

# **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 process. It is the least susceptible region to democratization which 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 transformation in countries like Egypt where it is only moving from closed to open authoritarianism. Some call this process an upgrading authoritarianism in the Arab world where Arab regimes are converging around policies that are explicitly design to stabilize and preserve authoritarian rule in the context of ongoing demands for political change<sup>1</sup>.

Explanations such as abrupt democratization might produce fanatic or extremist religious governments is definitely insufficient in light of two major phenomena: **a)** Systemic corruption is wide spread among both political elite and the bureaucracy, and **b)** Increase volume and weight of poverty in Egypt while the amount of available cash funds are overwhelming. The combination between corruption and expansion of poor population in addition to the spread of both military and hereditary regimes create unhealthy environment for democratization process; a process based on fairness and equal opportunity for all.

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

An integral part of the democratization process is the role 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 off springs of the Arab Socialist Union (ASU) or have been created by legal ruling against the rejection decision by Political Parties

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

Committee (PPC) headed by the Deputy Secretary General of the National Democratic Party (NDP). In such 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 the political finance in Egypt; its sources, distribution, rules of disbursement and whether it is based on political corruption and how much transparency is there in handling state funds. Before doing this, it will be important to provide an analysis of the socio-political context where funds operate. An analysis of how funds were used in 2005/ 2007 and 2008 elections will take place. A discussion of political bribes such as vote buying, privatization of 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- 1952, Egypt used to be a multiparty parliamentary kingdom where competitive elections were the base for rotation of 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; ASU, which was maintained until 1977 when late President Sadat allowed three small parties to function. 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 Highest Administrative Court at State Council. The major opposition group, the Muslim Brotherhood (MB) is denied, according to 2007 amended Article 5 of the Constitution, any legal presence in the country where it is labeled the outlawed group though it was able, through participation in the 2005 legislative elections to secure 88 seats out of 444 seats in the People's Assembly (20%). Though the regime does not object to the MB social, economic and public services activities, yet 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 size, activities and role. The NDP, though not based on mass support, is a dominant party in both legislative and executive branches. It has historically secured election majority in all 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 they did not win any seat in both Shura Council elections and the local elections in 2007 and 2008 respectively. 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 domestic 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 of their choice. However in 2007, Article 76 went through a second amendment along additional 34 articles to hinder not only independence 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 total number of seats in both chambers of the Parliament to be able to nominate a candidate for presidential elections. However, there is one exception; the law allows any party represented by 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. Acquiring **3%** of seats in both chambers mean that 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 to win collectively 14 seats out of the 444 contested seats (3.15% of the total number) of contested seats. In addition, in the 2007 mid-term Shura Council

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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.

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 affiliation of candidates. Regarding independents, the first amendment of 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 referendum. The most important articles which created resistance from civil society, political parties as well as 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 limited mandate in administering elections and in making fundamental decisions regarding its fairness and competitiveness. The retreat from judicial oversight, neutral by nature of profession, led to sweeping victory by NDP in the 2007 Shura Council elections (98%). It also led to NDP comprehensive and universal winning of well over 90% of the 53,000 seats of 2008 local elections<sup>4</sup>.

As for Article 179, which replaced state of emergency by 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

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<sup>3</sup> Egypt's Local Elections Farce: Causes and Consequences, Policy Outlook, Carnegie International 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.

tried in civil courts; rather they appear in front of military courts against 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 another two years. Political opposition elements could be arrested, tried and sentenced by military courts accordingly.

As NDP secures sufficient majority 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 organization and politically active and alert elements of the society call for limiting the duration of presidency to two terms.

### **3- 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 competition and, ultimately, on the legitimacy of elections and democratic institutions. Secret money and corruption hurt the economy and polity of a nation, 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 voice heard and political integrity<sup>6</sup>. Hence, regulating funds in terms of recipients, disbursement and expenditure have become a major element in both old and emerging democracies<sup>7</sup>.

