

2022

**The Impact of Foreign Aid on
Regimes Survival
Egypt as a Case-study**

Dina Talaat Badr Elsayed
Lecturer, MSA University, Egypt

Abstract

Even though the core aim of foreign aid (Official Development Assistance) is a 'developmental' one, it helped in sustaining authoritarian regimes with no profound impact on democracy promotion or economic growth in many of the developing countries. Consequently, the effectiveness, consistency, and impact of the ODA in achieving development in the recipient countries through financial and technical assistance remain controversial. Egypt presents clear example on such issue, where during Mubarak's regime, foreign aid did nothing to assist the regime towards moving forward with overall development.

ملخص

على الرغم من أن الهدف الأساسي للمساعدات الخارجية (المساعدة الإنمائية الرسمية) هو هدف "تنموي"، إلا أن تلك المساعدات قد ساهمت في الحفاظ على الأنظمة الاستبدادية مع عدم وجود تأثير واضح على تعزيز الديمقراطية أو النمو الاقتصادي في العديد من البلدان النامية. وبالتالي، فإن فعالية واتساق وتأثير المساعدة الإنمائية الرسمية في تحقيق التنمية في البلدان المختلفة من خلال المساعدة المالية والفنية لا تزال مثيرة للجدل. في هذا الإطار، تعتبر مصر مثالاً واضحاً خلال نظام حكم مبارك، حيث لم تسهم المساعدات الخارجية في شيئاً لمساعدة النظام على المضي قدماً في تحقيق التنمية الشاملة.

Introduction

Foreign aid has been an issue of debate whether between political officials or academics. Foreign aid consists of different forms and supposedly it aims at supporting countries in achieving better levels of development. However, strategic and security interests have been central in the flows of foreign aid in addition to developmental objectives. The Cold War era was clear evidence as foreign aid was used as a tool to gain alliances, and after the collapse of communism in the 1990s foreign aid was closely connected with

democracy promotion. Afterwards, aid was relevant to security imperatives marked by the events of September 11, 2001.

Many studies analyzing the impact of foreign aid on recipient governments have reached different outcomes and conclusions. In a more precise realm in literature, answering the question of whether foreign aid maintains regime survival is of growing study and discussion, with concerns about its purposes, outcomes, and significances. Particularly, the relationship between foreign aid and political survival shows complexity and has different aspects which vary both across different political systems and over time.

The first section of this paper gives a conceptual and historical overview of foreign aid during the past periods, reflecting how national interests changed foreign aid allocations throughout the years. The second section views literature on foreign aid and its impact on the recipient countries, followed by the basic ideas of the theoretical framework of political survival are highlighted to help analyze the case-study of foreign aid and the Egyptian regime survival in the third section. The case-study examines the above-mentioned question - of whether foreign aid maintains regime survival - through highlighting the relationship between foreign aid and the survival of the Egyptian regime during the period of President Mubarak which extended 30 years. Foreign aid provided by the U.S. and the EU to Egypt are tackled due to their significant shares in aid allocations to Egypt. The conclusion draws some remarks and observations regarding the impact of foreign aid on sustaining the Egyptian regime survival during the era of President Mubarak.

Foreign Aid

Historical Overview

It was in 1948 when George Marshall, the U.S. Secretary of State announced the ‘Marshall Plan’ with the aim of assisting in the reconstruction

of Europe after WWII. This marked the historical beginning of foreign aid (McMillan, 2011/ Degnbol-Martinussen and Engberg-Pedersen, 2003). Afterwards, during his inaugural speech in 1949,⁽¹⁾ the U.S. President Harry Truman highlighted the importance of providing assistance for the development of poor governments, where he stressed on the necessity of coordination among donors to make aid effective (Riddell, 2007).

Throughout the 1950s, foreign aid has begun increasing – with periods of stagnation, expansion, and decline – due to the expansion in the number of donors in the International System without any country stopping to provide aid. In this regard, it is worth mentioning that throughout the 1950s, the U.S. accounted for half of all Official Development Assistance (ODA)⁽²⁾, and afterwards its share has fallen but has risen again in 2001 being the largest donor in the International System.

Despite this expansion, the ratio of foreign aid provided by governments to their Gross National Income (GNI) was around 0.7% indicating a low level of allocation from donors for the development of other nations (OECD, 2011).⁽³⁾ Following this, and after extended discussions; the UN officially endorsed 0.7% of the GNI to be the target for governments' foreign aid in 1970 (Riddell, 2007).

In that realm, it is worth highlighting that ever since the 'Marshall Plan', foreign aid has been linked to the donors' interests. In fact, the security

⁽¹⁾ Speech available at: <http://www.inaugural.senate.gov/swearing-in/address/address-by-harry-s-truman-1949> (Accessed 01/03/2014). And for more discussion on foreign aid during this period, see: Lumsdaine (1993).

⁽²⁾ Foreign aid' refers to all types of assistance including humanitarian and emergency aid; however, my thesis refers to the 'development assistance' term according to the OECD/DAC form, which is the financial flows to countries and territories on the DAC list conditionally given by official agency or local government and administered with the promotion of economic development and has concessional character (grant element of 25%). Source: OECD.

⁽³⁾ Available at: <http://dx.doi.org/10.1787/dcr-2011-45-en> (Accessed 1/3/2014)

imperatives and strategic alliances were the main drivers of providing assistance during the Cold War years. The U.S. foreign aid was targeted to prevent the spread of communism through rewarding friendly countries; where support for authoritarian regimes was common, while the Soviet Union worked on fostering the extension of communism. On the other hand, other powers were less considerate for the superpowers' competition and were driven by other motivations (i.e., Western European countries assisted former colonies, other Nordic countries focused on humanitarian and social aid) (Degnbol-Martinussen and Engberg-Pedersen, 2003).

During the 1990s, as strategic alliances lost their relevance after the collapse of communism; foreign aid was linked to issues of human rights, promoting democracy and good governance rather than the national security interests of the Cold War era. Foreign aid was allocated with more selectivity, endorsed, and rewarded transition towards democracy and donors were involved in the domestic affairs of the recipient countries with the rise in ethnic conflicts in several countries (Crawford, 1997).

