak era had a consistent effect on the dependent variables. In this panel analysis, results for water services were robust. Conversely, for sewerage services, the quantitative analysis shows no evidence for a consistent relationship between electoral politics in Mubarak's Egypt and public provision of these services. In light of this inconsistency, the second objective of this chapter is to identify the main deviant governorates whose quantitative results stand in contrast with dominant electoral theories of distributive politics. Those deviant cases will provide a foreground for the in-depth qualitative analysis that I will present in the following chapter.

This chapter will proceed as follows. In section 5.1 I will put forward several hypotheses through which I will assess the relevance of the prevailing electoral theories to the case of Egypt under Mubarak specifically, and to hegemonic party systems in general. The analysis will focus on four parliamentary elections that took place in Egypt in 1984, 1990, 2000 and 2005 respectively. In section 5.2, to situate the empirical analysis within its appropriate context, I will discuss briefly the main rules and regulations that governed each of those elections, and how they were conducted in a restrictive environment that worked against the realisation of a pluralistic political culture.

Subsequently, in section 5.3, I will explain how I operationalised the key explanatory and dependent variables. In section 5.4, I will report the main findings of the regression analysis. To make sense of these findings, in section 5.5 I will adopt a broader approach that presents two possible explanations for what caused geographic variation in the cross-regional distribution of infrastructure investment in Egypt. These explanations have less to do with legislative elections and more to do with the importance of economic growth and the buying off of the threat of contentious politics to secure authoritarian persistence. I will conclude with a discussion of the importance of process tracing to unpack the inconsistency of the reported quantitative findings and to provide a more fine-grained analysis that has the capacity to advance alternative explanations to those currently held in the distributive politics literature.

5.1 Theories and Hypotheses of Electoral Distributive Politics

The political economy of programmatic politics, as noted in the previous chapter, is grounded on two sets of criteria: a) having the rules of public allocation openly established; b) informed by such rules, major allocation decisions should aim for an outcome of functional utility (Stokes et al., 2013). To violate either of the two conditions, in the absence of universal coverage, could eventually lead to non-programmatic politics, or what Hilgers (2012) calls "politicised resource allocation". I demonstrated earlier how the two conditions were missing in the allocation of public resources in Egypt, and how the Mubarak regime operated a centralised and corporatist budgetary system to maintain a strong grip on power, which resulted in asymmetric provision of collective consumption services in favour of a few localities.

The distributive politics literature, as explained in chapter 2, diverges in its assumptions on whether politicised resource allocation strategies will take a punitive or rewarding form. Autocrats, according to this literature, typically pursue one of two conflicting distributional tactics to achieve political consolidation; coercive or squeaky wheel. If the regime's intent is to induce loyalty among dissentients, it will follow a coercive resource allocation strategy, in which areas that cast votes for the opposition are denied of the necessary funds to provide collective consumption services (Magaloni, 2008; Blaydes, 2011). As a result, the mobilisation capacity of those actors, whose livelihoods depend on the provision of state-financed public services, will be severely undermined. In the long run, they will be forced to change future allegiances to enable the continual upkeep of public services provision in their areas. Alternatively, autocrats can pursue a 'squeaky wheel' strategy, as Wallace (2014) describes in his analysis of Chinese local elections. In this strategy, autocrats allocate more resources to areas affiliated with the opposition in order to co-opt their residents who might otherwise pose a direct threat to the maintenance of authoritarian systems.

Another body of scholarship highlights other electoral strategies of manipulation that candidates can exploit to win the counting. These may include vote buying, intimidation, appointing clientele to public or government jobs (patronage), or rigging the election count altogether (Bolme, 2015). The choice of which strategy to follow usually accounts for a number of economic considerations, in which the cost of each strategy and the relevance of economies of scale are of paramount significance. On this issue, whereas vote buying in small districts with relatively few constituents is believed to be more cost effective, the provision of collective consumption services that require considerable financial and institutional resources in large constituencies is more efficient if we account for the returns of this strategy on investment (Stokes, 2007, p. 86).

Accordingly, to examine the relevance of these aforementioned politicised resource allocation strategies to the Egyptian case, I will test for three competing hypotheses:

- Hypothesis 1: The Mubarak regime denied governorates that supported the opposition in the parliamentary elections of the necessary funds for infrastructural development (Coercive Allocation Strategy).

- Hypothesis 2: The Mubarak regime favoured governorates that supported the opposition in the parliamentary elections through higher allocations for infrastructural development (Squeaky Wheel Strategy).

- Hypothesis 3: Governorates with a large number of registered voters received more funds for infrastructural development, where vote buying was believed to be more expensive than providing water or sewerage services (Economies of Scale).

5.2 Parliamentary Elections in the Mubarak Era

In order to test the above-mentioned hypotheses, the analysis below will focus on four main parliamentary elections that took place in 1984, 1990, 2000 and 2005. The four elections, despite being conducted in different contexts and governed by diverse rules and regulations, were contested for the repressive measures that were undertaken against the free choice of voters.

The first of these elections was held in 1984, in which candidates competed for 448 seats through a proportional representation party-list system. In so doing, political parties had to acquire a minimum of 8 per cent of the total votes nationwide to gain representation in the parliament. Otherwise, they would have to risk losing votes to the political party which had obtained the highest share of cast votes, in this case to the ruling NDP. The set-up of this system, as such, made it impossible for independents to take part in the electoral competition. Accordingly, only five main political parties were able to run and sponsor about 3,879 candidates in the elections; namely the NDP, the Socialist Labour Party, the National Progressive Unionist Party, the Liberal Socialist Party and the New Wafd Party in partnership with the Muslim Brotherhood, who were not allowed to run for legislative seats as an official political actor.

Among these five parties, only the NDP and the Wafd-Muslim Brotherhood alliance were able to meet the 8 per cent threshold and gain 391 and 57 seats in the parliament, respectively. In addition, four members of the Socialist Labour Party were directly appointed by the president.[17] Non-party members who had been denied the right to declare their candidacies in 1984 went on to dispute the constitutionality of the election on account of its lack of equal opportunities for independents and political parties alike to participate. In response, the Supreme Constitutional Court (SCC) issued a ruling that decreed the dissolution of the 1984 parliament that was scheduled to run until 1989, and called for the arrangement of new parliamentary elections to take place in 1987. In this election, around 1,937 independent candidates were allowed to compete over 48 seats. The candidates of political parties, however, had to compete through the old proportional representation party-list system.

[17] The president had the right to appoint 10 unelected members in the parliament.

Once again, this newly enacted Law was in turn invalidated for according little space to small political parties that could not meet the 8 per cent threshold to gain representation in parliament. To overcome this challenge, a new Law no. 201 of 1990 was issued to change the electoral system from a partial proportional representation party-list system into a candidate-centred system, on the basis of which the following elections were conducted. Electoral districts were also increased in number from 48 to 222 constituencies. Nevertheless, the majority of opposition parties boycotted the 1990 elections in a joint press conference, basing their decision on the fact that the regime changed electoral laws without involving the concerned parties in the preceding discussions, despite the anticipated negative consequences that these amendments would entail. Only the National Progressive Unionist Party breached this boycott resulting in its winning for 5 seats in the 1990 parliament. Furthermore, 508 candidates affiliated with the Muslim Brotherhood, the New Wafd, the Socialist Labour and Liberal Socialist parties declared their candidacies in spite of the official stance of their parties. Still, the number of candidates significantly dropped from a total of 3,879 in 1987 to 2,676 in the 1990 elections.

The 2000 parliamentary elections were the first to be held under a full judicial supervision of the balloting. Judges were located at every polling station and the elections were held over three rounds to ensure enough judges were available to supervise the counting. Nonetheless, the regime still used its heavy-handed repressive techniques outside polling stations. As Hamzawy and Brown (2005) describe "opposition activists were arrested or found their telephones disconnected; voters in precincts known to be opposition strongholds encountered physical obstructions; and security forces stood carefully guarded around polling places, barring or harassing candidate supporters and poll watchers" (p. 2). Despite the participation of over 4,000 candidates, in which around 480 official opposition candidates contested the election, only 38 of them were able to gain representation in the 2000 parliament, mostly from the Muslim Brotherhood (17 members), Wafd (7 members) and the National Progressive Unionist Party (6 members). The NDP, by contrast, managed to maintain its supermajority by winning a total of 304 out of 444 seats in parliament, in addition to independent candidates who joined the NDP upon victory.

Conversely, the 2005 elections, which received ample international attention, witnessed unprecedented victory for the opposition. Sixty-one per cent of the Muslim Brotherhood's candidates won the voting, capturing around 88 seats in the parliament. This, in addition to the 9 seats held by the Wafd, the National Progressive Unionist and El Ghad parties, made up about 22 per cent of the total assembly seats. On the other hand, the NDP was only able to secure 145 seats that increased further to 311 when 166 independent parliamentarians were successfully incorporated into the party.

5.3 Data and Empirical Specification

5.3.1 Dependent Variables

To examine the relationship between the results of these parliamentary elections and the allocation of collective consumption services in Egypt, I first replicate Blaydes' model (2011, p. 75), in which she argues that governorates where people casted votes for the Wafd - Muslim Brotherhood (MB) alliance in the 1984 elections were collectively punished by depriving them, for 10 years, of the necessary funds to extend infrastructural services.

Table 5.1: Linear Regression Results (Blaydes' model)[18]

Dependent Variable is the change in the percentage of residential buildings in a governorate connected to public water/sewerage networks from 1986-1996

	Water	Sewerage	Water	Sewerage	Water	Sewerage
Constant	19.290	3.20	17.737	-4.640	18.342	3.245
	(10.128)	(5.701)	(11.554)	(5.693)	(10.299)	(5.741)
Percentage Wafd/MB	-0.750	-0.856			-0.916	-1.073
vote share in 1984	(0.277)	(0.292)			(0.354)	(0.387)
Percentage non-NDP			-0.206	-0.270	0.192	0.244
representation in parliament			(0.223)	(0.246)	(0.251)	(0.284)
Previous coverage	-0.276	-1.028	-0.340	-0.966	-0.275	-1.065
	(0.152)	(0.123)	(0.169)	(0.143)	(0.153)	(0.131)
Urban	29.151	29.368	20.894	18.182	27.331	28.372
	(7.953)	(9.40)	(8.972)	(10.207)	(8.374)	(9.668)
R^2	0.44	0.79	0.28	0.73	0.46	0.80
Observations	26	26	26	26	26	26

Standard errors are shown in parentheses.
*** P < 0.01, ** P < 0.05, * P <0.1

As shown in Table 5.1, this model, exhibits two dependent variables. The first measures the change in the percentage of residential buildings in a governorate connected to piped public water network between 1986 and 1996. Likewise, the second dependent variable is operationalised as the change in the percentage of residential buildings connected to public sewerage system over the same period, from 1986 to 1996. Data on the two variables is extracted from the Central Agency for Public Mobilisation and Statistic (CAPMAS) statistical year books, published in 1990 and 2000.

[18] Blaydes (2011, p. 75) does not report p-values for regression coefficients in her model. That is why they are missing from Table 5.1.

It is important to note that the provision of these two services is substantively different. The cost of extending and operating water lines is usually cheaper than those of sewer lines, especially that 97 per cent of the freshwater supply in Egypt is provided by the Nile river. The installation of sewerage services, by comparison, requires more financial and institutional resources to provide and maintain. That is why whereas 92 per cent of Egyptian households had access to safe drinking water, piped into the dwelling, in 2008, only 62.5 per cent had their toilets connected to a public sewerage network.[19] Accordingly, parliamentary elections may exert different effect on the provision of water and sewerage services.

5.3.2 Key Explanatory Variables

Two key explanatory variables are employed in this model to test prior findings in the distributive politics literature. The first variable is the percentage of vote share for the Wafd-MB alliance in 1984. This variable measures the capacity of the opposition to mobilise electoral support on the eve of parliamentary elections. The second variable is the percentage of non-NDP representation for each governorate from 1984 to 1995. This measure discerns the lobbying power that opposition parliamentarians had to extend infrastructural services to their constituencies.

In this replication, the first variable has been obtained from Al-Ahram Centre for Political and Strategic Studies records, an independent Egyptian research centre that is authorised by the state to report and analyse voter trends in legislative and presidential elections. The second variable was collected by Lisa Blaydes. She counted the number of non-NDP parliamentarians in each governorate (excluding independent MPs who were later incorporated into the NDP), and then

[19] Egypt Demographic and Health Survey 2008

divided this figure by the total number of parliamentarians for each governorate. Following on, the author calculated a weighted average based on the number of years each non-NDP parliamentarian had served in a governorate from 1984 to 1995.

In Bladyes' model, vote share for the Wafd-MB alliance shows negative significant association with the dependent variables. According to Blaydes (2011: p. 74), governorates that voted for the Wafd-Muslim brotherhood alliance in 1984 elections were less likely to see improvements in water and sewerage coverage during the period 1986 – 1996. Blaydes attributes this outcome to the inability of the opposition to lobby for public infrastructural investment, and the unwillingness of the central government to extend those services to governorates of support for leading subversive groups. The coefficient for the percentage of non-NDP representatives in a governorate, however, is statistically insignificant in her model.

5.3.3 Controls

Beyond these key explanatory variables, Blaydes' model controls for two additional variables. The first measures the level of public infrastructure coverage in 1986 and 1996. This measure accounts for any rational distributional effect that aims to meet the needs of lagging areas. Moreover, urban status is controlled for, measured as the percentage of urban population in a governorate in 1986. According to Blaydes (2011), the Egyptian government invested in the infrastructural development of governorates where the level of public water and sewerage coverage was considered inadequate in 1986. Likewise, more infrastructural resources were allocated to urban, rather than rural, areas during the period 1986 – 1996. In this replication, data for the two variables has been extracted from CAPMAS' statistical year books published in 1992.

5.3.4 Model Specification

To estimate the effect of the 1984 legislative elections on the change in water and sewerage coverage over ten years, I employ ordinary least squares regressions, modelled as follows:

$$Y_{1996} - Y_{1986} = \beta_o + \beta_1 Y_{1986} + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

(Models 1,3,5 and 7)

In this equation, Y represents the percentage of residential buildings connected to public water/sewerage network. X_2 is the percentage of urban population in a governorate. X_3 is the percentage of vote share for the Wafd-MB alliance in the 1984 elections in Models 1 and 5, or the percentage of non-NDP parliamentary representation for each governorate in Models 3 and 7. These two electoral variables (X_3) are highly correlated at the 0.77 level. Therefore, I run each of them separately to avoid encountering multicollinearity problems.

Moreover, I include quadratic terms (X_3^2) for the two electoral variables to test for threshold effect, modelled as follows:

$$Y_{1996} - Y_{1986} = \beta_o + \beta_1 Y_{1986} + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_3^2 + \varepsilon$$

(Models 2,4,6 and 8)

The analysis covers the 26 governorates and uses robust standard errors to correct for heteroscedasticity. To evaluate the robustness of my findings, I also control for one governorate at a time to check if any of the 26 governorates is driving my empirical findings.

5.3.5 Panel Data Analysis

To extend Blaydes' model, I additionally combine observations on the 1990, 2000 and 2005 parliamentary elections[20] with data on the available infrastructural services at the governorate level in 1986, 1996 and 2006. Accordingly, by extending the analysis over many years, I could examine if elections had consistent effect on the dependent variables, or this effect played out differently over time. Moreover, I could assess the relevance of electoral theories of distributive politics to the Mubarak era in a more robust manner by increasing the number of observations.

In this model, two dependent variables are employed, namely; the percentage of residential buildings connected to public water services, and the percentage of residential buildings connected to public sewerage services at the governorate level. Data for the two variables has been collected from CAPMAS' statistical year book that counts the number of buildings connected to public utilities every ten years (in 1986, 1996 and 2006).

As with the previous model, a measure for vote share for the opposition is calculated. Due to data unavailability, however, vote share for the opposition is only calculated for election candidates who won the counting. In coding this variable, I calculated the percentage of votes that opposition MPs received in the first round of the elections in a governorate divided by the total vote cast in the entire governorate. The reason I calculated this percentage for the first, rather than the run-off, round, is to avoid calculating vote share for a candidate when voters were faced with a forced binary choice that might not be indicative of their real electoral preferences, as compared to the first round when more options were available.

[20] The 1984 election is not included in this model, given the unavailability of data on one of the control variables (the number of residential buildings connected to public water/sewerage network prior to 1984).

Besides, a measure for non-NDP representation in the parliament is included in this panel analysis. This variable is calculated as the number of non-NDP parliamentarians in a governorate divided by the total number of seats available in a given assembly. Independent parliamentarians were excluded from this calculation to avoid overestimating the effect of the explanatory variable, when 22 and 53 per cent of the NDP parliamentarians were first elected as independents before they were incorporated into the regime party in 1990 and 2005 elections, respectively.

Finally, to test the applicability of the ‘economies of scale’ hypothesis, advanced by Stokes (2007), I constructed another variable that measures the percentage of registered voters in a governorate in the three elections. In this model, I also controled for percentage of urban population in a governorate and previous infrastructural coverage in 1986, 1996 and 2006. Data for the three electoral variables has been obtained from the Ministry of Interior records and the Parliamentary Directory, *‘Daleel El Nokhba El Parlamanya’*, published by Al-Ahram Centre for Political and Strategic Studies. Table 5.2 provides descriptive statistics for all variables.

Table 5.2: Summary Statistics

	Min	Max	Mean	Std. Dev.
Parliamentary Elections				
Vote share for the opposition	0	0.26	0.05	0.07
Percentage opposition representation in the parliament	0	0.67	0.16	0.16
Percentage registered voters in a governorate to the total	0	0.11	0.04	0.03
Controls				
Percentage of buildings connected to public water network	0.16	0.95	0.76	0.16
Percentage of buildings connected to public sewerage system	0.03	0.78	0.31	0.21
Percentage of urban population	0.19	1	0.46	0.28

Figures 5.1 demonstrates that voter turnout in these four parliamentary elections to be strongly correlated with illiteracy. Egypt's illiterates were more likely to vote given that they were more subject to intimidation by the Mubarak regime that announced economic sanctions on those who fail to turnout at the polling stations (Blaydes, 2006). Figure 5.2 shows that across the four parliamentary elections under-examination, voter turnout was higher in rural areas. This is largely attributable to the importance of familial ties and how non-voting could provoke social problems in those areas, as explained in chapter 2.

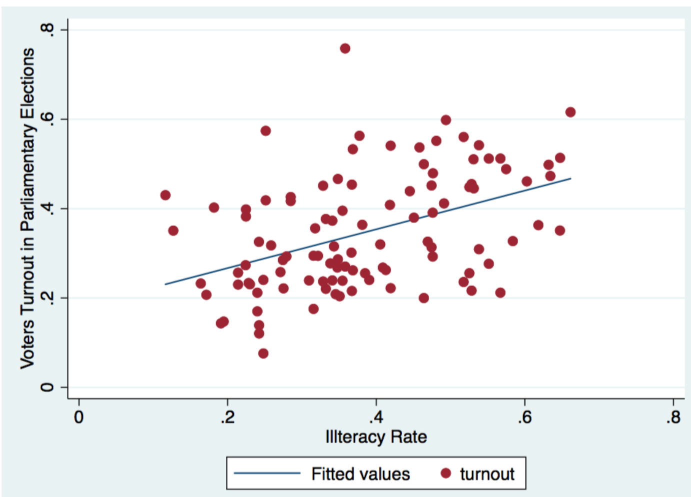


Figure 5.1: Illiteracy and Voter Turnout Rates in the 1984,1990, 2000 and 2005 Parliamentary Elections

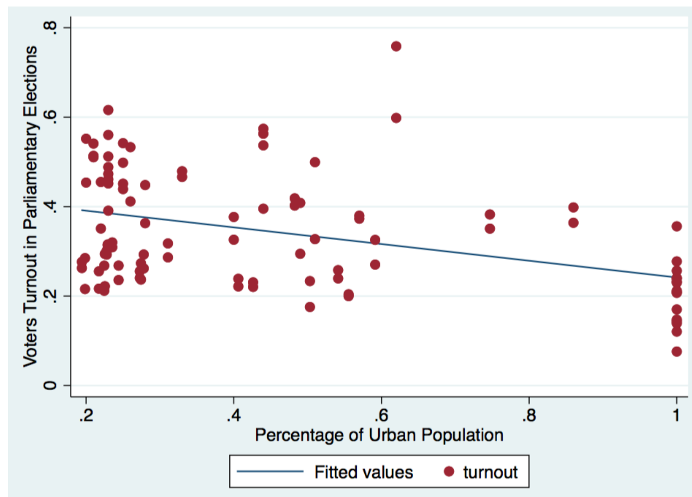


Figure 5.2: Percentage of Urban Population and Voter Turnout Rates in the 1984,1990, 2000 and 2005 Parliamentary Elections

Political apathy was prevalent among Egypt's youth, who aged between 15 and 29 years old, especially in the Urban governorates, explicated in the 11 per cent of young people who claimed to have voting cards in 2009. According to the Survey of Young People in Egypt[21], this percentage ranges between 3 per cent in Cairo, where the centre of political power is located, and 27 per cent

[21] Survey of Young People in Egypt (SYPE) is a nationally representative survey conducted by Population Council in Egypt. Sample Size in 2009 was estimated to be 15,000 respondents between the age of 15 and 29 years of old. It offers gender-disaggregated information on many topics including health, schooling, employment and civic engagement.

in Suez which, as the analysis in chapter 7 will point out, is known for its strong capacity for contentious collective action. About 55 per cent of this number conveyed that the NDP helped them issue those cards.

The aforementioned statistics confirms the argument that parliamentary elections in Egypt under Mubarak operated in the guise of democracy. Even though a culture of political openness was expected to manifest following the adoption of multipartyism in 1976, parliamentary elections since then have been condemned as being fraudulent and in favour of the regime's political hegemony. On that point, a former Minister of Finance explains in an interview:

> Do not assume that parliamentary elections in Mubarak's Egypt were actually free. The regime always allowed a certain number of Muslim Brotherhood candidates to join the parliament. It was an agreement to begin with. This might be the case in Latin America where elections are free to a large extent, but in Egypt if the regime does not like the results, they can change it all together (Interview: I-1)

This quote unravels the main reasons behind voter apathy in Egypt due the failure of the parliamentary elections to provide the people with any real choice.

5.3.6 Panel Analysis Model Specification

To examine the effect of the aforementioned three electoral variables on the change in the percentage of residential buildings connected to public water/sewerage networks (Y), I use fixed-effect regression models with standard errors clustered at the governorate level to correct for heteroscedasticity and autocorrelation (Stock & Watson, 2008). Cluster-robust standard errors are in common use when individual observations can be grouped into clusters, in which the residuals are correlated within, but not between clusters. The model is as follows:

$$Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + n_i + t + \varepsilon_{it} \qquad \text{(Models 9-12)}$$

In this equation, X_1 is the vote share for opposition MPs (models 9 and 11) or opposition representation in the parliament (models 10 and 12). X_2 is percentage of registered voters in a governorate to the total. X_3 is the percentage of urban population in a governorate. X_4 is the percentage of residential buildings connected to public water/sewerage network in the preceding time period (previous coverage).

None of the electoral variables exhibit multicollinearity, as shown in Appendix Table 5.7, except for vote share for the opposition and opposition representation in the parliament, which I run in separate models. Squared terms of all variables have been included in Models (13-16) in Appendix Table 5.6 to check for non-linear relationships between the various electoral variables and the dependent variables.

It should be noted that with the inclusion of few control variables in these regression models, there is a possible risk of omitted variable bias. This risk could have been avoided had I included more instrumental variables or proxies for factors that could potentially influence the distributional outcomes under discussion. However, given the limited degrees of freedom, if more variables were to be added to this statistical analysis, I may encounter a risk of overfitting the regression model. Therefore, I include only essential independent variables and use fixed effects model – based on the results of Hausman test– which exploits within-group variation over time, and controls for other unobserved factors. Nevertheless, in light of these limitations, the regression analysis does not intend to establish – and in practice cannot establish – any causation, but instead identifies a strong association between the results of legislative elections under Mubarak and the geographic allocation of collective consumption services across Egypt's governorates over time.

5.4 Linear Regression Results

5.4.1 Replication of Blaydes' Model

Tables 5.3 and 5.4 evaluate the effect of the 1984 parliamentary elections on the change in water connections (Models 1-4) and sewerage coverage (Models 5-8) from 1986 to 1996. The first and second columns in Tables 5.3 and 5.4 provide estimates for the effects of vote share for the Wafd-MB alliance on the change in the number of residential buildings connected to public water/sewerage network over the period 1986-1996. The third and fourth columns in the two tables evaluates the effect of non-NDP parliamentary representation (and its squared term) on the change in the dependent variables. All models control for previous levels of infrastructural coverage and the percentage of urban population in each governorate in 1986.

Table 5.3 offers mixed support for theories of electoral politics. The findings in Model 1 suggest that a one per cent increase in vote share for the Wafd-MB alliance is negatively associated with a 0.46 per cent decrease in the proportion of residential buildings connected to public water services at the governorate level throughout the period in question. This statistically significant finding is in line with the predictions of Blaydes', demonstrating that the Mubarak regime used public investment in the extension of water connections as a political tool to punish areas that supported the opposition.

Once we account for non-linearity, however, this relationship does not hold. As evident in Model 4, the Mubarak regime spent more heavily on developing the infrastructure of governorates that constituted the strongest social base for subversive groups where opposition MPs held more than 12.7 per cent of the legislative seats. This threshold effect, as I will explain in section 5.5, is indicative of changing patterns of contentious politics. The regime had to appease the discontent of these governorates that could pose a real threat to the persistence of Mubarak's governance. F-statistics for model 4 is larger than 20 and R^2 is 0.68, indicative of the centrality of these variables in explaining regional variation in water service coverage across Egypt. In Figure 5.3, I plot this relationship between the squared term for the opposition parliamentary representation with the change in water service coverage from 1986 to 1996.

Table 5.3: Dependent Variable: Change in the percentage of residential buildings connected to public water network from 1986 to 1996

	Model 1 Water	**Model 2 Water**	**Model 3 Water**	**Model 4 Water**
Percentage Wafd-MB Vote share in 1984	-0.46*	0.05		
	(0.25)	(0.49)		
Percentage Wafd-MB Vote share in 1984 ^2		-1.53		
		(1.1)		
Percentage Opposition in the Parliament			-0.13	-1.11**
			(0.23)	(0.49)
Percentage Opposition in the Parliament ^2				4.38***
				(1.29)
Previous Coverage	-0.21	-0.24	-0.28*	-0.31**
	(0.13)	(0.15)	(0.15)	(0.12)
Percentage of Urban population in 1986	0.37***	0.41***	0.33***	0.23***
	(0.08)	(0.09)	(0.08)	(0.05)
Constant	-0.003	-0.03	-0.02	-0.08
	(0.08)	(0.09)	(0.1)	(0.08)
R^2	0.52	0.54	0.44	0.68
Observations	26	26	26	26

*** P < 0.01, ** P < 0.05, * P <0.1
Robust standard errors are shown in parentheses

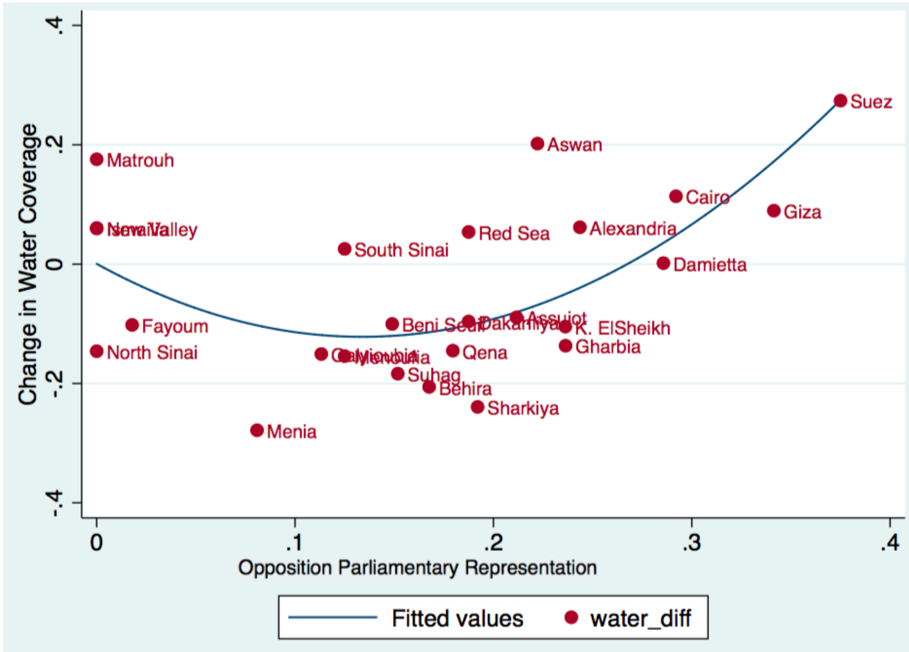


Figure 5.3: Change in the percentage of residential buildings connected to public water network over the period 1986-1996, and percentage of opposition parliamentary representation

Turning to Table 5.4, the coefficient for vote share for the Wafd-MB alliance suggests the presence of a negative statistically significant relationship between electoral support for the opposition in the 1984 elections and the change in sewerage coverage over the period from 1986 to 1996. The inclusion of a quadratic term in Model 8, however, changes the direction of this relationship. While there is some evidence that the Mubarak regime denied extensions of public sewerage connections to areas with a high vote share for the opposition in the 1984 elections, nevertheless areas of high opposition parliamentary representation, above a threshold level of 14.3 per cent, received subventions from the Mubarak state to develop their infrastructural services, as shown in Figure 5.4. There is a consistent urban effect in all models suggesting that the Mubarak regime invested more in the infrastructure of urban areas, compared to rural dwellings.

The coefficients for the two electoral variables in Models 5 and 8 are also quantitatively meaningful. A one per cent increase in vote share for the Wafd-MB alliance in the 1984 elections is negatively associated with 0.29 decrease in the proportion of residential buildings connected to public sewerage network over the period 1986 – 1996. By comparison, a one per cent increase in the opposition parliamentary representation, above a threshold level of 14.3 per cent, is positively associated with 3 per cent increase in the dependent variable over the same period.

Table 5.4: Dependent Variable: Change in the percentage of residential buildings connected to public sewerage network from 1986 to 1996

	Model 5 Sewerage	**Model 6 Sewerage**	**Model 7 Sewerage**	**Model 8 Sewerage**
Percentage Wafd-MB Vote share in 1984	-0.29*	0.18		
	(0.17)	(0.46)		
Percentage Wafd-MB Vote share in 1984 ^2		-0.72		
		(0.86)		
Percentage Opposition in the Parliament			-0.07	-0.95*
			(0.13)	(0.55)
Percentage Opposition in the Parliament ^2				3.33**
				(0.10)
Previous Coverage	-0.34***	-0.29***	-0.28**	-0.32***
	(0.08)	(0.08)	(0.08)	(0.10)
Percentage of Urban population in 1986	0.45***	0.36***	0.34***	0.27**
	(0.07)	(0.10)	(0.09)	(0.10)
Constant	-0.11***	-0.15***	-0.13***	-0.06
	(0.03)	(0.05)	(0.03)	(0.05)
R^2	0.71	0.55	0.54	0.64
Observations	26	26	26	26

Cluster robust standard errors are shown in parentheses
*** P < 0.01, ** P < 0.05, * P <0.1

It is worth noting that the coefficient for the opposition parliamentary representation variable (and its quadratic term) in Model 4 and 8 fails to reach significance at p<0.1 unless Port Said governorate is controlled for as an outlier for a governorate that had the highest vote share for the opposition in 1984 (44%) and the highest Non-NDP representation in parliament (70%).

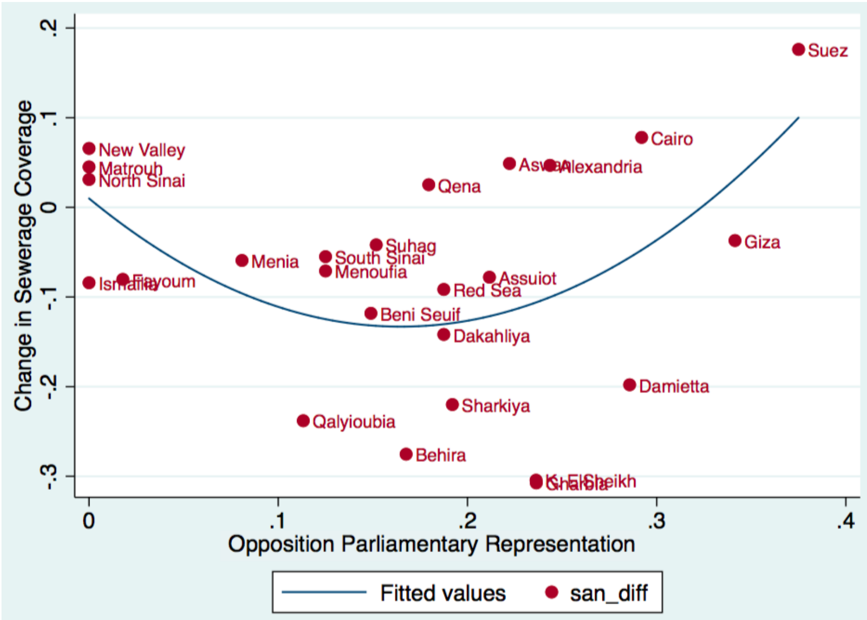


Figure 5.4: Change in the percentage of residential buildings connected to public sewerage network over the period 1986-1996, and percentage of opposition parliamentary representation

Overall, the 1984 elections show inconsistent patterns of association with the change in the provision of infrastructure services over the 1986-1996 period. Whereas vote share for the Wafd-MB alliance negatively correlates with the change in water and sewerage coverage, the percentage of opposition parliamentary representation, beyond a specific threshold level, demonstrates a positive association with the change in dependent variable. This finding runs counter to what is presumed in the wider distributive politics literature that autocrats pursue either a coercive or squeaky wheel allocation strategy to achieve political consolidation (Magaloni, 2008; Blaydes, 2011; Wallance 2014).

