

*Evaluation of European Commission's
Support with Egypt –
Country level Evaluation*

Final Report

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Evaluation for the European Commission





Aide à la Décision
Economique
Belgium



PARTICIP GmbH
Germany



German Development
Institute
Deutsches Institut für
Entwicklungspolitik
Germany



Overseas Development
Institute,
United Kingdom



European Institute
for Asian Studies
Belgium



Instituto Complutense
de Estudios Internacionales
Instituto
Complutense de
Estudios
Internacionales
Spain

A consortium of
ADE-DRN-DIE-ECDPM-ODI-
Particip
c/o DRN, leading company:

Headquarters

Via Ippolito Nievo 62
00153 Rome, Italie
Tel: +39-06-581-6074
Fax: +39-06-581-6390
mail@drn-network.com

Belgium office

Square Eugène Plasky, 92
1030 Bruxelles, Belgique
Tel: +32-2-732-4607
Tel: +32-2-736-1663
Fax: +32-2-706-5442
bruxelles@drn-network.com

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FINAL REPORT

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The author accepts sole responsibility for this report, drawn up on behalf of the European Commission. The report does not necessarily reflect the views of the European Commission.

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List of Acronyms

Acronyms	Full name
€bn	Billion Euro
€m	Million Euro
3Cs	Coordination, Complementarity and Coherence
AA	Association Agreement
ADE	Aide à la Décision Economique S.A.
AFD	Agence Française de Développement
AIDCO	EuropeAid Cooperation Office
AP	Action Plan
BS	Budget Support
BWI	Bretton Woods Institutions
CBE	Central Bank of Egypt
CIDA	Canadian International Development Agency
COMESA	Common Market for Eastern and Southern Africa
COP	Country Orientation Paper
CRIS	Common RELEX Information System
CSO	Civil Society Organisations
CSP	Country Strategy Paper
DAC	Development Assistance Committee of the OECD
DAG	Donor Assistance Group
DB	World Bank Doing Business
DDH	Human Rights and Democracy budget line
DEV	Directorate General for Development
DG	Directorate General of the European Commission
DOT	Direction of Trade Statistics Database (DOT) of the IMF
DPG	Development Partners Group
EC	European Community
EUD	European Union Delegation

EEAA	Egyptian Environmental Affairs Agency
EEP	Education Enhancement Programme
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
EMP	European Mediterranean Partnership
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EPAP	Environmental Pollution Abatement Project (also=SPAP)
EQ	Evaluation Question
ESPSP	Education Sector Policy Support Programme
ETF	European Training Foundation
ETP	Enterprise-TVET Partnerships
EU	European Union
EUWI	European Union Water Initiative
EU MS	European Union Member States
FA	Financing Agreement
FEMIP	Facility for Euro-Mediterranean Instrument and Partnership
FISC	Financial Investment and Sector Cooperation
FTA	Free Trade Area
GDP	Gross Domestic Product
GoE	Government of Egypt
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HQ	Headquarters
HR	Human Rights
HSPSP	Health Sector Policy Support Programme
HSRP	Health Sector Reform Programme
I	Indicator
IL	Intervention Logic
IMF	International Monetary Fund
IMP	Industrial Modernisation Programme
IRS	Interest Rate Subsidy

IWSP	Integrated Water Sector Programme
JC	Judgement Criteria
JEU	Joint Evaluation Unit
KFW	Krediet Anstalt für Wiederaufbau
LE	Egyptian Pounds
M&E	Monitoring and Evaluation
MEDA	Measures to accompany the reform of economic and social structures in the Mediterranean non-member countries
MENA	Middle East and North Africa
MFU	SFD's Micro-Finance Unit (MFU)
MIGR	Migration and Asylum budget line
MoE	Ministry of Education
MoED	Ministry of Economic Development
MoF	Ministry of Finance
MoH	Ministry of Health
MoIC	Ministry of International Trade and Cooperation
MoMI	Ministry of Manpower and Immigration
MoT&I	Ministry of Trade and Industry
MoU	Memorandum of Understanding
MoWI	Ministry of Water and Irrigation
MPCs	Mediterranean Partner Countries
MTEF	Medium Term and Expenditure Framework
NCHR	National Council for Human Rights
NCW	National Council for Women
NESP	National Education Strategic Plan
NGO	Non Governmental Organisation
NIF	Neighbourhood Investment Facility
NIP	National Indicative Programme
NSI	Nuclear safety budget line
NTM	Non Tariff Measures
ODA	Official Development Aid

OECD	Organisation for Economic Co-operation and Development
ONG-PVD	NGO co-financing budget line
PBB	Performance/Programme Based Budgeting
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure and Tracking Survey
PF	Public Finance
PFM	Public Finance Management
PI	Performance Indicator
PMU	Project Management Unit
PSD	Private Sector Development
R&D	Research & Development
RELEX	Directorate General for External Relations
RG	Reference Group
RIP	Regional Indicative Programme
RK	Risk Capital
ROM	Result-Oriented Monitoring (EuropeAid)
RSP	Regional Strategy paper
SAAP	Support to the Association Agreement
SBS	Sector Budget Support
SCAC	Service de Coopération et d'Action Culturelle (France)
SCHRD	Supreme Council for Human Resources Development
SEDO	Social Fund for Development's Small Enterprise Development Organization (SEDO)
SFD	Social Fund for Development
SIGMA	Support for Improvement in Governance & Management
SME	Small and Medium-sized Enterprises
TA	Technical assistance
TAIEX	Technical Assistance and Information Exchange Instrument
TEP	Trade Enhancement Programme
ToR	Terms of Reference
TSA	Treasury Single Account

TTRI	World Bank Tariff Restrictiveness Index
TVET	Technical and Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Programme
WB	World Bank
WHC	Water Holding Company
WTO	World Trade Organisation

Executive Summary

Objectives, scope and context of the evaluation (Chapter 1)

The evaluation of the European Commission (Commission)'s co-operation with Egypt over the period 1998-2008 has two main objectives:

- to provide the relevant external Co-operation Services of the Commission and the wider public with an overall independent assessment of the Commission's past and current cooperation relations with Egypt; and
- to identify key lessons in order to improve the current and future strategies and programmes of the Commission.

This evaluation undertaken in 2009 covers the Commission's co-operation strategies with Egypt and their implementation during the period 1998-2008, focusing on their relevance, effectiveness, impact, sustainability and efficiency. Their coherence, complementarity and coordination and the Commission's value added are also analysed. It should be noted that the analysis of the cooperation strategy is limited to the period 2002-2008 due to the unavailability of early documents whilst the CSP 2007-2013 has been taken into account for the intended effects of implementation rather than its realisations.

The Commission-Egypt cooperation needs to be considered taking into account the overall policy and strategy for the EU's cooperation with Mediterranean countries which is enshrined in:

¹ **The 1995 Barcelona Declaration** which defines three pillars of the Euro-Mediterranean Partnership (EMP): (i) a political and security partnership to achieve a common area of peace and stability (pillar 1); (ii) an economic and financial partnership to create an area of shared prosperity (pillar 2); and (iii) a partnership in social cultural and human affairs to promote understanding between cultures and exchanges between the respective civil societies (pillar 3).

² Under the EMP, the **EU-Egypt Association Agreement (EEAA)** was signed in 2001 and entered into force in 2004. For trade, it aims to establish a bilateral Free Trade Agreement (FTA) based on reciprocal tariff liberalisation (including removal of quantitative restrictions and equivalent non tariff measures) for both industry and agriculture. The Agreement further includes provisions for the supply of services, payments and capital movements, intellectual property rights and public procurement.

³ Since 2004 the EU has defined its European Neighbourhood Policy (ENP) on the basis of the ring of countries adjoining its Eastern and Southern borders. In this context, Egypt signed a jointly-agreed **Action Plan (AP)** with the EU in March 2007 which is a broad tool for economic and political co-operation, carrying to a further stage the commitments and objectives contained in the Association Agreement.

Economic reform has been a continuum of Commission-Egypt cooperation over more than a decade according to the country strategy evaluation¹ of 2004 covering the period

¹ See MWH, Evaluation of the European Commission's Country Strategy for Egypt, Final Report February 2004.

1996 to 2006 and the Country Strategy Papers of 2002-2006 and 2007-2013 analysed in the context of the current evaluation. Working towards fulfilment of the second pillar of the Barcelona objectives has thus undoubtedly been - and continues to be - a major priority of the Commission-Egypt cooperation strategy. Lately, with the 2007-2013 CSP, the first and last pillars of the Barcelona process have come much more to the forefront of cooperation priorities: the strengthening of civil society has become a full fledged objective with aims to encourage reforms in the areas of democracy, human rights, good governance and justice and the scope of funding for social development was gradually widened to include economic infrastructure for sustainable development in addition to the more traditional social development support.

The Commission has contracted a total amount of €1bn for bilateral interventions to Egypt over the period 1998-2008 with the social sectors (mostly education and health) receiving the most funding, then, in order of importance, infrastructure (mostly in water, transport, energy and environment), private sector development, external trade, and human rights, civil society and democracy.

The evaluation approach (Chapter 2)

The evaluation, launched in January 2009, was conducted in three structured stages (full details are provided in Volume III of the report). The **first step** aimed at obtaining a comprehensive overview of the subject of the evaluation. To this end, a detailed inventory of funds allocated to Egypt was constructed and twelve interventions were selected for detailed review to illustrate the manner in which the cooperation strategy was implemented. The **second step** aimed at defining precisely the issues to be investigated as well as the manner in which they needed to be tackled. It was based first on a reconstruction of the hierarchy of objectives the Commission pursued through its cooperation with Egypt and, second, the identification of nine evaluation questions with associated judgment criteria and indicators. The **third step** focused on fact finding and consisted in the data collection realised through an exploratory mission to Egypt (March 2009), a desk study based on documents and data analysis, interviews at Commission headquarters and a field mission to Egypt (June 2009) to fill remaining information gaps and test preliminary findings and hypotheses from previous stages. The **last step** was dedicated to the **analysis** of the data collected with a view to construct answers to the evaluation questions. The evaluation report, including an **overall assessment** and **conclusions** and **recommendations** was presented at a seminar in Egypt (30 September 2010) and provided a basis for discussions on the future of Commission-Egypt cooperation. The current report takes account of the comments received during the various phases of the evaluation and the seminar.

Findings² supporting the answers to the evaluation questions (Chapter 3)

In terms of relevance (discussed in EQ1), over the period under consideration, the Commission's cooperation strategy with Egypt was found to be highly relevant to the realization of the EU-Egypt Agreements' objectives (Association Agreement and Action Plan) and thus to the objectives of the Barcelona Declaration and the European Community (EC) Treaty. Indeed, the EU policy objectives, and specifically the promotion of the objectives of the EU-Egypt association agreement, shaped the Commission's

² The findings presented in this report were current until mid-June 2009 when the field mission took place.

cooperation strategy with Egypt. Over time, whilst remaining fully relevant to the objectives of the EU-Egypt agreements, the cooperation strategy also became more explicitly relevant to the needs and priorities of the Government of Egypt (GoE) as the Commission's objectives and those of the Egyptian Government strongly converged when the GoE adopted a reform minded policy in 2004. The cooperation strategy after 2004 was increasingly explicitly aligned to the GoE's policy agenda, offering comprehensive support to its policy priorities. The process of elaboration of the cooperation strategy became increasingly consultative even though the identification of areas and sectors of cooperation remained a Commission prerogative; at programming and formulation levels, the GoE's views carried increasing weight in the choice interventions and a more participatory approach was adopted to shape them. Lastly improvements were made in the most recent CSP and NIPs in explaining the manner in which the cooperation intended to achieve its objectives (EQ1). At the level of interventions, the relevance of choices of support within sectors of cooperation (human rights, democracy and the rule of law; economic transition; social development) was found to be very high for those operations that supported and facilitated the implementation of sector wide reforms such as in water, education or health whilst programmes and projects in other areas were also found relevant but not necessarily the result of a clear and participatory prioritization process (see also EQ3, EQ4, EQ5, EQ6 and EQ7).

