

The politics of “good governance” in Egypt:

Negotiating political participation in the SME policy-making process

Foreign donors’ insistence on “good governance”ⁱ in the last fifteen years has translated in their support to the political participation of socio-economic groups in the making of reforms in the Middle East. This holds true for micro, small and medium enterprises (SMEs). This paper examines the effects of foreign donors’ “good governance” discourse on the participation of SME advocacy groups in the making of a “SME policy” (i.e. a set of administrative, economic and regulatory reforms that aim to facilitate the development of SMEs) in Egypt. It analyzes the combined effects of, on the one hand, donors’ support to SME advocacy groups and, on the other hand, their insistence on the design of participatory mechanisms by the SME Development Unit, the Egyptian governmental unit in charge of the development of a SME policy from 1997 to 2008.

The aim of this paper is to evaluate the potential role of foreign-supported SME advocacy groups in promoting and participating in the making of economic reforms in Egypt. More broadly, it strives to enrich the debate on the “politics” of good governance and highlight the political transformations in state-society relations induced by foreign donors’ involvement in the Egyptian authoritarian regime.

SMEs in Egypt: A key economic development issue

One of the main structural constraints to industrial competitiveness and economic development in Egypt relates to the weak capacities of SMEsⁱⁱ. SMEs account for more than 90% of private sector companies and generate around 75% of the country’s employment and 80% of its GDP. Their development is however hampered by a series of economic, administrative, legislative, and financial obstacles, including a lack of access to finance, heavy tax burden, cumbersome administrative procedures for registering and licensing, weak business support services.

Acknowledging the need to implement economic, administrative and regulatory reforms in order to facilitate the development of SMEs, the Egyptian government has taken a number of steps in the last decade. The most salient initiatives has been the establishment of a SME Development Unitⁱⁱⁱ in charge of the making of a general policy for micro, small and medium enterprises from 1997 to 2008. The SME Development Unit’s main achievement has been the publication of the 2004 “Enhancing Competitiveness for SMEs, General Framework and Action Plan” document. A previous policy document was drafted by the SME Development Unit in 1997. The 2004 publication radically updated and enriched it. It aimed to highlight the main obstacles facing SME development and provide the SME development community with an action plan with concrete reform measures to enhance the competitiveness of SMEs. Before and after the 2004 policy document, a number of additional thematic reports were

published by the SME Development Unit on a wide array of topics: SME definition, export, credit, leasing, finance.

Established in December 1997 by then Minister of Economy Youssef Boutros Ghali, the SME Development Unit was a technical unit attached to the minister himself. The centrality of the figure of Boutros Ghali as well as his personal involvement in and takeover of the Unit point to the patrimonial nature of development politics in Egypt. The Unit, which never exceeded ten people, has indeed been moving from one ministry to another, following Boutros Ghali^{iv}. An ex-IMF official, Boutros Ghali is acquainted to Western development institutions and rationales. Described by consultants, state officials and foreign donors as a charismatic, visionary and powerful figure, he is known for his capacity to spot the “politically important” issues, such as SME development, and secure foreign funding for development projects.

Foreign donors: intertwining SME policy-making and “good governance”

Foreign donors operating in Egypt have been actively involved in SME development in the past two decades. In line with their support to economic liberalization and private sector development, and with the view that SMEs are a key avenue for economic development, poverty alleviation and employment, they have funded a vast array of projects relating to SME development. Traditionally, most of these projects have focused on service provision to small and medium businesses. However, from the late 1990s onwards, a partial shift has operated from service-provision to reform policy: foreign donors have increasingly supported the making of economic, administrative and regulatory reforms and the development of advocacy groups promoting reforms. Indeed, from 2000 to 2008, the Canadian International Development Agency (CIDA) and the International Development Research Center (IDRC) have supported technically and financially the making of a SME policy by the SME Development Unit. This support to reform has been paralleled by an emphasis on “good governance”, especially on the need to design an inclusive, participatory policy-process in order for reforms to be efficient and fair. Other development agencies and foundations, including the Friedrich Ebert Stiftung (FES) and the Center for International Private Enterprise (CIPE) have claimed to provide support to non-governmental organizations (NGOs) representing SMEs and advocating economic, administrative and regulatory reforms. Foreign donors have thus provided the government with the technical and financial capacity to engineer a policy process and supported through different channels the participation of SME representatives in the policy process.

Foreign donors’ emphasis on the participation of SME representatives in the making of reforms faces two main constraints. First of all, it conflicts with the Egyptian government’s traditional top-down and non participatory approach to the development of social and economic policies. SMEs, much like other social and economic groups, are usually excluded from the making of economic reforms^v. Second, it stands in sharp contrast with the capacities of SMEs. Indeed, in contrast to big businesses^{vi}, the advocacy capacities and political access to the decision-makers of SMEs are extremely weak. As Tamer El Meehy argues, “the institutional framework that is supposed to represent SMEs is no different from that governing

other aspects of civil society in Egypt. M/SMEs suffer from the absence of effective representative and transparent institutions to represent and promote their interests”^{vii}. Most SME associations are in fact service-providing NGOs^{viii}. The number of SME associations involved in advocacy is very small: only two main associations operating at the national level –a prerequisite to lobby the government- have been identified. The most active SME advocacy association is a federation of NGOs, the Federation of Economic Development Associations (FEDA), which has benefited substantially from foreign donors’ support. Much less active is the Cooperative Society for Small Businesses (CSSB), a branch of the Cooperative Productive Union, a corporatist entity of industrial cooperatives operating under the supervision of the Ministry of Local Development. Despite their contrasted level of activity and participation and their different nature, these two associations share common features: the size of their membership and their financial resources are limited compared to traditional business associations.

Given these constraints, donors’ emphasis on good governance and the political participation of SME stakeholders in the making of reforms by the SME Development Unit raises a number of issues and questions. First, to what extent can foreign donors facilitate the *promotion* by SME representatives of reforms? In other words, to what extent can donors increase their advocacy capacities? Second, to what extent can they increase the *level of their participation* in the making of these reforms? Third, if and when foreign donors’ discourse on “good governance” has an impact, *how* does the foreign-supported political participation of SMEs in the policy process *operate*? It must be noted that this work does not focus on the content of political participation but rather on its extent, actors and venues^{ix}. With this in mind, understanding how foreign donors can transform the political participation of SMEs in the making of reforms amounts to examining 1) how both state actors and social actors’ political activities and attitudes to political participation are transformed by the involvement of foreign donors (i.e. by the opportunities and challenges foreign donors introduce) and 2) how this transformation affects their relation and the general participatory framework. Political participation being a key element of state-society relations, answering these questions provides with a number of hints on the political effects of foreign donors’ “good governance” discourse and measures on state-society relations in the Egyptian authoritarian regime.

The paper first examines the effects of foreign donors’ (especially FES’s and CIPE’s) support to SME advocacy groups. It argues that foreign donors have the ability to enhance the ability of SME advocacy groups to promote reform and participate in their making (section I). However, their financial and technical support has been monopolized by one unrepresentative NGO, FEDA. Section II examines why and how an unrepresentative NGO has managed to monopolize foreign donors’ support and thus SME representation and participation in the making of reforms. It introduces the concept of *civil society entrepreneurship* to account for this bias.

