

# Political Finance Systems in Egypt, Regulation and Disclosure: The Way Out

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## Introduction

There is no doubt that the Arab world and Egypt, as its leading member, lacks rules of democratic conduct not to mention liberalization processes. It is the least susceptible region to the democratization that sweeps the whole world. In fact, though there are signs of slow developments towards political openness in countries like Saudi Arabia and the Gulf States, totalitarian in nature, there are opposite transformations in countries like Egypt where it is only moving from closed to open authoritarianism. Some call this process “upgrading authoritarianism in the Arab world” whereby Arab regimes are converging on policies that are explicitly designed to stabilize and preserve authoritarian rule in the context of ongoing demands for political change.<sup>1</sup>

Arguments that abrupt democratization might produce fanatic or extremist religious governments are definitely insufficient in light of two major phenomena: **a)** Systemic corruption is widespread among both political elites and the bureaucracy, and **b)** The volume and weight of poverty in Egypt are increasing while the amount of available cash funding is overwhelming. The combination of corruption, expansion of poverty and the spread of both military and hereditary regimes creates an unhealthy environment for democratization, a process based on fairness and equal opportunity for all.

Meanwhile the public, influenced by universal values of globalization such as freedom, democracy, transparency and human rights, yearns for acquiring equal opportunity in politics. This in conjunction with international pressure especially from the USA and EU, pushed Arab regimes including Egypt to embark on political reforms, some of which are promising while others create frustration and skepticism among the public.

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<sup>1</sup> Steven Heydemann, Upgrading Authoritarian in the Arab world, **Analysis Paper**, No. 13, October 2007, the Saban Center for Middle East Policy at Brookings Institution, Washington, 2007.

Integral to the democratization process are the roles of political parties, civil society and independent NGOs in elections. Since 1977, Egypt has been a multiparty system; however tiny and skeleton parties are either offshoots of the Arab Socialist Union (ASU) or have been created by legal ruling against rejection decisions by Political Parties Committee (PPC), headed by the Deputy Secretary General of the National Democratic Party (NDP). In such an environment, a dominant one party system, small parties and political groups as well as candidates to legislative institutions are in need of financial support. Does the incumbent regime provide them with such funds? In this paper we will discuss political finance in Egypt: its sources, distribution, rules of disbursement, whether it is based on political corruption and how much transparency there is in handling state funds. Before doing this, it will be important to provide an analysis of the socio-political context in which funds operate. An analysis of how funds were used in the 2005, 2007 and 2008 elections will take place. A discussion of political bribes such as vote buying, privatization of the public sphere and whether there is financial disclosure or independent oversight of financial activities will take place.

### **1- Egypt: A Dominant One Party System or a Multiparty System?**

Between 1923 and 1952, Egypt was a multiparty parliamentary kingdom where competitive elections were the basis for rotation in power among political parties. That was the only period of liberal democracy in the history of Egypt. The 1952 revolution, military in structure and nature, disbanded all political parties and established a single mass party, the Arab Socialist Union (ASU), which was maintained until 1977, when the late President Sadat allowed three small parties to form. The 1980 constitutional amendment, a package introduced by, Sadat transformed the political system into a multiparty one. However, the establishment of new political parties was given exclusively to Political Parties Committee (PPC) at the Shura (consultative) Council, headed by the NDP Deputy Secretary General. The majority of the 24 existing parties were rejected by the PPC and legally approved by the High Administrative Court of the State Council. The major opposition group, the Muslim Brotherhood (MB) is denied, according to Article 5 of the Constitution, amended in 2007, any legal presence in the country. Though labeled an outlawed group, it was able in the 2005 legislative elections to secure 88 out of 444 seats in the

People's Assembly (20%). Though the regime does not object to the MB's social, economic and public services activities, it is not willing to politically recognize it. That stagnant relationship in many instances hurts political process and democratic reform. When the regime initiates changes and regulations to curb MB political activities, it also hurts other legitimate political parties. In the meantime, would it be possible in Egypt to embark on real and substantial political reform without including and integrating the largest and most organized and active opposition group into the political process?<sup>2</sup>

Egyptian political parties are, at best, tiny, small, isolated and skeleton in their sizes, activities and role. The NDP, though not based on mass support, is a dominant party in the legislative and executive branches. It has historically secured election majorities in all national legislative and local elections. It does not fear substantial competition except from the MB. However, due to recent constitutional amendments, it was able to besiege the MB to the degree that it did not win any seat in both Shura Council and local elections in 2007 and 2008. The party is built and based on the legacy of the ASU, including most of its old guard. It was only for its young elite including Gamal, the President's son, that some reforms were initiated; however, it reinforced the political power of NDP and minimized, regrettably, the role of tiny political parties.

