

Working Paper No. 29

**THE IMPACT OF OPEN DOOR POLICY ON PUBLIC SERVICE  
PROVISION IN URBAN AREAS OF EGYPT: A MAJOR FACTOR  
INFLUENCING INCOME DISTRIBUTION SINCE 1974**

**M Ayman A M Daef**

September 1986

**THE IMPACT OF OPEN DOOR POLICY ON PUBLIC SERVICE PROVISIONS IN  
URBAN AREAS OF EGYPT: A MAJOR FACTOR INFLUENCING INCOME  
DISTRIBUTION SINCE 1974**

**CONTENT**

	Page
Acknowledgement	
I. Introduction	1
II. The Outcome of Public Policies	3
1. Public Service Provisions	3
1.1 Housing	3
1.1.1 Urban Housing Stock and its Quality	4
1.1.2 Cost of Urban Housing	7
1.1.3 Urban Housing Investment	9
1.2 Urban Utilities	12
1.2.1 Water Supply	13
1.2.2 Services	15
III. Political Economy of Development	18
1. Theoretical Framework: Nature of the State in a Peripheral Society	18
1.1 The Bureaucratic-Authoritarian State	18
2. Decision Making Process	22
2.1 Technocratic-Administrative Elites and Economic Policy	22
2.2 Interest Group Elites	24
2.3 The Compatible Dialogue between Elite Politics and Interest Groups	26
2.4 Bureaucracy and Policy Implementations	28
IV. Conclusions	30
V. Appendices	33
V. References	36

## I. Introduction

In 1974, President Sadat of Egypt initiated an Open Door Economic Policy (ODEP). It called for the revitalisation of the private sector, opening the country's doors to the flow of foreign and Arab capital and the partial dismantling of the public sector. The sum of these policies, which are still operative at the present time, constituted a reversal of Egypt's socialist transformation experienced under Nasser (1952-1970). The open door economic policy tilted progressively towards capitalist "laissez-faire, laissez-passer". As a corollary, the logic of the open door economic policy has been manifested in urban public service provisions as part of the government domestic policy. The focus of this analysis is to assess the extent to which the provision of such public services, housing and attendant utilities in particular, and the level of investment in such services reflect or sustain something that can justifiably be called "biased shift of emphasis", that is, an allocation of resources that neither serves the goals of equity nor of efficient urban development performance.

The major hypothesis underlying the analysis is that the provision of housing and utilities in the urban areas of Egypt has shifted from favouring the poor to favouring the rich. With the advent of the open door economic policy, the notion of "greater rather than less public intervention to effect income distribution within the cities" enjoys little favour among Egypt's policy makers. The result is an increasingly dualistic society in which growing class inequality and the maldistribution of resources are persistent problems in urban areas.

The analysis intends to examine the reasons why that shift of emphasis in providing public services has taken place. It will be revealed that the logic of the open door economic policy was to encourage middle and upper class investment and speculation while allowing inflation to hold down the real wages of the low middle class and the poor. The better off are supposed to become richer and to save and invest, otherwise an open door economic policy will not become a vehicle for growth.

The methodology applied in the analysis has two main parts. The first one deals with the outcome of public policies within urban society in Egypt. Hence, the aim of Chapter 1 is to examine the main factors which shape the welfare and distributive impacts of public service provisions. These factors are: firstly, the availability of housing and utilities, namely sewerage systems and potable water, in their quantitative as well as qualitative terms. And secondly, the levels of public investments in such services. Applying such an examination with reference to the periods of time before and after the initiation of the open door economic policy will reveal the assumed "shift of emphasis" with the advent of the open door economic policy. The resultant tightening of welfare outlays concerning the provision of public services for the masses will illuminate the major hypothesis of this work.

To explain why such a shift has taken place, the second part of the analysis examines the political economy of development since 1974, when open door economic policy was institutionalised as the centrepiece of government development strategy. This work advocates that what O'Donnell, 1979, sees as a bureaucratic-authoritarian form of state is not only peculiar to Latin American countries. Chapter 2 of the analysis will show that this proves to be an historical phenomenon contingent upon the circumscribed room for manoeuvre left to a peripheral state performing in a well established world capitalist system. In this sense, Sadat's high-level internal/external policy

of fostering an open door economy, led to a deepening in the process of "dependent development".

Chapter 3 of the analysis examines when the alliance between the state technocrats, decision makers, foreign investors and domestic entrepreneurs which took place as Sadat's bureaucratic-authoritarianism marked its domains. Consequently, when the outcome of Sadat's policies sought the support of local and international bourgeoisie, the resultant discrimination against the majority, in terms of providing public services such as housing or even potable water, was inevitable.

This analysis intends to provide an answer to the question of who finances the provision of services and who benefits from them. The "economic apartheid" brought about by the open door economic policy is the presumed major factor which led and is still leading to further disparities in the access to public services between different urban classes.

## **II. The Outcome of Public Policies**

### **1. Public Service Provisions**

Over the past three decades, underdeveloped countries have implemented various development strategies and policies with little success. All of the development policies were based on the doctrine that development will be reached through growth in the Gross National Product (GNP). While it is true that some countries experienced impressive growth rates, development planning in its comprehensive economic and social sense was not reached, and could be described as "planning in a social vacuum" as Ramirez has put it (R. Ramirez, "Planning in a social vacuum, 1974). By the late 1960s, it was clear that growth-oriented development policies had failed to improve the welfare of the masses of Third World countries.

The early 1970s brought about a new policy in Sadat's Egypt. This policy, which was called "Open Door Economic Policy" (ODEP) implied radical changes. From being a closed or restricted economy whose trade was mainly with the Eastern Bloc, the Egyptian economy has shifted towards greater trade with the West, an open door for foreign investment and an increased role for the private sector. These economic changes have not occurred in isolation. Changes in economic policy need to be seen in their domestic, political and international context.

At the domestic level, "the essence of a policy lies in the fact that through it certain things are denied to some people and made accessible to others. A policy, in other words, whether for a society, for a narrow association or for any other group, consists of a web of decisions and actions that allocates values", (Easton, 1959, pp 129-130).

Thus, public policies are invariably goal-oriented. Moreover, in most cases, they are designed to influence a very limited number of social conditions. If most domestic public policies pursued by liberal democracies are designed to promote the capitalist economic system and to limit the harms generated by unfettered capitalism, (Rich, 1982), an open door economic policy in a developing country like Egypt cannot be rationalized as aiming only to achieve growth of the GNP. It indicates, above all, a social project set by the ruling class and legitimised by the power it is prepared and able to exercise.

#### **1.1 Housing**

The following analysis of the housing situation in Egypt is based on information obtained from the most recent Housing Census 1976 as well as other sources. Since a great deal of the analysis originates from this Housing Census, a few notes on it should be mentioned beforehand. To begin with, the Housing Census considers any place where a family lives as a living quarter. Hence, a dwelling unit is defined as any structure that is intended for human habitation, irrespective of the type of construction or building material used. This means that structures such as shacks of cardboard, metal kiosks, huts, tombs, or any other type of structure that families utilise for living are considered houses (Waterbury, 1982, pp 337-339).

Secondly, the Census does not make any distinction between a one room unit and a ten room unit.

Both provide shelter and are counted as equal (El-Sokkari, 1984, pp 28-29). It becomes clear that the data of the Housing Census 1976 can be highly misleading and will be scrutinised with care and supported by or compared to other sources.

### 1.1.1 Urban Housing Stock and Its Quality

According to the 1976 Census, the total number of buildings in Egypt was 5,340,094, and the total number of housing units was 7,324,068. The majority of urban units (about 95%) were strictly used for housing, while the percentage of units used for offices and business was about 1.7% in 1976, and the rest (3.4%) were unoccupied (CAPMAS, 1976).

If we consider Cairo, for example, the period of 1970-1980 has witnessed a rapid expansion of the housing stock. During the second half of that decade the housing stock in Cairo grew at a rate of about 5.9%<sup>1</sup> per year, which is more than the estimated annual rate of growth of Cairo of 3.9% (USAID, 1982).

It is worth mentioning that there are a significant number of vacant flats estimated to be about 5.5% of available housing, while at the same time there is a housing shortage (USAID, 1982, pp 4-5). The reason may be one, or a combination of the following. Many of the available units that are vacant are in luxury buildings with prices far beyond the reach of even upper middle class Egyptians. Secondly, units are held vacant for speculative purposes in the hope that their value will increase over time. Finally, it is often the case that families will keep vacant units for their future needs whether for marriages, offices, etc. However, this phenomenon was never practised in Egypt before the initiation of the open door economic policy which implied the major responsibility of the private sector to provide housing and the retreat of public housing. Together with inflation, housing became a favoured field of investment for speculators as will be revealed later in this analysis.

The total number of housing units built over 1970-1980 shows that housing production decreased over the period of 1970-1975, and then began to pick up again at a rapid pace from 1975-1980 (peak of ODEP). In 1970, the number of units built was a little over 48,000. This figure dropped reaching 19,800 by 1974 and 15,000 by 1975. After 1975 housing production increased from 15,000 to about 53,000 in 1977, and reached more than 103,000 by 1980 (Zaitoun, 1980, Appendix 2, and CAPMAS, 1981, p 152).

Table 1 below gives details of the urban housing units built over 1975-1980 disaggregated according to quality. This particular table is highly important for the purpose of the present analysis for it coincides with the initiation of the open door economic policy. It is plain to see that most of the units produced fall under the category of "economic" which is the lowest in cost. However, the percentage of economic units decreases over the period from about 80% of production in 1975 to about 40% by 1980, six years after the initiation of the open door economic policy in 1974, while the percentage of average units has been steadily increasing. The percentage of "above average" units, or in other words luxury units, shows a tremendous increase,

---

<sup>1</sup>The USAID had updated the Housing Census of 1976 in its report (USAID, 1982). They estimated that between 1976-1981, 1/2 to 2/3 of the growth in Cairo housing units was a result of vertical expansion of existing stock.

a 5114% growth over the period 1975-1980.

**TABLE 1**

**NUMBER OF URBAN HOUSING UNITS BUILT 1975-1980**

Type of Building	Number of Buildings						% Growth 1970-80
	1975	1976	1977	1978	1979	1980	
Economic	11,083	16,932	45,807	32,177	58,489	42,290	384
Average	3,815	2,264	5,835	7,519	20,646	52,894	1,389
Above average	162	404	894	3,485	11,740	8,284	5,114
Total	15,000	19,600	52,536	48,181	90,875	103,558	690

Source: CAPMAS, *Statistical Yearbook, 1981*, p 150

El-Sokkari (1984) notes that the average number of units built over the period of 1971-1978 is about 30,000. Furthermore, she estimates that this figure was 52,000 over the period of 1952-1960. Thus, a longer time span reveals that investment in housing was drastically dropping.