5.4.2 Results for Panel Analysis

Table 5.5 evaluates the effect of the 1990, 2000 and 2005 parliamentary elections on the percentage of residential buildings connected to public water networks (Models 9 and 10) and sewerage system (Models 11 and 12) in 1996 and 2006. Models 9 and 11 provide estimates for the effects of vote share for the opposition on the change in the number of residential buildings connected to public water/sewerage networks. Models 10 and 12 provide estimates for the effects of the percentage of opposition parliamentary representation on the change in the dependent variables. All models control for urban effect and prior level of infrastructural coverage. As noted earlier, I use fixed-effect models with standard errors clustered at the governorate level to control for unobserved heterogeneity and time-invariant factors.

Models 9 and 10 provide support for H2. Once again there is a positive statistically significant association between support for the opposition in the 1990, 2000 and 2005 elections and the change in public provision of water services. This electoral effect is above and beyond prior levels of infrastructural coverage that shows a strong and statistically significant association with the change in the dependent variables across all models (9-12). These findings are in contrast with Blaydes' claim that a coercive allocation strategy was evident in Mubarak's Egypt. Rather, as shown in Table 5.5, the authoritarian regime in fact favoured areas supportive of the opposition through higher allocations to extend water services. Quantitatively, a one per cent increase in vote share for opposition MPs in the 1990, 2000 and 2005 elections is associated with 0.57 per cent increase, on average, in the proportion of residential buildings connected to the public water network in the subsequent time periods. Likewise, a one per cent increase in the opposition parliamentary representation is positively associated with an average increase of 0.14 per cent in water coverage.

Table 5.5: Dependent Variables: Percentage of residential buildings connected to public water/sewerage network

	Model 9 Water	**Model 10 Water**	**Model 11 Sewerage**	**Model 12 Sewerage**
Percentage Vote share for Opposition MPs	0.57***		-0.05	
	(0.18)		(0.09)	
Percentage Opposition in the Parliament		0.14*		-0.001
		(0.08)		(0.06)
Registered Voters	2.67	2.86	-0.83	-0.96
	(3.14)	(3.5)	(2.77)	(2.7)
Previous Coverage	-0.93***	-0.91**	-0.32***	-0.32***
	(0.24)	(0.26)	(0.13)	(0.12)
Percentage of Urban population	0.02	-0.13	0.18	0.17
	(0.73)	(0.90)	(1.11)	(1.10)
Constant	1.22**	1.27***	0.35	0.35
	(0.47)	(0.48)	(0.54)	(0.53)
R^2	0.40	0.35	0.14	0.14
Observations	78	78	78	78

Cluster robust standard errors are shown in parentheses
*** P < 0.01, ** P < 0.05, * P <0.1

Figures 5.5 and 5.6 show the marginal predicted effect of the increase in the vote share for the opposition and opposition parliamentary representation on the change in water coverage at the governorate level, respectively. The confidence intervals are larger at higher values for the two electoral variables given that in such a circumcised political system, only a few governorates showed high electoral support for the opposition.

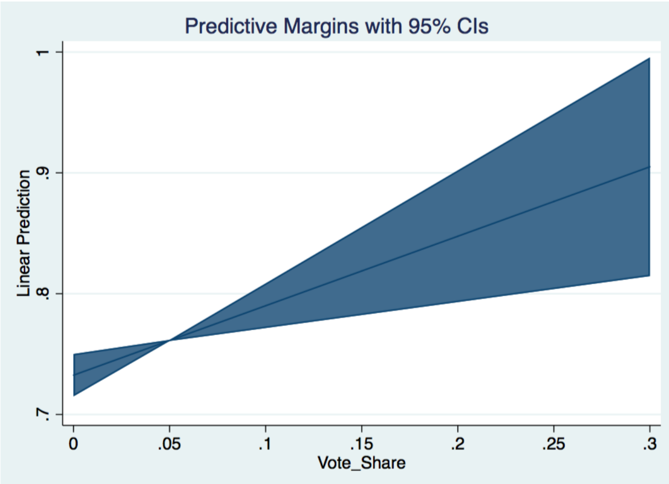


Figure 5.5: Predictive margins of the percentage of buildings connected to public water network

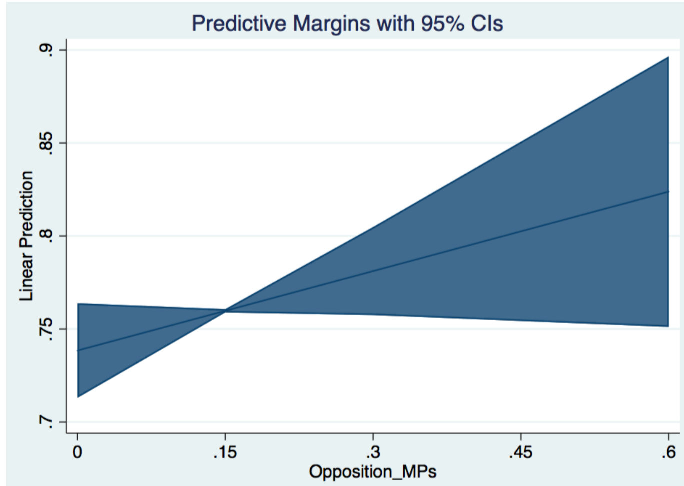


Figure 5.6: Predictive margins of the percentage of buildings connected to public water network probability

In Models 11 and 12, none of the electoral hypotheses is supported. The coefficient results reveal that neither vote share for the opposition, nor the opposition parliamentary representation, is associated with the change in the number of residential buildings connected to the public sewerage network at the governorate level throughout the period in question. This finding is robust even with the inclusion of quadratic terms as evident in Models 15 and 16 in Appendix Table 5.6. This points to the presence of other non-electoral factors that influenced the extension of sewer lines across localities. Lastly, there is no evidence for the association between the percentage of registered voters in a governorate and the change in water and sewerage coverage, indicative of the lack of statistical support for the predictions of H3.

5.5 Discussion and Alternative Explanations beyond Electoral Politics

As the findings presented in the previous section demonstrates, we cannot postulate a uniform impact of legislative elections on the change in infrastructure provision. While the results for the 1984 elections offer mixed support for electoral theories of distributive politics, analysis of the subsequent elections finds no evidence for a relationship between elections and the provision of sewerage services. Nevertheless, the outcomes of the parliamentary elections seem to be associated with the installation of water services across localities.

This inconsistency points towards a more complex relationship that needs further unpacking in order to understand what bands the independent and dependent variables together. It is therefore important to understand the underlying political and economic contexts, which caused spatial disparities in the allocation of the two infrastructural services instead of solely attributing this variation to the outcomes of the elections. In other words, arguing that areas where the opposition drew its support in the 1984 elections were "less likely to see improvements to their sewerage and water coverage in the ten years following the election" (Blaydes, 2011, p. 74) is seemingly an oversimplification of a multifaceted reality. This argument, in fact, does not tell us much yet about the reason for passing on more favourable resources to areas, in which the NDP received the majority of its votes in the 1984 elections, yet they also had relatively high opposition representation in the parliament.

To make sense of this, in Figure 5.7 I disaggregate the key findings of Tables 5.3 and 5.4 by geography. As shown in this figure, seven main governorates, notably in the Urban and Frontier regions, stand out as the main drivers behind these contradictory outcomes. Those governorates received subvention from the Mubarak regime to develop their infrastructural capacities despite their support for the opposition, even though resources were withheld from other governorates of support for leading subversive groups in other regions.

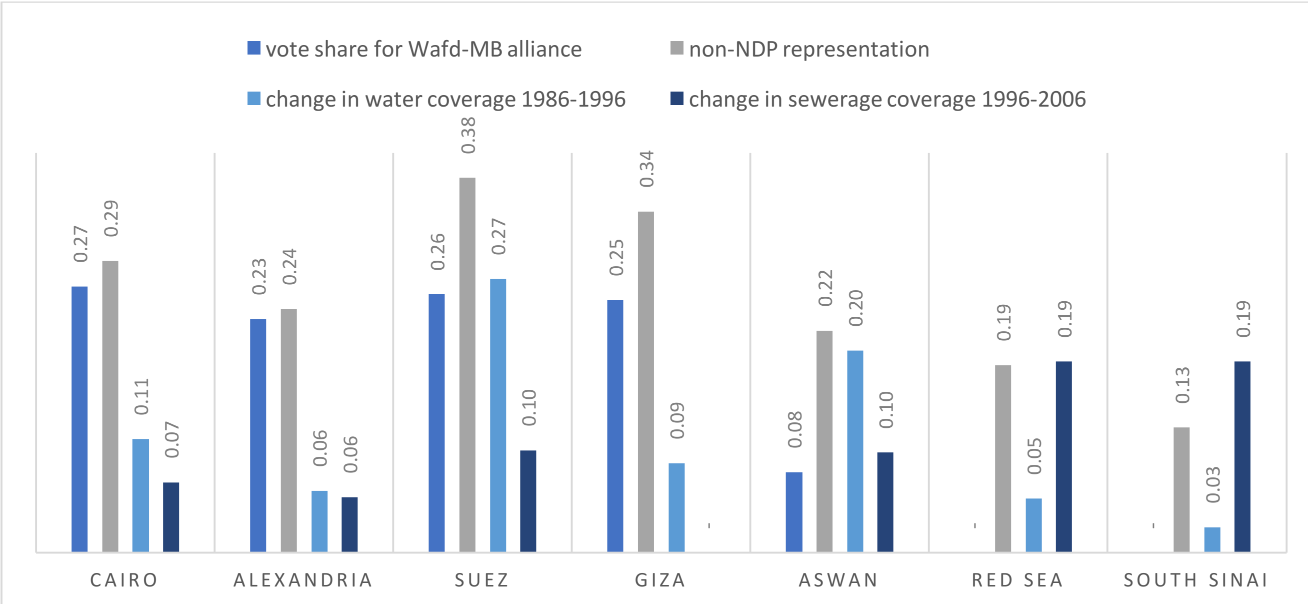


Figure 5.7: Electoral Results in 1984 and Change in Public Water and Sewerage Coverage

This can be attributed to two possible explanations. The first concerns the necessity of economic growth in facilitating authoritarian persistence. The second possible explanation is related to the nature of politics in each of those regions and how the capacity of dwellers to organise contentious collective action influenced the extent of the funds that the state had to distribute to meet the demands of these aggrieved actors.

As for the first explanation, the Mubarak regime had to invest in governorates with favourable geographic and demographic features, as will be demonstrated in chapter 6, irrespective of the results of parliamentary elections. In this context, the seven governorates presented above captured the lion's share of domestic and foreign investment in two main economic sectors: real estate and tourism. Therefore, it was in the regime's best interests to deploy more resources for the development of their infrastructure in pursuit of a quicker way to accumulate capital. Infrastructural development, in this context, was indispensable to the increased flow of investments.

Turning to the second explanation, electoral results in four of these governorates, namely Giza, Cairo, Alexandria and Suez, are more or less an auxiliary consequence of their high capacity for organising collective acts of contention. The four governorates, as I will explain in chapter 7, had a long history of militancy against colonialism which resulted in a prevalent culture of resistance to repression among its residents. Compared to other regions, the work of civil society and political participation was relatively high in these four governorates which also had strong opposition political parties. These parties were able to mobilise their social bases to challenge Mubarak's authority. That is why the Mubarak regime had to accede to the demands of collective actors in these areas where opposition MPs won comparably more seats in the assembly, as evident in Models 4 and 8. Otherwise, the mobilisation of these governorates could delegitimise Mubarak's governance. This is, in fact, what happened in 2011 when protests in Cairo and Suez triggered a wave of mass upheaval that took over the whole country.

By contrast, Upper Egypt, where most of Egypt's poor reside, was viewed as an immobile and isolated region in which aggrieved actors, were they to emerge, would have no experience of institutional forms of collective contention. Even though the NDP could garner electoral support in this region, the regime allocated fewer benefits to its residents, as they were unable to pose any direct threat to its persistence. This area was also known as a source of violent acts of terrorism, which radicalised insurgents organised throughout the 1990s, as I will explain in chapter 7. Therefore, most public spending in this area went towards financing the police in the launching of counter-terrorism operations and the arresting of members of radicalised Islamic movements. This had the effect of reducing public spending on economic and social development in Upper Egypt. Lower Egypt, however, despite voting for the Muslim Brotherhood and providing its strongest social base, enjoyed some benefits. This was largely due to its residents' ability to organise collective acts of defensive mobilisation in pursuit of communal interests (the relationship between contentious politics and the allocation of collective consumption services in Egypt will be examined at length in chapter 7).

That said, it is important to understand why the effect of parliamentary elections on the provision of water and sewerage play out differently over time. As noted earlier, the cost of extending and operating water lines is usually cheaper than those of sewer lines. Therefore, opposition parliamentarians had more leeway to lobby for the extension of commonly available water services in lagging areas. By comparison, other economic and political considerations influenced the choice of the state on where to pour more funds for the installation of sanitation services that costs more to provide and maintain.

Additionally, it is worth noting that access to service is not in fact indicative of the amount of funds the state invested to increase the quantity and the quality of service provision across localities. Many of the Upper and Lower Egypt's houses were connected to public water network, nevertheless, their share of per capita water production was very low. Likewise, sanitation treatment capacity varied considerably across the different governorates. As evident in Figure 5.8, the Mubarak regime was rather interested in meeting the infrastructural needs of the Urban and Frontier regions by increasing the quantity of water produced and the treatment capacity for sanitation services in those areas.

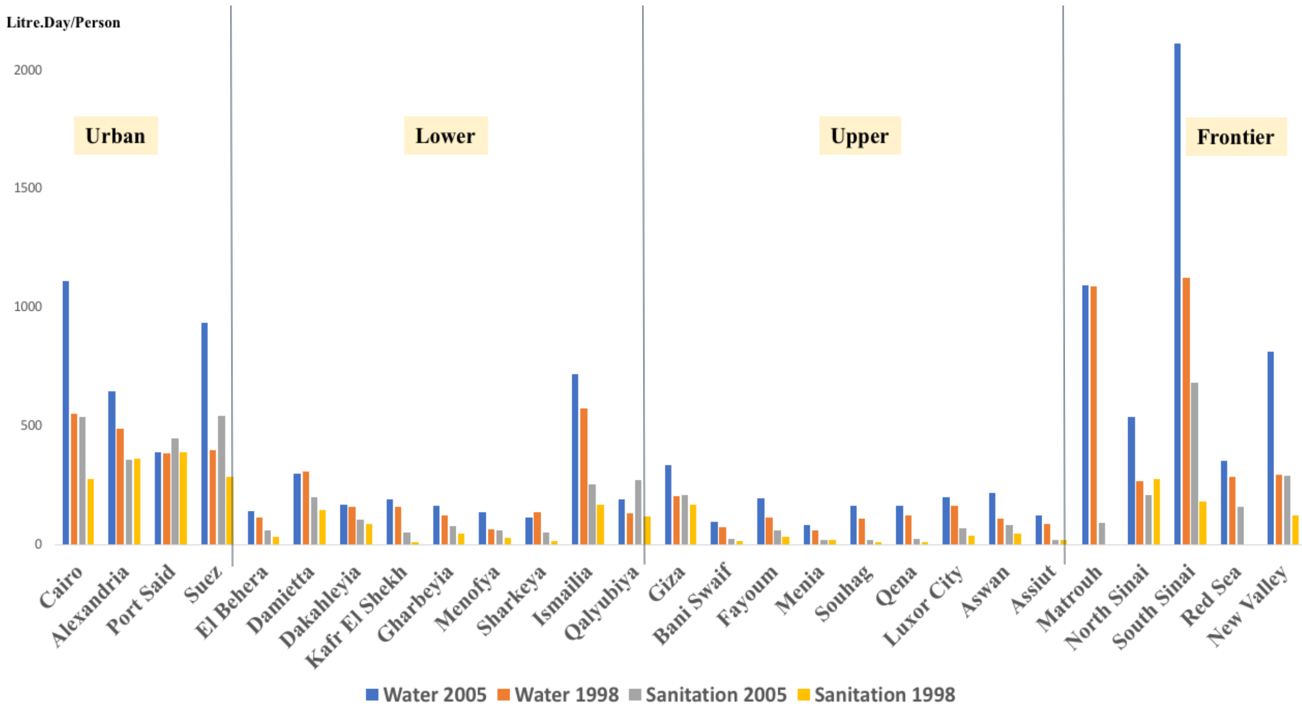


Figure 5.8: Per Capita Water Production and Sanitation Capacity

Source: Author's graph, data from Information and Decision Support Centre

5.6 Concluding Remarks

In this chapter, I demonstrated that electoral theories cannot provide sufficient explanation for what invoked spatial discrepancies in the provision of infrastructural services across the governorates of Egypt under Mubarak. The regression results show no consistent relationship between the electoral variables and the dependent variable. Rather I suggest two possible explanations, as I will elaborate in the following chapters. The first has to do with the necessity of provisioning water and sanitation services for the growth of the Egyptian real estate and tourism markets, which were dominated by a group of crony capitalists in the Mubarak era. The second sheds light on the effect of contentious politics and how the capacity of aggrieved actors to coordinate collective action in the various governorates could determine the amount of funds channelled for the instalment of infrastructure facilities in an area.

Taken together, this chapter's findings reinforce the conclusion that a more complex relationship seems to band the independent and dependent variables together that goes beyond electoral politics. While regional variations in infrastructure investment is viewed in the prevailing distributive politics literature as reflections of the work of parliamentary and presidential elections, the empirical material analysed in this chapter find no consistent support for those theories. The replication and extension of Blaydes' model, in fact, proves that the results of parliamentary elections in Mubarak's Egypt cannot solely provide satisfactorily answer to the question of 'who gets what?' This finding comports with the idea that political consolidation is by and large the most decisive factor in the provision of collective consumption services, and not parliamentary elections as commonly argued.

Even though the undertaken statistical analysis cannot establish any causal relationship, given the limited number of observations, it aims to pinpoint areas where prevailing theories of distributive politics cannot explain how public resources are geographically distributed in electoral autocracies. This, in turn, provides a foreground for the in-depth qualitative analysis that I will present in the following chapters. In this analysis, process tracing will be employed as the main tool of investigation that gleans its data mostly from elite interviews with policy actors who were involved in budget allocation decisions under Mubarak. The use of qualitative tools, in this respect, will lend support to the undertaken preliminary quantitative analysis and clarify most of the inconsistent results obtained in this chapter, which otherwise will be left to unspecified explanations. Blending both methods in such a way is expected to provide a more fine-grained examination that taps into the key factors that contributed to Egypt's longstanding regional disparities.

6

The Political Economy of Land and Infrastructure Provision in Egypt

Studies of distributive politics, as explained in the previous chapter, tend overly to focus on analysing the relationship between electoral competition and the geographic allocation of concentrated benefits in autocracies. Quite often, however, this literature fails to substantiate distributional outcomes that do not conform to mainstream authoritarian electioneering theories. Therefore, confronted with the limited contextualisation of the topic, this chapter will examine a different non-electoral dimension to the analysis, in which I will depict the economic side of the story.

It will draw on some of the regression results presented in the previous chapter to argue that the weight placed on economic growth by autocrats to attain legitimacy is often of greater significance for regime resilience than the legitimacy realised from ostensible political contestability. Being aware of what poverty and economic stagnation can provoke in politically weak authoritarian systems, such autocrats will distribute scarce public resources in a spatially biased way that can appease powerful interests and foster economic efficacy, measured in terms of a reduction in unemployment, a lower budget deficit and higher GDP growth.

This distribution will be to the benefit of a group of crony capitalist who will support the authoritarian state in implementing its public and economic policies, and could therefore enhance the longevity of autocrats' governance. Crony capitalism, in this context, can be defined as the receipt of favours of high economic value in return for political support (Haber, 2002). Those cronies of the regime will secure economic advantages and get their hands on scarce public resources in return for growing the economy and lending political backing to authoritarian rulers. Cronyism, as such, is a function of two things; economic growth and political support for incumbent power. Economic opportunities will therefore be extended only to business cronies who can achieve both ends, whereas other investors who have the skills and capital to grow the economy but not the necessary political connection will be excluded from autocrats' spoil system.

To situate the argument in an empirical context, this chapter's analysis is focused on the case of Egypt under Mubarak. In contrast with the charismatic Nasser, who cemented his grip on power on the basis of ideological legitimacy, and likewise with Sadat, who was cherished by Egyptians for being the 'Hero of War and Peace', Mubarak was unable to convince citizens of his political mandate by means other than the launch of costly mega projects that could create an epic legacy for him as a reformist leader with an internationally oriented economic agenda. Among the large-scale projects that were repeatedly promoted in the national and international media channels were the following: the building of new urban communities on Greater Cairo's peripheries; the development of integrative tourist resorts along Aqaba Gulf in South Sinai and the Red Sea coastlines; the establishment of industrial zones in Suez and Port Said; and land reclamation projects in New Valley, mostly prominently that of Toshka. These diversified projects focused on expanding Egypt's infrastructure-intensive economic sectors in order to create more job opportunities in the labour market and to encourage growth in the national domestic goods industries.

To enable this expansion, as this chapter will explore in close detail, the state coordinated the provision of the necessary structures, inputs and procedures to accelerate the process of economic development. Public land was sold at knockdown prices to private investors. Infrastructure services were soon after installed at project sites. Tax exemptions and interest-free loans were granted to finance business operations. New investment laws were also enacted to inject more private capital into the market. Economic growth, however, was mainly concentrated in a few Urban and Frontier governorates that were endowed with favourable geographic and demographic features, and hence received disproportionate substantial share of public resources coupled with preferential investment conditions. These governorates witnessed substantial improvement in the provision of infrastructure services, which explains some of the inconsistent quantitative results obtained in the previous chapter. The adoption of this discriminatory investment approach had the effect of driving internal migration from densely populated governorates to the new growth poles in which the state invested the greater part of its capital.

Nevertheless, against the policy's initial social intent, the fruits of economic growth were largely claimed by a group of capitalist oligarchs who supported Mubarak's regime in order to boost its attenuated economic and political power. These 'cronies' of the regime, as the analysis below will demonstrate, found in the development of Egypt's economy an opportunity to advance rent-seeking behaviour and to exploit public institutions that were initially established to maximise the welfare of society at large. Over time, the interests of politically-connected elites became intertwined with the state's interests. This was mostly overt in the real estate and tourist markets, which will be my focus in this chapter, in which various practices of regulatory capture were evident.

The preferential treatment that crony capitalists received in the real estate and tourism sectors was tied to the strength of the demanding agency and the level of political support they could provide to Mubarak's regime. Those of higher political weight were mainly business tycoons, such as those who held influential positions in the dissolved National Democratic Party (NDP), the owners of media channels that negatively reported on the opposition, wealthy businessmen who financed the grooming of the president's son Gamal Mubarak as the next president, and members of Mubarak's family. Furthermore, there was clear evidence of a conflict of interests in the government, where ministers in control of central allocation decisions were also businessmen with self-seeking interests. It was eventually the case that Mubarak's economic policies, which should have earned him political legitimacy, would turn out to have been a self-defeating strategy. This was shown in the corruption trials held in the aftermath of the January 25th revolution, in which the former ministers of tourism, housing, finance, trade and petroleum were convicted of squandering public funds and exploiting the advantages of office to increase their personal wealth.

In order to trace how those predatory practices developed into spatial disparities in the provision of collective consumption services, this chapter's analysis will focus on four deviant cases for governorates whose regression outcomes in the previous chapter could not be explained by the outcomes of parliamentary elections. The four governorates, namely; Cairo, Giza, Red Sea and South Sinai, as noted before, received subvention from the Mubarak regime to develop their infrastructural capacities despite their support for the opposition, even though resources were withheld from other governorates of support for leading subversive groups in other regions. To unpack this inconsistency, the empirical analysis will focus on the real estate and tourism markets, in which public land and infrastructure investment were used to generate rent streams for allies in return for their political support. Investment in these two infrastructure-intensive economic sectors was concentrated in the aforementioned four governorates, as the subsequent sections will demonstrate, compared to a more equitable geographic distribution of industrial and agriculture investment in Lower and Upper Egypt.

To proceed, this chapter is divided into three main sections. In the first section, I will lay out the rationale behind Mubarak's adoption of neo-liberal economic development policies. I will show in detail how the expansion of the infrastructure service sectors was directed in favour of a few governorates only, which captured the lion's share of the private capital injected into the market. To build on this analysis, in the following sections I will focus on real estate and tourism as case studies for the economic sectors to demonstrate how rising opportunities in both sectors enabled politically-connected elites to ameliorate their economic positions and press for higher capital spending in areas where they wanted to expand their businesses, and not necessarily in areas where business MPs were elected as commonly argued in the wider distributive politics literature. Finally, I will conclude with a discussion of how the evidence presented in this chapter links back to the theoretical framework proposed in chapter 2 and how it helps to answer the overarching questions that guide this study.

The data presented here, as explained in length in chapter 3, draws on three types of causal process evidence; account, trace and pattern. In gathering this evidence, 50 elite interviews were conducted in Egypt, over two years, with policy actors and researchers who were involved in the budget allocation process. Key accounts highlighted during those interviews were augmented with statistical data from the records of the Central bank of Egypt, Central Agency for Public Mobilization and Statistics (CAPMAS), General Authority for Free Zones and Investment (GAFI), the Egyptian Cabinet's Information and Decision Support Centre (IDSC), and Ministries of

Finance, Planning, Investment, Housing and Tourism. Additionally, stories brought up during interviews were crosschecked with stories documented in some of the national and international newspapers as well as minutes of parliamentary discussions on state budget during the period in question.

The contribution made by this chapter to the broader academic and policy debates lies in the relationships it establishes between distributive politics, social policy and the crony capitalism emphasised in the previous literature, especially in the context of Middle East politics. Most of the scholarly work conducted so far has focused on the rents generated by business elites through electoral patronage networks of influence. However, there has been a lack of research on the non-electoral discrete role that crony capitalists often play in reshaping the geography of public resources distribution. Furthermore, this chapter will analyse distributional outcomes that theories of electoral politics fail to explain, and hence remain matters of dispute, unless analysed from a different angle. In so doing, I shed new light on the real estate and tourist markets that have not received sufficient attention by the prevailing crony capitalism literature, which has largely focused on the manufacturing sector. Finally, the analysis will introduce new quantitative and qualitative data which, despite being officially available to the public, are not in fact accessible to anyone other than mostly Egyptian researchers, who have to apply for permissions that in my case took one year to be granted.

6.1 Towards a More Diversified Economy

Chapter 2 asserted the importance of economic growth as a means for autocrats to attain political power and be able to meet different patronage requirements. Similar dynamics were also evident in Egypt under Mubarak, where the adoption of the Economic Reform and Structural Adjustment

Programme (ERSAP) in 1991, and the signing of the tripartite management agreement between Egypt, the IMF and the World Bank, have brought about far-reaching economic transformations. This period marks the beginning of a new phase in which Mubarak, following in Sadat's footsteps, attempted to change the inward centrally-planned orientation of the Egyptian economy into that of a market economy. These efforts came in the aftermath of the serious financial difficulties that Egypt underwent amid the sharp decline in oil prices and Suez Canal revenues in the 1980s and the outbreak of the Gulf War in 1990, which forced many Egyptians to return from Iraq and Kuwait and seek new employment in their home country (Interview: I-36). This challenging economic scenario exerted a lot of pressure on Mubarak to place economic growth at the top of his policy agenda in order to convince citizens of his mandate. As a senior official in the Ministry of Social Solidarity explains:

> Employment in Upper Egypt was affected by the Gulf War, whether in Iraq, Kuwait or in Libya. People there depended on the ability of one of their family members to work in the Gulf, given the inability of Upper Egypt's economy to produce jobs, and the limited availability of agricultural land. (Interview: I-36)

Economic growth was therefore important for the durability of the Mubarak governance. Otherwise, in the absence of any other basis for legitimacy, Egypt's restrictive political environment was likely to provoke collective action of opposition and contention if growth were not secured.

To stimulate economic growth, new investment laws were enacted in the 1990s, along with reforms in the tax system. These reforms paid off when the fiscal budget deficit went down from 15 per cent of GDP in 1991 to 1 per cent of GDP in 1998. Similarly, the inflation rate decreased over the same period by 17 percentage points from a historic high level of 21 per cent in 1991 (Hussein and Nos'hy, 2000). Egypt's GDP also recorded a high growth rate of 6 per cent in 1998, largely due to the increase in private investments combined with high public spending on infrastructure mega projects (Kheir El Deen and El Leithy, 2008). The impact of these reforms was further augmented with a USD 32 billion debt forgiveness in recognition of Egypt's positive contribution to the Gulf War. However, the economic situation deteriorated once more in the wake of the Asian financial crisis in 1997 and the decline in oil prices in 1998. Additionally, the terrorist attack on foreign visitors at the Temple of Queen Hatshepsut in Luxor in November 1997, as well as the September 11th attacks in 2001, led to a substantial reduction in tourism revenues and a shortage in foreign currency. The Egyptian pound was eventually floated in 2003 and lost more than 30 per cent of its value due to these depressed economic conditions.

In 2005, a new cabinet was installed to overcome the economic hardships inflicted by the aforementioned internal and external shocks. This cabinet, which included six business technocrats, introduced new changes to the economic governance structure in order to improve the business climate in Egypt and enable the implementation of Mubarak's 2005 election pledges, which mainly focused on popular economic issues. While his political rivals as presidential candidates, No'man Gomaa and Ayman Nour, had promised to lift the state of emergency and expand the work of NGOs and political parties, Mubarak by contrast had rather campaigned to create 4.5 million job opportunities, to build 500,000 housing units and to construct 1,000 factories in six years (Osman, 2005; Zahid, 2008). His electoral platform, as such, emphasised the importance of performance legitimacy for sustaining authoritarian rule in the face of deteriorating economic conditions, as was the case in 2005 when unemployment rates reached a new record high of 20 per cent.[22]

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[22] Even though the World Bank reported unemployment at 20 per cent in 2005, government figures reported unemployment at 10 per cent in the same year.

Mubarak's electoral platform called for the establishment of five main programmes: "the introduction of 'micro-lending' for small businesses; the enhancement of medium-sized enterprises; expansion of the industrial base; the reclamation and cultivation of desert land and the development of the tourism industry in Egypt" (Ministry of Foreign Affairs, 2005). The focus placed on these programmes enabled the development of four economic sectors that made up, on average, 44 per cent of Egypt's GDP from 2003 to 2010,[23] namely, the industrial, service, tourism and real estate sectors.