## **2- Political Reform Toward Open Authoritarianism.**

Due to both a domestically active civil society and international pressure, Egypt introduced constitutional amendments in two phases.

**First**, the amendment of Article 76 opened the door for the first time to competitive election of the President among candidates representing legitimate political parties. In September 2005, Egyptians were able to vote in open presidential elections for one candidate each of their choice. However, in 2007, Article 76 went through a second amendment, along with an additional 34 articles, that hindered not only independents or new members of political parties to be candidates to presidency, but also to make it almost impossible to permit any other than NDP leaders to be candidates to the presidency. The amendment requires any given party that has been established and operating for at least **5** consecutive years to obtain at least **3%** of the

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<sup>2</sup> Muslim Brotherhood in Egypt: Confrontation or Integration, Policy Report on the Middle East, No. 76, International Crisis Group, Cairo/ Brussels, June 2008.

total number of seats in both chambers of the Parliament to be able to nominate candidates in presidential elections. However, there is one exception; the law allows any party with at least **1** seat in the Parliament to nominate a candidate for any presidential election that takes place over a period of **10** years starting May 1, 2007. The threshold of **3%** is still very difficult to meet. Having to acquire **3%** of seats in both chambers, each party should win at least 19 seats of the total number of elected seats in both chambers. In the 2005 parliamentary elections, legitimate opposition parties were able collectively to win 14 seats out of the 444 contested seats (3.15% of the total number). In addition, in the 2007 mid-term Shura Council elections, legitimate parties were able to win only one of all contested seats. As a result, the nomination requirements effectively impede most political parties from participating in presidential elections.

Nomination criteria for presidential elections vary with the political affiliations of candidates. Regarding independents, the first amendment to Article 76 of the Constitution indicates that every independent candidate must gain support from 250 elected members of the People's Assembly, the Shura Council, and local popular councils at the governorate level. However, out of the 250 elected members, at least 65 must be from the People's Assembly, 25 from the Shura Council, and 10 from each local council in at least 14 governorates. This criterion was maintained through the 2007 constitutional amendments. Taking into consideration the fact that the NDP and its supporters control almost all of these political bodies, candidates other than NDP candidate have little chance, if any, of being able to run in the 2011 presidential elections.

**Second**, 34 articles were presented to the People's Assembly and the Shura Council for amendment and to the Egyptians in the form of a referendum. The most important articles that created resistance from civil society, political parties and intellectuals were Article 88 and Article 179. Article 88 replaced judicial oversight of the elections with oversight by a new election high commission whose members are appointed by the President. This effectively overruled the 2000 Supreme Constitutional Court ruling that called for direct judicial oversight of elections. Instead of a judge for each ballot box, judicial oversight is limited to some technical

supervision.<sup>3</sup> The High Election Commission (HEC), which is composed of 11 members, half of whom are either active or retired judges, has a limited mandate in administering elections and in making fundamental decisions regarding their fairness and competitiveness. The retreat from judicial oversight, neutral by virtue of profession, led to sweeping victory by the NDP in the 2007 Shura Council elections (98%). It also led to the NDP's winning well over 90% of the 53,000 seats in the 2008 local elections.<sup>4</sup>

Article 179, which replaced state of emergency provisions with an antiterrorism law, was under severe criticism. On one hand, there is no definition of terrorism, and that open-ended issue gives security authorities almost absolute power toward any citizen including candidates in parliamentary elections. On the other hand, accused citizens are not tried in civil courts; rather they appear in front of military courts contrary to any rules of human rights. Due to the inability of the government to prepare an appropriate antiterrorism law, the state of emergency was extended for an additional two years. Political opposition elements could be arrested, tried and sentenced by military courts accordingly.

As the NDP secured sufficient majorities in both houses, it did not face any problem in having all amendments approved. In the meantime, it failed to amend Article 77, which provides the President with unlimited terms as the head of the state. This takes place while all political parties, civil society organizations and politically active and alert elements of the society call for limiting the duration of presidency to two terms.

### **3- The Role of Financial Resources in Politics.**

There is no doubt that political parties, election campaigns and processes as well as mobilizing the public to participate in politics require financial resources. The financial resources available to parties and candidates to fulfill their functions, the distribution of those resources and the ways in which they are collected and spent can have a decisive effect on the effectiveness of political actors, on the nature of electoral

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<sup>3</sup> Egypt's Local Elections Farce: Causes and Consequences, Policy Outlook, Carnegie Endowment for International Peace, Washington, April 2008.