Another turning point in the donors' motives in foreign aid allocation was during the aftermath of the 9/11 terrorist attacks in 2001. The U.S. national security interests and the war on terror were the top priorities and the main drivers of foreign policies and consequently the provision of foreign aid. Consequently, donor governments, regional and international entities were concerned with curbing extremism, where the events of 2001 have had an impact on increased support for the authoritarian regimes that cooperated with the U.S. and its allies in their pronounced 'War on Terror' (Dreher and Fuchs, 2011).

Hence, throughout history foreign aid has been provided considering different interests besides the developmental goals of it. Diverse interests like

strategic, security, economic and humanitarian imperatives have driven the allocation of foreign aid.

Definition of Foreign Aid

Though the term encompasses other forms of aid like humanitarian and emergency aid and aid provided by non-governmental organizations (NGOs) and civil society organizations (CSOs); foreign aid has more often been associated with Official Development Assistance (ODA) (Führer, 1994; Riddell, 2007).

Several definitions exist for foreign aid, but the concept is widely used and accepted according to the definition of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). According to the DAC, ODA consists of “flows to developing countries and multilateral institutions provided by official agencies, including states and local governments, or by their executive agencies, each transaction of which is: administered with the promotion of the economic development and welfare of developing countries as its main objective; and is concessional in character and conveys a grant element of at least 25 percent (calculated at a rate of discount of 10 per cent)”.⁽⁴⁾ This definition focuses on aid provided through governments – which is the focus of this paper - and excludes aid offered by NGOs, private businesses or foundations. In this respect, it is worth noting that foreign aid provided through ODA takes two forms; one is government to government aid; which is the bilateral aid, and the other is flows from Regional and/or international entities (European Union, World Bank, United Nations ...etc); which is the multilateral aid. (Alesina and Dollar, 2000; Headey, 2008).

⁽⁴⁾ Available at:

<http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm#Definition> (Accessed 01/03/2014).

Generally, foreign aid is the financial flows in forms of grants and loans provided by developed countries to support undeveloped and developing countries in achieving better levels of development (Tadro, 1989). Nevertheless, the characteristics, effectiveness, consistency, and impact of foreign aid in achieving development in recipient countries through financial and technical assistance are controversial (Perkins, et al., 2006).

Regime Survival

Literature Review

To answer the question of whether foreign aid sustains political regime survival; several researchers have studied various dimensions of foreign aid in relation to donors and/or recipient governments. Scholars have also studied the correlation between foreign aid and regime change, support to democracy, autocracy, or both. Others focused on foreign aid and economic growth and development of the recipient countries. However, the relationship between foreign aid and regime survival remains complex.

Earlier, theoretical and empirical literature tackled the effects of different forms of foreign aid on recipient countries through various aspects. This paper sheds light on some of these studies which theorized about foreign aid and its implication on recipient countries.

Though Lipset (1959) argued that aid might support the endorsement of democracy through promoting economic growth and social developments, Griffin and Enos (1970) were among the first to question aid effectiveness and found that foreign aid had no profound impact on either growth or democratization. Also, Boone's study in (1996) - which is one of the most referred to in this area - found no clear impact of aid on growth in recipient countries. Knack (2004) focused on the impact of foreign aid on democracy; where he did not find a significant impact of foreign aid on democracy in

developing countries, but he argued that political aid ⁽⁵⁾ potentially contributes to the democratization process. Ottaway and Carothers (2000) - based on several case studies in different regions - concluded that aid to civil society had limited impact on the democratization process.

Kalyvitis and Vlachaki (2010; 2011) found that while financial aid ⁽⁶⁾ increases the probability of regime survival, political aid lowers the probability of regime survival. And they concluded that donors' heterogeneity might impact the relationship between foreign aid and democratization process in recipient countries. Finkel et al. (2007) reached a comparable conclusion, arguing that foreign aid targeted to democracy promotion helps in the transition to democracy.

In a similar line of thought, Dietrich, and Wright (2012) found a positive relationship between governance aid and endorsing democracy in Africa. Wright (2009) concluded that aid after the Cold War has a democratization impact, but this excludes military regimes. He also found that autocratic leaders who expect to remain in office after moving towards democracy respond positively to promises of increasing aid in exchange for democratic reforms. With a focus on Sub-Saharan Africa and Eastern European countries after the Cold War, Goldsmith (2001), Dunning (2004), Heckelman (2010), and Bermeo (2011) found a positive but minor effect of foreign aid on democracy.

In another course of literature, Friedman (1958) and Bauer (1972) argued that foreign aid increases the power of the ruling elite in the recipient governments which helps increase corruption and hinders growth (cited in

⁽⁵⁾ Political aid is foreign aid provided for political purposes. It consists of technical assistance (i.e., enhance voters' awareness, monitor electoral, constitutional and legal matters and capacity building for officials and political parties) and electoral assistance (designing new electoral systems, constitutional advocating and institutional reform).

⁽⁶⁾ Financial aid is aid offered for production purposes.

McMillan, 2011:159). And throughout his scholarly work, Bauer (1991) sustained his view regarding foreign aid: “aid accrues to the government, increases the government’s resources, patronage, and power in relation to the rest of society” (cited in Lensink and White, 2001: 47). Djankov et al. (2008) found that aid has a negative effect on democracy as it leads political leaders to engage in rent seeking activities excluding other political groups from the political process.

Burnside and Dollar (2000) found that foreign aid has a positive impact on growth in developing countries which have good policies, concluding that: “the impact of aid is greater in a good policy environment than in a poor policy environment” (p.859). Also, Kanbur (2000) found that aid fails to achieve growth due to corrupt governments and poor policies.

Finkel et al. (2010) focused on the U.S. aid and concluded that though aid has limited impact on democracy levels in countries which had military support from the U.S., it has a positive impact on democracy levels in Africa, ethnically fragmented countries, and countries with more developed democratic culture.

Dutta et al. (2013) found that aid depends on the regime’s structure and enhances it, making democracies more democratic and autocracies more autocratic. Whereas Bermeo (2011) argued that aid depends on the characteristics of the donor regimes, as she found a positive relationship between aid from democratic regimes and democratization after the Cold War, which is not the case for aid from autocratic regimes where aid decreases the probability for democratic transition through enhancing autocracy.