Considering the number of units built per 1000 urban persons, Zaitoun estimated it as dropping from 7 in 1952/60 to 1.6 in 1970/78. She explains that this last figure is very low even in comparison with other developing countries ( M. Zaitoun, 1980, p 38). The decrease in investment in housing is further verified by the fact that the percentage of national investment allocated to housing dropped from 12% in 1961-1970 to 10.3% in 1971-1978.

Thus with the adoption of the open door economic policy in 1974, the private sector began to re-enter the market. But since rent controls of Nasserist period still existed providing extensive protection of the tenants at the expense of the owners, the private sector only built luxury flats, mostly for sale or rent with extremely high key-money rates. Hence, the open door economic policy worsened the housing problem because land prices sky-rocketed as a result of speculative activities thus increasing the cost of housing.

The availability of a housing unit is only part of the problem. The quality of such a unit is critically important as well. In looking at the quality of a certain supply of housing units, the criteria of crowding, availability of utilities and the physical state of the buildings themselves must be considered.

To begin with, there is a significant number of housing units which were not constructed for that purpose. These include kiosks, cabins, garages and shacks, which lack many of the facilities that define housing, such as utilities, kitchens, toilets. etc. In this situation, these units become solely a place of shelter, just for sleep, and all other activities are carried out outside. These units are termed "independent rooms" in the 1976 Housing Census. From the 1976 Housing Census, the number of these units (unsuitable housing units) was estimated to be about 677,000 which is about

10% of the total stock of 7.3 million units. The majority of this type of housing is found in the urban areas (CAPMAS, 1976). Another estimation is worth mentioning here: Professor Milad Hanna in his article "A Bourgeois View of the Housing Problem" states that the stock of housing units in urban Egypt was 3.5 million in 1976, 733,000 of which were independent rooms. This estimate is much higher than the figure of 677,000 for all of Egypt (Hanna, 1982).

Another indicator of the quality of housing is the availability of utilities. Although this aspect will be dealt with in more detail in section 1.2 of the analysis, a brief reference to the situation of utilities in urban Egypt is relevant here. The statistics concerning the availability of utilities differ from one source to another. It has been estimated that in the urban areas, about 10-20% are not served by potable water (Ikram, 1980, p 388)<sup>2</sup>. This estimation implies that about 14 million or 37% of the total population lack access to potable water. Parsons (1980) estimates that 1/4 of the population lack direct access to Cairo's water supply and carry water from public mains.

The availability of sewerage facilities is also low. It has been estimated that in 1970 only 44% of buildings in Greater Cairo were connected to public or private systems of sewerage (Ikram, 1980, p 388). In general, only 1/2 of the population in the urban areas is served with sewerage facilities (Radwan, 1980, pp 5-29).

A third indicator of the quality of housing is that of the level of crowding. The number of persons per room was about 1.8 in 1976, or 1.9 in 1977 (Sharif, 1980, p 44). Thus, the crowding level appears to be satisfactory. But another source of data (El-Sokkari, 1984) indicates that a significant proportion of the population lives under extremely crowded conditions of five to seven and even more persons for a room. Thus, the average here is extremely misleading. There is no doubt that in the upper income groups, there are several rooms per person, while in the lower income groups there may be several persons per room.

The Housing Census does not provide information on the state of buildings - those in need of demolition, maintenance or average expected life, etc. However, in 1980 a survey of unsound buildings reported a total of 140,000 in Cairo and Alexandria. This is a significant part of the housing stock. In other cities, the number of unsound houses is put at 60,000 which means a total of about 200,000 building units. These houses, in addition to the number of buildings more than 70 years old amount to about 700,000 in all (Zaitoun, 1980, p 10).

Having reviewed the state of the housing stock in urban Egypt, over the 1970-80 decade, and especially after the adoption of open door economic policy in 1974, it is clear that housing needs have not been met for the majority of the population. Vast numbers of people still live in horrifying conditions. The conditions of low-income housing neither meet qualitative nor quantitative measures.

### **1.1.2 Cost of Urban Housing**

The cost of a housing unit may be broken into two parts: the cost of land, and the cost of

---

<sup>2</sup> In another section of the same report, the estimate of the dwellings served with water was 70 % for 1976 (pp 158-159).



construction. Table 2 below shows the cost of land and construction over the years 1970, 1976, 1980 and 1982. Thus the changes in housing cost before the open door economic policy as well as after its initiation can be followed:

**TABLE 2**  
**COST OF LAND AND CONSTRUCTION: 1970, 1976, 1980, 1982 ( , E)**

	1970	1976	1980	1982
<b>Land/m<sup>5</sup></b>				
Poor areas	1	40	50	70
Middle Class Areas	5	120-160	150-200	150-200
Upper Class Areas	50	700-1,400	800-1,500	800-1,500
<b>Construction/m<sup>5</sup></b>				
Poor	8-10	40	60	60
Middle	12-14	100-180	100	100
Upper	16-25	100-180	120-140	150-500

Source: El-Sokkari, 1984, p 67

In 1970 50m<sup>2</sup> was the minimum size for popular housing. The rent of such a unit was estimated at , E3.5/month and the costs of land and construction were reasonable, with a slight increase of about 10-15%, up to 1974. After the initiation of the open door policy in 1974, prices increased astronomically and the cost of a unit in 1976 was estimated by El-Sokkari (1984) at about , E2250, while the monthly rent was about , E14.40.

According to Hanna (1982), by 1980 construction of a 25m<sup>2</sup> housing unit became politically and socially feasible. While this size was socially unacceptable in the early 1970s, by the late 1970s the housing shortages were unbearable and this type of flat became viable.

The abrupt change in the cost of urban housing with the introduction of the open door economic policy in 1974 can be illustrated by Table 3 below. It shows that rent had increased by about 400% over the period of 1970-1976, and almost doubled over the period 1975-1980, (see Appendix 3, for government policies regarding rent controls).

**TABLE 3**  
**EVOLUTION OF THE COST OF POPULAR HOUSING 1970-1982 ( , E)\***

	1970	1976	1980	1982
Land Cost/Unit*	52	250	156-312	219-438
Construction Cost/Unit**	500	2,000	1,500-3,000	1,500-3,000
Annual Rent	42.5	172.5	160.9-321.9	165.3-331

\* For details of calculation, see Appendix 1

\*\* For a 50m<sup>2</sup> unit

Source: El-Sokkari, 1984, p 76, 95

It has been agreed internationally that rent should be in the range of 15-25% of household income. For the poor, it is estimated that the rent should not represent more than 12% of their income, while for the rich rent can constitute as much as 25% of income<sup>3</sup>. Considering the estimated rents of Table 3 in 1970, a family would have to earn at least ,E170/annum assuming rent constitutes 25% of income, or 350/annum if rent constitutes 12% of income. Similarly, for 1982, the income range would have to be between ,E660 assuming rent is 25% of income, and 1375/annum if rent is 12%.

These figures should be looked at in conjunction with the estimation of Ibrahim (1982) that the poverty line for urban households in the same year was about ,E350/annum<sup>4</sup>. Thus, these income levels are far beyond the reach of the majority of population. After 1974 the balance between income and rent was increasingly disturbed. For the majority of urban population, rent values have become completely incompatible with income levels.

Housing had been prohibitively costly for the majority of population. The sky-rocketing rise of housing costs after the retreat of public sector intervention in 1974 suggests that housing cannot be left to the market. The conditions governing market supply and demand for housing are such that a large proportion of the population is unable to pay even for the minimum housing.

To sum up, the inflationary impact on the cost of housing was mainly felt after 1974, which can be explained by several factors. The major factor was the open door economic policy and its logic of encouraging upper middle and upper class investment and speculation, while allowing inflation (20-30%/annum since 1975) to hold down the real wages of the lower middle class and the poor (Waterbury, 1983, pp 211-212). Secondly, the construction boom that was taking place in the neighbouring Arab countries led to the migration of labour to these countries creating a critical shortage at home. This shortage caused the increase of labour wages. The wage of an unskilled labourer rose from ,E0.50 to ,E2.00 per day, and for a skilled labourer from ,E1-1.5 to ,E4-6/day (El-Sokkari, 1984, p 65). For the sake of capital accumulation, the government

<sup>3</sup> This estimation has been stated by Professor Milad Hanna (a former Head of the Housing Committee of the Egyptian People's Assembly) in a discussion of balance between income and rent.

<sup>4</sup> Ibrahim estimates that 35% of all urban households fall below the poverty line. This implies that 11 million Egyptians are living in absolute poverty.

was far more concerned with the transfer of foreign currency savings of such workers from abroad than with the disastrous effects of such a phenomenon on the majority of the urban population.

Another leading factor that helped to increase housing costs was the cost of building materials, a direct corollary of the open door economic policy. Up to 1973/74 the cost of cement was ,E6/ton and steel was ,E60/ton. One year after the initiation of the open door economic policy in 1975 the cost of cement and steel had reached ,E18 and 120 respectively. The cost of these two basic building materials had further sky rocketed to ,E70-80 for cement and ,E330-380 for steel by 1980 (Hanna, 1982). The relaxation of import controls, and the rise of black market private investors and their control over the prices led to an astronomic increase in the cost of building materials<sup>5</sup>. All these factors have added to the problems without serious effort on the part of the government to amend or even modify its policies.

### 1.1.3 Urban Housing Investment

Until the middle of the 1950s, all of the housing in Egypt was privately built and financed. Rent control as well as a programme of public sector construction were first introduced after the 1952 Revolution, in 1958. Moreover, by 1960/1961 the reduction in rents reached fifty per cent of the prevailing level at that time for all the houses built after 1952. The most important tool used during the fifties and sixties (Nasser's Regime) for income redistribution was rent policy. Between 1958 and 1961 there was a redistribution of income from owners of buildings to tenants; Mohie El-Din (1982, p 61) explains that there was no discrimination and all tenants even of luxurious housing units benefited from these decisions.

The rent control system introduced in 1958 and developed in 1960<sup>6</sup> specified a fixed set of payments per room, and set up a series of local boards to guarantee the law's administration. After the introduction of the open door economic policy, the official cost upon which rents were based has not kept pace.