<sup>4</sup> Electoral and Social Tension's Spike in Egypt, Policy Watch, No. 1763, The Washington Institute for Near East Policy, December 2008.

- Others think that the NDP won no less than 99% of local seats; Amr Hashem, Election Results: Analytical View, in Amr Hashem (ed.) Local Councils Elections April 2008, Al-Ahram Center for Strategic and Political Studies, Cairo, 2008, pp. 163- 194.

competition and, ultimately, on the legitimacy of elections and democratic institutions. Secret money and corruption hurt the economy and polity, distorting the behavior of politicians, stunting development and weakening citizen confidence in democracy. The perception—and, perhaps, the reality—is that many elected officials make decisions prompted more by the need to repay their contributors than to represent their constituents, while lawmakers bend or break the rules to stay in power and protect their wealthy sponsors. If this is indeed the case, what has or can be done about it?<sup>5</sup>

The unregulated use of money can tarnish and endanger basic democratic tenets such as the fairness of elections, the possibility of all citizens to make their voices heard and political integrity.<sup>6</sup> Hence, regulating funds in terms of recipients, disbursement and expenditure have become major challenges in both old and emerging democracies.<sup>7</sup>

Abusive funds, especially state funds and resources, belong to the realm of systemic public corruption, which is a damaging phenomenon to any democratic process. In the use of public funds and resources in Egypt, there are evidences of corruption, abuse and non-transparency, both during and after elections. There is a vital debate both in literature and reality regarding the significance of public funds as well as its political and moral costs.

- 1) The flow and distribution of political funds impinge directly on electoral equality, on the actual possibilities enjoyed by candidates and parties to put their message across to the voters. A lopsided distribution of electoral funds erodes-although not necessarily impedes-the uncertainty of electoral results, a fundamental prerequisite for their legitimacy.
- 2) Money bestows on individuals and groups unevenly distributed opportunities to directly participate in elections and/or exert political influence through their contributions to candidates and parties. This is of

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<sup>5</sup> Gene Ward, The role of disclosure in combating corruption in political finance.

<sup>6</sup> Dr. Kevin Casas-Zamora, Dr. Marcin Walecki, Jeffrey Carlson, Political Integrity and Corruption: An International Perspective.

<sup>7</sup> Dr. Marcin Walecki, Regulating Politics: The role of internal and external oversight in Europe.

critical importance for democracy. When political power merely reflects economic power, the principle of "one man, one vote" loses its significance and democracy ceases to be in the service of the public.

- 3) Fundraising processes offer obvious opportunities for the articulation of quid pro quos between private donors and policy-makers, or, at a minimum, for the emergence of continuous conflicts of interest for the latter. At best, political fundraising processes can jeopardize the public interest; at worst, they destroy the integrity and autonomy of policy-makers and privatize their decisions.

However, public funding can contribute in crucial ways to the strengthening of democratic politics. Four areas are particularly important:

- 1) Public funding may strengthen the autonomy of politicians, prevent political finance-related corruption and enhance financial transparency. By providing a source of income with no strings attached, subsidies can protect parties and elected officials from economic dependence on large private donors, and reduce the likelihood of corrupt exchanges between contributors and politicians. By virtue of being public, public funding is an entirely transparent source of political money.
- 2) Public funding can protect political equality of opportunity and electoral competition. Subsidies may prevent the political dominance of groups with vast economic resources to put their message across and mobilize voters. It may allow parties and candidates to compete fairly in elections regardless of the socio-economic condition of their supporters, and thus reduce entry barriers to political competition.
- 3) Public funding can provide political actors with adequate resources for essential democratic activities, increasing the institutionalization and stability of parties. Traditional sources of funding are increasingly unable to sustain an adequate level of democratic activity. Public funding may help political actors cover the cost of increasingly sophisticated campaigns

and provide parties with steady income. It can do so in an optimal way, minimizing fundraising costs and dependence on large private contributors.

Public funding can be a powerful lever to secure compliance with other political finance regulations: In many democracies, the introduction or increase of state subsidies has been part of a bargain with political parties, whereby the latter increase their levels of transparency in return for getting money from the public purse. By the same token, the loss of public funding can act as a deterrent against violations of electoral and political finance rules.