Section III turns to the state, and examines state strategies towards the foreign-induced political participation of SME advocacy NGOs: it examines how the SME Development Unit has endogeneized CIDA and IDRC’s requirement for a participatory process. It argues for

FEDA's corporatization and examines how this new form of corporatism affects the potential of SMEs to promote economic reforms in Egypt.

I- Foreign donors and SME advocacy groups: doing and undoing civil society activism

The survival of Egyptian advocacy groups^x and their potential participation in policy processes are extremely dependent on the support of foreign donors. As an official from a donor agency puts it, "participation in policy processes depends on your [the associations'] agenda and on meeting the right donor who has the same agenda"^{xi}. Donors indeed have the financial and technical capacity of enhancing the capacities of associations and facilitating their access to policy processes. This holds true in the case of SME advocacy groups. The SME advocacy NGO that has benefited most from foreign donor support (i.e. FEDA) has adopted specific advocacy strategies and has fared much better in terms of visibility and participation in the policy-making process than its corporatist counterpart (i.e. CSSB) which did not manage to secure support from foreign donors..

Support to associations advocating for economic, social, or civic reforms is generally provided by foundations or non-profit organizations (NPOs)^{xii}. Two organizations have played a key role in fostering the advocacy capacities, and subsequently the participation of SME representatives in the making of SME policies: the Friedrich Ebert Stiftung (FES), a German foundation, and the Center for International Private Enterprise (CIPE), an American NPO. Other foundations and organizations have also been involved to a lesser extent. FES and CIPE's approaches to advocacy, their discourses and the activities they have been supporting reflect the general trends in advocacy promotion in Egypt^{xiii}.

Foreign donors are often involved at the very early stages of the establishment or the development of NGOs. Donor-driven projects or NGOs are commonplace in Egypt. In FEDA's case, its history clearly reveals that it could not have emerged without the support of external actors, notably FES's. From 1996 onwards, FES played a critical role in encouraging the creation, throughout Egypt, of eleven economic development NGOs in eleven different governorates. These NGOs later gathered under the umbrella of FEDA whose establishment was also strongly supported by FES officials.

FES has provided the regional economic development associations and FEDA with different kinds of services to "help them function as civil society organizations"^{xiv}. Functioning "as civil society organizations" in the mind of foreign donors operating in Egypt with advocacy NGOs implies being able to raise issues of public concern and discuss them with local or national authorities. This in turn implies having the organizational capacities and the required know-how to formulate concerns and demands and to channel them to the relevant authorities. FES has thus provided the regional economic associations and, later, FEDA with this know-how. It has, for example, provided FEDA with experts who could help it produce quality documents and argumentations. But more importantly, it has provided the Federation with the tools and resources to gain visibility and access policy-makers. As a FES official puts it, "the

government really reacts to two things: media coverage and involving sometimes a governor [or any other state actor] in your activities”^{xv}. This requires developing contacts with media and politicians. FES has thus extensively funded activities (including meetings, workshops, lunches) involving FEDA, media (both independent and state media), parliamentarians, government officials and SFD officials. This has provided FEDA, and its president, with a network and visibility. As a FES official underlines it, the government is now “aware” that FEDA “has the capacity to organize events, conferences, etc”^{xvi}. FES claims not to intervene in the content of FEDA’s work and to restrict its contribution to easing the organizational aspects of their work, thus simply setting the stage for FEDA to act. Its influence is however much more important. First of all, its discourse has permeated that of FEDA as the Federation’s publications indicate^{xvii}. Second, without its support FEDA’s work would be technically impossible^{xviii}. CIPE has also developed projects aimed at enhancing FEDA’s capacities. It has been working with the Federation since 2004. CIPE organizes trainings on a number of topics that tackle issues relating to advocacy: the development of an agenda, the prioritization of policies, the evaluation of policies, etc. It has also financed a number of research projects developed by FEDA.

The comparison with CSSB (which is now completely inactive) hints at the fact that foreign donors’ support is vital for advocacy associations willing to participate in the SME policy processes. Indeed, the absence of foreign donors’ financial and technical support hindered the association’s participation in the SME policy process and led to its slow death. CSSB is part of the system of industrial cooperatives, the Cooperative Productive Union. CSSB’s president did contact and meet foreign donors, but his attempts to get funds from them turned out to be unsuccessful: foreign donors avoid channeling funds to corporatist organizations^{xix} despite the fact that CSSB’s claims and ambitions are close to FEDA’s, and its modus operandi is in many ways similar. CSSB’s inability to secure donors’ financial, technical and political support is crucial to understand the decrease of its participation in the SME policy process, from 2004 onwards. An illustration of the gap between FEDA and CSSB’s capacity to mobilize can be found in the contrasted level of their participation in the SME Development Unit’s policy committees: state officials underline that FEDA was present more often, and was much more prepared, vocal and implicated during the committees’ sessions^{xx}.

This overview of FEDA’s history and activities and the quick comparison with CSSB points to foreign donors’ capacity to foster the promotion by SME advocacy groups of reforms and their participation to the SME policy process and therefore to contribute to an increase in the promotion by private sector actors of reforms and thus facilitate their participation in the making of reforms. However, their involvement has crucial limitations: the participation they foster is neither pluralist nor representative.

FEDA can’t be considered a representative of the SME sector in Egypt. Indeed, though it claims to gather 32 000 businessmen, most of these individuals are in fact clients of the service-providing NGOs gathered under FEDA’s umbrella. FEDA’s declared objectives are to

“support the participation of its member associations in discussing issues, laws and regulations that regulate SMEs; ensure more participation in taking decisions pertinent of SMEs in order to assume greater roles in economic and social development; and enhance dialogue between decision makers and SMEs representatives to ensure adopting laws and regulations to the advantages of the Egyptian SMEs”^{xxi}. However, the associations gathered under FEDA’s umbrella are more often than not economic development NGOs headed by entrepreneurs that provide SMEs with a number of services and participate in development projects in their governorate. These associations are thus service-providing NGOs that have come together at the national level and expanded their activities to advocacy. FEDA has a double nature: it is an advocacy NGO that also provides services.

Despite this lack of representativity, FEDA has managed to monopolize access to foreign funding and, subsequently, political participation in the SME policy-making process. The question that arises is *why* and *how* foreign donors’ support to advocacy and participation translates in the monopolization of their resources and, subsequently, of SME representation by an unrepresentative NGO. Introducing the concept of *civil society entrepreneurship* allows for a more thorough understanding of why and how FEDA has succeeded in monopolizing foreign donors’ support and access to the SME policy-making process. I argue that FEDA’s president is a *civil society entrepreneur*: after having identified the opportunities (such as political participation) and benefits (social and economic capital) foreign donors can provide, he has developed *networks of privilege*^{xxii} within the donors’ system that have allowed him to secure a privileged access to these opportunities and benefits. In the development of these networks of privilege, he has benefited from the specific patronage of one donor, FES.

The relevance of the concept of civil society entrepreneurship seems to go beyond the case of SME advocacy. Indeed, the emergence of civil society entrepreneurs appears to be one of the main effects of foreign donors’ support to the participation of advocacy groups in the making of socio-economic reforms in Egypt^{xxiii}.

