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***The Impact of
Liberalization and Role of
Rural Organizations :
Policy Issues***

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ACRONYMS LIST

<i>ACRONYM</i>	<i>DESCRIPTION</i>
AC	Affiliated Company
ALCOTEXA	Alexandria Cotton Exporters Association
APRP	Agricultural Policy Reform Program
BOD	Board of Directors
CAPQ	Central Administration for Plant Quarantine, MALR
CBE	Central Bank of Egypt
CIDA	Canadian International Development Agency
CIF	Cost, Freight and Insurance
CMA	Capital Market Authority
Co.	Company
COP	Chief of Party
CSPP	Egyptian-German Cotton Sector Promotion Program
CTS	Cargill Technical Services
DA	Development Associates, Inc.
DAI/B	Development Alternatives, Inc./Bethesda
ELS	Extra Long Staple Cotton
ERSAP	Economic Reform and Structural Adjustment Program
ESAs	Employee Shareholder's Association
ESOPs	Employees Stock Ownership Program
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FDIs	Foreign Direct Investments
Fed.	Feddan = 4200 square meter
FOB	Free on Board
FSR	Food Security Research Unit
GA	General Assembly
GDP	Gross Domestic Product
GOE	Government of Egypt
HC	Holding Company
IDA	International Development Association
IPPC	International Plant Protection Convention

<i>ACRONYM</i>	<i>DESCRIPTION</i>
IPO	Initial Public Offering
IIMI	International Irrigation Management Institute
IR	Intermediate Results
Kg.	Kilogram
Kt.	Kentar
Libra	Pound of 0.45359 kilogram, also abbreviated as lb.
LE	Egyptian Pound
LK	Lint Kentar of cotton, 50 kgs.
LS	Long Staple cotton
MALR	Ministry of Agriculture & Land Reclamation
MENA	Middle East North Africa
MEIC	Ministry of Economy & International Cooperation
MIMW	Ministry of Industry & Mineral Wealth
MT	Metric Ton
MTS	Ministry of Trade & Supply
MPE	Ministry of Public Enterprises
MPWWR	Ministry of Public Works & Water Resources
MLS	Medium-Long Staple cotton
MVE	Monitoring, Verification & Evaluation Unit
NBE	National Bank of Egypt
NCF	National Consulting Firm
NGO	Non-Governmental Organization
OSAF	Office for Studies And Finance
PEO	Public Enterprise Office
P&L	Privatization & Liberalization
PIDP	Partnership In Development Project
PMU	Project Management Unit
PPC	Program Planning Committee
PU	Purdue University
RDI	Reform, Design & Implementation Unit
ROW	Rest of the World
SK	Seed Kentar of cotton (157.5 kgs.)
SS	Short Staple cotton

<i>ACRONYM</i>	<i>DESCRIPTION</i>
STTA	Short Term Technical Assistance
TA	Technical Assistance
TAMIS	Technical & Administrative Management Information System
TAT	Technical Assistance Team
TF	Task Forces
TO	Training Officer
TOR	Terms of Reference
TNA	Training Needs Assessment
TRG	Training Resources Group
TSG	The Services Group
UMD	University of Maryland
USAID	United States Agency for International Development
US\$	United States Dollar
WB	World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

Introduction

Prior to economic liberalization, GOE maintained control of agricultural input and product markets, and used cooperatives as a tool for rural development through Law No. 122 of 1981. Now with the continued focus on liberalization and the ongoing withdrawal of GOE from the agricultural sector, the environment in which Egypt's rural organizations operate has changed. There are now new laws (i.e., Law No. 12 for Water User Associations, and Law No. 153 for NGOs) which must meet new needs of farmers given the changes brought about by liberalization. With freer markets smallholders need the benefits that strong rural organizations offer – protection from private market imperfections and externalities, and the force that organizations can muster by combining the purchasing and marketing power of its members.

This study addresses two important questions:

- 1 In this freer market environment what role can existing rural organizations play in motivating their members and providing support to allow them to improve their incomes and access to input and product markets?
2. What GOE policy changes are needed to enhance the role of these organizations and encourage their growth?

Structure of Non-Governmental Organizations in Egypt

Non-governmental organizations have a long history in Egypt, dating formally from 1821¹. Currently, there are 14,600 NGOs registered with the Ministry of Social Affairs. Less than one-third of these NGOs work in rural areas, though rural people represent more than 50% of the Egyptian population. Almost 98% of NGOs are concentrated in only seven functional areas.

¹ NGOs take one of two forms: a society or a special organization (trust). Societies are non-profit organizations that work in areas defined by Law No. 32/No.153. Special organizations (trusts) are non-profit organizations that obligate a fund to serve humanitarian, religious, scientific, artistic, social, social welfare areas, or a general benefit. NGOs are normally non-profit organizations but are allowed to establish profit-oriented projects, provided that all profits serve the organizations' objectives. Other types of rural organizations include cooperatives, unions and associations. Cooperatives combine profit objectives with economic and social activities for their members. Unions and associations are non-profit oriented. Their main objective is to help their members increase their profits and defend their rights. Water Users Associations (WUAs) are considered non-governmental organizations, but they are established with the assistance of GOE. WUAs are comprised of farmers along mesqas, which represent the point at which GOE's responsibility for water delivery ends and the private sector's (i.e., the WUA's) responsibility begins.

Cooperatives are not considered NGOs because they are formally part of the private sector and seek profits. Agricultural cooperatives are classified into two main types:

1. Multi-purpose cooperatives provide production and input and output marketing services to their members. Membership in these cooperatives was either obligatory or GOE services were made available only to cooperative members. Credit cooperatives are, from a legal perspective, the only multi-purpose cooperatives. However, some credit co-ops are also specialized. Although agrarian reform and land reclamation cooperatives are legally classified as specialized, in practice they operate like multi-purpose cooperatives.
2. Specialized agricultural cooperatives are voluntary organizations that work in 13 specific commodity or input fields including cotton, rice, edible oils, horticulture, onions/garlic, sugarcane, potatoes, animal wealth, linen, mechanization, credit, agrarian reform, and land reclamation.

Agricultural cooperatives numbered 6,604 in 1998, of which 67% were multi-purpose, and 33% were specialized. Almost all of the cooperatives (95%) have been established as local co-ops, with the remainder at the governorate or joint local/governorate level. There is one general cooperative society for credit, agrarian reform, and land reclamation, and one central agricultural cooperative union.

Type	Multi-purpose	Specialized	Total
Credit	4,419	813	5,232
Agrarian Reform		776	776
Land Reclamation		596	596
Total	4,419	2,185	6,604

A newer type of rural organization is the Water Users' Association (WUA). The legal basis for WUAs is Law No. 213 of 1994. Their objectives are to improve water delivery into mesqas, operate and maintain improved mesqas, and improve on-farm water use efficiency. There were 612 registered WUAs in 1998.

Other voluntary rural organizations represent a mix of government and private interests. These include associations formed by producers, traders or exporters in specific commodity areas and established under special laws. Examples include the General Union for Poultry Producers (GUPP) and the General Union of Producers and Exporters of Horticultural Crops (GUPEHC), registered within the Ministry of Agriculture and Land Reclamation, Alexandria Cotton Exporters Association (ALCOTEXA), registered within the Ministry of Supply and Trade, and Water Users' Associations (WUAs) registered within the Ministry of Public Works and Water Resources.

The Impact of Liberalization on Services Provided by Cooperatives

From the early 1950s through early 1981, the socioeconomic and political environments in Egypt were detrimental to agriculture, leading to low rates of development and inefficiency of farm resource use. These led to heavy GOE subsidies and significant control by GOE of all agricultural activities. With liberalization, the GOE has steadily relinquished its control over agriculture, and thus enhanced the need for rural organizations to provide services to farmers.

This study's rapid reconnaissance surveys examined the impact of liberalization on services offered by cooperatives. The surveys were carried out in two governorates: El-Sharkiya representing Northern Egypt, and El-Fayoum representing Southern Egypt. The samples included are listed below:

El-Sharkiya

- **11 multi-purpose cooperatives**
 - 4 credit cooperatives
 - 4 agrarian reform cooperatives
 - 3 land reclamation cooperatives
- **7 specialized cooperatives**
 - 3 livestock cooperatives
 - 2 mechanization cooperatives
 - 1 field crop cooperative
 - 1 horticulture marketing cooperative
- **2 water users' associations**

Because results from El-Sharkiya Governorate showed no significant variation among cooperatives of the same type, the El-Fayoum sample was smaller.

El-Fayoum

- **6 multi-purpose cooperatives**
 - 2 credit
 - 2 agrarian reform
 - 2 land reclamation
- **4 specialized cooperatives**
 - 3 livestock
 - 1 field crops
- **2 water users' associations**

Members and managers of sampled rural organizations were surveyed on the ability of cooperatives and other NGOs to fill the gap left by the public sector withdrawal from the provision of services. One key finding is the reduction of input services offered by all three types of cooperatives, but in particular for credit cooperatives. Another key finding helps explain the first. Managers and members of cooperatives are unclear about the role of cooperatives in the current liberalized environment. Prior to liberalization, cooperatives operated under the influence of government. Now essentially the same organizations are operating in a freer market environment than previously, but without the necessary tools (e.g., technical training, education, finance, etc.) to provide the services their members require.

The survey findings are summarized as follows:

1. **Product Marketing.** Credit cooperatives offer marketing services in wheat, maize, and potatoes. Also, during the start of the 1999/2000 cotton season some credit co-ops in upper Egypt and in the Delta will market cotton. Agricultural reform and land reclamation cooperatives market cotton and some other crops.
2. **Input Supplies.** Farmers prefer to buy their seeds, fertilizers, and pesticides from their cooperatives when available as they are of better quality, give higher yield, and are disease free. However, they increasingly buy from the private sector (more pesticides than fertilizers and seeds) when their prices are lower, cooperative supplies are insufficient in volume or variety, or supplies are unavailable.
3. **Machinery rental services** are available in agrarian reform cooperatives for most activities, and for some activities in land reclamation cooperatives. The services are easy to get, cheaper than other sources, and can be obtained on credit. However, rentals are unavailable at credit cooperatives although credit cooperatives sell machinery to farmers and to other multi-purpose cooperatives.
4. **Credit**, in the form of cash and in-kind loans, is provided by agrarian reform cooperatives and to a lesser extent by land reclamation cooperatives to their members. Credit cooperatives do not extend loans to their members. Members of credit cooperatives can obtain loans from PBDAC if they are landowners. Renters cannot receive PBDAC loans without the owner's co-signature. Problems relating to PBDAC include high interest rates, bad treatment, and bureaucracy in requesting collateral. Members of land reclamation cooperatives noted that high interest rates were the only problem.
5. **Water inputs.** WUAs achieve equity in distributing irrigation water while reducing the cost of irrigation. Moreover, regulating irrigation has improved the soil and increased crop productivity. Farmers stated that extension services in water are finally available.

6. **Investment projects.** Agrarian reform cooperatives and, to a lesser extent, credit cooperatives have established projects that provide job opportunities for members' families. Moreover, products these projects have produced are sold at reasonable prices. Land reclamation cooperatives did not perform such activities.
7. **Social services.** Agrarian reform and credit cooperatives provided social services for their villages at a much higher rate than land reclamation cooperatives. Examples of social services include family planning, adult education, women's development, and sports activities for youth. Some have established poultry farms and distributed chicks among farmers, and have provided infrastructure services like canal maintenance, storage facilities, and drinking water.
- 8 **Profit distribution.** Though all of the sampled cooperatives realize profits, only 25% of the credit and agrarian reform cooperatives distribute profits, and only land reclamation cooperatives distribute dividends.

Policy Obstacles for Rural Organizations

A supportive policy environment – economical, political, legal, social, and cultural – is needed to encourage the growth of rural organizations. Without a nurturing policy environment, rural organizations will face many more obstacles in establishment and operations.

Though a number of political parties exist in Egypt, the political milieu is influenced by socialism. Conversely, Egypt has adopted a western ideology in its economic reform program of the 1990s. The mix of different ideologies has given rise to unclear, inconsistent signals to market participants. This has affected the economic reform process and significantly contributed to delay in the implementation of the second phase of the economic reform that started in 1994-95.

The ideological mix has affected the legal environment and retarded the development of NGOs (i.e., Law No. 153 of 1999 replacing Law No. 32 of 1964 for NGOs, and Law No. 122 of 1980 for agricultural cooperatives). The law falls short of encouraging rapid development of rural organizations that are beyond the influence of government.

Additionally, the social/cultural environment is not conducive to the appropriate functioning and development of rural organizations. Rural areas still suffer from many educational, health, and economic problems, which tend to decrease rural people's participation in NGO activities.

Notwithstanding significant improvements in the rural economic environment since reform began, the economy suffers from numerous problems. Heavy bureaucracy, over-employment, low level of services, inappropriate organization within many governmental agencies, multiplicity of administrative bodies supervising and/or monitoring organizations, and domination of informal over formal rules are among the administrative problems. These problems retard expansion of rural organizations.

Internal Problems of NGOs

Financial and management issues rank as the key internal problems for rural organizations. Specific to cooperatives must be added the confusion regarding their role in the changing environment and how they must adapt. Cooperation has not yet become a fully voluntary, self-governed democratic movement. Members of cooperatives have either joined by force of law or because agricultural services are available only to cooperative members.

Finance

Most of the NGOs formed under the Ministry of Social Affairs suffer from lack of finance. Most of the sampled organizations had insufficient budgets to carry out their activities. Almost one-third of the sampled organizations (31%) had a budget of LE 3,000 or less. Moreover, 65% of the sampled organizations depended completely on their own finance while 6% depended completely on governmental finance. The balance (29%) depended on a mixture of their own, governmental and/foreign finance. Lack of finance was the cause in 50% of the cases where organizations were obliged to cease their activities.

Agricultural cooperatives, on the other hand, depend entirely on their own sources of finance. They receive no GOE grants. The survey revealed that credit and agrarian reform cooperatives generate their funding from service fees, undistributed dividends, returns from productive projects, and members' shares. Loans obtained from PBDAC represented the main source of finance for land reclamation cooperatives.

Cooperatives are in a much better financial situation than NGOs under the Ministry of Social Affairs. However, additional cooperative finance is needed if they are to increase credit extension to their members.

Management

Failure or poor performance of cooperatives is due to lack of appropriate organization and division of labor, the absence of clear management command and control, lack of awareness among managers and directors regarding their responsibilities, and low levels of loyalty toward their cooperatives. One 1998 study showed that, in terms of organizational effectiveness for NGOs, about 55% of the organizations rated below average and 45% rated above average.

Meeting Member Needs

NGOs have two roles within a liberalized economy. The first is to organize farmers in institutions that effectively represent the collective interests and needs of their members in dealing with the public and private entities with which they must work. The organization improves their technical and economic efficiencies, moderates market forces for members, and provides social and economic services that are seriously lacking in rural areas. The second role is to organize volunteers to aid rural people in improving their economic, social and cultural conditions, and to develop their natural and social environments.

The first role is addressed by cooperatives as well as producer, exporter, and marketing associations. Other NGOs under Laws No. 32 and 153 working in rural areas represent the second type of institution. However, in their present form and within the present milieu, NGOs and cooperatives are incapable of effectively and efficiently performing their functions. Changes needed to enable rural organizations to function appropriately and give the necessary support to farmers and other rural people fall into the following two categories:

1. The role of the organizations. Confusion regarding the role of cooperatives cannot be addressed simply by changing laws and regulations. Farmers must understand that they must depend only on themselves to establish and manage their cooperatives. Some improvements have been introduced since the early 1980s as the GOE passed legislation to establish and regulate a dynamic economy led by the private sector. However, intensive efforts will be required in the areas of information, education and extension to motivate people to actively participate in rural organization activities. Awareness of organizations working in villages is not sufficient to encourage people to participate. It is of utmost importance to disseminate information, educate people, and provide them with extension services so that they can see and hear about the benefits of voluntary cooperation.
- . The political, legal, social, cultural, and economic environments within which the organizations perform their activities. Of greatest importance is the political and legal environments which are reflected in complex and confusing laws governing rural organizations. These laws require that rural organizations be structured and operated in a fashion that diminishes their capacity to perform needed, useful, and valuable services.

Recommendations

Rural organizations have a positive role to play in rural agricultural and economic development. However, the Government's dwindling role as a primary actor in day-to-day economic decisions affecting agriculture has not been adequately balanced by an increase in rural organization activity to provide economic and other services to their members. The existing structure and operations of rural organizations combined with the changing political, legal, social, cultural, economic, and even administrative environments have, for the most part, resulted in a lack of support for members. Small remedial actions will likely fail as systemic change is required. We recommend the following significant activities that offer a very good opportunity to achieve the kinds of voluntary rural organizations that can provide effective services for their members.

1. Political and Legislative Programs

The Government should pass new legislation to encourage the growth of NGOs, cooperatives, and WUAs. In particular, Law 153 of 1999 for associations, Law No. 122 of 1980, Law Nos. 109 and 110 of 1963, Nos. 10 and 112 of 1981, No. 100 of 1964, and No. 123 of 1983 for cooperatives in various fields need to be revised. A study should be conducted to identify methods to reform cooperatives consistent with the principles of cooperation. The results of this study would provide the foundation for the design and implementation of a legal reform program that would revise the relevant laws.

2. Information, Education, and Extension Programs

Education and extension efforts are necessary to demonstrate to rural people how they can improve themselves economically through rural organizations, how organizations can be established, financed, properly managed and operated to benefit their members.

These efforts can be coordinated through pilot research and extension projects in the two governorates surveyed for this study, El-Fayoum and El-Sharkeyia. The pilot project should include one or two rural organizations in each governorate.

Among the activities that should be included in the pilot projects are the following:

- Input supply - Determine the input mix needed by members and identify supply sources.
- Establish marketing links and/or supply arrangements with area enterprises needing sources of agricultural output.
- Determine method to balance the benefits accruing to input purchases and product marketing that are retained by the organization as opposed to benefits passed along as savings or added profits to members.

- Identify services required by members and initiate fee-for-service offerings to maintain financial sustainability.
- Determine the appropriate funding mix of membership fees and service fees.
- Improve financial management skills of organization managers.
- Promote the activities of the organizations to increase membership.

1. INTRODUCTION

1.1 Background

The main objective of the Economic Reform and Structural Adjustment Program (ERSAP) implemented during the 1990s by the Government of Egypt (GOE), with the support of the World Bank and International Monetary Fund, was to revitalize the economy through liberalization. One of the main institutional changes of the program was the drastic change in the role of the government in the economy. This change was even more drastic in the agricultural sector. In addition to its withdrawal from direct involvement in production (privatizing major public production projects), GOE stopped intervening in agricultural production and marketing of output and agri-support services. On the production side, the Government stopped administrating crop structures, agricultural rotations, and quota deliveries for major crops. On the marketing side it stopped administrating prices for major crops, providing and subsidizing inputs, and carrying out pest control activities¹.

Because the government's withdrawal from the market was so rapid, the private sector response to the withdrawal was inadequate. Hence, farmers suffered from market inefficiencies, including inadequate or inappropriate inputs, market manipulations and unjustified high input prices.

1.2 Objectives of the Study

Rural organizations have proven their effectiveness in the socioeconomic development in underdeveloped as well as developed countries. They are the most effective vehicles for motivating people to improve their economic and social status and to actively participate in developing their countries (El-Masri, 1983, and El-Ezabi, 1997). The role of rural organizations is even more important during the transition period of the liberalization process (Kandeel, 1995A). This is particularly true for Egypt, where the government withdrawal from the provision of subsidized inputs was rapid. Rural organizations can play a vital role in filling the void left by the reduced public sector role in agriculture. Because they represent the collective interests and needs of individual farmers, they can more effectively and efficiently utilize their combined resources, moderate market forces to their members' benefit, and provide them with social and economic services that are seriously lacking in rural areas.

¹ Except for some cotton pest control activities.

The main objectives of this study are as follows:

1. To prepare a comprehensive inventory of the types of NGOs and cooperatives in Egypt (i.e., location, classification, characteristics and size of membership, management structures, range of activities, and institutional linkages);
2. To identify the laws governing rural organizations and assess their impact on future development and operation of these organizations, including expected changes in such laws;
3. Assess the needs of members of rural organizations for agricultural support services and their capacity to meet these needs, including policy advice, agricultural inputs, pest management services, credit and marketing services; and
4. Recommend changes in GOE policies encouraging the growth of rural organizations that can provide needed services to their members.