#### **4- Corruption and Abuse of Funds: Culturally Inevitable or Systemically Rooted?**

From an ethical and religious standpoint, corruption is outlawed and corrupt persons should be punished. According to the Quran and the Holy Books, corruption is not acceptable, and corrupt people should be penalized in life and hereafter. In addition, corruption is a man-made phenomenon. However, both domains (i.e. ethics and religion) are not socially and politically compulsory and do not have enforcement power. In both rich and poor Arab countries, corruption and abuse of public resources are widespread and in many instances justifiable. A well known proverb in Arabic states that undisciplined funds teach thievery. The essence of the problem is that in the absence of accountability and responsibility, there is a mix between the public budget and private purse with a strong trend to utilize the first, where there is no regulation, to the benefit of the second. Are there any demarcation lines between oil returns in the Gulf States and the private interests of the ruling families? Is there any oversight of the military budget and expenditure on weapons in the established republics in the Arab world?

Lack of oversight and disclosure of public funds, corrupt politicians and politics, as well as low levels of public integrity could endanger established democracy as mentioned earlier. What about emerging democracies in the Arab world? Some argue that there are conditions that spoil the democratization process such as:<sup>8</sup>

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<sup>8</sup> Dr. Kevin Casas-Zamora, Dr. Marcin Walecki, Jeffrey Carlson, Op. Cit., p. 4.



- 1) Excessive competition between political factions and interest groups over state resources;
- 2) Severe poverty, which fuels vote-buying and makes popular participation in politics more difficult;
- 3) Voter apathy, weak civic activism and a lack of independent media; and
- 4) Control of the state by moneyed interests (state capture).

Democracy in the Arab world is characterized by hesitance and skepticism. Some describe its pace as "Two Steps Forward and Seven Backward."<sup>9</sup> Others, representing alternative views of political rights, used the term "Salvage What Could Be Saved."<sup>10</sup>

Political corruption, defined as the abuse of entrusted power by political leaders for private gain with the objective of increasing power or wealth, lack of transparency, and low levels of public integrity are characteristics of public and private finance of political life. It is not surprising, then, to know that the Corruption Perception Index (CPI) for Egypt has worsened over the last three consecutive years. In 2006, Egypt was ranked 70 with a score of 3.3. In 2007, it declined to 105 with a score of 2.9, and in 2008, it continued its decline to 115 with a score of 2.8.<sup>11</sup> On another international index, the Global Corruption Report, Egypt also declined from 66 in 2007 to 77 in 2008.<sup>12</sup> Moreover, the quality of its labor market was down to 130 out of 131 countries. Contrary to this is Egypt's positive rank on the Index of State Weakness in the Developing World, where Egypt was ranked 78 out of 141 developing countries with 6.5 out of 10. However, the lowest score given to Egypt was 4.09 on the political component,<sup>13</sup> which includes government effectiveness, rule of law, voice and accountability, control of competition and freedom. These represent worldwide governance indicators.<sup>14</sup>

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<sup>9</sup> Wahid Abdel-Megid (ed.), *Two Steps Forward and Seven Backward: The Report of National Campaign for Monitoring the Elections*, Cairo, 2005.

<sup>10</sup> *Salvage What Could Be Saved*, United Group, Cairo, November 2006.

<sup>11</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_research/surveys_indices/cpi)

<sup>12</sup> <http://www.transparency.org/publications/gcr>

<sup>13</sup> Susan E. Rice and Stuart Patrick, *Index of State Weakness in the Developing World*, The Brookings Institution, Washington, 2008, p. 8 and pp. 39- 42.

<sup>14</sup> Melissa Thomas, *What do the Worldwide Governance Indicators Measure?* Johns Hopkins University - Paul H. Nitze School of Advanced International Studies (SAIS), August 1, 2007. See also, *A decade of Measuring the Quality of Governance*, Governance Matters, Development Research Group, The World Bank, Washington, 2007.

This takes place while the growth rate increased to 7.2% in 2008, and the presence of businessmen in legislative bodies has increased almost three times in the last ten years. There were 37 such members in the People's Assembly in 1995 (8.1%), 77 in 2000 (17%) and 90 in 2005 (22%).<sup>15</sup>

Irregularities in utilizing state resources, lack of regulations, inability or unwillingness to enforce the law, and the NDP's unchallenged domination create epidemic systemic conditions conducive to political corruption and the emergence of corrupt politicians. Such conditions mean the system is immune to genuine reform. Some optimists were looking for ways to improve conditions for financial regulations and the election environment. Others were too pessimistic to the degree that they issued a pamphlet specifying methods of defrauding elections<sup>16</sup> such as chain electoral cards, incorrect electoral tables, buying and selling of votes, mass registration and collective voting. Some experts call this "Political Clientelism" which takes place in a voting stock market.<sup>17</sup> The increase of both extreme and absolute poverty in Egypt adds to the structural dysfunction of the election system.<sup>18</sup>