II- Civil society entrepreneurship and the monopolization of foreign donors’ support to SME advocacy associations

Opportunities and benefits as incentives for the emergence of “civil society entrepreneurs”

“Civil society entrepreneurs” can be defined as NGO leaders who, much like business or political entrepreneurs, identify an opportunity and exploit it to gain economic, political or social benefits. Understanding *why* foreign involvement allows for some NGO leaders to become “civil society entrepreneurs” therefore requires highlighting the *opportunities* created by foreign donors and the *benefits* civil society entrepreneurs can extract from the exploitation of these opportunities.

Foreign donors operating in Egypt need to face and reconcile two contradictory trends. On the one hand, their programs require the participation of civil society organizations (here, SME

advocacy NGOs). On the other hand, these organizations are weak or inexistent. The issue of the missing constituency for reform is a recurrent one in authoritarian regimes^{xxiv}. The combination of the availability of foreign donors' funds and their need for a SME constituency with the absence of this constituency has created a unique opportunity for FEDA and its leader to enter and exploit the "niche" of SME representation^{xxv}.

A series of benefits can be extracted from the exploitation of this niche of opportunity. The example of FEDA's president illustrates the rapid increase in social capital^{xxvi} resulting from the collaboration with foreign donors. Indeed, through his increased access to media, parliamentarians and government officials, FEDA's president has gained increased visibility at the *national level* and reinforced his legitimacy as a SME representative. FEDA's president has established regular relations with the media, who refer to him as a representative of the SME sector, recall his activities and quote him in a number of articles, thus granting him visibility and legitimacy^{xxvii}. Moreover, his privileged access to Parliament –which was made possible by FES- and the participation in parliamentary commissions have played in reinforcing this legitimacy. By then gaining access to government structures through the SMEPol, and personally participating in the policy-making process, he has become, in about 4 or 5 years, a recognized public figure, including in the mind of government officials.

The "actual or potential resources"^{xxviii} linked to this increased visibility and legitimacy are difficult to evaluate at the national level. Looking at the evolution of FEDA's president at the *governorate level* allows for a better understanding of the effects of donors' support on a NGO leader's social capital. FEDA's president is from Port Said. His position as a NGO leader has benefited his social status in two different ways. First of all, he has channeled an important amount of donors' funds to the local population, providing, for example, economic opportunities to young people: a number of projects for youth entrepreneurship have allowed for the establishment of micro and small enterprises, access to the Industrial Modernization Center's subsidized industrial upgrading program to a number of small and medium entrepreneurs. The financial resources and visibility provided by foreign donors have participated in increasing his social status at the governorate level and in transforming him in a local public figure. This demonstrates, as a foreign donor argues, that "foreign funds are a way up for notability for skillful NGO figures". As he ironically adds, "esteem for these people grows with the amount of foreign money"^{xxix}. This is not only true for the recipients of foreign funds that are channeled through the NGOs: it also concerns the attitude of local authorities. Indeed, in the last twenty years, local authorities, whose resources are constrained, have increasingly tended to rely on NGOs operating at the governorate level with foreign funds to provide some services to the population. Getting associated to NGO projects has become a classical strategy of local authorities. In the case of FEDA's president, they have also used his organizational and financial capacities to organize meetings or workshops on issues relating to SME development, regulations, or taxes. This clearly participates in the enhancement of his networks of social relationships at the governorate level and the enhancement of his social capital.

The translation of social capital into economic capital is extremely difficult to evaluate and will not be intended here. Suffice to note that there are potential direct economic benefits that civil society entrepreneurs can gain through the exploitation of the opportunities arising from foreign donors' involvement. Through FEDA's president case, different sources of economic benefits can be identified. The most obvious relates to the grants provided by foreign donors to FEDA^{xxx}. More generally, foreign donors' support goes hand in hand with travels, conferences in four-star hotels, etc.

Highlighting the opportunities and benefits extracted by FEDA's president, and more generally by civil society entrepreneurs, thus explains *why* civil society entrepreneurs come into being. However, understanding *how* civil society entrepreneurship is fostered requires examining the building of interpersonal relations between foreign donors and civil society figures. The building of a network of exclusive interpersonal relation with a number of foreign donors has allowed FEDA's president to monopolize foreign funds and support, and, subsequently, to obtain a privileged access to the SME policy process. It is in this sense that these networks of interpersonal relations can be qualified of "networks of privilege"^{xxxix}.

The first step in the building of this network of privilege has been the development of a specific type of patron-client relation between the FES official and FEDA's president. The nature of the relation between these two actors, and the resources exchanged, indeed point to the fact that FEDA has benefited from the patronage of a donor.

Characteristics of donors' patronage

As Eisenstadt and Roniger illustrate it^{xxxii}, patron-client relations can take a great variety of concrete forms^{xxxiii}: in this case study, the relationship between FEDA's president and the FES official can be considered just another variation of patron-client relation.

FEDA's president and the FES official insist that they have a close personnel relationship and that they consider each other as "friends". Friendship is one of the "social institutions" that formalizes trust and it is certainly one aspect of the relationship between these two actors. However, the asymmetry in their relation (or, in other words the "discrepancies in status, power and influence"^{xxxiv}) and the resources made available by the FES official to FEDA's president point to the fact that their relation is a variation of "lopsided friendship". Lopsided friendship indeed refers to a type of patron-client relation that reconciles, on the one hand, the affective and personalized character of the relation and, on the other hand, its asymmetry. Lopsided friendship might be based on less inequality than other types of patron-client relations, but it remains asymmetrical^{xxxv}.

The patronage of the FES official has allowed for the survival and the empowerment of FEDA, allowing it to get exclusive access to the resources provided by FES and to develop a network of interpersonal relations with different actors of the donors' system (and more generally the SME policy community). In exchange, FEDA's president has been promoting the values and message of the donors' foundation (economic liberalization, "civil society empowerment", etc.)

Developing a “network of privilege” within the donors’ system

The elaboration of these “networks of privilege” within the donors’ system results from the combination of relatively strong barriers to the entry in donors’ networks and the capacity of one civil society entrepreneur to establish strong and multiple ties with donors.

The entry of SME advocacy NGOs, and more generally of civil society organizations, in the donors’ system and their access to donors’ support is subject to a number of restrictions that relate to the limitations of the Egyptian political system^{xxxvi} and those of the donors’ system. Regarding the latter, the combination of donors’ lack of knowledge of the local environment, their limited time and money resources, their inadequate conception of civil society and the excessive conditionality that goes hand in hand with their support converge to close the access to the donors’ system and exclude a large number of civil society organizations from it^{xxxvii}. This sets the stage for the concentration of funds on a limited number of these organizations. As a consequence of their lack of knowledge of the local environment and their limited time and money resources, donors tend to support the same NGOs over long periods of time. Moreover, even when looking for “new” NGO partners, they tend to rely on information provided by other foreign donors. Indeed, information on “recommendable” NGOs does circulate within the donors’ system^{xxxviii}.

Donors’ lack of knowledge and understanding of the civil society scene in Egypt is coupled with a restrictive definition of what civil society should be and what the NGOs should look like in order to get their support. A number of actors are therefore excluded from access to donors’ funds because of their nature. In this case study, the most obvious case of exclusion from donors’ support is that of CSSB.