Ahmed (2012), de Mesquita and Smith (2009), Morrison (2007), Smith (2008) argued that aid is a fungible resource that is used at discretion by recipient regimes. Ahmed (2012) and de Mesquita and Smith (2010) found that aid increases the probability of regimes’ survival. In addition, Kono and

Montinola (2009) found different impacts of aid during the long and short terms, with enhancing autocratic survival through the continuation of aid.

From this review, despite the extensive research on the topic of foreign aid and its impact on recipient countries; there is yet no conclusive evidence that there is a positive or negative correlation between both, where scholars reached different conclusions addressing different types of aid, regimes, and over different time periods.

The Logic of Political Survival

To understand whether foreign aid sustains political regimes, the theory of political survival serves as an appropriate framework for this analysis.

“It simply gets easier to stay in power when the pool of possible supporters - the selectorate ⁽⁷⁾ – is large and the number of supporters needed to maintain power – the winning coalition ⁽⁸⁾ – is small” (de Mesquita et al., 1999). The main argument for de Mesquita et al. (2003) is that leaders aim to survive and stay in power, where their political survival depends on the sizes of both; the selectorate and the winning coalition. For this paper, the main aspects of this theory are reviewed to help understand the relationship between foreign aid and regime survival.

In both democratic and autocratic regimes, leaders depend on their supporters to survive politically. Nevertheless, the winning coalition members who come from the ‘selectorate’ are much smaller compared to the autocratic leaders than for democratic leaders. Consequently, the winning coalition in democracies is large relative to the size of the selectorate. Based on this, the first aspect is that small coalitions with few members -in

⁽⁷⁾ The selectorate are the people eligible to belong to the winning coalition, who are in the current regime and the challenger of it.

⁽⁸⁾ The winning coalition consists of individuals whose support is needed to gain and maintain power, and its size varies according to the political system.

autocracies - offer considerable gains and private goods to each member which in turn generates; on the one hand stronger loyalty for the leaders and on the other hand corruption and inefficiency. Whereas in larger coalitions - in democracies - leaders provide public goods which in turn leads to weaker loyalty for the leader but creates policies that are responsive to the public interest. In this regard, small winning coalitions enhance 'kleptocracy', while large winning coalitions with strong institutional settings help reduce corruption and lay the foundations for economic prosperity (Acemoglu and Robinson, 2004).

The second aspect is that democratic leaders are driven by democratic political institutions that provide incentives for leaders to pursue policies which are in favor of the public interest; however, this is not the case for autocratic leaders who are loyal to their small coalition promising them future benefits to sustain their survival. Mutually the coalition members support their leader as they are promised private interest gains as long as he stays in power (de Mesquita et al., 2003). Because authoritarian regimes are not accountable to their people and less constrained by checks and balances, their leaders benefit from foreign aid where aid fungibility is a common phenomenon. On the contrary, in democratic regimes, checks and balances are in place and leaders are accountable to the people and constrained by institutions.

Mirroring this to foreign aid in relation to regime survival; it can be said that while democratic governments work on investing aid into broader economic development programs that support public interests and provide public goods, autocratic governments are concerned with exploiting aid to ensure their political survival, where foreign aid fungibility often prevails (de Mesquita et al., 2009).

Authoritarian Regimes

According to de Mesquita and Smith (2007; 2009), regime types differ with regards to their survival. While authoritarian leaders exploit aid to gain their supporters' loyalty, democratic leaders with a larger coalition are accountable to them and therefore direct the funds towards public goods rather than private ones. Thus, it is important to highlight the different authoritarian regime types to have a clear understanding of the case-study in the next section.

“Different authoritarian regimes differ from each other as much as they differ from democracy” (Geddes, 1999:121). Researchers like Geddes (1999), Gandhi and Przeworski (2007), Hadenius and Teorell (2007) and Magaloni (2008) have studied how stability levels and political institutions vary significantly in different types of authoritarian regimes.

It is argued that monarchies are stable since the succession of leaders is institutionalized and the royal family benefits from supporting the regime. Whereas in military regimes; succession of leaders is unclear because it is not institutionalized where they rely on their own institution to maintain support. Therefore, military regimes are relatively unstable as transitions might occur due to internal conflicts among the ruling elite.

Civilian regimes differ in the aspect of having elections which implies stability owing to the existence of political institutions that manage the succession of leaders. Nevertheless, single party regimes are different from multi-party regimes, where in the later more than one party run for elections even though there is lack of free and fair elections besides other limitations in the political scene. In contrast, single party regimes have institutional party structure and political institutions that serve the party's aims in sustaining its powers, thus it is considered more stable than the multiparty regimes in which

the leader might face rivals and competition from future leaders in the elections.

In this context, being a single party regime during Mubarak's era; Egypt is considered a stable regime where the National Democratic Party (NDP) was the main actor in the political scene while political parties were too fragile to show up and assume an active role, and the Muslim Brotherhood (MB) - being the most well-organized opposition - faced limitations in their political activities during this period. Adding to this dimension, the military presented the backbone of the regime due to President Mubarak's military background.

Foreign Aid and the Egyptian Regime Survival

The Egyptian Regime: An Overview

Egypt, one of the oldest nations in the Middle East; is the most populated Arab country, having diverse resources, as well as a unique geographical location. This should have provided the country with stable sources of income and raised Egypt to be a middle-income country. Nevertheless, Egypt ranked as a low middle-income country, mainly due to its economic downturn and wide-spread corruption. Accordingly, during Mubarak's Era, Egypt has suffered from high poverty rates, where approximately 25% of the Egyptian population lived below poverty line, along with deteriorating economic conditions caused by high inflation rates, increasing food prices, deterioration of health care services and infrastructure.

Furthermore, Egypt witnessed a fragile education system and high unemployment rates. ⁽⁹⁾ As a result of the worsening socio-economic conditions in Egypt which have negatively affected the quality of life, public

⁽⁹⁾ Available at: <http://data.worldbank.org/country/egypt-arab-republic> and https://www.cia.gov/library/publications/the-world-factbook/geos/countrytemplate_eg.html (Accessed 09/09/2021).

resentment towards the government policies, with a lot of strikes during the past years were widespread all over the country until the uprisings in 2011.