Table 6.1 demonstrates that most of the private capital injected into these four sectors was largely dominated by Egyptian investors, who contributed around 83 per cent and 79 per cent of the issued capital in the real estate and tourist markets, respectively. Credit facilities that were also granted to the manufacturing and service sectors surpassed the amount provided to the agriculture sector. Whereas these two sectors combined had received no less than 64 per cent of banks' loans, the share of the agrarian sector did not exceed 2 per cent from 2001 to 2009.[24]

***Table 6.1*: Issued Capital from (1982 – 2010)**

Sector	Issued Capital ($million)	Egyptians Share	Arabs Share	Foreigners Share
Industrial	49,791	74%	9%	17%
Service	24,506	79%	4%	16%
Tourism	24,331	83%	9%	8%
Real Estate and Construction	19,409	79%	11%	10%
Financial	14,712	39%	23%	38%
Telecommunication	10,687	73%	21%	6%
Agriculture	7,625	58%	37%	6%
Total	151,061			

Source: Author's calculation, unpublished data from GAFI

[23] Author's calculation based on data from the Central Bank of Egypt.
[24] Central Bank of Egypt, annual reports 2002-2009

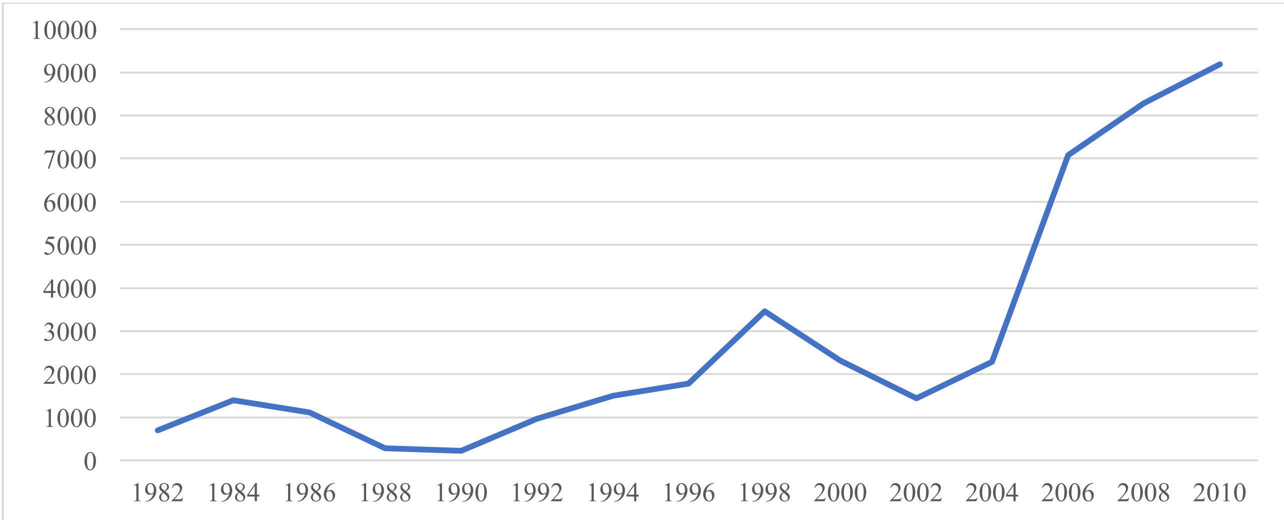

Figure 6.1: Issued Capital (1982-2010) USD Million

Source: Author's calculation, unpublished data from GAFI

Economic growth, as Figure 6.2 shows, was largely concentrated in five governorates that captured the majority of private investments: Cairo, Giza, Alexandria, Red Sea and South Sinai. By contrast, the share of Upper and Lower Egypt, where 80 per cent of the population reside, did not exceed 20 per cent of the privately issued capital.

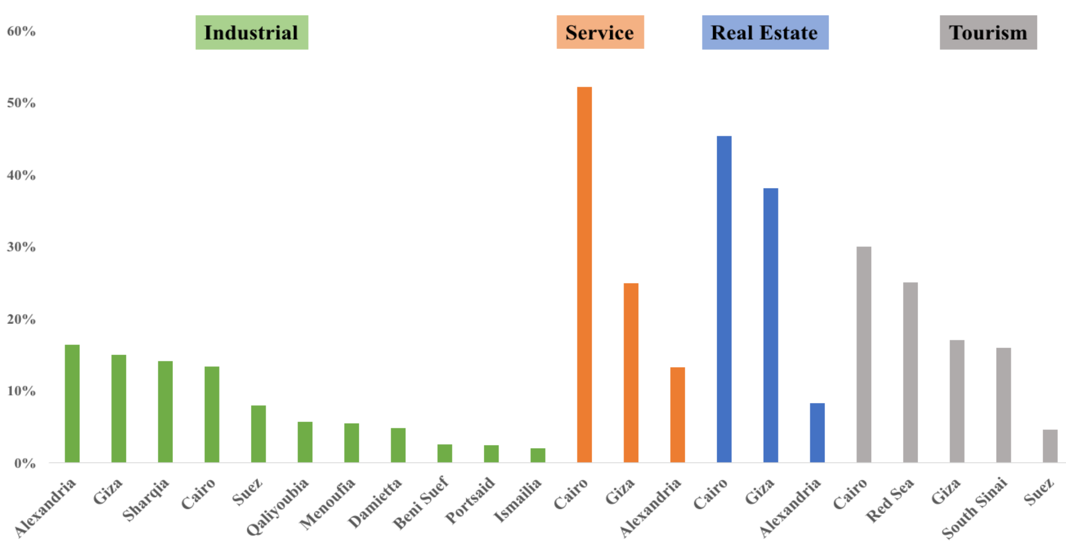

Figure 6.2: Share of Governorates in Issued Capital (1982 – 2010)

Source: Author's calculation, unpublished data from GAFI

The choice of those governorates for investment was justified on the basis of their favourable geographic and demographic features. As a high-ranking official in the Prime Minister's office clarifies:

> Rashid [a former minister of trade in Nazif cabinet] had a certain idea that, unfortunately, resulted in deleterious social repercussions. He wanted to expand the Egyptian economy on the shoulders of a number of large and extremely well-capitalised industries. Therefore, he invested in governorates with favourable geographic and demographic features. Particularly those that were close to harbours and airports. And those where investors can find a highly educated labour force. The Upper Egypt governorates, however, did not meet any of those criteria. (Interview: I-11)

The same logic was also echoed in an interview with a former Minister of Finance, who denigrated investment in Upper Egypt as irrelevant to the economic reconstruction calculus of this period:

> Rural areas are dispersed. The distance between them is too big. The size of the market is too limited. The number of people who live there is lower. Those who get educated leave the rural areas and migrate internally or externally. At the end of the day, you have objective reasons too. Why have Upper Egypt – or rural areas in general – been neglected? It is a function of two things, to my mind; one is policies/politics and the other one is an objective resource allocation for economic functionality. (Interview I-1)

Even though this biased spatial investment pattern was promoted under the rubric of trickle-down effect and shared prosperity, in reality Mubarak's developmental policies were inconsistent with the declared social contract. When the economy as a whole witnessed unprecedented rapid economic growth between 2004 and 2010, which placed Egypt among the 'Top 10 Reformers' in the World Bank Doing Business Report for four years in a row, economic surplus was not associated with an expansion in the provision of public services. In fact, public capital spending decreased from 15 per cent of GDP in 1998 to 8 per cent of GDP in 2006.

The Egyptian state additionally could not meet major welfare needs on a comprehensive basis during this period. As a result, poverty figures increased by 63 and 19 per cent from 1995 to 2010, in the urban areas of Upper and Lower Egypt, respectively (UNDP, 1995; 2010). The inconsistent relationship between 'Economic Growth First' model and public diswelfare was most evident in 2007 when FDI inflow recorded a high figure of USD 11 billion (8.5 per cent of GDP), as compared to USD 400 million in 2004, whilst real public investment in electricity, education and healthcare, in the same year, decreased by 20, 13 and 35 per cent, respectively (Bahaa et al., 2008).

As the analysis below points out, the fruits of economic growth during this period were rather claimed by a group of capitalist oligarchs who constituted the main pillars of Mubarak's business constituency. These cronies occupied central positions in the government and parliament. Hence, they were able to decide on the policy agenda and distribute public resources at their disposal in areas where they wanted to expand their businesses, instead of developing lagging areas. In return, they supported the Mubarak regime to enhance its longevity. This had its most adverse effects on the underdeveloped governorates of Upper Egypt that were not of economic interest for politically-connected business elites, and therefore were denied a fair share of resources.

Although the intensification of much of those predatory practices should have been considered threatening to the wider social and political order, the Mubarak regime was doubtful about the pernicious effect that social injustice could bring in its wake. We may consider the Mubarak regime sequential, in that respect, as the primary focus it placed on capital accumulation thwarted any potential for political and social reforms to take place. However, this precarious situation could not last for long. As O'Connor (1973) explains: "A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes lose its legitimacy and hence undermines the basis of its loyalty and support" (p. 6). That was exactly the case in Egypt where the hardships inflicted by Mubarak's deep-seated crony practices triggered a contentious sentiment among Egyptians, and eventually culminated into the January 25th uprising.

The following two sections will illuminate the way in which this patronage relationship between the Mubarak regime and crony capitalists in the real estate and tourism sectors, which made up an average of 11 per cent of Egypt's GDP in the 2000s,[25] resulted in disparities in the allocation of infrastructure investment across the governorates of Egypt.

6.2 The Real Estate Sector

6.2.1 Three generations of new urban communities (1977 - 2010)

Egypt's real estate sector gained its first momentum in 1974, when President Sadat announced his plan to build new satellite cities in the desert and to establish new industrial zones away from the Nile valley. For that, the New Urban Communities Authority (NUCA) was established by Law 59 of 1979 under the jurisdiction of the Ministry of Housing, Utilities, and Urban Development (MHUUD), and was mandated to identify sites for new cities, to provide onsite and offsite infrastructure as well as to allocate state-owned lands to private investors. The majority of these urban communities were initially designed to be accessible to main Egyptian cities, in order to attract diverse socio-economic groups to live outside the densely populated Nile Valley and to prevent unlawful encroachments on Egypt's limited agricultural zone. New cities were also planned to be growth poles of a mixed economic base that could create more job opportunities in different economic sectors (Interview: I-38).

[25] Author's calculation based on data from the Central Bank of Egypt.

From 1977 to 2010, as seen in Figure 6.3, three generations of new urban communities were successively established, of which the first and second generations were mostly located on the periphery of Greater Cairo.[26] The first generation, launched between 1977 and 1981, encompassed eight cities including: the Sixth of October (1979), Borg El Arab (1979), and New Damietta (1980). The second generation, launched between 1982 and 1995, incorporated nine cities, including; El-Obour (1982), Badr (1982), El-Sherouk (1995), Sheikh Zayed (1995) and New Cairo (1995). Finally, the third generation was launched between 2000 and 2010, and included Upper Egypt provincial twin cities, mainly; New Fayoum, New Assiut, New Minyia, New Sohag, New Qena, New Tiba, and New Aswan. By 2010, there was a total of 20 new cities, out of which only five were able to attract private investments, namely in order; the Sixth of October, New Cairo, Sheikh Zaid, El Obour and El Sherouk (World Bank, 2006a).

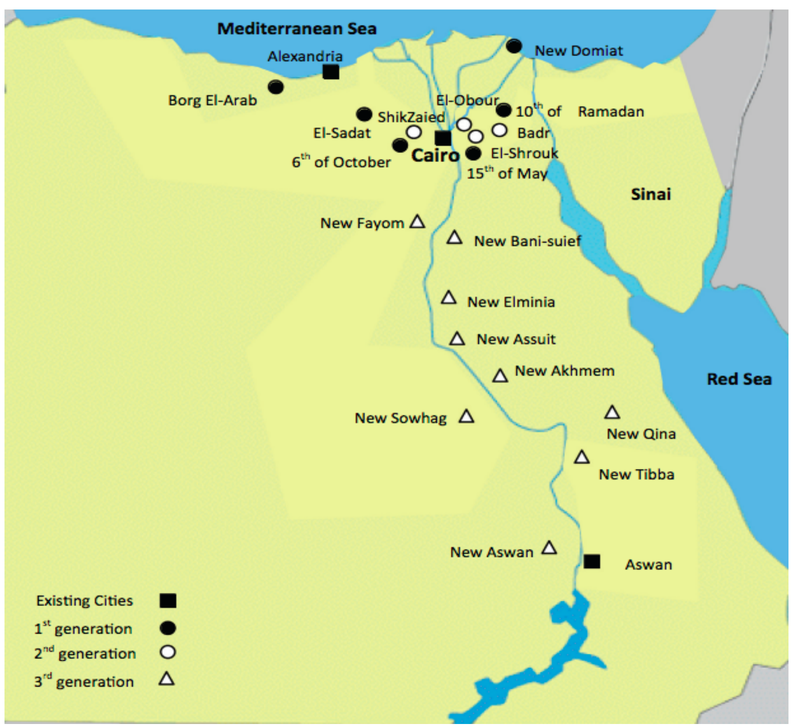

Figure 6.3: Egypt's New Urban Communities
Source: Map from Hegazy and Moustafa (2013)

[26] Greater Cairo encompasses the Cairo, Giza and Qaliyuobia governorates.

In 2010, according to MHUUD figures, the three generations combined made remarkable contribution to the Egyptian economy through the operations of 6000 factories, with a total capital of EGP 76 billion and an annual production of EGP 82 billion. Moreover, the construction and the real estate sectors, combined, comprised 14 per cent of total employment in Egypt (CAPMAS, 2011). It should be noted that the majority of those working in the building and construction sector, in fact, came from the Upper and Lower Egypt governorates – about 79 per cent, as shown in Figure 6.4, even though private investment in the construction and real estate markets was largely concentrated in the Cairo, Alexandria and Giza governorates. In short, the Mubarak regime was successful in partially fulfilling its electoral promises with regard to the creation of more jobs in the labour market through the growth of this economic sector. Despite the regional distribution of capital in favour of a few governorates, more jobs were created in the building and construction sectors for workers from all over Egypt.

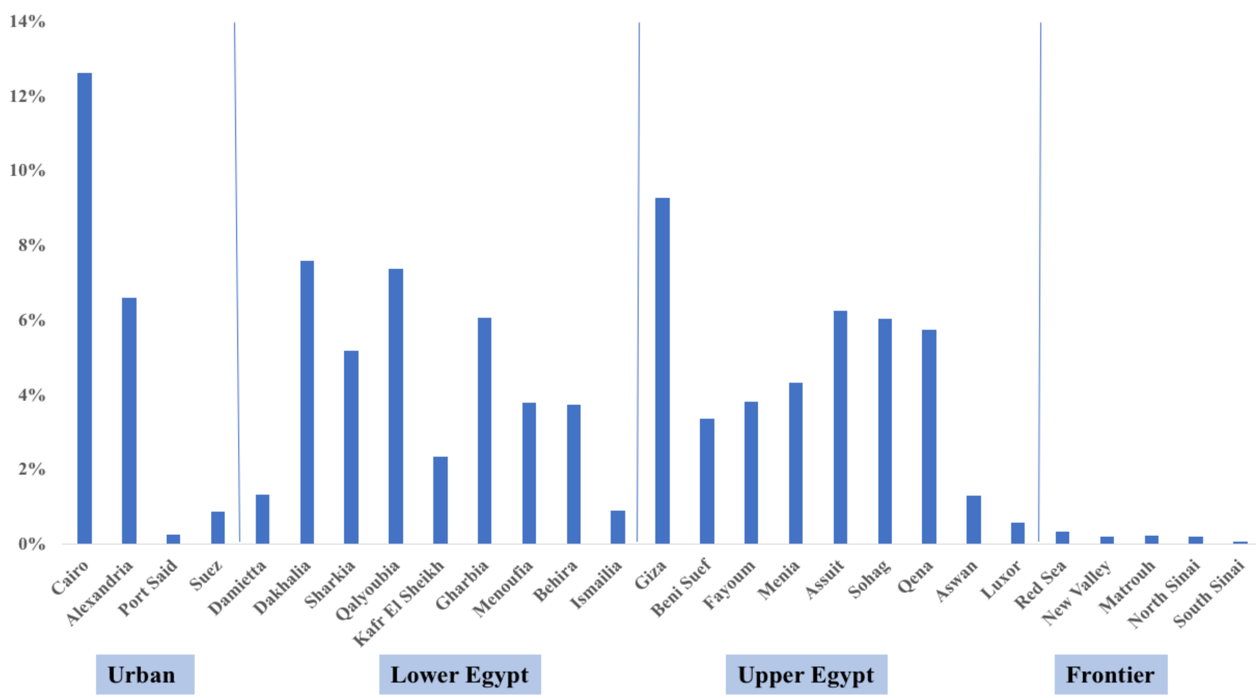

Figure 6.4: Share of Governorates Employment in the Building and Construction Sector in 2006
Source: Author's calculation, data from Central Agency for Public Mobilization and Statistics

6.2.2 Infrastructure investment in new urban communities

The provision of infrastructure services, however, shows quite dissimilar patterns at the spatial level. Over the past three decades, the majority of public investments in sanitation, roads, bridges, electricity and parks has been concentrated in new urban communities, especially the ones built on Greater Cairo's peripheries. Table 6.2 shows that in 2002 the new urban communities, where only 2 per cent of Egypt's population live, and of which government statistics reveal that 40 per cent of housing units were vacant in 2006, received 22 per cent of the MHUUD's investments. Infrastructure investment in those urban communities amounted to EGP 14.1 billion from 1982 to 2002 – although parliamentary meeting minutes report a higher aggregate figure of EGP 16.2 for the same period[27] – which increased further to EGP 45 billion in 2010. This came at a time when 88 per cent of Upper and Lower Egypt's villages, where around 57 per cent of the population resided, were deprived of sanitation services in 2010 (Abdel Halim, 2014), and had to rely on trenches for the disposal of wastewater in their areas. This was a period in which the existing infrastructure facilities in Upper Egypt were often reported to be of poor quality, which caused a substantial reduction in water and electricity supply for several hours per week in many areas (Interview: I-36).

***Table 6.2*: NUCA Investment as % of MHUUD's Total Investments (1982 – 2002)**

	1st 5yr Plan (1982/3 - 1986/7)	2nd 5yr Plan (1987/8 - 1991/2)	3rd 5yr Plan (1992/3 - 1996/7)	4th 5yr Plan (1997/8 - 2001/2)
Water and sanitation	10%	9%	8%	18%
Roads and Bridges	52%	52%	39%	39%
Services	39%	67%	70%	74%

Source: Data for the first three 5yr plans from MHUUD. Data for the 4th 5yr plan from (World Bank, 2008)

[27] Parliamentary meeting minutes, session 106 (18 June 2002).

Nevertheless, the Mubarak regime justified its excessive spending on the infrastructure of new urban communities on the basis of its projected future return on investment. The price of formerly low-value land was expected to increase exponentially upon the provision of the necessary infrastructure, which accordingly would enable more private investments to take place in other related sectors. Thereafter, the MHUUD would be able to cross-subsidise the installation of similar services in Upper and Lower Egypt's governorates using the profit that the NUCA was able to gain from this development (Interview: I-33). As a senior official in the Ministry of Housing explains in an interview:

> At that time, the trend was to sell desert land with the provision of infrastructure facilities enclosed in the same contract in order to incentivise real estate investors to start the construction process in good time. Otherwise, it would have taken us too long to move along with our desert developmental plans (Interview: I-35).

For this plan to be realised, the state had to speed up the provision of water, sanitation and electricity services in new satellite cities in order to attract the residents of nearby governorates, who would not be willing to relocate unless the delivery of infrastructure facilities was guaranteed beforehand.

Of greater significance is the amount of infrastructure investment allocated to only two of these urban communities, namely, New Cairo and the Sixth of October. Table 6.3 reveals that the two cities together received about 44 per cent of NUCA infrastructure spending from 1977 to 2017,[28] up from 26 per cent for the period from 1977 to 2010. This means that in 2010, less than 0.4 per cent of Egypt's population received 5 per cent of the total public investment in water and sanitation, and more than 10 per cent of the total investment in roads and bridges. The variation is

[28] This figure excluded the 10th of Ramadan city from the calculation due to unavailability of data.

even more striking between Greater Cairo, where 18 million people live, and the new cities built on its outskirts. David Sims (2012) cites the capacities of water treatment plants in new cities around Cairo to represent 22 per cent of the total water treatment capacity for all of Greater Cairo in 2007, which reflects the asymmetrical development of Greater Cairo.

***Table 6.3*: Total NUCA Infrastructure Spending in Twenty of Egypt's New Towns**

New Town	Year of Construction	Infrastructure Spending (million EGP)	% of Total
15th of May	1978	1559	3%
El Sadat	1978	2900	5%
6th of October	1979	13300	21%
Borg El Arab	1979	3100	5%
New Damietta	1980	3	0%
New Salaihyia	1982	507	1%
El Obour	1982	4035	7%
Badr	1982	4300	7%
New Bani Seuf	1986	1509	2%
New Newbariya	1986	2965	5%
New Meniya	1991	1638	3%
Sherouk	1995	2900	5%
Sheikh Zaid	1995	2386	4%
New Cairo	1995	14100	23%
New Aswan	1999	1082	2%
New Assuit	2000	1746	3%
New Tiba	2000	856	1%
New Sohag	2000	1396	2%
New Fayoum	2000	584	1%
New Qena	2000	1200	2%
Total		62065	100%

Source: Author's calculation, data from NUCA

The reason for this substantial investment in both cities is attributed to their economic significance for the private sector that built high-end gated communities there to cater for the very richest of Egypt's stratified society, which demands about 62 per cent of housing in the real estate market (Credit Suisse, 2010). The geographical proximity of the two cities to the Cairo and Giza governorates was seen as a competitive advantage for real estate developers, who could attract residents of both governorates to newly built residential areas by emphasising the superior and elitist aspects of the advertised dwellings. Additionally, the spatial mobility of higher-income groups to both cities enabled the flourishing of Egypt's higher education industry, when more private universities started to open their doors in areas where the state subsidised the provision of infrastructure and sold public land at a low value (Interview: I-33). This, in turn, increased the outflow of public finance for the sponsorship of yet another industry to accommodate the demands of a different segment of business cronies.

On the demographic side, the development of the Sixth of October and New Cairo cities was considered a necessary step for the state to reduce the population density in Greater Cairo, which had been increased in magnitude by internal immigration in search for better services and opportunities (Interview: I-33). Despite this factor, the migration to new cities only increased from 150,000 persons in 1996, out of which 45 per cent resided in the 15th of May city, to 766,000 persons in 2006. By contrast, the population growth in Greater Cairo amounted to 3 million persons from 1996 to 2006. Furthermore, the population growth in Egypt amounted to 13.2 million over the same period. In other words, the new urban communities only absorbed 4.3 per cent of Egypt's growing population over the 1996-2006 period (World Bank, 2008).

Over time, the structure of the Sixth of October and New Cairo cities has undergone major changes since their inception. Although they were initially designed to shelter low-income groups and to encompass industrial zones that offered new jobs in different economic areas, this configuration was replaced by upper-middle class and luxury housing as well as private universities. On this issue, Abdel Kader and Ettouney (2009) cite the change in the design of settlement #3 in New Cairo from an integrated industrial zone into a luxurious residential development where the high-end gated community, "Kattameya Heights", is located. As a result, out of the 6000 factories built on Egypt's deserts, the share of New Cairo did not exceed 33 factories in 2010.

It was the state's role, then, to subsidise real estate developers by offering them public land in prime locations at very low price, along with all associated external infrastructure extended to the boundaries of their projects (Interviews: I-32; I-45). Other advantages granted to real estate developers, which mostly benefited large corporations, were a 10-year tax exemption on the profits of projects developed within the new urban communities, and an exemption of loans granted to finance those projects from taxes, fees and interests (World Bank, 2006a).

6.2.3 Egypt's Predatory Government

The organisational structure of the local and central government in Egypt, as well as the parliament, enabled politically-connected business elites to profit from the growth of the real estate market and to nurture profitable financial agreements. As chapter 4 describes, budget discussions in Egypt took place at a negotiating table from which the public was absent (Interview: I-36). On the one hand, the governors, who submitted budget proposals on behalf of their locales, gave precedence to projects driven by influential business figures of strong political clout (Interview: I-32). On the other hand, local councillors, who were also affiliated with the ruling National

Democratic Party (NDP), served as tools for implementing centrally-planned agendas (Interviews: I-46; I-36; I-32). They had no representative power to represent the demands of their constituencies. A former Minister of Finance described the role of local councils in budget formulation as follows:

> Local councils took part in budget discussions on a consultative basis. They do not, for instance, come to the table and discuss the budget with the minister. They may help the local government to present their case in a better or a different way, but they are in no position to negotiate with the Ministry of Finance or the General Accounting Office. They don't represent anyone. (Interview: I-2)

While ground-level bureaucrats were only able to shuffle papers without any kind of decision-making authority, the central government had veto power to decide on the spatial allocation of the state budget, and on how to spend, along with its service directorates, about 81 per cent of capital expenditures, as seen in Table 6.4. The central government, however, was pervaded by business elites who held influential ministerial positions thanks to their relationship with the Mubarak regime and who were able to define the rules of the game to serve their own interests.

***Table 6.4*: Average Expenditures by Administrative Level (1991 - 2005)**

	Salaries	Current Expenditures	Capital Expenditures
Central Government	40%	93%	53%
Local Government	46%	3%	9%
Service Directorates	14%	4%	38%

Source: Author's calculation, state budget, various years.

This is illustrated by the way in which the Ministry of Housing, which is chiefly responsible for planning the extension of infrastructure networks to new cities, was implicated in a number of corruption trials in the aftermath of January 25th revolution. The Ministry had been headed by Ahmed El Maghrabi, a major shareholder in the second-biggest real estate development company in Egypt, 'Palm Hills'. Maghrabi was first assigned the tourism portfolio in 1999, then the housing portfolio in 2005 when his cousin, Zohair Garana, replaced him at the Ministry of Tourism. Likewise, the Ministry of Transport, which is responsible for the construction of roads and bridges, was headed by Mohamed Mansour, who is also a cousin to both Maghrabi and Garana, and who currently serves as the chairman of Palm Hills. Mansour is also the sole distributor of General Motors (GM) vehicles in Egypt and the largest distributor of GM in the world.

Despite this conflict of interests, it was claimed that the installation of a cabinet dominated by business technocrats would improve the investment climate in Egypt since, according to the former Prime Minister Ahmed Nazif, "Businessmen have the privilege of mixing administrative experience with a forward-looking and global mentality" (Ahram Newspaper, 2006). Nevertheless, such a justification overlooks the fact that appointing business elites to the government provides a fertile ground for and cronyism to influence the policy-making process. Political elites, as such, were capable of using their agenda-setting power to pass on policies favourable to their own interests, resulting in what Stigler (1971) terms 'regulatory capture'.

In a similar way, the parliamentary committees that approved central allocation decisions in sessions closed to the public, and took the lead in the conception and adoption of economic policies, were headed by crony capitalists who had a large stake in the real estate and construction markets. The budget committee from 2000 to 2010, for example, was chaired by Ahmed Ezz, a steel mogul and the former secretary for organisational affairs in the dissolved NDP. Ahmed Ezz was allowed to monopolise the steel market in Egypt and to profit from the housing boom in return for his endeavours to groom the president's son, Gamal Mubarak, as the next president. In so doing, he directed most of the activities of his NGO, The National Association for Economic and Political Studies, towards supporting the policies secretariat in the NDP, headed by Gamal

Mubarak, in its work, as well as towards making the key preparations for the party's annual conferences (El Tarouty, 2015). The same association also prepared most of Mubarak's 2005 presidential programme, to which Ezz made a large financial contribution. This again reflects the necessity of providing political support to authoritarian rulers in order for regime elites to access privileged economic opportunities. This political backing is in fact as important for autocrats to stay in power as the necessity of achieving positive economic growth to bolster their performance legitimacy.

The Housing, Public Utilities and Construction Committee in the parliament was also permeated by a number of real estate cronies. It was headed, from 2005 to 2010, by Tarek Talaat Moustafa, the chairman of Talaat Moustafa Group (TMG), the largest real estate development company in Egypt, and one of the most prominent members in the dissolved NDP. Prior to becoming Chairman of the housing committee in 2005, Moustafa had also served as its Deputy Chair for 15 years, from 1990 to 2005. Hesham Talaat Mousatafa, Tarek's brother, was also a member of the Upper House of Parliament, the Shura Council, from 2005 to 2009. In addition, the Housing Committee in the 2000 Parliament included Mohamed Morshedy, the chairman of the real estate development group, 'Memaar Al Morshedy', as its Secretary.

Beyond the aforementioned business figures, MPs in general preferred to join the housing committee in governorates where the real estate market was flourishing. Here, it is statistically evident that a positive correlation of coefficients 0.63 and 0.45 exists between the percentage of injected capital in real estate and construction sectors from 1982 to 2000, and the number of MPs in a governorate who were members in the housing committee in the 2000 and the 2005 parliaments, respectively.[29]

6.2.4 Public land allocation in new urban communities

The authority granted to this patronage network enabled its members to benefit from the opaque public-land allocation system in Egypt and the provision of public infrastructure in development areas. Prior to 1981, the private ownership of desert land was restricted by Law 100 of 1964. However, following the enactment of Law 143 in 1981, private investment in the reclamation and construction of Egypt's desert was permitted. Nevertheless, such investment lacked a clear market mechanism for the allocation of state-owned land. Even though, the assignment of public land to real estate developers had to be preceded by transparent and competitive public auctions (Law 89 in 1998), there were many cases in which NUCA granted large plots of land by direct order to politically-connected elites, in violation of the Egyptian Law for Tenders and Auctions. Moreover, the fact that investors could not choose the location of the land they wanted to acquire, in the absence of accessible information on land availability within each urban community, also enabled NUCA to allocate its land on an ad-hoc basis (World Bank, 2006a).

The disposal of public land was rather justified on the basis of few vague criteria, such as: "(i) the availability of land for real estate development within the investor's preferred new city; (ii) investor's records in real estate development; (iii) investor's financial resources; and (iv) type of real estate development project (i.e. villas, residential blocks, for high or middle class)" (World

[29] Author's calculation. The data for the percentage of injected capital in the real estate and construction sector is derived from GAFI. The data for the number of MPs in the housing committee was obtained from Al-Ahram Center for Political and Strategic Studies.

Bank, 2006a, p. 59). The operation of this system enabled the Mubarak regime to dispose of state-owned lands in return for political favours.

The four main companies that benefited from this practice had owners who provided political backing to the Mubarak regime. They either held influential positions in the dissolved NDP or controlled widely-viewed private media outlets that overly praised Mubarak's policies and negatively reported on opposition groups, or thirdly were business tycoons who helped to finance Mubarak's presidential campaign as well as the grooming of Gamal Mubarak as the next president.

The first company to benefit from this preferential treatment was TMG, managed by Tarek Talaat Moustafa, the chair of the Housing committee in the 2005 parliament. Since its inception, the company had developed four of Egypt's residential compounds, which catered for upper-middle class and high-end income segments, namely the El Rehab, Madinity, El Rabwa and Mayfair compounds. TMG has a total land bank of 50 million square metres, mostly located in the New Cairo and Sheikh Zayed cities. Around 75 per cent of this area was paid for in the form of finished apartments rather than cash, as an incentive provided by the state to enable the company to align its cash outflows with sales (Credit Suisse, 2010).

In 2015, TMG was accused of illegally acquiring 33 million square metres of land in New Cairo for free, without public auction, to build its USD 3 billion residential project, *Madinaty* (my city), at a loss for the state of USD 26 billion. TMG defended this deal on the basis of its inherent cost in the building of infrastructure. According to a World Bank report (2006a, p. 68), TMG was going to install some of the external infrastructure from source points to the site boundaries at a cost of EGP 127 per square metre, as well as the necessary internal infrastructure at a cost of EGP 110 per square metre, whereas the installation of water supply, sewerage, and roads was to be financed by

NUCA. Due to the lack of transparency in the making of this deal, Talaat Moustafa had to settle in 2015 and give 34 million square feet of completed homes to the government in addition to paying a fine of EGP 9 billion. While investigating the *Madinaty* case, the opposition lawyer, Wael Fakhrany discovered that Gamal Mubarak had invested in TMG through Horus Investments III, a Cayman Islands-based fund that was owned by the Egypt-based investment bank EFG-Hermes, in which Gamal Mubarak held 18 per cent of its capital (Arab Finance Newspaper, 2015).

Likewise, Palm Hills Group, the second biggest real estate development company in Egypt, was accused of illegally acquiring 48 million square metres of public land in the Sixth of October and New Cairo cities by direct order through its major shareholder, the then-Minister of Housing, Ahmed El Maghrabi. In addition, Maghrabi, along with his cousin, the former Minister of Tourism, Zohair Garana, were accused of unlawfully allocating large plots of land on Egypt's Northern Mediterranean coast to Hisham El Hazek, the board chairman of Al Naeem Company, an affiliate of Palm Hills. It was revealed later that the ousted president's eldest son, Alaa Mubarak, along with Mahmoud El Gamal (Gamal Mubarak's father-in-law), were also shareholders in Palm Hills. The shares of Alaa in the company increased by 50 per cent in 2009 to make up 3.6 per cent of the company's total capital, as a reward for allocating 11 million square metres of the Sixth of October land to Palm Hills by direct order.

The Sixth of October Development and Investment Company (SODIC), the third biggest real estate development company in Egypt, was also chaired by another crony, Magdy Rasekh (the father-in-law of Alaa Mubarak). Rashekh was convicted of illegally acquiring 2200 million square metres of state land in the Sixth of October city, in conspiracy with Ibrahim Soliman, the former Minister of Housing (1993-2005). Soliman was sentenced to three years in prison, in addition to having to pay a fine of EGP 1 billion. Similarly, the fugitive Magdy Rasekh was sentenced to five years' imprisonment in absentia and charged a fine of EGP 2.34 billion.

Bahgat Group is another real estate development company that was implicated in these land corruption deals. The Chairman of the company, Ahmed Bahgat, who owns the widely-viewed private media channel, Dream TV, was reputed to be "a front man for unpublicised moneymaking by the presidential family" (Mitchell, 2002, p. 285). After the January 25th revolution, Ibrahim Soliman was accused of allocating the company 1,950 feddans at below market rate by direct order to build Egypt's first high-end gated community, Dream Land, on the southern entrance to the Sixth of October city. Although Bahgat only paid a fraction of the land price, he inflated the value of the land by 30 times shortly after, and used it as collateral to obtain a two billion EGP bank loan (El Tarouty, 2015, p. 87). In light of those crony deals, Mubarak's Egypt can be aptly characterised by Evans' (1989) description of predatory states as those that "plunder without any more regard for the welfare of citizenry than a predator has for the welfare of its prey" (p. 562).