All these barriers hinder the access of most civil society organizations to foreign support and facilitate the strengthening of the position of the NGOs who have entered foreign donors’ closed circle. Civil society entrepreneurship is thus about having the ability 1) to enter this closed circle and 2) to ensure the predominance of one’s position in this circle through the building of relationships with different donors. FEDA’s leader’s has had this ability. The patronage of a FES official has allowed him to enter foreign donors’ world. On this basis, he has then managed to build a network of relations with different donors.

By providing him with the tools, knowledge and appropriate vocabulary, the FES official has facilitated the formatting of his client and has created a product that fits donors’ requirement in terms of discourse, organization and paperwork. FEDA’s leader has used these capacities to apply for grants, with USAID for example with which he worked on projects relating to the development of technology and communication skills for SMEs.

As important as these capacities is the visibility FES has provided FEDA’s president with. FES has supported a large number of networking activities. Through his lobbying activities for the 2004 SME Law for example, he has gotten in contact with a large number of parliamentarians as well as with different media who have publicized his activities, presenting him as the voice of SMEs in the framework of the making of this law. More importantly, this

experience has allowed FEDA's leader to enter in close contact with SFD officials and bureaucrats from the SME Development Unit. It is also during this period, that FEDA's leader established contacts with other foreign donors, such as CIPE and ILO.

Thus, rather than fostering pluralist representation, foreign donors have concentrated their funds and support on one SME advocacy NGO. This concentration of funds on FEDA partially results from the capacity of its president to develop a network of interpersonal relations with foreign donors supporting SME advocacy. Given that political participation to policy process requires funds and visibility, FEDA's monopolization of donors' funds and support has allowed for its privileged access to political participation in the SME policy-making process.

Foreign donors' involvement in the policy-making process has not been restricted to supporting the promotion by SME stakeholders of reforms. They have also been involved directly with governmental actors. CIDA and IDRC have indeed supported technically and financially the development of a SME policy by the SME Development Unit, putting special emphasis on the requirement to design a participatory and inclusive policy-making process. Analyzing how this requirement has been endogenized by the SME Development Unit sheds light on the peculiarities and limitations of the foreign-supported participation of Egyptian SME stakeholders in the making of reforms.

III- State strategies towards the participation of SME stakeholders: from consultation to political participation

CIDA and IDRC's "good governance" approach has clearly permeated the discourse of state bureaucrats: the documents published by the SME Development Unit refer to "stakeholders' mapping and involvement", and stress the need to take into account actors outside the realm of governmental organizations, i.e. "advocacy organizations", "private sector organizations", etc. This recognition of the need to foster dialogue with key external stakeholders and interest groups is worth mentioning since it contrasts with the traditional approach to policy making of the Egyptian authoritarian regime. More importantly, this discursive shift has been accompanied by the development of participatory mechanisms at the level of policy practice. This foreign-induced participation of SME stakeholders has taken two main forms: consultation and political participation.

Consultation of SME stakeholders: a top-down initiative

The drafting of the "Enhancing Competitiveness for SMEs General Framework and Action Plan" provides the best example of the implementation of the consultative approach: around 70 consultative sessions have been held since 2000 throughout Egypt. Given the absence or

the weakness of SME advocacy associations in many governorates, service providing NGOs working on the field in governorates or SME owners were consulted.

Consultation differs from political participation in two crucial ways. A first key difference lies in the extent of non-governmental stakeholders' demands for inclusion. Consultation clearly belongs to the realm of governmental top-down initiatives: it is not set up by external, non-governmental stakeholders and does not even respond to a demand from these external stakeholders. Rather, it is thought, designed and organized by governmental stakeholders. Beyond the satisfaction of donors' demands, the aim was to facilitate the policy process. A second key difference relates to the nature of the stakeholders involved. Consultation was broad and included a large number and variety of stakeholders: SME owners, service providing NGOs, and advocacy associations. The aim of consultation was outreaching directly to as many people as possible, even to those who could by no means be equated to advocacy groups.

Consultation is thus a form of participation. Indeed, non-governmental stakeholders –in this case SME owners, associations providing services to SMEs and, to a lesser extent, SME advocacy NGOs- are given the opportunity to take part to workshops or forums, share their experience and voice their needs. It is not however political participation. Indeed, as Holger Albrecht argues, “intent” is needed for participation to be political. As he puts it, “the political nature of participation must be immediate. Rather than adopt a “chaos theory” of political participation, in which any word or action of a private individual might, in a long chain of reactions, have political implications, we need to identify whether the activist intended to influence governmental decision-making”. During the consultation process preceding the drafting of the National Framework and Action Plan the individuals who participated did not mobilize to influence the policy making process. They were mobilized by the SME Development Unit staff and consultants.

State strategies towards foreign-induced political participation: corporatizing a SME advocacy NGO

Conversely, the participation of FEDA –and to a much lesser extent CSSB- in the policy committees established in 2005 by the SME Development Unit provides a clear example of political participation. Established after the launching of the General Strategy and Action Plan, these policy committees aimed to develop specific reform measures to facilitate the implementation of the Action Plan.

The political participation occurring in these policy committees has a number of features that point to its corporatist nature^{xxxix}. Indeed, it can be argued that state actors have corporatized FEDA. In other words, the main response of state bureaucrats to the foreign-induced requirement for the political participation of advocacy NGOs in the making of SME policies has been FEDA's corporatization. A close look to the SME policy process indeed reveals that though the bureaucrats of the SME Development Unit have allowed for political participation to occur, the institutional set-up in which it has occurred indicate that it was neither pluralist nor completely independent from the state. Rather, FEDA has been granted an official

monopoly on SME representation and has been formally integrated in state structures. The corporatist arrangement that has emerged is, however, distinct from traditional corporatist arrangements in Egypt in a number of ways. It is, first of all, highly dependent on foreign donors' involvement and relatively detached from the SME constituency. Second, it appears to be somehow incomplete and more fragile than other forms of corporatism.

Before turning to the quality and peculiarities of FEDA's corporatization, it should be noted that some scholars have been introducing the theories of corporatism in the study of state-NGO relations. Indeed, though corporatism generally refers to representational associations such as unions or syndicates, a few scholars have begun using it, since the beginning of the 2000s, when referring to "newer" forms of civil society organizations, namely NGOs. The work of these scholars generally addresses Third World newly democratized, semi-authoritarian and authoritarian regimes. It suffers however from a serious flaw. The theories of "corporatism" have indeed been applied to state-NGO relations in a non-rigorous manner: "corporatism" has often been misused or simply equated to "control" or "co-optation". Howard Wiarda has referred to corporatism to describe the way Third World states deal with NGOs. He recalls, for example, that some NGOs "are encountering newfound hostility or increased host government suspicion, regulation, and controls over their own activities. Some NGOs [...] have been forced to curtail their activities; [...] others have been obliged to accept increased scrutiny of their finances, foreign connections, memberships, and internal procedures –that is, a reassertion of corporatism"^{xi}. Similarly, in her analysis of civil society in Egypt, Maha Abdelrahman argues that "the government has used a policy mix of repression and co-optation\corporatization towards NGOs"^{xii}. The phrasing of both excerpts reveals the main limitation of Wiarda and Abdelrahman's approaches: "corporatism" is used as an analytically vague category. In both cases, corporatization is used as an approximate synonym for cooptation or state control. In fact, these authors' arguments are mainly built on a compilation of the measures taken by the regimes to restrict the freedom of NGOs and submit them to state scrutiny and control. Some elements that Abdelrahman sets forth do have corporatist traits. She underlines, for example, the need for NGOs to be "members of a federation in a strictly hierarchical structure"^{xlii}. However, corporatism means more than organizing units or controlling their finances. It is indeed above all a system of interest representation. Yet, first of all, Abdelrahman does not discuss the existence and/or quality of potential consultative mechanisms and, second, she refers almost exclusively to service NGOs which are not units of interest representation, i.e. they do not aim to represent a group and channel its demands.

