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## CONCLUSION



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**“There is a wealth of statistical material  
on the Egyptian economy, but little is usable without  
much processing and elaboration.”**

Robert Mabro, *The Egyptian Economy 1952-1972*, p.12

The objective of this book was to conduct a micro-level study of the Egyptian *baladi* bread subsidy system and to identify the vested interests of multiple actors in the supply chain. The study unmasked the multiple and often conflicting interests of different actors across the supply chain, where notions of power and rent-seeking were directly and indirectly implicated in the smooth functioning or distortion of the system.

These activities were best understood in terms of the leakage, wastage and poor regulation of the *baladi* bread system where the economic and political incentives of different actors in the supply chain would divert resources away from the intended end-user. Intermediaries such as bakers, millers, private traders, mayors and bakery inspectors amongst others, would affect the distribution and generation of rents across the supply chain using their bargaining power to influence outcomes. This process thereby obstructs any attempt to radically reform the subsidy system in a way that would impact the interests of these intermediaries. Therefore, the working of the *baladi* bread supply chain is dependent on the political agreement reached between intermediaries and the state in order to administer the subsidy, but equally, whenever the interests of these intermediaries are at risk, they are able to disrupt the system.

The close scrutiny of intermediaries in supply chain processes governed by the state's finances had a major bearing on the functioning of the *baladi* bread subsidy. It demonstrated an apparent disparity in how different actors' interests and incentives manifest at each stage of the system. In fact, it was through the exerted power of a small group of intermediaries that rent-seeking emerged within the system. The advantage of using a political economy approach is that it allowed me to identify the intermediaries that could potentially lose out in any reform process to the supply chain. The actors that were selected and studied here represent a preliminary picture of how intermediaries seek out rent streams in the *baladi* bread supply chain. Future research can look into how other intermediaries exert similar functions across the supply chain.

The empirical data was built around the analysis of publicly available documentation and archival data as well as interviews with different actors in the *baladi* bread system. The research results and analysis offered four contributions to the political economy literature on state-based subsidy systems. Firstly, they demonstrated a more differentiated and nuanced understanding of the supply chain, resulting in a clear identification of actors and their incentives at each stage in the system. Secondly, they provided one of the first systematic case studies of the structure of rents by unlocking distortions in relation to leakage, wastage and poor regulation in the *baladi* bread supply chain. Thirdly, they uncovered how the power of a small group of intermediaries allows for these distortions to persist by maintaining the status quo and resisting large-scale reform to the system. Finally, after gaining a clear sense of distortions in the *baladi* bread subsidy scheme, it emerges that the system is distorting a whole range of associated products by relying on artificially low prices. The price of one commodity leads to negative spillovers in the Egyptian economy. All of this is shown by the fact that resources that were initially meant to subsidise the final product – *baladi* bread – ended up subsidising the entire supply chain and distorting the local market in this process. Ultimately, these contributions also highlight the need for finer detail and disaggregate work in the area of food subsidy systems.

Although the discussion in this book tries to deal with many of the issues associated with the public provision of subsidies and, in particular, the *baladi* supply chain it also raises many more for the next stage of my research. One of the significant limitations of this study was the urban bias throughout my data collection process. Most of the interviews conducted were clustered around Cairo and Alexandria and hence it was difficult to more critically evaluate the functioning of the supply chain in more rural settings such as in cooperatives, villages and farms. Yet, the objective of this study was not to gain good geographical coverage of the *baladi* bread system but rather, to gain a better understanding of different supply chain elements. Given that the *baladi* bread system is a heavily centralised state endeavour, there was bound to be a bias towards the larger cities and ports where important supply chain processes also take place.

Egypt is a key player on the international wheat market as the world's largest importer of wheat, and so global suppliers of wheat have a stake in the functioning of the *baladi* bread subsidy. Besides which, the fluctuation of international market prices is contingent on the demand of the state and private sector for wheat imported from abroad. These dynamics add in a geopolitical dimension to the *baladi* bread debate, one that goes beyond Egypt's borders where other countries and organisations can better inform this process.

With regard to theoretical frameworks, Chapter 6 mentioned how the *baladi* bread supply chain exhibits path dependency characteristics to explain the persistence of distortions and the resistance by powerful intermediaries to reform of the system. Yet this does not help explain the continuity of the system in the midst of change, particularly after the social unrest of the January 25<sup>th</sup> 2011 uprising.

This process can be better understood by bringing in notions of *de jure* and *de facto* power from New Institutional Economics which can help

better explain the persistence of the status quo in the *baladi* bread supply chain. The distinction between different types of power amongst intermediaries in the system is then directly relevant to how economic and political resources can be used to manipulate certain outcomes and allow distortions to occur.

This study of the Egyptian *baladi* bread subsidy was a concerted effort to unpick the micro-dynamics and differentiated realities of the system on the ground to better inform about the political economy of Egypt through the lens of state-administered subsidies.

In the next stage of my research, I aim to focus on the collective action capacity of actors in the supply chain and to more closely examine the power linkages between rural and urban actors. In addition, I plan to look in more detail at the nexus between private and public enterprises so as to gain a better understanding of additional distortions to the *baladi* bread supply chain.