All these regulations led to a decline in private investment. The figures for investment in housing show an absolute decline since 1956. By 1959 investment in housing was around 50% less than its level in 1956. In 1961, one year after the new rent laws, (note 6) regulations and control,

---

<sup>5</sup>"Osman A Osman, President and half owner of the Arab Contractors Company, with 50,000 employees and annual business worth about ,E200 million in and outside Egypt ... had been appointed by Sadat as Minister of Housing and Reconstruction in 1974 until 1980. ... He reigned supreme over the entire reconstruction budget, including hundreds of millions of dollars flowing in from Arab countries. A Special Law 62 of 1974, gave him the right to ignore general procurement and import regulations for all materials and equipment that were required for reconstruction. He was responsible for importing large amounts of Spanish construction steel at what many members of Parliament thought were suspiciously high prices. A special committee in 1976 drew up a list of twenty-six accusations that ranged from nepotism and conflict of interest, to bribery and receiving foreign kickbacks. ... He dismissed the charge of conflict of interest and continued as a Minister. Furthermore, his friendship with Sadat had been cemented by the marriage of Sadat's daughter to his son." (Waterbury, 1983, pp 182-183)

<sup>6</sup> In 1956 the first law introduced made new housing dependent on licences from housing departments. Law No 55 of 1958 reduced rents of all housing built after 1952 by 20%. Another 20% reduction was introduced in July 1960 (Mohie El-Din, 1982, p 111).

investment in housing declined by 42% compared to the 1959/1960 level (Mohie El-Din, 1980, pp 90-92). The decline in investment would appear sharper if responsibility fell upon the private sector alone. That was not the case since the decline in private investment in housing during 1960-1965 was compensated by an increase in public investment. Table 4 below shows the structure of housing investment during the period 1960-1964.

**TABLE 4**  
**STRUCTURE OF HOUSING INVESTMENT 1960-1965**

	Private Units	Public Units
Economic Housing	38,654	50,361
Average Housing (Middle Income)	31,980	8,956
Above Average (Above Middle Income)	8,952	670
Rural Housing	1,760	33,960
<b>TOTAL</b>	<b>81,360</b>	<b>93,725</b>

Source: Mohie El-Din, 1982, p 62. Based on information from Ministry of Planning, Follow up reports 1960-1965, Ministry of Housing, Housing Plans 1960-1965, Law 168 of 1961

During 1960-1965 the number of housing units constructed by the public sector reached 93.7 thousand compared to 81.3 thousand by the private sector. The volume of investment as well as the number of units constructed in the category "above average" is far below what is expected from the private sector. This can be explained by the government policies during Nasser's time which limited private sector action because of its tendency towards socialism. However, if government intervention in the field of rent control had not been accompanied by positive action in the field of public housing for the lower middle class, the situation would have been as bad as was the case after the initiation of the open door economic policy. Comparisons can be made by referring back to Table 1 and contrasting the growth rate of different categories of urban housing built during 1975-1980 with the corresponding categories during 1960-1965 in Table 4.

Despite the increasing volume of investment in housing since 1974 by both the private and public sectors, revealed in the total of housing built over 1975-1980 in Table 1, the volume of housing supply has still lagged behind demand. This increasing gap between supply and demand, together with bottlenecks in the supply of building materials and the emigration of construction workers, caused the housing market to soar. Since rent controls continued, the private investors created their own controls. "Key money" became the normal answer to such disequilibrium. Key money constitutes a transaction tax. If a tenant wants to rent a unit, he will be forced to pay the key money which varies depending on the type of flat (Barada, 1978, p 14), see Table 5.

**TABLE 5**  
**HOUSING COSTS, RENTS, AND KEY MONEY 1977**

	Size M5	Current Cost , E	Official Annual Rent	Key Money , E
High quality	150	10,000	360	10,000-40,000
Middle quality	90	5,000	180	1,500-4,000
Low cost	50	2,000	80	200-1,000

Source: Barada, 1978, p 13

Rent controls and the key money invention by private sector investors led to the violation of notions of social equity. Firstly, rent controls do not differentiate much, if at all, between wealthy people in high quality houses and poor people in poorly built houses. Secondly, two identical households will experience widely different welfare levels depending on whether they have lived in a rent-controlled unit for many years, or whether they have arrived recently and must pay key money. Finally, and above all, the majority of the urban population cannot afford to pay the key money required by the private investors who have controlled the housing market since the open door economic policy was initiated. The only alternative for them is the informal, substandard housing which amounted to around 50 to 60% of total housing construction in 1978 (Shafei, 1978) or 84% of units built in Cairo alone between 1970 and 1981 (USAID, 1982, p xvi). One million inhabitants are living in tombs in the cemetery area of Khalifa, east Cairo (Waterbury, 1978, p 184), giving an illustration of the consequences of government policies and of how efficient the open door economic policy, and free market forces can be.

## **1.2 Urban Utilities**

The provision of water and sewerage are usually considered the responsibility of the government as part of the social salary of the working masses. Apart from the importance of the provision of potable water and proper sewerage for the society, and its implications for health,<sup>7</sup> it is important to examine if the population's needs were met after 1974, and how great the shortfalls were.

The supply of water and provision of sewerage facilities are usually used as examples of publicly provided goods. This is because these services have numerous positive externalities, and secondly the private sector cannot act as a distributor of such services (El-Sokkari, 1984, p 15). Thus, it is the public sector's problem and not that of individual consumers. Before going further in examining the process by which physical infrastructure is supplied, and the conditions and levels

---

<sup>7</sup> For example, a study which was carried out by the Department of Public Health, Faculty of Medicine, Assiut University, showed that 70% of infant mortality in Assiut has been attributed to poor water supply and sanitary conditions (World Bank, 1978).

of investment in each of the concerned utilities, it is pertinent to highlight the administrative and financial procedures and related responsibilities.

Water and sewerage in Cairo and Alexandria are managed differently from the rest of the economy.

In both cities, there are separate authorities responsible for their planning and administration. The Cairo General Water Authority (CGWA) and Alexandria Water Authority (AWA) receive funds directly from the central budget for construction and in addition operate and maintain the system from a schedule of these revenues. The revenues generated locally can, to some extent, be used to finance system expenses. In areas outside Cairo and Alexandria, the expansion of a system is usually initiated by local authorities in the form of a request submitted to a central authority who has the power to make decisions for resource allocation, eg the General Organisation for Sewerage and Sanitary Drainage (GOSSD). If the project is approved, it is built and financed centrally with government funds (Mohie El-Din, 1982, pp 48-49). Thus, although the operation of the project is a local responsibility, the last word for approving any such provision is the government's.

Generally, sewerage and water services are subsidised by the Treasury where (ibid p 49) they compete with other items, like food and gas for resources. The ability to raise the prices of such provisions is a political issue as well as a social one. Increasing the water supply or the sewerage provision means subsidies being taken away from other priorities of the government. This is the focal point around which the dialogue between a policy like the open door economic policy and the problems related to such provisions revolves.

### 1.2.1 Water Supply

The water system in Egypt is built mainly with the Nile water in addition to well water. The rapid growth of urban settlements has increased the demand for potable water beyond the capacity of existing plants and beyond the size of government investment to improve the existing system. The results can be seen in Table 6 below.

**TABLE 6**

**AVAILABILITY OF POTABLE WATER IN DIFFERENT REGIONS**  
(Per Households) - 1976 (in thousands)

Water availability	Tap in dwelling		Tap inside building		Tap outside building		No source of water		Total
	No.	%	No.	%	No.	%	No.	%	
Region	No.	%	No.	%	No.	%	No.	%	
Cairo	747	70.1	113	10.6	189	17.7	17	1.6	1065
Urban	1970	60.6	278	8.6	600	18.5	400	12.3	3248
Rural	139	3.7	66	1.8	2174	58.2	1358	36.3	3737
Egypt	2109	30.2	344	4.9	2774	30.7	1758	25.2	6985

Source: CAPMAS, 1976

The supply of the basic need for water falls far short of demand. Around 25% of households have no source of potable water, while 40% get their supply from sources outside the building they live in. Cairo is the most advantaged among urban areas, and those who get their supply of potable water from taps within the dwelling constitute 70.1% of households in Cairo, compared to 60.6% of households in other urban areas. Only 1.6% of households in Cairo have no source of potable water even outside the building<sup>8</sup> while the figure is 12.3% of households in other urban areas. Lower Egypt urban areas (in the northern part of Egypt) are more advantaged than upper Egypt urban centres (in the southern part of Egypt) (CAPMAS, 1976).

One of the reasons for the lagging supply of water is the large difference between the cost of production and actual fees charged. The schedule of Cairo General Water Authority indicates that the cost per m<sup>3</sup> is between , E0.012 - 0.020, which is not enough to meet the current production cost of about , E0.025 - 0.028 (Wheaton, 1980, p 33). Moreover, the authority charges , E60 per connection, while the actual connection cost is , E220 (Ibid p 32). The disparity has to be financed by the Treasury, and the Cairo General Water Authority has to compete with other ministries for funds.

The capital costs required for the provision of water needs are estimated to be about , E57/capita in urban areas. Thus in order for the government to meet the needs for water, it requires about , E128 million per year in addition to , E37 million to operate the system (El-Sokkari, 1983, p 46). In Table 7 below, 44.6 million was invested in 1976 in all public utilities including the water supply indicating that the figures of required investment in water alone are out of line with actual expenditures.

**TABLE 7**  
**GROSS FIXED INVESTMENT IN PUBLIC UTILITIES 1965/66 TO 1976**  
(Millions of Egyptian pounds)

	1965/66	1973	1976	Percentage of real increase	
				1965/66 to 1973	1973 to 1976
Public utilities	12.4	22.8	44.6	47.6%	153.8%

Source: Ikram, 1980, p 371

<sup>8</sup> In the World Housing Survey, the Centre of Housing, Building and Planning of the Department of Economic and Social Affairs of the UN Secretariat, water should be available within 100 meters as an indicator of the percentage of occupied dwellings with piped water (inside or outside the dwelling) (ILO, 1977, p 45).

Services vary considerably from area to area even in the same city. In Cairo, for example, 77% of the units of the El-Gamalia area have an individual water supply and 25% have supplies within the housing structures. By way of comparison, in Helwan district only 44% of the units have domestic potable water while 36% have use of a common supply outside the building, and 5% have no supply in a near place (within the limit of 100 meters - see note 8) (ibid, 1980, p 159).

In a detailed study conducted in July and August of 1979, as part of the Egyptian Government's Metered Water Service Connection Programme, Nadim (et al, 1980, p 1) provides another account of the situation. His study indicates that as much as 25% of the population of Cairo lack direct access to the city's water supply system and are obliged to obtain water from public fountains.

For example in the Masr El-Kadima area all people aspire to is a public tap to relieve them of the necessity to carry water uphill. Similarly, in some areas of Embaba people hope to get more public taps because some residents must now walk for half an hour to the source of water. Residents of such areas are faced with contradictions in the system which they cannot explain. Why is it that one street gets a connection and another does not? Why is it that one house can get a connection and the next cannot? (ibid pp 112-113).

The government has recognised the shortcomings of the lack of a proper infrastructure, and its impact on the performance of the open door economic policy in terms of attracting foreign investment into the country. Thus, allocations for water for the period of 1976-85 were set at , E60 million per annum (Ikram, 1980, p 381). If this figure is compared to the figure of , E165 million required to meet the basic needs of a potable water system, the huge shortfall of government investment in this critical field of services becomes evident.