Abusive funds especially public/ state funds as well as resources lie in the area systemic public corruption which is a damaging phenomenon to any democratic process. In the use of public fund in Egypt, there are evidences of corruption and abuse of public resources as well as non-transparency in the use of funds during and after elections. There is a vital

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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.

debate both in literature and reality regarding the significance of public funds as well as its costs both politically and morally as follows:

- 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 an unevenly distributed opportunity to directly participate in elections and/or exert political influence through their contributions to candidates and parties. This is of 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 ethics and religions stand point, corruption is outlawed and corrupt persons should be penalized and 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 man-made phenomenon. However, both domains i.e. ethics and religions 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 wide spread and in many instances justifiable. A well known proverb in Arabic states that undisciplined funds teach thievery. The essence of the problem that in the absence of accountability and responsibility there is a mix between public budget and private purse with a strong trend to utilize the first where there is no regulations to the interest of the second. Are there any demarcation boundaries between oil returns in the Gulf States and the private interests of the ruling families? Are there any oversight of the military budget and expenditure and overall weapons purchase in established republics in the Arab world?

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

- 1) Excessive competition between political factions and interest groups over state resources;

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

- 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 law for 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 level of public integrity are characteristics of utilizing funds both public and private in political life. It is not surprising, then, to know that Corruption Perception Index (CPI) for Egypt has declined and worsened in the last three consecutive years. In 2006, Egypt was ranked 70 with score 3.3, in 2007, it declined to 105 with score 2.9 and in 2008, it continued its decline to 115 with score 2.8<sup>11</sup>. On another international index; 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 Development World, where Egypt ranked 78 out of 141 developing countries with score 6.5 out of 10. However, the lower score given to Egypt was 4.09 on the political basket<sup>13</sup> which includes government effectiveness, rule of law, voice and accountability, control of competition and freedom. These indicators represent world wide governance indicators<sup>14</sup>.

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

<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.



Irregularities in utilizing state resources, lack of regulations and inability or unwillingness to enforce the law in addition to NDP unchallenged domination, create epidemic systemic conditions conducive to political corruption and emergence of corrupt politicians. Such epidemics create structural conditions susceptible to an immune system against genuine reform. Some of optimists were looking for ways and means to improve conditions for financial regulations and control as well as election environment. Others were too pessimistic to the degree that they issued a pamphlet specifying methods of fraud elections<sup>16</sup> such as chain electoral card, incorrect electoral tables, buying and selling 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 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 Party System guarantees equal opportunities for legitimate parties. However, political parties do not gain equal privileges enjoyed by NDP. Moreover, some political groups do not have free access to legal channels of expression or organizations and denied their right to form political parties. MB is prohibited, according to Article 5 of the Constitution from establishing political parties<sup>19</sup>.

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 which diminish any possibility for real and substantial competition. In addition, there is obvious intermarriage between business community and ruling elite. In fact, in many cases even looking at the structure of the Cabinet, it is hard to distinguish between business members and others. The first has become outspoken, media

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<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 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 exact text: Egyptian Constitution, 2007.

heroes and feel no embarrassment to openly defend more liberalization of the economy which deepens extreme and absolute poverty.

State funding in Egypt goes back to 1977 when 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 which are represented by at least 10 representatives (10 seats) in the People's Assembly.

In 1979, the law on political parties was amended and provided political parties with direct state fund in addition to tax exemption they have already gained. Accordingly, each party is eligible to annually receive 100,000 L.E. (US\$18.5) for a period of 10 years after which the party is required to be represented by at least one member in the People's Assembly in order to be eligible to receive such funds. Moreover, Law 40 (1977) requested that the state should provide political parties with additional 5,000.00 L.E. for each seat they occupy in the People's Assembly, with 500,000.00 L.E. ceiling to each party.

Public funding is not limited to political parties. It is extended to individual candidates for 2005 presidential elections where each candidate received 500,000.00 L.E. to assist him in the election campaign and media coverage. Article 24 of Law 174 (2005) permitted candidates to use a maximum of million10 L.E. in the campaign. Article 25 states that each candidate is eligible to receive public fund 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 is allowed to 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 required that all these funds should be deposited in a separate Egyptian money account in one of national banks. All expenditure documents should be available 10 days after the campaign comes to an end.

Are there regulations or financial control over such funds? Is there a disclosure requirements of money received and funds disbursed? Are there an agency in charge of accounting and accountability? Is there transparency in the distribution of additional state fund and resources among political parties and candidates as well as 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, party newspaper and other party publications and

private contribution by Egyptian citizens. However, foreign funds and financial contributions are legally outlawed.