In terms of effectiveness and impact in attaining the cooperation strategy's wider objective of Egypt's advancement towards the EU-Egypt Agreement objectives and upon the final beneficiaries, the results of the various interventions have been difficult to capture due to (i) interventions being mostly focused on the measuring and monitoring of activities rather than of results and impacts and (ii) attribution problems, the financial support of the Commission generally representing only a small contribution relative to the financing of the GoE and other donors in a specific area. Nevertheless, the following findings emerged (EQ3, EQ4, EQ5, EQ6 and EQ7):

- In the area of human rights, democracy and the rule of law, the Commission and the GoE have made great strides forward in opening up the political dialogue about these sensitive issues; the Commission's support has become increasingly overt but its effectiveness (strengthened capacities of government and non government bodies in the management and implementation of activities and CSO participation in political dialogue) could not be evidenced.
- Egypt has experienced progress in the areas of economic transition, trade and social development over the past ten years and, although the role of the Commission cannot possibly be singled out in bringing about these achievements, improvements in specific areas (customs, banking, SME development, TVET, ...) can be linked (if not attributed solely) to projects funded by the Commission.
- Employment remains an important and problematic issue in Egypt. It has not been directly tackled by the Commission as it was not included as a priority of the cooperation strategy. Nevertheless some Commission funded programmes indirectly affected employment such as the Commission's support to the reform of the TVET which showed positive intermediary results and more widely the reform of the education sector which is too recent to show any results as yet.
- The Commission's support to major economic reforms such as in the water, education or health sectors has been effective in facilitating the implementation of reform measures in these sectors and in setting a framework for improved sector

management, better organization, improved regulations and enhanced institutional capacities. The Commission's support of reforms using budget support has recently successfully opened a dialogue with the GoE on selected public finance management issues and strengthened donor harmonization and sector-wide policy dialogue; however budget support did not address some fundamental issues within the Egyptian budgetary system and could thus not strengthen the policy and budgeting process nor improve the efficient use of resources and, by concentrating totally on the implementation of reform measures, the effectiveness and impact of the reforms at beneficiary level could not be monitored.

Findings related to the sustainability of the Commission's interventions in Egypt are mixed (EQ3, EQ4, EQ5, EQ6 and EQ7). Regarding the Commission's support to specific projects, the sample projects studied in more detail showed that sustainability was not guaranteed due to several factors:

- the focus on monitoring of project activities rather than project outcomes;
- the lack of visibility over continued future Commission support (affecting results in areas such as trade or TVET);
- the combination of ambitious expectations of implementing agencies' institutional and financial capacities to take over activities and the relatively short time spans of individual interventions.

On the other hand, the growing relative importance of budget support in the Commission's cooperation portfolio over the last ten years has much improved the sustainability of the Commission's interventions and its future prospects by placing the Egyptian ownership of supported reforms and strategy implementation at the heart of cooperation. Sustainability prospects were further strengthened during the last programming exercise by increased consultation of the GoE and stakeholders in the process of interventions identification and formulation.

With regards to the efficiency of the Commission's support (EQ8), financing modalities and implementation mechanisms were generally found appropriate to the objectives pursued; using a mix of these modalities and mechanisms within a same project introduced a flexibility and adaptability much welcomed to increase project effectiveness. Adaptability to change also meant that long lead times for projects, their ambitious design and an underestimation of institutional requirements for their implementation that, in some cases, undermined efficiency, did not affect the projects' effectiveness.

As regards the internal coherence of the Commission's cooperation strategy (EQ2), synergies between interventions (within the NIP, between the bilateral programmes and EIDHR projects, and between regional and bilateral programmes) supporting the same objectives so as to maximise their contribution to overall objectives were generally not foreseen at design stage and occurred rarely during implementation.

Several **donor coordination** mechanisms have been established at strategic and implementation levels between the Commission and EU MS as well as with other donors. Involvement of EU MS in the CSP/NIP formulation has progressively improved while coordination among the donor community within the Development Partners Group (DPG) was variable across sectors. Coordination with other donor-funded interventions

has not been the general rule except for BS interventions. Complementarities foreseen between the sample interventions examined and other donors' interventions have generally not materialized (EQ9).

Conclusions of the evaluation (Chapter 4)

Based on the above findings for the nine EQs, conclusions have been drawn in four main areas with the perspective of making recommendations for future programmes:

1^o The relevance of the cooperation strategy: The cooperation strategy has increasingly been aligned to national policy objectives and needs (C1) and the identification and formulation of interventions has increasingly resulted from a consultative process with Government and stakeholders (C2) thus improving the overall relevance of the cooperation strategy to fulfilling the objectives of both the Commission and Egypt. But two elements shade this picture :

- The prioritisation of identified needs and the justification of the Commission's response strategy were not explicitly analysed in strategy documents;
- The consultation process has not yet been extended to a discussion of the priority areas of support and line ministries were only involved to a limited extent.

2^o Intervention outputs, outcomes and likely impacts: The Commission has focused the monitoring of its support on the implementation of project activities (deliverables) and policy process indicators (budget support programme conditions) without paying sufficient attention to the question of the support reaching its desired outcomes and intended impacts (C3). The evaluation's conclusions as to the outcomes of the 1998-2008 cooperation programme in each of the areas of support are: (i) considerable political strides in the area of governance permitting more direct support which has so far shown few tangible results, (ii) positive specific contributions to economic change (trade and business) and (iii) important recent progress in the implementation of reform measures in social areas (water, education and health). At a more general level, the progress made in economic transition and the improvement of social indicators over the past ten years cannot be linked specifically to Commission supports which were designed without concomitant monitoring of the effects on economic change, social service delivery or the reduction of poverty (C4). In terms of the use of budget support, the Commission's support has enabled the implementation of reform measures affecting the institutional, regulatory and managerial framework for key sectors (customs, trade, water, education, health) (C5) but Sector Budget Support (SBS), used by the GoE as a project modality, did not influence the policy and budgeting frameworks of sector operations (C6).

3^o Efficiency of implementation and financing modalities: The increased use of budget support and of a mix of different implementation modalities during the 1998-2008 period contributed to improved efficiency of the Commission's support to Egypt. However, this was sometimes undermined by insufficient account being taken of institutional constraints of implementation agencies, the short time frame given for implementation and the complexity of procedures governing the access to project/programmes outputs (C7).

Financing modalities, decided by the Commission, were adapted to the objectives pursued by the interventions but: budget support has not been used to make most of its specificities thus foregoing potential benefits of its use; twinning has been used mainly as transfer of

know-how, the regulatory and legislative components having not (yet) been implemented, and; the calls for proposals used for NGO/CSO support were not adapted to their capacities. The beneficiaries' understanding of the objectives and uses of different instruments available was found to be variable across different institutions (C8).

4° *Political and policy dialogues:* Major advances have been made both in the Commission-GoE's political dialogue (with the entry into force of the AA and the signature of the AP) and in their policy dialogue (with the comprehensive budget support to the Government's policy reform programme after 2004) bringing new and sometimes politically sensitive subjects into open discussion and allowing the Commission to support reform initiatives in these areas (C9). The extent to which the reform measures supported by the Commission (through SBS) reflect comprehensive and exhaustive reform programmes was not clearly established (C10).

Recommendations of the Evaluation (Chapter 5)

Based on the foregoing conclusions, recommendations have been formulated aiming for improvements in the following areas:

1° *Improve the programming process*

R1: Base the cooperation strategy on prioritised needs

The relevance and thus effectiveness and sustainability of the Commission-Egypt cooperation programme could be greatly enhanced if cooperation interventions responded more closely to jointly identified priority needs whilst taking account of the specific characteristics of the Commission's potential support modalities.

For this the programming process could proceed as follows:

- Diagnose challenges and needs with regards to the objectives of the common EU-Egypt agenda of the Association Agreement and Action Plan, then prioritise needs, then respond to them;
- Choose priority areas where the Commission has experience and value added;
- Maximise synergies.

R2: Make the programming process more transparent by involving the Government of Egypt early on in the process and providing explicit arguments in favour of choices made

The Government of Egypt and Member States have increasingly been involved in the programming process but the last programming exercise (CSP 2007-2013 and NIP 2007-2010) was still dominated by the Commission's services in headquarters. The process could be made more transparent if the Commission explicitly shared its views on:

- the rationale behind the choice of cooperation areas and interventions;
- the way the interventions will contribute to the objectives pursued;
- the rationale behind the choice of financing modalities used.

R3: Integrate the long term vision into the cooperation programme

The cooperation programme should clarify the medium and long term cooperation strategy in each priority area and interventions should be accompanied by the commitment to

continued support to ongoing efforts: the efforts to bring about change outlast by far the length of the programming cycle.

2^o Improve the identification and formulation processes

R4: Increase the involvement of beneficiaries and consultation of sector partners when identifying and designing support interventions

When designing its sector budget support operations, the Commission has actively implicated the beneficiary institutions (even when there were many such as in the water sector) as well as other donors active in the sector in the discussion of the disbursement matrix. This proactive approach could be replicated when designing project interventions so that interventions can better respond to stakeholders concerns and needs about the sector's context, and adapt accordingly the intervention's objectives, achievable outcomes, time frame of operations, implementable project modalities and appropriate institutional and human capacities for project implementation.

R5: Base the selection of the intervention's implementation and financing modalities on an analysis of the intervention's objective and the context of its implementation

More efforts should be spent at the identification and formulation phases to determine the most appropriate implementation and financing modalities for each intervention such as to adapt to the context whilst giving the intervention the best chance of reaching its objectives by using the most appropriate intervention modalities. In this regard the analysis of sector's institutional, operational, policy and budgeting frameworks are essential.

R6: Explain the advantages and constraints of different financing modalities to the Egyptian counterparts

New (and older) instruments such as direct sector budget support, twinning, technical assistance and NIF should be better explained to Egyptian counterparts so that they know what advantages these different financing modalities offer and what constraints or obligations they entail.

R7: Link direct budget support operations to overall improvements in budget programming

The current budgeting process used by the Government of Egypt which fragments public expenditure programming by type of expenditure undermines the use of the budget as a policy instrument and does therefore not lend itself to realising the full potential benefits of SBS. For this, SBS should be accompanied by an intensive policy dialogue on public finance management reform aiming to improve policy based budgeting and to unify the budgeting process (or at least improve the coordination and coherent programming of public expenditure underpinning activities contributing to the same policy objective) in order to improve allocative efficiency of public expenditure.

3⁰ *Improve the monitoring process*

R8: Instruments and systems to monitor and evaluate the contribution of the Commission's support to sector outcomes should be part of project design

Each project should be designed with a clear logical framework and monitoring system producing qualitative and quantitative data necessary for results monitoring; project outputs contribute to the realisation of sector outcomes which themselves contribute to the reaching of the intended impacts and these have to be measured to verify the effectiveness of actions undertaken.

For direct budget support to policy reforms, the implementation of reform measures also aims *in fine* to improve service delivery. The measurement and monitoring of these outcomes by the Government is essential to ensure that reforms are delivering the expected results. Where sector statistical systems do not exist or cannot deliver the data required for result monitoring, the Commission should support the development or improvement of such systems as a matter of priority.

R9: Improve sector monitoring and sector policy dialogue through joint sector reviews

Linked to the above recommendation, the results obtained by the implementation of reforms supported by the Commission should be monitored on a continuous basis by the Government and the Commission to verify that reforms reach their intended outcomes and that support has been effective. In addition to the collection on a regular basis of a minimum set of performance result indicators in the sectors supported by SBS, annual sector reviews should be organised between the GoE and the Commission (and other donors) to monitor progress of service delivery performance and, if possible, of use of services by the population. The verification of the contribution to impacts could be undertaken on a less frequent basis.