### **1.2.2 Services**

The lack of adequate sanitary sewers is one of the largest - if not the largest - technical obstacle to new housing development in most areas of the country, especially in Greater Cairo. Sewer systems in Egypt are generally confined to the central areas of the larger cities and serve only about half of the urban population. However, reliable data is not available on the overall availability and use of alternative waste disposal systems such as septic tanks in different urban areas across the country (World Bank, 1978, p 4).

Cairo's infrastructure recently attracted considerable attention, which is manifested in turn in the available studies, and the city of 8.5 million (in 1976 Census), or about half of the country's urban population, provides a useful example of the sewerage situation. The first sanitary sewer project for the city of Cairo was completed in 1916 (Ministry of Planning, 1977, p 49). At that time, the system design was based on a population projection of 960,000 persons by 1932, and an average discharge of 50 litres/ person/day which could create a maximum total demand of approximately 48,000m<sup>3</sup>/day. By 1932 the actual discharge was in the magnitude of 91,000m<sup>3</sup>/day, 150,000m<sup>3</sup>/day in 1940s, and by 1960 it was 500,000 m<sup>3</sup>/day (Ministry of Planning, 1977, pp 49-50).

This increase of discharge, due mainly to population growth and rapid urbanization, was not accompanied by an expanding capacity. By 1974 the daily discharge reached 1,500,000 m<sup>3</sup>/day and the overflow became conspicuous when some streets and buildings were flooded with raw



sewage. Despite the claim that the capacity of several pumping stations and treatment plant reservoirs had increased and that the system had been modified, based on projected discharge up to 1985, many areas continued to overflow (Mohie El-Din, 1982, p 52).

Cairo and Alexandria (the second major city in Egypt after Cairo) are in a much better position than other urban areas in lower or upper Egypt (see Table 8). The number of buildings in urban upper Egypt connected to the sewerage system is 0.9%, which makes upper urban areas close to rural areas in this regard. The coverage of the system outside Cairo and Alexandria is extremely inadequate as can be seen from Table 8. Even the ratio in Cairo and Alexandria is rather low, especially considering the existence of a system in Cairo since 1916. Population growth and urbanization have created demand for sewerage services that the existing system is unable to cope with (Ministry of Planning, 1977).

**TABLE 8**  
**PERCENTAGE OF URBAN BUILDINGS CONNECTED TO SEWERAGE**  
**BY REGION**

Region	Per cent of buildings
Cairo and Alexandria	58.3
Urban Lower Egypt	23.2
Urban Upper Egypt	10.9

Source: Ministry of Planning, 1977, Volume II and Volume V

The data in the above table seems inaccurate compared to a sample survey carried out in Greater Cairo for the metered water system which revealed that only 20.0% of owners and 18.6% of tenants have their flats connected with the general system in Cairo. In over 72% of cases, sewage and sanitary drains are carried out in tanks that need pumping out periodically as shown in Table 9 (Parsons, 1980, Table B.16).

**TABLE 9**  
**SEWERAGE SYSTEM FOR FLATS (OWNERS AND TENANTS) IN GREATER CAIRO**  
**(1977)**

System Cairo	General System	Tanks	Not known	Pipes lead to canals	Barrels	Total

Owners	159	566	35	17	8	785
%	20.2	72.1	4.5	2.2	1	100
Tenants	84	326	33	7	1	451
%	18.6	72.3	7.3	1.7	0.2	100

Source: Parsons, 1980, Table B 16

The sewerage service in Egypt is provided without any charge. However, sewer systems are confined to certain areas, have a limited capacity and service only half of the urban population. Thus, a substantial fraction of the population has no access to sewerage facilities at all.

El-Sokkari, 1984, estimated that the basic need of sewerage would mean an expenditure outlay of ,E40/capita in the urban areas and ,E2/capita in rural areas. Government expenditure was ,E20 million in 1977 (Al-Asfahani, 1981, p 18) indicating more attention being paid to the problem. However, this level of expenditure only meets new demand, or in other words, prevents the system from getting worse. More expenditure is urgently needed to rehabilitate the existing system and to raise the general standard.

By way of conclusion, since 1974, Egypt's infrastructure has deteriorated steadily as resources have been diverted to other uses. As a result, serious weaknesses in the infrastructure (see Appendix 2 for general level of physical infrastructure in different urban areas in Egypt), especially the public utilities, have begun to affect productive efforts and in particular to discourage foreign investment.

To attract largescale foreign financing, Egypt needs not only to extend attractive inducements, as it is doing through Law 43 of the open door economic policy and its revisions<sup>9</sup>, but also to improve the supporting facilities required to make the investment profitable. The government has recognised the urgency of rehabilitating the infrastructure and allocated to it around 50% of total public investment in the 1978-82 Plan (Ikram, 1980, p 78).

However, the government's concern for this sector has never been directed to meet the basic needs of the population. It was directed towards the satisfaction of foreign investment needs in terms of communication systems, etc. On one hand, the presence of large foreign business community coupled with the growing frustration of middle class telephone users, has led, for example, to the diversion of considerable funds to improve Cairo's telephone system. On the other hand, insalubrious housing, shortfalls of potable water and an inadequate sewerage system, are visible throughout urban areas, illustrating the edginess of the authorities in all matters concerning public welfare. For the period 1978-1982, ,E255 million was designated for the improvement of telephone and telex services. That is an amount about equivalent to all proposed investment in agriculture for the same period (Waterbury, 1982, p 327) and reflects the kind of official attention given to Cairo's middle class demand under Sadat's open door economic policy.

---

<sup>9</sup> Foreign Investment Laws of Open Door Economic Policy, e.g. Law 43 of 1974, provided incentives for the investors such as: complete exemption from all taxes and tariff duties for an indefinite period, no restrictions on repatriation of earnings and capital, and an implicit subsidy on the infrastructure because public utility services are, as indicated, grossly underpriced (Ikram, 1980, p 264).

### **III. Political Economy of Development**

#### **1. The Theoretical Framework: Nature of the State in a Peripheral Society**

Developing countries have undergone different processes of peripheral capitalist development. The role of the state in each case has been devoted to particular strategies of development which reflect, explicitly or implicitly, the interests of particular class alliances involved. Thus, considerable variations are to be found in the literature giving different perspectives regarding the role of the state.

On one hand, there is the implicit liberal assumption that the state is a neutral and even benevolent arbiter - whose role is to promote the national interest in economic growth, efficiency and social welfare (cited in Sandbrook, 1982, p 77). On the other hand, there is the opposing view which conceives of the state as a set of public institutions that reflects in its activities the interests of dominant social forces rooted in the structure of production (e.g. Zeman, et al, 1977, 143-177). Between these two distinct perspectives, there are other propositions<sup>10</sup>.

For the purpose of this analysis, the open door economic policy brought about by Sadat in 1974 should be seen as an outcome or product of a certain policy-making process. This process could be explained by examining a major proposition on the nature and functions of the state in the process of development, namely the bureaucratic-authoritarian state, which will be linked to the Egyptian case under Sadat's open door economic policy.

##### **1.1 The Bureaucratic-Authoritarian State**

The formulation of this perspective of the state in a peripheral society is introduced by O'Donnell (1979) and has been confined to Latin America. O'Donnell is ultimately concerned with the domestic or internal end of a series of linked factors that lead to varying degrees of external dependency and "dependent development".

The essence of O'Donnell's argument is that import substituting industrialisation proceeds through an easy phase of expansion into basic consumer goods and that this phase as in Argentina (Peron) and Mexico (Cardenas in the 1930s) is accompanied by political mobilisation and welfare policies that bring about some redistribution of income (cited in Waterbury, 1983, p 6).

Lewis (1978, pp 31-32) and Frank (1978, pp 128-130) indicate that the initial stages of import substituting industrialisation lead to the imports of raw materials and capital goods needed to supply the new consumer goods industries (infant industries). At the same time, these industries are highly protected and incapable of becoming competitive in international markets. Thus, import substituting industrialisation does not generate foreign exchange so that its expansion is accompanied by external borrowing. Once these industries have satisfied the middle and upper class demand in particular, and the domestic mass market (e.g. textiles) in general, the easy phase is over and the crisis of "deepening" begins.

---

<sup>10</sup> For instance, O'Donnell's "bureaucratic-authoritarian" state (1979) and Djilas's "state capitalism" (1957 and cited in Waterbury 1983, pp 17-20).

The final period of the easy phase is characterised by high rates of inflation, costly welfare programmes and economic stagnation which is worsened by a crisis in the balance of payments. As long as the country continues to operate within a capitalist framework, the situation leads to a reduction in welfare outlays, lowering of protective measures for local industry and a concentrated effort by the state to turn towards foreign investment. The goal is to promote capital goods industries. This is the process of "deepening" which requires the actual control of the state apparatus by authoritarian actors. The process of "deepening" requires an alliance of state technocrats with foreign investors and domestic entrepreneurs. Foreign creditors and the International Monetary Fund (IMF) may have a considerable role in the process of deepening as well. These are the basic elements of the bureaucratic-authoritarian state and, according to O'Donnell (1979, p 298), the political and economic exclusion of the working and lower middle classes is helped by the regime's reliance upon "the upper fractions of the local bourgeoisie and transnational capitalism".

Hirschman (1979) supports the same argument as O'Donnell (1979) regarding this phenomenon of authoritarianism. The political outcome as a transition from reform to accumulation is paralleled by the failure of import substituting industrialisation, and the transition to the export-promotion phase. According to Hirschman, in this latter phase working class elements must be repressed, and later it will give way to another period of reform. Hirschman cites Mexico from Cardenas to the riots of 1968 as an example (p 94).

In the same vein, O'Donnell's ideas are useful in understanding the dynamics of the decision making process and policy orientation in Egypt. Since the 1820s Egypt experienced an import substituting industrialisation brought about by Mohammad Ali (1805-1849). However, and similar to Pombal's Portugal and Lopez's Paraguay, Mohammad Ali's Egypt was unsuccessful in her industrial development policy, because the process of world capitalist accumulation, capitalist development and division of labour, not to mention military power, did not permit such development to take place (Frank, 1978, p 129).

In 1952 a new bourgeois political force, "The Free Officers", took over represented by Nasser. It would be absurd to argue that the Free Officers came to power with blueprints for "deepening". But, what is undeniable is that the easy phase of import substituting industrialisation was coming to an end and Nasser, almost immediately, envisaged heavy industrial projects. The Free Officers did not grasp the contradictions inherent in the transitional system represented by the structural crisis of capitalist development. They were only aware of the superstructural aspect of the crisis which was represented by the Egyptian "political and ideological" conception of foreigners. The hopes of accelerated economic development were mainly based on the modernist tendency of the ruling class and its Western backers (Hussein, 1973).

