

## INTRODUCTION

WITH A POPULATION OF 75 MILLION, Egypt has a gross national income (GNI) of USD 1 350 per person. According to the latest consensus, conducted in 2000, 3% of the population lived below the dollar-per-day international poverty line, with 44% falling below the two-dollars-per-day threshold. Net official development assistance (ODA) to Egypt in 2006 was USD 873 million, 40% lower than 2004. This accounted for less than 1% of GNI. Egypt has endorsed the Paris Declaration on Aid Effectiveness. Seventeen donors responded to the 2008 Survey; together, they provided 85% of the country's ODA.

Since the 2006 Baseline Survey, Egypt has made progress in meeting the Paris Declaration 2010 targets. Challenges remain for meeting alignment and harmonisation of targets, particularly in terms of donors using government systems and co-ordinating missions. There is also a need for the government to improve public financial management systems.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Weak budget preparation and implementation process	Strengthen capacity of line ministries in budget process
Alignment	Moderate	Limited use of country systems	Fully implement public financial management and procurement reforms
Harmonisation	Low	Low proportion of donor missions are co-ordinated	Donors improve co-ordination of donor missions
Managing for results	Moderate	Low quality of poverty-related data	Improve national information systems and plans
Mutual accountability	Moderate	No mutual assessments have taken place	Formalise assessments between ministries and donors

## OVERVIEW

Box 16.1:

Challenges and priority actions

## OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

**INDICATOR 1**

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country’s development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country’s development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Egypt did not receive a rating from the World Bank for the 2006 Baseline Survey or the 2008 Survey, and therefore has no 2010 target in relation to Indicator 1. However, the World Bank did prepare an Aid Effectiveness Review profile for Egypt in 2006, which is used to inform the following discussion. Regrettably, scores for Indicators 1, 2a and 11 were included in error in the 2006 Baseline Survey.

Egypt’s medium- and long-term operational development strategies are largely developed. The country’s long-term vision, the “Vision for Egypt’s Development by 2022”, has two main goals: to achieve high and sustainable growth, and to reduce poverty and income disparity. The country’s medium-term strategy is set out in the 6th Five-year Plan (FYP) for Socio-economic Development, which covers the period 2008-12. The FYP sets the framework for achieving the Millennium Development Goals (MDGs), stressing a comprehensive approach to development and to addressing human and social development challenges (including environment, gender, youth unemployment and local development). Sector strategies and initiatives describe how goals set out in the FYP will be met in the areas of health, environmental issues and education.

A series of National Democratic Party policy papers provides a more detailed framework for Egypt’s reform agenda. The priorities of the prime minister’s administration are reflected in his announced ten-point programme. The annual budget aims to reach the FYP goals by aligning goals and budget allocations. Major efforts are being made to improve budget preparation and implementation for greater effectiveness. There is also a multi-year expenditure review to deal with issues of efficiency and equity in public spending.

The FYP’s development programmes are the result of a comprehensive planning process driven largely by central and local authorities. A national council of planning, with members from several ministries, was established to define priorities and set up operational plans. Consultative mechanisms have been built into the planning process, including regular consultations with private sector representatives. The government has also announced that greater decentralisation will allow more opportunities for involving other civil society entities, including non-governmental organisations (NGOs), in the consultative process.

However, challenges remain in executing national development strategies, particularly with delays in submitting budget documents to Parliament and full implementation of the budget. In response, the government has increased efforts to strengthen budget preparation and the implementation process. The government also intends to further facilitate the participation of civil society in plan implementation, recognising the need to adopt a partnership approach to mobilise available resources to achieve development goals. These efforts provide evidence that Egypt has taken additional action towards achieving good practice, and is making progress in improving ownership. ■

## ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

Egypt's ratings for alignment reveal mixed progress since the 2006 Baseline Survey. If the 2010 targets for alignment are to be met, continued effort is needed particularly for aligning aid flows with national priorities and greater use of country systems.

### BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

Egypt did not receive a score in the World Bank's CPIA for the 2006 Baseline Survey or the 2008 Survey, and therefore has no 2010 target for Indicator 2a. As with the previous indicator, the World Bank's Aid Effectiveness Review, along with the 2008 Survey results, will be used to inform discussion of this indicator.

Rationalising public expenditure has been a priority in the government's reform agenda and Egypt has made significant advances in improving PFM in recent years. Egypt has a strong and autonomous Central Audit Agency, which reports to the president. This Agency undertakes a thorough review and critique of government expenditures and compliance with the national development plan. Each year, it submits to Parliament a report that prompts detailed discussion in Parliament and in the media. Donors have formed a financial management group to harmonise efforts in the PFM and corporate financial reporting agendas. Group meetings provide a forum to consult on and share progress regarding these issues. Further strengthening of PFM systems, including auditing and accounting practices, are needed to align existing systems with international standards.

### INDICATOR 2a

How reliable are country public financial management systems?

**INDICATOR 2b**

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

No score was available for the 2006 Baseline Survey or 2008 Survey on the quality of Egypt's procurement systems, and therefore no 2010 target is set for Indicator 2b. Donors and government agree that the procurement system is well designed; they are now exploring a range of measures to improve application and minimise variations among ministries. These include issuing procurement guidelines, establishing a clearer framework for the delegation of authority, emphasising procurement training and standardising procurement practices and contract documents. Egypt ranked 70th out of 159 countries in the Transparency International Corruption Perceptions Index for 2005; the government has signalled its intolerance of corruption and is working hard to tackle it.

Since participating in the 2008 Survey, the government has indicated its willingness to consider conducting the self-assessment procurement instrument designed by the Organisation for Economic Co-operation and Development (OECD). This would provide specific details about procurement reforms introduced in recent years and highlight areas for future improvement.

**ALIGNING AID FLOWS ON NATIONAL PRIORITIES****INDICATOR 3**

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

The 2006 Baseline Survey for Egypt showed 58% of total aid disbursed being recorded in the government budget. However, the 2008 Survey results report a significant decline, with only 31% of total aid disbursed recorded in the national budget. This puts Egypt further away from achieving its 2010 target of at least 85% for Indicator 3. The simple (unweighted) average donor ratio reveals that the situation is even worse on a donor-by-donor basis: the accuracy of budget reporting of disbursements across donors deteriorated from 36% in 2005 to 19% in 2007.

The discrepancy for 2007 is mainly due to extended negotiations with some donors that resulted in higher disbursements than were originally estimated and recorded in the budget. This indicates the need for more action on both sides to improve estimates and commitments. At the same time, the results reflect strict adherence to the 2008 Survey definition for aid recorded on budget and the government has since adjusted its budget records. Egypt has implemented several other mechanisms to support alignment, and continues to work with donors to improve accuracy of data reporting. The Ministry of International Cooperation (MIC) does not sign agreements with external partners unless such agreements are aligned with national priorities and even then signs only after consulting with the Ministry of Economic Development. Based on successful experiences, the MIC is organising a series of round table discussions at which key ministries are invited to highlight their respective priorities and respond to questions posed by external partners.

	Government budget estimates of aid flows for 2007 (USD m)	Aid disbursed by donors for government sector in 2007 (USD m)	2005 (for reference)	2007*	
	a	b		c = a / b	c = b / a
African Dev. Bank	0	27	89%	0%	
Canada	7	0	31%		0%
Denmark	1	12	2%	6%	
European Commission	71	212	24%	33%	
Finland	0	5	25%	0%	
Germany	159	85	44%		53%
Global Fund	0	1	--	0%	
Greece	0	2	--	0%	
Italy	2	26	2%	7%	
Japan	23	21	30%		89%
Korea	0	4	--	0%	
Netherlands	21	13	71%		59%
Spain	0	3	--	0%	
Switzerland	30	1	34%		3%
United Nations	0	35	24%	0%	
United States	424	643	94%	66%	
World Bank	16	224	41%	7%	
[Unallocated donors]	0	--	--	--	--
Average donor ratio	--	--	39%		19%
<b>Total</b>	<b>754</b>	<b>1 312</b>	<b>58%</b>		<b>57%</b>

\* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

Qualitative responses to the 2008 Survey suggest that the gap in budget reporting could be narrowed by streamlining the negotiating process and asking donors to announce their commitments as early as possible – particularly in light of the government’s declared development priorities as set out in the FYP. In its Aid Effectiveness Review, the World Bank suggests convening another meeting of the consultative group to jointly review and enhance the vision of Egypt’s priorities. These initiatives will help Egypt come closer to the 2010 target of 85% of aid being reported in the national budget.

TABLE 16.1:  
Are government budget  
estimates comprehensive  
and realistic?

## CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

## INDICATOR 4

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

TABLE 16.2:  
How much technical  
co-operation is co-ordinated  
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
African Development Bank	0	2	0%	0%
Canada	17	17	0%	100%
Denmark	1	1	100%	100%
European Commission	9	36	50%	24%
Finland	0	3	0%	0%
Germany	5	14	68%	39%
Global Fund	--	--	--	--
Greece	0	1	--	32%
Italy	11	15	97%	72%
Japan	8	8	10%	100%
Korea	2	2	--	100%
Netherlands	6	7	100%	93%
Spain	2	3	--	56%
Switzerland	0	1	9%	0%
United Nations	25	27	80%	93%
United States	246	255	97%	97%
World Bank	36	37	0%	97%
[Unallocated donors]	--	--	--	--
<b>Total</b>	<b>368</b>	<b>427</b>	<b>76%</b>	<b>86%</b>

Co-ordination of technical assistance in Egypt improved in 2007: 86% of technical assistance provided by donors was co-ordinated, compared with only 76% in 2005. Such a figure is well in excess of the 2010 target of 50% and – if an accurate reflection of reality – would put Egypt far ahead of the vast majority of aid recipients in relation to Indicator 4. However, similar to concerns expressed in the 2006 Baseline Survey, the 2008 Survey results may be overstated since donors may have counted all technical assistance in agreements with the government as “co-ordinated” for the purposes of the survey. The 2008 Survey respondents emphasise that it is extremely difficult to establish the extent and quality of technical assistance implementation, or the outcome of these efforts. Co-ordinated technical assistance and capacity development requires much more than what is defined currently by the 2008 Survey.

Even so, the positive change in Egypt can be attributed to donors' joint efforts to coordinate technical assistance more effectively and more in line with government priorities. Action on the part of both donors and government is needed to address challenges for continued progress on Indicator 4. The government should identify more specifically its capacity-building priorities and preferences in order to establish greater ownership over technical assistance activities. This can be achieved through a national capacity-building programme, based on a study of priority needs. Donors should re-examine their technical assistance strategies, refine the monitoring and evaluation of capacity-building activities, and discuss these with Egyptian counterparts to enhance sustainability.

## USING COUNTRY SYSTEMS

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

## INDICATOR 5

**TABLE 16.3:**  
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007 avg (b,c,d) / a	Procurement systems (USD m) e	2005 (for reference)	2007 e / a
African Development Bank	27	0	27	27	0%	67%	--	0%	--
Canada	0	0	0	0	0%	--	0	1%	--
Denmark	12	12	0	0	29%	33%	12	0%	100%
European Commission	212	78	0	0	72%	12%	78	72%	37%
Finland	5	0	0	0	0%	0%	0	0%	0%
Germany	85	78	78	78	93%	92%	78	--	92%
Global Fund	1	1	1	0	0%	67%	1	100%	46%
Greece	2	0	0	0	--	0%	2	--	80%
Italy	26	0	21	0	20%	27%	22	52%	87%
Japan	21	6	6	6	24%	30%	6	20%	30%
Korea	4	0	0	0	--	0%	0	--	0%
Netherlands	13	5	8	0	20%	35%	9	57%	70%
Spain	3	0	0	0	--	0%	0	--	0%
Switzerland	1	1	0	0	90%	54%	1	90%	96%
United Nations	35	13	13	12	5%	36%	10	2%	27%
United States	643	0	0	0	0%	0%	18	9%	3%
World Bank	224	0	0	0	0%	0%	62	11%	28%
[Unallocated donors]	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>1 312</b>	<b>195</b>	<b>155</b>	<b>123</b>	<b>28%</b>	<b>12%</b>	<b>298</b>	<b>25%</b>	<b>23%</b>