In order to analyze the type of corporatism that emerges from the corporatization of a foreign-supported advocacy NGO such as FEDA, the *actors* and *processes* involved are identified and examined. The *nature* of this corporatism and its *political implications* are then discussed.

The above-mentioned literature linking corporatism and civil society is based on the premise that the regimes have to deal with both old and new forms of associability, and thus that the *actors* involved in corporatist or semi-corporatist arrangements and those involved in NGOs are different. This dichotomy between old and new forms of associability must be rethought.

Indeed, a glance at the actors involved in both kinds of structures reveals that old and new forms of associability frequently overlap. FEDA's case is instructive: its most active members indeed cumulate position in old and new types of associations. FEDA's president is indeed also the vice-president of the Cooperative Productive Union. He has been active in this corporatist structure since the mid-1980s. Moreover, he is a member of the Chamber for Civil Industry of the Federation of Egyptian Industries (FEI).

It can be argued that the corporatist background of some of the actors involved in advocacy NGOs smoothes their interactions with government officials. Indeed, as FEDA's president puts it, "we know how to present things"^{xliii}. In other words, these actors have some knowledge on how state institutions work and what state actors can expect and accept. This hints at the fact that the background of FEDA's members, including its president's, has probably facilitated the corporatization of their NGO^{xliv}.

The *process* of FEDA's corporatization began in 2005. Previously, FEDA's president relations with the SME Development Unit were largely informal. He was indeed in contact with state bureaucrats from the SME Development Unit (as well as with other ministries and agencies) through the networking activities that he organized with FES's support and the workshops, conferences and seminars he was invited to. This informal relation was formalized from 2005 onwards: from then on, informal and formal relations have been mutually reinforcing.

Some of the basic elements of the corporatization process relate to the hierarchical structure of the Federation and the control exerted by the state over its leadership. These elements echo Abdelrahman's above-mentioned argument and cover a number of the characteristics of "typical corporatist arrangements" identified by Bianchi^{xlv}. State control is exerted through the requirement for registration as well as through the control over the composition of the board of the directors. Registration being mandatory in Egypt, FEDA was registered at the Ministry of Social Affairs (MOSA) in 2001. In accordance with the law, it was initially formed of eleven associations, each one from a different governorate. The first board of the Federation included eleven elected members and five members appointed by the Ministry of Social Affairs (MOSA)^{xlvi}. The MOSA also exerts control over the Federation's funds: FEDA –like all other NGOs- needs the MOSA's approval before receiving foreign funding. Moreover, the Federation is organized in a centralized and hierarchical way. Three levels can be identified: local, regional and national. 130 NGOs work at the local level. In each governorate, these NGOs are grouped under a regional association, which itself is organically related to the national Federation, FEDA. FEDA has its headquarters in Cairo.

FEDA's organization and leadership structure thus comply with the legislation imposed on federations of NGOs in Egypt. In this sense, the legislation in vigor is responsible for part of the corporatization process. However, this work argues that corporatization takes all its meaning when the issue of the channeling of interest representation is examined. Two key elements need to be addressed to highlight the centrality of this issue: the monopoly of

representation granted to FEDA and the formalization of its participation through its incorporation in intergovernmental SME policy committees.

Officials from the SME Development Unit know FEDA's president personally. He is perceived as a "good guy", who "has the energy" and "wants to do something"^{xlvi}. These officials consider FEDA as "huge", "well known", "very active"^{xlvi} organization. The fact that it is "nationwide"^{xlvi} is also regularly underscored. For all these reasons, they consider it is a "representative of SMES"^{li} or that it "represents the business people"^{li}. It should be recalled at this point that though it claims to represent the SME community and it gathers more than 130 associations working on SME development, FEDA cannot be considered a business association representing the whole Egyptian SME community. Indeed, the SME community comprises millions of individuals who, in their vast majority, have never heard of FEDA.

Despite this imperfect representativity, FEDA has been granted a formal monopoly over SME representation by the SME Development Unit. This has been made possible by the fact that, as mentioned previously, there is no other SME advocacy association active at the national level. In that regard, the fact that foreign donors have exclusively supported the Federation is one of the root causes for the granting of a monopoly of representation to the Federation. The granting of this monopoly has been formalized in the Protocol of Cooperation signed between the Ministry of Finance and FEDA in January 2005^{lii}. This Protocol marks the official recognition by the government of FEDA's role as a representative of the SME community. It was signed by FEDA's president and the head of the SME Development Unit and aimed to organize the cooperation between the Federation and the Ministry "in the framework of micro, small, medium enterprises' development". This document endows FEDA with a high degree of legitimacy. After stating that NGOs play an important role in social development, it recalls FEDA's membership basis and its role in SME development in Egypt.

As mentioned previously, CSSB also participated to the development of SME policies. However, its level of participation did not reach FEDA's. Moreover, officials from the SME Development Unit consider it a "small organization", "much smaller than FEDA"^{liii}. They underscore the fact that it was less efficient and knowledgeable about SME issues than FEDA and that its president usually "went with the flow"^{liii} in that it did not have specific demands or questions. Moreover, CSSB was not as involved as FEDA in meetings and policy committees. The reason why it was invited by the SME Development Unit on some occasions is that it is related to the Productive Cooperative Union, and as such cannot be ignored. The fact that the SME Development Unit dealt with CSSB could point to a duopolization of SME representation. However, CSSB's weak participation and the approach of the SME Development Unit officials to this organization highlight the fact that it was not considered as representative –and did not aim to be considered as such.

More generally the granting of a monopoly of representation to FEDA raises the issue of the exclusion of large sections of the SME community. The problem of the unbalance between organized interest groups and the rest of the community is summed up clearly by Cawson who

argues that one of the risk of corporatism is “that organized interests will benefit at the expense of the unorganized or that the interests included in the process of policy negotiation will benefit at the expense of those excluded”^{lv}. This is clearly an issue in the SME policy-making process.

The monopoly of representation granted to FEDA is one key aspect of its corporatization. Its incorporation in policy committees is a second key aspect: it has allowed the channeling and the institutionalization of its participation.

The Protocol of Cooperation between FEDA and the Ministry of Finance underlines, in its first article, that the cooperation between the two entities includes debating the policies and legislative proposals relating to regulatory, financing, organizational obstacles facing SMEs. The sixth point of the second article includes the participation of FEDA to policy committees set up by the Ministry of Finance. The objective is to enhance the Federation’s role in setting forth the problems encountered by small and medium entrepreneurs. All in all, FEDA is granted a key role in the representation of SMEs’ interests within governmental institutions.