The aforementioned cases are in contrast with other newly-established urban communities that mainly targeted lower- and middle-income groups, which suffered from continuous delays in the installation of infrastructure facilities, and whose residents had to clamour for basic services with no power to rid real estate cronies of their most coveted benefits. This was evident in the Ibny Beitak Project *(Build Your Own House)* that the MHUUD launched during Mubarak re-election campaign in 2005, in which he promised to construct 500,000 housing units in six years. The main objective of the project was to enable low-income families to build their own houses at a subsidised cost.

The state was to deliver 89,000 subsidised land plots for citizens, backed up with infrastructure, so they might build a standard unit of 63 square metres with cash assistance, set according to how the construction process was to progress. Beneficiaries were required to build a minimum of one floor within the first 2 years, or else risk the revocation of the land by the NUCA. This project mainly benefited Ahmed Ezz, who monopolised the steel market in Egypt. However, despite bearing the financial burden of building their own units on time, these families could not obtain the necessary water and electricity connections for more than eight years after the project's inception. This, in turn, forced unit owners to evacuate the deserted sites and to shut down train networks passing through the project area in 2015 as a non-institutional form of contention to voice their demands for the installation of infrastructure services.

The Lotus compound in New Cairo, located a few kilometres away from TMG's Rehab, is another case in point that illustrates how the state favoured crony capitalists with timely infrastructure provision. This compound, which is geared towards middle-income families, lacked the necessary infrastructure more than six years after its inception, whereas Palm Hill's and TMG's compounds, which are located 5 Km away from El Lotus, obtained their water and electricity connections within a year of construction thanks to Hassan Khaled, who was assigned the management of the construction authority for potable water and waste projects by Ahmed El Maghrabi, and who was later charged with squandering public funds and profiteering.

In summary, the data presented in this section supports the argument that crony capitalist in hegemonic party systems receive economic favours in return for political support. These favour in Egypt took the form of public land allocation and infrastructure investment in exchange for political backing to the Mubarak regime. Egypt's politically-connected business elites additionally acquired ministerial and parliamentary positions that enabled them to perpetrate further crony deals. Not only were they able to acquire state-owned land in prime locations at knockdown prices, but they were also to gain the necessary external, and sometimes on-site infrastructure extended to the boundaries of their projects in good time. This caused the price of formerly low-value land to rise steeply and generate a rent stream for business allies with strong political clout.

By contrast, residential areas designed to house lower- and middle-income groups suffered from continuous delays in the installation of their infrastructure. These projects, despite being administered by the MHUUD, were financed by an account that was separate from the NUCA, which had the discretion and financial autonomy to decide on where to invest its revenues from land sale independently of the MHUUD's expenditure items (Interview: I-33). The effectiveness of those projects was largely evaluated on the basis of their social impact, and hence they were deprioritised for bringing in a low financial return on investment. Similarly, the governorates of Upper and Lower Egypt, which were not of economic interest to real estate tycoons and for which NUCA was not mandated to finance their infrastructure, had overly to rely on the international community for the delivery of water and sanitation services. Ultimately, even though the establishment of satellite cities in the desert made a positive contribution to the Egyptian economy through the operation of new factories and the creation of greater employment opportunities in different sectors, the investment in the infrastructure of new urban communities widened the already existing gap in the availability of infrastructure facilities across Egypt's governorates.

6.3 Tourism Sector

In a similar way to real estate, the tourism sector has undergone major reforms since 1991 that have reshaped the geography of infrastructure distribution. This sector was seen as a gateway for

Egypt to bring in more foreign earnings amidst Mubarak's loans negotiation with the IMF in 1986. The concrete attention this sector received came to fruition in the mid-2000s when tourism receipts increased from a total sum of USD 304 million in 1982 to USD 11.6 billion in 2009, making up 11.3 per cent of GDP in 2010, and 22 per cent of Egypt's foreign income from 2001 to 2010. The increase in tourism revenues is largely attributed to the rise in the number of international visitors from 1.4 million in 1982 to 13.8 million in 2009, coupled with the expansion in the hotel industry that witnessed an increase in its occupation capacity from 52,000 rooms in 1995 to 144,000 rooms in 2005 (World Bank, 2006a). This expansion offered more jobs in the labour market, in which tourism employed 8 per cent of Egypt's labour force in 2007.

The growth of the tourism sector corresponded to a set of new investment laws that the government enacted in the 1990s, in association with the undertaken ERSAP Programme. Among the laws that were particularly beneficial for the tourism sector were Law 38 of 1994 and Law 8 of 1997. These two laws provided guarantees against the expropriation of private capital and allowed an unrestricted repatriation of profits by private investors. The latter law also reduced taxes on imported inputs and enabled tourism companies to pay a flat rate of 5 per cent in custom duties. In addition, under Law 8 of 1997, companies were granted a tax holiday of 20 years for projects undertaken in Egypt's desert areas. In 2005, further reforms were introduced in the sector, with Mubarak promising a public investment of total value EGP 48 billion in the tourist market to enable the realisation of his electoral platform that could allow him to attain performance legitimacy. This pledged the creation of 200,000 employment opportunities annually in tourism through the development of uninhabited areas (Ministry of Foreign Affairs, 2005).

6.3.1 Allocation of tourism development land

The authority to develop tourism sites was first assigned to NUCA by the Prime Ministerial Decree No. 540 of 1980, until a separate Tourism Development Authority (TDA) was established in 1991, under the jurisdiction of the Ministry of Tourism (MoT). This authority was mandated to establish the agenda for tourism development and to guide the process of infrastructure implementation in project areas. In 1992, the development of 578 million square metres of desert land along the Aqaba Gulf on the South Sinai and Red Sea coastlines was allocated to TDA by the Presidential Decree No. 445 of 1992.

The infrastructure development by the TDA was similar to that of NUCA, except that, apart from airports and roads which the state exclusively provides, NUCA was the direct financer of off-site and sometimes on-site infrastructure facilities, whereas TDA subsidised the private sector to provide those services. Even though the Prime Ministerial Decree No. 2908 of 1995 stipulates that TDA has to set prices for tourism development sites according to "(i) the nature of the land and suitability for tourism; (ii) site preparation costs; (iii) infrastructure costs, availability of required services and proximity to inhabited areas; (iv) expected tourism revenues and net profits; and (v) the price of comparable land within the same area" (World Bank, 2006a, p. 43), TDA disposed of all of its land at a fixed price of USD 1 per square metre, regardless of the location of the land, which investors had the freedom to decide on. This pricing mechanism was in effect at a time when NUCA was selling a square metre of land in the Sixth of October and New Cairo for USD 45, although real estate cronies paid less than this price, as explained earlier.

The allocation process began with a press release which announced the land sale for tourism development and listed the required application documents. Thereafter, the TDA selected investors on the basis of four main criteria: the project concept, the financial fitness of the company, the environmental impact of the project, and at least three years of experience by investors in developing/managing tourism sites. Tourism investors with a successful track record were allocated plots in Sharm El Sheikh and along the Red Sea coastline, whereas investors with limited experience in this field had to begin in Ras Sedr and El-Ain El-Sokhna in the Suez governorate (Interview: I-21). The Build-Operate-Transfer (BOT) model, which granted private companies the right to finance, construct and operate tourism sites for 45 years before being transferred to the TDA, was also in operation in remote areas, as was the case in Port Ghalib in the Red Sea governorate. In parallel, the state extended public roads to BOT projects sites to connect them with nearby cities and provide further incentives for tourism developers to invest in distant areas.

In Upper Egypt, however, which as the analysis in chapter 7 will show, was home to many of the violent militias' operations and leaders, tourism investment was hindered by the threat of terrorist attacks targeting foreign tourists. This was vividly illustrated in a 1994 interview, in which a spokesperson for one radicalised group explained:

> tourism in its current form is pure evil. It is an activity through which prostitution and AIDS are being spread, particularly by female Jewish tourists. It is a despicable source of a host of abominations. Tourism is also a way for foreign intelligence services to collect information about the Islamic movement. So, tourism is a certified evil and must be terminated. (Jehl, 1997)

According to the TDA, around 60 per cent of tourism development land was allocated throughout the period from 1997 to 2004 (Interview: I-21). In so doing, investors were only required to pay 22 per cent of the agreed price upfront, in addition to a 5 per cent administrative charge upon signing the allocation documents. The remaining amount was scheduled over seven years, following a three-year grace period, which the TDA permitted in order for investors to start paying the instalments only when the project was already running and making a profit (Interview: I-21). Once a contract was signed, the investors could inflate the value of the land by more than a hundred percent of its selling price and use it as collateral to obtain bank loans (Interview: I-15). However, only the large Egyptian tourism development companies benefited from this arrangement, since the Ministerial Decree No. 2908 of 1995 granted the allocation of tourism sites only to Egyptian shareholding companies with a capital of no less than 50 per cent of the forecasted total cost of the proposed project (World Bank, 2006a).

6.3.2 Infrastructure development in the tourism sector

Before 1991, most of the tourism development was concentrated along the Mediterranean Sea coastline, where NUCA assigned plots to professional cooperatives that built summer housing units for their members. However, since the establishment of the TDA in 1991, forgone revenue from land sale at a fixed price of USD 1 per square metre, subsidised the development of infrastructure services in the Red Sea and South Sinai governorates, where 41 per cent of the issued capital in the tourist market from 1982 to 2010 was captured. Tourism developers working in the same geographic zone would voluntarily collaborate in setting up shareholding companies that built and operated the provision of infrastructure facilities in project areas (Interview: I-21). This model, which diffused the cost of providing basic utilities across different investors, increased the capacities of water and sanitation treatment services in the Red Sea and South Sinai coastal cities at a rate that exceeded that of the rest of Egypt.

On this issue, according to the TDA's recent figures from 1991 to March 2017, 63 per cent and 29 per cent of the developed water stations have been located in the Red Sea governorate and South Sinai, respectively. Similarly, 47 per cent and 39 per cent of the sewage stations built under the supervision of the TDA have been located in the Red Sea governorate and South Sinai, respectively. As a result, per capita sanitation treatment capacity in Hurghada, where 70 per cent of the Red Sea governorate hotel rooms are situated, went up from zero to 102 litres per day from 1997 to 2010, amounting to a total capacity of 32000 m^3 per day.[30] Likewise, per capita sanitation capacity in Sharm El Sheikh went up from 181 litres per day in 1997 to 616 litres per day in 2007, resulting in a total treatment capacity of 56660 m^3 per day in 2010.[31] Extended roads also primarily connect the Red Sea and South Sinai tourism resorts with major Egyptian cities. This means that the rest of Egypt's tourism development sites under the TDA only benefited from 8 and 14 per cent of the developed water and sewage stations, respectively, over the past 27 years.

This was in line with the government's plans to develop distant areas that did not receive sufficient attention before 1982, such as the Western Northern Coast, the Red Sea Coast, the Sinai Peninsula and the New Valley. In these plans both the Gulf of Aqaba in South Sinai and the Red Sea region were identified as priority areas of considerable unexploited economic potential that could generate new job opportunities in the service sector. Investment in the Red Sea governorate, specifically, was intended to buffer the risk of potential political unrest that the Palestinian-Israeli conflict might incite in the nearby Sinai Peninsula, as was the case during the first and second *Intifadas* (Interview: I-21). It was also reflected in the 1996 National Tourism Strategy, in which the MoT planned an increase of 426 per cent in hotel rooms' capacity by 2012, 50 per cent of which was designed in the Red Sea region.

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[30] It should be noted that figures for the Red Sea governorate are underestimated as the state provides information on water and sanitation capacity for areas within the urban boundaries of the governorate, while it does not have information on infrastructure capacity in tourism sites located outside of city cordons or village urban borders.
[31] Data from the Egyptian Cabinet's Information and Decision Support Centre (IDSC), Description of Egypt (1997-2007).

The liberalisation of airline rules and the construction of Sharm El Sheikh international airport in 1990 also enabled the realisation of those plans, especially as the proximity of both regions to Europe and Russia and the cheap travel packages they offered would create a higher demand for charter flights to Egypt. Moreover, the tourism packages that Israel sold to its citizens that enabled them to visit Eliat and South Sinai for 48 hours without a visa, as part of Camp David Peace Treaty, created a constant demand for tourism in this area. This partially explains why the Ministry of Finance and the Ministry of Planning, as Figure 6.5 shows, increased the allocation for capital spending to the Red Sea and South Sinai governorates after the enactment of the state budget, causing a substantial variation between the approved and actual capital spending that amounted to 830 per cent in the Red Sea and 750 per cent in South Sinai, throughout the period from 2005 to 2009.

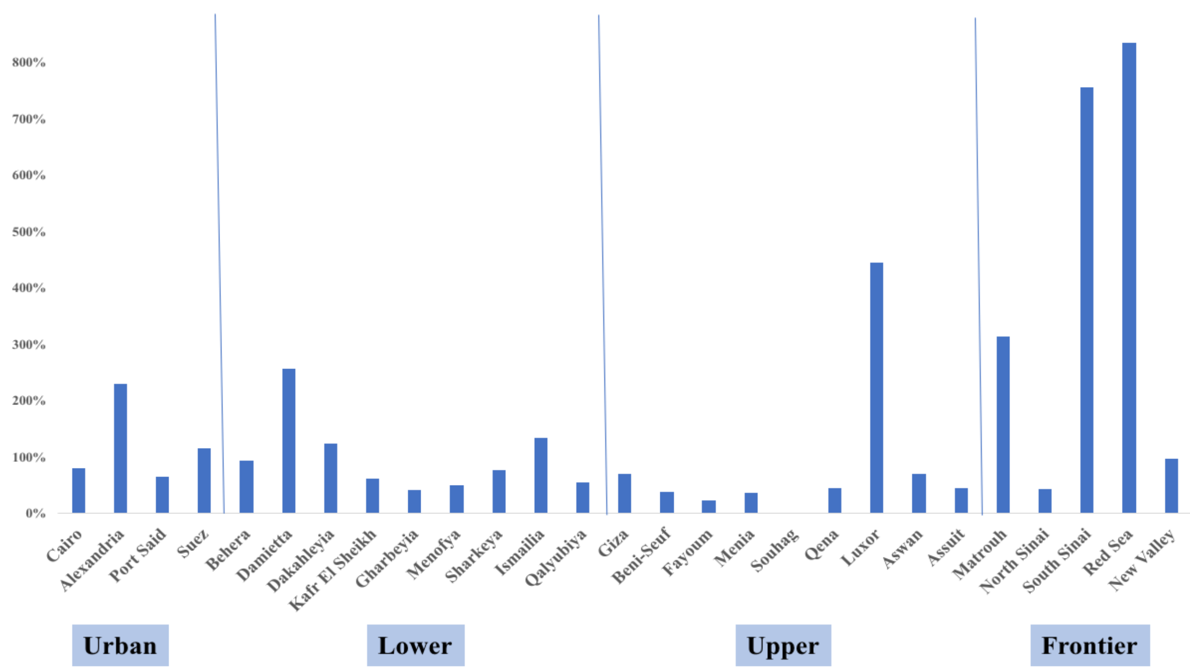


Figure 6.5: The Difference between Actual and Approved Capital Spending Allocation
Source: Author's calculation, state budget and final account (2005-2009).

The high investment in the infrastructure of the South Sinai and Red Sea governorates, according to a regional director in the National Planning Institute, aimed to stimulate internal migration from the densely populated Upper and Lower Egypt's governorates to Frontier governorates that had a relatively lower share of population. This spatial mobility pattern further increased public investment in coastal cities to satisfy a growing demand for collective consumption services provision:

> When we invest in the infrastructure of an area, we are subsidising the private sector so we can create new job opportunities for people from different governorates who will internally migrate to areas of high economic growth. Once there is a high population density in those areas, the provision of more schools and hospitals will follow. Look at the example of Hurghada in the Red Sea governorate, for instance. We recently built three public hospitals there only when people started to relocate around tourism sites (Interview: I-43)

The direction of internal migration in Egypt for work purposes, according to a Egypt Labour Force Survey conducted in 2006, as seen in Table 6.5, supports this argument. Figure 6.6 shows that around 71 per cent of the migrants to Frontier governorates came from Lower and Upper Egypt mainly to work in the hotels and restaurants. Nevertheless, internal migration only amounted to 3 per cent of Egypt's total population from 1996 to 2006, which means that most of the population was deprived of crucial collective consumption services that the state mostly provided only in areas of high economic potential.

***Table 6.5*: Direction of Migration (for work only) in 2006**

	Current Region*			
Previous Location	**Cairo**	**Lower Egypt**	**Upper Egypt**	**Frontier**
Cairo	1%	12%	13%	9%
Lower Egypt	42%	57%	20%	31%
Upper Egypt	55%	30%	65%	40%
Frontier	2%	1%	2%	21%
Total	**100%**	**100%**	**100%**	**100%**

*Regions classified according to destination
Source: Egypt Labour Force Survey 2006, cited in Herrera and Badr (2012)

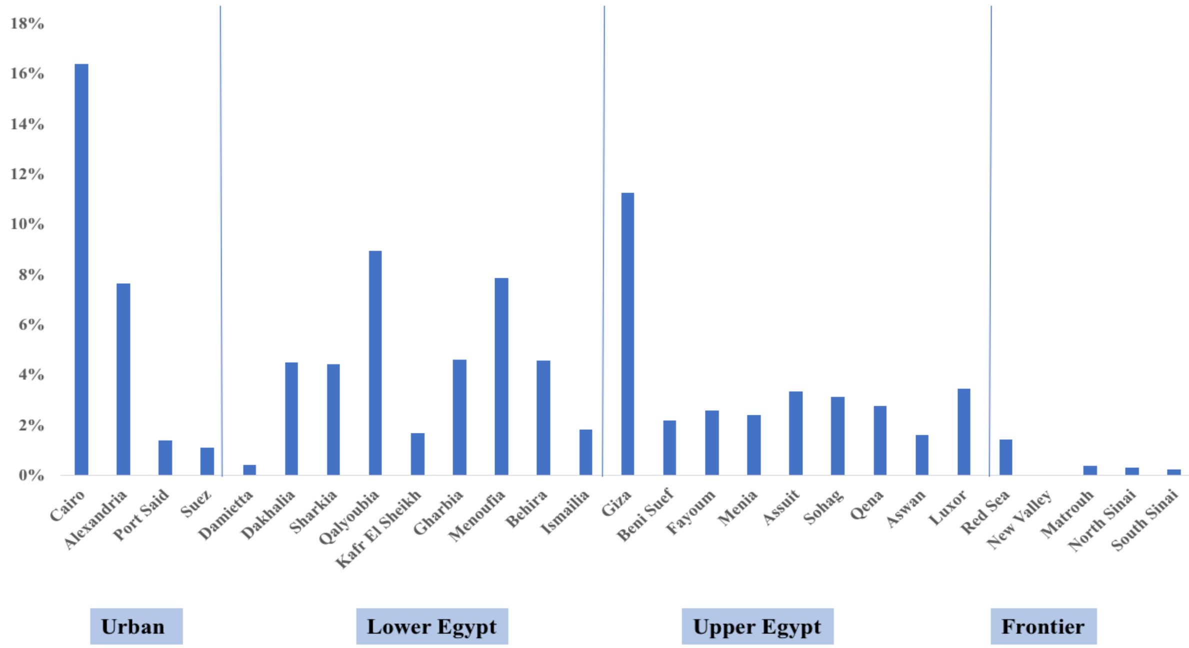


Figure 6.6: Share of Governorates Employment in the Hotels and Restaurants Sector 2006
Source: Author's calculation, Data from CAPMAS 2006

6.3.3 Crony deals in the tourism sector

In the tourism sector we see once again that infrastructure and land provision in Egypt were used as a political tool to co-opt business elites into supporting the Mubarak authoritarian state to enhance its longevity. As with real estate, increasing opportunities provided a fertile ground for cronyism to emerge and bring unequal patterns of public resource allocation. This enabled politically-connected business elites to benefit from the TDA's land sale deals and to obtain loan offers with lenient terms for financing the development of tourism sites. In this sector, a few business associates were at the forefront of this politico-economic relationship, most notably the Sawiris Family, Ibrahim Kamel and Hussien Salem. These three figures were most prominent among the pioneers who acquired massive areas of land in prime coastal locations that other businessmen who had the capital and skills to invest, but not the political connections, were denied.

The Sawiris family, for instance, controls a land bank of 105.8 million square metres on the Red Sea Coast and in Taba Heights in South Sinai, through the Orascom Hotel Development (OHD) Group that runs a total of 31 hotels with 6,654 rooms. This family developed one of Egypt's finest integrated tourism resorts, *El Gouna*, over an area of 36.8 km² on the Red Sea coast, just 25 km² north of Hurghada. The prime tourism locations that the OHD was able to acquire were actually secured through a well-maintained political connection that the Sawiris family managed to foster over the years with the Mubarak regime. The strength of this connection was displayed in a number of incidents. In 1995, for instance, the mother of the Sawiris family, Yousria Loza, was chosen as one of the ten people directly appointed by the president to parliament without elections. In 1998, Naguib Sawiris was exclusively granted the first mobile operator licence in Egypt, *Mobinil,* whereas his competition, Mohamed Nossier, was denied the same license (El Tarouty, 2015). In return, the Sawiris family supported Mubarak on a number of different economic and political occasions. As a founder of the private newspaper *Al Masry Al Youm*, Naguib Sawiris supported the hereditary succession of Gamal Mubarak to the presidency. He also dismissed Ibrahim Eissa, the most popular TV hosts on his private media channel ONTV, for openly criticising the Mubarak regime in the run up to the 2010 parliamentary elections (El Tarouty, 2015).

Ibrahim Kamel, a senior member of the dissolved NDP who was arrested on the charge of hiring thugs to attack protesters in Tahrir Square during the January 2011 uprisings, was granted the development of Sahl Hasheesh in 1995. The legality of this project, which stretches over a 41,000 km² land area on the Red Sea coast, was later contested. The Egyptian Resorts Company (ERC) on whose board Kamel sat until 2011, the second biggest tourism real estate developer in Egypt, was accused of violating the terms of the contract without any sanctions imposed by the government for more than 16 years. Despite the strict timeline imposed by the TDA on private investors for finishing the development of tourism sites, the ERC was only able to develop one kilometre of the total area of the land from 1995 to 2011. Instead, the company was accused of planning to resell the rest of the land to private investors at higher prices, in violation of the Prime Ministerial Decree no. 1026 of 2005, which prohibits private investors from subdividing and selling tourism development sites until at least 25 per cent of the total area has been serviced.

Hussien Salem is another crony figure who profited from the development of the tourism sector. The relationship between Salem and Mubarak went back to the early 1970s, when Salem served as an agent in the secret service before he retired in 1979 to start a military equipment transport business. From his return to Egypt in 1988 until 2010, Salem acquired 2.5 million square metres of land in Sharm El Sheikh, where he owned three five star hotels, two water desalination plants, and a huge golf course, as well as a large conference hall. According to El Tarouty (2015, p. 105), in one of the police investigations into Salem's activities, the former governor of South Sinai, Mamdouh EL Zoheiry, admitted that Salem was able to acquire this land at a knockdown price by direct order, in return for five villas with a total value of EGP 39 million that Salem gave to Mubarak's sons. Salem was also implicated in the 'Israeli Gas Deal' court case, in which Mubarak, Salem and the former Minister of Petroleum, Sameh Fahmy, were accused of exporting 40 per cent of Egypt's gas to Israel in a 15-year contract at a low market value, creating a loss for the state of USD 714 million. The East Mediterranean Gas Company (EMG), owned by Hussien Salem, was responsible for the execution of the deal, which enabled Salem to make USD 290 million in profit. Salem, who also chaired the Middle East Oil Refining Company (MEDOR), was accused of breaking the law that prohibits Egyptians and foreign investors from illicitly selling electricity to organisations other than the Egyptian Electricity Authority. In 2012, Salem was sentenced in absentia to 10 years in prison and the defendants in the case were fined a total of EGP 11.125 million (Mada Masr Newspaper, 2015).

6.4 Concluding Remarks

In chapter 2, I presented a theoretical model that draws attention to the contribution of crony capitalism to the existing spatial variation in public spending in local infrastructure across Egypt's governorates. I argued that, by aiming to attain performance legitimacy, autocrats will seek to develop the economy in order to convince citizens of their political and economic mandates. Economic opportunities, however, will only be granted on the basis of strong political clout rather than the skills needed to expand the economy.

The Egyptian case provides compelling evidence in support of this argument. While Mubarak depended on a network of crony capitalists to support the state in formulating and implementing its economic policies, those cronies, in return, managed to advance their share of infrastructure investment, and to expand their businesses. As it was in their benefit to maintain the status quo and to nurture further profitable crony agreements, they helped Mubarak to enhance the longevity of his authoritarian regime. In doing so, some of them financed Mubarak's presidential campaign and attempted to groom his son as the upcoming president, as was the case with Ahmed Ezz. Others ran for legislative seats to help the regime control a supermajority in the parliament, as with Talaat Moustafa, Ahmed Ezz and Ibrahim Kamel. Others, such as Ahmed Bahgat, controlled private media outlets that negatively reported on contentious politics. All these cases confirm this study's underlying argument that the spatial allocation of public resources in Mubarak's Egypt was a feature of authoritarian mechanisms that were geared towards ensuring the resilience of the autocratic regime.

7

On the Culture of Contentious Politics

The previous chapters of this study proposed a theoretical model for understanding the outcomes of distributional politics in hegemonic party systems. This model asserts the centrality of two conditions to achieve political consolidation; attaining performance legitimacy and precluding threats of contentious collective action. Building on this model, chapter 6 established why the Mubarak regime had to invest in the infrastructure of the Urban and Frontier governorates where crony capitalists wanted to expand their businesses to ameliorate its attenuated economic and political power. Following on, this chapter will focus on the second premise of autocratic resilience. It will explain why other advantages were accrued to residents of Upper and Lower Egypt and the Urban governorates in accordance with their capacity for coordinating collective acts of defensive mobilisation.

The chapter will adopt a comparative research design that builds on the differences across three diverse cases to explain how the capacity of aggrieved actors for undertaking collective acts of contention can influence the amounts of public spending channelled to an area. In doing so, it will draw on Charles Tilly's 'ideal types of social movement participants' to argue that residents of Upper and Lower Egypt and the Urban governorates (the three diverse cases) widely differed in the relative value they assigned to collective consumption services, and their willingness to contentiously mobilise in the pursuit of these services. This, in turn, had profound impact on the approach which the Mubarak regime adopted to supress, control or accede to the demands of spatial political practices. By focusing on collective acts of contestation in Egypt under Mubarak, the chapter will help us understand the rationale behind the non-provision of collective consumption services in some localities, and how the regime could justify biased investment patterns based on the nature of interaction between the state and the local elites, whether legitimate or prohibited.

Upper Egypt, as the analysis in this chapter shall demonstrate, historically viewed as an immobile and isolated region. Most of its residents had no experience of institutional forms of collective contention that are largely present in areas of union activism, notably in Lower Egypt and Cairo. It was also poor in the resources necessary for coordinating formal acts of contention. Organised and resourceful elites in this region, on the other hand, were keen on maintaining low state penetration due to their engagement in an unlawful tradition of blood feud and arms trafficking. Therefore, they turned a blind eye to the sufferings of their local communities to evade the state's reach. It was also in their own interest to keep residents of Upper Egypt in a continuous state of material deprivation to preserve their social intermediary role as brokers between the state and local communities, and the rents linked to this function.

In this context, the Mubarak regime was unwilling to acquiesce to the demands of aggrieved constituencies in Upper Egypt. The longer the state was dismissive of their requests, the more outraged the negatively privileged groups in Upper Egypt felt, as they became more convinced that negotiating their demands with the state is no longer a viable option. To express their pent-up frustration, some of them engaged in violent acts of terrorism against police officers and politicians, which radicalised insurgents in Upper Egypt heavily orchestrated throughout the

1990s. Resorting to armed conflict, however, had more serious repercussions. The Mubarak regime did not attempt to solve the underlying problems that instigated violent insurgency nor to appeal to the residents of Upper Egypt through the allocation of concentrated material benefits. Instead, it used heavy-handed repressive tactics to clamp down on fundamentalists. The extremely aggressive use of political violence was touted as the sole means to bring about peace to the country when insurgents were competing to control national territories to restore the rule of god. Considerable resources were allocated to the police to organise targeted raids on insurgents' hideouts in Upper Egypt and to embark on campaigns of mass arbitrary arrests. This tactic had inflicted detrimental collective punishment on the majority of the Upper Egyptian residents, who already suffered from depressed standards of living, and ended up at more disadvantage.

By contrast, Lower Egypt, as the rest of the chapter will show, was conceived as an area of high class consciousness developed over an extended course of labour movements. This region was home to a major reservoir of labour who organised around unions, professional syndicates, and occupational cooperatives. The Mubarak regime adopted a lenient position towards those organisations to provide a room for political liberty when aggressive counterterrorist attacks were organised against radicalised militias in Upper Egypt. The Muslim Brotherhood also had strong presence in Lower Egypt where they propagated anti-regime political messages. Organisational networks present in this region created space for people to meet and share their grievances.

Thereby, residents of Lower Egypt were dealt with as a clear threat in light of their history of activism and knowledge of how to bring issues of concern to the doorsteps of the government. Also, as a result of their frequent interactions with the state officials, they have become aware of the regime's tendency to renege on promises of concessions, and in such cases, they know how to gather different solidarity groups and coordinate escalated measures of formal contention. Leading figures in Lower Egypt were successful in maintaining direct communication channels with political figures of high profile, which bolstered their bargaining position with the government.

However, the demands of dissenters in Lower Egypt did not have a spatial orientation, but rather oscillated around employment benefits and political liberty. They only gained impressive terrain in sectoral demands, which for them were of the utmost importance. Yet they left out other demands for collective consumption services, which did not elicit much interest nor were present at the negotiating table. Therefore, the Mubarak regime kept its allocations for those collective consumption services (e.g. infrastructure) to a moderate degree in Lower Egypt; a degree that would make residents of this area fairly content and deter their mobilisation in pursuit of additional services. Concurrently with that, the regime offered generous employment benefits to employees working in the public domain in Lower Egypt to preclude any further threat of contention.

Lastly, the Urban governorates were considered the most resourceful ones among all. In addition to their long history of struggle against colonialism that resulted in a culture of resistance among residents of this region, the four governorates of Cairo, Alexandria, Suez and Port Said, as explained in chapter five, were of high economic significance. They also had influential organisations operating inside the realm of politics, including business associations, opposition political parties, activist-groups, and high-ranking political figures who dominated an oligarchic control of the polity and could obliquely threaten the continuation of Mubarak's governance.

Political participation in those governorates was the highest as compared to Upper and Lower Egypt. It came in the form of voting, party work, and communicating with the media and policy makers. Resourceful actors in this region have been increasingly aware of what kinds of collective action was possible, how to develop the basis for cooperation with different organisations, and which resources should be deployed to realise the most fruitful strategies. Those actors, unlike their Lower Egyptian counterparts, placed spatial as well as sectoral demands on the policy agenda. The regime, as such, had to develop policies that accrued substantial benefits to potential collective actors in the Urban governorates to appease their discontent and maintain confidence in the government. This resulted in higher public investment in the provision of collective consumption services in those governorates, compared to other regions.

The empirical discussion that follows contributes to our conceptual understanding of contentious politics in Egypt. Previous scholarly work has focused its attention on exploring the means by which labour movements were co-opted, and how the danger of violent insurgency was addressed (*see* Ismail, 2006; Bishara 2013; Beinin, 2015). Yet, the literature on authoritarian regimes is nearly silent on the calamitous effects that the utilisation of different repertoires of contention tends to have on the amount of public resources allocated to an area, which often results in significant variation in distributional outcomes across localities. By tackling this dimension, the chapter establishes analytical links between the literatures on distributive politics and social movement, and the social policy debates concerned with how political power is used to modify the operations of the economic system so as to achieve results that the economic system would not otherwise realise on its own (Marshall, 1975). It explores the interventions undertaken by hegemonic party systems to redistribute public resources amongst its citizens. However, in so doing, autocrats do not necessarily seek to achieve higher welfare outcomes, but to consolidate political authority. This, as a result, has social and economic implications for the entire population. This chapter, as such, highlights a nexus that has not received sufficient attention from the prior scholarship, especially in the Middle East context.

By looking at historical events that capture major trajectories of contestation in Egypt under Mubarak, this chapter will provide answers to the queries of 'why contentious politics yielded great advantage to the Urban governorates and some advantage to Lower Egypt, but only brought despair to Upper Egypt?' Answers to those questions will unravel the main reasons behind the variation in public spending across the governorates of Egypt, which the distributive politics literature generally attributes to the results of parliamentary elections (cf. Blaydes, 2011). However, as I will explain in this chapter, while Upper Egypt supported the authoritarian regime in those elections, it was still deprived of key collective consumption services. Conversely, the regime acknowledged the demands of Lower Egypt and the Urban governorates for these services, even though the Muslim Brotherhood largely garnered electoral support in the two regions. The empirical patterns analysed in this chapter, as such, do not match prevailing theoretical expectations, but rather shed light on other factors that we need to account for in understanding the outcomes of public resources allocation in hegemonic party systems.