Consequently, though the First Industrial Plan of 1957 aimed at reducing the country's dependence on imports, as well as the promotion of exports, the state did not adopt a specific policy of import-substitution nor a policy of export expansion. Both targets were confused together in a policy called the "planned economy". However, the state continued to import consumer goods and exports were not successful, because Egyptian manufacturing was very sophisticated and in turn expensive, compared with similar products in the international market. This task was accompanied by two main social aims, namely a more equitable distribution of income and wealth,

and the creation of widespread employment opportunities (Barbour, 1972).

Cooper (1982) explains that the trend in Third World countries towards a more important role for the state led to a growing number of scholars speaking of a general form of political economic organisation called "state capitalism". Cooper defines the major characteristics of state capitalism, all of which apply to Nasser's Egypt, as follows:

- "- The origin of state capitalism lies in the weak national economy at the periphery of the international economy.
- State capitalism involves a nationalistic re orientation of economic resources through nationalisation of basic industries, centralisation of finance and an expansion of social services.
- There exists a state centred interest group which is grounded in this reorientation of economic activity and which attempts to dominate society through essentially bureaucratic means.
- The societies remain capitalistic, in spite of the expanding role of the state which is seen as a buttress to capitalism." (Cooper, 1982, pp 16-17)

In this regard Egypt under Nasser may be a good example of what has happened in Third World nations. The private sector is reduced without it being abolished. Much of economic activity is nationalised or controlled without some very basic economic relations getting changed. In that form, the state dominated the economy, but was unable to transform it into neither a non-capitalist form nor a dynamic capitalist one. From then on Egypt was run by an alliance of the military, from which the "Free Officers" were recruited, and the state technocrats. Certainly there was no reliance, during Nasser's period, on the upper bourgeoisie. Yet this alliance, while it repressed the labour force (Hussein, 1973), did not have the will to exploit it.

Alibioni (1984, pp 183-184) explains that the sum of measures and policies undertaken by Nasser resulted probably in the biggest change in Egypt's stratification system in this century. Regardless of their strictly economic merits, their implications for the shape of Egypt's stratification structure and social mobility were quite significant. They had marked redistributive effects in favour of the middle and lower strata. For instance, in Table 4 of Section 1.1.3 of this analysis it is clear that the public investment during Nasser's period was basically oriented towards the economic housing for lower income groups and average housing for middle income groups, i.e housing for the majority. Furthermore, in Appendix 3 the government's serious concern to protect and control speculative activities is apparent in the laws during the fifties and sixties of Nasser's regime. For all these reasons and others<sup>11</sup> Nasser's authoritarianism, within the framework of state capitalism, was "soft hearted" and the major effort at redistribution of wealth led eventually to undermining the process of accumulation.

---

<sup>11</sup> The vast expansion of the public sector, resulting from both nationalisation and the creation of new industries, substantially increased the demand for new talents and skills. The demand was met by a corresponding expansion in public education at all levels. The policy of employing all graduates meant the entry of several hundred thousands into white-collar and civil service jobs. The representation of peasants and workers on elective bodies increased the political power of these two groups as never before ... to mention just a few (Alibioni, 1984, p 183).

The advent of Sadat's open door economic policy, brought about in 1974, painted the picture of the bureaucratic authoritarian nature of the Egyptian state, according to the O'Donnell definition. Sadat put aside the programmes of income redistribution in favour of satisfying middle class consumerism. Both public and private interests have entered into joint ventures with foreign investors who have been welcomed back to Egypt. The emphasis has been on export led growth, with the state acting as a partner in alliances with foreign private capital and with the Egyptian private sector (Waterbury, 1983,pp 10-11). This mode of accumulation has the potential of producing political and economic configurations similar to those in several contemporary Latin American states<sup>12</sup>.

Under the open door economic policy an expanding bourgeoisie, in control of the means of production and administration (whether public or private), long denied the political power under Nasser, finally acquires state power. On the one hand, its representatives are incorporated into the ruling class. On the other hand, the ruling elite itself becomes embourgeoisied. This situation will be analysed in detail in Chapter 3. The resultant policies from such a political establishment impose economic liberalisation which in turn leads to growing class inequality in terms of providing public services, as has been analysed. Thus, all the characteristics of O'Donnell's perspective of bureaucratic-authoritarian state have been experienced in Egypt since 1974. Starting with the state alliance with the national and international bourgeoisie, and ending with the tightening the welfare outlays, the Egyptian state was a bureaucratic-authoritarian one.

---

<sup>12</sup> For instance Kaufman (1979, p 180) indicates that in Chile between 1973 and 1977, 300 industries nationalised by Allende were returned to their former owners, and another 200 started by the state were sold to the private sector. Similarly, in Egypt by the end of 1978 the Egyptian Investment Authority had approved 134 projects with public sector participation. The value of public sector investment projects under way or planned was , E440 million of a total of , E1.66 billion. Two years later at the end of 1980 the public sector share was only 30% or , E920 million of total approved investments of , E3.1 billion. This indicates a phenomenon of selling off the public sector in Egypt under the open door economic policy (Handoussa, 1980).

## 2. Decision-Making Process

Having established the authoritarian-bureaucratic nature of the Egyptian state, this present part deals with the process of decision making. As politics become the business of elites even more in an authoritarian-bureaucratic state like Egypt than elsewhere, the analysis examines the evidence as to the "rules" by which the game is played or the political resources which shape the policy outcomes.

### 2.1 Technocratic-Administrative Elites and Economic Policy

Under Nasser (1952-1970) the technocratic-administrative elite constituted a privileged and favoured group largely recruited from the urban upper and upper middle class. However, they were not strongly linked with the policy-making process. They viewed it as the business of experts who, by being insulated from both popular demands and the pressure of private interests, were best capable of defining the public interest. Under Sadat, unlike the military, the technocrats represented no direct threat to Sadat's position. Thus, Sadat sought their support through the pursuit of policies responsive to their interests (Ayubi, 1980, pp 418-420).

Nasser's nationalisation measures opened up many opportunities for career advancement for technocrats and administrators<sup>13</sup>. But the private interests or opportunities of their families were sometimes damaged or narrowed, and by the late 1960s the growth of new opportunities at the top had stagnated. Under Sadat's open door economic policy opportunities again began to widen. For those with political influence and connections the influx of foreign aid and business opened up opportunities for tax-free commissions and "consulting work". For those who had acquired business experience and connections in the public sector there were new opportunities to join higher-paying private firms or to go into business for themselves (Baker, 1978, p 110). For all these reasons, Egypt's technocrats and senior administrators generally supported Sadat.

However, it does not follow from this support that there was no intra-elite conflict over power and policy, as Hinnebusch has put it:

"While Sadat's authority to set the major lines of policy was accepted, technocrats did try to influence his decisions, and even once high policy was set, there remained considerable scope for conflict over its interpretation, the best way of implementing it and, when objectives conflicted, over priorities",  
(Hinnebusch, 1985, pp 132-133).

Now the conflict between different trends inside the technocratic elite had a particular significance, since the outcome determined the direction of policies. Cooper explains how far the left/right division has been shown to be the fundamental political dividing line in Egypt and thus, adequately and correctly describes the conflict in the political economy. He concludes that utilising the publicly stated hopes and fears of these two sets of recognised political actors, makes it abundantly clear that choices were actually being made (Cooper, 1982, pp 91-106).

---

<sup>13</sup> Abdel-Fadil (1980) explains that the measures of nationalisation of most economic activities as well as the expansion of the public sector, undertaken by Nasser, led to the increasing need for the management sector to ensure the full command over the public enterprises and public organisations.

In the same view, Hinnebusch identified four divergent trends. Firstly, one which stood for a continuation of Nasserite strategy and wanted no more than a circumscribed, controlled role for foreign and private capital compatible with the dominance of the public sector. Secondly, to the left there was a trend which favoured a "deepening" of the socialist experiment. Thirdly, at the centre-right there was a trend which advocated the creation of new foreign and private capital sectors in competition with the public sector. Fourthly, at the extreme right a trend represented by those who were in alliance with private sector interests, advocated the full "laissez faire" capitalism (Hinnebusch, 1985, p 133).

Sadat's own favoured tendencies had been the key factor in deciding which trend was supported and which was eliminated. The first trend of those listed above was eliminated because Sadat wanted to appease the bourgeoisie. The second trend was extremely reduced. The third and fourth trends won the conflict at the level of decision-making, and the open door economic policy was declared. As a corollary, the open door economic policy has opened up the opportunities for its advocates and policy makers to acquire wealth - notably through commissions and other licit or illicit payments from foreign investors. It has opened up opportunities to invest this wealth in collaboration with foreign or private Egyptian capital. In brief, the Egyptian policy-makers have gone into business (Hinnebusch, 1981, pp 442-464).

Waterbury's judgement is perfectly compatible with Hinnebusch's when the former states:

"It would be a major error to suppose that the members of the state and managerial bourgeoisie spend much time thinking about their philosophies of social transformation. Rather, it is understandably their careers that most concern them" (Waterbury, 1983, pp 252-253).

Indicative of the hidden influences shaping decision-making was the fact that several persons were strategically placed in the decision-making structure to benefit personally from the outcome. Moreover, since the initiation of the open door economic policy there has been an elite personnel shift of considerable magnitude from the public sector to the private sector. Some of those who have made the shift are among Egypt's most powerful and prominent figures in the policy-making structure.

An Egyptian businessman described the new competition in the marketplace saying:

"The market is now full of former prominent officials; two former prime ministers in addition to twenty-two former ministers and tens of former heads of public sector companies, deputy ministers and governors." (Al-Ahram Newspaper, 10 December 1978, and cited in Ajami, 1982, p 497).

Ajami cited some data to substantiate the businessman's claim. The two former prime ministers are Aziz Sidqui, who is the representative of Fiat Motor Company, and Abd All-Aziz Hijazi, principal architect of the open door economic policy and prime minister from 1973 to 1975, who is the local partner of a Saudi-Egyptian investment concern. Former deputy prime minister Muhammad Abd Allah Marzuban, under investigation in 1979 in a case involving the sale of Boeing jets to Egypt Air, owns 6.25 per cent of the stock of Colgate-Palmolive-Egypt with an



investment of , E45,250. An Egyptian-Iranian-Abu Dhabian firm capitalised at \$6 million and authorised in July 1977 an Egyptian share of , E1,800,000 held by Rauf Yahya and Fuad Kamil Mursi who is former deputy minister of civil aviation (Ajami, 1982, p 498), to mention just a few.

Thus, it becomes clear that access to state power has been one of the main sources of capital accumulation in Egyptian society. The aspirations of new classes and individuals are expressed through the state. Now in a situation where policy-makers allowed foreign companies to come into the country and accumulate domestic savings to serve foreign economies, concerns of equity and public welfare cannot go far beyond political slogans or far fetched dreams. Accumulation and reform hardly come together.