ملخص تنفيذي

أهداف ونطاق وسياق التقرير (الفصل الأول):

- إن تقييم تعاون المفوضية الأوروبية مع مصر خلال الفترة من 1998-2008 له هدفان رئيسيان:
- إمداد خدمات التعاون الخارجي للمفوضية ذات الصلة والجمهور الأعرض بتقييم مستقل شامل لعلاقات التعاون مع مصر سواء السابقة أو الحالية. و
 - تحديد الدروس الرئيسية لتطوير الاستراتيجيات الحالية والمستقبلية وبرامج المفوضية.

يغطي هذا التقييم (الذي أجري عام 2009) استراتيجيات تعاون المفوضية مع مصر وتنفيذها خلال الفترة من 1998-2008، مع التركيز على صلتها وفعاليتها وتأثيرها واستدامتها وكفاءتها. أيضا يتم تحليل ترابطها وتكاملها وتنسيقها والقيمة المضافة للمفوضية. وتجدر الملاحظة أن تحليل استراتيجية التعاون تقتصر على الفترة من 2002-2008 نتيجة لعدم توافر الوثائق القديمة، بينما تم أخذ أوراق الاستراتيجية القطرية 2007-2013 في الاعتبار من زاوية التأثيرات المرجوة من تنفيذها أكثر من تحقيقها.

ويجب دراسة تعاون المفوضية مع مصر مع وضع في الاعتبار السياسة والاستراتيجية العامة لتعاون الاتحاد الأوروبي مع دول البحر المتوسط المنصوص عليها في:

(1) إعلان برشلونة 1995 والذي يحدد ثلاث ركائز رئيسية للشراكة الأورومتوسطية (EMP): (أ) شراكة سياسية وأمنية للوصول إلى منطقة مشتركة من السلام والاستقرار (الركيزة الأولى)؛ (ب) شراكة اقتصادية ومالية لخلق منطقة من الرخاء المشترك (الركيزة الثانية)؛ و (ج) شراكة اجتماعية وثقافية وإنسانية لدعم التفاهم بين الثقافات والتبادل بين المجتمعات المدنية المعنية (الركيزة الثالثة).

(2) تحت مظلة الشراكة الأورومتوسطية، تم توقيع اتفاق المشاركة المصرية الأوروبية (EEAA) في عام 2001، ودخلت حيز النفاذ في عام 2004. فبالنسبة للتجارة، فهي تهدف إلى وضع اتفاقية ثنائية للتجارة الحرة (FTA) على أساس تحرير التعريفات الجمركية المتبادلة (ويشمل ذلك إزالة القيود الكمية والتدابير غير الجمركية) لكل من الصناعة والزراعة. أيضا تتضمن الاتفاقية أحكاما حول الإمداد بالخدمات، والمدفوعات، وتحركات رأس المال، وحقوق الملكية الفكرية، والمشتريات العامة.

(3) منذ عام 2004، حدد الاتحاد الأوروبي سياسة الجوار الأوروبية (ENP) على أساس سلسلة الدول المحاذية لحدوده الشرقية والجنوبية. وفي هذا السياق، وقعت مصر خطة عمل مشتركة (AP) مع الاتحاد الأوروبي في مارس 2007، وهي أداة واسعة للتعاون الاقتصادي والسياسي، مما ينقل التزامات وأهداف اتفاقية الشراكة إلى مرحلة أخرى.

إن الإصلاح الاقتصادي هو سلسلة متواصلة من التعاون بين المفوضية ومصر منذ ما يربو على العقد وفقا لتقييم السياسة القطرية لعام 2004 والذي يغطي الفترة من 1996 حتى 2006، وأوراق الاستراتيجية القطرية للأعوام 2002-2006 و 2007-2013، والتي يتم تحليلها في سياق التقييم الحالي. إن العمل على تحقيق الركيزة الثانية من أهداف برشلونة كان وما زال بلاشك أولوية كبرى لاستراتيجية التعاون بين المفوضية ومصر. ومؤخرا، مع أوراق الاستراتيجية القطرية 2007-2013، تبوأ الركيزتان الأولى والأخيرة لمنهاج برشلونة مكانا متقدما كثيرا في أولويات التعاون: فقد أصبح دعم المجتمع المدني هدفا متكاملًا يرمي إلى دعم الإصلاحات في مجالات الديمقراطية، وحقوق الإنسان، والحكم الصحيح، والعدالة، وتم توسيع نطاق الدعم للتنمية الاجتماعية تدريجيا ليشمل تنمية البنية التحتية الاقتصادية للتنمية المستدامة بالإضافة إلى الدعم التقليدي للتنمية الاجتماعية.

وقد تعاقدت المفوضية على مبلغ إجمالي قدره مليار يورو للتدخلات الثنائية الرامية إلى مصر خلال الفترة 1998-2008، مع توجيه معظم التمويل إلى القطاعات الاجتماعية (غالبا التعليم والصحة)، ثم، بترتيب الأهمية، البنية التحتية (غالبا المياه والمواصلات والطاقة والبيئة)، وتنمية القطاع الخاص، والتجارة الخارجية، وحقوق الإنسان، والمجتمع المدني، والديموقراطية.

منهج التقييم (الفصل الثاني) تم إجراء التقييم (والذي بدأ في يناير 2009) على ثلاث مراحل (التفاصيل الكاملة موجودة في الجزء الثالث من التقرير). تهدف **الخطوة الأولى** إلى الحصول على نظرة شاملة لموضوع التقييم. ولهذا الغرض، تم إجراء جرد مفصل للأموال المخصصة لمصر، وتم اختيار اثني عشر تدخلا للمراجعة المفصلة بهدف توضيح الطريقة التي تم بها تنفيذ التعاون. وتهدف **الخطوة الثانية** إلى تحديد الموضوعات التي سيتم بحثها بدقة وأيضا الأسلوب الذي يجب التعامل به. وهي تعتمد أولا على إعادة بناء التسلسل الهرمي عن طريق الأهداف التي سعت إليها المفوضية من خلال تعاونها مع مصر، وثانيا تحديد تسع أسئلة تقييمية مع معايير الحكم والمؤشرات المرتبطة بها. وترتكز **الخطوة الثالثة** على إيجاد الحقائق وتتكون من تجميع البيانات من خلال مهمة استكشافية إلى مصر في مارس 2009، ودراسة مكتبية تعتمد على الوثائق وتحليل البيانات، ومقابلات في المقر الرئيسي للمفوضية، ومهمة ميدانية إلى مصر في يونيو 2009 لملء الثغرات في المعلومات المتبقية واختبار النتائج والفرضيات الأولية من المراحل السابقة. أما **الخطوة الأخيرة** فهي مخصصة لتحليل البيانات التي تم تجميعها برؤية لبناء إجابات لاسئلة التقييم. وقد تم تقديم تقرير التقييم والذي يحتوي على تقييم شامل و استنتاجات وتوصيات في ندوة بمصر في سبتمبر 2010. واستخدم التقرير كأساس للمناقشة في مستقبل التعاون بين المفوضية ومصر. ويشمل هذا التقرير الملاحظات التي تلت المراحل المختلفة للتقييم والندوة.

النتائج المدعمة لإجابات اسئلة التقييم (الفصل الثالث)

من حيث الصلة بالموضوع (والتي تم مناقشتها في سؤال التقييم 1)، فخلال الفترة قيد البحث، وجدت استراتيجية تعاون المفوضية مع مصر ذات صلة وثيقة بتحقيق أهداف الاتفاقيات بين مصر والاتحاد الأوروبي (اتفاقي المشاركة وخطة العمل) وبالتالي أهداف إعلان برشلونة

¹ انظر MWH، تقييم السياسة القطرية للمفوضية الأوروبية لمصر، التقرير النهائي فبراير 2004

ومعاهدة المجموعة الأوروبية (EC). وبالتأكيد، فإن أهداف سياسة الاتحاد الأوروبي وخاصة تطوير أهداف اتفاقية المشاركة المصرية الأوروبية قد شكلت استراتيجية تعاون المفوضية مع مصر. وبمرور الوقت، أصبحت استراتيجية التعاون، بينما ظلت وثيقة الصلة بأهداف الاتفاقيات بين مصر والاتحاد الأوروبي، ذات صلة أكبر باحتياجات وأولويات الحكومة المصرية؛ فقد تقاربت أهداف المفوضية والحكومة المصرية بقوة عندما تبنت الحكومة المصرية سياسة الإصلاح في عام 2004. وأصبحت استراتيجية التعاون بعد عام 2004 أكثر انحيازاً إلى أجندة سياسات الحكومة المصرية، وأصبحت تقدم دعماً شاملاً لأولويات سياستها. إن وضع استراتيجية التعاون استخدم أيضاً منهجاً أكثر استشارية في تحديد مجالات التعاون بإعطاء وزن أكبر لآراء الحكومة المصرية مع الاحتفاظ للمفوضية بالامتياز في اختيار قطاعات التعاون والتدخلات، وتبنى منهجاً أكثر تشاركية لتشكيل التدخلات. وأخيراً، تم إجراء تطويرات في أحدث أوراق الاستراتيجية القطرية وNIP فيما يتعلق بشرح الأسلوب الذي ينوي به التعاون تحقيق أهدافه (سؤال التقييم 1). وعلى مستوى التدخلات، فإن صلة اختيارات الدعم في قطاعات التعاون (حقوق الإنسان، والديموقراطية، وسيادة القانون، والنقلة الاقتصادية، والتنمية الاجتماعية) وجدت عالية جداً لهذه العمليات التي قامت بدعم وتسهيل تنفيذ الإصلاحات على مستوى القطاعات مثل المياه والتعليم أو الصحة، بينما وجدت البرامج مشروعاً ومشروعات المشروعات في المجالات الأخرى أيضاً ذات صلة ولكن ليست بالضرورة نتيجة لعملية ترتيب أولوية واضحة وتشاركية (انظر أيضاً سؤال التقييم 3 و4 و5 و6 و7).

ومن حيث الفعالية والتأثير في الوصول للهدف الأكبر لاستراتيجية التعاون لتقدم مصر نحو أهداف الاتفاقية بين مصر والاتحاد الأوروبي وبالنسبة للمستفيدين النهائيين، فإن تجميع نتائج التدخلات المختلفة كان صعباً نظراً لـ (أ) تركيز التدخلات بصورة كبيرة على قياس ومراقبة الأنشطة أكثر من النتائج والتأثيرات، (ب) مشكلات العزو، حيث يمثل الدعم المالي للمفوضية عامّة مساهمة صغيرة فقط بالنسبة لتمويل الحكومة المصرية وجهات مانحة أخرى في مجال محدد. إلا أنه ظهرت النتائج التالية (سؤال التقييم 3 و4 و5 و6 و7):

- في مجال حقوق الإنسان والديموقراطية وسيادة القانون، أحرزت المفوضية والحكومة المصرية تقدماً كبيراً في فتح الحوار السياسي حول هذه القضايا الحساسة؛ فقد أصبح دعم المفوضية أكثر علانية، إلا أن فعاليته (تعزيز قدرات الجهات الحكومية وغير الحكومية في إدارة وتنفيذ الأنشطة ومشاركة منظمات المجتمع المدني في الحوار السياسي) تعتبر غير ملحوظة.
- حققت مصر تقدماً في مجالات النقلة الاقتصادية والتجارة والتنمية الاجتماعية خلال العشر سنوات الماضية، وبالرغم من أن دور المفوضية لا يمكن تمييزه في تحقيق هذه الإنجازات والتطويرات في مجالات محددة (الجمارك والبنوك وتطوير المؤسسات الصغيرة والتدريب الفني والمهني....) فإنه يمكن ربطه (إذا لم يرجع فقط) إلى مشروعات ومشروعات ممولة بواسطة المفوضية.
- يظل التوظيف قضية مهمة ومعضلة في مصر. وهذه القضية لم يتم تناولها مباشرة عن طريق المفوضية حيث إنها لم تكن مدرجة كأولوية لاستراتيجية التعاون. إلا أن بعض

البرامج الممولة بواسطة المفوضية أثرت على التوظيف بطريقة غير مباشرة مثل دعم المفوضية لإصلاح التدريب فنيالغني والمهني والذي أظهر نتائج إيجابية ووسيطه، وعلى نطاق أوسع إصلاح قطاع التعليم والذي من المبكر جدا أن يظهر أي نتائج حتى الآن.