1.3 Methodology

This study relied on three sources of data and information: 1) a rapid reconnaissance survey using a specially designed questionnaire for rural organizations serving agriculture; 2) interviews with concerned officials of the Ministry of Agriculture and Land Reclamation; and 3) secondary data. The study team carried out the rapid reconnaissance survey in two governorates only, mainly because these organizations (especially cooperatives) carry out the same functions all over the country. Selection of governorates and their villages for the reconnaissance activities mainly depended on the number of agricultural cooperatives, not only because they are the most important among organizations serving rural areas, but also because they are the most widespread among all types of rural organizations. Other factors included ensuring representation of the Delta and the Nile Valley Governorates and a number of other types of rural organizations, including the recently established water users' associations (WUAs).

1.3.1 Sampling Procedures

The sample selection was carried out in two phases: selecting the two governorates, and determining the number and type of cooperatives to be surveyed in each governorate. Egypt's total number of cooperatives was 6,604 in 1998, of which about 67% represented multi-purpose cooperatives and 33% specialized cooperatives (Table 1).

Table 1. Number of Agricultural Cooperatives in Egypt (1998)

Type and Level	Multi-purpose	Specialized	Total
Credit Co-ops			
Local	4,263	732	4,995
Joint	133	-	133
Central	22	70	92
General	1	11	12
Sub-Total	4,419	813	5,232
Agrarian Reform			
Local		687	687
Joint		70	70
Central		18	18
General		1	1
Sub-total		776	776
Land Reclamation			
Local		561	561
Joint		21	21
Central		13	13
General		1	1
Sub-total		596	596
Total	4,419	2,185	6,604

Credit cooperatives are, from a legal perspective, the only multi-purpose cooperatives. However, some credit co-ops are also specialized. Although agrarian reform and land reclamation cooperatives are legally classified as specialized, in practice they operate like multi-purpose cooperatives.

As for the number of cooperatives within each governorate, El-Sharkiya Governorate ranked first, with 735 cooperatives or about 14% of the total number of cooperatives in Egypt.² El-Sharkiya also included 254 specialized cooperatives or more than 33% of their total number in Egypt. Hence, El-Sharkiya was selected to represent Northern Egypt.

El-Minya ranked first among governorates of Southern Egypt, with 358 cooperatives, followed by El-Fayoum with 353 cooperatives. Because El-Fayoum had 180 specialized cooperatives compared to only eight specialized cooperatives in El-Minya,

² The governorate data is based on a 1995 survey by Ahmed Abdel Kader Al-Gabery in "Future Horizon for the Production Role of Cooperatives in the Reformation and Development of the Agricultural Sector in Egypt". MS Dissertation, Department of Agriculture Economics, College of Agriculture, University of Al-Azhar, Cairo, 1998.

El-Fayoum was selected to represent Southern Egypt.

The selection within governorates considered all types of cooperatives. Table 2 shows the numbers and types of co-ops and WUAs included in the sample. Eighteen cooperatives and two water users' associations were selected in El-Sharkiya. Sampled cooperatives were divided into 11 multiple-purpose and 7 specialized cooperatives. Multiple-purpose cooperatives included four credit cooperatives³, four agrarian reform cooperatives, and three land reclamation cooperatives. Specialized cooperatives included three livestock cooperatives, two mechanization cooperatives, one field crops cooperative, and one horticulture marketing cooperative. The sample included two water users' associations.

Analysis of data collected from El-Sharkiya Governorate did not show significant variation among cooperatives of the same type. Therefore, El-Fayoum sample was reduced to 10 cooperatives: two each of credit, agrarian reform, and land reclamation cooperatives, three livestock, and one field crops cooperative. The sample included two water users' associations.

1.3.1 Questionnaires

Two different questionnaires were prepared for multi-purpose cooperatives: one for managers and one for members. Information collected through managers' questionnaires included year of establishment, number of members, board members, staff, activities and services provided before and after liberalization, suggestions for improvement, social services, sources of finance, and alternatives for government services and support. Information collected through members' questionnaires included general information about cooperatives, opinions and views of members about cooperative activities, input services, monetary and in-kind loans, their satisfaction regarding activities and services provided by cooperatives, ways to improve and develop their cooperatives, and alternatives for government services and support.

1.3.2 Data collection

Secondary data were collected from publications of the Central Organization for Public Mobilization and Statistics, General Administration for Agricultural Cooperation, and the Cooperative Unions of El-Sharkiya and Fayoum. Information and data were also obtained from relevant publications and academic dissertations.

Field data and information were collected through specially designed questionnaires. Personal interviews were conducted with managers of cooperatives, and rapid rural appraisal meetings were arranged with cooperative members.

³ Multiple-purpose cooperatives that existed prior to the Agrarian Reform Law of 1952 were named credit cooperatives to differentiate them from agrarian reform cooperatives that were established by the Law. Later, multiple-purpose (credit) cooperatives were established to cover all villages of Egypt.

Table 2. Study Sample from El-Sharqiya and El-Fayoum Governorates

Governorate	Multi-purpose Cooperatives			Specialized Cooperatives				WUA	Total
	Credit	Agrarian Reform	Land Reclamation	Livestock	Field Crops	Hort.	Mech.		
El-Sharqiya	4	4	3	3	1	1	2	2	20
El-Fayoum	2	2	2	3	1	-	-	-	10
Total	6	6	5	6	2	1	2	2	30

2. NON-GOVERNMENTAL ORGANIZATIONS IN EGYPT

2.1 Definition and Characteristics of NGOs

Non-governmental organizations take different names in different countries. The terms *associations*, *special foundations*, *public benefit associations* prevail in the Arab World. In the United States and Canada the prevailing term is *non-profit organizations*, while it is *social economics organizations* in France, and *charitable organizations* or *associations* in the United Kingdom. In some of the Latin American countries the prevailing terms include *special service foundations* and *non-governmental organizations* (Kandeel, 1999). Other terms in other countries include *non-profit sector*, *third sector*, *philanthropy sector*, *voluntary sector*, *independent sector*, and *private voluntary organizations* (El-Helbawy, 1998). Salaman and Anheier (1992) have explained this phenomenon. They believe that names designate the main characteristic or function of the organization and ignore other functions and characteristics. According to them, the main characteristics of non-governmental organizations may be summarized as follows:

- a) Having a formal registration that differentiates the organization from other temporary or non-institutionalized groupings;
- b) Being non-governmental (i.e., not receiving government support or including government officials on its board);
- c) Being non-profit oriented (i.e., none of the members on its board receive any profit and whenever profit is realized, it is directed to achieve the organization's objectives);
- d) Being self managed (i.e., managing and controlling its activities without any intervention from outside forces);
- e) Not belonging or related to any political party; and
- f) Having a reasonable amount of voluntary participation in managing or executing its activities. This does not necessarily mean that all or most of its income should result from voluntary contributions.

After carrying out an international comparative study that included advanced and developing countries, Johns Hopkins University of the United States adopted the *International Comparative Draft* for the non-profit sector. This Draft specified the following six characteristics for the non-profit sector:

1. To be non-profit oriented, and achieve public benefit or exchange of benefits among members;
2. To fall between government and private sector organizations. Therefore, they are self independent and cannot be considered part of the government of the private sector;
3. To be self-governed (i.e., have managerial systems and internal regulations)

4. To be non-political. Non-profit organizations do not aim for governance and are not involved in direct political activities such as electoral campaigns. However, they can according to their objectives carry out activities affected by politics (e.g., defending human rights);
5. Profits that may be gained from their activities are fully used for the development and realization of their activities;
6. To be voluntary, reflecting the individual's will to share in public life and realization of public benefits.

However, some rural organizations, such as cooperatives, are profit oriented. Others, while being non-profit oriented, are formed to help their members increase their profits. Examples of such organizations include commodity producers', marketing, and exporters' associations.

2.2 Development of NGOs in Egypt⁴

The roots of voluntary action extend to time immemorial in Egypt. The agricultural nature of the Egyptian society institutionalized mutual help among people, especially during crises. After the emergence of Islam, the value of mutual help was enforced by the Koran call for solidarity, human understanding, sympathy and kindness among people. The institutionalization of the Islamic 'Waqf System' in the early 10th Century reinforced the value of mutual help. According to this system, rich people could donate part of their wealth (or all of it after death) for specific philanthropic, religious, or even private objectives. The trustee of the Waqf⁵ is not allowed to sell any real estate belonging to the Waqf. His authority is limited to managing the benefits accrued from using Wakf real estate along with the Waqf funds to achieve its objectives. Hence, the real estate will always remain devoted to the same objective.

Moreover, members of the same craft previously organized themselves in what was known as *craft communions* to defend their rights against misuse of authority and against other groups. These organizations represent the primitive form of what is now called *private voluntary associations* (PVAs) or *non-governmental organizations* (NGOs), which defend the rights and benefits of its members.

Thus, the concept of establishing philanthropic associations, social organizations and craft communions as non-governmental organizations gained its roots from people's desire to cooperate in benevolent actions in response to their suffering from the social and economic problems facing them.

⁴ This section was adapted from: "The Role of Non-Governmental Organizations in Rural Development", Ph. D. Thesis, by: Hesham Abdel Razek Tawfik Elhelbawy, College of Agriculture, Alexandria University, Alexandria, 1998, pp. 72-80.

⁵ The trustee is the person entrusted to manage the Waqf fund and real estate.

The establishment of formal private voluntary associations in Egypt started within the foreign communities. The first such association was established by the Greek community in Alexandria in 1821. However, after the British invasion in 1882, private voluntary associations (PVAs) were prevalent countrywide and became very active in struggling against government autocracy. An example of such associations is Misrul Fatah Association, established in Alexandria by a number of educated youth in 1879. Its main objective was to struggle against the dictatorship of El-Khedeiwy Ismail and resulted in a number of collisions between some of the PVAs and the authority. Concurrently, PVAs began working in various fields such as health, education, social care, community development, advancement of women, and rural development. Toward the end of the 19th century, the number of PVAs in Egypt reached 65 associations, most of which worked in education.

The 1919 Revolution had a tremendous effect on the development of social life in Egypt. Significant developments in political, social, economic, religious, advancement of women and other areas, were the direct results of the Revolution. These developments had a positive effect on spreading the idea of private associations among people. Moreover, the 1923 Constitution confirmed the right of Egyptians to form private associations. Further, Law No. 17/1938 differentiated between three types of private associations: military associations, non-profit civil associations, and benevolent associations devoted to philanthropic or general benefit for unlimited periods and whose finance depends completely on donations. While the first type of association was banned, the other two were given all of the rights of legal persons (Kandeel, 1995a). The number of PVAs increased to about 500 by 1936. Because expertise was needed to serve the increasing number of PVAs, the first School for Social Service in Alexandria was established in 1936, followed by a school in Cairo in 1937.

In cooperation with PVAs, the Government established the Higher Council for Social Reform. This Council was entrusted with monitoring social development to ensure its harmony with the characteristics of Egyptian society, reconcile the effect of material development with social life fundamentals, study social problems, and suggest issuing necessary legislation. This council developed into the Ministry of Social Affairs in 1939.

Realizing the need to regulate the relationship between the Ministry and PVAs, Law No. 49/1945 was issued. This law comprehensively defined PVAs. It regulated the role of the Ministry of Social Affairs in establishing and registering PVAs, the obligation of PVAs toward the Ministry, and the right of the Ministry regarding supervising and monitoring PVA actions.

About three months after the eruption of the 1952 Revolution, the Agrarian Reform Law was issued, aimed at combating major factors of underdevelopment and to realize social justice. Within the next three years (1953-56) Egypt moved from the democratic multi-party system to the autocratic one-party system. Activities of labor unions were banned, and social and economic policies began moving the country toward socialism. The government began to dominate all social and economic sectors.

The GOE dealt with PVAs as if they were political parties. Law No. 384/1956 was issued to place a number of controls on existing PVAs and to modify their constitutions. The law banned persons deprived of their political rights from establishing new organizations or joining existing ones. It considered any violation to its rules a crime subject to the Criminal Penalties Law and advocated imprisonment as punishment for PVA members. Moreover, the law necessitated establishing PVA unions to coordinate among their services, and gave authority to the Ministry to intervene through merging and unifying PVAs, or amending objectives of more than one association to achieve joint objectives. It also added special conditions for the boards of directors on PVAs.

The objectives of these regulations were to dominate all political and social activities. This does not necessarily mean aggression on behalf of the Revolution against laborers, women or PVAs. To the contrary, women received all their political rights in accordance with the 1956 Constitution, and farmers and laborers were allotted half of the seats of any elected local, regional or national body. However, the price was loss of freedom. PVA leaders who showed their reservations against these regulations were removed from their positions and in some cases were deprived of performing any public action. More social and economic privileges were given in return for the loss of political and organizational freedom (Ibrahim, 1998: 5-6).

Analysts indicate that Law No. 384/1956 represented a turning point for the relationship among the state, PVAs and the society. This law subjected all PVAs to the control of the state and strengthened the bureaucratic control on social action participation. Hence, a new era was created, reflecting the state distrust in civil society, and consequently the civil society distrust in the state (Kandeel, 1995A: 59). Moreover, the Government issued Law No. 23/1964, which obligated existing PVAs to re-register within six months. Since the law gave the concerned authorities the right to dissolve associations without going to court, this led to increased government intervention and control of PVAs. Unfortunately, this law was in force until June 1999, regardless of the drastic change in political and social conditions. However, the newly issued Law No. 153/1999 replacing Law No. 23/1964 falls short of freeing NGOs from all government intervention and control. Moreover, Law No. 66/1991 transferred the monitoring and supervision of religious, cultural and scientific associations to the Ministry of Interior.

2.3 Historical Role of some NGOs in Rural Development⁶

2.3.1 Rural Social Centers

The first attempt to reform rural areas⁷ was carried out by PVAs. The Egyptian Association for Social Studies (EASS), established in 1939, conducted a number of studies in Menoufiya Governorate. These studies led to the establishment of two PVAs for rural reform in two of the Menoufiya villages to provide them with social, economic, and health services. Each of the two associations established a local social center. The mother association provided each of the two centers with a physician and a social worker and granted them the necessary funds to operate and achieve their objectives.

The Ministry of Social Affairs (MSA), established in 1939, included a directory to provide for the peasants' social and economic affairs, and executed projects for their benefits. Based on the experience of EASS, the Ministry established five Centers for Rural Reform in 1941. The social center is a non-governmental institution established and operated democratically by the villagers. If the population of a given village were convinced of the usefulness of the center, they would request the Ministry to assist them in its establishment. They first had to establish a PVA called the social center association. Membership in this association is open to all villagers. Villagers would voluntarily participate in the cost of establishing the center, and assume responsibility for its operation.

The Center's buildings included an office for the director, meeting room, rural club, rural library, outside clinic, medical analysis laboratory, pharmacy, a house for mother and children care, a house for teaching rural and cottage industries, drinking water works, and rest rooms. Moreover, the center should have one feddan of agricultural land used as an experimental farm for testing simple scientific methods in agriculture. The center staff includes a director (agricultural/social specialist), a physician (full- or part-time), a nurse, laboratory assistant and a number of laborers. Part-time employees who do not live in the village included a pharmacist, rural and cottage industries teacher, a home economist teacher, a veterinarian, and a sporting activities supervisor.

The General Assembly of the Association represents the highest authority for the Center and elects board members. The board would form five committees: (1) economics and agriculture, (2) culture and education, (3) health and infrastructure, (4) benevolent activities, and (5) social conciliation committees.

⁶ Adapted from El-Hilbawy, Op.cit, pp. 81-88.

⁷ Major problems facing rural areas at that time, especially during the three first decades of the 20th Century, were unemployment, illiteracy, low standards of health and living, unjust distribution of agricultural land, and political domination by a small group of powerful persons.

2.3.2 Rural Reform Associations

The success of rural social centers resulted in increasing the pressure on MSA of other rural people to establish social centers in their villages. However, the Ministry could not appropriately respond to these requests due to lack of necessary funds. This situation led the Ministry to look for alternatives. The approved alternative was to help peasants within villages establish rural reform associations on the same principles of the social centers, except they would be chiefly dependent on the peasants' participation. Unfortunately, these associations faced a number of problems: limited material and human resources, unfavorable structural changes in the MSA, and a low level of cooperation among governmental authorities. These factors, among others, limited the expansion of rural reform associations.

2.4 Types of NGOs in Egypt

According to Law No. 32/1964, a non-governmental organization registered within MSA may take one of two forms: a *society* or a *special organization* (trust). A society is defined as a non-profit organization having a written statute, working in one of the fields defined by the law, and formed of 10 or more natural persons (or any number of legal persons). These fields include development of local communities⁸. A special organization (trust) is defined as a non-profit organization formed by denoting a given fund for an unlimited period of time to serve humanitarian, religious, scientific, artistic, social, social welfare causes, or for general benefit. While NGOs are normally non-profit organizations, they are allowed to establish and manage profit-oriented projects, provided that all realized profits are directed to serve the organizations' objectives. The MSA is the designated authority for registering and supervising all NGOs established according to the law. The law gives concerned administrative authorities within the Ministry the right to allow the formation of regional and national associations among a number of societies or 'special organizations'.

Other types of rural organizations, registered within other ministries, include cooperatives, unions and associations. The law defines *cooperation* as a democratic popular movement supported by the state, and *cooperatives* as socioeconomic units aimed at developing the economy. Cooperatives combine the various objectives of profit realization, supporting and serving their members in their economic and social activities, and serving their communities. Unions and associations, on the other hand, are non-profit oriented. However, their main objective is to help their members increase their profits and defend their rights and benefits.

⁸ Fields of work for societies identified in the law include child and mother care; family care; social assistance; senility care; care for the disabled; cultural, scientific and religious services; community development; management and organization; care of the imprisoned; and friendship among people of Egypt and other friendly countries.

2.5 NGOs Registered within the Ministry of Social Affairs

The number of NGOs registered within the Ministry of Social Affairs (MSA) increased tremendously through the 20th century, from 65 at the beginning of the century to 14,600 in 1998. However, the rate of increase steadily declined during the second half (i.e., after the 1952 Revolution). The annual rate of increase declined from 14.7% between 1925 and 1950 to 12.8% during the 1950s, 8.6% during the 1960s, 5.5% during the 1970s, 2.2% during the 1980s, and 1.7% during the 1990s (Table 3). This decline was due to the change from the liberal political and economic system before the Revolution to the socialistic system adopted at the beginning of the 1960s, as documented by the Charter of 1962.

Table 3. Average Annual Growth Rate for NGOs Registered Within the Ministry of Social Affairs in Egypt

Period	% Annual growth rate
1900-1925	14.5
1925-1950	14.7
1950-1960	12.8
1960-1976	8.6
1976-1986	5.5
1987-1990	2.2
1990-1998	1.7

Source: El-Hilbawy, Hesham Abdelrazek Tawfik (1998), "The Role of Non-Governmental Organizations in Rural Development", Ph. D. Thesis, Department of Rural Sociology, Faculty of Agriculture, Alexandria University, Alexandria.

While the state started to gradually liberalize the economy in the late 1970s and began implementing the Economic Reform and Structural Adjustment Program (ERSAP) in the early 1990s, the rate of increase in NGOs still declined. This continuous decline is explained by the fact that Law No. 32/1964 governing the establishment and operation of NGOs is still in force.

Rural people represent more than 50% of the Egyptian population. However, organizations working in rural areas represent less than one-third of NGOs working in Egypt (31%). Two main factors might explain this phenomenon. The first is that educated people, who normally take the initiative for establishing NGOs, are concentrated in urban areas (Kandeel and Ben Nafisa, 1995:291). The second is the nature of the Egyptian village, where a complicated network of relations and personal communications exist that assume, in one way or another, the role supposed to be undertaken by NGOs. This is chiefly the case with respect to social assistance and social collateral.

NGOs registered within MSA work in 17 different fields. However, almost 98% of them work in only seven fields, with only about 2% working in the other 10 fields. NGOs providing social services represent 32%. These are followed by cultural, scientific

and religious organizations (30%); organizations for community development (19%), mother and children care organizations (8%); and family care organizations (7%).