The data presented in this chapter largely draws on elite interviews with former ministers of Finance, Planning, Social Solidarity and Administrative Reforms as well as bureaucrats, policy actors and researchers working on contentious politics in Egypt. It also reviews newspaper archives, which document some of the major contestation events that took place throughout the period from 1990 to 2010.

This chapter has four main sections. The first section will shed light, from a socio-economic vantage point, on the several dimensions on which the three diverse cases examined here varied. It will illuminate how the three cases differed in the capacity of aggrieved actors to formally mobilise and frame communal goals and ideologies. In this section, I argue that the more organised and resourceful actors were, the higher their capacity for contentious mobilisation, and the better the bargain they were able to strike with the state to accede to their demands. Section 7.2, based on Tilly's classification of social movements participants, will divide resourceful actors in Upper and Lower Egypt and the Urban governorates into four distinct groups corresponding to their interests and willingness to organise collective action. Section 7.3 will explain why Upper Egypt, that scored very low on measures of contentious politics, refused to submit to the central control of the government at the exorbitant price of receiving less collective consumption services. Section 7.4 will explore the different organisational networks that were present in Lower Egypt and how they shaped socio-political mobilisation in this region. It will establish why those networks enabled their members to forge conciliation with the state only on sectoral issues pertaining to employment benefits and political liberty, whereas other spatial demands were met to a moderate extent, and yet did not provoke confrontational clashes with the government. Ultimately, the chapter will conclude with a discussion of the intricate relationship between different forms of contestation in Egypt under Mubarak and the spatial allocation of collective consumption services.

7.1 Determinants of Collective Action Capacity

In chapter 2, I explained why electoral authoritarian regimes are more subject to transgressive events of contentious mobilisation owing to their relative tolerance of organised opposition groups as compared to personalist or military dictatorships. Contentious politics, in the context of this research, as defined earlier refers to "episodic, public collective interaction among makers of claims and their objects when (a) at least one government is a claimant, an object of claims, or a party to the claims and (b) the claims would, if realised, affect the interests of at least one of the claimants" (McAdam et al., 2001, p. 4). Therefore, autocrats in hegemonic party systems, aiming for political consolidation, are often more willing to trade concessions, and allocate more funds for the provision of collective consumption services in order to buy off threat of contentious collective action in exchange for acquiescence. These concessions may encompass allocations for social housing, provision of education and healthcare services, higher employment benefits or public investment in local infrastructure such as building roads or installing electricity, water and sanitation services. The size of this allocation largely depends on the capacity of aggrieved actors to back their claims for higher public spending with credible threats of formal contentious mobilisation.

This capacity in Mubarak's Egypt was a product of multitude of historical, cultural, demographic and economic factors that are closely tied to one another. Diagram 7.1 demonstrates notable variation in this capacity across the different geographic regions in Egypt, building on the four determinants presented in Chapter 2. In light of this variation, the three regions represent diverse cases that differ on the four dimensions of contentious politics examined in this research, as well as distributional outcomes (*See* Appendix A), and therefore allows for an intriguing and compelling comparison.

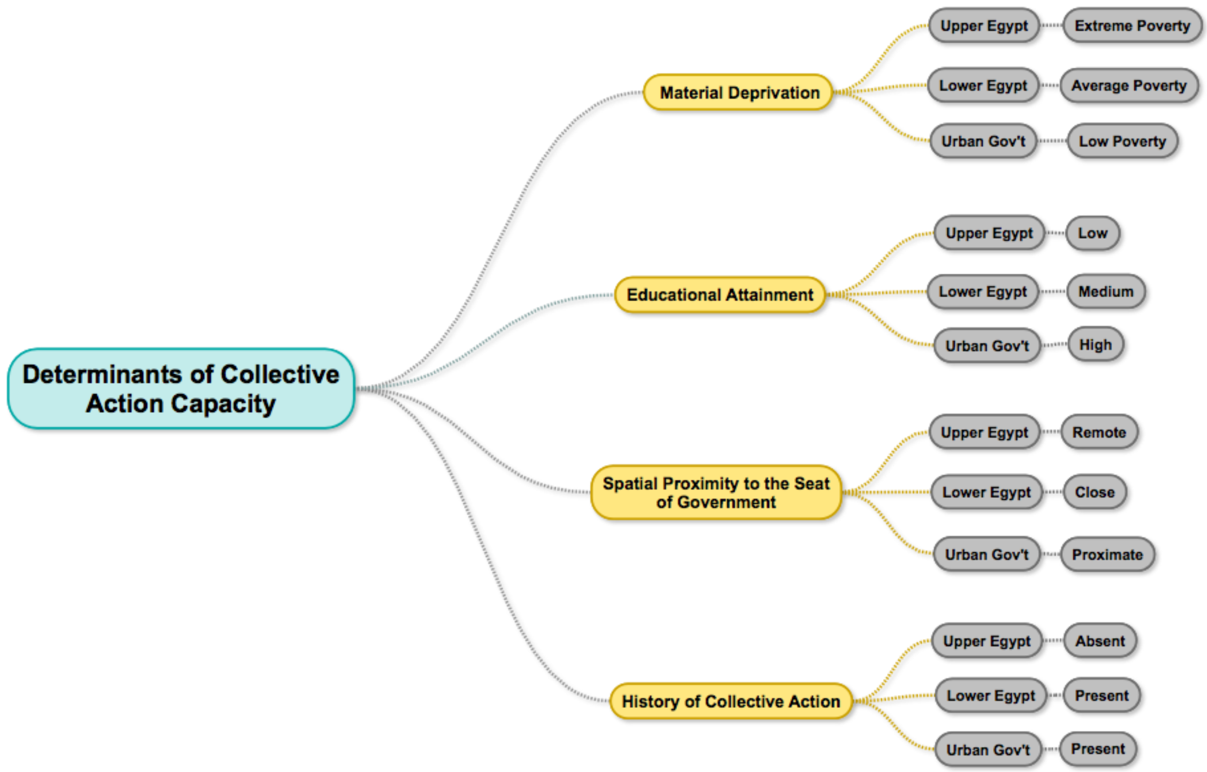


Figure 7.1: Determinants of Collective Action Capacity at the Regional Level
Source: Author's figure based on analysis of interview data and statistics cited in this section

7.1.1 Material deprivation and educational attainment

Majority of the Upper Egyptian can be described as materially deprived. This region, that was home to 37 per cent of the national population in 2010, encompassed about 40 per cent of Egypt's poor and 60 per cent of the total population who lived in extreme poverty (World Bank, 2011). About 82 per cent of the poorest 1000 villages in Egypt, where poverty rate was estimated at 81.7 per cent in 2007 were also located in Upper Egypt (El Tawila et al., 2014). For that reason, the short-term survival needs of the poor Upper Egyptians tended to take precedence over their long-term collective aspirations.

Additionally, there were nuanced differences in educational attainment across the three Egyptian regions. Until very recently, only one university was in operation in Upper Egypt, which resulted in low higher educational attainment. In 2006, some 5.9 per cent of southern Upper Egypt's population held university degree, and about 2.7 per cent graduated with only secondary school diploma. By contrast, in Lower Egypt, where middle- and upper-class families were able to send their children to nearby universities in Alexandria or Cairo, the percentage of university graduates amounted to 8.8 in 2006 (NUCA, 2008).

The illiteracy rate was also higher in Upper Egypt. About 48 per cent of the total population, aged above 10 years old, were illiterate in 2006, as compared to 39 and 24 per cent in Lower Egypt and the Urban governorates, respectively (IDSC, 2009). The percentage of young females who never attended schools in rural Upper Egypt amounted to 22.1 per cent in 2009 as compared to 4.1 per cent in the Urban governorates (SYPE, 2009). This is largely attributed to the long distance between villages and schools, coupled with the absence of proper means of transportation in the region. In Upper Egypt, more than half of the secondary schools were at least two kilometres away from the catchment villages (World Bank, 2011). Simply put, most of the Upper Egyptians were materially deprived and illiterate. They were embedded in a social stratum that was not equipped with the necessary education, information, or cognitive skills to participate in politics.

Illiteracy and material deprivation stood against the formation of a middle class in Upper Egypt. The historic middle class social pact, that banded residents of Lower Egypt and the Urban governorates with the state, was missing in this region. As argued in Desai et al. (2009), citizens in authoritarian regimes agree to surrender their political rights in exchange for social and economic security; a model that is widely known in the academic literature as the 'elite bargain model'. This social pact was evident under President Gamal Abdel Nasser, who announced the Socialist Charter in 1961 and asserted the responsibility of the state to provide free education, health insurance and employment security to citizens. In so doing, he granted members of the lower class an opportunity for upward social and economic mobility.

Likewise, the market-oriented policies of President Anwar Sadat conferred enormous advantages to a group of nouveaux riches, notably in the construction and trade sector, that took up the opportunity to be part of Egypt's economic life and its new political order. Two main factors allowed the rise of the middle class under Sadat; his Open-Door Policy and the intensive wave of migration to Libya and the Gulf. The Sadat era, as such, brought about huge transformations in the life of the majority of Egyptians who became interested in fulfilling new needs that they had never heard of before in light of the newly-implemented open door policy that allowed the importation of goods from the outside world (Amin, 2011). The considerably high cost of those new needs went beyond the financial capacity of many Egyptians when the inflation rate in the 1970s averaged 12 per cent a year, a rate that was three times as high as the inflation rate in the 1950s and the 1960s (Amin, 2011, p. 72).

The state, however, started to roll back under Mubarak who cut back on social spending and ended Nasser's guaranteed employment policy, in light of the financial difficulties that Egypt underwent in the 1980s and the 1990s, as explained in the previous chapter. The first decade of the Mubarak's tenure witnessed a drop in the rate of GDP growth from 9 per cent in the 1975-82 to 2.6 per cent in 1986. During this period, resources were allocated away from the agriculture and manufacturing sectors to construction, real estate and financial services (El Ghonemy, 1998, p. 181). Market reforms and the rise of crony capitalism, in the aforementioned non-tradable sectors, that characterised Egypt's political life during this period caused the dismantling of its historic middle-income social contract, which Nasser's and Sadat's welfare policies had sustained over the years. During the three decades 1980 – 2010, the size of this middle class started to shrink, and more people transited from the middle to the lower class in Egypt (Amin, 2011). According to the Household Income, Expenditure, and Consumption Surveys (HIECS), during the period 1990 – 1996, the percentage of the poor (those who lived below the national poverty line) increased from a national average of 40 per cent to 45 per cent in urban areas and 50 per cent in rural areas.

This resulted in increased protests against Mubarak's neoliberal policies. Therefore, in order to deter the mobilisation of the middle class, that was largely present in Lower Egypt and the Urban governorates, the Mubarak regime, had to appease their discontent through the allocation of collective consumption services. In so doing, the state had to act as a guarantor of the interests of this class to maintain governance. And given the exclusion of Upper Egypt from this social pact, their grievance was not a middle-class one that was related to the loss of the social gains of the Nasserist era, but rather a sustained misery, which Mubarak's regime exacerbated by neglecting the spatial demands of this region, as I will demonstrate in the following sections.

The Mubarak regime, faced with budget constraints created by the economic hardships of this period, had to reduce spending on the provision of collective consumption services in the southern region, which witnessed substantial increase in its poverty figures. This was most noticeable in Beni Suef, Menia, Assiut and Sohag, where poverty rates increased from 50 per cent in 1982 to more than 60 per cent in 1991 (El Ghonemy, 1998, p. 186). In Lower Egypt, however, where the Mubarak regime invested in a variety of economic sectors, some improvements in overall standards of living was noticeable. The average income per household in Ismailia and Damietta governorates in Lower Egypt, for instance, was 3–4 times higher than in the poor provinces (ibid).

Nevertheless, despite their deprivation, the Upper Egyptians had conflicted views about their standard of living because of their limited exposure to the outside world and low educational attainment. Not realising the magnitude of their sufferings, as a result, further perpetuated the uneven relationships between residents of this region and the rest of Egypt. A former Head of the Social Justice unit in the Ministry of Finance explains:

> Once we conducted a study on subjective perception of poverty in Egypt. Surprisingly, residents of Upper Egypt, despite being more deprived, perceived their standard of living to be better than what it really was, whereas residents of Lower Egypt believed to be in extreme poverty although they enjoyed relatively better living conditions (Interview: I-25)

7.1.2 Spatial proximity of aggrieved actors to the seat of government

Spatial proximity to the capital, as argued in Chapter 2, grants aggrieved actors, by virtue of their closeness to the seat of government, better chances to maintain contact with mass media, voluntary associations and influential political figures. Upper Egypt, however, is located far away from the major urban centres. Besides, the poor transportation infrastructure in this rural region contributed to its isolation from Cairene politics, unlike the case in the Urban governorates and Lower Egypt where widely constructed railways connect those areas to the capital.

Residents of Upper Egypt also had limited exposure to the outside world. In 2009, the use of the internet ranged between 7.5 per cent of the total population in Luxor and 1.2 per cent in Suhag, compared to 25.6 per cent in Ismailia in Lower Egypt and 17 per cent in Cairo (MCIT, 2009). These results imply the presence of inadequate communication channels, which combined with the remoteness of Upper Egypt from Cairo, inhibited the ability of the Upper Egyptian to express their frustration with policy processes, or stimulate a collective dialogue on the need for specific course of action. This condition folded into a pattern of cumulative causation, in which the lack of proper infrastructure and effective communication channels impeded the contentious mobilisation of aggrieved actors, and therefore resulted in more deprivation and less allocations for collective consumption services. A former Minister of Administrative Reforms puts it as follows:

> Cairo and Lower Egypt have always been the most vocal. Residents of Upper Egypt, however, do not complain much about their depressed living conditions. They had become accustomed to wait for someone to notice their sufferings. It is not possible for them to travel and protest in Cairo nor to get media attention to seek redress to their problems. That is why Jihadists managed to appeal to the poor and the needy in Upper Egypt where they fully provisioned social services that the state found it apposite not to deliver (Interview: I-6)

The limited exposure of Upper Egypt to the outside world is historically rooted. While the Nile Delta was exposed to western colonial powers in the late 19th century and early 20th century, the exposure of Upper Egypt was rather limited. Upper Egypt instead is often described in the early Orientalists accounts as “an area of isolation and preservation keeping either a Pharaonic heritage or a ‘pure’ Arab heritage” (Miller, 2007, p. 5). Even in the Mubarak era, Upper Egypt was often referred to as a traditional or a conservative society that lacked the needed skills for modernity and specialised economic activity.[32]

7.1.3 History of collective action

Lastly, residents of Upper Egypt were not raised on the notion of political activism as rightly the case in the industrial areas of Lower Egypt and the Urban governorates where strong labour unions were prevalent and opposition parties had deeply embedded connections. Upper Egypt rather

[32] This description, however, may not apply to the current period after the January 25th revolution.

suffered from the lack of industries and state investment, which compelled many of its residents to migrate internally to major metropolitan cities in search for job opportunities, or to seek employment in the Gulf, as explained in the previous chapter. It was the case until the outbreak of the Gulf War in 1990 that put an end to an increasingly growing inflow of workers' remittances that represented the lifeline for many Upper Egyptian families. Not only did this region suffered from the lack of industrial investment, but also a substantial reduction in public investment in agriculture; a sector that employs the majority of Upper Egyptians.

The historical roots of industrial backwardness in Upper Egypt, in fact, predate the Mubarak era. It was also manifested under President Nasser in the 1960s when he nationalised domestic production and invested in the infrastructure of import-substituting industries. Considerable resources were allocated to the production of heavy industries, which under Nasser satisfied, on average, 85, 67 and 33 per cent of the demands for consumer, intermediate and capital goods, respectively (Radwan, 1974). Majority of plants, which operated within the domain of the public sector, were established in the Urban governorates and in twelve of the cities in Lower Egypt where main ports and banks were.

Upper Egypt, however, is located far away from the major economic centres, and had limited exposure to education and modern technology, which made it unattractive for industrial investment. Labour in Upper Egypt was also believed to be the least skilled and productive. A World Bank study (2009) reports the productivity of labour in industrial firms in Upper Egypt to be 44 per cent lower than elsewhere. For all these reasons, a biased investment pattern against the south continued over the years. Table 7.1 shows that the annual industrial product in the Urban governorates and the Nile Delta amounted to 84 per cent in 1997.

Table 7.1: **The Egyptian industrial agglomerations**

Rank	**Agglomeration**	**Industrial product 96/97***	**Accumulated weight (%)**	**Industrial weight (%)**	**Demographic weight (%)**
1	**Greater Cairo**	11,787,736	52.6	52.6	18.1
2	**Alexandria**	3,239,181	67.1	14.5	5.2
3	**Mahalla alKubra (Gharbia)**	707,751	70.2	3.2	0.8
4	**Damietta**	618,576	73	2.8	0.4
5	**Suez**	483,966	75.1	2.2	0.6
6	**Mansura (Dakahlia)**	377,609	76.8	1.7	0.8
7	**Port Said**	374,073	78.5	1.7	0.7
8	**Kafr al Dawar (Behira)**	307,908	79.9	1.4	0.4
9	**Zifta (Gharbia)**	288,932	81.2	1.3	0.3
10	**Tanta (Gharbia)**	284,206	82.4	1.3	0.8
11	**Zaqaziq (Sharkia)**	258,054	83.6	1.2	0.7
12	**Isamilia**	190,528	84.4	0.9	0.5
	Total	18,918,520	84.4	84.4	29.3

*The number of employees is multiplied by the average productivity of each employee in the industrial establishments, according to their size and membership or non-membership in the public sector.

Source: CAPMAS 1996a; 1996-97, cited in Vignal and Denis (2006, p. 128)

This investment pattern in favour of the north resulted in brain drain in the south. The retreat of the state from investing in the agriculture sector, the main economic activity in Upper Egypt, to promote industrial development[33], forced the highly educated residents in the region to move en-masse from rural areas where 75 per cent of Upper Egypt's youth resided to the Urban and Frontier governorates in order to improve their material conditions. According to Wahba (2007), rural-urban migration rates in Egypt for university graduates were twice as high as for people with no intermediate-level education. A Professor at the American University in Cairo explains the social and economic consequences of this migration pattern as follows:

> The building of a modern state in Egypt triggered a spatial mobility pattern in favour of the Urban governorates. If you look into the regional origin of many of Cairo's and Alexandria's elites, most of them came from Upper Egypt. They moved to Cairo in order

[33] In 1960 investment in industry has amounted to USD 154 million against USD 47 in the agriculture sector (El Kammash, 1968: 288).

> to partake in Egypt's political and economic life. This migration pattern, as a result, impeded the reproduction of another group of intellectuals in Upper Egypt who could lead territorial conflicts between Cairo and the peripheries, and attract public attention to the sufferings of local communities (Interview: I-44)

In a similar way to the effect of illiteracy and material deprivation, industrial backwardness and the migration of Upper Egypt's highly educated residents and intellectuals, as illuminated in the above quote, stood against the formation of a middle class in this region. It lacked the presence of well-organised middle class, one that could benefit from Nasser's industrialised and welfare policies, and in the longer term stand up for the rights of their communities.

7.1.4 Collective action capacity at the regional level

To summarise, the presence of an adequate capacity for organising collective action, measured by the degree of educational attainment and material prosperity, spatial proximity of a region to the capital, and having a history of collective activism, had profound impact on the amount of resources allocated to an area. The inability of Upper Egypt to subvert the legitimacy of Mubarak's governance, in the context of this capacity, had long beset its residents. As echoed in a number of interviews with politicians who took lead in the conception and the allocation of the state budget, Upper Egypt was too weak to pose an immediate threat to the regime stability. The Mubarak regime viewed residents of this area as fatalistic. They stood still for the authoritarian state to control their life. Resources were therefore transferred from this region to Lower Egypt and the Urban governorates, thereby leading to a decades-long bias against this region. The state believed to be impervious to criticism when it neglected the spatial demands of Upper Egypt knowing the ability of its residents to challenge central authorities.

This explains why the argument advanced by Blaydes (2011), in which she claims that areas that voted for the National Democratic Party (NDP) received higher allocations for infrastructure, does not always hold across time and space. Upper Egypt, in fact, provides an important exception to her argument and supports the main contention of this study that electoral politics cannot by itself explain the rationale behind distributive politics. The broader socio-economic context should rather be assigned with this task of empirical elaboration. Lower Egypt, for instance, despite voting for the Muslim Brotherhood, was able to witness some improvement in the overall standards of living, whereas Upper Egypt was lagging behind, even though many of the NDP parliamentarians enjoyed sizeable victory in its constituencies. The Urban governorates, likewise, were able to capture the lion's share of public resources irrespective of the number of seats that the opposition parties could held in the parliament. It is the high capacity for contestation, and crony capitalism above all, that afforded residents of the Urban governorates, and to some degree residents of Lower Egypt, an opportunity to acquire higher allocations for collective consumption services. The three factors combined, as shown in figure 7.2, resulted in perpetuated asymmetric relationships between residents of the different region.

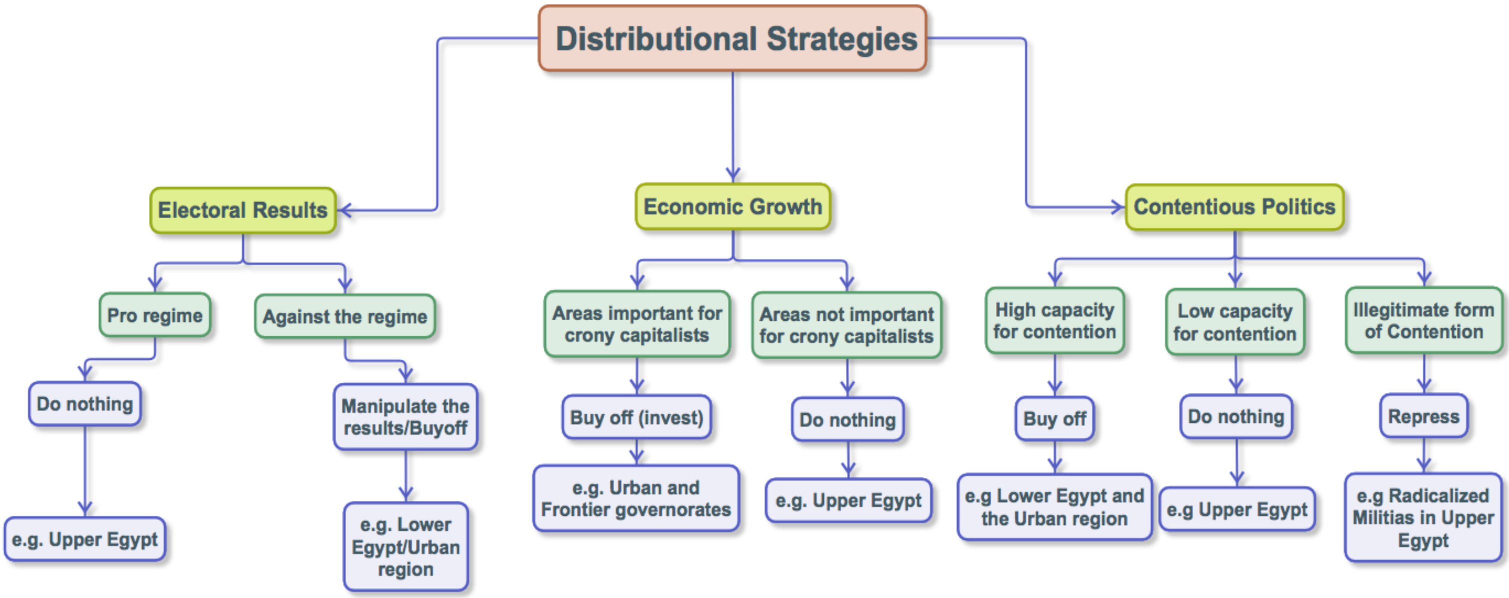


Figure 7.2: Author's Graph - Distributional Strategies in Response to Local Threats

7.2 Resourceful Actors across Egypt's Geographies

That said, to speak of Upper Egypt as a quiescent region is to ignore the presence of powerful actors who could genuinely challenge the state at different levels, yet they preferred to turn a blind eye to the needs and demands of their local communities, and acted in their own interests. In this section, I probe the conceptual difference between resourceful actors in Upper and Lower Egypt and the Urban governorates, basing my analysis on Tilly's (1978) 'ideal types of social movements' participants', which I introduced in chapter 2.

In his 1978 classic, Charles Tilly (1978) argues that participants of social movements can be divided into four distinct groups according to the relative value they assign to collective goods and the amount of resources they are willing to expend in their acquisition, namely; the misers, the zealots, the run-of-the-mill contenders and the opportunists. Building on this classification, resourceful actors in the three Egyptian regions, who had the capacity to challenge the Mubarak regime, can be classified as follows:

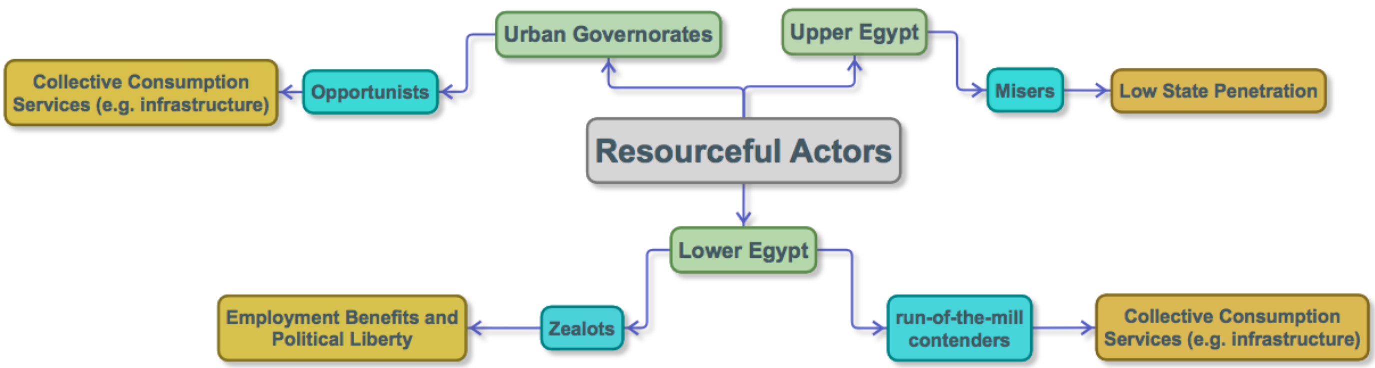


Figure 7.3: Resourceful Actors at the Regional Level

Source: Author's figure based on analysis of interview data

7.2.1 Resourceful actors in Upper Egypt

The nature of politics in Upper Egypt has always been different from that in Lower Egypt and the Urban governorates. Upper Egypt has had a regional history of 'specificity' that makes it often referred to, in the academic and policy debates, as the 'internal other' (Miller, 2007). For long this region was marginalised, and dominated by powerful clans, who acted as intermediaries between the central state and the Upper Egyptians.

Historically, Upper Egypt was independent of the central control of the Ottoman empire. When the Ottomans conquered Egypt in 1517 they could not invade Upper Egypt that was under the control of the Hawwara family, a wealthy clan who built an autonomous dynasty in the south and governed its political and economic system. The Ottomans had to hold a peace treaty with the Hawwara which granted them an absolute control over Upper Egypt, as a tributary of the Ottoman empire, in exchange for an annual tribute that was paid to the Sultan in Cairo. After three centuries, however, the rule of the Hawwara came to an end in 1769 when Ali Bek El-Kbeir accused them of supporting dissidents in Egypt, and sent an army to undermine their authority (Abul Magd, 2008).

In the first half of the nineteenth century, Muhammad Ali, the Ottoman viceroy of Egypt, applied coercive rule over Upper Egypt. Three massive revolts erupted and various conspiracies were devised in this region to overthrow his government (ibid). Muhammad Ali, according to Abul Magd (2008), "never viewed the north and the south as one centralised state called Egypt" (p. 283). Instead, he created a divided country, in which the north was developing, whereas the rebellious Upper Egypt, that was not integrated in his economic interventionist policies, lagged behind. For instance, when Mohamed Ali founded the Council of Consultation in 1824 with the mandate to make laws and regulate agricultural, industrial and commercial activities in Egypt, Upper Egypt, unlike Lower Egypt and Cairo, was not represented in this council, which decided to reduce the number of public works in this region. Moreover, whereas residents of Lower Egypt and Cairo were allowed to rise in the centralised bureaucracy of Muhammad Ali and be part of his high-ranking administrative offices, natives of Upper Egypt were deprived of this right (Abul Magd, 2008). In short, under Muhammad Ali, Upper Egypt was punished for its refusal to submit to the central control of the Ottoman empire and for its aggressive stance against the state.

Over the subsequent years, the British empire, following in Ali's footsteps, maintained the same pattern of regional marginalisation. In the economic sphere, they shifted the centre of the Egyptian economy from the south, where sugarcane and wheat was cultivated and exported, to the cotton-producing north. In the political sphere, legislative councils, were also dominated by the northern elites, mainly cotton cultivators whose economic interests were in line with the British industrialists. Powerful families in Upper Egypt, by contrast, played a secondary role in Egypt's politics, and their demands were subordinated to the north (ibid).

In light of this history of regional marginalisation, two types of resourceful actors dominated the political scene in Upper Egypt in the Mubarak era; powerful clans, who were on top of the social hierarchy and bridged local communities and the state, and violent insurgents, who used religion to mobilise the masses against the national authority. The two actors were accustomed to the peripheralisation of Upper Egypt, and therefore were keen on keeping low state capacity in the region in order to serve their own interests. The two actors, following Tilly's classification, can be described as misers, who valued the resources they had so highly – in the context of Upper Egypt this resource was the 'low state penetration' – than any other collective consumption services they could acquire had they organised acts of contentious mobilisation.

In my interviews on Upper Egypt, policy makers and researchers alike asserted that the two types of actors wanted to maintain a low state capacity in the region for three notable reasons. Firstly, many of the Upper Egyptian powerful clans were affiliated with the NDP, which selected them based on the depth of their local connections to act as intermediaries between the state and local communities. Thus, it was in their best interest to keep their constituencies in a continuous state of deprivation in order to maintain the rents associated with their intermediary role as brokers.

This rent took forms different from what was offered to the regime cronies in the Urban and Frontier governorates. For instance, Abdel Rahim El Ghoul, a leading NDP parliamentarian in Qena governorate from 1975 to 2010, and the chair of the agriculture committee in the 2005 parliament, was charged with importation of thousands of tons of carcinogenic pesticides to the Egyptian market in 2008, along with the former Minister of Agriculture, Youssef Waly. Likewise, Abdel Fattah Donqol, another NDP parliamentarian in Suhag governorate from 1991 to 2010, was charged of acquiring state-owned land that was allocated for reclamation purpose, and illegally selling it as construction land at a higher price. Donqol was also often reported to divert public allocations for electricity provision from his constituency to service the agriculture land he owned. Other NDP parliamentarians in Upper Egypt, used legislative immunity, which granted them protection from prosecution, to engage in arms trafficking in Upper Egypt, that was widely known as a lucrative market for gunrunning as I will explain in Section 7.3. In short, the Upper Egyptian politically connected elites were interested in other types of goods and services, which for them were more important than lobbying for localised collective consumption services. To co-opt those powerful clans, the Mubarak regime extended such 'elite' services to its clientele in Upper Egypt.

The intermediary role those powerful clans played was facilitated by the historic traditions of the Upper Egyptian to pledge allegiance to family and tribes rather than the state, and to maintain conventional patron-client social structures. Confronted with their limited capabilities, most of the Upper Egyptians sought to redress to their own problems through the help of powerful clans of high social status and community leaders in their local districts. In a socially stratified society, such as that of Upper Egypt, clans played a central role in defining the social status of its members. Local elites on top of this social hierarchy, according to Miller (2007), belonged to famous tribes or lineages of Arab ascendance. Conversely, at the bottom of the social hierarchy lied the Gypsies. Powerful elites, as such, came to play a dominant role in Upper Egypt's politics. The Mubarak regime could not ignore their presence in order to control the economic and political life of the Upper Egyptians. A high-ranking member of an opposition party, on this point, affirms:

> When you study Upper Egypt, you should pay due attention to the issue of state crisis and low penetration. The state had low capacity to reach the peripheries. It faced solid social institutions that resisted its interference (Interview: I-39)

Secondly, the interest of those powerful elites was in line with the interests of many of the Upper Egyptian families who developed informal, and often illegal, ways to deal with internal conflicts. Therefore, they were also keen on keeping low presence for the police in the region. Upper Egypt is widely known for its engagement in an unlawful tradition of blood feud, to protect land, property and honour, as well as in arms trafficking. It would not have been possible for residents of this conservative society to maintain those traditions had they allowed the direct intervention of the state in the region. An investigator in the National Centre for Social and Criminological Research explains:

> Residents of Upper Egypt rarely complain. They do not like to cause any problems nor to protest and go on demonstrations. They prefer to keep the state away in order to maintain their tradition of blood feud and defend land, property and family honour. The police also know that they cannot get involved. They have low capacity to be able to settle the problems of this region (Interview: I-48)

Thirdly, Upper Egypt also served as a hideout and a training ground for radicalised militias who called on people to take an aggressive stance against the state to bring about the rule of god. Elaborated in Davidson's (2005) analysis of violent insurgency, "weak penetration of central control and extremely cohesive social units make the region exceptionally resistant to control and infiltration by outsiders" (p. 258). The reason why fundamentalism was largely advocated in Upper Egypt is due to the presence of large concentrations of Coptic Christians in this region, as compared to Lower Egypt and the Urban governorates. This religious diversity, instead of promoting a mutual understanding between Copts and Muslims, often provoked sectarian conflict. Armed resistance in Upper Egypt, however, as an illegitimate form of contention, reinforced the underdevelopment of its governorates. In section 7.3, I will demonstrate how the Mubarak regime managed to forge public consensus on the need to devote more resources to counter-terrorism operations in Upper Egypt instead of channelling scarce resources for the economic development of the region. In so doing, the regime ignored the spatial demands of the poor residents who got embroiled in this fight against insurgency.