## 2.2 Interest Group Elites

Interest group elites are defined here as those leaders who represent, in the councils of the state, the powerful private and semi-private<sup>14</sup> interests in the Egyptian society. These interests were part of the regime's main constituency, the bourgeoisie. Under Nasser, the regime was not dependent on these groups and, thus, pressure groups of this kind had minor effect on public policy, and were largely powerless. Sadat, in contrast, sought the support of this category of bourgeoisie and, in doing so, he shaped public policy in many ways to meet its demands. Policies, like the open door economic policy, meant virtually a new lease on life for the interest groups: as Hinnebusch has put it:

"Open door economic policy meant the relaxation of state control over private life, and of the President and top elite over certain domains of the policy process. It permitted interest groups more autonomy and greater input into the policy process. Increasingly, access points to decision-makers, virtually non-existent under Nasser, opened up. Professional syndicates and chambers of commerce, used under Nasser more for control than interest articulation, became more autonomous and effective in pressing demands." (Hinnebusch, 1985, p 144).

The need of the regime to pacify the mass public, sometimes, conflicted with the demands of private interests. This can be better illustrated by providing concrete examples detailed in the Egyptian press at the time.

The construction industry was perhaps the most powerful segment of the "business bourgeoisie" under Sadat's open door economic policy. It was informally headed by Osman Ahmen Osman<sup>15</sup>

---

<sup>14</sup> Semi-private businesses became, under Sadat, a common phenomenon in Egypt. They mean those joint ventures between the public sector and the private one.

<sup>15</sup> "Osman was, for much of the seventies, perhaps the second most powerful man in Sadat's Egypt. He was a multi-millionaire capitalist who presided over a huge business empire embracing both the public, private and joint venture sector. He openly used his wealth to buy prestige and favour in elite circles. He also held several public offices, including minister of Housing and Reconstruction, Head of the Engineers Syndicate, etc. In brief, Osman headed a formidable clientage network. But what most set him apart from the rest of the elite was his extremely close personal relations with the President. Through the marriage of his son to one of Sadat's daughters, he was incorporated into the "Presidential Monarchy" of Sadat. He appears to have been an early and effective advocate of open door economic policy and an extremely well-placed informal representative of business wing of Egyptian bourgeoisie at the centre of power." (Ajami, 1982, pp 495-496)

and, thus, had the best connections inside the regime. One measure of the political clout of this category of bourgeoisie was its ability to commit the government to the investment of scarce public funds in a network of flyovers and highways basically of benefit to well-off motorists at a time when public transport was deteriorating (Al-Ahram, 8 February 1979).

Again, construction and real estate interests were pushing, through the Housing Committee of the People's Assembly, for the demolition of lower income neighbourhoods to open the opportunity to build luxury hotels and housing, parking plots and offices for the open door economic policy firms (Al-Ahram, 4 November 1979).

Another event, illustrative of this particular group of bourgeoisie, was its proposal to remove the Cairo Zoo to make room for tourist development. A storm of protest began in the press and the Minister of Agriculture declared that "the Zoo is a 'lung' for ten million Cairenes". The proposal was dropped (Al-Ahram, 26 June 1979).

Another issue demonstrated the "softness" of the state in the face of such interests. There were large areas of public land which had been taken over by builders. When the public officials attempted to expel the offenders or collect rents they found that these offenders were protected by high-level technocrats in a way that made it impossible to enforce the law. Thus, builders openly challenged the officials to prove that the land was public property (Al-Ahram, 27 December 1979).

Again, rent control was an issue around which construction and real estate interests and the wider public have confronted each other, putting the government in the middle. Rent was traditionally controlled, but the owners overcame that obstacle by requiring the tenants pay "key money" (see section 1.1.3 of this analysis). The housing committee of the People's Assembly began to push for the abolition of the law against key money since it could not be enforced. The Ministry of Housing, virtually a colony of Osman's construction industry at the time, joined the demand and claimed that rent control was the cause of housing shortage! It wanted the government to leave housing to the private sector and to encourage it by tax and customs exemptions (Al-Ahram, 23 January 1980). Although these suggestions had been met by a storm of protest in the opposition press, they were approved and "key money" became a lawful practice.

Thus, it is clear that the proposals consistent with the market logic of open door economic policy were accepted by a government unwilling to antagonise the interest group elites. The result of increasing the availability of housing for the rich, while inflicting major hardship on modest and lower income tenants, had been recognised beforehand.

The foreign investment law brought about by the open door economic policy invited the Arabs to build luxury housing. However, the invitation was extended to Egyptians as well, to avoid placing them at a disadvantage. In order to attract investment into these areas, concessions had to be made. Rent control laws had to be lifted and, moreover, the general exemptions for foreign investment had to be extended. The argument put forward for the support of these concessions was that, given the prevailing rate of profit in the Egyptian housing sector (see Appendix 1 for illustration), it would be extremely difficult to attract foreign investment. This was clear in the

---

See also Note 5 of this analysis.

following statement:

"If we examine the rate of profit which the savings of free currency achieves, we find that it reaches 13.5% ... The limitation of rent is set so as not to be more than 8% ... If we strike this article of rent control law, we ensure the failure to attract investment to the country. Therefore, we will have to give up the idea of Arab investment."  
(Official Gazette, 28 July 1975, p 8519)

Additional arguments in support of this approach to construction, included the insistence that market forces were already operating and they should be allowed to work properly, they claimed belief that these projects would attract foreign currency, the assertion being that the responsibility for middle income and mass housing is that of the government, not the private sector. These arguments are cited in more detail in Cooper, 1982, pp 104-106. If the question of government responsibility is raised, the answer is strikingly disappointing, as has been revealed in Section 1.1 of this analysis.

When the interest group elites and their technocratic, white-collar supporters introduced the issue of economic efficiency under the capitalist umbrella of the open door economic policy, the loss of equity and mass-benefit was inevitable.

### **2.3 The Compatible Dialogue between Elite Politics and Interest Groups**

"In Sadat's Egypt, the big decisions continued to issue from struggles in restricted elite arenas decided by Presidential authority and informal influence of personalistic cliques and bureaucratic factions ... The major directions of domestic high policy: open door economic policy, was a response to external pressures and the covert lobbying of bourgeois elites, but it was also decided in a small elite arena in which Sadat's close confidants seemed to carry formidable weight. In lesser questions of socio-economic policy where, as compared to foreign policy, the President was less personally identified with a specific course, less threatened by elite opposition and less interested in expanding political capital, he permitted policy to be shaped by a more open process in intra-elite conflict ... Even these decisions, however, were usually settled in small elite arenas where individuals and groups sought to win over the President or key ministers." (Hinnebusch, 1985, p 155)

In these words, the importance of clique politics in Egypt becomes a fact that cannot be divorced from class ideology, interests and power, as far as the open door economic policy is concerned. The relative weakness of other classes, representing the majority, to form a basis of broad political forces exacerbates the situation. Decision makers' perception of the relative power of social forces was manifested in the decision to cut the subsidies<sup>16</sup>. But what the subsidies case showed was

---

<sup>16</sup> In 1976 pressures from the International Monetary Fund and foreign banks to cut subsidies were introduced as necessary and logical steps in the liberalisation of the economy. If Egypt wanted to revitalise her productive bases, she could not afford such a massive welfare programme of subsidies. The personal access to Sadat enjoyed by top Western bankers, such as David Rockefeller and William Simon, and statesmen, helped to implement cutting of subsidies. Sadat was urged by such elements to go beyond the half-measures if he wanted to make the open door economic policy a success. The "food riots" of January 1977, which followed revealed the decision makers had miscalculated their political environment. The dimensions and

that elite politics was devoted to biasing the political game against the social forces which lacked strong representation in elite circles. The case also suggested that elite politics could enhance the weight of foreign interests when they had access to decision makers, since counter mass domestic pressures were absent.

In the authoritarian-bureaucratic regime of the Egyptian state under Sadat, elites had so much weight in the political process and were helped by the weakness of the political infrastructure needed to integrate the mass opinion into the policy process. Thus, the relaxation of control and the opening of the political system, as prerequisites for the open door economic policy, resulted in a significant increase and activation of interests groups to use all bureaucratic and personal resources to affect decisions.

Hinnebusch argues for the resultant "limited pluralization"<sup>17</sup> of Egyptian policy. He points out some of its symptoms; one is that the aggressive battle of business groups with the public sector indicated the growing ability of private interests to check state authorities. Another symptom that he mentioned is that Sadat's relative patience with the attacks from lawyers' and journalists' syndicates indicated another sign of the so called "limited pluralization" (Hinnebusch, 1985, pp 156-157).

However, even if Hinnebusch's theory of so-called "limited pluralization" is accepted for the moment, the inherent authoritarian-bureaucratic nature of the Egyptian state resulted in important negative side effects. One of these was the growing "colonization" of the state by private interests. Secondly, the inavailability of any effective means for the mobilisation of the poor led to class bias in the policy process. Consequently, interest group policies deliberately favoured the privileged. For instance, at the time when the Minister of Housing was declaring that the government lacked resources to build low cost public housing, interests, well connected to the same Ministry, led to the allocation of millions in highways and flyovers. This income was, of course, the corollary of a development strategy relying on foreign and private capital and could not avoid favouring the privileged groups.

It becomes clear that the theory of "limited pluralization" forwarded by Hinnebusch cannot be validated at the political level, by definition. The fact is that Sadat was confronted at the very beginning of his presidency with the existence of a mixture of established ideological perspectives in Egypt. To the left, there were the groups which had flourished during Nasser's period and to the right, there were both the elements of bourgeoisie which were permitted to re-emerge, and elements of the Muslim Brotherhood. Sadat sought to adapt the authoritarian state to the

---

violence of these disturbances were unprecedented since the 1952 Revolution. (Dessouki et al, 1981, pp 413-415)

<sup>17</sup> Pluralism as a political philosophy implies the diffusion of power widely among a variety of associations and the fragmenting of the government into decentralised units, so that the society is dominated neither by the state nor by a single class. On one hand, the "laissez-faire" capitalism, in practice, appears to let a minority class control employment and regulate markets and, thus, coerce the majority. On the other hand, the state is to have a greatly reduced scope and is to act as a fairly "neutral" mediator between conflicting interest. However, there has been considerable debate among political sociologists on whether pluralism is an accurate description of the political system, since the visible and apparently pluralistic exercise of power in democracies may conceal the fact that some groups or interests actually dominate. (Abercrombie et al, 1984, p 159)

growing ideological pluralization by his attempt to pluralize the political arena as well. One of the measures he took was to go for the multi-party experience. However, despite the practice of three parties, a party of the right, a government party of the centre and a party of the left, the political arena had never been pluralized during Sadat's period. In addition to the liberalisation of the press, probably these symptoms led Hinnebusch to use the term "limited pluralization".