Other fields include special groups and the disabled, senility care, family control, friendship among nations, organization and management, and imprisonment care organizations. Classifying NGOs according to the number of fields of work for each reveal that 44% of them work in one field, while 54% work in more than one field.

While work in these fields has a direct impact on human development in rural areas, it does not have a direct effect on services provided to farmers. However, the recent establishment of the Egyptian Seed Association which was registered as an NGO within the MSA should have a direct effect on providing high quality seeds to farmers. The following section provides background on this organization.

2.5.1 Egyptian Seed Association (ESAS)

Producers and traders in the public sector established ESAS in March 1998 as an NGO to represent their common interests. Its objective is to establish a freer integrated seed and seedling industry to benefit farmers, export promotion, and agricultural development in Egypt. ESAS undertakes the following functions:

1. Represent the private sector in governmental agencies that are entrusted with decision-making to develop the legal, organizational and competitive environments for the seed and seedling sector;
2. Encourage the use of new technologies and arrangements for seed production and trade and their quality control system, to increase use of the highest quality high yielding seed and seedling varieties in field and horticultural crops;
3. Prepare an honor charter for the seed industry organization and ensure its strict application by all members;
4. Widen the Association base to cover all activities related to seeds and seedlings; and
5. Develop the financial resources of the Association to increase services provided to its members.

2.6 Rural Organizations Registered in Other Ministries

Rural organizations registered within ministries other than the Ministry of Social Affairs include various associations, societies, unions and cooperatives. They are registered within different ministries according to the field in which they operate. Examples include different types of cooperatives (e.g., consumption production, housing, insurance, agricultural, land reclamation, and water resources). Other types of organizations include producers, exporters, marketing, and water users' associations.

3. COOPERATIVES: EGYPT'S MOST IMPORTANT RURAL ORGANIZATIONS

3.1 Development of Cooperatives and their Laws in Egypt

Cooperative laws constitute the general framework for the principles organizing the relationship between cooperatives and their members, between cooperatives and other bodies of the cooperative structure, and among institutions of the cooperative structure, the state and the society. However, the establishment of cooperatives preceded the cooperative legislation, with agriculture being the first field for its activities. Agricultural cooperatives were then named "agricultural cooperative syndicates". The first agricultural cooperative was established in 1907 in Shubra El-Namleh Village, Gharbiyah Governorate. It was followed by the first consumption cooperative in 1908, the Consumption Cooperative for Government Employees, which is still functioning in Alexandria and Cairo (Younis, without date).

The first law regarding cooperation was Law No. 27 issued in 1923, about 16 years after the first cooperative was established. This law dealt only with agricultural cooperation, and most probably was issued to help farmers salvage their agricultural land from foreign lenders. Khafagi (1970) stated that the number of loans guaranteed and provided by a number of foreign banks reached LE 53 million in 1913. He added that one bank sold in a five-year period 83,518 feddans for LE 1,531,000 (i.e., LE 28 per feddan). Moreover, the note prepared by the Government Financial Advisor in 1914 as an introduction to a draft law regarding cooperation stated that:

"The best assurance to make credit beneficial to farmers and at the same time confined to reasonable limits, without being harmful or dangerous to farmers, is to establish agricultural syndicates⁹. It is important to notice, in this respect, that syndicates established in Egypt until now were not only extending credit to farmers, but also providing them with their needs, realizing much profit from wholesale purchases. No doubt that the problem of assuring these syndicates and their management according to the financial laws is encountered by a number of problems. Therefore, the Government has prepared a draft law to ease up the establishment of agricultural syndicates."(Khafagi, 1970).

However, the law was not issued until 1923. In 1927 a new law was issued to cover all types of cooperatives, which was in turn replaced by Law No. 58 in 1944.

Four years after the 1952 Revolution, Law No. 317/1956 was issued to conform with the new thinking brought about by the revolution, the orientation towards socialism, and the cooperatives which were introduced by the Agrarian Reform Law of 1952. After the issuance of Law No. 267/1960 regarding the organization and establishment of general public institutions, 10 general cooperatives were established by Presidential Decrees (PD) to lead the work in the different fields of cooperation (Khafagi, 1970). These were as follows:

⁹ Agricultural cooperatives were called agricultural syndicates at that time.

- The General Agricultural Cooperative, established by PD No. 2137/1960;
- The General Consumption Cooperative, established by PD No. 2347/1960;
- The General Production Cooperative, established by PD No. 2348/1960;
- The General Housing Cooperative, established by PD No. 319/1961;
- The General Cooperative for Desert Areas, established by PD No. 2015/1961;
- The General Water Resources Cooperative, established by PD No.1323/1962;
- The General Cooperative for Education Institutions, established by PD No. 1467/1962;
- The General Agrarian Reform Cooperative, established by PD No. 100/1964;
- The General Livestock Cooperative; and
- The General Poultry Cooperative.

Law No. 23/1966 was issued regarding general institutions to replace Law No. 267/1960 regarding general cooperative institutions. Accordingly, they were given the right to independently establish economic units in the form of financial companies or cooperatives, to participate in the capital of such units, and to monitor and control these units. Hence, 1966 witnessed the completion of the transformation of cooperatives from voluntary democratic associations to associations that were completely controlled (and even initiated) by the state. Two more amendments to Law No. 267/1960 were effected: Law No. 51/1969 and Law No.122/1980. The latter law confirmed government control over all agricultural cooperatives. This law still governs the establishment and operation of agricultural cooperatives. A new law, adapted for economic liberalization, is being drafted to replace the present law.

3.2 The Cooperative Structure

The cooperative structure in Egypt comprises seven main substructures, each dealing with a specific field. These fields include consumption, production, housing, insurance, water resources, agrarian reform, and agriculture. Each of these main substructures comprises four levels of institutions. While the names of these institutions differ among the various main substructures, the highest level has only one institution and is commonly known as the central union. These unions are located in Cairo. The next group is established at the governorate level and is chiefly called general cooperatives. These are followed by institutions at the markaz¹⁰ level, which are generally termed joint cooperatives. The group at the lowest (base) level consists of village cooperatives.

¹⁰ Administratively, Egypt is divided into governorates, which are divided into marakez (plural of markaz). Each markaz includes cities and villages.

Administratively, consumption cooperatives are serviced by the Ministry of Supply and Trade, production cooperatives by the Ministry of Rural Development, housing cooperatives by the Ministry of Housing, insurance cooperatives by the Ministry of Finance, and water resources, agrarian reform and agricultural cooperatives by the Ministry of Agriculture and Land Reclamation. Eight laws govern the establishment and operation of cooperatives. These are listed below:

- Laws No. 122/1980 and No. 83/1963 regarding agricultural and agrarian reform cooperatives, respectively;
- Laws No. 109/1975 and No. 110/1975 regarding consumption and production cooperatives, respectively;
- Laws No. 10/1981 and No.112/1981 regarding insurance and housing cooperatives, respectively;
- Law No. 100/1964 regarding land reclamation cooperatives; and
- Law No. 123/1983 regarding water resources cooperatives.

3.3 Agricultural Cooperation

3.3.1 Development of Agricultural Cooperatives

Table 4 presents the development in the number of agricultural cooperatives and cooperative members in Egypt between 1931-32 and 1998, while Table 5 presents the average annual rate of increase in cooperatives for selected periods within those years. The two tables show that cooperatives increased between 1932 and 1942 from 554 to 768 at an average rate of 3.9% per year. The year 1943 exhibited a tremendous increase in the number of agricultural cooperatives, from 768 to 1,163 at the rate of 64.4%. The large increase may have resulted from the scarcity in imported agricultural inputs caused by World War II. The government may have helped farmers to organize themselves in cooperatives to ease the dXThe project included the following five elements:

- Convincing all farmers to join agricultural cooperatives;
- Establishing cooperatives in all villages;
- Surveying all holdings of cooperatives and registering in order to identify the farmers with whom the cooperative would deal based on their holdings;

- Arranging management and technical bodies (board members and appointed employees) that are aware of and believe in cooperation; and
- Supporting regional cooperative unions supervising these cooperatives.

After completion of the credit project, the increase in the number of the cooperatives declined to the rate of 1.4% per year between 1961-1970. It decreased to less than 1 percent per year during the periods 1971-80, 1981-90 and 1991-96.

Table 4. Number of Agricultural Cooperatives and Their Members

Year	Cooperatives	Cooperatives' members (million)	Year	Cooperatives	Cooperatives' members (million)
1931-32	554	-	1966	4 879	2 540
1933	575	-	1967	4 921	2 751
1934	626	-	1968	4 955	2 960
1935	677	-	1969	5 009	2 921
1936	708	-	1970	5 035	3 140
1937	726	-	1971	5 055	3 018
1938	738	-	1972	5 073	3 134
1939	746	-	1973	5 076	3 253
1940	765	-	1974	5 188	3 164
1941	758	-	1975	5 020	2 883
1942	768	-	1976	5 165	3 013
1943	1 163	-	1977	5 277	2 169
1944	1 562	-	1978	5123	3251
1945	1 638	-	1979	5109	3078
1946	1 641	-	1980	5100	3090
1947	1 649	-	1981	5128	3332
1948	-	-	1982	5108	3122
1949	-	-	1983	5169	3147
1950	-	-	1984	5172	3152
1951	-	-	1985	5221	3135
1952	1 727	497	1986	5189	3226
1953	1 754	-	1987	5235	3549
1954	1 897	-	1988	5259	3446
1955	2 072	-	1989	5 260	3 762
1956	1 703	-	1990	5 720	3 884
1957	1 961	-	1991	5 374	3 849
1958	2 463	-	1992	5 393	3 444
1959	3 254	-	1993	5 401	3 460
1960	4 126	943	1994	5 697	3 482
1961	4 465	1 270	1995	5 670	3 581
1962	4 624	1 777	1996	5 686	3 738
1963	4 714	1 965	1997	-	-
1964	4 806	2 227	1998	-	-
1965	4 839	2 369	1999	-	-

Source: 1. Central Organization for Mobilization and Statistics, The Annual Bulletin for Cooperative Activities in the Agricultural Sector in Egypt, different years. 2. Ahmed, Mousa Abdel Azeem, "Economic and Social Factors Affecting the Success of Agricultural Cooperatives", M S Dissertation, Department of Agricultural Economics, College of Agriculture, Ain Shams University, Cairo, 1974.

Table 5. Annual Rate of Increase in Agricultural Cooperatives

Time Period	Annual Rate of Increase (%)
1932-42	3.9
1942-43	64.4%
1943-55	9.8
1956-61	32.4
1961-70	1.4
1971-80	0.1
1981-90	0.6
1991-98	0.9

Source: Computed from Table 3.

Table 6. Time Program for Implementation of Agricultural Credit Project During the Period 1956-61

Stage	Year	Number of Districts	Number of Cooperatives
First	1957	3	133
Second	1958	14	584
Third	1959	36	1 352
Fourth	1960	33	1 053
Fifth	1961	29	916
Total		115	4,038

Source: Ibrahim Saad Moharram, MS Dissertation, College of Agriculture, University of Ain Shams, 1970, Cairo.

3.3.2 Agricultural Cooperative Structure

The agricultural cooperative structure consists of four levels in addition to the Central Agricultural Cooperative Union at the top. These four levels are basic cooperatives, joint cooperatives, central cooperatives, and general cooperatives. Basic cooperatives include multi-purpose and specialized cooperatives. They constitute the base of the structure and are generally established at the village level. They practice their activities within the fields of agricultural production, services (including marketing), and rural development according to the needs of their members.

Joint cooperatives are formed at the district (markaz) level. Their members are basic multi-purpose cooperatives formed at the village level. Their objective is to serve their member cooperatives within one or more districts to carry out their functions in the different fields. In particular, they carry out the following functions:

- Establishing and managing fixed or movable workshops for repairing and maintaining agricultural machinery owned by their members;
- Establishing and managing agricultural processing and rural industries projects for the benefit of member cooperatives;
- Establishing normal and cold storage facilities for storing inputs and products of their members;
- Owning and operating means of transportation to serve their member cooperatives; and
- Sharing in cooperative marketing activities for their members' produce.

Central multi-purpose agricultural cooperatives are formed at the governorate level (one for each governorate) to serve its members in the various development fields. Members of these cooperatives are basic multi-purpose and joint cooperatives within the specific governorate. Central cooperatives support their member cooperatives, particularly in the following fields:

- Establishing technical units to carry out control, supervision, inspection, and recommending improvements in administrative and financial practices of their member cooperatives;
- Establishing training centers at the governorate level to train cooperative members and employees;
- Establishing agricultural processing and rural industries projects and managing them for the benefit of their member cooperatives;
- Spreading awareness of cooperatives at the governorate level; and
- Establishing central workshops to carry out repairs that cannot be made by joint cooperatives' workshops.

General agricultural cooperatives are formed at the national level and are located in Cairo. One general cooperative must be formed (according to the law) to serve its members in each of the fields identified in the law. Therefore, there are 14 general cooperatives: one for each of the multi-purpose credit cooperatives, agricultural reform cooperatives, and land reform cooperatives; and 11 for the specialized cooperatives¹¹.

11 These general cooperatives are for cotton, potatoes, onions and garlic producers, sugar cane producers, fruits, vegetables and medicinal and aromatic plants, fruit and vegetable producers, linen producers, mechanization, rice and grain producers, vegetable oil crops producers, and livestock producers.

General cooperatives support their member cooperatives in carrying out their functions. In particular they perform the following functions:

- Providing machinery, spare parts, and agricultural inputs (e.g., seeds, fertilizers and pesticides) from local or foreign sources;
- Undertaking cooperative marketing at the national level;
- Exporting their member cooperatives' produce;
- Coordinating and realizing economic cooperation among member cooperatives at the national level;
- Establishing necessary funds for supporting economic activities in different fields;
- Establishing large projects on a cooperative basis and in particular for livestock feed, fertilizers, pesticides, and agricultural processing at the national level; and
- Servicing units of the cooperative structure under their supervision through specialized research activities, training programs, and extension activities.

The Central Agricultural Cooperative Union is the highest authority in the agricultural cooperative structure in Egypt. It represents the agricultural cooperative movement with all its sectors, branches and activities. Its responsibilities include the following:

1. Developing the agricultural cooperative movement in Egypt;
2. Coordinating all types of agricultural cooperatives;
3. Directing cooperative training;
4. Conducting and servicing the agricultural cooperative conference every four years;
5. Representing the agricultural cooperatives outside Egypt;
6. Suggesting new cooperative legislation;
7. Formulating and developing rules for cooperative employees; and
8. Supervising the central multi-purpose agricultural cooperatives in their monitoring and control of basic cooperatives.

3.3.3 Basic Agricultural Cooperatives

Basic agricultural cooperatives are classified into two main types: multi-purpose and specialized cooperatives. Multi-purpose cooperatives provide production and input and output marketing services to their members. Membership in these cooperatives was either obligatory or GOE services were made available only to cooperative members. Credit cooperatives are, from a legal perspective, the only multi-purpose cooperatives. However, some credit co-ops are also specialized. However, though agrarian reform and land reclamation cooperatives are legally classified as specialized, in practice they operate like multi-purpose cooperatives. In addition to their main functions, their activities extend to establishing investment projects, presenting social services for the villager (e.g., building mosques, teaching Koran, organizing illiteracy eradication classes, supporting orphans, and granting monetary assistance to needy farmers. They also participate in some sporting activities for youth in their villages.

Specialized agricultural cooperatives are voluntary organizations that work in 13 specific commodity or input fields including cotton, rice, edible oils, horticulture, onions/garlic, sugarcane, potatoes, animal wealth, linen, mechanization, credit, agrarian reform, and land reclamation.

Credit cooperatives might not extend any credit to their members. However, qualifying them as credit cooperatives was meant only to differentiate between them and agricultural reform cooperatives that were established through the Agricultural Reform Law No. 178/1952. Credit cooperatives are located all over the country. They carry out their activities in the fields of services' provision, production, marketing, and rural development. In particular, they formerly performed the following functions:

- Designing crop structure and agricultural rotations and implementing the agreed-upon plan within the framework of the overall plan for the agricultural sector;
- Planning and execution of local production projects according to their financial resources;
- Sharing in the consolidation of agricultural utilization in cooperation with relevant authorities and local management units to increase agricultural production;
- Marketing members' produce;
- Obtaining loans from different sources to finance their production and services projects for their legal entity or their members;
- Providing agricultural machinery or agricultural machinery services to members; and
- Creating savings awareness among their members.

Agrarian reform cooperatives exist only in areas where land has been confiscated by force through agrarian reform laws. Membership of these cooperatives is confined to the beneficiaries of the Agricultural Reform Law, who must join the cooperative. Compelling beneficiaries to join the cooperatives was viewed as the best means to counteract the negative effects of distributing confiscated large estates, after dividing them into small parcels of 3-5 feddans each, among small farmers and landless peasants. These cooperatives carry out the same activities as those carried out by credit cooperatives.

Land reclamation cooperatives, established according to Law No. 100/1964 regarding renting and selling public land, are located in reclaimed lands. They perform almost the same functions as the credit and agrarian reform cooperatives. However, they are more active in agricultural machinery services and less active in investing in agricultural projects and in carrying out social activities.

Specialized cooperatives exist at the village, governorate, and national levels. However, about 90% of them exist at the village level, with only 8.5% at the governorate level, and 1.5% at the national level. Services they provide differ according to the field of specialization. Specialized cooperatives at the level of more than one governorate or at the national level are formed of cooperatives carrying out the same activity.

3.4 Non-agricultural Cooperation¹²

Non-agricultural cooperatives comprise consumption, production, housing, insurance, and water resources cooperatives. The consumption cooperative structure comprises the following:

1. Basic cooperatives, which are chiefly dispersed within labor communities and areas populated with low-income groups. Their membership is confined to individuals. In 1990 they amount to 8,400 cooperatives, embracing about 6 million members;
2. Regional cooperative unions, which are established at the governorate level by basic cooperatives. They amount to 21 cooperatives, one for each governorate. These cooperatives supervise basic cooperatives and defend their interests;
3. The Central Cooperative Union, which is established at the state level by the regional cooperative unions. Its board comprises presidents of regional cooperative unions in addition to the appointed members by the Ministry of Supply and Trade. Functions of this Union include planning, controlling, follow up, training, and developing consumption cooperation. It also undertakes responsibilities of foreign relations for consumption cooperatives; and
4. The General Cooperative for Consumption Commodities, which is established by all basic cooperatives. Its functions include organizing wholesale trading, import and export, and provision of requisites for member cooperatives.

As mentioned earlier, members of the same craft previously organized themselves in what were known as *craft communions* to defend their rights against misuse of authority and against other groups. However, the development of production cooperatives started towards the end of the 1950s and the beginning of the 1960s. Production cooperative structure comprises the following:

- a) Basic cooperatives, which are established by individuals who own, individually or collectively, small production workshops, means of transport, or other means of production, and work in the same field. They are primarily established in areas populated with low-income groups or craftsmen. Fields of work for these cooperatives include woodwork, leatherwork, carpetwork, craftwork, textile, construction, clothing, customs clearance, goods transport, photography and printing. The number of production cooperatives is about 300, embracing around 80,000 members;
- b) General cooperatives, which are established at the state level by basic cooperatives working in one of the above fields. Examples include the general cooperatives for shoe and leather products, for furniture producers, and for transport. Their activities start where the activities of the basic cooperatives end; and

¹² This section is adapted from: Khaled Ahmed Younis, "The Egyptian Cooperative Movement: Yesterday, Today and Tomorrow", mimeographed, without date, Cairo, pp. 2-5 and 10-20.

c)The Central Production Cooperative Union, which is formed by the general cooperatives. Its board of directors comprises presidents or representatives of the general cooperatives and members appointed by the administrative body for production cooperation (Ministry of Local Governments). Its functions include planning, control, monitoring, training, development, and foreign relations for production cooperation. The Union is a member of the Arab Cooperative Union, the International Cooperative Alliance, and the Mediterranean Organization for Craft and Small Industries.