#### **5- State Funding of Political Parties.**

Political and election competitiveness in Egypt runs on unequal and unfair bases, in spite of the fact that Law 40 (1977) on political parties guarantees equal opportunities for legitimate organizations. However, political parties do not enjoy the privileges enjoyed by the NDP. Moreover, some political groups do not have free access to legal channels of expression or organization and are denied their right to form political parties. MB is prohibited, according to Article 5 of the constitution, from establishing itself as a party.<sup>19</sup>

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<sup>15</sup> Jihad Ouda, Negad El-Borai and Hafez Abu Saada, *A Door onto the Desert: 2000 Egyptian Parliamentary Elections*, United Group, Cairo, 2001. See also, Abdel-Ghaffar Shokr, *Political Parties and Election Finance in Egypt*, Paper Presented to Center for Political and Strategic Studies, Al-Ahram, 2008.

<sup>16</sup> Ali Al-Sawy, *Election Fraud*, Cairo, 2005.

<sup>17</sup> Abdel-Ghaffar Shokr, *Op. Cit.*

<sup>18</sup> Abdul-Monem Al-Mashat, *Towards Achieving the MDGs: A Holistic Approach to Development: The Experience of Egypt*, Paper Presented at International Conference on: Poverty and Distribution Amidst Diversity: Options and Challenges for Development, Center for Poverty and Development Studies (CPDS), Faculty of Economics and Administration, University of Malaya, Malaysia, 13- 14 August 2007. See also, *Egypt's Social Contract: The Role of Civil Society*, Egypt Human Development Report, UNDP and The Institute of National Planning, Egypt, 2008, p.14.

<sup>19</sup> The political regime of the Arab Republic of Egypt is based upon the multiparty system in the framework of the basic principles and components of the Egyptian society stipulated in the Constitution. Political parties shall be organized by law. The article was amended according to the referendum of May 22, 1980. However, the amendment that took place in March 26, 2007 added the

The Egyptian government, which inherited a vast state apparatus, has been in total control of state resources, mass media outlets and legal channels for political participation. This diminishes any possibility for real and substantial competition. In addition, there is obvious intermarriage between the business community and ruling elite. In fact, just surveying the structure of Cabinet, in many cases, it is hard to distinguish between business members and others. The former have become outspoken media heroes who feel no embarrassment at openly defending more liberalization of the economy, which deepens extreme poverty.

State funding in Egypt goes back to 1977, when the late President Sadat permitted the transformation of the three political forums in the ASU into three political parties. Law 40 (1977) allowed public funding of political parties. At the outset of this process, public funding took the form of tax exemption on premises and establishments belonging to political parties. However, these exemptions were only offered to parties that held at least 10 seats in the People's Assembly.

In 1979, the law on political parties was amended and provided parties with direct state funding in addition to the tax exemptions they had already gained. Accordingly, each party is eligible to receive annually 100,000 L.E. (US\$18,000.00) for a period of 10 years, after which the party is required to hold at least one seat in the People's Assembly. Moreover, Law 40 (1977) requested that the state provide political parties with additional 5,000.00 L.E. for each seat they occupy in the People's Assembly, with a 500,000.00 L.E. ceiling for each party.

Public funding is not limited to political parties. It was extended to individual candidates in the 2005 presidential elections, where each candidate received 500,000.00 L.E. to assist with his election campaign and media coverage. Article 24 of Law 174 (2005) permitted candidates to use a maximum of million 10 L.E. in the campaign. Article 25 states that each candidate is eligible to receive public funds in the amount of 5% of the amount specified in Article 24. Candidates were allowed financial contributions from Egyptian citizens and from the nominating party. The maximum any citizen can contribute to any candidate is limited to 2% of the maximum expenditures allowed by the law, i.e.; 200,000,00 L.E. The law requires that all these funds be deposited in separate Egyptian money account in one of

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following: Citizens have the right to form political parties according to the law; it is prohibited to pursue any political activity or to form political parties on religious terms of reference or religious bases or on the bases of discrimination due to race or gender. For the exact text: Egyptian Constitution, 2007.

national banks. All expenditure documents must be available 10 days after the campaign comes to an end.

Are there regulations or financial control over such funds? Is there a disclosure requirement regarding money received and funds disbursed? Is there an agency in charge of accounting? Is there transparency in the distribution of additional state funds and resources among political parties, candidates and political actors? Elections in 2005, 2007 and 2008 provide an opportunity to examine what happened to political finance in Egypt.