Throughout the years of the three successive Egyptian Presidents Nasser, Sadat and Mubarak; the military played a crucial role in the political arena. It served as the backbone during the three eras of those Presidents, and their source of legitimacy. And though the 1971's constitution described Egypt as a multiparty democratic state; the president with his wide authorities was the most powerful member of the government. However, even though Sadat established a multiparty system and Mubarak followed the same path; it was not applied on the ground, and opposition was tolerated to a certain degree, while the constitution stated that Egypt is a democratic state (Jaber, 1991/ Hinnebusch, 1980).

Since the 1980s until he stepped down in 2011, President Mubarak initiated a reform process through opening the political arena to an array of parties, as well as allowing more freedom of speech even if it allowed criticizing the government. Nonetheless, the entire regime, even with elections and parliamentary representation by political parties, had no real democratic basis. The ruling National Democratic Party (NDP) was the regime's sole political player and supported it uncritically. Holding the majority seats in the parliament, NDP contributed to creating the democratic illusion, in which electoral procedures were far from being transparent, civil liberties were violated, and political participation was severely restricted (Pratt, 2007/ Brownlee, 2002/ Diamond et al., 2003/ Brumberg and Laurie, 1995/ Lippman, 1989/ Sluglett, 1996).

Egypt occupies a central geostrategic position in the Middle East, North Africa, and between the Arab Countries. Therefore, a friendly stable regime in Egypt has played a very critical role in the foreign policy objectives of the Western countries like the U.S. and the EU. Egypt is considered among

the countries that receive very substantial ODA, where the U.S. is its largest donor over the years and the European Commission also provides significant amounts to Egypt; making it one of the biggest recipients of ODA from the EU, and bilateral assistance from European countries is by and large significant in the foreign aid offered to Egypt until 2011.

ODA to Egypt ⁽¹⁰⁾

1970-79	1980-89	1990-99	2000-09	2010-11	2009	2010	2011
Annual Averages					Annual Amounts		
USD million, 2010 prices and exchange rates							
5,031	3,134	4,289	1,467	487	985	592	381

This section of the paper has a two-fold purpose. First, it views the U.S. as well as the EU’s foreign aid to Egypt during the period of President Mubarak which witnessed considerable debate on democracy promotion and reforms calls. Second, it draws general remarks on how foreign aid provided by both the U.S. and the EU impacted sustaining the regime in Egypt.

The U.S. Foreign Aid to Egypt:

“The great and proud nation of Egypt has shown the way toward peace in the Middle East and now should show the way toward democracy in the Middle East” ⁽¹¹⁾ George W. Bush.

Successive U.S. administrations have long viewed Egypt as a leader and moderating influence in the Middle East. Over the years, the U.S. and Egypt established relations based on shared mutual interests aspiring at maintaining regional stability, fostering military cooperation, and sustaining the 1979 Egyptian Israeli peace treaty.

⁽¹⁰⁾ Source: <http://www.oecd.org/dac/stats/Africa%20-%20Development%20Aid%20at%20a%20Glance%202013.pdf> (Accessed 21/09/2021)
⁽¹¹⁾ President George W. Bush. (November 6, 2003). “Remarks at the 20th Anniversary of the National Endowment for Democracy”. Available at: <http://www.ned.org/george-w-bush/remarks-by-president-george-w-bush-at-the-20th-anniversary> (Accessed 09/09/2021). Bush made a similar statement in the State of the Union address, February 3, 2005.

An important pillar of the bilateral relations is the U.S. military and economic assistance to Egypt, which expanded significantly after 1979. Since then, the country has been the second largest recipient, after Israel, of U.S. foreign assistance. But during the last decade, the overall U.S. assistance to Egypt has declined owing to a gradual reduction in economic aid. As a result, in 2010, Egypt became the fifth-largest aid recipient receiving 1.55 billion Dollars (Sharp, 2011). The U.S. foreign aid to Egypt during Bush Administration was not only decreasing but shifting priorities of funding during those years and there was increasing attention paid to the importance of democratization in the region (Carothers, 2007 / Sharp, 2006).

In fact, military cooperation, commercial trade ties, and close diplomatic coordination on regional and international issues were the cornerstones of the bilateral relations between both countries, especially after 9/11 when the Bush Administration announced its global war on terror. The Middle East was a major target of this new direction of foreign policy, in which Egypt had a key role to play to support the U.S. in its initiative. And though the U.S. has long advocated the promotion of human rights and freedom in Egypt, most experts agree that, prior to the terrorist attacks in 2001; economic reforms superseded political reform in the U.S. foreign aid motives in Egypt.

“For too long, many nations, including my own, tolerated and even excused oppression in the Middle East in the name of stability... We must take different approach. We must help the reformers of the Middle East as they work for freedom and strive to build a community of peaceful, democratic nations”. (George W. Bush, 2004).

In line with this, the Congress has sought to specify how Egypt’s economic aid would be spent, prioritizing funding for the USAID democracy and education programs. In response, the Egyptian government argued that if

both sides agree to continue aid relationship; funds should either be increased or gradually phased out, but, most importantly from the Egyptian perspective; be directed towards economic development rather than democracy promotion and support for civil society (Sharp, 2009).

It has been clear that the 2001 events led to further active U.S. involvement in the Egyptian context, where the U.S. has focused on the issue of political reform in Egypt as part of a reorientation of its policy towards the Middle East. It has employed a variety of tools, also public statements by administrative officials during different occasions stressed the need for reform. For example, throughout the years from 2005 till 2009, USAID allocated around 206 million Dollars in economic assistance towards the democracy and governance sector in Egypt, as funding in this sector was prioritized (Sharp, 2011). In addition, other initiatives like the Middle East Partnership Initiative (MEPI) and the Broader Middle East and North Africa (BMENA) were established during Bush Administration focusing on governance and democracy promotion programs. Moreover, the U.S. has set grants totaling one Million Dollars to several civil society institutions to strengthen their capacities to move forwards in fulfilling political and electoral reforms (Sharp, 2011).