The housing cooperative movement started in Egypt in the mid-1950s and developed in the mid-1960s. This rapid development of housing cooperatives was motivated by the soft cooperative loans and cheap land provided by the state to solve the housing problem faced after the intervention of the government in determining house rents and the slowdown of the private housing construction industry. The housing cooperative structure consists of the following:

1. Basic cooperatives, which are established by individuals who want to buy their own houses at low cooperative prices and benefit from soft loans and cheap land provided by the state. They are distributed all over the country, and in particular in newly established communities. During the mid-1970s, housing cooperative activities extended to the Northwest Coast to establish tourist cooperative housing. Basic cooperatives reached about 1,460, embracing more than 1.5 million members. They construct almost 1,000,000 housing units and eight tourist villages;
2. Housing cooperative unions, which are established by basic cooperatives in one area or in one locality, which is established by joint cooperatives.

Its board of directors comprises presidents or representatives of the joint cooperatives and some members appointed by the relevant administrative body. Its functions include planning, control, supervision, follow-up, training, development, and foreign relations regarding housing cooperatives. Moreover, it organizes extension of cooperative housing loans at the state level.

Fishermen establish their water resources cooperatives, whether they own boats or work on fishing boats owned by others. Objectives of water resources cooperatives are to join individual efforts to augment means and prerequisites of production, solve fishermen's problems, and help in marketing the fish catch. Fishermen cooperatives were members of the Central Agricultural Cooperative Union until the implementation of Law No. 123/1983, organizing the work in the cooperative structure for water resources. However, the relevant administrative body is still the Ministry of Agriculture and Land Reclamation. The water resources cooperative structure consists of the basic

joint, and general cooperatives as well as the Cooperative Union for Water Resources.

3.5 The General Cooperative Union

Law No. 28/1984 established the General Cooperative Union, which is the highest cooperative organization in Egypt. This law undertakes the responsibility of supervision and control over central cooperative unions. Its main objectives are to spread and develop the cooperative movement in Egypt. To achieve its objectives, the General Cooperative Union undertakes the following functions:

1. Planning and coordination of all efforts of the cooperative movement within its different fields;
2. Designing the general policy for the cooperative system in cooperation with the relevant ministries;
3. Carrying out studies and research, and collecting, organizing and publishing cooperative statistics;
4. Advocating the cooperative movement through various types of information;
5. Presenting advice to cooperative unions;
6. Assisting and giving legal opinions to cooperative unions;
7. Disseminating information on cooperatives, supporting cooperative education, and preparing cooperative leaders;
8. Establishing and managing educational institutions and training centers for cooperation, and supporting higher education in cooperative work; and
9. Representing the cooperative movement in and out of Egypt, joining international cooperative organizations, forming relations and exchanging experiences with foreign cooperative movements.

The General Assembly of the General Cooperative Union consists of equal numbers from among boards of directors of specialized central cooperative unions. Its Board of Directors comprises presidents of specialized central cooperative unions, three elected persons from among members of boards of directors of specialized central cooperative unions, and six people experienced in cooperation to be appointed by the Prime Minister (the administrative body). An executive director appointed by the Board of Directors manages the Union with the assistance of a number of technical directorates.

4. OTHER NON-GOVERNMENTAL ORGANIZATIONS

Other NGOs are private voluntary associations formed by producers, traders or exporters of one or more agricultural products. However, as mentioned earlier, establishing any of these requires issuing a special law. They are registered within the ministry to which their operation belongs. Examples of these associations include the General Union for Poultry Producers, the General Union of Producers and Exporters of Horticultural Crops, Alexandria Cotton Exporters Association, and Water Users Association. The following sections summarize each of these organizations.

4.1 The General Union for Poultry Producers (GUPP)

GUPP, established by Law No. 96/1998, is located in Cairo. Its members include persons, natural or legal, working in poultry production and industry in the private, cooperative or general business sectors. Subject to its board's decision, it may establish branches or offices within and outside Egypt.

Its objectives include sponsoring the common interests of its members, developing poultry production and industry, and encouraging poultry investment. To realize its objectives within the framework of the national plan for economic and social development and in cooperation with relevant authorities, the association may perform the following duties:

1. Collect and tabulate information and data related to its activities to be distributed to its members and relevant authority, in accord with the system approved by its board;
2. Assist in formulating import and export plans for all types of its members' activities, and carry out necessary studies on conditions and requirements of internal and external markets;
3. Help in the provision, from local or foreign markets, of raw materials, equipment, feed, medication, vaccines, and other requisites for poultry production and industry, and organize their distribution to its members;
4. Suggest conditions and regulations for getting permission to carry out activities related to poultry production and industry and complementary activities, along with the necessary technical and veterinary specifications;
5. Establish an arbitration system to solve disputes related to its activities among its members or between them and others;
6. Coordinate with relevant authorities to benefit from loans, grants, and aids presented for poultry production and industry;
7. Implement and support research projects and scientific centers in the fields of poultry production and industry, and domestic and foreign market promotion; and

8. Establish or participate in projects needed for poultry production and industry, and encourage its members to form companies or cooperatives to help in providing production requisites and marketing, along with other activities which do not belong to other entities but are related to the Union.

Its Board of Directors comprises 27 members, of which two-thirds are elected by the General Assembly and one-third are appointed by the administrative body. The Board should meet at least four times per year. The Minister of Agriculture or one-fifth of the board members may call for board meetings.

4.2 The General Union of Producers and Exporters of Horticultural Crops

This Union (GUPEHC), established by Law No. 68/1971, is located in Cairo. Its members are economic units of the public sector working in horticultural crops, agricultural cooperatives, and private sector producers of horticultural crops. Its objectives include the following:

1. Developing horticultural crops;
2. Increasing the area of horticultural crops in public and private sectors;
3. Promoting exports of these crops and other agricultural products which do not presently contribute much to export proceeds; and
4. Increasing the agricultural producer's income through increasing the area of horticultural crops and obtaining better product prices.

To achieve its objectives, GUBEHC may:

- carry out annual studies on foreign market requirements and prices;
- sign export contracts with foreign entities;
- inform members of the of various crops to be exported and coordinate production among them to meet contract requirements;
- extend credit to members and provide them with necessary production inputs, implements, and machinery from local or foreign markets;
- provide extension services to its members in the production and post-harvest stages;
- prepare centers for collecting crops and equipping them with necessary implements and equipment;
- sign local contracts for marketing non-exportable crops;
- provide local transport, sign sea or air shipping contracts, and supervise necessary transport activities;

- cooperate with other organizations carrying out similar activities in the country and outside Egypt and carry out promotional activities for its members' products; and
- establish scientific research centers and cooperate with local and foreign scientific centers;

Presently, GUBEHC has more than 10,000 members, in addition to the General Organization of Agrarian Reform, the General Organization of Reclaimed Lands, seven specialized companies, and more than 400 agricultural cooperatives.

The Minister of Agriculture is the designated authority for issuing the executive ordinance of the Law, which specifies the means through which the Ministry supervises GUBEHC activities. The Minister, after consulting with concerned ministers, issues the necessary decrees for regulating GUBEHC's relationships with agencies supervising air and maritime transport, airports, seaports, as well as other governmental agencies carrying out similar functions. Moreover, the Minister appoints the chairman of GUBEHC's board of directors, up to four of its members amounting to a maximum of 10 persons other than the chairman, and the director general. The general assembly (three from among representatives of agricultural cooperatives and three from among private sector producers) elect the other six board members.

4.3 Alexandria Cotton Exporters' Association (ALCOTEXA)

ALCOTEXA is the oldest exporter association in Egypt. It was established and has operated according to its internal regulations approved by its General Assembly since 1932. These regulations were amended several times by extraordinary general assemblies, the last of which was in January 1948. These regulations were classified under three main chapters: the first dealt with basic regulations governing the association, the second dealt with definitions and selling conditions, and the third detailed the Egyptian export contract for cotton exports. Objectives of the Association (Qawouq, 1998) were as follows:

1. Creating a mutual bond among all members of the Association to protect their common benefits;
2. Developing good relations with cotton-consuming countries;
3. Studying cotton specific problems, especially common problems between exporters and all other cotton dealers, local and foreign;
4. Extending opinions to relevant authorities to explain issues related to the benefits of the association.

While ALCOTEXA was established in 1932, the first law issued to govern it was Law No. 202/1959, which was replaced by Law No. 211 in 1994. According to this law, the Association aims to develop cotton trade among exporters, importers, spinners and other local and foreign entities. Its members are individuals and companies working in the cotton export business located in Alexandria, registered in Minal Basal cotton market, whose capital is not less than LE 500,000.

The law bans non-members from working in cotton export. It regulates cotton exports to protect the right of exporters through the application of cotton export contracts and arbitration arrangements.

ALCOTEXA designs the annual policy for cotton exports and declares cotton export prices before the beginning of each season (mid-September). Prices are revised periodically.

4.4 Water Users' Associations

4.4.1 Development of Water Users' Associations

A number of land reclamation projects have been implemented during the previous Five-Year Plan, and more projects are being implemented during the present Plan. To ensure irrigation water requirements for these new lands and improve productivity in old lands, Egypt has implemented a number of programs for increasing the efficiency of water conveyance and on-farm water use in old lands. One of these programs was the Irrigation Improvement Program (IIP) initiated in 1987. The Project has implemented a socio-technical method that develops farmers' participation in the improvement process and in managing the improved system. The Project is being implemented in collaboration with US Agency for International Development (USAID). Objectives of this project included the following:

1. Developing an Irrigation Advisory System (IAS) to provide technical assistance on water management to farmers and water user groups;
2. Organizing Water Users' Associations (WUAs) in all IIP areas to provide farmers' inputs to the improvement process, communicate local concerns to government officials, coordinate water scheduling on improved water courses, perform maintenance and resolve disputes; and
3. Establishing policies and procedures for recovery of a portion of the operation and maintenance costs of the irrigation system, and all costs of farm level improvement.

The role of IAS is to facilitate and assist private water users to establish, maintain and manage their water users' associations for improving irrigation performance. The improvement package of the Project includes:

- a) Renovation and improvement of branches and distributary canals¹³;
- b) Downstream water level control;
- c) Converting from rotational flow to continuous flow;
- d) Mesqa¹⁴ improvement; and
- e) Organizing farmers along mesqas into WUAs.

Improving the mesqa includes converting it from below grade (low level) earthen ditches with multiple pumping/lifting points to elevated and lined, or buried low pressure-pipe, gravity flow mesqa served by a single-point lift pump at the head of the new mesqa. This arrangement enables farmers to turn water by gravity flow into their farm fields through slide gates or valve turnouts. Objectives of WUAs include:

1. Improving water delivery into mesqas' levels;
2. Operating and maintaining improved mesqas; and
3. Improving on-farm water use efficiency.

WUAs participate in the mesqa improvement process, and are responsible for operating and maintaining the single-point lift pump, scheduling turns among their members, resolving disputes, and maintaining the mesqa.

To provide the legal basis for establishing WUAs, Law No. 213 was passed in 1994 as an amendment to the Irrigation and Drainage Law. By-laws were developed and Ministerial Decree No. 14,900 was issued in February 1995 implementing the legislation, registering WUAs, and for cost recovery of mesqa improvement.

¹³ The MPWWR distributes irrigation water in old lands by diverting water at various points from the Nile to principal canals (rayahat), which in turn feed a complex network of main or primary canals. Most of the system operates on gravity flow. Main canals operate on a continuous flow basis. They feed branch and distributary (secondary) canals, which are generally operated on a rotation basis. Rotations vary by crop and season. Offtakes from branches and distributary canals feed smaller canals called mesqas, from which farmers irrigate their fields. Mesqas represent the points where the role and responsibility of the Ministry for water delivery ends, and the role and responsibility of the private sector begins. Irrespective of the fact that the Ministry originally establishes mesqas, they are considered private watercourses and therefore they come under the control and responsibility of the farmers.

¹⁴ Mesqa is the smallest canal in the public irrigation network in Egypt.

As of January 1998, the number of registered WUAs reached 612 associations. These were in command areas belonging to five governorates. The number of associations in Minya Governorate was by far the highest: 276 associations. Tanta and Zagzig Governorates followed, with 62 associations each. Beheira and Qena Governorates followed with 62 and 33 associations, respectively (MPWWR and USAID, 1998).

While WUAs are considered non-governmental organizations, they were established through the assistance and encouragement of GOE. A great deal of effort was required by the project to educate farmers within given water command areas on WUAs and convince them to participate in cash and kind to establish such associations.

4.4.2 Role and Problems of Water Users' Associations

These associations are managed by a number of elected members. However, WUAs do not have full-time managers; they utilize the services of part-time mesqa leaders from within the associations, who assume complete responsibility for the irrigation machines, and are responsible for irrigating for all the associations' members. WUAs do not keep accounts, do not have bank accounts, and do not get loans from banks.

The rapid reconnaissance survey carried out for members of water users' associations revealed that they have benefited a great deal from their associations. They achieved fairness in the distribution of irrigation water while reducing the cost of irrigation. Regulating the irrigation improved the soil and increased crop productivity. Farmers stated that they get the extension in water use that they were missing.

Members did not participate in the cost of the mesqa construction. They might share in buying the irrigation machine. They participate in the maintenance cost of the mesqa and the irrigation machine and in labor costs. The farmers themselves select the agricultural rotation. They discuss and agree among themselves on irrigation periods to suit the planted crops.

Some associations complained of contractors who did not abide by the timing of the project implementation.

5. LIBERALIZATION AND PROVISION OF SERVICES TO THE FARMER

5.1 The Impact of Liberalization on Services Provided by the Public Sector

The Ministry of Agriculture and its agencies previously supported agriculture and provided a wide range of services to members of agricultural cooperatives¹⁵. In addition to research and extension, which are not subject to change under liberalization, these services included:

1. Financing the purchase, preparation, storage, and distribution of seeds, chemical fertilizers, and pesticides through the Principal Bank for Development and Agricultural Credit (PBDAC), and selling them to farmers at subsidized prices and on a credit basis. Farmers would pay their debts at the end of the agricultural year. In many instances the government would announce exemption of farmers from all or part of their accumulated debts;
2. Conducting air spraying against pests attacking cotton, rice and corn. In the early 1980s air spraying was also applied to wheat plantations. The Ministry would finance this operation through a special account with PBDAC. Upon a Ministerial Decree specifying the amount of subsidy, the Bank would collect the farmers' share during the harvesting season. The Ministry was responsible for executing all pest control operations for cotton and orchards, for which farmers would pay only part of the cost.
3. Subsidizing feed prices;
4. Providing free artificial insemination services and reproduction treatment;
5. Providing free treatment and medication for some livestock diseases, especially infectious and epidemic diseases;
6. Providing free spraying for livestock parasites;
7. Providing free treatment for infectious and epidemic diseases of poultry.

¹⁵ All farmers are members of agricultural cooperatives. Beneficiaries of the Agrarian Reform Law have been obliged to join agricultural reform cooperatives in order to qualify for benefiting from the law. While there has been no direct obligation for farmers to join credit cooperatives, they have been indirectly obliged to join; otherwise they would not qualify for the services provided by governmental agencies directly or through cooperatives.

Moreover, the Government subsidized land rent through the Agrarian Reform Law. However, landlords, rather than the Government, were the financiers for this high subsidy until a couple of years after the liberalization process of the 1990s. This phenomenon may be explained by the fact that the Agrarian Reform Law, issued in 1952, fixed land rent at seven times the land tax. Land tax at that time was 14% of the estimated profit accruing to landlords. Hence, setting the land rent in 1952 at seven times the land tax was a reasonable estimate of the rent at that time. However, estimations of profit accruing to landlords were updated every 10 years before the revolution of 1952, a matter that was halted after the revolution. With the inflation occurring in Egypt between 1952 and 1995, when the amendment to the Agrarian Reform Law increasing land rent was passed, land rent decreased for 43 consecutive years.

The Agrarian Reform Law also denied landlords the right to change land lessees. The law established the rights of lessees, not only for a lifetime rent at a fixed rate, but also extended this rent to their heirs.

After the implementation of the open door policy in the mid-1970s, Egypt began slowly moving toward liberalizing the economy. Agriculture was the first sector to adopt the liberalization policy. The Government started gradually decreasing its intervention and loosening its control over agriculture by increasing prices for major agricultural products and halting their forced deliveries. By the early 1990s liberalization of the agricultural sector was almost complete and resulted in the following:

1. In 1993 the Government stopped financing the purchase, preparation, storage, and distribution of seeds, chemical fertilizers, and pesticides through PBDAC, and stopped delivering them to farmers on credit at subsidized prices. Farmers and their cooperatives had to depend on the market to obtain these inputs. However, the legal, social, economic, and administrative environments as well as the necessary infrastructure were not in place to ensure a successful move. This situation resulted in much higher prices paid by farmers for lower quality seeds, chemical fertilizers, and pesticides;
2. The Government stopped assuming responsibilities for carrying out pest control activities. In 1990 in particular, the GOE ceased conducting air spraying against pests attacking cotton, rice, and corn as well as halting the financing of pest control activities. The Ministry of Agriculture began implementing extension programs inviting farmers to minimize the use of pesticides and apply pest control alternatives. For cotton, the Ministry established insect traps to determine the appropriate time for pesticide application, and also initiated a system for examining cotton bolls for the appropriate time to start combating its worms. The Agricultural Department of the Ministry of Agriculture is still performing these operations. However, the full cost of pest control activities other than biological control is borne by the farmer;

3. The Government stopped subsidizing feed prices, which resulted in dramatic price increases. Prices increased from LE 180 to LE 650 per ton for livestock feed, and from LE 225 to about LE 1,000 per ton for poultry feed. The role of the Government was confined to extension services concerning ways of using field crop residuals to feed animals;
4. The Government stopped providing free artificial insemination services. Instead, in 1995 it imposed a subsidized fee of LE 2.5 for each performance (the actual cost was LE 11) within a number of governorates. In 1998 this fee was imposed on all governorates;
5. In 1995 the Government started imposing a subsidized fee of L.E. 2 for veterinary examinations per animal at government clinics, LE 4 for house visits, LE 20-30 for normal deliveries, and LE 50 for cesarean deliveries. It also began charging farmers for the full cost of medication; and
6. The Government is still providing free treatment and medication for infectious and epidemic diseases, free spraying against livestock parasites, and free treatment against infectious and epidemic poultry diseases.

5.2 The Impact of Liberalization on Services Provided by Cooperatives

5.2.1 Services provided before liberalization

Cooperatives, in consultation with and under the supervision of different governmental agencies, provided the following services to farmers before the economy was liberalized:

1. Designing crop rotations in coordination with concerned authorities of the Ministry of Agriculture, including consolidation of agricultural utilization (i.e., arranging crop structure in each season to group areas allocated to the same major crop among neighboring farmers, facilitating collective pest control operations);
2. Performing pest control activities for cotton in collaboration with concerned authorities of the Ministry of Agriculture;
3. Providing inputs, including seeds of high-yielding varieties, chemical fertilizers, pesticides, and mechanization services;
4. Marketing main products such as cotton, wheat, rice, and corn;
5. Providing monetary and in-kind loans;
6. Planning and executing local production projects according to their financial resources; and
7. Providing and managing agricultural machinery for their members' benefit.

5.2.2 Services provided by multi-purpose cooperatives after liberalization

The rapid rural appraisal survey of members and managers of the multi-purpose cooperatives revealed that the services provided differed among the three types of multi-purpose cooperatives after liberalization. Farmers and managers of agrarian reform and land reclamation co-ops stated that liberalization had little impact on the services their cooperatives formerly provided. The case is different for credit cooperatives, whose farmers complained of reduced services after liberalization. In general, analysis of the survey results revealed that agricultural reform cooperatives were the best in providing services for their members. They provided production inputs, monetary and in-kind loans, land preparation and pest control services, and cooperative marketing for their members' products, especially cotton. Credit cooperatives were next highest in the number of services provided to their members. Services they provided included agricultural inputs, especially seeds and fertilizers; some of them provided consumer commodities. Land reclamation cooperatives offered the least number of services and were limited to providing agricultural inputs.