In addition to public funding, political parties seek funds from membership fees, sales of party newspapers and other publications and private contribution by Egyptian citizens. However, foreign funds and financial contributions are outlawed.

As the amount of public funding is trivial, the debate around it is less important than that on the role of private contributions from businessmen, especially to both the NDP and MB. However, one might argue that some of the tiny political parties in Egypt were nurtured simply due to the receipt of public funds while richer ones such as Al-Wafd, which declined public funds, might be able to survive without it. It might be well argued that, in many cases, the government was able to utilize public funds as a means of pressuring and co-opting tiny and needy parties to agree to its policies and reforms. It also used public funds, in combination with other tools, to create intraparty. Instead of improving the political process through public funds, it has been weakened if not put on hold.<sup>20</sup>

#### **6- Public Funds in 2005- 2007 and 2008 Elections.**

In order to curb the abuse of political finance and state funds, according to independent observers, in the 2005 presidential and legislative elections, the HEC issued resolution 5 (2007) to organize the Shura Council elections, which took place in June 2007. Among the rules which should be observed: a) the maximum expenditure by any candidate must not exceed 100,000.00 L.E. It is prohibited to use state buildings, public means of transportation or those owned by public corporations and companies with state shares in election campaigns; b) It is prohibited to use public funds or funds of public corporations and companies with state shares in an election campaign; c) It is prohibited to use mosques, churches, schools, universities

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<sup>20</sup> Doha Debate, BBC, October 4, 2008.

and other educational institutions in an election campaign; and, d) it is prohibited to receive funds from foreign individuals or agencies or their representatives inside the country to be spent in an election campaign or to be given to voters in order to influence their choices. However, the HEC did not specify who would be in charge of monitoring the receipt and disbursement of funds. Moreover, the HEC did not decide penalties or punishments related to the violation of its resolution.<sup>21</sup>

One might categorize the abuses of public funds and financial resources in the election campaigns as follows:

1. **Buying Voters' Political Will:** As mentioned earlier, the legislative elections in 2005 and 2007 and local elections in 2008 witnessed widespread election bribes and vote-buying in a semi-stock market. Some called these irregularities electoral bribes, whose values depended on the levels of election competition among candidates.<sup>22</sup> While the value of a vote in the 2005 People's Assembly elections ranged from 500.00 to 1000.00 L.E. in some constituencies, the value in the 2007 Shura Council election was far less, around 300.00 L.E. This lower value was due to the fact that the Shura Council elections took place after the 2006 constitutional amendments, which marginalized independent candidates, and also due to the less important legislative and political role of the Shura Council. The exchange of voters' free choices of candidates for financial bribes and government services harmed the democratization process.<sup>23</sup> On one hand, structured legislative bodies around the interest of candidates with more financial resources rather than the interests of voters and constituencies. On the other hand, it reinforced political apathy where voters did not turn out and preferred to stay away from that corrupt process. In fact, there is a debate over voter turnout in the 2008 local elections. While the HEC announced that

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<sup>21</sup> Draft Law of Political Rights in Light of Constitutional Amendments, United Group, Cairo, 2005, pp. 124- 125. See also, Amr Hashem (ed.), The Shura Council, 2007 Elections after Constitutional Amendments, Al-Ahram Center for Political and Strategic Studies, Cairo, 2007, pp. 95- 107.

<sup>22</sup> Wahid Abdel-Megid (ed.), Two Steps Forward and Seven Backward: The Report of National Campaign for Monitoring the Elections, Op. Cit.

- See also Yousri A. Gharbawy, Propaganda and Election Campaign: Survey Research, in Amr Hashem (ed.) Local Councils Elections April 2008, Op. Cit., pp. 115- 161.

<sup>23</sup> Amr Hashem (ed.), The Shura Council, 2007 Elections after Constitutional Amendments, Op. Cit., pp. 106- 107.

31.23% of registered voters participated,<sup>24</sup> others believe that turnout did not exceed 5% of registered voters.

2. **Monopoly of State Resources by NDP (Political Monopoly of Public**

**Fund):** Notwithstanding rules and regulations stipulated by laws and its amendments that were initiated in 2005 and after prohibiting the utilization of public sphere, public premises, public transportation, etc., by any candidate or political party in election campaigns, the reality is that all those facilities were fully utilized by the NDP in presidential, legislative and local elections. Public buses and those owned by ministries were used in election campaign as well to transfer voters and employees of candidate ministers to voting boosts. Many violations were reported by civil society organizations as well as media observers.<sup>25</sup> The use of public properties for campaigning was extended to mosques (and churches), which were utilized by both NDP and MB candidates. Candidates would approach preachers and prayer leaders, especially on Fridays, to promote their candidacies and improve their images as pious, clean and transparent.