The formalization of FEDA’s role takes a number of other forms. The third point of the second article of the Protocol also adds, for example, that FEDA’s members will be given the opportunity to participate in the training, conferences and workshops organized by the Ministry of Finance. The eighth and last point of the Protocol also underlines that some FEDA members will be invited to join the Egyptian delegations in international meetings and events. FEDA has for example participated in a study tour to Canada with the SME Development Unit and other governmental agencies. FEDA is thus incorporated not only in the policy committees but also in a very diverse set of governmental initiatives and structures.

Apart from its incorporation in policy committees and other governmental initiatives, another central aspect of FEDA’s relationship to the SME Development Unit is its role as a channel of communication between the Unit and SMEs on some policy issues. The Protocol indeed contains the requirement for FEDA to organize video-conferences every two months to foment discussions on governmental decisions and the problems encountered by small and medium entrepreneurs.

Examining the corporatization process thus provides us with additional information on the quality of political participation in the SME policy-making process: it is institutionalized and monopolized. Channels of participation have indeed been established by the SME Development Unit, which has provided FEDA with quasi-exclusive access to political participation. In this framework, the extent of FEDA’s influence is hard to evaluate. However, evaluating its exact influence is somehow of secondary importance: what is important is that officials from the SME Development Unit turned to FEDA, included it and listened to its opinion. FEDA’s president indeed expressed satisfaction concerning the policy committees and officials from the SME Development Unit considered its presence was important for them.

The corporatist arrangement between FEDA and the state has a number of specific features and limitations that differentiates it from traditional corporatist arrangements and that. These features and limitations relate to the process of corporatization itself as well as to the role of foreign donors. They seem to have specific political consequences for the participation of SMEs in the making of reforms.

Though different steps have been taken to corporatize FEDA, its corporatization is incomplete. This is, first of all, partly due to FEDA's nature: it indeed remains a federation of NGOs. As such, membership in the Federation cannot be compulsory as in traditional corporatist structures. The fact is that its membership remains limited, especially when compared to the size of the Egyptian SME community. Second, FEDA's corporatization depended heavily on one agency, i.e. the SME Development Unit. The closing of this Unit inevitably halted the corporatization process. The limited sustainability of the corporatization endeavor is thus a clear limitation in the transformation of FEDA into a corporatist organization. However, FEDA remains available for a re-corporatization by other ministerial agencies who would engage in SME policy. Finally, the arrangement between FEDA and the SME Development Unit is not as constraining as other corporatist arrangements. For example, the Protocol does not include any kind of restrictions on FEDA's activities, and the Unit does not exert any kind of control on these activities. FEDA indeed has developed in parallel to its work in policy committees and its activities with the Ministry of Finance a range of other activities and SME development projects which are developed and implemented with other actors –essentially donors but also the SFD. This could certainly not be the case for a traditional corporatist group.

Thus, if FEDA has managed to monopolize representation and participation and to get quasi-exclusive access to the policy process, its corporatization is incomplete and its privileged position is not as secured as that of other corporatist groups. The incomplete character of FEDA's corporatization and its relative lack of formality therefore hint at the weakness of this corporatist arrangement compared to more traditional corporatist arrangements and thus at the potentially weak durability of this formalized political participation.

Another key difference between traditional corporatist arrangement in Egypt and the corporatist arrangement involving FEDA is the central role played by foreign donors. Corporatist arrangements typically involve state and social actors. However, our case study indicates that a third type of actors, foreign donors, might get involved in the building of corporatist arrangements (at least indirectly) as a result of the development of programs supporting the political participation of advocacy groups in Egypt. Understanding the peculiarities of FEDA's corporatization thus requires shedding light on the role of foreign donors in fostering corporatist arrangements between the state and foreign-supported advocacy NGOs.

The previous paragraphs put emphasis on the strategies developed by the state to corporatize FEDA. In this sense, it is possible to consider that this corporatism has some traits of state corporatism. However, many features distinguish it from state corporatism. Indeed, FEDA

was not created by the state nor was its development supported by the state. Moreover, its recognition by the state was, to a certain extent, “granted as a matter of political necessity”^{lvi}. According to Schmitter, when this political necessity is imposed from “below”^{lvii} corporatism may be qualified as societal. In our case, it might be argued that state recognition was granted as a matter of political necessity (a clear difference with state corporatism); however, it was imposed from *outside* rather than from *below* (a clear difference with societal corporatism). Indeed, FEDA does not rely on a powerful broad-based constituency which would have imposed their recognition by the government on the government. Rather, external actors have created this political necessity. Indeed, it is the foreign donors who have fostered the necessity for the state to recognize advocacy NGOs and allow for their participation.

This clearly raises the issue of its lack of accountability towards SMEs which it claims to represent and the question of the legitimacy of its participation. In fact, it seems that external support instead of enhancing the quality of FEDA’s representativity has been a substitute to bottom-up support and to FEDA’s limited outreach. All these elements cast doubts on the quality of its participation: FEDA is supposed to represent the interests of the whole SME community but is probably not aware of the needs of all the sectors of the SME community.

A general conclusion that can be drawn from this work is that: though donors have allowed for political participation to occur by both empowering a SME advocacy NGO and pushing the state to develop participatory mechanisms, this new form of participation has a number of limitations.

Some of these limitations relate to the way donors’ financial and technical support is distributed to advocacy NGOs. Indeed, as FEDA’s example demonstrates, donors can play a key role in the emergence and empowerment of advocacy groups and can thus facilitate the development of actors promoting economic reform. Yet, the numerous weaknesses of the donors’ system can also lead to the monopolization of donors’ fund and support by a limited number of civil society entrepreneurs. FEDA is a case in point, but donors agree to say that civil society entrepreneurship is widely spread –and encouraged by foreign donors’ practices. The dependency of FEDA, and more generally of advocacy NGOs promoting reforms, on foreign funds point to their vulnerability. As for the concentration of foreign support on one advocacy NGO, it clearly raises the issue of representativity and threatens to empower certain reform sectors and interests over others.

Another set of limitations relate to the endogenization of donors’ “good governance” approach by governmental actors in the framework of the SME policy-making process. Indeed, donors have triggered the design of a participatory and inclusive policy- process. Yet, political participation has occurred in a corporatist setting. In other words, foreign donors have introduced a political change in that they have allowed for the participation in the SME policy-making process of an advocacy NGO. However, the renegotiation of state-society

relations resulting from this political change has been managed by the state through channels that closely resemble traditional corporatist channels of interest representation and has not led to pluralist SME representation. Moreover, the participation of SME stakeholders has a number of limitations that relate to the corporatization process itself as well as to the role of foreign donors. As demonstrated FEDA's corporatization has been incomplete and suffers from a number of weaknesses. The main political consequence of these weaknesses is the fragility of the corporatist arrangement and thus the fragility of the institutionalization of FEDA's political participation. Moreover, FEDA's corporatization results from donors' pressure: FEDA does not rely on a broad-based SME constituency; rather it gets its legitimacy out of foreign donors' support. It is not, therefore, accountable to SMEs nor does it represent all the sectors of the SME community.

All in all, this analysis points to the capacity of foreign donors to foster the promotion of reform by SME stakeholders and their participation in the policy-making of reforms. It does cast doubts, however, on the quality and sustainability of this foreign-induced participation.