For credit cooperatives, services halted after liberalization were, more or less, limited to cooperative marketing. However, reduced services were reported for the three types of multi-purpose cooperatives. Details of the analysis follows.

a) Seeds

The three types of multi-purpose cooperatives (i.e., credit, agrarian reform, and land reclamation cooperatives) still provide cottonseeds to their members. However, some farmers indicated that amounts provided per feddan were inadequate and they were forced to buy additional amounts from the private sector¹⁶. Rice seeds were available both at cooperatives and at private sector shops, but farmers preferred to obtain their seeds from cooperatives because of better quality and lower prices. The same applied to wheat and corn seeds. While clover seeds were available and of better quality from cooperatives, they were cheaper from the private sector and always available when needed.

In general, most of the farmers stated that they preferred to buy their seeds from their cooperatives as the seeds are free of pests, of better quality and give higher yield. Farmers of agrarian reform cooperatives added that their cooperatives sold seeds on credit. However, they used private sector shops whenever prices were lower, amounts available within cooperatives were insufficient, or when seeds were not available in their cooperatives.

¹⁶ To prevent the deterioration of cotton lint, the Government monopolizes the production of and provision of cottonseed. Therefore, cottonseed sold by the private sector must have come from cooperatives or cooperative members.

All cooperatives obtain the seeds they provide to their members from joint cooperatives. Reasons for not buying directly from the market include lack of trust in seed quality and insufficient liquidity. They also did not buy directly from seed producers because they had to buy more than their members' requirements to benefit from price reductions.

b) Fertilizers

All cooperatives provided nitrogenous and phosphorous fertilizers, and some of them also provided potassium fertilizers. Leaf fertilizers were provided only by agrarian reform cooperatives. Cooperatives obtained their fertilizer requirements through joint cooperatives. They did not deal with the market or buy directly from factories for the reasons mentioned above.

Farmers of agrarian reform and land reclamation cooperatives received most of their chemical fertilizers from their cooperatives as they normally get reasonable-to-good quality at better prices than through the private sector. Moreover, they could buy their requirements on credit. Those who preferred buying fertilizers from the private sector included among their reasons availability of different varieties at ample quantities, intact sacks that have been well-stored, and buying on credit. Reasons for not buying from their cooperatives included bad treatment, lack of liquidity, unavailability of some varieties, and lack of commitment on behalf of employees regarding working hours

c) Pesticides and pest control services

Land reclamation cooperatives and most of the credit cooperatives provided insecticides, pesticides and herbicides to their members. Agrarian reform cooperatives provided insecticides and some also provided fungicides. However, none of them provided herbicides. Again, all pesticide purchases were made through joint cooperatives. In addition to the above reasons for not buying directly from the market or the dealers, some managers added that they were following the regulations set by the Ministry of Agriculture.

While most farmers of credit cooperatives buy their pesticides from the three available sources (i.e., cooperatives, PBDAC, and the private sector), most members of agrarian reform and land reclamation cooperatives buy them from their cooperatives. However, all farmers agree that pesticides provided by their cooperatives are of better quality and lower prices. Reasons for buying from cooperatives include product effectiveness and lower prices. Farmers belonging to agrarian reform and land reclamation cooperatives added the possibility of purchase on credit. On the other hand, most of the farmers stated that the only reason for using other sources was the lack of pesticide availability in their cooperatives.

Members of land reclamation cooperatives believe they receive good pest control services. Most members of agrarian reform cooperatives believe their services are fair, while most credit cooperative members believe their services were weak.

d) Agricultural Machinery

Farmers in credit cooperatives stated that their cooperatives do not provide agricultural machinery services but they do sell equipment to their members and to other coops. Most of the farmers in agrarian reform cooperatives stated that their cooperatives provided machinery services for surface and deep ploughing, lining, spraying, combining, and threshing. Land reclamation cooperatives provided only surface and deep ploughing, and threshing services. Most of the farmers in agrarian reform and land reclamation cooperatives agreed that whenever machinery services were available at their cooperatives, they were easy to get, cheaper, and could be obtained on credit.

e) Marketing of Agricultural Products

Credit cooperatives stopped providing many marketing services after liberalization but now provide services for wheat, maize, and potato crops. Agricultural reform and land reclamation cooperatives, and credit co-ops (starting in the 1999/2000 season), perform marketing functions for cotton. Cooperative marketing of other crops by reform and reclamation co-ops was optional. Farmers who preferred cooperative marketing believed that it would give them better prices, protect their rights, ensure exact weighing of crops, and provide an easier way to pay their debts. Farmers who preferred individual marketing stated that it was easier and faster in providing cash. Some farmers stated that their own consumption wiped out most of their crops; therefore, they did not have much residual for cooperative marketing.

f) Credit

Agrarian reform cooperatives provided cash and in-kind loans to their members. Cash loans were granted for land preparation, marketing, and to a lesser extent for harvesting and project implementation. In-kind loans were provided for seeds, fertilizers, crop servicing, sacks for cotton harvesting, and to a lesser extent for pesticides. Land reclamation cooperatives granted cash loans only for land preparation, and in-kind loans for seeds, fertilizers and crop servicing. Credit cooperatives did not extend loans under any circumstances to their members. Their farmers obtained loans from merchants, relatives, machinery agencies, or neighbors.

Most members of credit cooperatives believed that PBDAC granted loans only to rich farmers. This perception perhaps results from the requirement that only landowners may obtain PBDAC loans. Renters must have the owner's co-signature for a PBDAC loan. Problems for renters in obtaining loans from the Bank included high interest rates, bad treatment, and bureaucracy in requesting collateral. Members of land reclamation cooperatives confined such problems to high interest rates. Most members of agrarian reform cooperatives did not feel they needed loans from the Bank, as they received sufficient loans from their cooperatives.

g) Investment projects

Agrarian reform co(ands to a lesser extent credit cooperatives) established investment projects that provided job opportunities for members' families. Moreover, these projects' products were of good quality and sold for reasonable prices. Examples of these included poultry production, calve fattening, bee husbandry, and agricultural machinery purchase and rental. Some of these cooperatives also participated in the fertilizer fund. Land reclamation cooperatives did not perform such activities.

h) Social services

All members of agrarian reform and most members of credit cooperatives stated that their cooperatives provided social services for their villages. These services included building the village mosque, teaching Koran, eradicating illiteracy, supporting orphans, helping needy farmers financially, and paying school fees for poor students. Moreover, some cooperatives established poultry farms and distributed chicks among farmers. Cooperatives sometimes also initiated sporting activities for youth. Most credit cooperative members and a very small minority of agrarian reform cooperative members mentioned that their cooperatives also helped in some infrastructure services (e.g., maintaining canals, establishing storage facilities, and participating in other cooperatives).

Some land reclamation cooperative members mentioned that their cooperatives undertook social activities in their villages. However, these services were confined to establishing the village mosque, helping needy farmers and participating in youth sporting activities. But they all agreed that their cooperatives helped in maintaining irrigation canals, establishing storage facilities and providing drinking water.

i) Surplus and distribution of dividend and profit

All sampled cooperatives realize surplus. However, only 25% of the sampled credit and agrarian reform cooperatives distributed it as follows:

Credit cooperatives: 10% for the staff, 10% for board members, 10% for cooperative training, 10% for general services, 4% for cooperatives that realize losses, 3% for agricultural laborers, 10% for joint cooperatives, and 43% added to the cooperative capital;

Agrarian reform cooperatives: 10% for board members, 47% for dividend distribution, 3% for cooperatives that realize losses, 5% for agricultural laborers, 5% for cooperative publications, 10% for cooperative training, and 20% added to the capital; and

Land reclamation cooperatives: These were the only multi-purpose cooperative that distributed dividends. However, most of the surplus was used for social services.

5.2.3 Services provided by specialized cooperatives after liberalization

Boards of directors comprised five members each for livestock and agricultural mechanization cooperatives, while they included 16 members each for field crops marketing cooperatives, and 14 members each for vegetable and fruit marketing, including an appointed member by concerned authorities. Interest in nomination for the board was weak in livestock cooperatives and average in all others. All boards met twice monthly. Managers of cooperatives rated activities of their boards of directors as good for livestock and vegetable and fruits cooperative and average for agricultural mechanization and field crop marketing cooperatives. Services provided by each of the four types of specialized cooperatives were as follows:

Livestock cooperatives: Services included providing animals, chicks, feed (including feed processing), veterinary care and medication, and marketing of products;

Agricultural mechanization cooperatives: Services included hiring tractors, ploughs, planting, harvesting, threshing and cleaning machinery. They also sold machinery to their members, maintained irrigation canals and provided heavy transportation;

Field crops marketing cooperatives: Services included agricultural inputs and marketing of agricultural products;

Vegetable and fruit marketing cooperatives: Services included providing vegetable seeds (potato seeds were the most important), pesticides and fertilizers. Services halted after liberalization included feed subsidies and marketing of potatoes. Reduced services included marketing and providing prerequisites for agriculture.

5.3 Socioeconomic and Political Environments in Agriculture

Agriculture has always been the driving force for development in Egypt. In addition to feeding the population, agriculture provides the economy with foreign currency, cheap labor, investment funds, raw materials for industry, and job opportunities in marketing and distributing agricultural products. Moreover, agriculture has always served as a large market for products of other sectors (Sherif and El-Kholei, 1966).

It was during the socialistic era in Egypt (starting in the early 1960s) when government subsidies for agriculture began. It is also true that the government was heavily taxing agriculture. The socioeconomic and political environments actually became detrimental to agriculture, resulting in low rates of development and inefficiency of resource utilization at the farm and national levels.

Immediately after the 1952 revolution, the government implemented a policy of strong intervention in agriculture and the rest of the economy. This intervention included the following:

1. Issuing the Agrarian Reform Law without careful study. The law limited land ownership to a maximum of 200 feddan and set rules to govern transfer of ownership to dependents. Amendments to the law were implemented in 1958, 1959, and 1969. Accordingly, private land ownership was reduced to a maximum of 50 feddans. Moreover, landowners were not allowed to rent more than the size of their ownership. Land owned in excess of these limits was confiscated and distributed to the landless. Actually, the law and its amendments set the stage for the government to control and heavily tax agriculture to the benefit of the rest of the economy. The negative effects of the law included:
 - depriving agriculture of large estates that were more efficiently managed than small-sized farms, and which contributed to a decrease in self-sufficiency for most major crops;
 - private investment in agriculture was reduced. These large estates were the only economic units in agriculture whose owners were reinvesting at least part of their surplus within the sector;
 - reduced livestock production (since large estates included large livestock enterprises);
 - division of large estates into parcels of 3-5 feddans significantly increased the number and area of small farms. These small farms have been getting smaller due to the inheritance law which distributes lands among heirs. Farms are closer to being subsistence farms rather than market oriented;
 - the low ceiling on land ownership discouraged investors from land reclamation activities, leaving this activity to inefficient public sector organizations.
2. Implementing the system of forced deliveries of major crops to be distributed to inefficient public sector processing and/or distributing companies;
3. Resorting to the administered price system, rather than the market system, to favor inefficient public sector processing companies and large numbers of consumers living in big cities;
4. Transforming agricultural cooperatives into governmental institutions that implement government policies. This transformation happened through a series of regulations including:
 - indirectly forcing farmers to join cooperatives through limiting services to cooperative members;

- creating the new set of agrarian reform cooperatives and forcing beneficiaries of the Agrarian Reform Law to join them;
 - amending agricultural cooperative laws to enable government control over cooperatives, such as intervening in the internal affairs of cooperatives through appointing government employees, including the manager;
 - depriving opponents of their political rights and banning their election for the cooperatives' boards of directors; and
 - changing the concept of cooperation from a voluntary, self-governed democratic organization with open-door membership.
5. Confiscating successful large agricultural and agricultural processing firms active in land reclamation, extension service, development of agricultural products, and development of the agricultural processing sub-sector and transforming them into public sector organizations under largely inefficient technical and administrative management;
6. Implementing a series of distorted agricultural policies transforming active Egyptian farmers into government employees. These policies included:
- enforcing rotations on all farmers through their cooperatives;
 - administering agricultural prices resulting in inefficient use of agricultural resources within the farm and the national economy (e.g., shifting from the lower-yielding native varieties to the higher-yielding Mexican varieties of wheat, because latter varieties produce more wheat grains and less straw, thus depriving farmers of valuable straw);
 - direct inefficient intervention in pest control activities, especially for cotton, which resulted in less effective pest control operations at a much higher cost. This direct intervention in pest control activities necessitated enforced consolidation of land utilization to enable the use of air spraying which resulted in environmental degradation.
- . Involving public sector organizations in agricultural production within large estates and in land reclamation activities. Moreover, these organizations were overstaffed, increasing the sources of inefficiency within a large agricultural sub-sector;
8. Entrusting public sector organizations with agricultural export and indirectly limiting the involvement of the private sector in export operations, thus limiting the development of agricultural exports; and

9. Issuing Law No. 384/1956 regarding private voluntary associations, which represented a turning point in the relationship among the state, NGOs, and the society. The law subjected all NGOs to state control and supervision and strengthened the bureaucratic control on social action participation. This was followed by Law No. 23/1964, which led to increasing government intervention and control of NGOs, giving the administrative body the right to dissolve NGOs without court decision. This law was in effect until May 1999.

These interventions, among others, resulted in a new unfavorable socioeconomic and political environment for agriculture. The real rate of GDP growth in agriculture in this climate was almost always below the rate of population growth, resulting in the continuous decrease in per capita real income from agriculture. This situation created the subsidizing of agricultural inputs and taxing agricultural outputs. Whether the net result of such intervention resulted in agriculture being net taxed or subsidized should be the subject of a separate study.

However, in the mid-1980s the Government began introducing some changes to this environment. These changes included:

1. Amending the Agrarian Reform Law in 1995 to liberate land rent and subject it to the free market, putting an end to the enforced lifetime and inheritance of rent;
2. The Government gradually stopped administering prices, forcing deliveries of major crops, and carrying out pest control operations;
3. The Government gradually stopped direct intervention in agricultural production and land reclamation. Further, it privatized most of the production organizations;
4. The Government implemented a successful financial reform that contributed favorably to the economic milieu for the entire economy.

However, these changes are only part of the changes needed within the economic dimension of the agricultural system that are necessary for operating an efficient and effective market system.

5.4 Alternatives for Public Sector Provision of Services

Under liberalization, the free market is the only alternative available for farmers to obtain the services that were formerly provided by the public sector. Cooperatives, through representing the collective interests and needs of individual farmers, can moderate market forces to the benefit of their members and provide them with needed social and economic services. Moreover, people interested in helping farmers can also organize themselves to establish, or assist farmers in establishing, appropriate NGOs. NGOs are the most effective vehicles for mobilizing people to design and carry out socioeconomic activities.

The question then arises: can the existing cooperatives and other NGOs serving rural areas fill the gap left by the public sector withdrawal from providing services to the farmers? This question was asked of cooperative members and managers in the questionnaires designed for multi-purpose cooperatives. Analysis of the results revealed the following:

- a) **Members of multi-purpose cooperatives.** Most credit cooperative members believe that their cooperatives can do the job. They expressed their desire that their cooperatives carry out the same functions undertaken before liberalization, especially in providing pesticides, livestock feed, seeds, cash and in-kind loans, and optional marketing. Almost all farmers said that their cooperatives can improve their provision of seeds, fertilizers, and pesticides through providing different varieties at appropriate times in intact packages, improving their storage, and selling them on credit. They also said that cooperative marketing on an optional basis would enable farmers to obtain higher prices for their crops, and lower transportation costs. They said they could even export part of their produce through agreements with exporting companies.

Farmers also expressed the need to revert to the consolidation of agricultural utilization, however, on selective and optional bases. All farmers requested consolidation for cotton and rice crops. Very few farmers added corn, wheat, and clover to the list. Reasons given for selecting cotton and rice were the common pest control for cotton pests and irrigation needs for rice. They all expressed that this arrangement should be made through cooperatives. Members of agrarian reform cooperatives agreed that all farmers would be committed once they agreed to the consolidation. Most members of credit and land reform cooperatives shared this view. A small percentage of credit cooperative members expressed their fear regarding the impossibility of unanimous commitment.

Alternatively, all agrarian reform cooperative farmers agreed to return to the enforced consolidation of agricultural utilization. Most members of credit and land reform cooperatives shared this view.

- b) **Managers of multi-purpose cooperatives.** Managers of multi-purpose cooperatives said that cooperatives can fill the void left by the reduced public role in agriculture. Cooperatives could carry out the same functions they were undertaking before liberalization, especially in providing pesticides, livestock feed, seeds, cash and in-kind loans, and marketing. They also stated that cooperatives are capable of consolidating agricultural utilization among members, and that members would be committed to the consolidation once it was approved. Moreover, they stressed the cooperatives' abilities to market their members' produce. However, they expressed the need for finance so that the cooperative could carry out these functions appropriately. Internal sources of finance might include increasing cooperatives' capital through increasing the value of shares, establishing agricultural projects, buying and renting agricultural machinery, and encouraging savings among members. They added that if cooperatives carry out marketing, they should declare purchase prices for their members in a timely manner and establish a fund for price support among cooperatives.

Careful review and analysis of the results of the reconnaissance survey reveals that the concept of cooperation has been transformed. Cooperation, as visualized by cooperative members and managers, is what has been practiced for more than four decades (i.e., a socialistic type of cooperation). They have never dealt with cooperation as a voluntary self-governed democratic movement. Evidence for this claim can be detected from their response to some of the issues raised in the questionnaires. Examples include the following:

- Credit cooperative members expressed their desire that their cooperatives revert to performing all the functions they performed before liberalization, especially providing pesticides, livestock feed, seeds, loans for harvesting and crop servicing, and optional marketing. This implies that they want the Government to finance the purchase, preparation, storage, and distribution of inputs through the PBDAC, and sell them to farmers at subsidized prices and on credit. This suggests that they are against full liberalization, as they want the Government to have an active role in input supply. It also means that they believe in government intervention in the internal affairs of their cooperatives. However, they do not want to return to forced marketing. The explanation to the apparent contradiction is that they are confused. They do not understand the concept of cooperation as a voluntary, self-governed democratic movement. It is unclear to them why they are unable to have it both ways (i.e., receive the benefit of liberalization in selling their products at the high market prices as well as the benefit of government intervention through subsidized inputs at credit);
- All farmers suggested reducing the prices of seeds, fertilizers, and pesticides provided through their cooperatives, and buying them on credit. This means that they are confused, because prices cannot be administered in a market oriented system;
- All farmers of land reclamation cooperatives agree to return to enforced consolidation of agricultural utilization. Most members of credit and land reform cooperatives shared this view. This, again, reflects farmers' confusion, since reverting to government intervention is not an option in a market-oriented economy;
- To improve cooperative services, managers of multi-purpose cooperatives suggest reducing the prices for seeds, fertilizers, and pesticides provided by their cooperatives. This suggests that even managers are confused. They want to give farmers the benefits of liberalization and government intervention at the same time;
- Managers of multi-purpose cooperatives mentioned that if cooperatives would perform marketing functions, they should declare crop purchase prices early enough, and establish a fund for price support. Again, managers are requesting the adoption of measures against liberalization principles. They do not quite understand the rules of the game.

This confusion between controlled and liberal economies is discussed later in this report.

The answer to the question raised above is that the existing cooperatives are unable to fill the gap created by public sector withdrawal from providing services to farmers. The main reason behind this inability is that the concept of cooperation has been altered. Cooperation in Egypt is no longer a voluntary self-governed democratic movement. Cooperatives have become, more or less, government shops, and government shops cannot substitute for open market operations. Hence, the existing cooperatives need to become voluntary self-governed democratic organizations to be able to carry out their functions within the newly adopted ideology. This is not an easy task. It is not enough to amend cooperation laws to match a liberalized economy. The existing contradiction between the ideology as clearly stated by the constitution, and the ideology behind the undergoing economic liberalization process should be made clear. Hierarchically, ideology is supreme to strategy which is, in turn, superior to policy. Therefore, policy reforms will be difficult to fully implement within a prevailing socialistic ideology.

5.5 Role of NGOs

Careful review of Egypt's history of NGOs and their role in managing socioeconomic crises reveals that they were active in filling gaps resulting from reduced public services and governmental negligence of social benefits. For example, the periods before and during the British colonization witnessed governmental negligence of social benefits, particularly in the fields of health and education. NGOs responded by building hospitals and schools, and providing health, educational and social care services.