3. **Public Media Bias in Election Campaign:**

Most reports on the role of media in covering the presidential campaign argue that public television was, to a great extent, neutral in allocating equal time to candidates including Mr. Mubarak, the incumbent candidate. However, government-owned and controlled newspapers expressed bias in favor of President Mubarak and NDP candidates in legislative elections.<sup>26</sup> According to many analysts, observers and experts, government-controlled media promoted NDP candidates in different elections, especially ministers and businessmen when they began new projects or issued decisions of popular nature. Coverage of NDP candidates in the 2005 People's Assembly elections reached 69%, while candidates of active parties such as the Unionist, Al-

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<sup>24</sup> Mohammed El-Saiid Idris, *Analysis of Election Results*, Ibid., pp. 139- 164.

<sup>25</sup> Report by the Egyptian Organization for Human Rights, Cairo, 2007.

<sup>26</sup> Safwat El-Alem, *Role of Media in Political Reform*, in Amr Hashem (ed.), *Egypt and Reform after Presidential and Parliamentary Elections*, Al-Ahram Center for Political and Strategic Studies, Cairo, 2006, pp. 119- 140.

Ghad (Future) and Al-Wafd received only 9%, 6% and 1% respectively.<sup>27</sup> That bias was not limited to publicly owned and controlled media; it also characterized private media especially during the presidential campaign.

4. **Unaccounted for and Unaccountable Fund Disbursement:** Except for Article 28 of Law 174 (2005 of presidential elections), there are no clear-cut regulations on funds accounts, book keeping or which agency is authorized to oversee funds disbursement by candidates and political parties. Hence, expenditures on election campaigns, including voter bribes, in money or in kind, are not really counted. As election campaign expenditures are limited to 100,000.00 L.E. and the costs of campaigning and media coverage are relatively high, most candidates spend resources far beyond that ceiling. That, among other things, explains the increasing number of business candidates and those from well-to-do families. The lack of a reliable accounting system as well as a general absence of accountability open doors to political corruption and non-transparent political activities.

#### **7- Toward Fair and Competitive Elections: Regulations, Disclosure and Oversight.**

Would it be possible for countries characterized by slow and cautious political reform to apply global anti-corruption, disclosure and transparency measures to election funds and financial resources? Or should such countries, within their own political cultures design their own rules of control, disclosure and accountability? In spite of the appeal and convenience of culturally specific procedures, they lead to lower standards of accountability and unfair and corrupt acts by incumbent regimes. International oversight symbolized in applying and testing global indicators to developing countries such as the CPI, among others, are debatable and unwelcome. However, ranking developing countries, including Arab states, on international indices causes great embarrassment to governments and regimes as well. What is badly needed in a country like Egypt is electoral integrity and regulation of political

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<sup>27</sup> Wahid Abdel-Megid (ed.), *Two Steps Forward and Seven Backward: The Report of National Campaign for Monitoring the Elections*, Op. Cit., p. 51.

finance,<sup>28</sup> i.e. funding and spending of resources by political parties and candidates during and outside of election campaigns. In addition, institutionalization of internal control is essential.<sup>29</sup>

There are certain fundamentals prerequisites for any control as follows:

1. A clear and full separation between the state apparatus and NDP should take place. There is no doubt that the NDP fully utilizes state properties and venues to promote itself, improve its image, and spoil the images of opposition forces. That universal utilization of state properties led to high levels of political apathy when the public saw the NDP, as natural heir of the ASU, with its legacy of authoritarianism and non-democratic acts. State properties including funds should be accessible to all legitimate political players on equal basis.
2. State agencies of social control, especially security forces, should conduct their functions and duties in maintaining social peace only in the service of the state and the Egyptian people. In doing this, security forces should be guided by professionalism and neutrality. Their members, as public employees of the state, should move their acts forward to the service of the state interests, not advocate for one side or another. In this regard, the politics of exclusion and massive arrests of opposition, especially regarding the MB, clearly shows bias towards maintaining the status quo and bears the roots of political and social instability.
3. The politics of unequal distribution of national resources increases the extent and intensity of poverty in the country, with 40% of the population under US\$2.00 a day. According to the Millennium Development Goals, Egypt, like other signatories, should initiate policies to eradicate poverty by 2015. No signs of this effort can be found. Poverty is one of the core causes of political corruption, and, if combined with high levels of illiteracy, is the reason for political apathy. Ensuing political participation, empowering civil society and installing public integrity and transparency require satisfaction of basic needs as well as reasonable levels of education and sound political socialization processes.

