Revitalizing the Ancient Historical City of Alexandria, Arab Republic of Egypt

Context
The Alexandria governorate’s capital, also named Alexandria, is the second-largest city in the Arab Republic of Egypt and has a rich history. More than 95 percent of the governorate’s population of about 3.8 million lives in the city, and the region houses 40 percent of all industrial activities in Egypt. By 1997, Alexandria’s infrastructure, services, and economy were in serious decline after decades of low investment in roads and bridges, water and sanitation systems, and electricity and transportation and networks. Citizens lacked adequate access to education and health. Heavy traffic clogged the city. Nearly a third of residents, including more than a million in 40 squatter settlements, had limited access to water, electricity, and sanitation. Sanitation pipes spewed more than a million tons of raw sewage and industrial waste annually into nearby Lake Mariout and the Mediterranean Sea. Businesses found it difficult and often unprofitable to invest in the city, and tourists, who used to flock to Alexandria’s beaches and other attractions each summer, went elsewhere.

Development Challenge
The development challenge for Alexandria is government inefficiency. In 1997 in Alexandria, entrepreneurs who wanted to register new businesses and obtain licenses had to go through 132 steps, including getting approval from 18 government institutions. The average time for such licenses was seven months, and the process could take as long as a year.

The Intervention
Mohamed Abdel Salam El-Mahgoub became the governor of Alexandria in 1997. During his nine years in office, Mahgoub widened and upgraded roads and bridges, privatized solid waste management, commissioned better schools and hospitals, and applied policies that created jobs. His reforms attracted billions of dollars of investment as he set up three industrial areas, provided cheap electricity to businesses, and offered tax incentives. Although priorities shifted under the succeeding governor, the steps Mahgoub took to earn public trust and his efforts to achieve greater transparency and accountability in public services offer lessons for governors in similar situations.

Delivery Challenges
This delivery note analyzes the following key challenges the project faced during implementation and examines how they were overcome:
1. **Voice and accountability.** The centralized authoritarian system that had been running Egypt for decades had caused the public to develop a severe mistrust of government. There were insufficient mechanisms to ensure transparency and hold service providers accountable.

2. **Bureaucratic structure.** Alexandria’s decline started decades earlier with President Gamal Abdel Nasser’s nationalization policies. Leading a series of state-led development programs, Nasser in 1954 introduced land reform laws, nationalized private industries, and created a centralized bureaucracy. Every piece of paper had to be stamped in Cairo. Egypt’s centralized political system made it difficult for local administrators to set priorities or implement projects. The centralization extended to Alexandria’s budget. In Egypt, most local taxes went directly into the central government’s coffers. The Ministry of Finance then disbursed part of these funds back to each governorate according to budgeted allocations. In general, governorates received back only about 15 percent of their collected national revenue to spend on local projects.

3. **Corruption.** The need for bribes made the application process for things like building permits and business licenses even more odious. Business owners who could not afford the costly bribes to secure licenses instead paid smaller amounts to police officers to operate without licenses. Corruption was especially acute among municipal employees who issued building permits.

### Addressing Delivery Challenges

The following steps were undertaken to ensure **public accountability**:

- When he took over in 1997, Mahgoub sought to change outlooks and build popular enthusiasm. He worked to build alliances with influential groups and used high-visibility projects to demonstrate public responsiveness. He reached out to businessmen, university professors, and development experts. His initial steps focused on high-visibility efforts to repaint city buildings, widen roads to ease traffic congestion, and clean streets. Mahgoub’s plans started from both sides of the city, and he insisted that projects be implemented in every district and area. Drawing on ideas from his visits to cities in Europe and the United States, Mahgoub put innovative development plans in place. For instance, after seeing Baltimore’s waterfront development in 2000, he planned to develop Alexandria’s harbor into a complex of marinas, restaurants, and shops.

The following steps were undertaken to address **overly bureaucratic structure**:

- Mahgoub also wooed the private sector. A few months into his term, Mahgoub met with representatives of the Alexandria Business Association and Borg El-Arab Investors Association and offer a quid pro quo: he promised to streamline business license application processes, issue more building permits, and address corruption in return for business contributions to a city development fund. Although the arrangement was unusual, the local business community agreed and contributed about US$18 million between 2002 and 2006 to improve schools and clinics. The contributions bolstered Mahgoub’s fiscal independence and allowed him to initiate projects to renovate infrastructure and provide better services.

- In 2004, as the central government took steps to decentralize education, Mahgoub implemented a pilot project in 30 city schools. He created a consulting committee comprising the minister of education, the governor, and 16 community leaders. The committee met four times a year to oversee schools. Below this tier, Mahgoub created district committees that met monthly to oversee schools at the district level. He also appointed a board of trustees in every school. Each board included the head of the school, faculty members, and parents. Citizens were thus able to voice their opinions during board meetings and actively participate in the school’s administration.

The following steps addressed **corruption**:

- Mahgroub first advertised an open-door policy for citizen complaints about bribery or abuse and then began following up publicly on serious allegations of corruption. In one widely publicized case, police arrested 14 municipal employees. Mahgoub pushed for transparent handling of government projects—for instance, setting clear and systematic procedures for accepting and evaluating bids. The governate began announcing project details to the elected local council, business associations, and the press. In 2002, the governate revitalized its office
to discourage corruption. Modeled along the lines of the Central Security Monitoring Office in Cairo, the office hired 30 engineers, agricultural specialists, doctors, and environmental experts and equipped them with cameras to record and monitor the progress of projects and the performance of employees and contractors.

To build rank-and-file support, the governorate improved job conditions and pay for government workers. Leadership visited each department, bought air conditioners, replaced broken furniture, and brightened workplaces. Outdated and unneeded documents accumulating for half a century were removed. To get around Egypt’s central government control of municipal workers’ salaries, Bassiouny and Mahgoub awarded employees bonuses financed through the city development fund and local taxes. By the end of 2002, employee remuneration increased by more than 150 percent.

Bibliography