These NGOs can participate in providing agricultural inputs to farmers and training them on their use. They can also direct farmers to implement some small agricultural projects through soft loans provided through them. However, the existing NGOs normally do not render these types of services. Still, their work is very much related to the areas and objectives of rural development. They participate in human development activities, including building and running schools to increase education opportunities, building hospitals to improve health standards, instituting illiteracy eradication classes to improve the cultural situation, and establishing nursery houses and children's libraries to improve the socialization process. They also help in increasing production and improving economic standards through establishing productive projects such as home crafts, and organizing vocational training courses to increase job opportunities. They even share in establishing infrastructure, such as drinking water projects. Moreover, they aid in changing some of the negative attitudes and values in rural areas through conducting cultural and religious meetings and forming women's clubs.

Nevertheless, achievements of these organizations in rural areas have been minimal, and villages continue to suffer from their endless problems. Reasons behind these minimal achievements (El-Helbawy, 1998) include the following:

1. The unfair distribution of NGOs in urban and rural areas: While 56% of the population live in rural areas, only 31% of NGOs are located in rural areas;
2. The limited fields in which NGOs work in rural areas;
3. The small number of NGOs established annually;
4. The low voluntary participation in NGO activities in rural areas, especially among women. This might be attributed to low levels of financial resources, the local population's lack of trust in leaders and members of the board of directors of NGOs, local communities' low level of awareness of the objectives and activities of NGOs, insufficient preparation and training of NGO members, and low cooperation among NGOs;
5. Low level of effectiveness for NGOs; and
6. The constraints imposed by Law No. 32/1964 regarding NGOs, including, among other things:
 - imposing restrictions on freedom of NGOs, especially on financial issues and requests for donations;
 - bureaucracy and multiplicity of supervising governmental agencies;
 - government intervention in technical issues;
 - banning nomination of members of local councils for board membership of NGOs; and
 - limiting NGO work to specific fields.

While this law has been recently replaced by Law No. 153, critics still have reservations about the new law which are discussed in the following section.

6. OBSTACLES FACING NGOs IN EGYPT

6.1 Ideology

Ideology is defined as the set of beliefs, principles and views that form the society's thought and constitute the logical framework for its activities. Therefore, it manifests itself in all aspects of human activity. Hence, western-type ideology, which is based on the respect of human rights, manifests itself politically in the principle of people's sovereignty. It is the people who confer power on their presidents, representatives in the parliament, governors, and others through free democratic elections. Therefore, they organize themselves in parties to effectively and efficiently express their political power, and elect their representatives in parliaments to monitor and correct, whenever necessary, government actions. Socially and culturally, it manifests itself in a system that respects individual political, economic, social, cultural, and religious freedom, irrespective of one's power, wealth, color, religious or social status. Moreover, this system gives prestige, power, and income to individuals inasmuch as they are able to serve their society. Legally, it manifests itself in the principle that all people are equal before the law. All individuals have the same legal rights and are equally responsible for their actions, irrespective of their power, wealth, color, religious or social status. Economically, it manifests itself in the market system, where people vote (through their effective demand) for the commodity they want. To sum up, this ideology produces transparency within all aspects of life.

Conversely, the one-party autocratic system of the socialistic countries of the East is also the product of their ideology. This ideology is based on the idea that the society, within which individuals live and carry out all their activities, is the most important. That is, only a good and powerful society can provide a better life for its individuals. Therefore, more emphasis and concern should be given to society's--rather than the individual's--rights and benefits. Hence, this ideology manifests itself politically in the system where a person sacrifices his individual rights for the benefit of the society. He should give the highest respect to the person he believes will lead the people to a prosperous society, in which they will lead the best lives. Therefore, they must be good, obedient individuals, well organized in one party, and vote according to their leader's desires. Socially and culturally, this ideology manifests itself in respecting individuals who give most to their societies, and since powerful people in the party and the government are the best in this respect, they get the full respect of the people. Other people are only normal people and therefore not worthy of respect, and their individual political, economic, social, cultural, and religious freedoms should be sacrificed for the benefit of the society. This system also results in worshipping a set of idealistic values such as heroism, and sacrifice of personal rights for the sake of others. Legally, the socialistic ideology manifests itself in the differentiation among people, before the law, according to their position and power in the government and party. Some people are, pragmatically, above the law, in the sense that no wording exists in the law that incriminates their actions. Economically, it manifests itself in collective ownership, public-sector supremacy, administered prices, etc., because these are better for the society.

Since ideology manifests itself in all aspects of human life, mixing different ideologies within one society is not advisable. The same set of beliefs, principles and views that form the society's thought and constitute the logical framework for its activities should be the same behind every human activity. Simply put, people cannot change their beliefs, principles and views in accordance with their activities. Mixing ideologies within a society will transmute ideologies, confuse people, and force them to make contradictory decisions. Such a situation, to say the least, is not the best environment for development.

Unfortunately, Egypt is undergoing the experience of mixing ideologies. Economically, it has adopted the policies and measures of western-type ideologies. Otherwise, essentially the same Arab socialistic ideology still exists. Therefore, the question of how this affects the economy and the society as a whole becomes of utmost importance.

Reviewing the events since the early 1990s might shed some light on this question. Egypt has made a great deal of progress in liberalizing its economy through the implementation of ERSAP. However, the first phase (ERSAP I) was successfully implemented in two years (between 1990/91 and 1992/93), while the second-phase implementation (ERSAP II) which started in 1994/95 took much longer than was anticipated. Some of its policies and measures are still incomplete. Since mixing policies and measures of different ideologies prevailed during implementation of the two phases, one could claim that this factor alone explains the large difference in the amounts of time for their implementation.

Policies and measures of ERSAP I concentrated on macroeconomic reforms. Therefore, they did not have a direct effect on people, especially since the foreign exchange rate settled almost at the same level of the black market rate which prevailed at that time, and the interest rate on deposits significantly increased to provide for the then high rate of inflation. People did not resist its implementation. On the other hand, policies and measures of ERSAP II have more direct effects on people, especially on the types of benefits they formerly received under the supremacy of the Arab socialism ideology. Therefore, problems would be expected to arise. These measures included speeding up privatization of public sector enterprises that were providing goods and services at subsidized prices. They also included unifying corporate laws and hence, affected the labor systems of hiring and firing in the private sector and some other issues regarding gained labor rights. Moreover, they included reforming the public social insurance and pension systems, which would again affect gained labor rights. Thus, the implementation of these measures was faced with the problems related to benefits gained by laborers and other groups during the socialistic regime. The main problem here lies in the fact that the ideology applied regarding the rights of these groups is the Arab socialism ideology, while the ideology behind the implementation of ERSAP is the western ideology. Moreover, the documented ideology--the ideology spelled out in the constitution--is the Arab socialism ideology. Therefore, without changing this ideology, it would be almost impossible to fully implement ERSAP II. Any solution that does not satisfy the groups affected by the policies and measures of ERSAP II could be legally challenged by them, and would be judged as unconstitutional.

Problems of living within unclear and vague ideologies would arise. The best example in this regard is the series of contradictory decisions and regulations regarding the cotton sector made by the government but represented by different ministries in the two consecutive seasons of 1995-97. In the agricultural sector, the Government went far in adopting the free market system, giving farmers full freedom regarding cotton production. Because of bad experiences during previous seasons, farmers either decreased the area allocated to cotton, or did not plant cotton at all. Thus, the area allocated to cotton production was at its lowest since the end of World War II, resulting in a severe shortage of local and export cotton requirements. Adopting the free market system does not mean giving the farmer a free hand in producing whatever he wants¹⁷. The state should take necessary measures to protect the national economy. In this respect, the government should have taken necessary measures through appropriate policy directives¹⁸ to ensure producing the amount of cotton necessary for domestic and export requirements.

¹⁷ Otherwise, farmers would be allowed to produce narcotic-bearing plants.

¹⁸ Similar measures were in force before the 1952 revolution, when Egypt adopted the market system. Regulations at that time prevented farmers from allocating more than one-third of their holdings for cotton production. In fact, the term "three-year rotation" was adopted after the issuance of these regulations, as farmers normally do not continuously plant cotton in the same area to conserve soil productivity. Therefore, they would plant cotton in the same land area every three years.

The same government that went too far in adopting the market system in cotton production adopted socialistic measures in pricing, trade and export of cotton. It declared farm-gate prices for cotton at levels higher than international prices, banned the storage of ginned cotton for more than one month, and administered selling prices for ginned cotton to spinning mills. Moreover, it banned the export of cotton for the first time since cotton was produced. After about six months, it allowed small amounts for export. Strangely enough, the same government allowed cotton exporting companies under its domain to buy the majority of cotton lint that was supposed to be exported at prices higher than they could have paid if they were allowed to act independently (Sherif, 1996 and 1997).

6.2 NGOs' External Obstacles

External obstacles facing NGOs in Egypt might be summarized as what may be called NGOs' milieu (i.e., political, legal, social, cultural, economic, and administrative environments) within which NGOs operate. The following discusses the main components of this environment to reach recommendations for its improvement.

6.2.1 NGOs' Political Milieu

Following the nationalization of large industrial and service enterprises in July 1961, the Government issued the National Charter, adopting Arab socialism in 1962. The main differences between Arab Socialism and other versions of socialism is that Arab socialism favored religion, opposed dictatorship of the proletariat, and was against the complete public ownership of means of production. The Arab Socialism Charter visualized a classless corporate society comprising a mixed economy of public and private organizations controlled by the government. However, the Arab socialism ideology started to lose ground with the announcement of the open-door policy (infitah), as outlined in the 1974 October Paper. The Paper actually represented a partial liberalization of the society. While keeping the political hold by the ruling party, it allowed the establishment of political parties which required government approval. It represented a partial liberalization of the economy, also under the domination of the public sector enterprises. It had become clear that the public sector, while suffering from excess bureaucracy, had expanded into areas that should have been left to the private sector. Therefore, the Paper envisaged limiting the public sector's role in the future to providing essential services, leaving most of the production, marketing, and distribution activities to the private sector. Production activities undertaken by the public sector would be limited, in the future, to projects that the private sector does not undertake. Such a policy would attract the highly needed foreign financial and technical assistance for achieving higher rates of growth. The strategy of Infitah represented a move to loosen government control of the economy through allowing the private sector, along with foreign investment, to compete with the public sector. Additionally, the Paper also envisaged the gradual move towards more realistic pricing policies (Sherif and El-Eraky, 1996).

With the implementation of the Economic Reform and Structural Adjustment Program (ERSAP) of the 1990s, the change of ideology that the October Paper started seemed to be culminating in the adoption of the western-type democracies. However, the change was confined to economic rather than political aspects of the ideology. Hence, the political milieu in Egypt is influenced by socialism, despite the existence of a number of political parties. The political milieu is not appropriate for the development of NGOs and therefore, NGOs cannot effectively and efficiently perform. Evidence of this is as follows:

- Government control over the establishment of political parties;
- Lack of freedom for political parties to conduct political meetings or conferences, except on their premises, without government approval;
- Political differentiation between individuals according to their titles. At least half of all elected bodies should be farmers and laborers;
- Vague identification of the political system (i.e., a mix of the presidential and the parliamentary systems);
- Public sector companies which are being privatized are considered the backbone of the economy by the ruling constitution;
- Governors are appointed by the President rather than elected;
- The national press is controlled by the state;
- Freedom of publishing newspapers is limited and controlled by the state;
- Martial law has been in effect since the assassination of President Sadat in 1982;
- No limit on the number of terms for the President, who is not directly elected by the people.

6.2.2 Legal Environment of NGOs

A 1994 World Bank report on private sector development in Egypt stated that despite new legislation aimed at building and regulating a dynamic economy led by the private sector that started in the 1970s, existing laws do not yet support such a move. This statement remains valid in 1999. The report added that this situation is especially true for laws governing labor, securitization and intellectual property rights. The following two sections show that it is also true for laws governing NGOs.

6.2.2.1 Laws governing NGOs belonging to the Ministry of Social Affairs

Law No. 32/1964 regarding private societies and institutions was the law governing NGOs registered within the Ministry of Social Affairs until Law No 153 was enacted in 1999. It included 97 articles classified under five main chapters. Three amendments to the law were effected since its issuance in 1972, 1982 and 1994. A number of Presidential and Ministerial Decrees were also issued to complement the law. Reviewing the law and its explanatory note reveals that the law's objectives included the following:

1. Tightening government control on all types of NGOs;
2. Organizing all efforts in the field of social work in accord with the socialistic approach;
3. Preventing persons deprived of their political rights from establishing or even joining NGOs without the prior approval of the administrative body;
4. Separating NGOs from labor groups¹⁹; and
5. Preventing NGOs from joining or associating with foreign NGOs and from receiving grants from foreign entities.

Moreover, the law and its complementary orders and decrees gave governors and local government institutions authority over NGOs. This authority have been further confirmed by Law No. 43/1979 regarding local governments, which instituted the appointment of one-third of members of boards of directors for the regional unions of NGOs by the concerned Governors.

Many social and economic analysts have criticized the law. Al-Helbawy (1998) summarized this criticism as follows:

1. The law had been designed to comply with the socialistic principles which prevailed from the 1960s to the mid-1970s. However, Egypt's ideology has gradually changed since then, moving towards the multiple-party system and open-door policy in the mid-1970s. The move towards the market system was further confirmed by the implementation of ERSAP in the early 1990s;
2. The law includes many complications and bureaucratic constraints for establishing NGOs. It gives the administrative body the right to deny the announcement and registration of organizations without a court decision.

¹⁹ The law covers all nonprofit organizations except labor and vocational unions, and cooperatives.

3. The law ignored the fact that NGOs are established according to the free will of their members and therefore should be self-managed. It gives concerned authorities the right to interfere in activities undertaken by NGOs, and decisions taken by their boards and general assemblies; to refuse nominations and cancel elections of their boards of directors; and to appoint up to 50% of their board members for unlimited terms. Moreover, it gives these authorities the right to dismiss boards and appoint new ones, to merge organizations that have similar objectives, and even to dissolve organizations. These actions can be taken without court decisions, which contradicts the goal of democracy that the Egyptian society is trying to achieve;
4. The law gives the right to many governmental bodies to obtain reports and information about NGOs: to supervise, follow up, and interfere in their internal affairs;
5. The law prevents organizations from working in areas specified by the law without prior approval of the administrative body. It also limits their activities to their geographic areas, despite the fact that these areas do not conform with the different socioeconomic regions in Egypt;
6. The law places severe limits on NGOs in dealing with or getting donations from foreign or even local entities, thus limiting their ability to finance their activities. It also imposes severe limits for receiving periodic donations granted to NGOs by the Ministry of Social Affairs. Moreover, the governmental fund for supporting the organizations is completely controlled by the administrative body, which put organizations under its domination;
7. The law prevents the combination between membership of local councils and boards of directors of NGOs, while it allows combination between membership of local councils and membership of parliamentary councils and regional and vocational unions. With the existing low level of voluntary participation and shortage of voluntary leadership, particularly in rural areas, such an arrangement denies NGOs the services of much needed able personnel;
8. The law states that the highest non-governmental authority for NGOs is the General Union, which is, pragmatically, a governmental agency, as its members are either appointed by concerned authorities or are members by virtue of their governmental positions. This effectively separates voluntary private work from its spirit and principles; and
9. The law places NGOs under many authority levels, both governmental and non-governmental. The Ministry of Social Affairs and its undersecretaries represent the highest governmental authorities. The Governor, the Governorate Council, and the Director General of Social Affairs follow these at the governorate level. The general, regional, and vocational unions, on the other hand, represent non-governmental authorities.

Law No. 153 has not silenced the critics. Since its enactment on 25th May 1999, NGOs have requested amendment of 10 articles of the draft law. In the Peoples Assembly Session when the law was passed, some Parliament Members stated: "It seems that the Government is insisting on striking intermediate institutions of the society. These institutions are undergoing real crises because of laws of bad reputation. Unions, political parties, and NGOs suffer from these laws, among which is this Law" (Al-Wafd, 26 May 1999). Other critics indicated that this law actually paves the way for killing the remaining civil institutions after killing vocational unions and constraining activities of political parties and journalism under the effect of the Martial Law (Al-Wafd, 27 May 1999).

Moreover, some NGOs and human rights associations started a campaign to collect 1,000,000 signatures on an appeal requesting the President not approve the Law and to return it to the Peoples Assembly for further discussion as it includes contradictions to the constitution and Egypt's international obligations. A number of writers, journalists, present and former parliament members, university professors, artists, people concerned with private voluntary work, and citizens joined in this appeal. The appeal confirmed that the new law includes articles that affect freedom and independence of private associations. They expressed their regret for the speed in passing the law by the Peoples Assembly. Some Arab and foreign organizations have also made the same appeal to the President (Al-Wafd, First June 1999).

More specifically, criticism of the law includes the following:

1. Article 11 prevents associations from operating in more than one field without the consent of the competent federation and the approval of the administrative body. This constitutes bureaucratic constraint and administrative intervention in associations' affairs. It prevents associations from practicing any political activity exclusively restricted to political parties. While this prevention might seem logical, as there are other means for practicing political activities, the wording entertains differing explanations. For example, it is not clear whether associations are allowed to practice political socialization activities, which constitutes an important NGO activity. Moreover, Article 75 makes such activities illegal, specifying the penalty to be imprisonment for not more than one year and a fine of not more than LE 10,000;
2. Article 16 does not give associations the right to challenge the administrative body's objection to its decision to join, participate or belong to a club, association, authority, or an organization domiciled outside Egypt that practices such an activity that does not conflict with its purposes;
3. Article 17 conditions obtaining money by NGOs from abroad on the approval of the administrative body, which does not conform to the international norm. The role of the administrative body should be limited to control and supervision to ensure that the monies obtained from abroad are spent on activities specified by donors (Kandeel, 1999);

4. Article 34 obligates the association to notify the administrative body of the list of candidates for its board of directors. The administrative body would notify the association with those deemed to be excluded due to the failure to satisfy candidature conditions. Upon the failure of the association to comply, the administrative body may submit the matter to the committee set forth under Article 7 of the Law. Challenge to the committee's resolution shall be made before the competent court. The right of the administrative body to exclude candidates to the association's board of directors does not exist in most of the comparable laws in other countries, as this contradicts the international declaration on the right of individuals to establish associations, even if the exclusion was done for political security measures (Kandeel, 1999);
5. Article 38 obligates the board of directors to inform administrative authorities of all decisions taken by the board or the general assembly, which indicates government intervention;
6. Article 42 gives the right to the administrative body to request the court to dissolve the organization in seven instances. Law No. 31 limited dissolution to only four instances;
7. Article 68 did not specify how the General Union for Associations and Private Institutions²⁰ is established. Moreover, it gives the President of the Republic the authority to appoint the president and 10 of the 30 members on the board of directors. Since this Union assumes power over associations and private institutions, the Article gives the state the possibility of intervening in their work. These appointments contradict the international norm as well as the democratic practices existing even in comparable laws within the Arab world (Kandeel, 1999);
8. Appointment of the President and some members of the Assistance Fund for Associations and Non-governmental Organizations (Article 70) is also considered contrary to democratic practices (Kandeel, 1990);
9. The law should have considered an international right that exists in all laws regarding warning the association of any violation before requesting its dissolution; and
10. The law should have considered including an article giving the right to any citizen to access the association's files and reports, as this right is related to the transparency principle.

²⁰ The law states that private institutions are established by designating given funds for specified or unspecified periods to achieve objectives other than realizing profit.

However, Law No 153/1999 is superior to Law No. 32/1964 in the following respects (Kandeel, 1999):

1. The old law specified the fields of work for the associations, which did not include, for example, human rights or women's fields. On the other hand, the new law allows associations to seek to implement their purposes in various community development domains according to the rules and procedures set forth by their executive regulations (Article No. 9). Banned fields of activities are specified under Article 11;
2. The new law introduced three new dimensions for registration requirements. The first is that the judicial personality for the association is established by the application for registration (Article 6). The second is that objection of the administrative body can be challenged before the competent court (Article 6). The third is the right to have executive regulations without being bound by the model statute specified by the law;
3. In line with the international norm, the right to dissolve associations has been confined under the new law to the court (Article 42), while it was given to the administrative body under Law No 32/1964;
4. The new law expanded the privileges granted to associations and applied these same principles to all associations and foundations (Article 13);
5. The new law constrains the realization of personal benefits. This includes prohibiting the combination of the directorship of an association with employment in the administrative body or any other body having supervisory capacity (Article 35), and preventing directors from performing any work for account or in the interest of an association where they have a personal interest (Article 36);
6. The new law gave associations the right to establish among themselves activity-specific or regional federations (Article 64);
7. The new law necessitated convening the ordinary meeting of the association's general assembly within four months after the end of its fiscal year (Article 27); and
8. The new law assured transparency and accountability through requiring annual budgets and approval of final accounts by a chartered accountant should the budget exceed LE 20,000 (Article 21).