Although the state had not been reduced to be a mere "executive committee of the bourgeoisie", it could be described as "partially pluralized" for the privileged. But, for the masses, "partial pluralization" for the privileged was indeed worse than no pluralization at all.

## 2.4 Bureaucracy and Policy Implementations

Bureaucracy is a major factor upon which the implementation of any government's policy depends. To implement the favoured open door economic policy, the Egyptian government had to reform its bureaucracy. The bureaucratic machine was already overburdened when Sadat sought his open door economic policy. Thus, it threatened to be an obstacle rather than an aid. It was believed that if the advantages of the open door economic policy were to be maximised, the bureaucracy had to be made more efficient. However, in practice, Sadat's regime not only failed to reform the state, but allowed it to deteriorate further. It was colonised by private interests and corruption became the rule not the exception (Ayubi, 1980). In short, it can be said that both economic reform, envisaged wrongly by the open door economic policy, and social equity became, to a great extent, victims of the policy goals and administrative capabilities of the state. Even those conservative writers who believe in the open door economic policy and its potentials recognise that fact, regarding the bureaucratic/administrative weakness (Ikram, 1980, pp 63-64). Hence, decision making was fragmented among different agencies and committees, and implementation was retarded by the lack of co-ordination, in addition to its being class biased.

On the one hand, the influx of foreign aid<sup>18</sup> and investment greatly expanded the temptations of corrupt practices. On the other hand, because of the mechanisms of elite practices, officials were in a strong position to "sell" the economic decisions in the market (Hanafy, 1976). When officials of the state diverted subsidised goods to the black market, fewer goods were available for the needy, poor masses. When building inspectors took bribes to neglect the building codes and buildings collapsed, the public was deprived of basic security. When tax assessors took bribes to underestimate business income, taxes were deducted from the salaries of wage earners. All these practices of bureaucratic corruption have become, under the umbrella of the open door economic policy, a recognised and established phenomenon with one meaning; discrimination against the masses of the Egyptian society (Ruz al-Yusuf, 12 December 1978).

Effective policy implementation depends on bureaucracy, but in Egypt the bureaucracy was

---

<sup>18</sup> The most important legislation affecting the private sector was contained in Law 32 of 1977 that revised the Arab and Foreign Investment Code (Law 43) of 1974. By the time Law 32 was issued, both USAID and IBRD had taken concrete steps to promote private sector activity. The World Bank played a major role in the creation of the Development Industrial Bank (DIB) in 1975. The IBRD has lent \$130 million and USAID \$32 million to DIB. The DIB is designed to meet the credit needs of small scale private industry, and by 1979 had committed ,E150 million to 3,000 of them. USAID has established the Special Fund of Private Projects worth \$30 million (Waterbury, 1983, pp. 170-171)

incapable of enforcing public policy. The indifference and passivity towards public affairs were reinforced by the relaxation of state controls in the atmosphere of the open door economic policy. When bureaucracy was colonised, like other sectors of the state, by private interests, private pressure groups opened the country to powerful external pressures which eroded the regime's capacity to enforce a coherent public policy.

#### IV. Conclusions

The government in Egypt, either as provider or regulator, has a direct impact on the availability and distribution of housing and public services. Generally, under Nasser, government intervention in these field, in the form of measures such as rent control and efforts in public housing, favoured the lower income groups. Under Sadat, the tendency was to pare back the government regulation of the market and to reduce the commitment of resources to public services targeting the poor.

Housing and its attendant utilities offer illustrative examples of the ineffectiveness of this shift. Under Nasser, rent control reduced rents to the advantage of tenants. This discouraged private investment in housing which basically targeted the rich anyway. The state made some effort to fill the gap. It built low cost popular housing and its efforts peaked in the early 1960s. Rapid urbanisation in the absence of either strong public or private construction effort, resulted in a housing scarcity which, by the 1970s had become a crisis. From 1960 to 1975 new households grew at a rate of 90,000 each year, but the new housing units grew at a rate of only 28,000 annually. The proportion of the population without proper housing grew from 21.7% in 1970 to 31.9% in 1977 and the shortage reached 1.5 million units by 1979.

The open door economic policy only worsened matters. The influx of foreigners and workers returning from abroad with money raised demand. It increased the growth of luxury building, driving up costs of real estate and materials. All this skyrocketed the rents and prices of housing which made fortunes for a few and put housing beyond the reach of the majority. Evasion of rent controls became the norm. Landlords charged large fees for the right to rent, "key money". They kept the flats empty waiting for rich Arabs or foreigners to buy or rent at big profits. Sadat's regime lacked the will to cope with this crisis. It was unprepared to launch a major popular housing drive. By the end of the 1970s the Minister of Housing was proposing, in the name of "laissez faire", that rent control should be abolished to stimulate new private investment and that the housing problem should be left to the private sector. But the private sector was not prepared to construct low cost popular housing. For the poor, for whom the housing crisis was translated into life in shanty towns, and for the middle class, for whom it meant delayed marriages and endless frustration, this policy offered no relief.

As for the provision of public utilities, sewerage systems and potable water in particular, there is no available data regarding Nasser's period. However, during Sadat's period, what has been said regarding housing applies to utilities also. Over 12% of household in urban areas lacked any access to potable water, even outside the building, according to a 1976 estimation. Almost half of the urban population in Egypt had no sewer systems in their houses at all according to a 1980 estimation. Even if this situation is a result of accumulated problems, Sadat's regime was unprepared to invest sufficiently into such vital areas. At the same time considerable funds were diverted to improve the telephone systems and other fields to satisfy the foreign investment needs of the open door economic policy.

Thus, the strategy of Sadat's regime in the field of housing and public services was to neglect public services and regulation on which the poor depended, while allowing the private sector to develop quality facilities for those who could pay. If this return to the market is translated into quality houses for the wealthy and less and less public services for the poor, the result is likely to be an increasingly dualistic society.

This oscillation between accumulation and reform, experienced in Egypt, is at the heart of O'Donnell's proposition of the bureaucratic-authoritarian state. During Nasser's period (1952-1970) the welfare outlays were open and major efforts had been made to redistribute national income. By the end of 1960s, the easy phase of import-substitution industrialisation, experienced since Mohammad Ali (1805-1849) was coming to an end. It was characterised by a crisis in the balance of payments and costly welfare programmes. When Sadat came to power his centrepiece of development strategy was the open door economic policy. It sought the painful remedies identified by O'Donnell, and above all the reduction of welfare outlays. At the same time, these remedies called for the alliance of state technocrats and decision makers with the local and international bourgeoisie to achieve the required goals of accumulation. This shift is by no means a change in the authoritarian soul of the regime - that may be a constant as in Algeria between 1962 and 1980 or Peru between 1969 and 1980 - but what changes is the expansion and contraction of state welfare in its broadest sense.

The test of development is not the achievement of economic growth alone, but the extent to which economic enhancement is accompanied by an equitable distribution of its burdens and benefits and is translated into increased welfare for an increased number of people. It is clear that the philosophy behind the open door economic policy put a lower priority on income distribution compared to Nasser's era. It is assumed that redistribution under Nasser had gone far enough or perhaps too far, and that in the new phase greater rewards needed to be given to those with skills and capital who were capable of stimulating growth. In practice, under the umbrella of the open door economic policy, the distribution of income and welfare was determined by interaction between the forces of the market and public intervention in it.

On one hand, the reactivation of the market rapidly resulted in new accumulation of wealth for the privileged who were best situated to exploit the market, often at the expense of the masses. The liberalisation of foreign trade encouraged certain profitable abuses at the expense of the public. For example, the building contractors typically diverted the publicly subsidised building materials into luxury housing for the rich and foreigners. On the other hand, public policy intervention under the open door economic policy shows a shift from favouring the masses to favouring the privileged. For example, tax incentives benefit the wealthy at the expense of poor and the salaried middle groups. The lack of enforcement of price controls in an era of inflation negatively influenced the lower income groups who had to pay the illegal "key money" for housing. The neglect of public services worsened the situation of the poor, and the shift of investment towards other services, chiefly benefiting the rich, such as roads and telecommunications, was an inegalitarian policy bias.

Thus, market operations and public policy under the open door economic policy had conflicting effects on welfare and income distribution. Higher income groups benefited substantially from the liberation of the market and the bias of public policy. At the same time, high inflation and the decline of public services were translated into a worsening standard of living for the majority. On the whole, the open door economic policy had a strong effect which widened the gap between the top and bottom of the social pyramid.



## APPENDIX 1

### EVOLUTION OF THE COST OF HOUSING ( , E) IN URBAN AREAS OVER 1970-1982

	1970	1976	1980		1982
			25m <sup>5</sup> Unit	50m <sup>5</sup> Unit	
Land cost/unit	50 x 1m <sup>5</sup> *	$\frac{50 \times 40/m^5}{8}$ **	$\frac{25 \times 50/m^5}{8}$	$\frac{50 \times 50/m^5}{8}$	$\frac{25 \times 75/m^5}{8}$
Construction cost/unit	50 x 10/m <sup>5</sup>	50 x 40/m <sup>5</sup>	25 x 60/m <sup>5</sup>	50 x 60/m <sup>5</sup>	25 x 60/m <sup>5</sup>
<b>Annual Rent</b>					
Land	50 x .05	250 x .05	156 x .07***	312.5 x .07	219 x .07
Construction	500 x .08	2000 x .08	1500 x .10	3000 x .10	1500 x .10
<b>Monthly Rent</b>					
, E	3.5	14.38	13.41	26.8	13.78

\*The Total has been used because the cost of land is so marginal ( , E1/m<sup>2</sup>). Technically, it should be divided by the projected number of apartments.

\*\* The assumption is that the building is consisted of eight apartments.

\*\*\*Law 49 of 1971 stipulating 7% rate of return on land and 10% rate of return on construction.

Source: El-Sokkari, 1984

Note: The source notes that all these estimates are no more than crude estimates, although based on several interviews with fairly knowledgeable people in the field.