- إن دعم المفوضية للإصلاحات الاقتصادية الكبرى مثل قطاعات المياه والتعليم والصحة كان فعالا في تسهيل تنفيذ إجراءات الإصلاح في هذه القطاعات، وفي وضع إطار لإدارة مطورة للقطاع، وتنظيم أفضل، وقواعد مطورة، وقدرات مؤسسية مطورة. إن دعم المفوضية للإصلاحات باستخدام ميزانية الدعم نجح مؤخرا في فتح حوار مع الحكومة المصرية حول موضوعات مختارة لإدارة المالية العامة، وتعزيز المواءمة بين الجهات المانحة وحوار السياسات على مستوى القطاعات؛ إلا أن ميزانية الدعم لم تخاطب بعض القضايا الرئيسية في نظام الميزانية المصرية، وبالتالي لم تستطع تقوية السياسات وعملية وضع الميزانية، ولم تعمل على تحسين الاستخدام الفعال للموارد. وبالتركيز كليا على تنفيذ إجراءات الإصلاح، فقد اختارت عدم مراقبة فعالية وتأثير الإصلاحات على مستوى الجهات المستفيدة.

النتائج المتعلقة باستخدام تدخلات المفوضية في مصر مختلطة (سؤال التقييم 3 و4 و5 و6 و7). فيما يتعلق بدعم المفوضية مشروعات محددة، فإن عينة مشروعاتها التي تمت دراستها بمزيد من التفصيل أظهرت أن الاستخدام غير مضمونة نتيجة لعوامل متعددة:

- التركيز على مراقبة أنشطة المشروع أكثر من نتائج المشروع؛
- عدم وضوح الرؤية بالنسبة لدعم المفوضية المستمر في المستقبل (مما يؤثر على النتائج في مجالات مثل التجارة أو التدريب الفني والمهني)؛
- مزيج من التوقعات الطموحة للقدرات المؤسسية والمالية للهيئات المنفذة لتولي الأنشطة والفترات الزمنية القصيرة نسبيا للتدخلات الفردية.

من ناحية أخرى، فإن الأهمية النسبية المتنامية لدعم الميزانية في ملف تعاون المفوضية خلال السنوات العشر الماضية حسنت كثيرا من استخدام تدخلات المفوضية وأفاق المستقبل بوضع الملكية المصرية لدعم الإصلاحات وتنفيذ الاستراتيجية في قلب التعاون. إن التأكيد مؤخرا على ازدياد مشاركة الحكومة المصرية والأطراف المعنية في تصميم برنامج التعاون يزيد من دعم أفاق الاستخدام.

فيما يتعلق بكفاءة دعم المفوضية (سؤال التقييم 8)، تعتبر أساليب التمويل وآليات التنفيذ مناسبة عموما للأهداف المرجوة، ونتج عن استخدام خليط من هذه الأساليب والآليات في نفس المشروع مرونة وتكيف مطلوبين للغاية لزيادة فعالية المشروع. كذلك، يعني التكيف مع التغيير أن المهل الطويلة للمشروعات، وتصميمها الطموح، والتهوين من المتطلبات المؤسسية لتنفيذها والذي قلل من الكفاءة في بعض الحالات، لم يؤثر على فعالية المشروعات.

وفيما يتعلق بالترابط الداخلي لاستراتيجية تعاون المفوضية (سؤال التقييم 2)، فإن التآزر بين التدخلات (في NIP، بين البرامج الثنائية ومشروعات EIDHR، وبين البرامج الإقليمية والثنائية)

الداعمة لنفس الأهداف لتعظيم مساهماتها في الأهداف العامة، لم يؤخذ في الاعتبار عموماً في مرحلة التصميم، ونادراً ما ظهر أثناء التنفيذ.

لقد تم تأسيس العديد من آليات التنسيق بين المانحين على المستوى الاستراتيجي ومستوى التنفيذ بين المفوضية والاتحاد الأوروبي MS بالإضافة إلى مانحين آخرين. إن اشتراك MS EU في صياغة أوراق الإستراتيجية القطرية/ NIP قد تحسن تدريجياً، بينما كان التنسيق بين مجتمع المانحين في نطاق مجموعة شركاء التنمية (DPG) متغيراً عبر القطاعات. إن التنسيق مع التدخلات الممولة بواسطة مانحين آخرين لم يكن القاعدة العامة باستثناء تدخلات BS. وبوجه عام، فإن التكامل بين تدخلات المانحين لم يتجل أثناء دراسة التدخلات العينية (سؤال التقييم 9).

استنتاجات التقييم (الفصل الرابع)

اعتماداً على النتائج السابقة لأسئلة التقييم التسعة، تم استخلاص نتائج في أربعة مجالات رئيسية بهدف تقديم توصيات للبرامج المستقبلية:

- 1) أهمية استراتيجية التعاون: لقد أصبحت استراتيجية التعاون أكثر ارتباطاً بأهداف واحتياجات السياسة القومية (الاستنتاج الأول) ونتجت اختيارات وصياغة التدخلات عن عملية تشاورية مع الحكومة والاطراف المعنية (الاستنتاج الثاني) وبذلك تطورت أهميتها لتحقيق أهداف كل من المفوضية ومصر. بيد أن هناك عاملين يلقيان بظلالهما على هذه الصورة:

 - لم يتم تحليل بوضوح كلا من ترتيب أولوية الاحتياجات المحددة وتبرير استراتيجية استجابة المفوضية في وثائق الاستراتيجية.
 - لم تمتد بعد عملية التشاور إلى مناقشة مجالات أولوية الدعم ولم تشترك الوزارات إلا في نطاق محدود.

2) المخرجات والنتائج والتأثيرات المحتملة للتدخل: ركزت المفوضية مراقبة دعمها على تنفيذ أنشطة المشروعات (الناتج) ومؤشرات عملية السياسة (ظروف برنامج دعم الميزانية) دون الاهتمام الكافي بقضية وصول الدعم إلى النتائج المرجوة والتأثيرات المطلوبة (الاستنتاج الثالث). إن نتائج التقييم وفقاً لنتائج برنامج التعاون 1998-2008 في كل من مجالات الدعم هي: (أ) خطوات سياسية ملموسة في مجال الحوكمة مما يسمح بدعم مباشر أكثر لم يظهر حتى الآن إلا القليل من النتائج الملموسة، (ب) مساهمات إيجابية محددة في التغيير الاقتصادي (التجارة والأعمال) و (ج) تطور مهم مؤخراً في تنفيذ إجراءات الإصلاح في المجالات الاجتماعية (المياه والتعليم والصحة). وعلى مستوى أكثر عموماً، فإن التقدم الذي حدث في النقلة الاقتصادية وتطوير المؤشرات الاجتماعية خلال السنوات العشر الأخيرة لا يمكن ربطه تحديداً بدعم المفوضية، والذي تم التخطيط له دون رصد مصاحب للتأثيرات على التغيير الاقتصادي، وتوصيل الخدمة الاجتماعية، أو الحد من الفقر (الاستنتاج الرابع). أما من حيث استخدام دعم الميزانية، فقد مكن دعم المفوضية من تنفيذ إجراءات الإصلاح المؤثرة على الإطار المؤسسي والتنظيمي والإداري للقطاعات الرئيسية (الجمارك والتجارة والمياه والتعليم والصحة) (الاستنتاج الخامس). إلا أن دعم ميزانية

القطاع (SBS) والذي تستخدمه الحكومة المصرية كأسلوب للمشروع، لم يؤثر على أطر السياسات ووضع الميزانية لعمليات القطاع (الاستنتاج السادس).

(3) **كفاءة أساليب التنفيذ والتمويل:** إن الاستخدام المتزايد لدعم الميزانية وخليط من أساليب مختلفة للتنفيذ خلال الفترة 1998-2008، ساهم في تحسين كفاءة دعم المفوضية لمصر. إلا أن ما قلل من ذلك في بعض الأحيان هو عدم المراعاة الكافية للقيود المؤسسية للوكالات المنفذة، والمهلة الزمنية القصيرة المتاحة للتنفيذ، وتعقيد الإجراءات التي تحكم الوصول لمخرجات المشروع/البرامج (الاستنتاج السابع).

لقد تم تعديلها أساليب التمويل التي قررتها المفوضية لتتوافق مع التدخلات، إلا أنه لم يتم استخدام دعم الميزانية للاستغلال الأمثل لخصائصه مما أدى إلى تعدي الفوائد المحتملة من استخدامه؛ وتم استخدام التوأمة أساسا في نقل الخبرة، أما المكونات التنظيمية والنشريعة فلم يتم تنفيذها (بعد)، وبالنسبة للدعوات لتقديم المقترحات المستخدمة للمنظمات غير الحكومية/منظمات المجتمع المدني فلم يتم توفيقها مع قدراتها. إن تفهم الجهات المستفيدة لأهداف واستخدامات الأدوات المختلفة المتاحة وجد متغيرا عبر المؤسسات المختلفة (الاستنتاج الثامن).

(4) **الحوار السياسي وحوار السياسات:** تم تحقيق الكثير من التقدم في كل من الحوار السياسي بين المفوضية والحكومة المصرية (بدخول اتفاقية المشاركة حيز النفاذ وتوقيع خطة العمل) وفي حوار السياسات بينهما (بالدعم الشامل للميزانية لبرنامج الإصلاح السياسي للحكومة بعد عام 2004) مما دفع بموضوعات جديدة وأحيانا حساسة سياسيا إلى ساحة النقاش المفتوح، والسماح بدعم المفوضية للإصلاحات في هذه المجالات (الاستنتاج التاسع). إلا أنه لم يتم التحديد بوضوح إلى أي مدى تعكس إجراءات الإصلاح التي تدعمها المفوضية (من خلال دعم ميزانية القطاع) برامج إصلاح شاملة ومفصلة (الاستنتاج العاشر).

توصيات التقييم (الفصل الخامس)

اعتمادا على الاستنتاجات السابقة، تم صياغة توصيات تهدف إلى التطوير في المجالات التالية:
(1) تطوير عملية البرمجة

التوصية الأولى: اعتماد استراتيجية التعاون على أولوية الاحتياجات.

إن أهمية ومن ثم فعالية واستدامة برنامج التعاون بين المفوضية ومصر يمكن تحسينها كثيرا إذا كانت تدخلات التعاون أكثر استجابة لأولوية الاحتياجات والتي يتم تحديدها بالاشتراك بين الطرفين، مع وضع في الاعتبار السمات الخاصة لأساليب الدعم المحتملة للمفوضية.

لذلك يمكن لعملية البرمجة أن تمضي كالتالي:

- تشخيص التحديات والاحتياجات وفقا لأهداف الأجندة المشتركة بين مصر والاتحاد الأوروبي لاتفاقية الشراكة وخطة العمل، ثم ترتيب أولوية الاحتياجات، ثم الاستجابة لها؛
- اختيار المجالات حسب الأولوية وحيث تكون المفوضية لها خبرة وقيمة مضافة؛

• تعظيم التأزر.

التوصية الثانية: جعل عملية البرمجة أكثر شفافية بإشراك الحكومة المصرية مبكرا في العملية وتقديم حجج واضحة لصالح الاختيارات التي تتم. كثيرا ما تشترك الحكومة المصرية والدول الأعضاء في عملية البرمجة، إلا أن عملية البرمجة الأخيرة بأوراق السياسة القطرية CSP 2007-2013 و NIP 2007-2010 مازالت تحكمها خدمات المفوضية في المركز الرئيسي. ويمكن أن تكون العملية أكثر شفافية إذا شاركت المفوضية آراءها بوضوح حول:

- الأسباب وراء اختيار مجالات التعاون والتدخلات؛
- أسلوب مساهمة التدخلات في تحقيق الأهداف المرجوة؛
- الأسباب وراء اختيار أساليب التمويل المستخدمة.