The conclusions of this work constitute hypotheses that would need to be tested more broadly. Indeed, some elements point to the fact that they might contain a broader explanatory value and that they might be useful to understand other cases of donors' involvement in reform processes in Egypt. Further research would also be needed to evaluate whether these conclusions could apply to other Middle Eastern or Third World authoritarian regimes in which foreign donors support reforms. This further research could allow for a better understanding of the nature of these regimes and the political changes occurring in them. They might also have useful practical implications for international development agencies, NGOs and foundations involved directly or indirectly in the support to the making of economic and political reform.

ⁱ According to the World Bank, "good governance is epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with a professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs. Poor governance (on the other hand) is characterized by arbitrary policy making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption". See World Bank, *Governance: The World Bank's Experience*, 1994

ⁱⁱ Micro, small and medium enterprises are generally defined according to two criteria: the number of workers and the enterprise's fixed assets. The Ministry of Foreign Trade classifies SMEs in the following way: Micro: 1-4 workers; Small: 5-14 workers; Medium: 15-49 workers. The 2004 Law for the Development of Small and Micro Enterprises (Law 141/2004) states that: "by a small enterprise shall be meant every company or sole proprietorship [...] in which the in-paid capital shall not be less than 50 000 pounds exceed and shall not exceed

1 000 000 pounds and in which the number of employees shall not exceed fifty”, whereas a micro enterprise’s “in-paid capital shall be less than fifty thousand pounds”. The enterprises comprising between 1 to 50 workers are the object of this paper.

ⁱⁱⁱ Other governmental and semi-governmental agencies have been involved, to a lesser extent, in SME development policy. This has allowed for concurrent policy initiatives to emerge and has complicated the development and implementation of reforms. The competition between ministries is further enhanced by the struggle for donors’ resources. The SME Development Unit’s main competitor has been the Social Fund for Development (SFD) who was given by Law 141/2004 (known as the SME Law) a mandate over micro and small enterprises.

^{iv} The Unit, which never exceeded ten people, has been moving from one ministry to another, following Boutros Ghali. It was thus established under the Ministry of Economy, then moved successively to the Ministry of Economy and Foreign Trade, the Ministry of Foreign Trade and Industry and in 2004 to the Ministry of Finance. These changes did not have much effect on the Unit’s functioning: its core team did not change.

^v Alissa, Sufyan, *The Political Economy of Reform in Egypt: Understanding the Role of Institutions*, Beirut, Washington, Carnegie Papers, Carnegie Endowment for International Peace, Octobre 2007; Yousfi, H  la, Humphrey, John, *The Investment Climate in Egypt: Institutions or Relationships as Conditions for Sustainable Reform?*, Working Paper n  66, Agence Fran  aise de D  veloppement, June 2008

^{vi} See Sfakianakis, John, “The Whales of the Nile: Networks, Businessmen, and Bureaucrats During the Era of Privatization in Egypt” and Wurzel, Ulrich G., “Patterns of Resistance and Fiscal Policy Reform in Egypt in the 1990s”, in Heydemann, Steven, ed., *Networks of Privilege in the Middle East, The Politics of Economic Reform Revisited*, Palgrave Press, 2004

^{vii} El Meehy, Tamer, *Guidelines for the Development of an M/SME Policy Framework in Egypt*, Submitted to the Ministry of Foreign Trade, May 2002, p. 18

^{viii} Most are local NGOs, working at the city or governorate-level, and rely on foreign aid. The services they provide to SMEs range from capacity-building, training, commercial services, financial counseling, technical counseling, organization of exhibitions, literacy programs, loans, etc. These service NGOs generally receive support from foreign donors in the framework of larger projects focusing on support to micro, small and medium businesses such as USAID’s small business support project. The vast majority of foreign funding goes to service-providing NGOs.

^{ix} Political participation is defined by Huntington and Nelson as an “activity by private citizens designed to influence governmental decision-making”. See Huntington Samuel, Nelson, Joan, *No Easy Choice : Political Participation in Developing Countries*, Cambridge, London University Press, 1977. This work adopts Holger Albrecht’s view that political participation “exists in every political system” and that “the concept of participation is not only applicable in the authoritarian states of the Middle East and North Africa but also critical to a comprehensive understanding of state-society relationships in this region”. See Albrecht, Holger, “The Nature of Political Participation” in Lust-Okar, Ellen, Zerhouni, Saloua, *Political Participation in the Middle East*, Lynne Rienner Publishers, 2008, p. 15

^x “Advocacy groups” refers to civil society organizations involved in the promotion of reform in health, education, human rights, environmental issues, and other socio-economic issues. Business associations such as the Egyptian Business Association (EBA), the Alexandria Business Association (ABA), the Egyptian Junior Business Association (EJBA), etc. are not considered advocacy groups in this paper: their resources and access to policy-makers makes them an extremely privileged group. Though some of these business associations receive grants from foreign donors, their survival does not depend on foreign funding. EJBA for example receives a number of grants every year, including a grant from CIPE to elaborate a national business agenda. Its executive

director however underlines that only 10 to 15% of their activities are funded by foreign donors. Interview, Cairo, March 2009.

^{xi} Interview, Cairo, March 2009

^{xii} Bilateral and multilateral agencies tend to work with the government, as is the case of CIDA and IDRC. As Sheila Carapico underlines it^{xii}, these NPOs and foundations very often serve as “brokerage agencies” between European and American governments and Arab partners. Carapico argues that “quite a range of funding and implementing agencies supported democratization projects in the Arab world since the early nineties. They include established bilateral and multilateral development agencies [which were addressed above], specialized democracy foundations, and non-profit advocacy groups”^{xii}. See Carapico, Sheila, “Foreign Aid for Promoting Democracy in the Arab World”, *Middle East Journal*, vol. 56, n°3, Summer 2002, p.381. Though these “democracy brokers” initially focused on groups working on political reforms, they have gradually broadened the scope of their activities and “increasingly reach NGOs whose advocacy work aims at social and economic issues rather than specifically political ones”^{xii}. See Carothers Thomas, Ottaway, Marina, (ed.), *Funding Virtue, Civil Society Aid and Democracy Promotion*, Washington D.C., Carnegie Endowment for International Peace, 2000, p. 12

^{xiii} See Carapico, op.cit., and Carothers, Thomas, “Choosing a strategy”, in Carothers, Thomas, Ottaway, Marina, ed., *Uncharted Journey, Promoting Democracy in the Middle East*, Washington, Carnegie Endowment for International Peace, 2005

^{xiv} Interview, Cairo, March 2009

^{xv} Interview, Cairo, March 2009

^{xvi} Interview, Cairo, March 2009

^{xvii} See for example Thabet, Fouad, *Advocacy, Networking and Civil Society Organizations: Practical Cases*, Friedrich Ebert Stiftung, Federation of Economic Development Associations, November 2004 (in Arabic)

^{xviii} This is openly acknowledged by FEDA’s president and board members.

^{xix} From the 1980s till the mid-1990s, foreign donors did support a number of projects aiming to empower unions and cooperatives. This was for example the case of FES and CIPE. Indeed, in 1986 FES started a program in Egypt with the Cooperative Productive Union which aimed at empowering this organization. Similarly, CIPE started its activities in Egypt in 1996 with a grant from USAID to revitalize the Federation of Egyptian Industries. The program was soon abandoned.