7.2.2 Resourceful actors in Lower Egypt

In the industrialised cities of Lower Egypt, most of those who got involved in formal acts of contention were members of labour unions and the Muslim Brotherhood. Both of them can be jointly classified as zealots and run-of-the-mill contenders. The former group, according to Tilly (1978), tend to maintain higher levels of mobilisation in the pursuit of some collective goods, which they set extremely high value on. “They are willing to spend up to the limit of their mobilized resources to acquire those collective goods” (p. 88). In doing so, they run a greater risk of losing substantial benefits. In Lower Egypt, members of labour unions assiduously challenged the state on sectoral issues pertaining to the privatisation of public companies and the provision of favourable early retirement packages. By contrast, the demands of the Muslim Brotherhood largely revolved around exercising political liberty at a time they were only allowed symbolic participation in a highly circumscribed political system. It should be noted that the two groups were not mutually exclusive. As I shall discuss in section 7.4, the Muslim Brotherhood, in fact, dominated some of those labour unions and used them as vehicles to attract potential recruits and garner support in parliamentary elections.

The aforementioned groups can be additionally classified as run-of-the-mill contenders. This classification refers to those who aim for a few collective goods and prefer not to mobilise when the combination of mobilisation and opportunity would make them lose on the potential exchange (Tilly, 1978). It was rightly the case when the collective consumption good in question was not of high significance for labour unions and the Muslim Brotherhood, and therefore, they did not push hard for their acquisition in order not to get involved in a seemingly undue and hefty process of mobilisation. The provision of public education and healthcare services can be aptly described as such.

The Muslim Brotherhood, in fact, benefited from the lack of those services in district where they had a history of electoral contestation. It was in their advantage to deliver those services, instead of lobbying for public provision, in order to draw support in the parliamentary elections. On this point, Brooke (2015), argues a statistically significant positive correlation between the location of medical facilities that the Muslim Brotherhood has provided under Mubarak, and the districts where the Brotherhood put forward candidates for Parliament over the period 1995-2010. This explains why collective actors in Lower Egypt sometimes chose to act as zealots while others as run-of-the-mill contenders. It was largely attributable to the value they attached to the different collective consumption services, which in turn, affected their willingness to mobilise.

In light of these two classifications, the interests of resourceful actors in Lower Egypt had inscribed distinctive patterns of socio-political mobilisation in the region that was different from that in Upper Egypt and the Urban governorates. This caused the Mubarak regime to acknowledge the employment demands of Lower Egyptians and spend moderately on the provision of other collective consumption services. By doing so, the regime was able to keep residents of this region, who had strong capacity for contention, satisfied enough so as not to provoke further confrontational clashes with the regime in pursuit of additional social benefits.

Across the different Egyptian regions, the Muslim Brotherhood was most active in the Nile Delta for two notable reasons. First of all, Brooke and Ketchley (2018), in their account of the social and institutional origin of the Muslim Brotherhood in Egypt, through the use of quantitative methods, argue that early branches of the organisation were more likely to exist in sub-districts with higher rates of literacy and fewer agriculture workers, away from the capital. This comes in line with the prevailing discourse on political Islam, which asserts the key role that the urban middle class has played in the development of the Brotherhood organisation. As argued earlier, this middle class was largely present in the Urban governorates and Lower Egypt. Additionally, the authors point to the centrality of the Egyptian rail network to the diffusion of the Brotherhood organisational network. Early Brotherhood branches were located in the neighbourhoods connected to Egyptian trains. Upper Egypt, however, as demonstrated in Section 7.1, was lagging behind in its transportation infrastructure, which made it at first quite inaccessible to recruit members from the region.

In a similar vein, the reason why labour unions did not gain prominence in Upper Egypt as much as they did in the Delta could be attributed to three main factors. Firstly, the Upper Egyptian residents, as argued before, used to pledge allegiance to powerful clans who built patronage relationships with the Mubarak regime to profit from their intermediation capacity. They were not raised on the notion of political activism as was the case in the industrial areas of Lower Egypt. Therefore, they undertook a different form of contestation to challenge the political authorities, one that was often described as being non-institutional and illegal. Secondly, Upper Egypt lacked the presence of an active civil society that could promote a cultural of political awareness among its residents. A highly ranked official at the Centre for Trade Unions and Workers Services puts it as follows:

> Labour activism in Upper Egypt has always been lagging behind. Unlike Lower Egypt, kinship in the South used to dictate the way politics was conducted in the region. On the other hand, the state was not keen on establishing any cultural institutes in Upper Egypt to raise political awareness. We also did not have an active civil society in Upper Egypt except for some charitable organisations whose work was limited to the provision of cash assistance and some social services (Interview: I-30)

Thirdly, in light of the limited education that the majority of Upper Egyptians received in the Mubarak era, labour groups in this region were very low-skilled and tended to belong to decentralised and co-opted unions, which the Mubarak regime largely ignored their demands (Interview: I-30). This comes in line with the claim in Rudra (2002) that low-skilled labour is typically poor and socially marginalised, and therefore has low bargaining power due to their limited capacity for mobilisation. The primary focus of this politically disadvantaged group is often placed on gaining employment instead of lobbying for social programs in their favour. By comparison, highly skilled labour is better able to overcome common collective actions problems, and as a result, most of them comprise the bulk of recipients for social benefits.

The above discussion points to the role of historically-embedded social and economic structures in shaping the interactions between the state and local communities as well as the nature of politics.

7.2.3 Resourceful actors in the Urban governorates

Cairo, Alexandria, Suez and Port Said were the most resourceful governorates among all. Contentious mobilisation in this region was warranted serious attention as it could delegitimise Mubarak's governance. Resourceful actors in these four governorates shared a common identity, which was constructed and consolidated during their continuous interaction with the national authorities whenever they failed to meet the expectations and demands of those collective actors. This identity was espoused in Tahrir Square of Cairo and Al-Arbaeen Square of Suez where thousands of protestors gathered to demand the overthrow of Mubarak in 2011. Demonstrations, which started in the two governorates, eventually took over the whole country and culminated into the January 25th uprising.

Protests in the Urban governorates often garnered great media attention and generated more sit-ins and demonstrations, which made it difficult for the Mubarak regime to ignore their existence. On this point, Bishara (2013) explains: “The more geographically central or symbolically important the protest site, the more likely that the protest in question would receive greater media coverage, which means that “ignoring” such a protest could increase the number of protest participants or encourage other groups to mobilise” (p. 99). The regime, therefore, had to accede to the spatial demands of protestors in this region in order not to instigate further collective actions.

Resourceful actors who dwelled in the Urban governorates can be described as opportunists. They endeavoured to maximise their net return. In so doing, they took any collective good and service they could get their hands on, and spent up to their limit for the acquisition of those goods and services, knowing that they would make a profit on this transaction (Tilly, 1978, p. 88). They knew how to move up the opportunity line by “forming coalitions with other powerful contenders” (ibid). Four types of actors existed in this region; labour unions, opposition parties and NDP parliamentarians, members of civil society associations and activist groups, and politically connected business elites. Those actors in the words of Korpi (1974) resisted any policy outcome that would make them experience a sharp decline in collective consumption services following a steady rise in their socio-economic conditions.

Collective actors, in this region, unlike Lower Egypt, were interested in meeting sectoral as well as spatial demands. While labour unions in the Urban governorates were interested in attaining generous employment benefits, parliamentarians and local NGOs lobbied for different types of spatial collective consumption services. To acquire various types of social expenditures, the private media lent support to those actors by highlighting common forms of grievance in the under-developed areas of the Urban region. Egyptian television talk shows, which were highly viewed by the central authority as well as the majority of citizens often shed light on the various patterns of spatial inequalities that existed across poor and affluent communities in the Urban region, especially where the work of civil society organisations was prevalent. Infrastructural problems in the four governorates, unlike other marginalised areas in Egypt, could hardly go unnoticed. The Mubarak regime, therefore, had to respond to these problems, mainly the ones that received media attention, in a rather timely manner to project an image of political benevolence.

Budget discussions in Egypt also afforded residents of the Urban governorates an opportunity to advance their share of collective consumption services. As I explained in Chapter 4, local government finance in Egypt was allocated on ad hoc basis. Instead of using rule-based allocation formulas, reflective of local needs, the Ministers of Finance and Planning paid more attention to the demands of local residents who had more leeway to agitate. In an interview with a former Minister of Finance, he acknowledged that he allocated more local spending to areas where residents could lead budget discussions on the distribution of collective consumption services (Interview: I-2). This was mostly the case in the Urban governorates where collective actors were more educated and exposed to politics, compared to residents of Lower and Upper Egypt.

Parliamentary elections additionally played an informational role for the regime to recognise areas of strong capacity for contention and ascertain the level of public support it had across the different regions. In the Urban governorates, parliamentary elections, in fact, offered hotly contested ground for opposition parties to communicate with voters. Opposition representation in the parliament in the 2005 elections, that is known as Mubarak's most free elections, amounted to 25, 41 and 50 per cent in Cairo, Alexandria and Suez, respectively. These percentages exceeded the opposition representation in any other governorate in Egypt during the same period, reflecting the number of residents who went against Mubarak's authority, and could pose a direct threat to the durability of his regime. This means that the outcomes of the parliamentary elections are not necessarily what influenced the allocation of public finance. Rather, they acted as apparatuses of local surveillance for the regime to discern areas where collective actors could potentially instigate acts of contention.

Moreover, the fact that the Urban governorates had numerous representatives in the Parliament enabled their MPs to voice their demands for collective consumption services. In Cairo and Alexandria, for instance, the number of parliamentarians amounted to 72 out of 444 MPs, they held about 16 per cent of the total parliamentary seats. This, according to a former deputy governor, afforded the Urban governorates an additional advantage to lobby for supplementary allocations throughout the entire fiscal year, which had the effect of increasing collective consumption service delivery in the Urban region (Interview: I-13).

Influential businessmen also dwelled in the Urban governorates. In chapter 6, I discussed in length how businessmen in Greater Cairo were able to acquire public land in prime location at a fraction of their market price and get all the necessary infrastructure installed in time. In return, they financed the state that was heavily running on domestic debt, which, according to El Tarouty (2015) amounted to 90 per cent of GDP in 2002. Eibl (2016) also argues that manufacturers were successful in securing more than their allotted share of energy and production subsidies to advance their businesses. The Mubarak regime considered those business figures as potential collective actors. They had the capacity to mobilise their social bases against the state, and in turn, pose a direct threat to its durability. The regime, therefore, had to appease the discontent of those business elites, and ensure their submission to the central authority.

In short, labour unions, opposition parties, civil society organisations, activist groups, business association and the media enabled collective actors in the Urban governorates, who already had a relatively strong capacity for contentious mobilisation, to advance their share of collective consumption services.

7.2.4 Resourceful actors at the regional level

To conclude this section, the classification advanced here describes resourceful actors in Upper Egypt as misers who chose maintaining low state penetration over the acquisition of collective consumption services. In Lower Egypt, the Muslim Brotherhood and members of labour unions, who can be jointly classified as zealots and run-of-the-mill contenders, played equally significant roles in forging deals with the state to bring sectoral benefits to their members. Yet, they mostly mobilised for demands pertaining to political liberty and public employment. Lastly, opportunists in the Urban governorates claimed a variety of goods and services. This last group, who held influential policy positions in the government, as explained in chapter 6, used their agenda-setting power to act on their own-interests.

It should be noted that, despite ascribing one classification to all governorates located within the same geographic region, some governorates had relatively higher capacity for contentious mobilisation than others. The demands of those governorates, which could not pose any direct threat on the regime persistence, were largely ignored. As Tilly (1978) posits, “In any particular political system, there is no doubt a threshold below which groups are too weak to bother with; since they pose no threat, their small-scale collective actions are ignored” (p. 113). Similarly, the demands of rural governorates, where social disparities were less glaring, were dismissed on the basis of their limited capacity for mobilisation. A former minister of Finance affirms:

> Urban-rural variation can be explained by the collective action potential that urban areas tended to have as opposed to rural area. Urban dwellers are better organised in different ways. They are organised in universities and around trade unions. They are organised as intellectuals and this is a market for people who speak louder. Not only are they better organised but they are also more aware of their circumstances owing to the good education they received. More remarkably, the rural-urban migration has been a process that denied poor areas of the key human resources they needed to develop. Those who received decent education migrated to the city and left behind their lagging areas of origin (Interview: I-1)

In the following sections, I will sketch out different patterns of interaction between the state and resourceful actors in Upper and Lower Egypt to describe how the state reacted to supress or respond to the demands raised in collective action.

7.3 Upper Egypt: on the need to maintain low state penetration

Upper Egypt, as noted in the previous section, was viewed as an isolated region that lacked the political sophistication needed to negotiate communal demands with the government. The low capacity for contestation in this region does not negate the fact that powerful families and Jihadists were also keen on staying away from the state's penetration, and therefore, refused to mobilise or submit to the central control of the government, even if it meant less collective consumption service delivery. Both types of actors had no incentive to forgo their immediate self-interest for the benefit of their local communities. In this section, I will explain, in length, the rationale behind this choice and the implications it had for Upper Egyptian residents.

7.3.1 Armed resistance in Upper Egypt

The most serious threat of contention the state had to deal with in Upper Egypt was that of radicalised militias, which grew in size under the patronage of President Sadat in the 1970s. When

Sadat came to power he capitalised on the social base of Islamic movements to countervail the growing influence of leftist groups who vehemently opposed his liberal policies. Thousands of Islamists were released from prisons to resume their preaching and charity activities in exchange for political support. Sadat additionally allowed the recruitment and training of Arab volunteers, of which 2000 were Egyptians, in guerrilla warfare, to combat the Soviets in Afghanistan in return for US military aid (Cody, 1980; Bruce, 1995). Upon their return to Egypt in the early 1990s, those Arab volunteers joined insurgent groups that waged war against non-Islamic forms of governance. About 40 of the 175 Islamic groups that existed in the Islamic world throughout the 1990s operated in Egypt (Dekmejian, 1995).

Islamic student movements also flourished in college campuses, most prominently in Assuit University where Sadat appointed Muhammad Uthman as a governor who allocated sizeable resources to their expansion (Davidson, 2005; Sullivan and Abed- Kotob, 1999). By 1980, about 60 per cent of the dissenters in Assuit were college students (Schulze, 2002). Later, Assuit became an insurgent hearth for *al-Jama'a al-Isl*amiya (the Islamic Group) that staged a brief violent insurrection in the aftermath of the assassination of President Sadat (Fahrer, 2001). According to Hamid Ansari (1986) 65 per cent of those who were implicated in the killing of Sadat, because of the peace treaty he signed with Israel, were from Upper Egypt in addition to 26 per cent Upper Egyptian migrants who settled in Greater Cairo. Worth noting, when Assuit was under the domination of the Islamic Group, residents of the Urban governorates and Lower Egypt did not know about this incident. In the words of a highly ranked official at the Egyptian Cabinet's Information and Decision Support Centre (IDSC):

> Historically, as long as there is no disruption taking place nearby Cairo, no one will know about it. For instance, when President Sadat was killed by Jihadists, for two months, the Islamic group took control of Assuit and the state was absent. Yet no one knew about it (Interview: I-29)

The fact that radicalised militias had an appealing ground in Upper Egypt is largely attributed to the vast inequities in the distribution of wealth that prevailed under Sadat and Mubarak. Rising unemployment and increasing poverty that characterised the life of many Upper Egyptian families created a space for militias to recruit from the country's lower socioeconomic strata. When the state was financially incapable of delivering the necessary collective consumption services, Islamic welfare networks offered cash assistance, cheap healthcare and religious education services to the needy in Upper Egypt and Greater Cairo's slums, home to many southern migrants.

The Egyptian state found in the benevolent activities of those fundamentalists a device that could allay the discontent that the negatively privileged residents of Upper Egypt felt in light of the dire circumstances they survived, despite the contradictory outcomes such device led to. Along the same lines, when the number of returnees from the Persian Gulf states, on the outbreak of the Gulf War in 1990, increased beyond the absorptive capacity of the already overstaffed public sector, radicalised militias provided jobs to the unemployed. This forced the governor of Assuit to announce the state's intention to create new jobs as a means to combat terrorism when 83,000 unemployed graduates were affiliated with the Islamic Group in 1994 (Pugh, 1994). In fact, a letter that was addressed from Nasir al-Wuhayshi, the leader of al-Qaida in the Arabian Peninsula, to his colleague in Mali, epitomises this prevailing discourse for militancy to invest in social welfare of the needy as a means to flaunt its relationship with potential recruits:

> Try to win them over through the conveniences of life and by taking care of their daily needs like food, electricity and water. Providing these necessities will have a great effect on people, and will make them sympathise with us and feel that their fate is tied to ours. This is what we have observed during our short experience [in Yemen] [34]

Radicalised insurgents were not the only actors who substituted for the role of the state in Upper Egypt. Other Islamists who pursued a rather legitimate form of political contestation also provided collective consumption services such as schools and healthcare clinics, which enabled them to build social bases that they could mobilise prior to parliamentary elections. In so doing, they managed to garner substantial support in the elections in districts where the majority of them ran as independents to overcome the restrictions imposed by the Mubarak regime on Islamist political parties. Over time, investing in those services, which should have been the province of the central authority, gave the Mubarak regime another justification for not provisioning key public services in the under-developed areas of Upper Egypt.

In the economic sphere, the presence of radicalised militias in Upper Egypt impeded the growth of prominent economic sectors in the region. The Tourism Development Authority (TDA), for instance, was not allowed to develop tourist sites at the porous border between Aswan and Sudan (Interview: I-22). This came in the aftermath of the 1995 trial of the 'Returnees from Sudan', in which border tribes were implicated in the transportation and smuggling of a large cache of weapons for the Islamic group (MENA, 1995). For long, the police were also against the construction of a highway that connects Suhag governorate with the Red Sea as it could have been exploited by insurgents to launch armed attacks on tourists in Hurghada. A high-ranking official in the Ministry of Social Solidarity explains:

[34] "The al-Qaida Papers" Associated Press, www.longwarjournal.org/images/al-qaida-papers-how-to-run-a-state.pdf.

> The Mubarak regime never paid attention to the demands of Upper Egyptian. Many of them were employed in Hurghada, and thus, the construction of a highway that connects Suhag with the Red Sea could have eased their spatial mobility. Yet, the police for long feared that the road would enable the accessibility of radicalised militias to beach resorts and result in more terrorist attacks. This has always been the case. Sometimes, the police would burn entire farms in Upper Egypt and smash everything in search for assailants, and no one would compensate the poor farmers for their loss (Interview: I-2)

Insurgents were also able to identify potential recruits beyond the confines of Upper Egypt. Their model was especially attractive to migrant students and semi-skilled labourers who moved from the countryside to major metropolitan cities in search for better employment. Those youth, confronted with the alienated reality of the modernised city, found in the Islamists' call for radical change the needed consolation to deal with their harsh living conditions. Davidson (2005) describes them as "much like rural transplants to the urban agglomerations of the north, these students found themselves lost in the interstices of a clash supposed modernity and waning traditions" (p. 248). They eventually became the core constituents of those violent movements and the main preachers for change. In Ismail's terms (2000), this model of fundamentalism represented a rejection of the social conditions that potential recruits survived, it was based on factors such as social dislocation and isolation. As a result, the Islamic movement "yielded a socio-psychological profile of the ideal militant type: a recent migrant to the city, highly educated, a disenchanted product of modernisation." (p. 366). Simply put, social stratification, poverty, unemployment and the retreat of the state from provisioning the necessary collective consumption services were all catalysts that underlined the upsurge of radicalised militancy in Upper Egypt.

Figure 7.4 shows that the manifestation of much of the insurgency-related incidents, throughout the period 1986 – 1999, was widespread in deprived areas where the state failed to meet its social obligations. The majority of those incidents took place in Upper Egypt that turned to be a stronghold of terrorism, and a base from which Jihadists strategized raids in Cairo. In his analysis of radicalised movements in Egypt, Davidson (2005) describes: “If an attack was to be launched in Cairo, the Islamic Group, using its separate bases of operations, could strategize in the relative safety of Upper Egypt[...]and in the aftermath of the operation use hideouts in Upper Egypt to secrete weapons and operatives on the run” (p. 326).

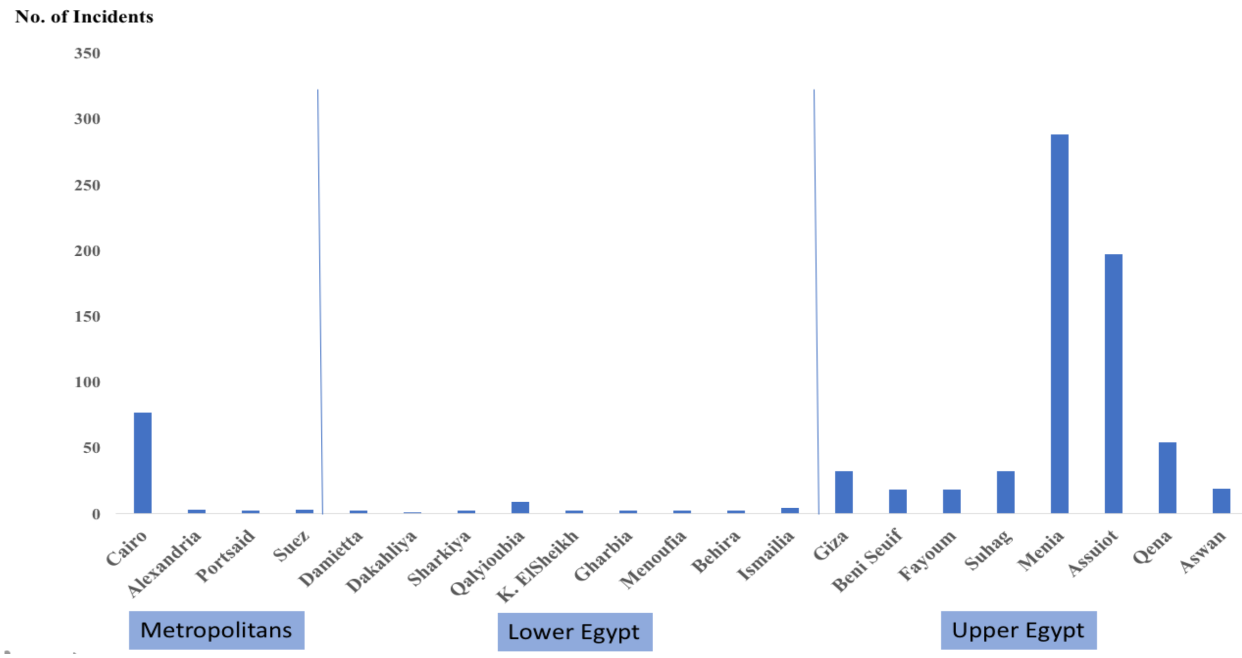


Figure 7.4 Number of Insurgency-related Incidents by Governorate
Source: data from Fahrer (2001)[35]

In retaliation, the Mubarak regime tightened its stranglehold over cultural and religious activities of the Ministry of Religious Endowment. Considerable resources were allocated to the nationalisation of privately endowed mosques in the 1990s, which Soliman (2011) describes as “pulpits and recruiting centres for the Jihad against the state” (p. 65). The regime increased

[35] Fahrer constructed a database of insurgency-related incidents for a 14-year period from 1986 to 1999. The database included incidents that meet three basic criteria; date, location, and casualties. He largely drew on two sources: The Foreign Broadcast Information Service (FBIS) and Lexis-Nexis. Produced by the US Department of Defence, FBIS collects news stories from primary sources in the print and broadcast media. Lexis-Nexis, on the other hand, allows access to an on-line database of archived news events and provides exact copies of original wire service and other media news reports. (Fahrer, 2001: 79-80).

expenditure on militarising the police, as shown in Figure 7.5, to launch defensive counterinsurgency operations and quell unrest, which had the effect of crowding out spending on other collective consumption services. The composition of public spending in Upper Egypt, as such, had a security orientation. It mainly financed police operations instead of provisioning social welfare goods, which the voluntary sector and the opposition substituted the state for.

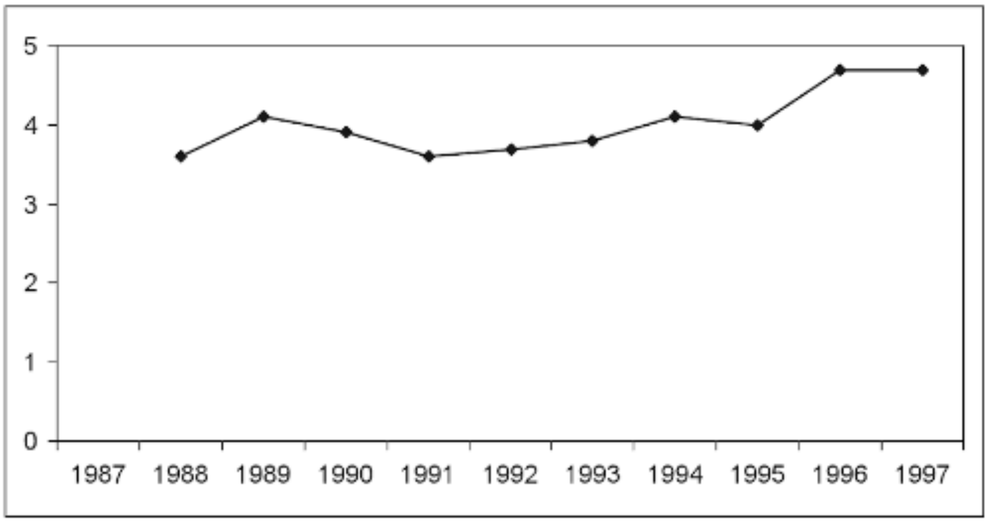


Figure 7.5 Expenditure on Security as a Percentage of GDP (1987-1997)

Source: Soliman (2011, p. 64), data from the IMF

It is worth reiterating that this investment did little to remedy the weak presence of the police in Upper Egypt. It continued to be an undesirable place for many of the police officers who complained about its hot weather, poverty and harsh life conditions, compounded with the widespread presence of arms trade, and radicalised insurgents. Policemen were also the main targets for many of the armed attacks. On the other hand, officers from Upper Egypt were not allowed to serve in their home towns to maintain impartiality. Therefore, most of those who served in the region came on obligatory rotational terms, each lasted for three years, a period that was not enough for a new police officer to get acquainted with the problems of this area (Abu Zahra, 2012). Upper Egypt, moreover, functioned as a place of punishment for incompetent police officers; those of bad conduct or who irked the regime in power. The aforementioned reasons, combined, offered a lot of ground for radicalised militias to further cultivate their presence in Upper Egypt.

7.3.2 Blood feud and arms trade in Upper Egypt

Another reason why powerful families aimed to maintain weak presence of the police in Upper Egypt was due to their engagement in an ancient tradition of blood vengeance, that is commonly known as *Tha'r*. Killing, in this tradition, is justified on the basis of defending land, pride or family's honour. Tribes consider the murder of one of its member a dishonour that requires retribution from the assailant clan. The higher the status of the deceased, the bigger the scale of the offence, and the greater the need to murder a person of proportional social status. *Tha'r* has its own strict code of conduct. Women and children should not be killed in retaliation, nor murder is committed in the presence of children. Women in the family of the deceased has to dress in black, cook dark-looking food and get married without a big ceremony until revenge is taken. Vengeance should not be taken during harvest time, when there is excessive rain, or when the village is exposed to locust attacks so as to lessen the magnitude of the plague (Abu Zahra, 2012). For many of the Upper Egyptians maintaining this tradition, which compelled them to keep the state away from the region, was more-weighty when it was factored into the decision to contentiously mobilise in pursuit of collective consumption services.

Arms trade, in association with *Tha'r*, has been manifest in Upper Egypt. Despite its illegality – one can serve 25 years on this charge – almost every Upper Egyptian family had weapons. The complex features of Upper Egypt's geography created an environment propitious for gunrunning, that mostly took place in the mountains. It also enabled their concealment in remote and abandoned areas out of sight, which made it difficult for the police to capture those weapons in any search campaign they launched with this purpose (Abu Zahra, 2012, p. 85). In fact, it is commonly argued that powerful NDP affiliates in Upper Egypt ran for parliamentary positions in order to secure legislative immunity that could protect them from prosecution if their involvement in arms trafficking was to be exposed.[36] This, in turn, functioned as a form of rent which the Mubarak regime informally offered to its Upper Egyptian social intermediaries.

Table 7.2 demonstrates the percentage of blood feud cases to total murders in four of Upper Egypt's governorates throughout the period 1997 – 2001. On average, blood vengeance resulted in about one quarter of those murders. In some cases, the brutality of this tradition destroyed the population of entire villages. For instance, in 2002, around 22 men from the Hashanat family were killed in an ambush in Suhag, orchestrated by members of the Abd al-Halim family, a rival clan they were in a feud with since 1990. It all started with child fighting that ended with the murder of two members of El-Hanashat family followed by two retaliatory killings in 1995 and 2002 (Al-Ahram Newspaper, 2002).

***Table 7.2*: Percentage and Number of Blood Feud Cases to Total Murder Cases**

Governorate	1997	1998	1999	2000	2001
Assyut	21% (45 cases)	21% (43 cases)	17% (41 cases)	21% (47 cases)	23% (44 cases)
Sohag	24% (15 cases)	19% (8 cases)	23% (6 cases)	19% (10 cases)	36% (10 cases)
Minya	22% (8 cases)	21% (7 cases)	24% (7 cases)	22% (4 cases)	11% (4 cases)
Beni Suef	3% (1 case)	25% (5 cases)	10% (3 cases)	7% (2 cases)	13% (2 cases)

Statistics Department, Criminal Investigation Unit, General Security Division[37] (as cited in Abu Zahra 2012, p. 71)

[36] This argument is not substantiated with documented evidence. Yet, the Upper Egyptians I had discussions with asserted this claim.
[37] Originally cited in Kandil, A., G. Abdel Gawad, A. Hany and A. Zaki (2002) 'Hagm wa Mustakbal Thaherat Al Tha'‘r fi Misr: Derasa Ihsa'‘eya Tahlileya (Size and future of blood feud conflicts in Egypt: Statistical Analysis)', Egypt: Police Training Institute: Police Academy. (in Arabic).

This incident is emblematic of a major social ill to which illiteracy makes a great contribution. Table 7.3 shows that about 70 percent of those who got engaged in blood feud, over the period 1997 – 2001, were illiterate. Reconciliation councils, which have been widespread in Upper Egypt, commonly known as *majlis al-sulh* (reconciliation council) or *majlis 'urfi* (customary council), were the only acknowledged channel pursued to ensure any measures of settlement (Nielsen, 2003). In those councils, village leaders, or other respected elders, invite adversary clans to lead reconciliation efforts and determine how disputes should be settled. Not all meetings, however, result in resolution. Some of them rather fail to reach an enforced agreement between disputing parties.

***Table 7.3*: The Educational Attainment of Vengeance Perpetrators**

Year	No of Accused	Illiterates	Literates	Preparatory Education	Secondary Education	University Education	Unknown
1997	231	78%	9%	2%	8%	3%	
1998	231	77%	11%	1%	6%	5%	
1999	189	72%	16%	3%	5%	2%	2%
2000	221	72%	11%	-	8%	9%	
2001	178	74%	17%	1%	6%	2%	

Source: Statistics Department, Criminal Investigation Unit, General Security Division[38] (as cited in Abu Zahra 2012, p. 71

To summarise, in this section, I explained why resourceful actors in Upper Egypt preferred not to engage in formal acts of contestation in order to demand higher allocations for collective consumption services. For them, maintaining a weak presence of the police and low state penetration was of paramount significance for reasons that had to do with their engagement in *Tha'r* and arms trafficking. This came in line with the interests of radicalised militias that needed to flee authorities. Knowingly, the retreatment of the state from provisioning the necessary public

[38] ibid

services was also to the advantage of violent insurgents who attracted potential recruits from the country's lower socioeconomic strata.