The above analysis indicates that Egypt's legal environment is not conducive to the development of NGOs. Table 3 shows that the annual rate of growth for NGOs registered within the Ministry of Social Affairs increased between 1900 and 1950 until it reached 14.7%. However, after the 1952 revolution, and the government intervention in the establishment and operation of NGOs, the rate started to significantly decrease. It decreased from 14.7% during the period 1925-1950 to 12.8% between 1950 and 1960. It continued decreasing at an accelerated rate after the tightening of governmental control over NGOs with the issuance of Law No. 32/1964 regarding NGOs, and Law No. 43/1979 regarding local governments. The annual growth rate for NGOs finally decreased to 1.7% during the period 1990-98. It is expected to continue declining after

the issuance of Law No 152/1999 regarding NGOs.

6.2.2.2 Laws governing cooperatives

NGOs registered within ministries other than the Ministry of Social Affairs may be classified into two types: cooperatives and other NGOs. The basis for this classification is that all cooperatives of the same type are governed by one law, while almost every one of the other NGOs is governed by a special law. Moreover, cooperatives cannot be classified as non-profit organizations. This section is concerned only with laws governing cooperatives.

Legislation for cooperatives started in Egypt in 1923, when Law No. 27 was issued to organize the establishment and operation of cooperatives, which were concerned only with agricultural cooperation. It was not before 1927, when other types of cooperatives as well as agricultural cooperatives were governed by the same law. Immediately after World War II, Law No 58/1944 was issued to address some shortcomings of the 1927 law. Again, the law concerned all types of cooperatives. This legislative principle of having one law to govern all types of cooperatives continued to prevail, even after the takeover of the 1952 Revolution. Therefore, Law No 317/1956 followed the same principle. However, four years later, Presidential Decree No. 1437/1960 and Law No. 267/1960 were issued establishing general cooperative institutions, one for each type of cooperation. These institutions were issued under Presidential Decrees. Presidential decrees were issued in 1960 establishing the general organizations for agricultural, consumption and production cooperation. Decrees establishing general organizations for housing, water resources and desert cooperation were issued in 1961, while the decree establishing cooperation in education was issued in 1962. Finally, presidential decrees establishing general organizations for agrarian reform, livestock production, and poultry production were issued in 1964. These general organizations were given supreme power regarding the application of the law of cooperation for each type of cooperative (Khafagi, 1970).

Hence, 1960 witnessed the state's new direction regarding the separation between administrative bodies supervising different types of cooperation. This required including an article in Law No. 367/1960 allowing the board of directors for each general institution the right to issue the internal regulations for controlling the type of cooperation to which it belongs. Unfortunately, these arrangements resulted in duplicating the control over one type of cooperative, and duplicating the articles governing this control: articles belonging to the law of cooperatives, and others belonging to the law of general cooperative institutions.

After the swift and comprehensive nationalization of medium and large economic organizations in 1961 and issuing the 1962 charter that instituted the inevitability of socialistic solutions for social and economic problems of underdevelopment, it was only natural to change the laws to conform to the new ideology. The General Organization Law No. 32/1966 was issued to replace the laws of the general and specialized organizations, including the general cooperative organizations. Accordingly, every general organization was given the right to independently establish economic units in the form of financial companies or cooperative societies, over which they would have supervision and control

rights.

In 1969, Law No. 51 was issued to govern agricultural cooperatives. However, agrarian reform and land reclamation cooperatives were not included. The former cooperatives remained governed by Law No. 178/1962, and the latter cooperatives, which were established according to Law No. 100/1964 regarding reclaimed lands, were governed by Law No. 317/1956. In 1980, Law No. 122 regarding agricultural cooperation was issued to replace Law No. 51/1969.

Law No. 122/1980, which is still in effect, includes 85 articles classified under 11 chapters. Only one amendment to the law has been effected since its issuance: Law No. 122/1981. A number of ministerial decrees were also issued to complement the law. The Explanatory Note for Law No. 122/1980 stated seven reasons for amending Law No. 51/1969. Two of these reasons reveal the desire to tighten government control over cooperatives and agriculture (ARE, 1997). These reasons are discussed below:

1. Correcting the deviations resulting from the wide authority of the cooperatives' boards of directors and the weak control exerted by popular and state authorities; and
2. The weak governmental control on cooperatives, as the wording of the law does not allow halting and checking decisions by the boards of directors, except in minor cases.

The contradiction between the desire to tighten government control over cooperatives and the fact that cooperation is a democratic movement explains the existence of some statements that contradict the four principles of cooperation within the Articles of the Law. Principles of cooperation agreed upon by the International Cooperation Alliance in its conference held in Paris in 1937 include open-door membership, democracy of management, distribution of dividend on dealings, and placing a ceiling on interest on capital (Khafagi, 1970). The following represents examples of these contradictions:

- Article 1 states that cooperation is a popular democratic movement. At the same time it states that cooperatives aim to develop agriculture in its various fields, and to participate in rural development in their work areas by raising the economic and social conditions of their members within the framework of the general plan for the state. It is clear that the two statements--within the same article--are contradictory. If cooperation were really a democratic movement, cooperatives' objectives would be to improve the economic conditions of their members rather than to develop agriculture or participate in rural development, and not within the framework of the general plan for the state;
- Article 6 does not allow establishing more than one agricultural cooperative of the same type and within the same cooperative structure through a decision of the concerned governor within his governorate. This condition contradicts the democracy of the cooperative movement as stated in Article 1;

- Except for cooperatives established according to the law, local units, and public sector units that are completely owned by the state, Article 8 does not allow legal persons to join cooperatives. This condition contradicts the first principle of cooperation regarding open-door membership;
- Article No. 43 allows the administrative body to appoint one member on the board of directors in each of the central, general, and specialized cooperatives. This intervention contradicts the second principle of cooperation on the democracy of management;
- Article No. 46 reserves 80% of the seats on the boards of directors of cooperatives for farmers who comply with the definition of a farmer as stipulated by Law No. 38/1972 regarding people's council. Article 52 gives the administrative body the right to dismiss the board of directors of a given cooperative. Article 53 gives the Board of Directors of the Central Agricultural Cooperative Union the right to appoint a temporary board to replace the dismissed board. These articles represent governmental interference in the internal affairs of cooperatives that contradicts the principle on the democracy of management;
- Article 66 allows the Government to commission government and public sector employees to work in cooperatives which again represents government interference in the internal affairs of cooperatives contrary to the principle on the democracy of management;
- Article 68 gives the administrative body the right to dissolve cooperatives or merge them if it is necessitated by the organization of the agricultural cooperative structure. Article 78 allows the President of the Republic to dissolve the Agricultural Central Cooperative Union upon request from the relevant administrative authority. These two articles represent serious intervention and control over the cooperative movement itself, in contradiction to the principle on the democracy of management.

The Government is in the process of issuing a new law to replace Law No. 122/1980 regarding agricultural cooperation. A number of drafts have been prepared by different entities. One of these drafts, prepared by the General Cooperative Union in cooperation with the German Friedrich Nauman Organization, has been carefully reviewed. The review reveals that this draft invalidates some of the freedom of cooperatives (points a, b, c, d, and g below). Moreover, it ensures bureaucracy of higher level cooperatives (points b, e, f, g, h, and i below), and contradicts some of the basic elements in the definition of cooperation (point j below):

- a) Article 7 considers that all basic cooperatives undertaking the same type of activity are members in the central cooperatives at the governorate level upon being established. The article did not consider whether these cooperatives would like to join. In fact, this article indicates that central cooperatives were not established by and according to the desire of basic cooperatives;

- b) The same article conditions the participation of basic cooperatives in joint cooperatives outside their governorates on the approval of the relevant Central Cooperative Union;
- c) Article 8 does the same regarding membership of basic cooperatives in the general cooperative. Again, there is no mention regarding the wish of cooperatives to join, or their role in establishing the general cooperative;
-) Article 9 considers that cooperatives undertaking the same type of activity are members in regional cooperative unions at the governorate levels as soon as they are established, again without reference to the will of these cooperatives, or their role in their establishment;
- e) Article 10 gives the Central Cooperative Union the right to appoint a temporary board of directors for lower cooperatives under the following conditions:
- Nominees for board membership are less than the number required;
 - Postponement of elections;
 - Abrogation of most of the board members by the Values Committee; or
 - Dismissing the board of directors.
- f) The same article gives the Central Cooperative Union the right to take over the functions of boards of directors of its member cooperatives for a period of one year if no new boards are elected after the terms for the old boards have lapsed;
-) Article 17 conditions the establishment of basic cooperatives on the Central Cooperative Union's approval of the socioeconomic feasibility study prepared by the founders upon its request;
- h) Article 18 states that internal regulations for all lower cooperatives are put forth by the Central Cooperative Union and approved by the General Cooperative Union;
- i) The same article states that the Central Cooperative Union puts forth rules for setting all types of remuneration for board members and staff of basic cooperatives;
- j) Article 19 gives the board of directors for basic cooperatives the right to temporarily close the acceptance of new members under given conditions, subject to the approval of the relevant Central Cooperative Union;
- k) Article 23 gives the relevant Central Cooperative Union the right to extend the call for the annual general assembly meeting to more than five months after the end of the fiscal year, which is the period fixed by the law; and

- l) Article 31 reserves 80% of the seats on the board of directors in agricultural cooperatives for those who qualify as farmers. A farmer, as defined by the draft law, is anyone whose owned or leased holdings do not exceed 10 acres or 20 acres, respectively.

6.2.2.3 Special laws governing other NGOs

Other NGOs, which are established according to special laws, also suffer from governmental intervention in their internal affairs. The review of laws governing the establishment and operation of the General Union for Poultry Producers (GUPP), Alexandria Cotton Exporters Association (ALCOTEXA), and the General Union for Producers and Exporters of Horticulture Crops (GUPEHC) reveals that the relevant administrative body is authorized to perform the following:

- Issue basic regulations for the organization, its divisions, branches and offices (Articles 7, 17 and 14 of the above-mentioned three laws, respectively);
- Appoint 25% to more than 40% of the board of directors (Article 14 of the first law, Articles 15 and 28 of the second, and Article 5 of the third law);
- Call for extraordinary meetings of the General Assembly (Articles 10 and 11 of the first and second laws, respectively);

Call or request the call for the meeting of the board of directors (Articles 18 and 19 of the first and second laws, respectively);

- To dissolve the Board of Directors and appoint a committee to take over its responsibility if the Board undertakes any act against its law (Article 26 of the law governing the General Union for Poultry Producers);
- The case is less severe for ALCOTEXA, where Article 29 of its law gives the administrative body the authority to object to the board's decision if it is against the law or its executive regulations, a matter that would temporarily halt the decision. In this case the chairman of the board may complain to the relevant minister, who will make a decision on the complaint within 15 days, otherwise the board's decision would govern. The chairman has the right to go to the court within 60 days; and
- Article 1 of the law governing the establishment and operation of GUBEHC annexes the organization to the Ministry of Agriculture. Article 5 gives the administrative body the authority to appoint the president of the board of directors and the general manager of GUPEHC.

6.2.3 NGOs' social/cultural environment

Rural areas have witnessed some development efforts during the last few decades. Moreover, the immigration of large numbers of farmers to neighboring countries that started during the oil boom of the 1970s, despite its side effects on agriculture, has resulted in higher incomes for rural families. However, rural areas still suffer from low standards of living as well as low social and cultural status. Social, cultural and economic differences among rural and urban areas are still large. Instead of becoming urbanized, large rural-urban immigration is ruralizing the outskirts of urban areas. Symptoms of low social and cultural situations include:

- High rates of illiteracy (56.9% compared to 26.6% in urban areas in 1996²¹);
- Lack of pure drinking water (30.6% of rural people do not have pure drinking water as compared to 3.5% in urban areas in 1995²²);
- High rates of mortality among children under five years (116 per 1,000 as compared to 64.5 per 1,000 in urban areas in 1995²³);
- Low rates of school regularity (73.1% as compared to 88.1% in urban areas in 1995²⁴);
- Higher rates of poverty (58% of people under the poverty line, amounting to 23% of the total population in Egypt, lived in rural areas in 1996²⁵);
- Low technical ability among unskilled labor in rural areas;
- Prevalence of non-development-conducive customs and traditions;
- Immigration of most of the rural educated people outside rural areas;
- Domination of complex extended families and strong blood ties and intimate relationships among relatives and friends. These phenomena are reflected in higher rates of sustenance and disguised unemployment;
- Predominant spirit of dependence;
- Low social status of women;

²¹ Institute of National Planning, Human Development Report for 1996: Egypt, Al-Ahram Commercial Press, Cairo, 1998, Table 1.0, p. 3.

²² Ibid.

²³ Ibid.

²⁴ Ibid.

²⁵ Institute of National Planning, op. cit., p. 2.

- Relatively higher percentage of polygamy as compared to urban areas;
- Relatively low standard of schools and schooling as compared to those in urban areas;
- Relatively higher rate of child labor as compared to urban areas;
- Low level of cleanliness; and
- Absence of cultural institutions such as cinemas, theatres and social/sporting clubs.

The problem is even more complicated, as poverty in rural areas is a multi-facet problem. Causes and results of poverty are reflected in a number of socioeconomic indicators constituting the salient features of rural Egypt. The first of these indicators is the very low size of agricultural land per head. The average agricultural land per capita in rural areas hardly reaches 0.2 feddan. Low investment is the second indicator. Fixed investment in rural areas hardly amounts to 8% of Egypt's total, while their contribution to GDP is more than 16%. Moreover, most of the producers in the agricultural sector suffer from insufficient numbers of credit facilities and problems involved in acquiring them. During the years preceding ERSAP, the relative share of credit for agricultural activities amounted to only 9% of total credit availability. This percentage decreased to 2.5% during 1995-96. Low wages in rural areas is the third indicator. The average annual wage for agricultural labor in rural areas amounts to half the national average. Differences in productivity may, to a great extent, explain this wage differential. However, the lower productivity in rural areas is a result of many variables, of which labor might not be the most important. The continuous changes in the mode of life and work customs, along with low wage rates, combine to increase the severity of poverty (INP, 1996).

These low levels of social and cultural status had their effect on the activities of NGOs as represented by the small number of NGOs and the limited field of their work in rural areas, especially when compared to those working in urban areas. The number of NGOs in rural areas is less than half that in urban areas, despite the fact that rural population by far exceeds urban population, and their field of work is narrower²⁶. These factors actually produced the disinclination of rural people to participate in NGO activities. This phenomenon was reported by El-Helbawy (1998), who attributed it to historical and other factors prevailing in rural areas.

Historically, he stated, governments were keen to prevent rural people from participating in any decision-making process related to their societies. Moreover, abuse of authority in rural areas has always been the norm by governing and administrative bodies. Over the years, these factors have institutionalized suspicion and lack of trust in governments and government officials, fear of dealing with them, and disinclination of participating in any group action related to the government. Other factors reported by El-Helbawy included:

1. Low level of division of labor, strength of blood ties and intimate relationships, solidarity among people, and the prevalence of extended complex families, which

²⁶ See Section 2.5.

enabled satisfying individual needs within a system with a high degree of self-sufficiency. These factors supported their weakened desire for organizations to help them help themselves;

2. Concentration in urban areas of educated people, who represent the forerunners in establishing and operating NGOs;
3. Rural people's lack of trust in many of the leaders and members of boards of directors of existing NGOs, especially those who have been serving on the boards for long periods of time, extending to more than 10 years;
4. Lack of attentive and conscientious leaders; and
5. Low level of awareness among rural people of the nature of the work undertaken by existing NGOs. Some of the people are not aware that such organizations exist.

6.2.4 Economic environment of NGOs

The performance of the Egyptian economy improved significantly after adopting the open-door policy in the mid-1970s. Real GDP rose by an average of 9% per year from 1974 to 1981 (EIU, 1993/94). However, the main factors nurturing this high rate of growth were oil exports, Suez Canal tolls, tourism receipts and workers' remittances. The economy was heavily dependent on external factors and hence became vulnerable to political developments. Moreover, new investments were mainly confined to the services sectors rather than the commodity producing sectors.

With the collapse in oil prices in the early 1980s, the economy started to slow down. Moreover, the prevalence of chronic economic problems led the economy to stagnation. These problems included a high rate of inflation, foreign exchange shortages, balance of payments and budget deficits, massive foreign debt, and distorted prices. Faced with these problems, and under considerable donor pressure, the Government started a comprehensive Economic reform and Structural adjustment Program (ERSAP) with the assistance of IMF and the World Bank. The main objectives of this program were to correct internal and external economic imbalances. The first phase of the Program (ERSAP I) focused mainly on macroeconomic reform with the main objectives of restoring economic equilibrium, mobilizing savings, and improving allocative efficiency. Policies and measures adopted in this context included:

1. Liberalizing the interest rate since January 1991, and discontinuing the system of administrative credit allocation;
2. Decontrolling the foreign exchange system, followed by establishing, in October 1991, a single currency market in which the foreign exchange rate is determined by market forces;
3. Reducing the state budget deficit, measured as a ratio to gross domestic product, through enhancing public revenues and rationalizing expenditures which include lowering subsidies, separating public sector organizations and economic units' investments from the state budget, and reorganizing the public business sector;

4. Using indirect--rather than direct--means to manage monetary policy. An example is the use of treasury bill auctions for managing liquidity since January 1991, instead of borrowing from the Central Bank;
5. Improving transparency and increasing efficiency of the stock exchange, including exempting share dividends of listed equities on the stock exchange from the general income tax since mid-1992 (to increase competition of shares against bank deposits and other similar financial instruments);
6. Adopting a more effective strategy for resource mobilization regarding foreign capital and allowing for internal capital mobility;
7. Improving the effectiveness of bank supervision, and strengthening the capital of public sector banks;
8. Adjusting relative prices towards market levels to enhance allocative efficiency;
9. Moving towards a gradual liberalization of foreign trade, including removing non-tariff barriers;
10. Gradually restructuring and privatizing public sector enterprises; and
11. Implementing administrative and legislative reforms to help create a favorable regulatory environment.

The second phase (ERSAP II) was scheduled for completion between 1993/4 and 1995/6, within the framework of extended arrangements with the World Bank and IMF. Its main objective was to foster private sector development to enhance economic development. Therefore, it focussed on activating the supply side and in turn enhancing the productivity of the domestic economy, realizing the utmost potential, improving export performance; absorbing unemployment; and raising per capita income while maintaining a fair distribution of development proceeds. Policies and measures of ERSAP II included the following:

1. Dismantling remaining price controls;
2. Unifying corporate laws;
3. Enacting consumer protection and anti-trust legislation;
4. Speeding up the privatization of public sector enterprises;
5. Removing impediments to the operation of foreign trading companies;
6. Simplifying investment approval procedures;
7. Facilitating the procedures for and granting more incentives to investment in new industrial areas and disadvantaged regions; developing the randomly inhabited areas and raising their living and cultural standards;

8. Fine-tuning bank exposure and solvency regulations;
9. liberalizing the insurance market;
10. Reforming the insurance market; and
11. Narrowing the dispersion in import tariff rates;
12. Revising the role of PDBAC to concentrate on banking functions, leaving distribution of agricultural inputs to the private sector. In-kind loans provided by the Bank were replaced by monetary loans at commercial interest rates as part of the deal to gradually abolish agricultural subsidies. However, the Bank was allowed to revitalize its role in fertilizer distribution after the unjustified increase in its prices and the disturbances in its distribution;
13. Speeding up distribution of reclaimed lands at low prices to the landless, especially among youth and government employees willing to resign their jobs; and
14. Adjusting the agrarian reform laws to enable landlords to obtain fair cash rents and exercise their right to reclaim their lands from lessees.