As the size of public funding is trivial, the debate around it is less important compared to the role of private contributions from businessmen especially to both 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 fund while richer ones such as Al-Wafd (delegation) which declined public fund, might be able to survive without it. It might be well argued that in many cases the government was able to utilize public fund as a means of pressure and gaining support of tiny and needy parties to its policies and reforms. It is also used, in combination with other tools, as a means to create intra conflicts and divisions within political parties. Instead of mitigating the political process through public funds, the process has been weakened and put on hold<sup>20</sup>.

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

In order to curb the abuse of political finance including state fund which took place, according to independent observers in 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 does 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 election campaign, c) It is prohibited to use mosques, churches, schools, universities and other educational institutions in election campaign, and d) It is prohibited to receive funds foreign individuals or agencies or their representatives inside the country to be spent in election campaign or to be given to voters in order to influence their choice. 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 wide spread election bribes on the top of which is

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

<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.

buying voters votes in a semi voting exchange market a la the stock market. Some called these irregularities electoral bribes which ranged in value according to the level of election competition among candidates<sup>22</sup>. While the value of the vote in 2005 People's Assembly elections ranged between 500.00-1000.00 L.E. in some constituencies, the value in the 2007 Shura Council election was far less and around 300.00 L.E. This lower value of the vote was due to the fact that the Shura Council elections took place after the 2006 constitutional amendments which marginalized the opportunities of independent candidates to freely compete and also due to the less important legislative and political role of the Shura Council. The exchange of voters' political will and free choice of candidates with financial bribes and government services did harm the democratization process<sup>23</sup>. On one hand, it affected the structure of the legislative bodies to the interest of candidates with more financial resources than representing the free will of voters and constituencies. It also, on the other hand, reinforced political apathy where voters did not turn out and preferred to stay away of that corrupt process. In fact, there is a debate on the number and percentage of voters return in most recent elections, i.e. 2008 local elections. The HEC announced that 31.23% of registered voters participated in the elections<sup>24</sup>. Others believe that voters turn out in this election 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 as well as 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 such as premises

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<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.

<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.

in election campaign was extended to mosques (and churches) which were utilized by both NDP and MB candidates. They would approach preachers and prayers leaders especially on Fridays to promote their candidacy and improve their image as pious candidates who are 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 allocating almost equal time to candidates including Mr. Mubarak, the incumbent candidate. However, government owned and controlled newspapers expressed total bias toward President Mubarak, and NDP candidates in legislative elections<sup>26</sup>. According to many analysts, observers and experts, government controlled media was utilized to promote NDP candidates in different elections especially ministers and businessmen when they open new projects or issue 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-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 and unaccountable Fund Disbursement:** Except for Article 28 of Law 174 (2005 of presidential elections), there is no clear cut regulations regarding funds accounts, book keeping and which organization or agency authorized to oversee funds disbursement by candidates and political parties. Hence, expenditures on election campaign including voters bribes, in money or in kind, are not really counted. As the threshold of election campaign expenditures is limited to 100,000.00 L.E. while cost of campaign and media coverage is expensive, 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 compared to others. Lack of good and reliable accounting system as well as absence of accountability open doors to political corruption and non-transparent political activities.

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<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.

<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.

## **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 in handling election funds and financial resources? Or should such countries within its own political culture design its own rules of control, disclosure and accountability? In spite of the appealing nature and the convenience of the culturally specific arrangements and procedures, it leads definitely to lower standard of accountability and unfair and corrupt acts by the incumbent regimes. International oversight symbolized in applying and testing global indicators to developing countries such as CPI, among others, are debatable and unwelcome. However, ranking developing countries including Arab states on international indices cause great embarrassment to governments and regimes as well. What is badly needed in a country like Egypt is electoral integrity and regulation of political finance<sup>28</sup>, i.e.; funding and spending of resources by political parties and candidates in the context of election campaigns as well as non-election times? In addition, institutionalization of internal control is essential<sup>29</sup>.