^{xx} Interviews, Cairo, March and April 2009

^{xxi} <http://www.fedamisr.net/about2.asp?id=1>

^{xxii} As explained below, this expression is borrowed from John Sfakianakis’s work.

^{xxiii} Interviews with foreign donors, Cairo, April 2009

^{xxiv} Marina Ottaway, for example, stresses the existence of this missing constituency for democratic reform in the Middle East, including in Egypt. See Ottaway, Marina, “The Missing Constituency for Democratic Reform”, in Carothers, Ottaway, 2005, op. cit.. In the case of Egyptian SMEs, see El Meehy, op. cit.

^{xxv} This seems to be also true for NGO leaders engaged in reform processes in other areas in Egypt (health, education, environment, etc.).

^{xxvi} Social capital in Bourdieu's definition amounts to "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition". See Bourdieu, Pierre, "The forms of capital", in Richardson, John, ed., *Handbook of Theory and Research for the Sociology of Education*, New York, Greenwood, 1986

^{xxvii} See for example Wafd Daily Newspaper, Fayoum- A Model for Egypt: How Can We Overcome Poverty?, January 4, 2004, Le Progrès Egyptien, Lundi 30 mai 2005, Efforts du gouvernement égyptien pour les petits et micro projets, Daily News, Egypt, SME owners complain of "poor" services, December 21, 2006, Al Ahram Weekly, The building blocks, 28 sept-4 oct 2008, Al Ahram Weekly, Putting the books in order, 30 March - 5 April 2006

^{xxviii} Bourdieu, op. cit.

^{xxix} Interview, Cairo, April 2009

^{xxx} Though foreign donors insist on transparency and internal governance, it is not clear how FEDA's, and in general NGOs', budgets are audited and where all funds go. More generally, economic gains are difficult to evaluate precisely mainly because of the lack of transparency of the civil society and development scenes.

^{xxxi} This expression is borrowed from John Sfakianakis's work. It was elaborated to describe the close interpersonal relationships developed by private sector actors with state bureaucrats during the economic reforms and the privatization of the 1990s in order to secure access to rents. See Sfakianakis, John, "The Whales of the Nile: Networks, Businessmen, and Bureaucrats During the Era of Privatization in Egypt", in Heydemann, Steven, ed., *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*, New York, Palgrave Press, 2004

^{xxxii} Eisenstadt, Roniger, op.cit. See Chapter 7, "Variation in patron-client relations".

^{xxxiii} Patron client relations can differ in their organizational features. They can be collective or individual-based, short-term or long-term, ongoing or instable, informal or institutionalized. The resources exchanged can also vary. A patron can provide political or economic resources; a client can provide loyalty, support, vote, etc. The degree of coerciveness used by the patron and the client's level of dependency also vary.

^{xxxiv} Lemarchand, René, Legg, Keith, "Political Clientelism and Development, A Preliminary Analysis", in Provizier, Norman, ed., *Analyzing the Third World, Essays from Comparative Politics*, Transaction Publishers, 1978, p. 123

^{xxxv} Lopsided friendship in Egypt is a common phenomenon. One of its most famous illustration is the shillal, especially the political shillal. The relationship between FEDA's president and the FES official shares some characteristics with Springborg's "political shillal". First of all, it is a long-term, durable relationship that extends over two decades. Second, it is lopsided: one member (i.e. the FES official) exerts greater influence and status than the other. Financial and technical resources are indeed concentrated on one of the two actors. Third, as the patron of a political shilla would, the FES official uses the resources at his disposal to aid his client whose survival depends on him. In exchange, FEDA's president participates in the accomplishment of FES's objective in Egypt, i.e. the development of civil society advocacy, and thus legitimizes its existence. Fourth, their relation between the two actors belongs to the realm of tactical alliances. Indeed, though friendship has developed and strengthened their relation, the use of patronage is instrumental: it is oriented towards the exploitation of a niche of opportunities.

^{xxxvi} Maha Abdelrahman provides useful and accurate information on the restrictions imposed to civil society organizations in Egypt. See Abdelrahman, Maha, *Civil Society Exposed: The Politics of NGOs in Egypt*, London, Tauris Academic Studies, 2004,

^{xxxvii} For more information on the limitations of donors' support to NGOs see for example Schlumberger, Oliver, "Dancing with Wolves : Dilemmas of Democracy Promotion in Authoritarian Contexts", in Jung, Dietrich, ed., *Democratization and Development*, 2006

^{xxxviii} In the case of SMEs in Egypt, the existence of a SME sub-donor might have facilitated the flow of information on FEDA

^{xxxix} Schmitter's seminal definition of corporatism provides a good starting point. He defines corporatism as "a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports". The prime purpose of corporatist arrangements is to link the "associationally organized interests of civil society with the decisional structures of the state"^{xxxix}.

^{xl} Wiarda, Howard, *Civil Society, The American Model and Third World Development*, Boulder, Westview Press, 2003, p. 6

^{xli} Abdelrahman, op. cit., p. 120

^{xlii} Abdelrahman, op. cit., p. 130

^{xliii} Interview, March 2009

^{xliv} More generally, the fact is that, in Egypt, many advocacy NGO figures have been involved in or directly working with the government or the public administration. This indicates the weak autonomy of these actors and might be considered a condition facilitating the corporatization of their NGOs.

^{xlv} Eight characteristics of a "typical corporatist arrangement in Egypt" can be identified in his work. Indeed, a typical corporatist arrangement 1) "is created by statute"; 2) "is endowed with a formal monopoly of representation for all who work in its field of jurisdiction"; 3) "its membership is compulsory" [...] if not in law, providing the group with a guaranteed income that is supplemented by government subsidies"; 4) its "organizational structure is almost always hierarchical"; 5) its "local units are tied to functional and regional branches which are centralized under a national confederation with headquarters in the capital city"; 6) "the confederation, in turn, is linked with a parent ministry that supervises its finances and activities, consults with its leaders on public policy and delegates quasi-governmental powers of economic regulation and professional discipline"; 7) its "association leaders are generally selected through a combination of appointment and elections"; 8) "many confederation councils also have special seats reserved for ministry appointees making them more like "mixed commissions" than elected board of directors"^{xlv}. This list illustrates Schmitter's definition. It provides with more concrete elements to evaluate the degree of FEDA's corporatization.

^{xlvi} These appointed board members included one SFD official, one MOSA official, one official from the Ministry of Industry, one official from the Central Bank and a journalist from Al Ahram Economy.

^{xlvii} Interview, Cairo, April 2009

^{xlviii} Interview, Cairo, March 2009

^{xlxxlix} Interview, Cairo, March 2009

¹ Interview, Cairo, March 2009

^{li} Interview, Cairo, April 2009

^{lii} <http://www.fedamisr.net/files/pdf/11.pdf>

^{liii} Interview, Cairo, March 2009

^{liv} Interview, Cairo, April 2009

^{lv} Cawson, Alan, *Corporatism and Political Theory*, Oxford, Basil Blackwell, 1986

^{lvi} Schmitter, op. cit., p. 104

^{lvii} *Ibid.*, p. 104