On the other hand, the lesser notable and those who were not in support of any of the aforementioned unlawful practices either had low capacity for coordinating collective action, or migrated to major urban cities in search for better employment opportunities, which resulted in brain drain in deprived areas. The Mubarak regime viewed them as a group of dependent, helpless, parochial and submissive residents in a society predominated by embodiment of political interests. All in all, Mubarak's regime was increasingly aware of the inability of the Upper Egyptian to delegitimise its governance on the basis of allocating less collective consumption services. In the following section, I will shed light on vastly different avenues of contestation that were present in Lower Egypt and the implications they had for its residents.

7.4 Lower Egypt: labour, the Muslim Brotherhood and networks of mobilisation

Most of the interviewees in this research asserted that Lower Egypt furnishes a remarkable case study of how the workings of industrialisation can profoundly impact the nature of interactions between the state and local communities. As cited earlier, Lower Egypt has been conceived as a region of high class consciousness and recognised mobilisation capacity. Its residents had the capacity to instigate conflicts and alter the balance of power in their favour. This notion was buttressed in an interview with a former Minister of Social Solidarity who affirms that two of Lower Egypt's governorates, where the majority of residents work in the textile and lumber sectors, have been successful in framing community grievance through a collective identity that is distinct from that of the rest of Egypt:

> Generally speaking, Gharbia and Damietta are known to be the loudest. The nature of business they are involved in requires them to be educated to a certain level, which makes them aware of many of the surrounding issues. Irrespective of their political ideology, as leftist or Muslim brotherhood, they exhibit prolific ability when it comes to mobilisation and articulating communal grievances. It seems as if they belong to a unique nationality of its own espoused in acts of solidarity and groupness (Interview: I-7)

Labour activism in Lower Egypt especially blossomed in the last decade of the Mubarak tenure when the government attempted to speed up the privatisation of companies operating in the domain of the public sector. In light of the economic hardships, which Egypt was undergoing during this period, the central government refused to judiciously set early retirement packages with relatively generous benefits. According to Beinin (2015), an average of 118 contentious collective action per year were organised throughout the period 1998 - 2003. This number, in the ensuing year, further increased to 265 collective action and rather assumed explicit militant character, mostly in Gharbia where one fifth of the public-sector textile workers were employed. Protests in Gharbia proved to be virulent. They set in motion a mobilisation wave that took over the whole economy. The period 2004 – 2011, as shown in Table 7.4, witnessed the "longest and strongest wave of worker protest since the end of World War II" (Beinin and El-Hamalaway 2007). Solidarity Centre report (2010) cites more than 1,900 labour-related protests, during this period, in which 1.7 million Egyptian workers took part. Majority of strikes garnered private media attention. This brought into sharp focus the vast inequities present in Lower Egypt, which public opinion became sensitive to. The regime, as such, feared that the use of repressive tactics to stifle unrest would end up in negative publicity that might have affected the inflow of foreign capital which, as noted in the previous chapter, increased in size and value on the installation of the Nazif government in 2004.

Table 7.4: **Strikes, Sit-ins, and Other Collective Action in Egypt, 1998-2010**

Year	Number of Actions	Workers involved
1998	114	
1999	164	
2000	135	
2001	115	
2002	96	
2003	86	
2004	266	386,346
2005	202	141,175
2006	222	198,088
2007	614	474,838
2008	609	541,423
2009	432	
2010	371	
Total	**3,426**	

Sources: Beinin (2015, p. 66) [39]

For policy makers, the increase in institutional forms of contestation was indicative of a growing critical sentiment against the regime. The authoritarian state failed to uphold its end of the social contract with workers, that has been in place since leaders of trade unions gave up their right to protest in exchange for job security, in agreement with President Nasser.[40] As Bellin (2002) describes in her account on Tunisia's stalled democracy under Ben Ali, industrialisation in the Middle East resulted in the creation of two social forces; an indigenous bourgeoisie and a class of wage labourers. Neither of the two groups, however, supported the replication of Western-like democratic experiments. Whereas the private sector was dependent on the state to secure access to

[39] Sources as cited in Beinin (2015: 66), Markaz al-Ard li-Huquq al-Insan (Land Center for Human Rights), Silsilat al-huquq al-iqtisadiyya wa'l-ijtima'iyya, no. 5 (December 1998); no. 14 (April 2000); no. 18 (May 2001); no. 22 (March 2002); no. 28 (March 2003); no. 31 (January 2004); no. 34 (July 2004); no. 35 (February 2005); no. 39 (August 2005); no. 42 (January 2006); no. 49 (July 2006); no. 54 (February 2007); no. 56 (July 2007); no. 58 (February 2008); no. 65 (March 2009); no. 75 (March 2010) no. 76 (May 2010); no. 79 (July 2010); no. 81 (August 2010); no. 84 (January 2011) at http://www.lchr-eg.org/

[40] Nasser issued Law no. 317 of 1952 that banned strikes. In 1957 the Egyptian Trade Union Federation (ETUF) was formed as the only official body representative of labour interests. Its members were appointed by the government.

different markets, labour unions were weakened by repression and wanted to maintain the favourable position they acquired under this state-sponsored development. Nevertheless, the decline of labour privileges in the 1990s triggered a contentious sentiment against the Mubarak regime. Labour unions shifted "from candid negativism toward an ambivalent attitude toward democratisation" (Bellin, 2002, p. 173). To contain this resentment, the regime had to respond with a mixture of containment and concession instead of reverting to violence (Bishara, 2013).

This approach was vividly evident in 2006 when the Misr Spinning and Weaving Company in Gharbia went on strike, for three days, one that involved 24,000 workers. The strike came in the aftermath of the 2006 union elections as the nominated committee reneged on its promise to pay workers two months' wages, stipulated in the prime ministerial decree 467 of 2006 (Clement, 2009). To contain the uprising, "the government authorised the headquarters to pay 21 days' worth of the bonus immediately and the remaining 39 days' worth in 2007" (ibid). This incident raised the bar for labour demands over the subsequent period, which Mubarak had to accede to in order to pre-empt anti-regime political mobilisation. As commonly argued by power resource theorists, high levels of investment in cash benefits is typically maintained where labour groups have strong presence and are politically active (Korpi 1989; Stephens 1979).

Labour activism in Lower Egypt largely drew its prominence from the fact that it has come to be dominated by the Muslim Brotherhood's affiliates, who spoke to the concerns of workers. Ismail (2006) notes that, since its establishment in 1929, the ideological principles of the brotherhood, as an oppositional movement struggling against colonialism, had its appeal among workers, under conditions of foreign ownership of industries. Over time, the clandestine nature of the brotherhood forced its members into tacit alliances with labour to overcome the strictures imposed by the authoritarian state on its licensing as a political party of sectarian overtone. As shown in Table 7.5, they managed to garner substantial support in the elections of key professional syndicates during the first twelve years of the Mubarak presidency; a period in which his regime paid little heed to the results of the union elections to avoid confrontational clashes with labour activists (Abdo, 2000, p. 74). This tactic, however, offered the brotherhood a great opportunity to cultivate allies and resist the brutality of Mubarak's governance.

***Table 7.5*: Number of Islamist Members on Board of Professional Syndicates**

Year	Syndicate	No. of Seats
1989	Engineers	41 (out of 43)
1990	Pharmacists	10 (out of 12)
1990	Physicians	11 (out of 12)

Source: Kandil (1994)

The Muslim Brotherhood was able to harness the relative independence of professional syndicates and guilds from the tight grip of the government to vigorously criticise central policies and push for political liberty. An approach which affected the very course of collective mobilisation in Lower Egypt and the orientation it took to articulate communal grievances. The most politically active syndicates were dominated by a new generation of Islamists who were less willing to acquiesce to the Mubarak regime and rejected "the radicalism of the Islamic Group and the passivity of the Muslim Brotherhood" (Davidson, 2005, p. 182). This group used labour unions and syndicates as a vehicle to articulate political and communal grievance and express their frustration with the political authority.

The Muslim Brotherhood was also successful in exploiting Lower Egypt's mobilisation networks as conduits for gathering information on the resource base available for them to win parliamentary elections. On this point, Figures 7.5 and 7.6 show that, out of the 88 Muslim Brotherhood parliamentarians who won the 2005 elections, 44 were selected in Lower Egypt. In Gharbia, a governorate that was viewed as the centre of the fierce labour-state competition, 10 Muslim brothers were elected. These results were evident of the brotherhood's influence on labour, and the capacity they had to resist state hegemony and change the political and economic course of actions.

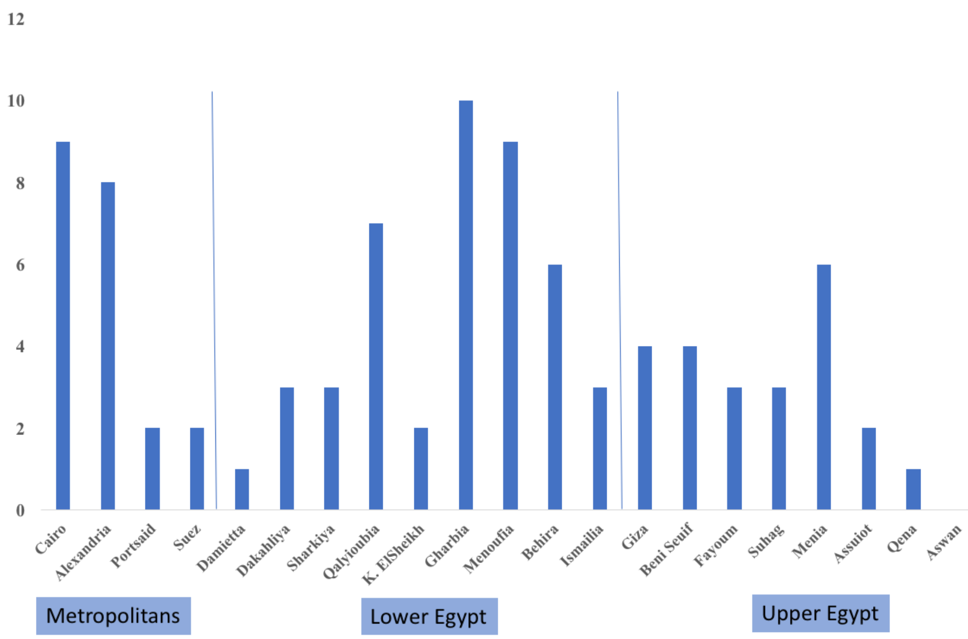


Figure 7.5: Number of Muslim Brotherhood MPs in the 2005 Parliament

Source: Author's calculation, data from Al Ahram Centre for Strategic Studies

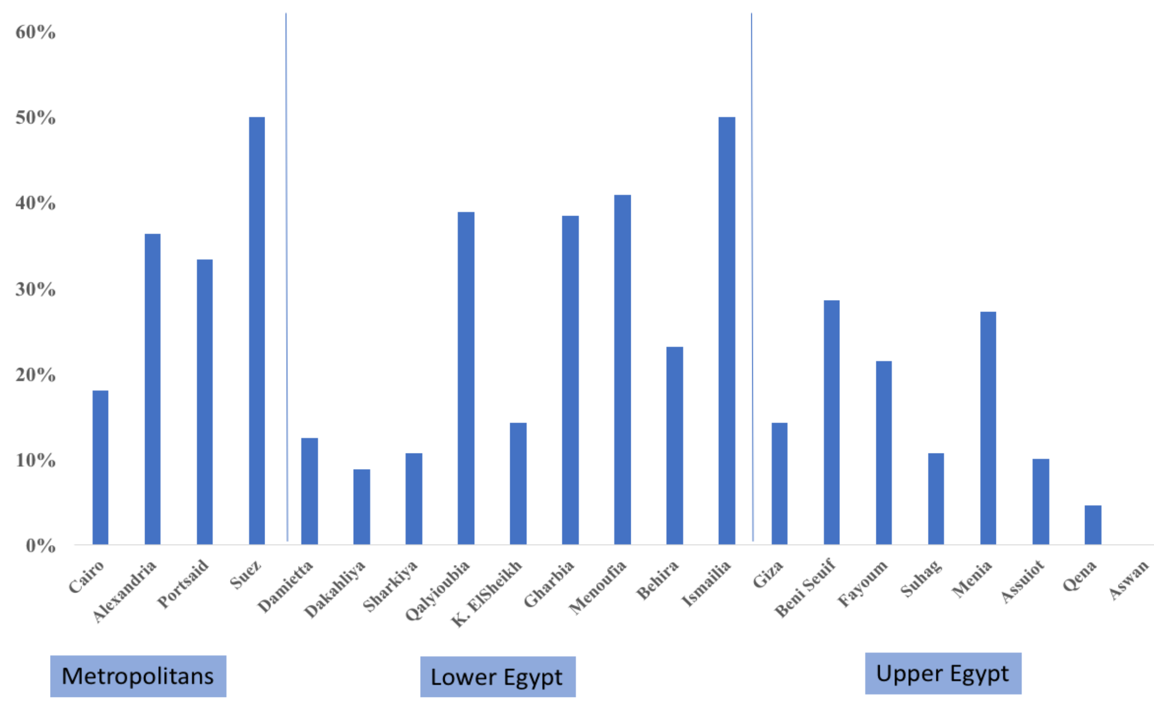


Figure 7.6: Percentage of Muslim Brotherhood MPs in the 2005 Parliament

Source: Author's calculation, data from Al Ahram Centre for Strategic Studies

The aforementioned gains, however, were only present at the sectoral and political levels, and had no spatial orientation. Even though members of labour unions and the Muslim Brotherhood could further exploit their mobilisation potential to force the government into acceding to other demands for higher social spending, they were less willing to coordinate collective action for the acquisition of collective consumption services. As argued in chapter two, actors who belong to insurgent organisational vehicles have the capacity to exploit their networks to optimally accumulate and deploy resources in pursuit of a communal interest at the spatial level. Those actors often make better targets for trade of concessions as they already developed a sense of groupness over the course of their sectoral collective interactions as compared to actors who have no initial mobilisation base to start with. Yet, in Egypt politically relevant actors in Lower Egypt were less interested in spatial demands, which they provisioned some of them instead for electoral purposes as argued in Section 7.2 earlier, and therefore, I legitimately describe them as run-of-the-mill contenders; those who aim for a few set of goods. However, they expend the least amount of resources in their attainment. A former editor-in-chief of a national newspaper describes the state-labour relation in Lower Egypt as such:

> In Lower Egypt, people often go on strikes to demand favourable salaries and employment policies. Yet, none of them asked before for higher investment in public infrastructure nor to build more schools and hospitals. Have a look at the state budget. Most of the public spending is on salaries. That is what the residents of Lower Egypt have always been interested in. (Interview: I-1)

Similarly, an investigator in the National Centre for Social and Criminological Research states:

> Lower Egypt was widely known as an area of disturbance for the regime. People often go on strikes. Yet, the organisational networks present in this region never had spatial agenda nor were keen on putting forward strong arguments in support of higher allocations for social welfare service. They were mostly interested in gaining economic and political rights, and challenging the way the security state dealt with political activists. (Interview: I-48)

The Mubarak regime was aware of this tendency, and therefore, kept its allocations for those services to a moderate degree in order to please resourceful actors in this region so as not to engage in acts of collective mobilisation. In parallel, the regime offered generous employment benefits to public employees in Lower Egypt who were willing to contentiously mobilise for those benefits. Contentious politics in Lower Egypt, as such, can partially explain the causes of variation in social spending on some goods and services by considering the value that collective actors attributed to the acquisition of those goods and services. This value is typically linked to the nature of organisational networks present in a region, and how it shapes the course and the spatial orientation of collective political practices.

7.5 Concluding remarks

This chapter, building on a comparison of three diverse cases that exemplify different capacities for contentious mobilisation, substantiates the overarching theoretical argument in this research. It demonstrates how the repertoire of contention – cf. acting on common grievance –, and the ability of actors to undertake collective action in Upper and Lower Egypt and the Urban governorates had the effect of driving various advantages to the Urban governorates, some benefits to Lower Egypt and only despair to Upper Egypt, irrespective of the socio-economic demands of each region.

In Upper Egypt, the regime could successfully shape public discourse on the need to use political violence to countervail the threat of dissenters and laid the blame squarely on radicalised fundamentalists who brought strife to the country. In doing so, the regime retreated from fully provisioning the necessary public services and rather increased spending on the police. Resourceful actors in Upper Egypt additionally refused to submit to the control of central authorities or to seek redress to the problems of their local communities in order to conceal their engagement in a wide array of unlawful practices. It was also in the interest of some of them to keep this region deprived and maintain their brokerage role between the state and the local communities.

In Lower Egypt, however, the regime could not justify its use of violence to preclude the threats of labour unions and the Muslim Brotherhood at a time Mubarak needed to bolster the legitimacy of his political governance. It had to accede to the employment demands of Lower Egyptians, and increase social spending on this area. Nonetheless, despite the strong bargaining position that both groups enjoyed vis-à-vis the government, the lack of spatial orientation for their demands limited the benefits accrued to the residents of Lower Egypt to public employment and political liberty.

To keep residents of contentious governorates in Lower Egypt fairly satisfied with the level of public services in their localities, the regime only financed some collective consumption services to an extent that could barely deter their mobilisation. Had resourceful actors in Lower Egypt developed a sense of localism, they might have gained impressive terrain in other spatial respects.

Conversely, the prolific ability of collective actors in the Urban governorates to raise spatial demands at the negotiating table afforded this region a whole great opportunity to force the Mubarak regime into acceding to the various welfare requests of its residents. It was clearly the case in areas where prominent political figures dwelled, and the private media highlighted local communities' grievance. Resourceful actors in this region could enforce their sectoral and spatial agenda on the central authorities owing to the workings of civil society associations, political parties and electoral politics. Additionally, the fact that those governorates were the most visited by ministers and central executives, because of their proximate location to the capital, enabled the spatial mobility of aggrieved actors there to the doorsteps of the government in order to voice their demands for collective consumption services. In doing so, they compelled the Mubarak regime to acknowledge their needs for these services otherwise the regime would have risked its economic interests in this region by ignoring the demands of well-organised collective actors who resided nearby large factories and commercial activities.

8

Conclusion

This study began with a research question that seeks to understand why the Mubarak regime for long favoured only a few constituencies with the allocation of collective consumption services, irrespective of the socio-economic needs of under-developed areas. To uncover those factors that caused decade-long bias in the cross-regional distribution of public spending in Egypt, this research sought to address the question of:

What factors drove spatial variation in the allocation of collective consumption services in Egypt in the Mubarak era?

To answer the research's inquiry, I expanded the analysis beyond the narrow focus of the distributive politics literature on vote buying to explain regional disparities in public spending in electoral authoritarian regimes. According to the distributive politics literature, as explained in chapter 2, authoritarian regimes establish pseudo legislative institutions to project an image of political invincibility, and signal the futility of delegitimising governance of autocrats to subversive groups. Those legislatures additionally serve as corporatist avenues for autocrats to spread spoils of their office and organise the demands of the most influential elites whose support is of paramount importance for the resilience of their regimes. A seat in those legislatures normally confers numerous political and economic advantages to its holder. Therefore, powerful elites who strive to be an integral part of the economic and political life of those authoritarian regimes would typically run for legislative seats to access an inner elitist circle. This circle entitles them to numerous material and organisational benefits, and enables them, in the long term, to nurture profitable agreements with autocrats. Election candidates, in this context, to win a seat in the parliament, often promise their constituents concentrated material benefits in exchange for electoral support. This clientelistic mode of electoral exchange between candidates and voters had been argued, in the wider academic literature, to cause spatial variation in the provision of public services in authoritarian regimes through a process known as 'politicised resource allocation'.

Scholars of distributive politics diverge in their assumptions on whether this politicised allocation typically take a punitive or rewarding form. One strand of this literature posits that autocrats normally pursue a coercive resource allocation strategy if they seek to induce loyalty among dissentients. They will deny areas supportive of the opposition of the necessary funds to provide collective consumption services, and therefore force them into changing future allegiances to get access to those services (Magaloni, 2008; Blaydes, 2011). Alternatively, other scholars argue that if the regime's intent is to replace rival providers, autocrats will favour areas affiliated with the opposition through higher allocations for the provision of collective consumption services; a distributional tactic that is commonly known as 'squeaky wheel' allocative strategy (Wallace 2014).

This study, however, argues that it is an oversimplification to attribute the geographic selectivity of public services provision in authoritarian regimes solely to the outcomes of legislative elections. Even though autocrats place high weight on parliamentary elections to project an image of electoral legitimacy, other non-electoral survival strategies are of more significance to autocratic survival. This is especially the case in situations of political apathy when parliamentary elections are vulnerable to fraud and authoritarian interventions, as was the case in Mubarak's Egypt. The common use of electoral manipulation strategies, as a result, accords little space to opposition political parties to contest these elections and gain parliamentary representation that can threaten the persistence of autocrats' governance. In light of this, this research takes the study of distributive politics in hegemonic party systems out of the realm of electoral politics. Rather, it looks into the different threats and opportunities that autocrats in hegemonic party systems face to maintain authority in order to understand what guides and constraint regime elites when they decide on where to allocate funds for the provision of collective consumption services.

8.1 Theoretical Contribution

To solve the puzzle, this research develops a theory that links authoritarian rulers' goals to consolidate power to the cross-regional distribution of public spending in hegemonic party systems. Political consolidation, in this context, refers to the ability of regime elites to eliminate all major sources of contestation and improve the way through which they govern a society (Levitsky and way, 2002). This research posits that political consolidation hinges on the attainment of two fundamental goals, illustrated in Figure 8.1: the ability of autocrats to attain legitimacy through the achievement of positive economic growth, and the preclusion of the threats of contentious collective action.

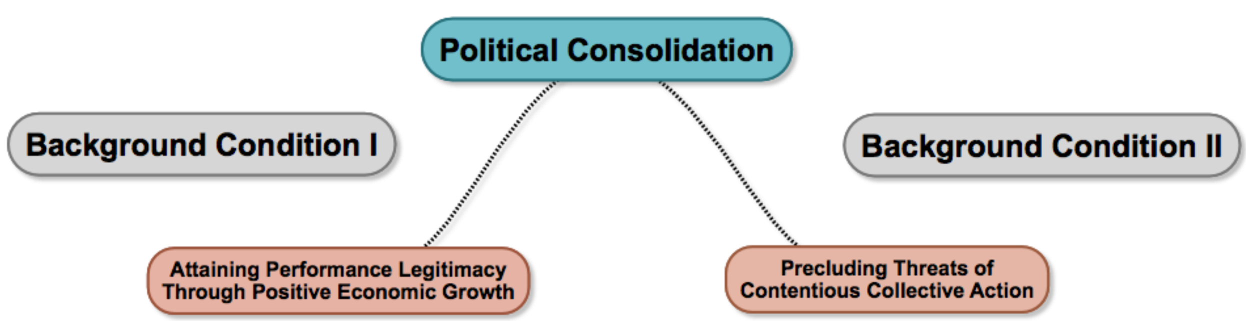


Figure 8.1: Author's Figure – Necessary Conditions to Achieve Authoritarian Consolidation

In this research, I argue that autocrats need economic growth to finance social entitlements and attain legitimacy. To this end, they will nurture long term relationships with a group of business cronies who can grow the economy and generate higher returns on autocrats' private assets. Those politically-connected business elites will receive elite incentives in the form of higher allocations for infrastructure development in areas where they have established business, causing spatial disparities in the provision of collective consumption services across localities. In return, cronies of the regime need to lend political backing to authoritarian rulers to ensure the persistence of their governance. This creates a mutually beneficial system of interest mediation, in which the economic interests of business cronies are entangled with the political interests of the authoritarian regime. Economic opportunities, as such, are evaluated not only on the basis of their financial yields and aggregate contribution to the welfare of a society, but more importantly according to their political implications for autocrats' survival. That is why the authoritarian regime will only provide key economic concessions to a group of politically-connected business elites, whereas others will be excluded from this spoil system.

To achieve political consolidation, the theoretical framework proposed here additionally highlights the necessity of buying off threats of contentious collective actions in hegemonic party systems. This threat is more prevalent in areas where aggrieved actors are less materially deprived, well-educated, reside nearby the capital and can demonstrate a history of collective activism in support of their capacity for contestation. These four factors combined are best seen as causal pathways that can influence the amounts of funds channelled to an area for the provision of collective consumption services. Autocrats will transfer scarce public resources from areas that are too weak to pose an immediate threat to the stability of the governance, to areas where residents score highly on those measures of contentious politics.

Lastly, this research sheds light on the main institutional configurations that autocrats establish to maintain a strong grip on scarce public resources. I argue that hegemonic party systems typically establish centralised and corporatist budget institutions of weak governance in order for autocrats to manipulate the budget policy making process in their favour to buy off political consensus. This institutional perspective affords the present study an explanatory leverage over other accounts of distributive politics that are not institutional in inspiration (Golden and Min, 2013). In light of the aforementioned economic, political and institutional conditions, the following allocation patterns, as shown in Figure 8.2, is expected to prevail in hegemonic party systems, causing spatial disparities in the provision of collective consumption services.

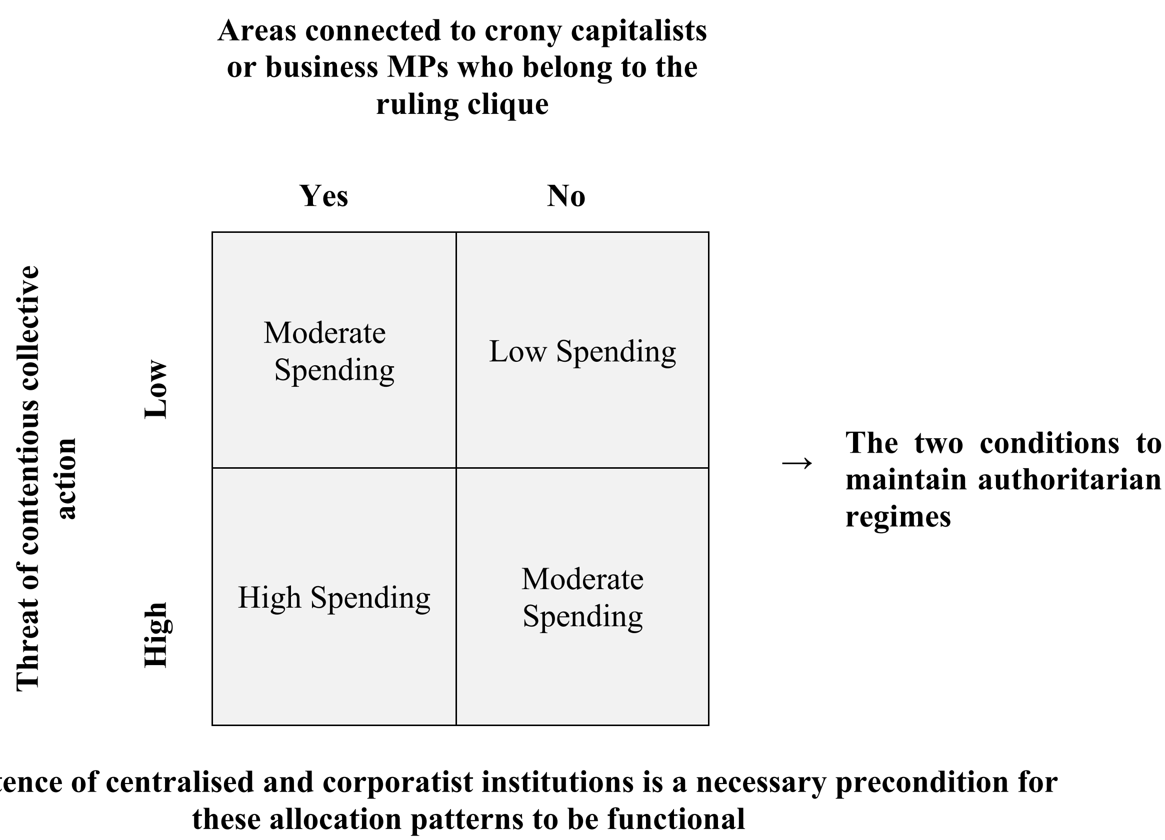


Figure 8.2: Authoritarian Maintenance and Spending on Collective Consumption Services

8.2 Summary of the Key Empirical Findings

This research is a multimethod investigation into the mechanisms that drive spatial variation in public spending in Egypt in the Mubarak era. To situate the analysis in its empirical context, in Chapter 4, I provided an institutional account of the budget policy making process in Egypt. This contextual chapter demonstrated why the Mubarak regime operated centralised and corporatist budget institutions to maintain hegemonic control over social and public policies. The configuration of this budgetary system, in turn, afforded local governments in Egypt little discretion over the decision on how to set local spending priorities. While the central government was in charge of public investment, local governments only covered spending on salaries and the provision of some local services. They were allocated intergovernmental fiscal transfers, which the central government assigned on ad hoc basis, that was not informed by rule-based formula nor reflected social needs at the spatial level.

Local spending was guided by central political directives that could enable the Mubarak regime to achieve political consolidation. For that reason, the regime largely drew governors, who presided over their governorates, from the army and police to control spatial forms of local politics. Likewise, the majority of local councillors were affiliates of the National Democratic Party (NDP). Those Governors and local councillors, instead of representing the demands of their constituencies, followed the NDP's centrally planned agenda that took no account of the socio-economic needs of under-developed areas, but aimed to meet the demands of crony capitalists and buy off the threat of contentious collective action. The organisational structure of local and central governments in Egypt, as such, created principle-agent dilemmas in the allocation and execution of the state budget. It also opened a space for rent-seeking behaviour to dominate the decision-making process.

The subsequent chapters of the thesis attempted to uncover the main factors that drove cross-regional variation in the distribution of public investment in Egypt. In chapter 5, I tested the relevance of electoral theories of distributive politics to the Egyptian case. In doing so, I first replicated Blaydes' (2011) regression model, in which she claims that Egyptian governorates where dwellers casted votes for the opposition in the 1984 elections were punished by depriving them, for 10 years, of the necessary funds to extend water and sewerage connections. Thereafter, I extended the analysis to the 1990, 2000 and 2005 parliamentary elections.

The quantitative analysis, however, resulted in disconfirming evidence to the conventional wisdom. Across time and space, there was no consistent relationship between the outcomes of parliamentary elections in the Mubarak era and the spatial distribution of collective consumption services. This means that parliamentary elections in Egypt cannot satisfactorily explain why some governorates received higher allocations for infrastructural development. The adduced empirical evidence from this preliminary regression analysis, as such, points towards the insufficiency of electoral theories to provide an adequate answer to the question of 'how public resources are geographically distributed in hegemonic party systems to achieve political consolidation?'.

To remedy the shortfalls of those electoral narratives, I adopted a nested analysis research approach. In addition to the undertaken simple regression analysis, I used process tracing methods to collect empirical evidence on the geographic distribution of local infrastructure in Egypt. Over two years of fieldwork, in which I gleaned most of my data from elite interviews with policy actors who took part in the budget allocation process during the period in question, I came to the conclusion that the allocation of collective consumption services in Egypt under Mubarak had less to do with the results of legislative elections and more to do with the effect of crony capitalism and contentious politics. The Mubarak regime placed more weight on those two factors to achieve political consolidation.

On the effect of crony capitalism, I explained in Chapter 6 how the benefits accrued to politically connected business elites in Egypt reshaped the geography of public resources allocation. Mubarak was keen on attaining economic growth in order to convince citizens of his mandate and earn political legitimacy. To this end, he embarked on various mega projects to grow the Egyptian real estate and tourism markets, which were largely dominated by Egyptian investors. Against the initial social intent of those projects, however, the benefits of the realised economic growth were largely claimed by a group of business cronies who supported the Mubarak regime in formulating and implementing Egypt's economic policies.

Those cronies of the regime, who benefited from the political status quo, supported Mubarak to enhance the durability of his governance. Some of them financed his presidential campaign in the 2005 elections, others attempted to groom his son as the upcoming president, while most of them ran for legislative seats to help the regime control a supermajority in the parliament. In exchange for this political support, they benefited from the opaque public-land allocation system that was in operation in the Mubarak era. This system enabled them to acquire state-owned land in prime locations at knockdown prices, and expand their share of infrastructure services that were soon after installed at projects sites. Public land allocation and infrastructure investment in Mubarak's Egypt, as such, was used as a political tool to distribute benefits to real estate and tourism developers in return for political support.

At the spatial level, the crony deals that the Mubarak regime made with the real estate and tourism investors were in favour of the Urban and Frontier governorates. The two regions, which captured the lion's share of private investment in those economic sectors, received disproportionate share of public resources. To stimulate economic growth and meet the demands of those business cronies, the regime invested in the provision of infrastructure facilities in the new urban communities of New Cairo and 6th of October cities, as well as the tourism resorts located in the Red Sea and South Sinai governorates. This investment pattern, as a consequence, while making a positive contribution to the Egyptian economy, it widened the already existing gap in the availability of infrastructure services between the governorates of Upper and Lower Egypt, that were of low economic significance for the regime, and the governorates of Greater Cairo and the coastal regions.

On the effect of contentious politics, in Chapter 7 I explained why the Mubarak regime responded differently to the demands raised by residents of Upper and Lower Egypt and the Urban governorates. The authoritarian regime refused to concede to the spatial demands of the Upper Egyptians owing to their inability to undertake contentious collective action. Most of the Upper Egyptians had no experience of institutional forms of mobilisation as was the case in Lower Egypt and the Urban governorates where labour unions and the Muslim Brotherhood were active. This low capacity for contention was also a consequence of the low educational attainment among the Upper Egyptians, who were also materially deprived. These unfavourable conditions contributed to the isolation of Upper Egypt from Cairene politics and inhibited the ability of its dwellers to engage in collective dialogues to express their frustration with the retreat of the Mubarak state from provisioning key collective consumption services in this southern region.