There are certain fundamentals as prerequisites for any control as follows:

1. A clear and full separation between state apparatus and NDP should take place. There is no doubt that NDP fully utilizes state properties and venues to promote it and improve its image and spoil the image of opposition forces. That universal utilization of state properties led to high level of political apathy when the public see NDP the natural heir of the ASU with its bad connotation to 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 deliver its 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 only guided by professionalism and neutrality. Its members as public employees for the state should move their acts forward to the service of the state interests and not are biased and advocate one side against the other. In this regard,

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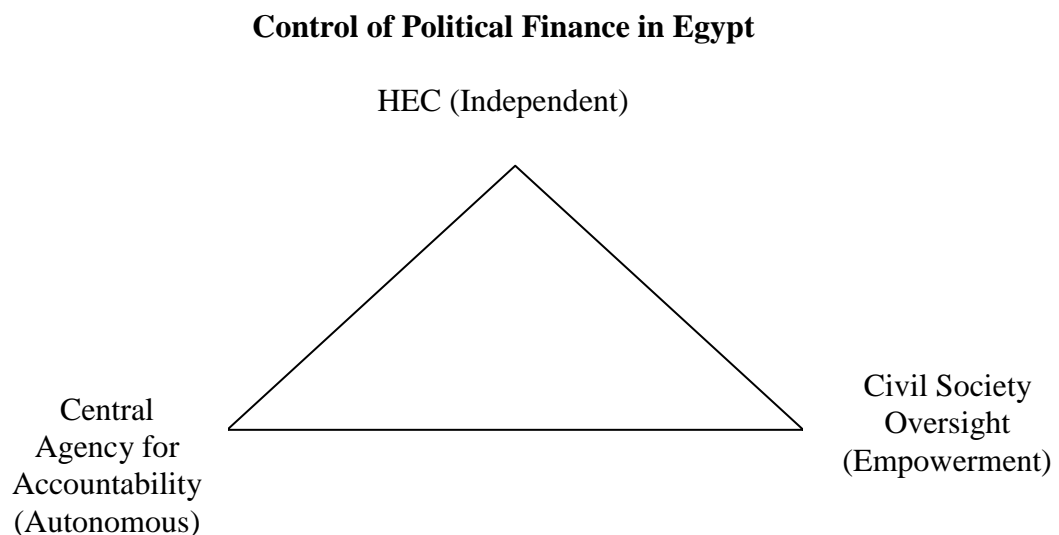
<sup>28</sup> Dr. Kevin Casas-Zamora, Dr. Marcin Walecki, Jeffrey Carlson, Political Integrity and Corruption: An International Perspective, Op. Cit.

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

politics of exclusion and massive arrests of opposition especially MB clearly discloses bias towards maintaining the status quo bear the roots of political and social instability.

3. Politics of unequal distribution of national resources leads to intensity of poverty and increase of the number of the poor in the country with 40% of the population under US\$2.00 a day. According to MDG's, Egypt like other signatories, should initiate policies to eradicate poverty by 2015. No signs of this could be depicted. Poverty is one of the core causes of political corruption, and if combined with high level of illiteracy, the reason behind political apathy. Ensuing political participation, empowering civil society and installing public integrity and transparency require satisfaction of basic needs as well as reasonable level of education and sound political socialization process.
4. Increase role of judiciary which is an independent institution in the country including oversight of elections and related activities. Its role in resolving conflicts of interests, its emergence as civil mediator and its autonomous rulings are essentials for a more dynamic multiparty and multi elections system.

The diagram below is drawn in part from Marcin Walecki argument concerning regulating politics and institutionalization of control. The diagram is a triadic shape with interrelated elements:



**1- Independent HEC:** Due to the central role of HEC in putting elections and political parties on the right track, it is a must that the commission should be independent from the executive branch of government. The Supreme Court and/ or the 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 fair, competitive and effective election system, 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 fund in general. It embarked as well on a series of discussions of elements of transparency and accountability. Though law 177 (2005), and amendment to 1977 law, considers 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 which affects 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 it to charity organizations. Civil society oversight of financial resources for political parties, candidates and election expenditures, if systematically empowered and politically sustained, would play true 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 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 in the 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 one party. Regulating funds, oversight financial resources and its disbursement, imperative elements in the democratic reform, should be reinforced. It is essential to advocate the institutionalization of financial regulation in Egypt as a means to create



public confidence in the positive impact of participating in politics on the top of which are elections.