التوصية الثالثة: دمج الرؤية طويلة المدى في برنامج التعاون يجب أن يقوم برنامج التعاون بتوضيح المناخ واستراتيجية التعاون طويلة المدى في كل مجال للأولوية، ويجب أن يصاحب التدخلات الالتزام بالدعم المستمر للجهود الجارية: الجهود المبذولة لإحداث تغيير يستمر أطول بكثير من مدة دورة البرمجة.

(2) تطوير عمليات التحديد والصياغة

التوصية الرابعة: زيادة إشراك الجهات المستفيدة و استشارة شركاء القطاع في اختيار وتصميم برامج التعاون

عند تصميم عملياتها لدعم ميزانية القطاع، أشارت المفوضية بنشاط إلى المؤسسات المستفيدة (حتى عندما تكون كثيرة كما في قطاع المياه) بالإضافة إلى ماتحين آخرين نشطاء في القطاع وذلك في مناقشة عملية الإنفاق. ويمكن تكرار هذا النهج الاستباقي عند تصميم تدخلات المشروعات، وذلك لكي تستجيب التدخلات بصورة أفضل لاهتمامات واحتياجات أصحاب المصلحة فيما يتعلق بسياق القطاع، ووفقا لذلك، يتم تعديل أهداف التدخل، النتائج التي يتم تحقيقها، الإطار الزمني للعمليات، الأساليب التنفيذية للمشروع، والقدرات المؤسسية والبشرية الملائمة لتنفيذ المشروع.

التوصية الخامسة: تأسيس اختيار تنفيذ البرنامج و اختيار أسلوب التمويل على تحليل الهدف المرجو وسياق التنفيذ

يجب بذل مزيد من الجهود في مرحلتي التحديد والصياغة لتحديد أنسب أدوات التمويل، وخاصة:

التوصية السادسة: شرح مزايا وقيود أساليب التمويل المختلفة للنظرء المصريين إن الآليات الجديدة (والأقدم) مثل الدعم المباشر لميزانية القطاع، والتوأمة، والمساعدة الفنية، ، في حاجة لشرحها بطريقة أفضل للنظرء المصريين ليعرفوا المزايا التي تقدمها أساليب التمويل المختلفة هذه والقيود أو الالتزامات التي تنطوي عليها.

التوصية السابعة: ربط عمليات الدعم المباشر للميزانية بالتطويرات الكلية في برمجة الميزانية إن عملية وضع الميزانية الحالية التي تستخدمها الحكومة المصرية والتي تقسم برمجة النفقات العامة حسب نوع النفقات تقوض استخدام الميزانية كأداة سياسية، ولا تصلح للاستخدام الفعال من قبل SBS. إن تعظيم الاستفادة من الدعم المباشر للميزانية يجب أن يرتبط بفتح حوار مكثف حول سياسة اصلاح الادارة المالية العامة بهدف تطوير وضع الميزانية أو على الأقل التنسيق والبرمجة المترابطة للأنشطة التي تقوم على النفقات العامة مما يساهم في تحقيق نفس الهدف السياسي.

3) تطوير عملية المراقبة

التوصية الثامنة: يجب أن تكون أدوات وأنظمة مراقبة وتقييم مساهمة دعم المفوضية لنتائج القطاع جزءاً من تصميم المشروع

يجب أن تصمم المشروعات باستخدام اطار بديهي واضح ونظم مراقبة للأداء متضمنة البيانات الكمية والكيفية لمراقبة نتائج المشروعات ومخرجاتها، مع الاعتبار أن مخرجات المشروعات تساهم في تحقيق نتائج القطاع المعني والتي بالتالي تساهم في الوصول الى التأثير المطلوب والذي يجب أن يقاس للتحقق من فاعلية الأنشطة المتبعة.

بالنسبة الى الدعم المباشر للميزانية لإصلاح السياسات ، فان تنفيذ تدابير الإصلاح يهدف أيضا الى تحسين تقديم الخدمات بقياس ورصد هذه النتائج أمر ضروري لضمان أن الإصلاحات تهدف الى النتائج المتوقعة. حيث النظم الإحصائية قطاع لا وجود لها أو لا تستطيع تقديم البيانات المطلوبة لرصد نتيجة لذلك فعلى المفوضية أن تدعم تطوير أو تحسين مثل هذه النظم ذات أولوية.

التوصية التاسعة: تطوير مراقبة القطاع والحوار السياسي بالقطاع من خلال المراجعات المشتركة بالقطاع

ارتباطا بالتوصية المذكورة أعلاه، فان النتائج التي تن الحصول عليها من خلال تنفيذ الاصلاحات المدعومة من قبل المفوضية يجب أن تراقب بطريقة مستمرة من قبل الحكومة والمفوضية للتحقق من أن الاصلاح يقود الى النتائج المرجوة وأن الدعم ذو فاعلية. بالاضافة الى تجميع، على أساس منتظم، لمؤشرات أداء في للقطاعات الممولة بنظم التمويل SBS يتم تنظيم المراجعات السنوية للقطاع بين الحكومة المصرية والمفوضية (ومانحين آخرين) لمراقبة تقدم أداء تقديم الخدمة، وإذا أمكن، استخدام الخدمات بواسطة السكان في القطاعات المدعومة.

1. Evaluation objectives, scope and context

This evaluation is part of the 2008 JEU evaluation programme as approved by External Relations and Development Commissioners and commissioned by the Joint Evaluation Unit to the Commission's Directorates-General (DGs) for External relations and Development and the EuropeAid Cooperation Office (hereafter referred to respectively as RELEX, DEV and AIDCO). The fact finding and analytical work for the evaluation was undertaken during the course of 2009.

The evaluation report is structured in five sections:

- Section 1 provides a brief overview of the evaluation objectives, the scope covered, and the subject of the evaluation
- Section 2 presents the main features of the methodology applied and the challenges and limits of the evaluation;
- Section 3 provides the answers to the nine evaluation questions. For each question, a self-standing summary box with the answer is proposed;
- Section 4 presents, on the basis of the findings and analysis of section 3 an overall assessment and the conclusions of the evaluation;
- Section 5 presents the recommendations.

1.1 Evaluation objectives and scope

The Terms of Reference (ToRs) for this evaluation specify two main objectives:

- to provide the relevant external Co-operation Services of the Commission and the wider public with an overall independent assessment of the Commission's past and current cooperation relations with Egypt; and
- to identify key lessons in order to improve the current and future strategies and programmes of the Commission.

The ToRs state that the evaluation should cover the Commission's co-operation strategies with Egypt and their implementation during the period 1998-2008. During the structuring phase of the evaluation and initial discussions with Reference Group members, it became clear that early strategy and programming documents relating to the period 1998-2002 (prior to the elaboration of the first full-fledged Country Strategy Paper (CSP) in 2002) were no longer available for analysis; it was therefore decided that the analysis of the cooperation strategy would concentrate on the period 2002-2008, referring back where necessary to the results of the previous evaluation of Commission-Egypt cooperation undertaken in 2004³ for the earlier period. For the period 1998-2008, the evaluation assesses the implementation of the Commission's cooperation, focusing on effectiveness, impact, sustainability, and efficiency; while looking ahead at the intended effects of the

³ See MWH, Evaluation of the European Commission's Country Strategy for Egypt, Final Report February 2004

2007-2013 CSP. Furthermore, the evaluation has also assessed coherence⁴ and Commission's value added, as well as key issues (coherence, complementarity and coordination (3Cs)).

1.2 Cooperation framework

1.2.1 Overall cooperation framework

The cooperation of the Commission with Egypt needs to be considered taking into account the overall policy and strategy for the EU's cooperation with Mediterranean countries.

The 1995 Barcelona Declaration defines three pillars of the Euro-Mediterranean Partnership (EMP): (i) a political and security partnership to achieve a common area of peace and stability (pillar 1); (ii) an economic and financial partnership to create an area of shared prosperity (pillar 2); and (iii) a partnership in social cultural and human affairs to promote understanding between cultures and exchanges between the respective civil societies (pillar 3).

An essential feature of the implementation of the EMP has been the negotiation of Association Agreements (AA) between the European Union and its Mediterranean Partners to replace the Co-operation Agreements of the 1970s. The EU-Egypt Association Agreement (EEAA) has been signed in 2001 and entered into force in 2004. For trade, it aims to establish a bilateral Free Trade Agreement (FTA) based on reciprocal tariff liberalisation (including removal of quantitative restrictions and equivalent non tariff measures) for both industry and agriculture. The Agreement further includes provisions for the supply of services, payments and capital movements, intellectual property rights and public procurement.

Since 2004 the EU has defined its European Neighbourhood Policy (ENP) on the basis of the ring of countries adjoining its Eastern and Southern borders. Egypt, along with other countries, signed in March 2007 a jointly-agreed Action Plan (AP) with the EU which is a broad tool for economic and political co-operation, carrying to a further stage the commitments and objectives contained in the Association Agreement.

1.2.2 Egypt-Commission's cooperation strategy (1998-2008)

Support for economic reform has been a continuum of Commission-Egypt cooperation over more than a decade and stretches well beyond since the latest CSP again places support to the development of the competitiveness and productivity of the Egyptian economy as one of its three cooperation priorities for the period 2007-2013 (see figure below). Working towards fulfilment of the second pillar of the Barcelona objectives has thus undoubtedly been - and continues to be - a major priority of the Commission-Egypt cooperation strategy.

⁴ Coherence as defined by the note of the JEU dated 6/01/2009.

An important shift in the Commission-Egypt cooperation strategy in the latest 2007-2013 CSP, already perceptible in the 2002-2006 CSP, is the much more explicit and direct account taken of the first and last pillars of the Barcelona process in the cooperation priorities: whereas support to civil society was reportedly only a sub-objective of the cooperation strategy in 2002, it has become a full fledged objective in the 2007-2013 CSP with aims to support reforms in the areas of democracy, human rights, good governance and justice (see figure below). Similarly the issue of social development has gradually taken a wider perspective in the cooperation strategy. It widened from support focused on 'human resource development' in the 1996-1999 COP (mainly health and education) to poverty alleviation support in the 2002-2006 CSP (including local development issues) and to stable, sustainable and balanced development in the 2002-2006 and 2007-2013 CSPs. In the latest CSP this also includes the support to economic infrastructure development for sustainable development.