Related to the U.S. rising pressures on the Egyptian regime to initiate political reforms, the issue of aid conditionality triggered a major debate during Bush Administration. There has been contradicting views within the Administration regarding this issue linking it to the necessity of achieving improvements in Egypt's human rights record, its progress towards democracy and religious freedoms. Some members of the Congress saw that the U.S. foreign aid to Egypt has not been effective in promoting political and economic reform and that it needed to include benchmarks for Egypt to continue to qualify for the U.S. aid. Nevertheless, successive administrations

as well as the Egyptian government emphasized that the U.S. aid to Egypt is a symbol of a strong strategic partnership which directly benefits the U.S. national security interests. Proponents of strong bilateral ties argued that Egypt is a key country in the region, hence aid conditionality would undercut the U.S. strategic interests in the region, including support for Middle East peace, the U.S. naval access to the Suez Canal and the U.S.-Egyptian intelligence cooperation. Plus, regardless of the several attempts for applying conditionality on foreign aid to Egypt, the successive Administrations maintained the status quo during Mubarak's regime (Sharp, 2009).

Another dimension in the U.S. foreign aid to Egypt that is linked to the strategic importance of Egypt is the military aid, which has been considered fundamental in the relations between both countries. Successive U.S. administrations have maintained the provision of 1.3 billion Dollars annually to Egypt since 1979. Both Egypt and the U.S. had tremendous benefits from this military aid. For the U.S., Egypt contributed to the stability of the Middle East which is manifest in many aspects among which are deploying forces in the area, supplying defense equipment, protecting strategic sea lines, maintaining availability of international oil route and a critical route for U.S. warships (Sharp, 2009).

Reflecting on the U.S. foreign aid to Egypt, there are several implications. First, though the U.S. administration allocated considerable aid to support political reform in Egypt during Mubarak's era; the later has introduced superficial reforms, allowing multiparty legislative elections and presidential elections to take place, which were neither fair nor free. It also opened the door for the media and press to express their opinions with a margin of freedom to reflect changes which were not genuine, but satisfactory

to the U.S. Administration. ⁽¹²⁾ Second, while there were debates in the U.S. Administration regarding applying conditionality on foreign aid provided to Egypt, maintaining the status quo reflects that the strategic interests were central in providing foreign aid and consequently this disrupted any real reforms. Third, the sustained U.S. support to the Egyptian military is an indicator for supporting the authoritarian regime survival in Egypt, as the military is the strongest and most stable institution in Egypt. This denotes that the U.S. valued stability over democracy, where strategic interests and the geopolitical importance of Egypt presented the main drivers of the U.S. foreign aid to Egypt which helped in sustaining the regime survival considering the above-mentioned arguments.

The EU Foreign Aid to Egypt

Besides nation states, regional and international entities are important actors providing foreign aid. Though the UN, the World Bank as well as other institutions are active players in providing foreign aid to Egypt, the EU is considered a strong influential actor in Egypt. This part sheds light on the EU foreign aid to Egypt during Mubarak regime which instituted mechanisms during the 1990s onwards to enhance economic, social and security cooperation with Egypt.

The EU and Egypt established diplomatic relations in 1966, and after the accession of Southern European countries to the EU in the 1980s this brought the perspective of cooperating with the Middle East and North African countries which share a shore with the Southern European countries to enhance security and stability in Europe as well as benefit economically through trade (EC, 2013).

⁽¹²⁾ “Now, here in Cairo, President Mubarak’s decision to amend the country’s constitution and hold multiparty elections is encouraging”. Condoleezza Rice. (June 20, 2005). “Remarks at the American University in Cairo”. Cairo, Egypt. Available at: <http://2001-2009.state.gov/secretary/rm/2005/48328.htm> (Accessed 09/09/2021).

In 1995, the Euro-Mediterranean Partnership was established to manage bilateral and regional relations. It comprised three pillars of partnerships: political and security, economic and financial and social, cultural, and human affairs partnerships. Afterwards, in 2008 it was re-launched as “The Union for the Mediterranean” aiming at revitalizing partnerships between countries.⁽¹³⁾ In line with this and driven by the above-mentioned intentions, the European Neighborhood Policy (ENP) was established in 2004 with the goal of strengthening prosperity, security and stability for all countries in this strategic region.⁽¹⁴⁾

With regards to Egypt, two official documents have governed the relations between the EU and Egypt. The first is the EU-Egypt Association Agreement which came into force in 2004 and provides the legal basis for the relations. The second is the EU-Egypt Action Plan which sets out the agenda for relations under the ENP. Among the priorities reflected in the Action Plan, are political and economic support, improving information systems, and supporting the establishment of a well-functioning civil society. As for the financial framework for the EU-Egyptian relations, it has been governed by the European Neighborhood and Partnership Instrument (ENPI) which presented an important instrument for technical and financial cooperation with Egypt. Besides ENPI, other financial mechanisms existed such as the Neighborhood Investment Facility (NIF), the European Instrument for Democracy and Human Rights (EIDHR), along with thematic programs under the Development and Cooperation Instrument (DCI).⁽¹⁵⁾

The EU had a focus on three priority areas in its cooperation with Egypt, which are: governance, economic reforms, and sustainable

⁽¹³⁾ Available at: http://www.eeas.europa.eu/euromed/index_en.htm (Accessed 15/03/2014).

⁽¹⁴⁾ Available at: http://eeas.europa.eu/enp/index_en.htm (Accessed 15/03/2014).

⁽¹⁵⁾ Available at: http://europa.eu/rapid/press-release_MEMO-13-751_en.htm (Accessed 15/03/2014).

development. According to an evaluation report on the EU's support to Egypt during the years from 1998 till 2008, it mentioned that there was progress in implementing reforms in the economic area as well as social developments, but few positive results were witnessed in the governance area. Tangible achievements were apparent in bringing sensitive political issues into discussions which triggered support to initiate reform.