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

As the quality of Egypt's national systems has not been rated, no 2010 targets have been set for the use of either PFM or procurement systems (Indicator 5).

Despite recent and ongoing PFM reforms in Egypt, quantitative evidence shows a negligible increase in the proportion of ODA making use of government systems since 2005. The 2006 Baseline Survey for Egypt reported that 28% of aid made use of PFM systems, averaged across the three system components. The 2008 Survey shows that only 12% of aid to the government sector uses the country's PFM system. This is broadly consistent with the global finding in the 2006 Baseline Survey that there was no correlation between the strength of a partner country systems and donor use of such systems.

The number of donors using the country systems has not changed. The European Union has had the greatest impact on the decline in value. In the 2006 Baseline Survey, Egypt announced efforts to streamline the PFM system in partnership with its biggest donors. However, the two leading donors – the World Bank and the United States – still do not make use of country systems. It may be that the results of recent PFM reforms in Egypt need to be fully demonstrated before donors are able to move more comprehensively towards the use of national PFM systems.

On procurement, 23% of aid now makes use of the country procurement systems, a slight decrease from the 25% recorded in 2005. The government must continue to improve PFM and procurement systems; at the same time, the onus is on donors to find ways to make greater use of national systems if progress is to be made on Indicator 5.

#### AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

#### INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2008 Survey shows a significant reduction in the number of parallel PIUs in Egypt – from 100 in 2005 to 32 in 2007, meeting the 2010 target of reducing the number of parallel PIUs to 33. However, the latest figures should be interpreted with caution, since the largest reduction is associated with UN agencies; in fact, fewer UN agencies responded to the 2008 Survey. The refinement of the definition of parallel PIUs in the 2008 Survey may also have contributed to their reduction. Even so, qualitative responses to the 2008 Survey indicate there is a definite decline in the overall use of parallel PIUs.

The Egyptian government continues to encourage external partners to work with national implementation units and strengthen their capacity, rather than setting up parallel units. They highlight actions taken by Netherlands and Canada to incorporate project units into ministries and involve government staff in day-to-day project implementation as good examples of capacity strengthening. The government is also reviewing existing rules and procedures (including incentives) to support capacity-building measures and generate greater reliance on national systems.

	2005 (for reference)	2007 (units)
African Dev. Bank	9	5
Canada	3	4
Denmark	0	0
European Commission	14	7
Finland	0	0
Germany	0	1
Global Fund	0	0
Greece	--	0
Italy	9	6
Japan	0	0
Korea	--	0
Netherlands	5	5
Spain	--	1
Switzerland	0	0
United Nations	47	3
United States	0	0
World Bank	13	0
[Unallocated donors]	--	--
<b>Total</b>	<b>100</b>	<b>32</b>

TABLE 16.4:  
How many PIUs are parallel  
to country structures?

### PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

### INDICATOR 7

TABLE 16.5:  
Are disbursements  
on schedule and recorded  
by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005 (for reference)		2007*	
						c = a / b	c = b / a
African Development Bank	0	0	27	--	--		
Canada	20	0	0	--	--		0%
Denmark	11	12	12	--	--	95%	
European Commission	323	234	212	82%			72%
Finland	3	0	5	--	--		0%
Germany	72	70	85	79%			97%
Global Fund	0	1	1	--	--		0%
Greece	0	0	2	--	--		0%
Italy	5	0	26	--	--		0%
Japan	5	21	21	10%		23%	
Korea	4	3	4	--	--		82%
Netherlands	8	14	13	--	--	58%	
Spain	0	3	3	--	--	9%	
Switzerland	0	5	1	30%			0%
United Nations	2	43	35	0%			4%
United States	664	797	643	17%			83%
World Bank	28	249	224	--	--		11%
[Unallocated donors]	0	--	--	--	--		--
Average donor ratio	--	--	--	36%			33%
<b>Total</b>	<b>1 145</b>	<b>1 452</b>	<b>1 312</b>	<b>29%</b>			<b>79%</b>

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

In Egypt, donors scheduled USD 1.45 billion for disbursement in 2007 and actually disbursed (according to their own records) slightly less than expected – USD 1.31 billion. Some 79% of aid scheduled for disbursement was recorded by the government in its accounts as disbursed within 2007. This is a tangible increase from 29% in 2005, by which Egypt exceeds its 2010 target of 65%.

However, the average donor ratio shows that aid predictability for each donor improved at a much slower pace – from 27% in 2005 to 38% in 2007. This indicates that individual relationships between donors and government need more work in terms of predictability, particularly given that a major proportion of the total improvement in 2007 comes from Egypt's largest donor – the United States. Reduction in the predictability gap is the result of other factors, including better co-ordination and more consistent consultations between partners and government, better government recording procedures, and fewer conditions attached to the release of scheduled disbursements by donors. These improvements need to be institutionalised to ensure sustainability and the achievement of further progress.

## UNTYING AID

### INDICATOR 8

How much aid is untied?

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country's capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

According to OECD data covering 85% of aid to Egypt, 75% of aid was untied in 2006. Egypt has made significant progress on Indicator 8, exceeding the figure of 47% in the 2006 Baseline Survey and meeting its 2010 target of continued progress over time. The government is negotiating with all donors still using tied aid to eliminate, or at least minimise, this feature. ■

## HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

In Egypt, the status in relation to harmonisation is somewhat encouraging. There is, however, room for progress, especially in terms of the use of programme-based approaches (PBAs).

### USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

### INDICATOR 9

TABLE 16.6:

How much aid is programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
African Development Bank	0	--	0	44	8%	0%
Canada	0	0	0	18	0%	0%
Denmark	0	10	10	12	81%	81%
European Commission	0	0	0	227	100%	0%
Finland	0	0	0	5	0%	0%
Germany	0	0	0	99	0%	0%
Global Fund	0	1	1	1	100%	100%
Greece	0	0	0	3	--	8%
Italy	0	19	19	27	76%	70%
Japan	0	0	0	37	1%	0%
Korea	0	0	0	4	--	0%
Netherlands	--	8	8	14	40%	55%
Spain	0	0	0	3	--	0%
Switzerland	0	0	0	1	3%	0%
United Nations	0	9	9	42	45%	22%
United States	0	643	643	652	99%	99%
World Bank	0	0	0	224	0%	0%
[Unallocated donors]	--	--	--	--	--	--
<b>Total</b>	<b>0</b>	<b>690</b>	<b>690</b>	<b>1 413</b>	<b>61%</b>	<b>49%</b>

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (e.g. sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

The proportion of aid to Egypt using PBAs, and thus common procedures, declined from 61% in 2005 to 49% in 2007 – moving the country farther away from the 2010 target level of 66%. This is partly due to refinement of the definition of PBAs between the 2006 Baseline Survey to the 2008 Survey; some donors did not meet the stricter requirements to define their aid disbursements as PBAs.

In the 2006 Baseline Survey, donors and government discussed at length how to define PBAs in the Egyptian context. In the 2008 Survey, the application of the revised criteria for identifying PBAs led to a zero response to the question regarding direct budget support by development partners. Although the new definition is more accurate, differences in definition make it very difficult to draw any meaningful conclusions regarding this issue. There was an apparent inconsistency in the responses of the two surveys.