Figure 1.1: Main objectives and priority intervention areas in successive strategic programming documents for Commission-Egypt Cooperation over 2002-2008

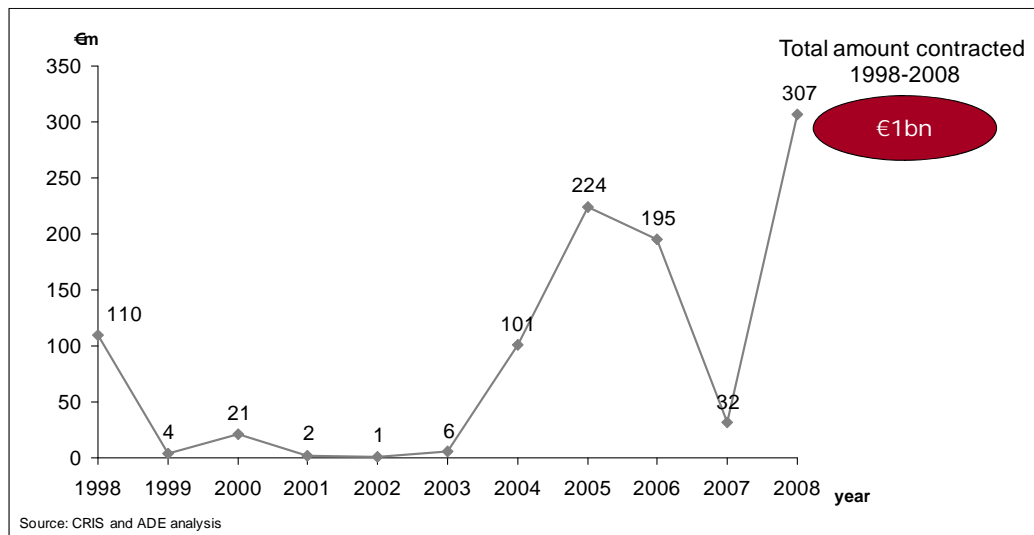
CSP 2002-2006	<ul style="list-style-type: none"> • Supporting the process of economic transition <ul style="list-style-type: none"> • Human resources development • Financial and investment sector co-operation • Adoption of an 'Innovation culture' • Promoting the effective implementation of the EEAA <ul style="list-style-type: none"> • Support to trade enhancement • Support to the comprehensive restructuring of critical sectors • Supporting stability and sustainable and balanced development <ul style="list-style-type: none"> • Decentralised and integrated local development instruments • Support to social development and the development of civil society structures • Support to measures to protect Egypt's fragile marine & land environment
CSP 2007-2013	<ul style="list-style-type: none"> • Supporting Egypt's reforms in the areas of democracy, human rights and justice <ul style="list-style-type: none"> • Support for political development, decentralisation and promotion of good governance • Promotion and protection of human rights and involvement of civil society in protecting the environment • Support for modernisation of administration of justice and enhancement of security • Developing the competitiveness and productivity of the Egyptian economy <ul style="list-style-type: none"> • Support for implementation of the Action Plan Programme (SAPP) • Ensuring the sustainability of the development process <ul style="list-style-type: none"> • Support for reform of education • Public Health • Support for investment in the transport, energy and environment sectors

Source: European Commission, CSP 2002-2006, CSP 2007-2013

1.3 Inventory of funds

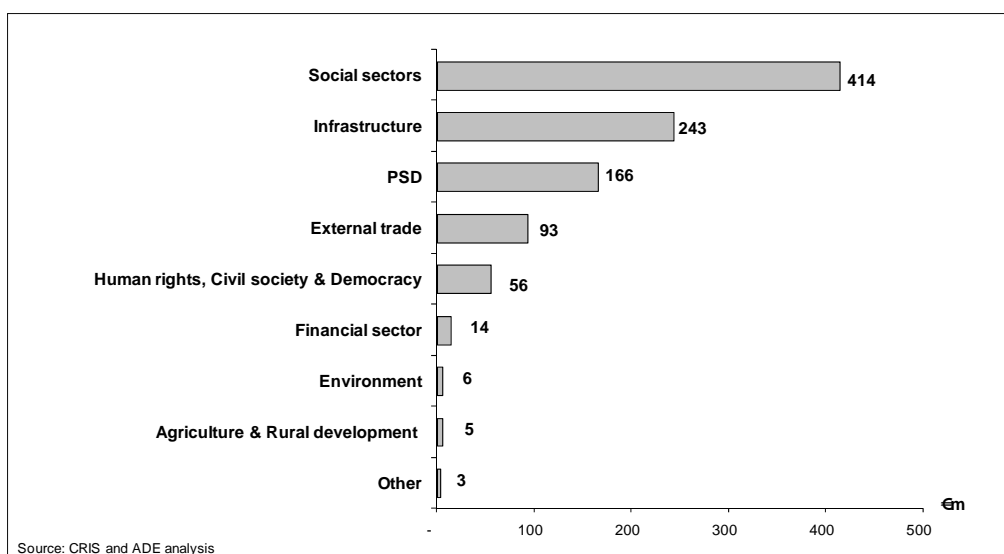
The Commission has contracted a total amount of €1bn for bilateral interventions to Egypt over the period 1998-2008 (see figure below).

Figure 1.2: Evolution of Commission funding to Egypt from 1998 to 2008 (contracted amounts in €m)



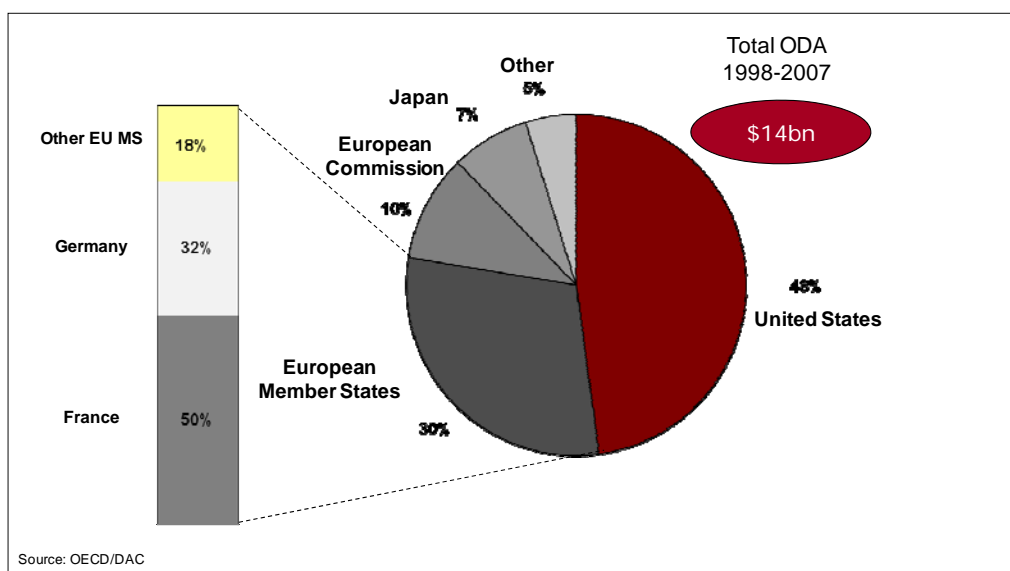
Sectors receiving most funding over the evaluation period were the social sectors (mostly education and health), infrastructure (mostly in the fields of water, transport, energy and environment), private sector development, external trade, and human rights, civil society and democracy (see figure below).

Figure 1.3: Commission funding to Egypt from 1998 to 2008 - per sector (contracted amounts in €m)



Between 1998 and 2007 Official Development Aid (ODA) commitments to Egypt from OECD/DAC donors amounted to USD 14bn⁵ (see figure below). This figure represents approximately 5.5% of the total aggregate revenues of the Egyptian General Government over this period. The United States are by far the largest provider of aid to Egypt.

Figure 1.4: ODA to Egypt - Commitments by donors⁶ - 1998-2007



⁵ The OECD/DAC statistics on aid disbursements to Egypt are extremely incomplete. We therefore refer to the sole statistics on commitments.

⁶ The World Bank group is very active in Egypt. As of September 2008, the IBRD portfolio included 16 projects with a total commitment of USD 1.3 billion. However, since these IBRD loans, as well as the IFC loans that are another component of the World Bank activity in Egypt, are provided at market conditions, rather than as IDA loans at concessional conditions, they are not accounted for in the OECD/DAC ODA figures.

2. Evaluation methodology

The evaluation employed a carefully-designed approach. The methodology and tools used were in accordance with the guidelines and toolbox of the Joint Evaluation Unit⁷.

A separate volume of this report (Volume III Evaluation Methodology) details the methodological aspects and approaches used for this evaluation. It is composed of three parts:

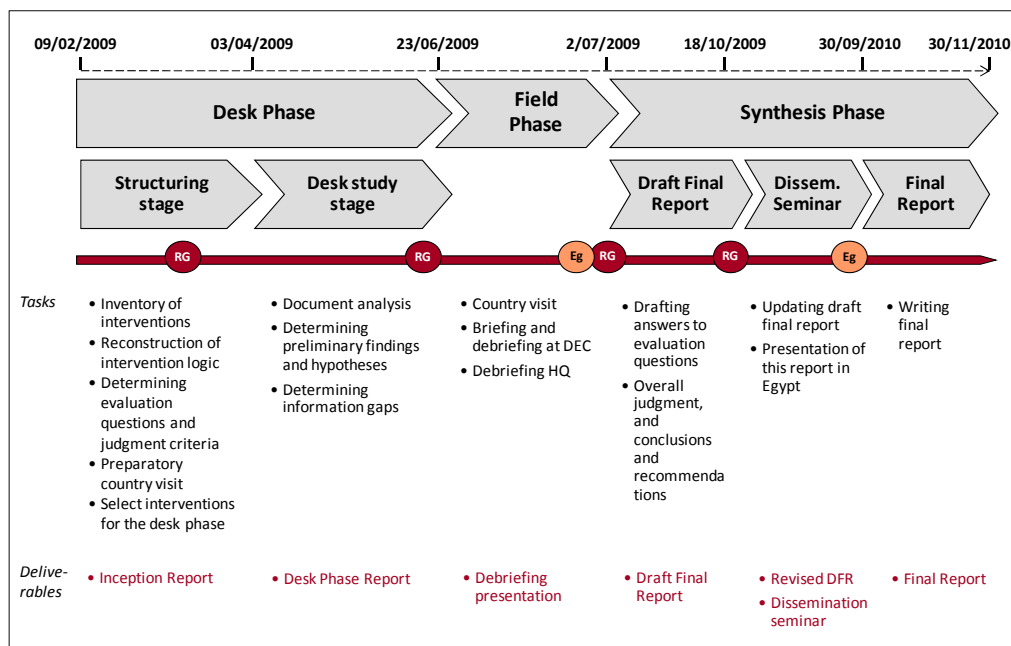
- Part I. Overall methodological approach
- Part II. Intervention Logic
- Part III. Evaluation tools and checklist

The present section provides a brief summarised overview of the evaluation methodology.

2.1 Evaluation process

The **evaluation process** was structured in different phases. Figure 2.1 below provides an overview of these phases, specifying for each the activities carried out and the deliverables produced. The evaluation was supervised by the Joint Evaluation Unit and followed by a Reference Group (RG) chaired by the Joint Evaluation Unit and composed of members of the Commission’s DGs RELEX, AIDCO, and ECFIN and representatives of the Egyptian Embassy in Brussels.

Figure 2.1: Evaluation process

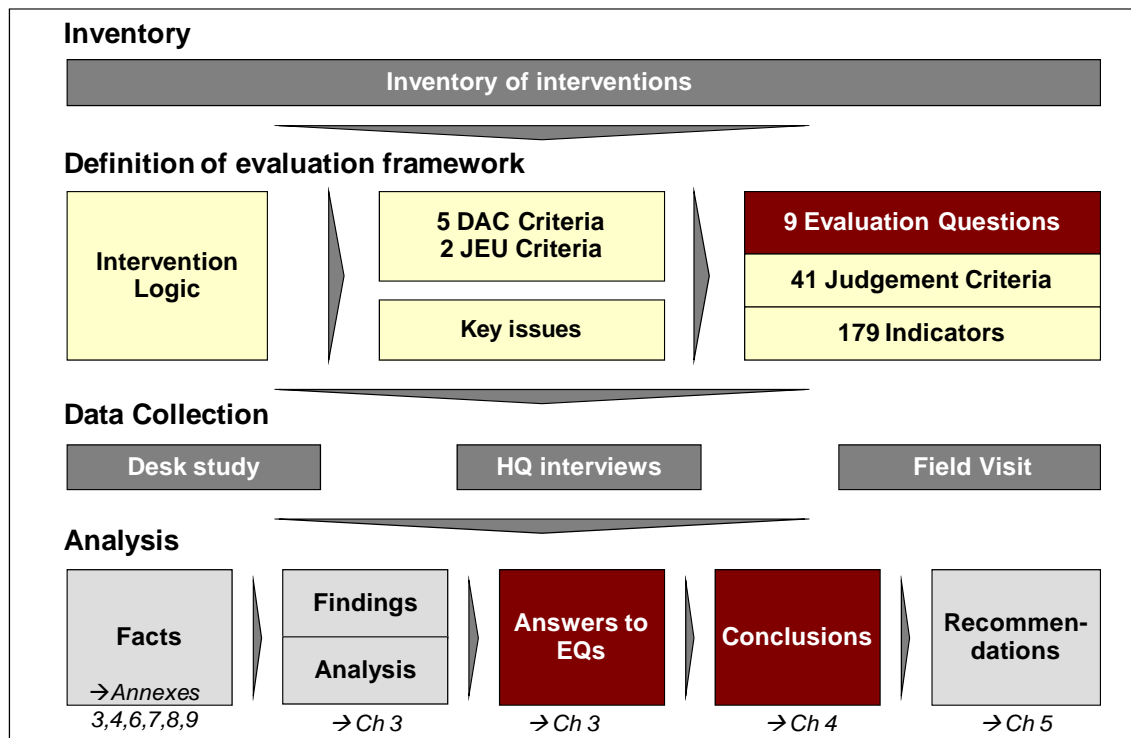


⁷ The overall approach to this evaluation was defined in the ToR. It was further specified in the evaluators’ Launch Note.