Generally, the EU did not follow the approach of imposing democracy on the Egyptian regime. However, the attempts to exert influence in the Egyptian context were apparent in the strict conditionalities mentioned in the framework of Agreements between both sides. And though the Egyptian regime did not generally reject the EU's agenda, but it always indicated high resistance towards political approaches of democratization. For example, conditionalities regarding human rights violations and restrictions on political and civil rights were viewed by the Egyptian government as interference in the domestic affairs. The Egyptian Minister of Foreign Affairs in 2005 reflected on the EU approach of democracy promotion within the ENP, stating that: *“Arab states succeeded in convincing the European partner of the Arab vision regarding the issue of reform and the Arab states’ rejection of any external attempts to interfere in their domestic affairs. The reform process will take place in the Arab states in a way that suits each country’s historical, cultural and social context”*.⁽¹⁶⁾

Considering this, some remarks are clear with respect to how the EU foreign aid impacted Mubarak's regime survival. First, the reluctance of the EU to demand significant reform commitments from the Egyptian side is associated with the importance of Egypt as a geostrategic partner, where there was fear that pushing towards establishing democracy might bring an

⁽¹⁶⁾ Available at: <http://weekly.ahram.org.eg/2005/745/in4.htm> (Accessed 09/09/2021).

undesired government to power (Muslim Brotherhood). Related to this, the aim of establishing a democratic regime in Egypt implies a regime change which might endanger the stability of the region and hinder the status quo. Second, the authoritarian ruling elite in Egypt did not allow such interference that would make them lose their powers. Yet, the government allowed some superficial reforms while safeguarding its authority. These reforms gave the impression that the system is moving forward towards democratization. The government was successful in allocating foreign aid in political structures affiliated to the government as a tool of enabling reforms requested by the EU but under the control of the regime. Therefore, strategic interests influenced ODA provided by the EU, where good governance neither appeared to be consistent nor effectiveness in the EU's allocations to Egypt. In other words, the EU's foreign aid approach towards Egypt refrained from pressuring the government and remained vague regarding the conditionality rationale, which was not followed by the Egyptian regime, which stressed that reform should stem from inside and not to be imposed (Zanger, 2000).

Responding to the increasing pressures from both the U.S. and the EU to accelerate reforms; Mubarak's regime went further than denouncing external interference in its internal affairs, by adopting political reforms but according to the regime's own agenda. Therefore, Mubarak started being attentive to the implementation of reforms declaring on several occasions that Egypt is already on the path of reforms. As a result, in 2002, the National Democratic Party (NDP) initiated some ideas for political reforms such as multicandidate presidential elections, as well as ending the state of emergency which has been enacted since Sadat's assassination in 1981 (Sharp, 2006b). In 2005, to implement such reforms while emphasizing the need for economic growth as a precondition for democratic change, Mubarak and the ruling NDP amended the constitution to allow for multicandidate presidential elections

for the first time in Egypt. However, Mubarak won with an overwhelming majority of almost 99 %. During the same year, the regime endorsed the legislative elections, in which the government allowed the Muslim Brotherhood (MB) to campaign freely and contest seats in parliamentary elections. The legislative elections marked a huge change that year, where MB won 88 of 444 elected seats in the People's Assembly (Sharp, 2006a/ Sharp, 2006b). As mentioned earlier, these reforms were not meant to establish real and concrete reform but were initiated in response to national⁽¹⁷⁾ and international pressures to move towards democracy.

Conclusion

While research on foreign aid and its implications on recipient countries continue, ODA allocations are not likely to pause. Donor countries have different motives in supporting developing countries, where strategic interests play a crucial role in aid allocation.

Ever since the 'Marshall Plan' in 1948 foreign aid has been associated with the donors' interests. These interests have varied over different time intervals encompassing geostrategic goals (strategic alliances, national security, and the war on terror), along with development goals (stabilizing economies, alleviating poverty, supporting issues of human rights, democracy promotion and good governance). Hence, throughout history, foreign aid has been - in many instances - selective, lacking standardized regulations and considered different interests, which are not primarily development goals.

⁽¹⁷⁾ The emergence of political movements and independent newspapers helped in spreading the awareness of the deteriorating situation in Egypt. (i.e., Kfaya (enough) movement planted seeds of protest when it called for an end to Mubarak's regime in 2004 and inspired emerging political groups and activists. Bloggers tackled sensitive issues of political corruption and human rights. Independent newspapers like ElmasryElyoum along with online journalism emerged as watchdogs. And in 2010, the creation of the National Association for Change by Dr. M. El baradei as a broad opposition coalition pushing for constitutional democratic reforms helped in mobilizing the public opinion.

Donor countries have different motives in supporting developing countries, where strategic interests play a crucial role in aid allocation. Aid to most of the developing countries has shown flexibility towards the different frameworks of cooperation, where the aim of regime survival was central to the recipient governments. They succeeded in affirming their commitment to political reforms, while taking concrete actions have not been capitalized. In this context, foreign aid offered to authoritarian regimes triggered a lot of questions regarding conditionality, effectiveness, democratization, and regime survival. The dynamics of allocating ODA to these regimes failed, in many cases, to achieve the developmental goals which are the main goal of ODA, and at the same time witnessed misuse of aid due to the lack of sufficient accountability measures in countries like Egypt. De Mesquita et al. (2009) have argued that autocratic governments are concerned with exploiting aid to ensure their political survival, where foreign aid fungibility is common. In the same line, Maglioni (2008) has put it this way: *“In my account, all dictators are presumed to be motivated by the same goal – survive in office while maximizing rent”*.

Despite the extensive research on the topic of foreign aid and its impact on recipient countries; there is yet no conclusive evidence that there is a positive or negative correlation between both, where researchers reached different conclusions focusing on diverse types of aid and regimes over the years. Whereas research on foreign aid and its implications on recipient countries continues, ODA allocations are not likely to pause.