According to a recent study (Robinson and Gehlhar, 1994), substantial welfare gains have been realized from policy liberalization; aggregate welfare improved, and agricultural value added increased. Major changes have taken place in the structure of agricultural production and input use. According to Hazel et al. (1994), the strategy of export promotion would increase the impact of reform. However, increased exports would not necessarily increase the demand for on-farm labor. Moreover, a great deal of structural adjustment is needed within agriculture as the economy responds to economic reform.

The private sector, in response to economic reform, expanded its participation in the marketing and distribution of agricultural input and output. While agricultural markets are not generally well integrated, studies indicate that wheat and maize markets are more integrated than the rice market (Badiane et al, 1994). This might be attributed to the fact that reform in wheat and maize marketing preceded reform for rice. Preliminary data indicate that, after a relative stagnation for almost 10 years, the production of principal food grains has been growing at a rapid rate since the late 1980s. This significant increase may be partly attributed to the increase in domestic wheat prices closer to their international levels in response to economic reform. Private sales and public deliveries comprising the share of marketed surplus have increased in response to the liberalization policy. This increase in market surplus has mostly been seen among middle-sized farmers, who might have realized most of the gains of liberalization. No significant change has been noted in the marketed surplus for small farmers, which might indicate lower gains from marketing reforms.

Cotton suffered during the first half of the 1980s from the appreciation of the real exchange rate and increased direct taxation, along with the higher decline in the cotton relative farm-gate prices as compared to the decline in its relative international prices. While international prices of cotton improved during the second half of the decade, the increase passed on to the farmer was insignificant. Moreover, the real exchange rate

further appreciated and direct taxation increased.

After liberalizing the cotton sector, cotton farm-gate prices offered by the Government as a direct protection to the farmer, remarkably improved, regardless of the sharp decline in its international prices.

Recent developments of particular interest to rural areas were the adjustments of the Agrarian Reform Laws in 1995 that liberated land rent, resulting in high increases in land rent. Moreover, fertilizers and pesticide prices have significantly increased. These developments have had significant effects on the escalation of production cost. While such development might be unfavorable for farmers, it might encourage them to activate their cooperatives in order to moderate market forces to their benefit, and to obtain better economic and social services.

Hence, the economic milieu within which NGOs perform their activities has significantly improved after liberalization. However, more needs to be done to achieve a suitable environment. A 1994 World Bank report specified three economic factors among five identified as major constraints to privatization and private sector development: policy predictability, macro-economic stability, and finance. The report added that the major parameters of the Egyptian economy were not yet clear to the average entrepreneur. The rules of the game were still unclear, a matter that contributed significantly to the risk faced by businessmen. The report identified factors that affect sustainability of the macro-economic framework. These factors included the rapid accumulation of public domestic debt to finance budget deficits, the continuing pressure for increasing expenditure in social areas, and the expected decline in external financing flows. Regarding finance, the report stated that borrowing from the banking system was almost the only finance and credit product mix available to the private sector. The limited number of financing instruments and the short loan maturity (five years is the longest) added to the problem. The report stated that small enterprises received virtually no formal credit and that credit was rarely given to certain sectors. Sources of private corporate finance such as securities market and reserves and surpluses of the social insurance and public pension fund systems were either barred by regulatory and institutional factors or beyond the reach of the private sector.

6.2.5 Administrative Environment of NGOs

The administrative milieu for NGOs comprises the administrative environment within the society at large, and the environment within administrative bodies specified by law to supervise and monitor their operation. The establishment of a special Ministry for Managerial Development entrusted with the improvement of the state managerial and administrative abilities over 25 years ago shows the Government's recognition of such a need. However, the same managerial and administrative problems still persist. These problems include bureaucracy, over-employment, low-quality work level of civil service, lack of on-the-job training, misconceptions regarding some of the government's functions, lack of order, inappropriate organization within many of the governmental agencies, multiplicity of administrative bodies supervising and/or monitoring the same types of organizations, and informal rather than formal rules dominating many of the governmental offices and agencies.

The government administrative system constitutes a large and complicated bureaucracy. Bureaucracy causes improper response and/or nonconformity of actions taken at lower levels of the government with government attitudes and policies, which negatively affects the functioning of the government itself. Moreover, it causes delays in actions and creates problems within all institutions and organizations in all sectors of the economy. Over-employment results in ineffectiveness and inefficiency in carrying out government functions. In public sector enterprises, it constitutes a major constraint to the government's program for privatization.

The low level of work quality in civil service resulting from government employees' dissatisfaction negatively affects the performance and efficiency of institutions and organizations dealing with government offices and agencies. Lack of training, in addition to being a factor behind the low quality level of civil service work, constitutes another obstacle to the government's role. Training is needed in various areas, from policy analysis to policy execution and day-to-day government work. An employee whose experience was gained within the Arab socialism ideology cannot properly function under a western kind of ideology without appropriate training. Lack of training might be among the reasons behind the improper responses and lack of conformity among low- and high-level government officials.

Some misconceptions are evident regarding the tax system function, a matter contributing to the constraints facing the proper functioning of the government. Legal tax rates are very high, up to 70% on commercial profits and personal income. While tax holidays are common for investment in new industrial areas, the tax burden is too heavy to be carried once the holiday is over. Actually, high tax rates induce companies operating in new industrial areas to close their business and reopen under different names after the tax holiday ends. In other areas, these high rates induce organizations to escape taxes through illegal operations.

Lack of order and discipline negatively affect labor productivity in the orderly functioning of government offices and agencies. Appropriate organization allows the division of labor and distribution of work that enables institutions to achieve effectiveness and efficiency in performing their functions. While the Ministry of Managerial Development has achieved some success in this respect, a large number of governmental agencies still lack appropriate organization.

The jungle of laws governing human activities in Egypt led to the multiplicity of administrative bodies supervising and/or monitoring the same organization. To give an example, eight laws and 10 presidential decrees govern establishing and operating cooperatives. Moreover, a number of other laws include articles that govern cooperatives' actions. Examples include Law No. 43/1979 regarding local governments, which instituted the appointment of one-third of the members of boards of directors for NGO regional unions by the concerned governors.

What make things even worse is the lack of appropriate legislative support for the administrative bodies in some cases and lack of discipline on behalf of people dealing with government agencies.

Laws governing NGOs give specified administrative bodies the right to intervene in their internal affairs.

6.3 Internal Problems

6.3.1 The Cooperative Concept

The concept of cooperation has been altered²⁷. Cooperation, as experienced in Egypt for more than 40 years--especially after adopting the Arab socialism ideology--is no longer a voluntary, self-governed democratic movement with an open-door policy. Cooperatives have been and still are following the socialistic model of cooperation. Members of cooperatives have joined either by force of law (as was the case with agrarian reform cooperatives), or were indirectly forced to join by regulations limiting provision of agricultural services to members of cooperatives. Moreover, credit cooperatives, which are the largest in number and size of membership among all multi-purpose cooperatives, do not distribute dividends, and governmental employees rather than cooperative members or their own appointed employees manage the cooperatives.

6.3.2 Financial Problems

Most of the NGOs belonging to the Ministry of Social Affairs suffer from lack of finance. El-Helbawy (1998) reported that 62% of the sampled organizations²⁸ had insufficient budgets to carry out their activities, compared to 13% with sufficient budgets, and 25% whose budgets were, to some extent, sufficient. Regarding budget size, he reported that only 38% of the organizations had budgets of more than LE 10,000, compared to 22% with budgets of less than LE 1,000. Organizations having budgets between LE 1,000 and LE 3,000 were 19%, and 21% have budgets between LE 3,000 and LE 10,000. Almost one-third of the sampled organizations (31%) had a budget of LE 3,000 or less. Regarding sources of finance, he found that 65% of the sampled organizations depended completely on their own finance while 6% depended completely on governmental finance. The balance (29%) depended on a mixture of their own, governmental and/foreign finance. The study also indicated that, where organizations were obliged to stop their activities, lack of finance was behind 50% of the cases.

²⁷ See Section 5.3.

²⁸ El-Menoufiya Governorate was selected as the study area because of its average rates in human development and degree of ruralism, making it representative of Egypt's rural areas. Two out of the nine districts (marakez) were selected for the study. The studied sample represents 50% of the NGOs in the two selected districts.

Agricultural cooperatives, on the other hand, depend entirely on their own sources of finance. Our study's rapid reconnaissance survey revealed that credit and agrarian reform cooperatives depended for their finance on fees collected on services' provision, undistributed dividend, returns from productive projects, and members' shares. PBDAC loans were the main source of finance for land reclamation cooperatives. Sources of finance for specialized cooperatives differed by the services they provided. For livestock production cooperatives, sources of finance comprised members' shares, their capitals, cooperatives' profits, and PBDAC loans. For agricultural mechanization cooperatives, sources of finance constituted fees paid for renting machinery and their share of profits from joint and central cooperatives. Sources of finance for fruit and vegetable cooperatives included members' shares and loans from PBDAC.

Of the three types of multi-purpose cooperatives, only land reclamation cooperatives and some of the specialized cooperatives get credit from PBDAC. This might be due to the fact that the Bank is presently (after liberalization) extending loans at the commercial rate rather than the subsidized rates applied before liberalization.

Among multi-purpose cooperatives, credit cooperatives are the only types that do not extend cash or in-kind credit. Agrarian reform cooperatives are more active in extending cash and in-kind credit to their members as compared to land reclamation cooperatives. This credit extension difference among multi-purpose cooperatives might be attributed to differences in their financial situations. However, most of the multi-purpose cooperatives realize profits.

So, it may be concluded that while NGOs under the Ministry of Social Affairs suffer significantly from lack of sufficient finance, cooperatives are in a much better situation. However, more finance is needed for cooperatives, especially in extending credit to their members.

6.3.3 Managerial Problems

In his analytical study about managerial problems of cooperatives, El-Naggar (1969) found that lack of appropriate organization, division of labor, and the need for unity of command and control were among the main factors behind the failure or floundering of cooperatives. The importance of management in the success of cooperatives motivated promoters of the cooperative movement to consider adding "application of scientific management" to the principles of cooperation. Samah (1981) reported that factors negatively affecting the management of cooperatives included lack of awareness among managers and members of board of directors regarding their responsibilities as well as low levels of loyalty towards their cooperatives.

El-Helbawy (1998) estimated the organizational effectiveness of the randomly selected sample of NGOs, using three measures in estimating organizational effectiveness:

1. The ability of the organization to mobilize resources needed for carrying out its activities;
2. The ability of the organization to utilize available resources in carrying out its activities; and

3. The degree of the organization's participation in rural development within its locality.

The results he obtained revealed that about 62% of the organizations rated below average and 38% rated above average in mobilizing resources. Ratings for utilizing the available resources were 46% below average and 54% above average. Organizations participating in local rural development were rated 57% below average and 43% above average. Giving these measures equal weights revealed that, regarding organizational effectiveness, 55% of the organizations rated below average and 45% rated above average. This result reveals the low level of organizational effectiveness among NGOs working in rural areas.

The low level of organizational effectiveness actually reflects the existence of managerial problems. These problems might be summarized in the following:

1. At the General Assembly level, problems include the low attendance level and absence of pragmatic control or follow up. In his study, El-Helbawy reported that members attending the General Assembly meetings were less than 50% for about 21% of the organizations and more than 75% for about 41%. The percentage of attendance is even lower for cooperatives. Actually, there is not sufficient room to accommodate all of the multi-purpose cooperatives' members;
2. At the board of directors' level, the main problem is the low level of voluntary participation. Regarding NGOs registered within the Ministry of Social Affairs, El-Helbawy reported that the percentage of non-opposed candidacy for the board of directors amounted to 60%. Moreover, 34% of presidents hold their posts for more than 10 years. On the contrary, our survey revealed that nominations were satisfactory for the boards of directors for credit and agrarian reform cooperatives, while they were average for land reclamation cooperatives. Except for livestock production cooperatives, where they were low, nominations for specialized cooperatives were average. The survey also revealed that the boards of directors were active in agrarian reform, livestock production and fruit and vegetable marketing cooperatives, while they were less active for credit, land reclamation, agricultural mechanization, and field crop marketing cooperatives. Hence, it could be concluded that level of voluntary participation is low in NGOs registered within the Ministry of Social Affairs, while it is average-to-good for agricultural cooperatives;
3. Presidents of boards of directors for NGOs registered within the Ministry of Social Affairs mainly perform the managerial functions themselves. El-Helbawy reported that presidents of about 53% of the sampled NGOs had university degrees and about 10% had degrees higher than secondary school. At the extreme, he reported that about 6% had M.S. or Ph.D. degrees, and a similar percentage had no degrees. The remaining 25% had secondary school certificates or lower certificates. About 34% of them had been holding the office for more than 10 years, and 37% were members of other NGOs. Conversely, hired managers, who were seconded employees from the Ministry of Agriculture with their remuneration shared by the Ministry and the cooperatives, managed

multi-purpose cooperatives. Managers of multi-purpose cooperatives, by virtue of being government employees, would be inclined to be more loyal to the government rather than to the cooperatives; and

4. Lack of training is a shared problem among all types of NGOs. While central and general cooperatives supposedly organize training programs for member cooperatives, very few courses are conducted, and the majority of cooperative members and managers are in great need of training.

7. NON-GOVERNMENTAL ORGANIZATIONS AND MEETING FARMERS NEEDS: POLICY RECOMMENDATIONS

7.1 Defining the Role of NGOs in a Liberalized Economy

Liberal economies give the market the upper hand in the economy (i.e., all deals must be undertaken through the market). Hence, the role of NGOs within a liberalized economy may be summarized as having two functions. The first is to organize farmers in institutions that effectively represent the collective interests and needs of their members, improve their technical and economic efficiencies, moderate market forces to their benefit, and provide them with social and economic services that are seriously lacking in rural areas. The second is to organize volunteers to aid rural people in improving their economic, social and cultural conditions, and to develop their natural and social environments. Such aid could be in the form of direct assistance, provision of social and economic services, or through improving the natural and social environments.

The first type of institution is represented by cooperatives, as well as producers, exporters, and marketing associations. Other NGOs working in rural areas (those registered within the Ministry of Social Affairs) represent the second type of institution. All types of these NGOs already work in rural areas. Since the analysis indicated that, in their present form and within the present milieu, they are incapable of effectively and efficiently performing their functions, the question that arises is: What must be done to enable the existing NGOs to function appropriately and provide needed support to farmers and other rural people?

The changes needed to enable rural organizations to function appropriately and give the necessary support to farmers and other rural people fall into the following two categories:

1. The role of the organizations. Confusion regarding the role of cooperatives cannot be addressed simply by changing laws and regulations. Farmers also need to understand that they must depend only on themselves to establish and manage their cooperatives. Some improvements have been introduced since the early 1980s when the GOE passed legislation to establish and regulate a dynamic economy led by the private sector. However, intensive efforts are required in the form of information, education and extension to motivate people to actively participate in rural organization activities. Awareness of these organizations working in villages is not by itself sufficient to encourage people to participate. It is of utmost importance to disseminate information, educate people, and provide them with extension services so that they can see and hear about the benefits of voluntary cooperation.

2. The political, legal, social, cultural, and economic environments within which the organizations perform their activities. Of greatest importance are the political and legal environments which are reflected in complex and confusing laws governing rural organizations. These laws require that rural organizations be structured and operated in a fashion that diminishes their capacity to perform needed, useful, and valuable services.

Egypt's political system has been undergoing a very slow change since the mid-1970s. With the introduction of President Sadat's open-door policy, different politically oriented platforms were allowed within the ruling Arab Socialistic Union. Allowing the formation of political parties of different orientation followed this move. President Sadat then established a new political party, Misr Socialistic Party. All members of the Arab Socialistic Union deserted it to join Sadat's new party. Shortly after, he established another party, the National Democratic Party, leaving Misr Socialistic Party to a former colleague, one of his ministers. Almost all members of the Misr Socialistic Party followed Sadat to the new party, leaving the old party to vanish, especially after the death of its caretaker.

Some improvements have been introduced since President Mubarak assumed office in the early 1980s. People have relatively more freedom to express their opinions and criticize the Government. Regulations for issuing newspapers have been relaxed slightly. However, the essence of the political system is still, more or less, the same. Establishment of new parties is still kept under control, as new parties must obtain approval of a government-controlled committee.

Therefore, the slow political change that started more than 20 years ago needs to be accelerated to suit the new ideology. As mentioned above, if Egyptian society mixes ideologies, its development would be curtailed.

Laws tightened government control over the organizations and limited their freedom, not only in carrying out their activities, but also in establishing new ones. Unfortunately, the newly issued Law No. 153/1999 replacing Law No. 36/1964 regarding NGOs still allows government control and intervention, leaving little freedom for NGOs to develop and perform their functions appropriately. Again, these laws should be amended to suit the ideology behind the adoption and implementation of economic reform of the 1990s. In the 1970s the Government started building new legislation aimed at establishing and regulating a dynamic economy led by the private sector. However, the experiences under Law No. 53/1999 indicate that something is going wrong regarding this buildup of new legislation. Socialism still influences the legal environment, not only for NGOs but also for all institutions.

Reforming the social/cultural milieu may be the most complicated issue for improving the environment for NGOs. This reformation is much more complicated and demands more finance than the economic reform, as most of the investment requirements are for developmental and institutional projects which do not produce financial benefits. These investments would need to be financed by the government or local and foreign

grants.

Implementing a well-designed program to improve people's awareness of the concept and functions of NGOs and to motivate their participation in common actions might be of great importance for improving the social/cultural milieu for NGOs. We deal with this issue in the following section.

The economic dimension of the NGOs' milieu is the best among all of its dimensions. However, and notwithstanding the daring ERSAP, more needs to be done. Examples of issues that need to be tackled or completed include privatization, commodity grading and standardization, market organization and supervision, and consumer protection.

Our analysis revealed that the administrative milieu for NGOs is not conducive for them to perform their functions effectively and efficiently. Hence, a specially designed program should be implemented to reform the administrative environment for the society as a whole and for NGOs in particular.

7.2 Recommendations

Rural organizations have a positive role to play in rural agricultural and economic development. However, the dwindling role of the government as a primary actor in day-to-day economic decisions affecting agriculture has not been adequately balanced by an increase in activity by rural organizations to provide economic and other services to their members. The existing structure and operations of rural organizations combined with the changing political, legal, social, cultural, economic, and even administrative environments have, for the most part, resulted in a shortfall in support for members. Small remedial actions will likely fail as systemic change is needed. We recommend the following series of significant activities that offer a very good opportunity to achieve the kinds of voluntary rural organizations that can provide effective services for their members.

1. Political and Legislative Programs

The Government should pass new legislation to encourage the growth of NGOs, cooperatives, and WUAs. In particular, the following laws governing cooperatives in various fields need to be revised: Law No. 153/1999 for associations, Law No. 122/1980, Law No. 109/1963, Law No. 110/1963, Law No. 10/1981, Law No. 112/1981, Law No. 100/1964, and Law No. 123/1983. A study should be conducted to identify ways to reform cooperatives that are consistent with the principles of cooperation. The results of this study would provide the foundation for the design and implementation of a legal reform program that would revise relevant laws.

2. Information, Education, and Extension Programs

Education and extension efforts are needed to demonstrate to rural people how they can improve themselves economically through rural organizations, how organizations can be established, how they can be financed, properly managed and operated to their members' benefit.

These efforts can be coordinated through pilot research and extension projects in the two governorates surveyed for this study, El-Fayoum and El-Sharkeyia. The pilot project should include one or two rural organizations in each governorate.

Among the activities that should be included in the pilot projects are the following:

- Input supply. Determine the input mix needed by members and identify supply sources.
- Establish marketing links and/or supply arrangements with area enterprises needing sources of agricultural output.
- Determine how to balance the benefits accruing to input purchases and product marketing that are retained by the organization versus benefits passed along as savings or added profits to members.
- Identify services demanded by members and initiate fee-for-service offerings to maintain financial sustainability.
- Determine the appropriate funding mix of membership fees and service fees.
- Improve financial management skills of organization managers.
- Promote the activities of the organizations to increase membership.

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