2.2 Evaluation approach

2.2.1 A structured approach

Figure 2.2: Structured Evaluation Approach



As shown in the diagram above, the evaluation employed a carefully-designed approach consisting of structured stages aiming at providing sound evidence-based answers to the Evaluation Questions and useful conclusions and recommendations. The main elements can be summarized as follows:

The **first step** aimed at obtaining a comprehensive overview of the subject of the evaluation. To this end a **detailed inventory** of funds allocated to Egypt was constructed.

The **second step** aimed at defining precisely the issues to be investigated as well as the manner in which they needed to be tackled. It was based on two elements, constituting the basis for the **evaluation framework**. First a reconstruction of the objectives the Commission pursued through its cooperation with Egypt and, second, the identification of targeted evaluation questions on this basis. The data to be collected for answering the evaluation questions was also predefined by specifying the judgment criteria and indicators on which answers to the evaluation questions would be based. The intervention logic is detailed in part II of Volume III while the nine Evaluation Questions are presented in the box below.

Box 2.1: The Evaluation Questions**EQ 1 on the Rationale of the Commission Cooperation Strategy with Egypt**

To what extent has the Commission cooperation strategy with Egypt been consistent with and supportive of: (i) the needs of the country and its population, (ii) the policy objectives and priorities of the Government of Egypt and (iii) the objectives and priorities agreed by both partners in the EU-Egypt agreements?

EQ 2 on Synergies between Commission's interventions

To what extent have Commission's interventions been articulated with each other so as to promote mutual synergies and avoid conflicts and to what extent have they been supported by and/or supportive of regional strategies and interventions?

EQ 3 on Human rights, democracy and the rule of law

To what extent have the Commission's interventions contributed to the implementation of reforms in the area of human rights, democracy and the rule of law?

EQ 4 on Economic transition

To what extent has the Commission's support to the modernisation of Egypt's business environment (including the regulatory, institutional and administrative frameworks, the operation of banking and financial institutions and external trade facilitation) contributed to developing Egypt's external trade?

EQ 5 on Employment

To what extent has the Commission supported employment, job creation and access to the labour market, including where relevant through supporting labour market reforms?

EQ 6 on Social services

To what extent have Commission interventions facilitated the implementation of social sector reforms in the areas of health and education?

EQ 7 on Budget Support

To what extent has the move towards the use of sector budget support in key areas/sectors facilitated the implementation of reforms and contributed to improved institutional and regulatory frameworks in - and to improved management and performance of - these areas/sectors?

EQ 8 on Cost effectiveness of financing modalities and implementation mechanisms

To what extent were the financing modalities and implementation mechanisms adapted to the objectives of the interventions and to the (absorption/implementation/administrative) capacities of beneficiary institutions so as to enable timely and cost-effective implementation?

EQ 9 on Commission support to Egypt in the wider cooperation context

To what extent have the Commission's strategies, programmes and activities been designed and implemented in coherence with all EC policies or in coordination and complementarity with the EU Member States, EIB and other donors?

The evaluation questions cover the traditional **OECD/DAC evaluation criteria (relevance, effectiveness, efficiency, impact and sustainability)** as well as **two JEU evaluation criteria** (coherence and Commission value added) and **key issues** (coordination, complementarity and coherence -the 3Cs-). The links between the evaluation questions and the evaluation criteria and key issues are presented in the figure below.

Figure 2.3: Coverage of Evaluation Criteria and Key Issues by the EQ

<i>Evaluation criteria</i>	EQ1 Rationale of Commission Cooperation Strategy with Egypt	EQ2 Synergies between Commission's interventions	EQ3 Human Rights, Democracy, Rule of law	EQ4 Economic transition	EQ5 Employment	EQ6 Social Services	EQ7 Budget Support	EQ8 Cost effectiveness of financing modalities & implementing mechanisms	EQ9 Commission support to Egypt in the wider cooperation context
Relevance	■		□	□	□	□	□		□
Effectiveness			■	■	■	■	■		
Impact			□	□	□	□	□		
Sustainability	□		■	■	■	■	■		
Efficiency							□	■	□
Coherence		■					□	□	
Commission's value added			■	■	■	■	■		
<i>Key issues</i>									
3Cs	□						□	□	■

■ Direct link: the Evaluation Question seeks to provide the analysis according to the selected evaluation criteria and/or key issue.

□ Indirect link: the evaluation criteria and/or key issues may be treated in the Evaluation Question but are not its main objects.

The **third step** consisted in the **data collection** as such, which took place through four stages :

- First, an **exploratory mission** to Egypt;
- Then a **desk study** based on document and data analysis;
- **Interviews** at Commission headquarters;
- Finally, a **field mission** to Egypt to fill remaining information gaps and test preliminary findings and hypotheses from previous stages.

Data were collected and cross-checked via a number of information sources and employing several evaluation tools (see Part III of Volume III). The table below provides an indication of the funding covered by each tool.

Table 2.1: Indicative coverage of funding by the evaluation approach⁸

Elements of evaluation approach	Number of Interventions	€
Inventory	66	€1bn
Selection of interventions (desk study and field mission)	12	€0.35bn
Exploratory and Field missions	12	€0.35bn
Result Oriented Monitoring (ROM) reports :		
▪ Sector analysis	▪ 38	▪ €0.68bn
▪ Analysis of the evolution of ROM scores over time	▪ 16	▪ €0.49bn
General study of transversal and strategic-level issues	Overall (82 documents consulted)	
Interviews at Commission HQ and Delegation, and with beneficiaries	Overall (73 interviews with 89 persons met)	

These information sources and evaluation tools are described hereunder:

- **Inventory:** for the inventory (annex 5 provides a list of Commission interventions), data collection aimed at being comprehensive and accordingly covered all interventions decided over the period 1998-2008 and for which contracts were issued over that period, including interventions financed with Commission funds managed by the EIB, as well as interventions funded from other budget lines (EIDHR, ONG-PVD, MIGR, NSI). The distribution of the Commission's portfolio per sector was presented in Figure 1.3 above.
- **Desk study on a selection of interventions:** twelve interventions were selected for desk study with a view to illustrate the way in which the cooperation strategy was implemented. The selection covered a large proportion of the funding (35% of total commitments), and respected in a balanced way the distribution of Commission interventions observed in the inventory per sector of intervention and financing instrument (see tables 2.2 and 2.3 below).

⁸ These numbers cannot simply be added as they partially cover same interventions.

Table 2.2: Selection of interventions – per sector

Sectors	Inventory		Selection	
	Amounts (in €m)	%	Amounts (in €m)	%
Social sectors	414	41%	118	34%
Infrastructure	243	24%	59	17%
Private sector development	168	17%	80	23%
External trade	93	9%	43	12%
Human rights, Civil society & Democracy	56	6%	-	0%
Environment	14	1%	23	7%
Financial sector	6	1%	10	3%
Agriculture & Rural development	5	1%	14	4%
Other	2	0%	-	0%
Total	1,001	100%	346	100%

Source: CRIS and ADE analysis

Table 2.3: Selection of interventions – per financing instrument

Financing instruments	Inventory		Selection	
	Amounts (in €m)	%	Amounts (in €m)	%
Sector Budget Support	543	54%	198	57%
Project financing	351	35%	139	40%
<i>Of which: TA services</i>	202	58%	83	60%
<i>Supplies</i>	50	14%	1	1%
<i>Grant</i>	49	14%	5	4%
<i>Credit lines</i>	48	14%	48	35%
<i>Twinning</i>	3	1%	2	1%
EIB Interest rate subsidy	53	5%	10	3%
Neighbourhood Investment Facility	29	3%	-	0%
EIB Risk Capital	25	2%	-	0%
Total	1,001	100%	346	100%

Source: CRIS and ADE analysis

Table 2.4: Selection of interventions for desk study / field visit

Decision Year	Decision reference	Intervention name	Amounts contracted (in €m)	Budget Line	Financing instrument			Sector						Status		
					SBS	Project financing	EIB Interest Subsidy	Social sectors	Infra-structure	External trade	PSD	Financial sector	Human Rights, Civil society & Democracy	Agriculture & RD	Closed	On-going
2002	MED/2002/004-955	Assistance to the Reform of the Technical and Vocational Education and Training System (TVET)	25	MEDA II		X					X					X
2002	MED/2002/003-396	Trade Enhancement Programme A (TEP A)	19	MEDA II		X				X					X	
2003	MED/2003/005-716	Financial Investment and Sector Co-operation (FISC) - Rural Component	18	MEDA II		X					X					X
2003	MED/2003/005-719	Financial and Investment Sector Co-operation (FISC): social component	16	MEDA II		X					X					X
2004	MED/2004/006-224	Financial and Investment Sector Cooperation- FISC Financial	14	MEDA II		X						X				X
2005	MED/2005/017-543	EU Water Sector Reform Programme - Egypt	80	MEDA II	X				X							X
2005	MED/2005/017-557	"Support to the Association Agreement " (SAA)	24	MEDA II		X				X						X
2005	MED/2005/017-203	Support in the field of Democratisation, Civil Society, Human Rights, and Good Governance	5	MEDA II		X							X			X
2005	DDH/2005/017-240	MP2005 Egypt Campaigns 2 and 3	0.7	DDH		X							X			X
2006	MED/2006/018-254	EIB - Environmental Pollution Abatement Project (EPAP II)	10	MEDA II			X									X
2007	ENPI/2007/019-248	Education Sector Policy Support Programme (ESPSP)	118	ENPI	X			X								X
2008	ENPI/2008/019-607	Promotion and protection of human rights	17	ENPI		X							X			X

Source: CRIS

- **Exploratory and Field missions:** During the inception phase, an exploratory visit was undertaken so as to present the structuring elements of the evaluation to the Delegation and Egyptian authorities' representatives, as well as to discuss the selection of interventions and collect data. After the desk study, a field visit of 12 days was carried out. It allowed coverage of the 12 interventions selected for in-depth review and completion of information from the desk study drawing upon the experience of Commission staff in the Delegation and stakeholders, mostly in Cairo (national authorities, other local beneficiaries, EU MS and other donors). Briefings and debriefings with the Commission Delegation and with the Government were held during the mission.
- **Result Oriented Monitoring (ROM):** to widen the coverage of the fact-finding analysis, an aggregated analysis of ROM reports was also undertaken (see Annex 9). In particular, two different overviews have been provided :
 - An overview by sector of the average scoring for each of the 5 DAC criteria realised from 65 ROM reports covering 38 interventions which are within the scope of the evaluation; and
 - An overview of the evolution of the scores of ROM reports over the years for interventions monitored several times: this analysis concerns 16 interventions in total.

Moreover, an in-depth study of available ROM reports provided by the Commission Services for the 12 selected interventions was conducted. It provided information complementary to the other information sources and a number of concrete examples.

- **General study of transversal and strategic-level issues:** more than 80 documents were consulted for this evaluation. In addition to intervention-specific documents, key information was identified through a review of transversal assessments and evaluation reports, as well as through a review of a wide array of strategic documents such as Communications and Regulations.
- **Interviews:** more than 70 interviews were conducted for this evaluation through headquarters visits in Brussels and in Egypt during the exploratory and field missions.