The relationship between foreign aid and authoritarian regimes survival remains complex and varies over time and among different regime types. Based on de Mesquita et al. framework of political survival, the Egyptian regime during President Mubarak worked on sustaining its seizure of power for 30 years, through which the National Democratic Party (NDP) was

its sole political player gaining much from maintaining the status quo and supporting Mubarak's survival at the expense of the public and their needs. With regards to foreign aid and its impact of the Egyptian regime survival, two examples of foreign aid were tackled which are the U.S. and the EU's ODA to Egypt. The foreign aid approach followed by both has been different. The EU was seeking social and economic participation along with stressing the importance of complying with the conditionality ties in its framework agreements, while the U.S. gave more attention to democracy and governance sectors especially the elections dimension as an important indicator of political reforms ignoring the aspect of aid conditionality. As a recipient of foreign aid, Egypt showed flexibility towards the different frameworks of cooperation, where the aim of survival was the major purpose of the regime and it succeeded in affirming its commitment to political reforms, nevertheless taking concrete actions were lacking in the scene.

This paper agrees with Knack (2004) conclusions where he did not find a significant impact of foreign aid on democracy in developing countries but argued that political aid potentially contributes to the democratization process. It also agrees with Ottaway and Carothers (2000) conclusions that aid to civil society had limited impact on the democratization process. Reflecting this on the Egyptian context, foreign aid did not assist the country to move towards democracy. Mubarak held down the regime with little genuine change, and Egypt remained an authoritarian government with a dominant single party system, and an enacted state of 'Emergency Law'.⁽¹⁸⁾ Nevertheless, foreign aid offered to civil society as well as democracy aid helped in triggering debates on sensitive topics like human rights, civil liberties, freedom of expression and the need for political reforms.

⁽¹⁸⁾ In 2005, Mubarak promised to end the 'Emergency Law' which was enforced since 1981. Nonetheless, he extended the 'Emergency Law' by two more years in April 2006. And again in 2008 and 2010, it was renewed for two years. BBC News. (May 12, 2010). "Egypt renews tough emergency laws". Available at: <http://news.bbc.co.uk/2/hi/8675856.stm> (Accessed 09/09/2021).

Reforms were not only prompted by the international actors' pressures on the government; but they were also the outcome of claims from Egyptian society and opposition groups. The government throughout the years encountered difficulties with demonstrations and strikes, as social resentment was increasing on various levels. This illustrated that the main force for initiating reforms was public discontent driven mainly by the economic needs.

The international context has assisted in Mubarak's regime survival for 30 years. In allocating foreign aid to Egypt, national security considerations as well as the strategic political importance of the country were valued over democratization and sustained economic development. Consequently, Egypt maintained the status quo of having an authoritarian government with the support of different international actors and hence was not able to move towards democracy on a steady pace.

To conclude, donor national security considerations as well as the geostrategic importance of the recipient country are very often valued over development goals in the process of allocating foreign aid. Consequently, developing countries can maintain the status quo of having an authoritarian regime with the support of different international actors. Additionally, the international debate goes on whether to continue providing foreign aid to countries which are falling heavily under such regimes.

References

1. Acemoglu, D., Verdier, T., and Robinson, J. A. (2004). "Kleptocracy and Divide-and-Rule: A Model of Personal Rule". *Journal of the European Economic Association*, 2(2-3). pp.162-192.
2. Ahmed, Faisal. (2012). "The Perils of Unearned Income: Aid, Remittances, and Government Survival". *American Political Science Review*, 106(1). pp.146 -165.
3. Alesina, A. and Dollar, D. (2000). "Who Gives Foreign Aid to Whom and Why?". *Journal of Economic Growth*, 5(1). pp.33- 63.
4. Bermeo, Sarah Blodgett. (2011). "Foreign Aid and Regime Change: A Role for Donor Intent." *World Development*, 39(11). pp.2021- 2031.
5. Boone, P. (1996). "Politics and the effectiveness of foreign aid". *European Economic Review*, 40(2). pp. 289-329.
6. Burnside, C and Dollar, D. (2000). "Aid, Policies and Growth". *American Economic Review*, 90(4). pp.847-868.
7. Bush, George W. (September 21, 2004). "Address by Mr. George W. Bush, President of the United States of America". Address. 3rd Plenary Meeting. General Assembly of the United Nations. Fifty-Ninth Session. New York. Available at: <http://www.theguardian.com/world/2004/sep/21/iraq.usa3> (Accessed 09/09/2021)
8. Carothers, T. (2007). "US Democracy Promotion During and After Bush". Washington, DC: Carnegie Endowment for International Peace.
9. Cornell, Agnes. (2013). "Does Regime Type Matter for the Impact of Democracy Aid on Democracy?". *Democratization*, 20(4). pp.642-667.
10. Crawford, G. (1997). "Foreign Aid and Political Conditionality: Issues of Effectiveness and Consistency". *Democratization*, 4(3). pp.69-108.
11. Degnbol-Martinussen, John and Engberg-Pedersen, Poul. (2003). "Aid: Understanding International Development Cooperation". London: Zed Books.
12. De Mesquita, B. B., Morrow, J. D., Siverson, R. M., and Smith, A. (1999). "Policy Failure and Political Survival: The Contribution of Political Institutions". *Journal of Conflict Resolution*, 43(2). pp.147-161.
13. De Mesquita, B. B., Morrow, J. D., Siverson, R. M., and Smith, A. (2003). "The Logic of Political Survival". MIT Press Cambridge, MA.
14. De Mesquita, B.B. and Smith, A. (2009). "A Political Economy of Aid". *International Organization*, 63(2). pp.309-340.
15. De Mesquita, BB. and Smith, A. (2007). "Foreign Aid and Policy Concessions". *Journal of Conflict Resolution*, 51(2). pp. 251-84.
16. De Mesquita, B.B. and Smith, A. (2010). "Leader Survival, Revolutions, and the Nature of Government Finance". *American Journal of Political Science*, 54(4). pp. 936-950.
17. Dietrich, Simone and Wright, Joseph. (2012). "Foreign Aid and Democratic Development in Africa". UNU-WIDER Working Paper No. 2012/20.
18. Djankov, S., J. Montalvo and M. Reynal-Querol. (2008). "The Curse of Aid". *Journal of Economic Growth*, 13(3). pp.169–194.
19. Dreher, A., and Fuchs, A. (2011). "Does Terror Increase Aid?". *Public Choice*, 149(3-4). pp. 337-363.