The marginalisation of Upper Egypt was also in the interest of its resourceful and organised actors. On the one hand, southern political elites by keeping their local communities in a continuous state of deprivation, could maintain their role as brokers between the Mubarak state and the Upper Egyptians. On the other hand, radicalised militias, that largely operated in Upper Egypt, could capitalise on the lack of key public services in the region to recruit potential insurgents from the country's lower socio-economic stratum. Those insurgents additionally used Upper Egypt, that was widely known as lucrative market for arms trafficking, as hideout to flee authorities. In light of this context, the Mubarak regime, instead of provisioning collective consumption services in Upper Egypt, allocated considerable resources to the police there to clamp down on fundamentalists. The regime, in so doing, believed to be imperative to criticisms given the inability of Upper Egyptians to pose an immediate threat to its resilience.

In Lower Egypt, the case was quite different. This region was home to labour activists and members of the Muslim Brotherhood who had the institutional capacity to challenge central political authorities. Therefore, the Mubarak regime had to pay due attention to the spatial demands of these two groups in Lower Egypt in order not to put its legitimacy at risk at a time the regime was interested in attracting foreign capital to Egypt. Despite this, the social demands of labour unions and the Muslim Brotherhood in Lower Egypt had a sectoral rather than a spatial orientation. It mainly revolved around employment benefits and the exercise of political rights. As a consequence, Lower Egypt could only secure a moderate share of public resources allocation, which the Mubarak regime provided to deter the mobilisation of its residents in pursuit of additional collective consumption services.

In the Urban governorates, unlike Lower Egypt, collective actors could place their spatial as well as sectoral demands on top of the policy agenda. It was especially the case in areas where the work of the civil society organisations was prevalent, and parliamentary elections were strongly contested. The regime had to accede to the demands of those areas in order not to instigate protests in the Urban region that often garnered great media attention, and could endanger the Mubarak governance. This enabled the governorates of Cairo, Suez, Port Said and Alexandria to capture a high share of public investment.

To summarise, the main argument advanced in this study suggests that the Mubarak regime used the geographic targeting of collective consumption services to attain economic growth and preclude the threat of contentious collective action in Egypt. Therefore, the regime invested in the provision of infrastructure services in the Urban and the Frontier governorates where the real estate and tourism sectors were flourishing, and crony capitalists wanted to expand their businesses. The Urban governorates had an additional advantage. Residents of this region had strong capacity for contentious mobilisation, which compelled the Mubarak regime to advance their share of collective consumption services. Conversely, Upper Egypt, as a region that was not of economic interest to the regime cronies, and where residents had low capacity for collective contention, was deprived of the necessary funds to provide collective consumption services. Lastly, residents of Lower Egypt could secure more public investment, as compared to their Upper Egyptian counterparts. This is largely attributable to the presence of some business activities in this region and the existence of mobilisation networks in Lower Egypt that had the institutional capacity to coordinate collective acts of contention in pursuit of some communal interests.

8.3 Contribution to Knowledge

This research, as noted earlier, advances a new theoretical approach that links the motivations and interests of political elites in hegemonic party systems to the outcomes of the geographic distribution of state-supplied goods and services. This theoretical framework goes beyond the narrow electoral focus of the distributive politics literature and rather introduces two new dimensions to the study of the budget policy making process in authoritarian regimes; one that sheds light on the relationship between crony capitalism, authoritarian regimes persistence, and local spending, whereas the other focuses on the effect of different forms of contentious politics on the spatial provision of collective consumption services.

The theoretical argument proposed in this research builds on and complements the massive literatures on survival of authoritarian regimes, crony capitalism, regulatory capture, varieties of capitalism and social movements. Still what makes this research distinct from the prior scholarship is the spatial perspective it adds to the analysis of a policy domain, on which there is limited research to date. The prevailing political economy and social policy literatures largely focus on explaining the reasons behind the introduction and retrenchment of various welfare arrangements in mostly Western economies (cf. Esping-Andersen, 1990; Pierson and Castles, 2006; Castles et al., 2010; Hay and Wincott, 2012). In doing so, scholars of social policy typically take on a temporal dimension to this analysis.

This research, by comparison, examines how authoritarian regimes' perception of political threats can influence the cross-regional distribution of physical infrastructure at the local level. This examination does not stop at the 'urban versus rural' dichotomy that is commonly entertained in the political economy literature (cf. Lipton 1977; Bates 1981). Rather, it explains the reasons why political elites respond differently to the demands raised by various urban groups in relation to the allocation of local collective consumption services in authoritarian regimes; a political context that has not received sufficient attention from the social policy literature. This research, as such, not only does it make a distinct contribution to the distributive politics literature, but also adds to the literature on non-electoral politics of social spending.

Furthermore, by bringing this spatial perspective to the analysis, this research fills the gap left by the literature on Arab authoritarianisms and the Middle East's social policies. It goes beyond existing scholarly accounts that focus primarily on explaining within-country cross-regional variation in industrial development (e.g. Sahibi and Hamzaoui, 2017), or seek to unpack the various forms of intra-country social inequalities in the MENA region (e.g. Boutayeb and Helmert, 2011; Alvaredo et al. 2018). Rather, it explains how the budget policy making process in hegemonic party systems can cause within-country cross-regional imbalances in the distribution of physical infrastructure; a subnational perspective and a policy domain on which there is limited literature to date. This research, as such, expands a comprehensive understanding of the relationship between public resource allocation strategies and the persistence of many of the Arab electoral authoritarianisms

This research additionally establishes new conceptual links between the contentious politics literature and the social policy literature. The wider literature on contentious politics in authoritarian regimes normally addresses the ways through which labour movements and political parties are co-opted to consolidate political power. However, in this research, I take on a different dimension to the analysis. I rather examine the correlation between different forms of contentious mobilisation and local public spending. In doing so, I explore if autocrats react differently to sectoral/spatial demands of aggrieved actors, and if the legitimacy of the undertaken repertoire of contention exert any influence on the amount of funds channelled to develop an area.

In this context, my findings on how the Mubarak regime responded to the demands of Upper and Lower Egypt and the Urban governorates show that authoritarian regimes typically use a mix of concessions and coercion to put an end to contentious collective actions. As evident in the Egyptian case, Mubarak could shape public discourse on the need to use political violence to countervail the threat of radicalised militias in Upper Egypt, given the illegitimate form of contestation these insurgent groups reverted to. The Mubarak regime, however, could not do the same in Lower Egypt and the Urban region. The use of political repression could not be justified in these two regions in light of the institutional form of contestation, which civil society associations and political parties used to advance their demands for higher public spending. During this period, the regime had to use public resources to stifle opposition and appease collective actors in Lower Egypt and the Urban governorates fearing that the possible escalation of contentious measures can reduce the flow of foreign direct investments into Egypt. To put it simply, this research by examining how authoritarian regimes perceive and respond to different local threats contributes not only to the social policy literature, but also to the literature on social movements and collective action.

Likewise, this research adds to the political economy and crony capitalism literatures. Prior scholarship on the topic, especially in the context of the Middle East politics, focuses mainly on analysing the benefits of implementing neo-liberal economic policies to patronage networks of politically-connected business elites. Yet, none to my knowledge has expanded the scope of this analysis to examine the influence which those patronage networks may exert on changing the geography of public resources allocation in hegemonic party systems, and how they can cause spatial disparities in the provision of collective consumption services. Therefore, by establishing a link between the crony capitalism and distributive politics literature, this study enables us to understand many of the puzzling outcome that we encounter while trying to understand the causes of spatial variation in public spending in authoritarian regimes from a purely electoral perspective.

Another contribution of this research is that it collects and analyses original data, that is not widely accessible to researchers, on public investment in local infrastructure in Egypt. The choice of this policy domain for this empirical examination adds to a burgeoning scholarship on the politics of public spending in authoritarian regimes. It unravels the main conditions associated with the geographic allocation of collective consumption services in hegemonic party autocracies to explain how public policy decisions exert a substantial impact on citizens' collective prosperity.

The theoretical argument is therefore not limited to the policy domain examined in this research, but has wider applicability to other types of public and social spending. While the research develops a theory on the basis of many observations on the provision of physical infrastructure in Mubarak's Egypt, in fact, the provision of social housing, education and/or healthcare services followed similar economic and political allocative patterns in their geographic distribution. Given that central distributional decisions were made to enhance the longevity of Mubarak's governance, the authoritarian regime acted consistently in its provision of a variety of state-supplied goods and services. This explains why Upper Egypt was lagging behind not only in terms of the available water and sanitation services, but on all measures of social and economic development. Conversely, the Mubarak regime consistently favoured the Urban and Frontier regions through higher allocations for the provision of various forms of collective consumption services (*See Appendix A* for more details on those spatial disparities). Accordingly, the theoretical insights brought by the Egyptian case do not only explain the causes of discrepancies in public investment in physical infrastructure in hegemonic party systems in general, but are also of relevance to other types of local public spending.

It is therefore important to note that the theoretical framework developed in this research, despite being built on an in-depth analysis of the Egyptian case, still has wider applicability to other cases of hegemonic party systems within and beyond the Middle East. Mubarak's Egypt is a typical case representative of many hegemonic party systems in which one dominant party maintain authority for long in the presence of multi-party parliamentary cosmetic elections. As such, the insights brought by the Egyptian case can potentially offer numerous parallels with other comparable cases that share similar economic and political features such as the cases of Tunisia under Bin Ali, Syria under El Assad, Mexico under PRI and Indonesia under Suharto. This wider applicability allows this research's theory to travel outside of Egypt in a way that allows for an intriguing and compelling theoretical comparison.

Lastly, this research makes a distinct contribution to the policy making process in Egypt. It collects novel data on the causes of the socio-economic disparities across the governorates of Egypt. Therefore, this research's analysis can help the current regime overcome one form of social injustice that negatively affected the life of many Egyptians. Insights from this thesis makes it possible for Egypt's policy practitioners to tease out the main causes behind the long-held unfavourable allocation patterns that existed under Mubarak, and accordingly, be able to correct one of the mistakes of the Mubarak regime that triggered the outbreak of the January 25th uprisings.

8.4 Future Research and Final Remarks

The empirical analysis presented in this study can provide a foreground for future research on the politics of public spending in Egypt. In this study, the qualitative analysis mainly gleaned its data from elite interviews with policy actors at the central level. Even though, some researchers who work for local NGOs were interviewed, the viewpoints of local councillors and service directors, whom I could not access, were not integrated into the research findings. Therefore, future research on the topic, in which this local perspective is incorporated, will have a real added value. It can bring knowledge about the different spatial forms of local politics and how they affected the flow of intergovernmental fiscal transfers from the central to the local government. It can additionally bring insights on how the economic and political interests of local notables differed from those of crony capitalists who dominated the policy making process at the central level.

To be able to gather this knowledge, researchers should endeavour to interview local actors who reside in governorates across the four geographic regions; Upper Egypt, Lower Egypt, the Urban governorates and the Frontier governorates. This diversification will enable us to capture a comprehensive understanding of the local processes of distribution that took place outside of Greater Cairo. Future research may also benefit from interviewing actors in different governorates that are located within the same geographic region. By doing so, unlike this study that treats all governorates in the same geographic zone as one homogenous unit, future research can better explain how governorates in each region varied on a number of political and economic issues.

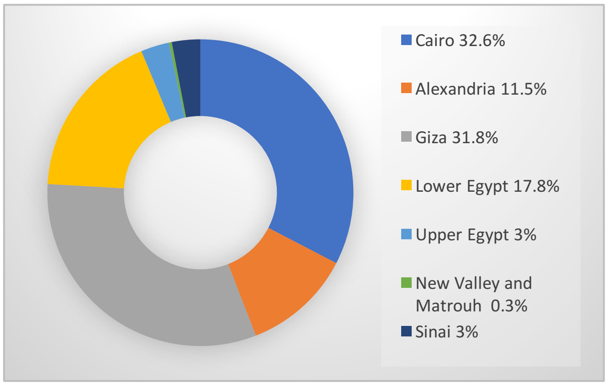
Researchers can also examine how the provision of collective consumption services in Egypt differed before and after the January 25th revolution. The political and economic interests of the current regime is different from that of the Mubarak regime, therefore such a comparison may shed new light on other factors, beyond what is presented in this thesis, that may drive spatial variation in public spending. What makes this comparison more interesting is that no dominant political party has been in power since 2013. This political vacuum, in fact, gives us another reason to question the relevance of electoral politics to the distribution of public resources in Egypt, and whether infrastructure investment currently follows efficiency criteria through which the Egyptian state invests in governorates that can yield the highest project impact.

This comparison may benefit from the relative availability of quantitative data on public spending under President Abdel Fattah El-Sisi. The availability of this quantitative data, in turn, can enable researchers to run more inclusive regression models for which better measures and indicators are available. By analysing this data, researchers can additionally compare the provision of infrastructure facilities in Egypt with spending on other social policy areas, that are not reflected in this study. It can also differentiate the effect of crony capitalism and contentious politics in the Urban governorates, which is hard to unravel given that the analysis is mainly based on qualitative evidence. This examination, as such, will likely result in better understanding of the different patterns of favouritism that currently exists in Egypt (if any), and whether a high provision of one public service (e.g. infrastructure) is counterbalanced with a low provision of another service (e.g. healthcare spending).

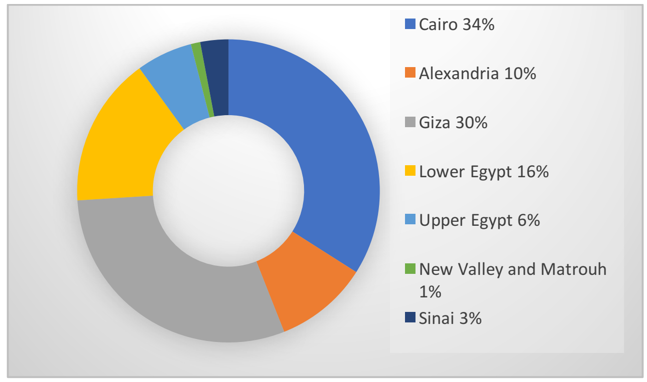
To conclude, this study has brought forward empirical insights into the process of public resources allocation in Egypt in the Mubarak era. It went beyond the dominant electoral perspective that is largely entertained in the distributive politics literature and rather focused on the effect of crony capitalism, contentious politics and centralised budget institutions on this distribution. By doing so, this research project contributes to the general knowledge on public and social policies in non-democracies.

Appendix A: Regional Statistics and Human Development Indicators

Geographic Distribution of Investments Expansion (2000- 2007)



Geographic Distribution of New Investments (2000 – 2007)



Source: Bahaa et al. (2008)

Poor Households as Percentage of the Total Population (1991-2008)

Poor Households % of total		1991	1995	2000	2004	2008
National		35.1	22.9	20.1	19.6	21.6
	Urban	35.9	22.5	18.4	10.1	11
	Rural	34.1	23.3	21.4	26.8	28.9
Urban Governorates		32.9	16	9	5.7	6.9
Lower Egypt		28.4	17.1	13.1	14.5	14.2
	Urban	35.7	21.7	17.9	9	7.3
	Rural	23.1	15.4	11.3	16.7	16.7
Upper Egypt		45	34.1	35.2	32.5	36.9
	Urban	41.1	35	36.3	18.6	21.3
	Rural	48.5	33.7	34.7	39.1	43.7
Frontier		34.8	16	10.7	14.5	11.1
	Urban	32.1	20.2	10.4	0.9	4.8
	Rural	37.5	10.2	11.2	32.8	23.2

Source: Human Development Reports (1991-2010)

Ultra-poor as Percentage of the Total Population (1991-2008)

Ultra-Poor as percentage of total		1991	1995	2000	2004	2008
National		21.8	7.4	5.8	3.9	6.1
	Urban	21	7.7	5.2	1.7	2.6
	Rural	23	7.1	6.1	5.4	8.5
Urban Governorates		19.6	5.2	2.1	0.7	1.5
Lower Egypt		16.3	4.3	2.2	1.4	2
	Urban	19.3	6.7	3.3	1	0.8
	Rural	14.1	3.4	1.8	1.5	2.5
Upper Egypt		30.2	12.4	12.1	8.3	12.8
	Urban	25.1	13.4	13	4.2	6.3
	Rural	34.8	11.9	11.8	10	15.6
Frontier		23.2	3.6	1.9	4.8	3.8
	Urban	20.8	5.4	1.9		1.2
	Rural	25.5	0.9	1.9	11.3	8.7

Source: Human Development Reports (1991-2010)

Education Outcomes

Education Index	1995	1999	2002	2004	2007
National	0.544	0.614	0.703	0.685	0.689
Urban Governorates	0.685	0.737	0.819	0.801	0.738
Lower Egypt	0.537	0.614	0.699	0.68	0.694
Upper Egypt	0.463	0.531	0.633	0.62	0.655
Frontier	0.562	0.659	0.753	0.665	0.736

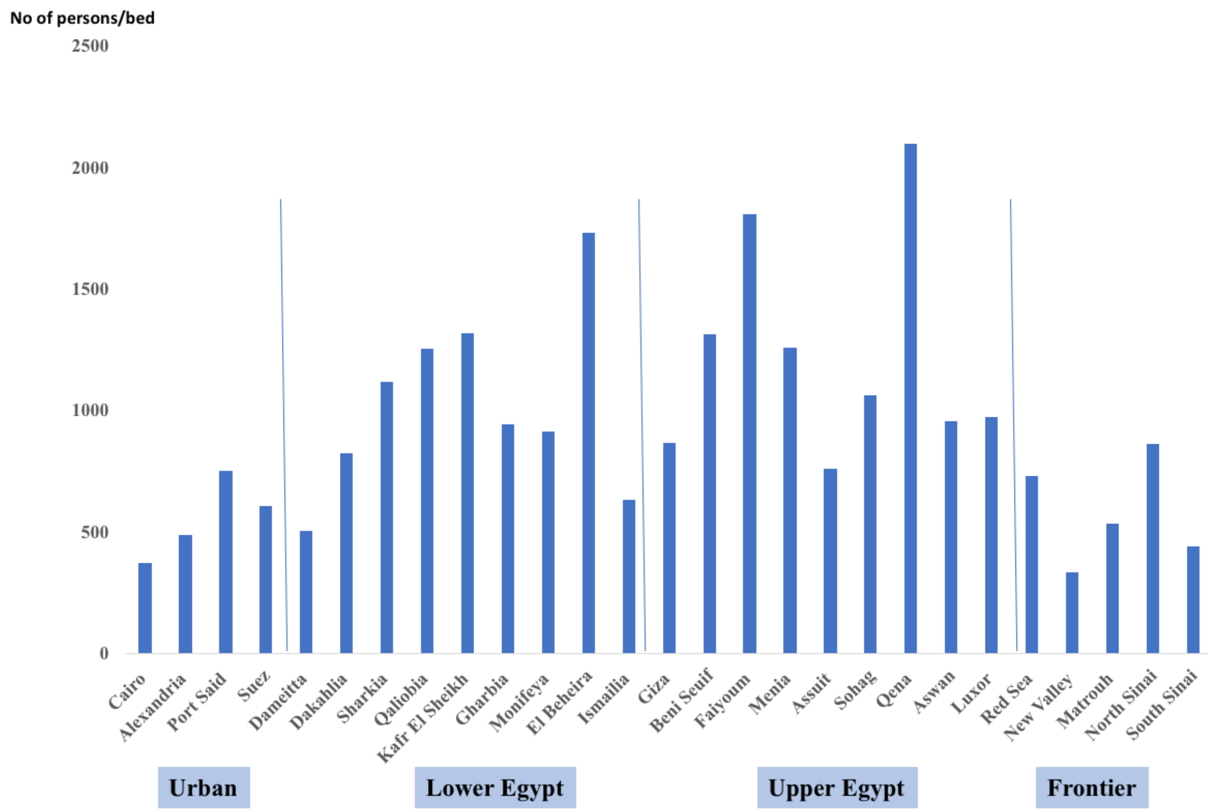
Source: Human Development Reports (1995-2010)

Healthcare Outcomes

No of inhabitants per bed	1998	2000	2002	2004	2006	2007
National	474	457	461	455	473	480
Urban Governorates	263	259	266	249	264	271
Lower Egypt	604	593	578	583	600	592
Upper Egypt	700	661	680	655	669	689
Frontier	414	365	360	365	300	367

Source: Human Development Reports (1995-2010)

No of Person per hospital bed in 2010



Source: CAPMAS (2013)

Per Capita Portable water Production (1998-2007)

Per Capita Portable water Production (Liter.day / Person)	1998	2000	2003	2005	2007
National	207	231	265	322	345
Urban Governorates	507	530	672	931	965
Lower Egypt	146	154	154	175	185
Upper Egypt	119	158	177	181	212
Frontier	552	622	801	801	714

Source: Description of Egypt, Information and Decision Support Centre (1998-2010)

Per Capita Portable Sanitation Capacity (1998-2007)

Per Capita Sanitation capacity (Liter.day / Person)	1998	2000	2003	2005	2007
National	133	107	125	160	179
Urban Gov	367	315	355	480	536
Lower Egypt	104	62	82	105	123
Upper Egypt	54	55	63	68	70
Frontier	44	141	165	227	220

Source: Description of Egypt, Information and Decision Support Centre (1998-2010)

Appendix B: List of Interviewees

1. Former Minister of Finance
2. Former Minister of Finance
3. Former Minister of Finance
4. Former Minister of Finance
5. Former Minister of Planning
6. Former Minister of Administrative Reform
7. Former Minister of Social Solidarity and Justice
8. Former Minister of Sports and Youth
9. Former Deputy Minister of Finance
10. Former Deputy Minister of Planning
11. Former Interim Deputy Prime Minister
12. Former Governor
13. Former Deputy Governor
14. Former Editor-in-chief, El Ahram Newspaper
15. Member of the Parliament
16. Former Member of the Egyptian Shura Council
17. Highly ranked official at Ministry of Finance
18. Highly ranked official at the Ministry of Finance
19. Highly ranked official at the Ministry of Finance
20. Highly ranked official at the Ministry of Local Development
21. Highly ranked official at the Tourism Development Authority (TDA)
22. Highly ranked official at the Tourism Development Authority (TDA)
23. Highly ranked official at National Planning Institute
24. Highly ranked official at Al Ahram Centre for Political and Strategic Studies
25. Highly ranked official at the Economic Justice Unit at the Ministry of Finance
26. Highly ranked official at Central Agency for Organization and Administration (CAOA)
27. Highly ranked official at the General Authority for Educational Buildings
28. Highly ranked official at Centre for Surveys and Statistical Applications, Cairo University.

29. Highly ranked official at the Egyptian Cabinet's Information and Decision Support Centre (IDSC)
30. Highly ranked official at the Egyptian Centre for Trade Union and Workers Services
31. Highly ranked official at Decentralized Policies Support Unit at Cairo University
32. Highly ranked official at El Sadat Association for Social Development and Welfare
33. Advisor to the Minister of Housing
34. Advisor to Minister of Housing
35. Advisor to Minister of Housing
36. Advisor to Minister of Social Solidarity
37. Advisor to Minister of Transport
38. Engineer at Ministry of Housing
39. Member of the Commission on Good Governance, Economic Cooperation and Development (Ministry of State for Administrative Development).
40. Professor of Statistics at Cairo University
41. Professor of Economics at Cairo University
42. Professor of Economics at Al-Azhar University
43. Assistant Professor in Economics - National Planning Institute
44. Assistant Professor in Political Economy at the American University in Cairo
45. Economic Researcher, Al Ahram Centre for Political and Strategic Studies
46. Researcher at the Egyptian Initiative for Personal Rights (EIPR)
47. Researcher at Egyptian Centre for Economic and Social Rights (ECESR)
48. Researcher at the National Centre for Social and Criminological Research
49. Lawyer at Egyptian Centre for Economic and Social Rights (ECESR)
50. Professor at the Graduate School of Education at the American University in Cairo.

Appendix C: Statistical Appendix (Chapter 5)

Table 5.6: Dependent Variables: Percentage of residential buildings connected to public water/sewerage network

	Model 13 Water	Model 14 Water	Model 15 Sewerage	Model 16 Sewerage
Percentage Vote share for Opposition MPs	0.67		-0.43	
	(0.66)		(0.37)	
Percentage Vote share for Opposition MPs^2	-0.45		1.89	
	(2.77)		(1.53)	
Percentage Opposition in the Parliament		-0.36		-0.27
		(0.39)		(0.20)
Percentage Opposition in the Parliament^2		0.95		0.52
		(0.70)		(0.34)
Registered Voters	2.70	3.35	-1.04	-0.86
	(3.12)	(3.96)	(2.86)	(2.86)
Registered Voters ^2				
Previous Coverage	-0.92***	-0.95***	-0.33***	-0.32***
	(0.24)	(0.25)	(0.11)	(0.11)
Percentage of Urban population in 1986	0.01	0.10	0.21	0.28
	(0.93)	(0.81)	(1.07)	(1.02)
Constant	1.2**	1.2**	0.35	0.32
	(0.46)	(0.42)	(0.52)	(0.50)
R^2	0.39	0.38	0.16	0.17
Observations	78	78	78	78

Cluster robust standard errors are shown in parentheses
*** P < 0.01, ** P < 0.05, * P <0.1

Table 5.7 Correlation Matrix

	Vote Share for the Opposition	Opposition Representation in the parliament	Percentage of Registered Voters in a Governorate to the Total
Vote Share for the Opposition	1		
Opposition Representation in the parliament	0.86	1	
Percentage of Registered Voters in a Governorate to the Total	-0.04	-0.1	1

Appendix D: Codebook Sample

Codebook Sample[41]

Code	Description	Example
Crony capitalists	Politically-connected business elites who got privileged access to economic opportunities and public resources thanks to their relationships with the Mubarak regime.	"Influential businessmen who were affiliated with the National Democratic Party dominated the parliament in the last ten years of Mubarak's tenure. They headed important parliamentary committees to get their hands on state-owned resources. Mohamed Abou El Enien, for instance, chaired the industry committee at a time he was monopolising energy-intensive industries in Egypt. He had a say in major allocation decisions during this period"
Areas of high economic significance	Most productive governorates of the Egyptian economy	"We [the government] used to allocate resources to governorates where investment in public infrastructure can generate economic benefits. Look at the Red Sea governorate. It is important not only for the tourism market but the mining sector as well."
Labour Activism	In reference to labour protests and strikes that mostly took place in Lower Egypt.	"We [the Mubarak regime] were aware that most of labour protests and strikes took place in Lower Egypt. Most of the public enterprises are located in the Delta since the Nasserite era. Upper Egypt, by comparison, was never involved in labour protests. This region had no industrial base except for a couple of factories located in Qena and Aswan."

[41] Original coding was done in Arabic. This is a literal translation of the main codes in English.

Spatial Proximity to the Capital	Proximity of a governorate to Cairo (the centre of political power) in terms of distance and the presence of well-connected transportation system.	"Lower Egypt is very close to Cairo. There is also a good transportation system that connects this region with Cairo. The government has always been aware of its needs. Upper Egypt, conversely, is located far away from Cairo. Government officials rarely visit this region. Many problems take place in this region on a monthly, if not weekly, basis, but I bet anyone know about it."
Buying acquiesce	Provisioning a collective consumption service in an area to put an end to contentious collective action.	"Had we [the government] not provision these public services in those governorates, people would have come and protested in front of the parliament. We did not want to cause disturbance on the eve of major political events [in reference to national referendums] when everyone was watching us"
Social Intermediaries	Members of powerful families and clans who acted as intermediaries between the state and local residents.	"Powerful families and tribes have always been important in Upper Egypt. People sought their help to extend a public service to their localities. Those families have political connections and meet frequently with state officials. Without their help, the central government would have paid no attention to the demands of the Upper Egyptians."
Trickle Down	Refers to situations in which the benefits of growing the economy spread to the whole society.	"Back then [the 2004-2010 period] the plan was to grow the economy first so we can finance comprehensive social policies thereafter. There was no political will, however, to redistribute the benefits of this economic growth. We never realised this goal."
Local Autonomy	In reference to the institutional and financial autonomy of the local government. This	"Local resources were very limited and local councillors were powerless. Local councils

	encompasses the authority to represent the demands of constituents, set local budgets and execute local projects.	took part in budget discussions on a consultative basis. They did not come to the table and discuss the budget with the Minister of Finance. They were in no position to negotiate with the Ministry of Finance or the General Accounting Office. They didn't represent anyone."
Medium Term Expenditures Framework (MTEF)	The MTEF is annual, rolling three year-expenditure planning for national and provincial governments.	"We had to budget local expenses on an annual basis. The fiscal year starts in July and ends in June of the following year that is when local implementers have to return any surplus or unspent allocation amounts to the national treasury. They could not retain this fund and carry it over onto the following year to finance projects that need 2-3 years to be implemented."
Unspecified Allocation	When the local government request funds from the central government to implement projects without indicating the location of the proposed investment.	"The local government used to come to us [Ministry of Planning] and request funds to build schools or hospitals, but they preferred not to identify the exact locations of those projects. Let me give you an example. They may for instance ask for EGP 4 billion to build 20 hospitals. However, they will not tell us that the estimated share of El-Baghour hospital [in Menoufia] in this allocation is EGP 100 million. It was a very common practice. For them, it was unnecessary to disclose this information in case they may need to change the location of the undertaken investment later."
Local Planning Indicators	In reference to the indicators used by the central government to identify local needs for collective consumption services.	"I have been working in the Ministry of Planning for a while, and I can assure you that local projects were proposed without the inclusion of indicators through which we can tell whether those services were present or absent in an area.

		Neither the Ministry of Health nor the Ministry of Education, for instance, gave us data on the number of students per classroom or the number of patients per bed across districts. We also did not have information on the percentage of villages that were connected to public sewerage."
Unrealistic Budget Proposals	Description of situations in which the local government requested allocation amounts more than what they actually need.	"It was a common practice to request unrealistic amount of funds from the central government. They [the local government] knew that they would not get what they were asking for so they always asked for more. We [the central government] were aware of this so we had to bargain a lot".
Weak Local Governance	The absence of effective checks and balances mechanisms at the local level. Also, in reference to the interest of local councillors and governors to meet the demands of the central authority instead of representing the needs of local constituents.	"The idea of governors by elections was not something the regime was ready for. We did not really have checks and balances because the loyalty of the governors was to those who appointed them, I mean the president. Local councillors were also busy achieving their own narrow interests. At the end of the day, you did not have a good system of local governance. You did not have the features of a good functioning system at the local level."
Role of the Media	Effective role of the media in reflecting the needs of local communities for collective consumption services.	"During this period, we had a few political parties to speak of local needs. The media was the only voice available. The regime was also trying to open up a little bit and the media was a good venue for that." "We [the central government] had to respond to the demands of protestors especially when the media was there. They were under the spotlight."

Unresponsive central government	Description of situations in which the central government was unaware of the local needs.	"The central government was not aware of the local needs. They did not go and visit lagging areas to understand their needs and problems. This raised the cost of implementing local project."
Quiescent region	Governorates where residents prefer not to engage in contentious collective action.	"Residents of Upper Egypt rarely complained. They did not like to cause any problems nor to protest and go on demonstrations. They preferred to keep the police away from their affairs."
Local Institutional Capacity	Capacity of employees to assume budgetary responsibilities and execute local projects.	"Local councillors did not understand the state budget. They did not know how important it was. We did not have competent employees who could look after local expenditures. They were not well trained or even knew how to run a tender, and supervise the work of engineers. They were extremely incompetent."
Fiscal Centralisation	The authority of local councillors/local government to set local budgets and finance local projects.	"I am from Assuit. Local councillors there did not have the authority to allocate funds to finance local infrastructural projects. They had to get ministers' approval first.
Centralisation of decision making	The authority of local councillors to propose and implement local projects.	"There was a common belief that Egyptian local councillors were corrupt. Ground-level bureaucrats were only able to shuffle papers without any sort of decision-making authority. They could file a petition to request the repair of a water pipeline or a ceiling. Yet, they had no right to request the building of a school or a road. This lied within the mandate of the Ministry of Planning."

Unfree parliamentary elections	In reference to the agreements the Mubarak regime made with some opposition parties to allow a certain number of their candidates to win the counting.	"Do not assume that parliamentary elections in Mubarak's Egypt were actually free. The regime always allowed a certain number of Muslim Brotherhood candidates to join the parliament. It was an agreement to begin with. This might be the case in Latin America where elections are free to a large extent, but in Egypt if the regime does not like the results, they can change it all together."
Areas of high political relevance	Governorates that were important for the Mubarak regime to achieve high economic growth and where residents had high capacity for undertaking contentious collective actions.	"Mubarak, similar to any other ruler, wanted to grow the economy. He invested in the infrastructure of those governorates that were considered growth poles for the Egyptian economy…He also had to appease the discontent of those who were vocal about their needs and their protests could cause disturbance."

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