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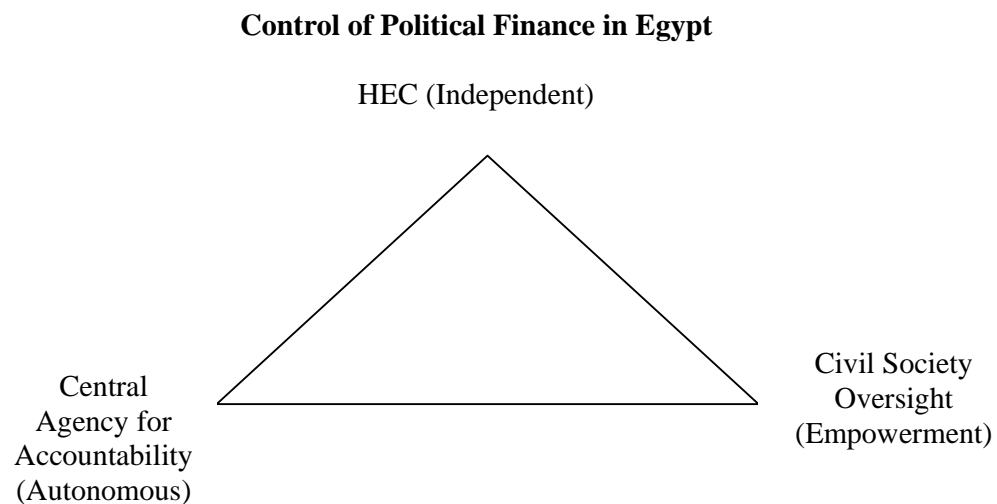
<sup>28</sup> Dr. Kevin Casas-Zamora, Dr. Marcin Walecki, Jeffrey Carlson, Political Integrity and Corruption: An International Perspective, Op. Cit.

<sup>29</sup> Dr. Marcin Walecki, Regulating Politics: The role of internal and external oversight in Europe, Op. Cit.



4. Increase the role of judiciary, which is an independent institution in the country, including oversight of elections and related activities. Its role in resolving conflicts of interest, its emergence as civil mediator and its autonomous rulings are essentials for a more dynamic multiparty and multi elections system.

The diagram below is adapted from Marcin Walecki's model of the institutionalization of regulation. The diagram is a triadic shape with interrelated elements:



- 1- Independent HEC:** Due to the central role of the HEC in putting elections and political parties on the right track, it is a must that the commission be independent from the executive branch of government. The Supreme Court and/or legislative branch should be able to select its members, bestow protection and immunities on them and provide them with the right legal and political instruments to install, maintain and sustain a fair, competitive and effective election system and viable political parties with equal access to state resources. Rules of control, oversight, both internal and external, and disclosure should be instituted and maintained by the commission.

- 2- Central Agency for Accountability:** Though it is state run agency, it emerged in the last five years as a core agency for reviewing government expenditures. It provided solid reports identifying elements of waste and corruption in handling public funds in general. It embarked as well on a series of discussions of elements of transparency and accountability. Though law 177 (2005), an amendment to the 1977 law, considering the Central Agency for Accountability the main agency for monitoring financial resources and money disbursement by political parties, we have not seen major breakthrough in this regard. In acquiring and maintaining a good level of accounting and accountability, the Central Agency for Accountability should play a more significant role as a regulator and a monitor of public funds.
- 3- Civil Society Oversight:** This is a *nouveau* element affecting political dynamics in Egypt. It is emerging as a political force paving, with persistence, its own way in the system in spite of attempts to curb its activities and limit its functions to charity. Civil society oversight of financial resources for political parties, candidates and election expenditures, if systematically empowered and politically sustained, would play a truly significant role. On one hand, it would be able to force/encourage political parties and candidates to disclose their financial resources. In the meantime, it would encourage additional participation by an apathetic population in the political process. However, this element needs additional guarantees, and, for sure, resources to substantiate its essential role in financial oversight.

### **Conclusion**

Political finance in Egypt is a loose phenomenon. Both state and business communities abuse it as sponsors, contributors and as disbursers. It has to be looked at within the larger socio-political environment, which is characterized by corruption, lack of transparency and monopoly of political life by a dominant party. Regulating funds, oversight of financial resources and their disbursement, imperative aspects of democratic reform, should be reinforced. It is essential to advocate the

institutionalization of financial regulation in Egypt as a means of creating public confidence in the positive impact of participation, of which the highest forms are elections.