Sector support accounts for all of the PBAs in Egypt. Donors and government should continue to explore the possibility of developing PBAs in all sectors in order to reach the 2010 target for Indicator 9.

### CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

#### INDICATOR 10a

Co-ordination of external partner missions in Egypt has been one of the issues discussed among partners through the Donor Assistance Group and its sub-thematic groups. The MIC also continues to urge partners to organise joint missions whenever feasible. Despite these efforts, the 2008 Survey report shows only a marginal improvement – from 18% to 21% – of donor missions conducted jointly since the 2006 Baseline Survey. This puts Egypt far below its 2010 target of 40%. Joint missions typically stem from strong sectoral collaboration and co-financing of projects amongst donors. The government and donors are discussing the possibility of recording and co-ordinating missions by sector through thematic groups led by a single donor.

#### INDICATOR 10b

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits.

It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

In terms of co-ordinating analytical work, Egypt is making better progress, increasing from 40% in 2005 to 57% in 2007. The country is now within reach of the 2010 target of 66%. The MIC continues to encourage joint analytical work as an effective means of harmonisation and cost reduction. ■

	Co-ordinated donor missions*	Total donor missions	2005	2007
	(missions)	(missions)	(for reference)	$c = a / b$
	a	b		
African Development Bank	0	25	44%	0%
Canada	0	0	40%	--
Denmark	0	0	0%	--
European Commission	1	12	--	8%
Finland	0	0	--	--
Germany	5	25	55%	20%
Global Fund	0	1	100%	0%
Greece	0	1	--	0%
Italy	0	0	0%	--
Japan	0	32	11%	0%
Korea	0	1	--	0%
Netherlands	0	3	--	0%
Spain	0	0	--	--
Switzerland	0	3	40%	0%
United Nations	35	79	26%	44%
United States	0	0	--	--
World Bank	7	40	18%	18%
[Unallocated donors]	--	--	--	--
<b>Total</b>	<b>48</b>	<b>222</b>	<b>18%</b>	<b>22%</b>

\* The total of coordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

TABLE 16.7:  
How many donor missions  
are co-ordinated?

	Co-ordinated donor analytical work*	Total donor analytical work	2005	2007
	(analyses)	(analyses)	(for reference)	$c = a / b$
	a	b		
African Development Bank	3	3	100%	100%
Canada	3	4	83%	75%
Denmark	1	1	100%	100%
European Commission	1	1	0%	100%
Finland	0	0	--	--
Germany	0	0	50%	--
Global Fund	3	3	--	100%
Greece	0	1	--	0%
Italy	0	0	--	--
Japan	0	3	--	0%
Korea	0	1	--	0%
Netherlands	0	5	--	0%
Spain	0	5	--	0%
Switzerland	0	1	33%	0%
United Nations	23	35	67%	66%
United States	0	0	--	--
World Bank	3	3	0%	100%
[Unallocated donors]	--	--	--	--
<b>Total</b>	<b>37</b>	<b>66</b>	<b>40%</b>	<b>56%</b>

\* The total of coordinated missions has been adjusted to avoid double-counting. A discount factor of 25% is applied.

TABLE 16.8:  
How much country analysis  
is co-ordinated?

## MANAGING FOR RESULTS

### INDICATOR 11

Do countries have results-based monitoring frameworks?

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based assessment frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

Egypt did not receive a rating in relation to managing for results from the World Bank for the 2006 Baseline Survey or the 2008 Survey, and therefore has no 2010 target. In this case, the World Bank's Aid Effectiveness Review profile for Egypt in 2006 will be used to inform discussion of Indicator 11.