## APPENDIX 2

### PHYSICAL QUALITY OF LIFE INDICES FOR GOVERNORATES IN EGYPT (1978)

Category	Area	PLQI (1-100)
Major cities in Egypt	Cairo	65
	Alexandria	77
	Port Saud	95
	Suez	78
Lower Egypt's Governorates	Damiatta	57
	Dakahlia	45
	Sharkia	30
	Kalubia	28
	Kafr El Sheikh	38
	Menouifa	23
	Behera	36
	Ismailia	51
Upper Egypt's Governorates	Giza	40
	Beni-Suef	18
	Fayoum	15
	Minia	15
	Assiut	22
	Sohag	21
	Qena	27
	Aswan	21
Some comparable developing countries	Total Egypt	39
	Chile	77
	Malaysia	66
	Algeria, Morocco	41
	Yemen	32

Source: Field, et al, 1978

Note: To answer the question of whether the physical infrastructure provided is enough it is useful to compare urban areas, or major cities with other cities or countries. An example of this is the so called Physical Quality of Life Index, PQLI (Field, et al 1978). Using sewerage, water, as well as health and education as infrastructure, an index of well being is constructed for Egypt on the basis of its governorates. From the table above, several conclusions could be reached. First, Egypt from the point of view of the provision of basic services is comparable to other developing countries despite the fact that they have more resources compared to Egypt. Second, urban governorates of lower Egypt are more favoured than upper Egypt's urban governorates in the provision of this type of infrastructure. Finally, the urban dweller of big or major cities in Egypt seems better provided with basic services than inhabitants of small urban areas.

### APPENDIX 3

#### MAJOR LAWS OF RENT CONTROL IN EGYPT

Date of House Construction	Basis of Rent Control	Ratio of Reduction	Date of Red. Enforcement	Applied Law
Before 1/1/1944	- Rent of April 1941 - Rent reduction equals the amount of exemption from tenure taxation	- Approx. 13.7%	- Jan. 1962	121 of 1941 69 of 1961
From 1/1/1944 to 18/9/1952	- Reduction of contracted rent - Reduction equals taxation	15% + 20% + Approx. 13.7%	Oct 1952 March 1965 Jan 1962	199 of 1952 7 of 1965 169 of 1961
From 18/9/1952 to 12/6/1958	- Reduction of contracted rent - Reduction equals taxation	20% + 20% + Approx. 13.7%	July 1958 March 1965 Jan 1962	55 of 1958 7 of 1965 169 of 1961
From 12/6/1958 to 5/11/1961	- Reduction of contracted rent - Reduction equals taxation	20% + 20% + Approx. 13.7% +	Dec 1961 March 1965 Jan 1962	168 of 1961 7 of 1965 169 of 1961
From 5/11/1961 till Sept 1977	- 5% of land value + 8% of construction cost	-	-	46 of 1962
From Sept 1977 up till now	- 7% of land value + 10% of construction cost	-	-	Passed and published Sept 1977

Source: Hanna, M., *"I Need A House, A Problem With a Solution"*,  
Ruz Al-Yusuf Bookshop, Cairo, 1978, p 165

Note: The concern of the government, during the 1950s and 1960s of Nasser's regime, regarding rent controls is strikingly serious and responsive compared with that of Sadat's regime during the 1970s. It is no wonder that as a consequence hardship has been inflicted upon the majority of low and middle income groups mainly after 1974 when rent controls have not kept pace with measures of speculation and exploitation brought about by the open door economic policy.

## VI. References

- M. Abdel-Fadil**, 1980, *The Political Economy of Nasserism*, Cambridge University Press, Cambridge.
- N. Abercrombie, S. Hill, and B. Turner**, 1984, *Dictionary of Sociology*, Penguin Books, England.
- F. Ajami**, 1982, "The Open Door Economy: Its Roots and Welfare Consequences" in G. Abdel-Khalek and R. Tignor (eds), *The Political Economy of Income Distribution in Egypt*, Holmes and Meier Publishers Inc. USA.
- Al-Ahram**, *Egyptian Daily Newspaper*, Cairo,  
10 December 1978, 8 February 1979, 26 June 1979,  
4 November 1979, 27 December 1979, 23 January 1980
- A.M. Al-Asfahani**, "How and for How Much Does the Egyptian Live" in *Al-Ahram El-Iktissadi*, No 627, 19 January 1981, pp 28-34
- N. Ayubi**, 1980, *Bureaucracy and Politics in Contemporary Egypt*, Ithaca Press, London.
- R. Baker**, 1978, *Egypt's Uncertain Revolution Under Nasser and Sadat*, Harvard University Press, Cambridge, Mass.
- A.M. Barada and W. Wheaton**, 1978, *Public Policy and the Economies of Housing*, CU/MIT, Technology Adaptation Programme, Housing Project, Interim Report, Working Papers.
- K. Barbour**, 1972, *The Growth, Location and Structure of Industry in Egypt*, Praeger, New York.
- Capmas**, *The Preliminary Result of the General Population and Housing Census in Egypt*, Central Agency for Public Mobilization and Statistics, Cairo, 22-23 November 1976
- Capmas**, 1981, *Statistical Yearbook*, Cairo.
- M. Cooper**, 1982, *The Transformation of Egypt*, Croom Helm, London.
- A. Dessouki**, April 1981, "Policy Making in Egypt, A Case Study of the Open Door Economic Policy" in *Social Problems*, Volume 28, No 4, pp 410-416
- D. Easton**, 1959, *The Political System*, KNOPE, New York.
- M.A. El-Sokkari**, June 1984, "Basic Needs, Inflation and the Poor of Egypt: 1979-1980" in *Cairo Papers in Social Science*, Volume 7, Monograph 2, The American University in Cairo.
- J. Field and G Ropes**, 1978, *Development in the Egyptian Governorates: A Modified Physical Quality of Life Index*, Cairo University/MIT, Technology Preparation Programme.
- A.G. Frank**, 1978, *Dependent Accumulation and Under-Development*, MacMillan Press Limited, London.
- A. Hanafy**, 26 March 1976, "Where is the Law?" in *Ruz Al-Yusuf*, Cairo.
- H. Handoussa**, April 1980, "The Impact of Economic Liberalization on the Performance of Egypt's Public Sector Industry" in the *Second Boston Area Public Enterprises Group Conference*, Boston.
- M. Hanna**, 31 May 1982, "A Bourgeois View of the Housing Problem" in *Al-Ahram El-Ektissadi*, No 698, pp 25-28
- M. Hanna**, 1978, *I Need a House, A Problem With a Solution*, Ruz-Al-Yusuf Bookshop, Cairo.

- R. Hinnebusch**, "Egypt Under Sadat: Elites, Power Structure, and Political Change in a Post-Populist State" in *Social Problems*, Volume 28, No 4, April 1981, pp 442-464
- R. Hinnebusch**, 1985, *Egyptian Politics Under Sadat*, Cambridge University Press, Cambridge.
- A.O. Hirschman**, 1979, "The Turn to Authoritarianism in Latin America and the Search for its Economic Determinants" in D. Collier (ed), *The New Authoritarianism in Latin America*, Princeton University Press, Princeton, pp 61-98.
- S. Huntington and J. Nelson**, 1976, *No Easy Choice: Political Participation in Developing Countries*, Harvard University Press, Cambridge, London.
- M. Hussein**, 1978, *Class Conflict in Egypt 1945-1970*, Monthly Review Press, USA.
- S. Ibrahim**, 1982, "Social Mobility and Income Distribution" in G. Abdul-Khalek and R. Tignor, (eds), *The Political Economy of Income Distribution in Egypt*, Holmes and Meier, USA.
- K. Ikram**, 1980, *Egypt: Economic Management in a Period of Transition*, Baltimore, The Johns Hopkins University Press.
- R. Kaufman**, 1979, "Industrial Change and Authoritarian Rule in Latin America" in D. Collier (ed), *The New Authoritarianism in Latin America*, Princeton University Press, Princeton, pp 165-254.
- W. Lewis**, 1978, *The Evolution of the International Economic Order*, Princeton University Press, Princeton, USA.
- Ministry of Planning**, August 1977, *Five Year Plan 1978-1982*, Cairo.
- A. Mohie - El - Din**, 1980, *Manpower Formation in the Egyptian Economy*, Institute of Developing Economics, Tokyo.
- A. Mohie - El - Din**, November 1982, "Income Distribution and Basic Needs in Urban Egypt" in *Cairo Papers in Social Science*, Volume 5, Monograph 3, The American University in Cairo.
- A. Nadim, N. Nadim, S. Mehanna and J. Nixon**, March 1980, "Living Without Water" in "*Cairo Papers in Social Science*, Volume 3, Monograph 3, The American University in Cairo.
- G. O'Donnell**, 1979, "Tensions in the Bureaucratic-Authoritarian State and the Question of Democracy" in D. Collier (ed), *The New Authoritarianism in Latin America*", Princeton University Press, Princeton, pp 285-318.
- Official Gazette**, 28 July 1975, *Minutes of the National Assembly*, Legislative Section, Cairo, p 8519.
- E. Parsons in association with Dr Assas Nadim Eca-Cairo**, 3 March 1980, *Socio-Economic Report on Proposed Service Areas - Metered Service Connections Programme*, prepared for the General Organisation of Greater Cairo Water Supply.
- S. Radwan and E. Lee**, 1980, *The Anatomy of Rural Poverty: Egypt 1977* prepared for World Employment Programme, Geneva: ILO.
- R. Ramirez**, 6-18 September 1974, "Planning in a social Vacuum", in *Town and Country Planning, Summer School*, p 80-87.
- R.C. Rich**, March 1982, *Urban Development and the Political Economy of Public Production of Services*, Paper presented at the "Annual Meeting of the Southwestern Political Science Association.

- Ruz Al-Yusuf**, 12 December 1978, *Egyptian Weekly Magazine*.
- R. Sandbrook**, 1982, *The Politics of Basic Needs*, Heinemann, London.
- Z. Shafei and R. Goeshert**, 1978, *Housing for Low Income and Informal Sector*, CU/MIT, Technology Adaptation Programme, Housing Project, Interim Report, Working Papers.
- R. Sharif and D. Jabaji**, April 1980, *Technologies and Organisation for Sustainable Provision of Basic Shelter*, UN Environment Programme, Jordan.
- USAID**, January 1982, *Informal Housing in Egypt*, A Study of United States Agency of International Development Cairo.
- J. Waterbury**, 1978, *Egypt, Burdens of the Past, Options for the Future*, Indiana University Press, USA.
- J. Waterbury**, 1982, "Patterns of Urban Growth and Income Distribution in Egypt", in G. Abdel-Khalek and R. Tignor (eds), *The Political Economy of Income Distribution in Egypt*, Holmes and Meier Inc, USA.
- J. Waterbury**, 1983, *The Egypt of Nasser and Sadat, the Political Economy of Two Regimes*, Princeton University Press, USA.
- W.C. Wheaton**, 1980, *Development and Infrastructure in Greater Cairo Region*, Prepared for IBRD.
- World Bank**, 6 June 1978, *Egypt Urban Development Project*, Report No 1976 - EGT, Egypt.
- M. Zaitoun**, March 1980, "The Housing Problem in Egypt and Its Future Trends" in *The Fifth Annual Conference of Egyptian Economists*, Cairo.
- W. Zieman and M. Wanzendorfer**, 1977, "The State in Peripheral Societies" in the *Socialist Register*, London pp 143-177