20. Dunning, Thad. (2004). "Conditioning the Effects of Aid: Cold War Politics, Donor Credibility, and Democracy in Africa". *International Organization*, 58(2). pp.409-423.
21. Dutta, Nabamita, Leeson, Peter T. and Williamson, Claudia R. (2013). "The Amplification Effect: Foreign Aid's Impact on Political Institutions". *Kyklos*, 66(2). pp.208-228.
22. EC (European Commission). (2013). EU-Egypt Relations. Available at: http://europa.eu/rapid/press-release_MEMO-13-751_en.htm (Accessed 09/09/2021)
23. Finkel, S. E., Pérez-Liñan, A., Seligson, M. A., and Azpuru, D. (2008). "Deepening Our Understanding of the Effects of US Foreign Assistance on Democracy Building: Final Report". Washington, DC: USAID.
24. Finkel, S. E., Pérez-Liñan, A. and Seligson, M. A. (2007). "The Effects of U.S. Foreign Assistance on Democracy Building, 1990-2003". *World Politics*, 59(3). pp.404-439.
25. Führer, H. (1994). "The Story of Development Assistance: A History of Development Assistance Committee and the Development Cooperation Directorate in Dates and Figures". Paris: OECD.
26. Gandhi, Jennifer and Przeworski, Adam. (2007). "Authoritarian Institutions and the Survival of Autocrats". *Comparative Political Studies*, 40(11). pp. 1279-1301.
27. Geddes, Barbara. (1999). "What Do We Know About Democratization After Twenty Years?". *Annual Review of Political Science*, 2(1). pp.115-144.
28. Goldsmith, Arthur A. (2001). "Foreign Aid and Statehood in Africa". *International Organization*, 55(1). pp.123-148.
29. Griffin, K. B., & Enos, J. L. (1970). "Foreign Assistance: Objectives and Consequences". *Economic Development and Cultural Change*. pp.313-327.
30. Hadenius, Axel, and Teorell, Jan. (2007). "Pathways from Authoritarianism". *Journal of Democracy*, 18(1). pp. 143-57.
31. Headey, D. (2008). "Geopolitics and the Effect of Foreign Aid on Economic Growth: 1970-2001". *Journal of International Development*, 20(2). pp.161-180.
32. Heckelman, J. (2010). "Aid and Democratization in the Transition Economies". *Kyklos*, 63(4). pp.558-579.
33. Hinnebusch, R. A. (1980). "Egypt Under Sadat: Elites, Power Structure, and Political Change in a Post-Populist State". *Social Problems*, 28(4). pp.422-450.
34. Jaber, K. A. (1991). "Politics and Government in the Middle East and North Africa". T. Y. Ismael, & J. S. Ismael (Eds.). University Press of Florida.
35. Kalyvitis, S. and Vlachaki, I. (2010). "Democratic Aid and the Democratization of Recipients". *Contemporary Economic Policy*, 28(2). pp.188-218.
36. Kalyvitis, S. and Vlachaki, I. (2011). "When Does More Aid Imply Less Democracy? An Empirical Examination". *European Journal of Political Economy*, 28(1125). pp.132-146.
37. Kanbur, R. (2000). "Aid, Conditionality and Debt in Africa". *European Economic Review*, 32(9). pp.409-422.
38. Knack, S. (2004). "Does Foreign Aid Promote Democracy?". *International Studies Quarterly*, 48(1). pp.251-266.
39. Kono, Daniel Y. and Montinola, G. R. (2009). "Does Foreign Aid Support Autocrats, Democrats, or Both?". *Journal of Politics*, 71(2). pp.704-718.

40. Lensink, R. and White, H. (2001). "Are There Negative Returns to Aid?". *Journal of Development Studies*, 37(6). pp. 42-65.
41. Lipset, S. M. (1959). "Some Social Requisites of Democracy: Economic Development and Political Legitimacy". *American Political Science Review*, 53(1). pp 69-105.
42. Lumsdaine, D.H. (1993). "Moral Vision in International Politics: The Foreign Aid Regime 1949-1989". Princeton, NJ: Princeton University Press.
43. Magaloni, Beatriz. (2008). "Credible Power-sharing and the Longevity of Authoritarian Rule". *Comparative Political Studies*, 41(4-5). pp. 715-741.
44. McMillan, L. (2011). "Foreign Aid and Economic Development". *School of Doctoral Studies European Union Journal*, (3). pp.158-165.
45. Morrison, Kevin M. (2007). "Natural Resources, Aid, and Democratization: Best-case Scenario". *Public Choice*, 131(3-4). pp.365-386.
46. OECD. (2011). "Trends in Development Co-operation, 1960-2010", in *Development Co-operation Report 2011: 50th Anniversary Edition*. OECD Publishing.
47. Ottaway, Marina and Carothers, Thomas eds. (2000). "Funding Virtue: Civil Society Aid and Democracy Promotion". Washington DC: Carnegie Endowment for International Peace.
48. Perkins, Dwight H., Radelet, Steven and Lindauer, David L. (2006). "Economic of Development". Sixth Edition. New York: W.W. Norton.
49. Riddell, Roger C. (2007). "Does Foreign Aid Really Work?". New York: Oxford University Press.
50. Sharp, J. M. (2006a, February). "Egypt: Background and US Relations". Library of Congress. Washington DC Congressional Research Service.
51. Sharp, J. M. (2006b, June). "U.S. Democracy Promotion Policy in the Middle East: The Islamist Dilemma". Library of Congress. Washington DC Congressional Research Service.
52. Sharp, J. M. (2011, January). "Egypt: Background and US Relations". Library of Congress. Washington DC Congressional Research Service.
53. Sharp, J. M. (2009, September). "Egypt: Background and US Relations". Library of Congress. Washington DC Congressional Research Service.
54. Smith, Alastair. (2008). "The Perils of Unearned Income". *Journal of Politics*, 70(3). pp.780-793.
55. Tadro, M. (1989). "Economic Development in the Third World". London: Longman.
56. Wright, Joseph. (2009). "How Foreign Aid Can Foster Democratization in Authoritarian Regimes". *American Journal of Political Science*, 53(3). pp.552-571.
57. Zanger, S. C. (2000). "Good Governance and European Aid the Impact of Political Conditionality". *European Union Politics*, 1(3). pp.293-317