The quality and availability of poverty-related data for Egypt is somewhat weak. However, in terms of stakeholder access to development information, the FYP is available to the public and is widely noted. The MIC recently took several steps to strengthen monitoring and evaluation capacity within the government. The government's ten-point programme serves as the main results-based monitoring framework. The reform of major sectors involves formulating integrated sector strategies that would serve as more specific frameworks. For example, the Ministry of Education plans to use the forthcoming Higher Education Sector Review as a mechanism to monitor sector performance. The Ministry of Education and the Ministry of Higher Education have set up Strategic Planning Units to collect data both individually and in collaboration with the Education Management Information Systems of the respective ministries.

In addition, the Centre for Project Evaluation & Macroeconomic Analysis (PEMA) has been carrying out impact evaluation assessments of an increasing number of projects, the results of which are submitted to top-level decision makers in the sectors concerned. PEMA is also finalising a national Monitoring and Evaluation Capacity Building Project, in consultation with several donors and the Ministry of State for Administrative Development. The aim of this initiative is to strengthen the monitoring and evaluation units in line ministries. The government has taken a leadership role in monitoring and evaluating the UN Development Assistance Framework (UNDAF) activities and outcomes (2007-11). The mechanism in place is proving useful in bringing together over 100 participants representing UN agencies, government officials and civil society representatives involved in planning and implementing UN projects. ■

## MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

According to the World Bank's Aid Effectiveness Review, Egypt does not yet have a mechanism for mutual accountability. However, assessments are in place for other aspects of the aid relationship. The MIC conducts reviews with heads of agencies in Egypt, based on reports received from staff and on changes in national priorities, etc. In addition, the Donor Assistance Group (along with its various sub-groups) meets regularly to jointly assess progress with Egyptian counterparts. There is also regular assessment of progress in meetings between the MIC and donor partners. At the micro level, PEMA regularly undertakes impact evaluations of selected projects and reports the results to senior ministerial levels. ■

### INDICATOR 12

Do countries have reviews of mutual accountability?

## PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

THE 2008 SURVEY SHOWS THAT EGYPT HAS DEMONSTRATED PROGRESS on meeting some of the Paris Declaration 2010 targets. It has met targets for four indicators: Indicator 4 on co-ordinated technical co-operation; Indicator 6 on reducing parallel PIUs; Indicator 7 on aid predictability; and Indicator 8 on untying aid. For the remaining indicators, the results are mixed: progress has been made against some indicators, but for others, significant gaps need to be filled vis-à-vis the 2010 targets. In particular, substantial efforts are required by the government and donors to improve alignment of aid flows with national priorities and to improve use of country systems, PBAs and results-based monitoring frameworks. To reach the 2010 targets, the government of Egypt should continue its reforms for institutional development and improving capacity. Donors must engage in increased alignment and harmonisation activities. ■

### SUMMARY

TABLE 16.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	N/A	N/A	N/A
2a	Reliable public financial management (PFM) syste	N/A	N/A	N/A
2b	Reliable procurement systems	Not available	Not available	Not applicable
3	Aid flows are aligned on national priorities	58%	57%	85%
4	Strengthen capacity by co-ordinated support	76%	86%	50%
5a	Use of country PFM systems	28%	12%	Not applicable
5b	Use of country procurement systems	25%	23%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	100	32	33
7	Aid is more predictable	29%	79%	65%
8	Aid is untied	47%	75%	More than 47%
9	Use of common arrangements or procedures	61%	49%	66%
10a	Joint missions	18%	22%	40%
10b	Joint country analytical work	40%	56%	66%
11	Results-based monitoring frameworks	N/A	N/A	N/A
12	Mutual accountability	No	No	Yes

### CONTRIBUTORS

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## ACRONYMS

AER	Aid Effectiveness Review (World Bank)
CPIA	Country Policy and Institutional Analysis (World Bank)
FYP	Five-year Plan
GNI	gross national income
MIC	Ministry of International Cooperation
MTEF	medium-term expenditure framework
NGO	non-governmental organisation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PBA	programme-based approach
PEMA	Centre for Project Evaluation & Macroeconomic Analysis
PFM	public financial management
PIU	project implementation units
UN	United Nations
UNDAF	UN Development Assistance Framework
USD	US dollars