The **last step** was dedicated to the **analysis** of the data collected with a view to construct answers to the evaluation questions. For each evaluation question, the team constructed balanced answers using the building stones of the evaluation (indicators and judgment criteria). Information from documentary analyses and interviews conducted at different levels were combined in data collection grids and cross-checked. This served as basis for developing the argumentation. An **overall assessment** was then undertaken and **conclusions** and **recommendations** were formulated.

The factual information on which the evaluation is based is provided in detail in a number of documents, namely:

- Annex 3 – National background
- Annex 4 – Commission-Egypt cooperation context and implementation
- Annex 6 – Selected interventions in brief
- Annex 7 – Data collection grid
- Annex 8 – Debriefing presentation on findings
- Annex 9 – ROM Analysis.

2.2.2 Challenges and limits

The evaluation was confronted with a number of challenges and limits, related mainly to the following (see also the methodological Annex in Volume III):

- Information related to the early years of the evaluation period, both at strategy/programming and intervention-specific levels, proved difficult to retrieve. This does not necessarily mean that information does not exist but it points to limits in the management and archive of the information within the different services of the Commission. This rendered more difficult the analysis of those interventions which had terminated or for which the persons involved in implementation were no longer available. The evaluation team relied on the Country Strategy Evaluation realized in 2004 to cope with this difficulty.
- Information and corresponding reports related to the identification/formulation phases of interventions and sometimes evaluation reports also proved difficult to retrieve. The problem was compounded by the limited institutional in-house knowledge about past operations due to staff turn-over.
- A bias originating from the fact that the information collected depends on the person interviewed. The data provided by key informants has been systematically cross-checked to ensure their validity.
- The evaluation was undertaken at a time when the formulation of a new NIP was being prepared and some recommendations based on preliminary conclusions were taken on board even before the final report had been issued. Additionally, as a one year gap arose between the production of the draft final report and its formal presentation during a seminar organised in Cairo, some of the conclusions and recommendations may no longer seem as relevant as they were at the time; that some of the identified shortcomings have been addressed in the meantime can only be commended.

3. Answers to Evaluation Questions

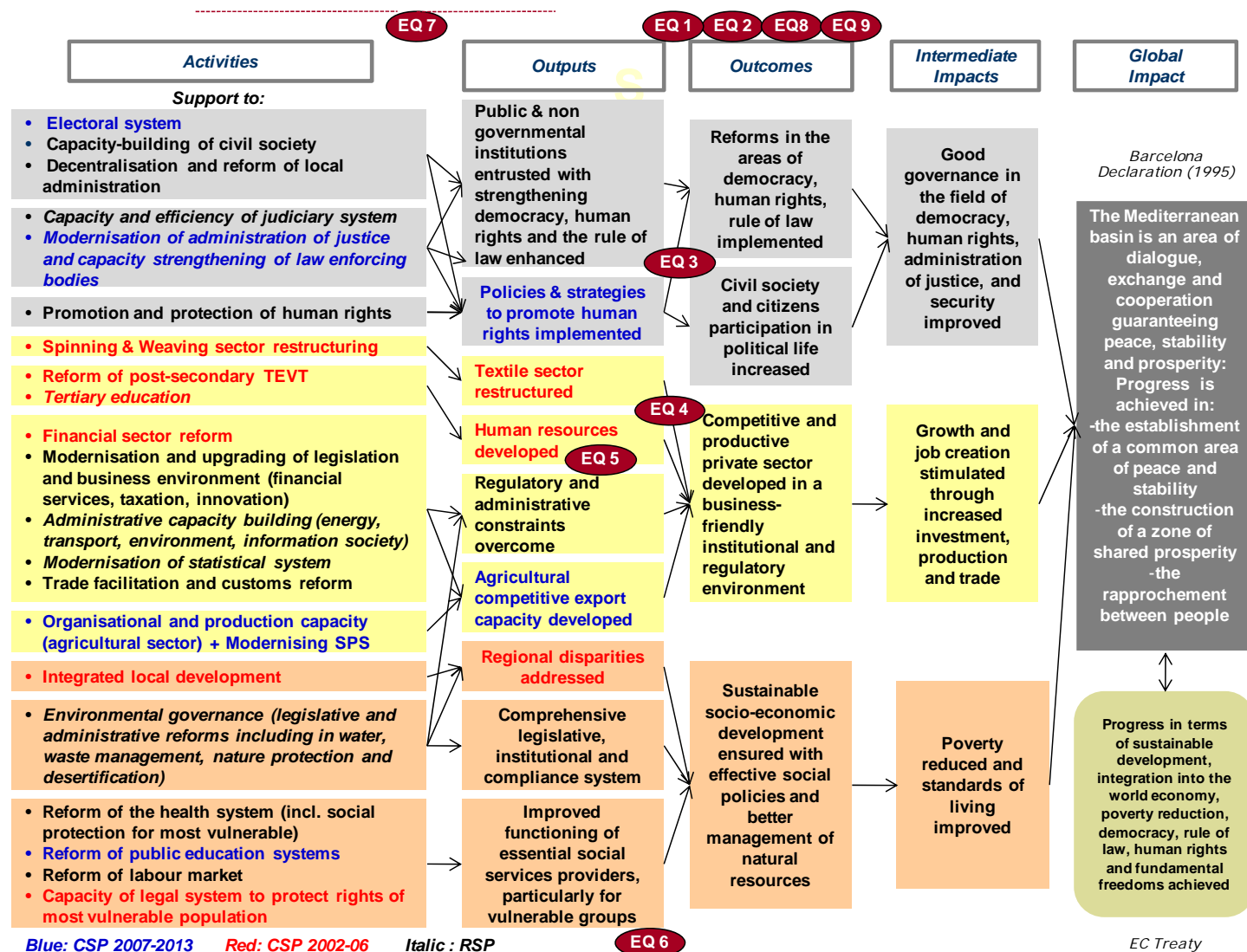
The answers to the nine Evaluation Questions (EQs) are presented in this section. Additional factual data on which the answers are based can be found in Annex 7 (data collection grid) under the Judgment Criteria (JC) and Indicators (I) to which the different sections of this chapter refer. Annex 6 provides further background information on the interventions selected for in-depth review.

The different Evaluation Questions are related to the intervention logic underlying the delivery of Commission support to Egypt. This intervention logic (see Figure 3.1) was reconstructed by the evaluation team with a view to describing as faithfully as possible the rationale developed by the Commission in its support to Egypt.

This reconstructed intervention logic, which is presented in detail in Volume III Methodology – Part II, served as a basis for formulating the Evaluation Questions and as a benchmark against which to evaluate the interventions.

Summary boxes provide self-standing answers to each Evaluation Question. More information on the factual evidence and analysis on which each summary box is based is provided in the remainder of the text.

Figure 3.1: Intervention logic of Commission support to Egypt



3.1 EQ1 on the rationale of the Commission cooperation strategy with Egypt

EQ1: To what extent has the Commission cooperation strategy with Egypt been consistent with and supportive of: (i) the needs of the country and its population, (ii) the policy objectives and priorities of the Government of Egypt and (iii) the objectives and priorities agreed by both partners in the EU-Egypt agreements?

This EQ aims to investigate whether, at a programming level, the choices made by the Commission and the GoE in terms of priority sectors/ areas to be supported by their cooperation responded to identified needs and were relevant to the wider objectives of the advancement of Egypt towards realising the objectives of the EU-Egypt Agreements (Association Agreement and Action Plan) which are themselves aligned on the objectives of the Barcelona Declaration and the Commission Treaty. The question is thus mainly addressing the relevance issue, relevance of choices made within a particular context and against a particular set of intermediate and global objectives. It also addresses the sustainability issue in the sense that it seeks to verify whether the support had full ownership of the GoE and beneficiaries.

The answer is structured around the following elements:

- *The choice of interventions is based on a diagnosis of the needs of the country and its population and addresses these needs (J 1.1)*
- *The choice of interventions is aligned with the policy objectives and priorities of GoE's medium-term development plan (J 1.2)*
- *Strategic and programming documents refer to and support the efforts of the partner to achieve one or several of the EU-Egypt agreements' objectives (J 1.3)*

Answer to EQ 1 on the rationale of the Commission Cooperation Strategy with Egypt - Summary

Past EU-Egypt cooperation strategy has mainly been driven by the priorities of the Commission rather than those of the Government of Egypt; this is slowly changing through increased participation of the Egyptian Government in the programming process. The programming process of the Commission-Egypt cooperation has slowly evolved between the beginning and the end of the review period with a clear turning point being identifiable in 2004/05 with the NIP 2005/06 elaboration and confirmed in the 2007-2013 CSP and the 2007-2010 NIP. Whereas the programming process used to be driven largely by the Commission in Brussels, the deconcentration of the Commission services, the advancement in the EU-Egypt association agreement process (culminating in the coming into force of the AA in 2004) and the appointment of a reform minded Government in Egypt all led to a closer alignment of Commission and Egyptian objectives and views of their cooperation. At the same time, local stakeholders were increasingly consulted during the identification and formulation of the interventions to be supported by the cooperation programme. The change was noticeable at the three levels of relevance covered by the evaluation question: the relevance to needs, the alignment to GoE's policy priorities and the relevance to the objectives of the EU-Egypt agreements.

Commission-Egypt cooperation programming: a changing process where perceived needs shape interventions and increasingly influence the cooperation strategy

The needs and challenges facing Egypt's economy and population, the GoE's policy agenda and the EU policy objectives were clearly presented in the cooperation strategy documents of the early period (I.1.1.1)⁹. In the absence of a joint Commission/GoE exercise to identify and prioritise the population's needs, the general economic, social and political analysis presented in the CSP 2002-2006 was that of the Commission. The Commission's cooperation strategy for 2002-2006 was shaped, not by this analysis of needs and challenges, but by the EU policy objectives and specifically the promotion of the objectives of the EU-Egypt association agreement. The support to Egypt's economic transition and socio-economic development was seen by the Commission as a priority: explanations of the identification of sectors of cooperation or interventions within this broad area were not given and Egypt's priority needs, the Government's priority policies and sectors and the priority areas which would require strengthening in view of attaining EU policy objectives were not identified as such in the CSP 2002-2006.

Similarly, despite presenting a detailed analysis of constraints in the proposed sectors of intervention, neither the CSP 2002-2006 nor the NIP 2002-2004 showed how the proposed interventions have been chosen, how they were supposed to contribute to the satisfaction of the needs identified at macro-economic level or how they could contribute to achieve the GoE's and the Commission's objectives: the articulation between the expected outputs and outcomes of the interventions and the intended intermediate and global impact of the Commission's cooperation was not analysed.

In the latest years of the evaluation period (and especially since the 2007-2013 CSP), positive signs emerged that the Government's views carried increasing weight in the decision-making process which determines the sectors of cooperation and, within them, the choice of interventions (I.1.1.5, I.1.2.1, I.1.2.4, I.1.3.3). The NIP 2005-06 and even more so the CSP 2007-2013 showed a clear evolution from the earlier stance by explicitly linking the proposed support to the identified and prioritised needs of the country and its population as perceived by the Commission taking into account the GoE's identification of needs as reflected in its political and policy agendas (I.1.2.1). The NIP 2005-2006 proposed to support some important reform initiatives launched by the Government in its 2004 reform agenda (in the water, education and health sectors for example); the CSP 2007-2013 confirmed that the Commission's financial assistance is more effective if it espouses the priorities of the national policy and of the ENP AP, ensures consistency with EU policies and focuses on few priority areas where it can provide value added (I.1.2.2). Accordingly, in its analysis of the political, economic and social context of Egypt given in the CSP 2007-2013, the Commission clearly identified issues that it saw as representing constraints to reaching GoE objectives and AA objectives (e.g. Egypt's track record in human rights, in maintaining acceptable public finance deficit levels, etc.) or on the contrary as making progress much more likely (e.g. signing of regional trade agreements, external trade reforms, etc.).

⁹ As stated above in the beginning of this chapter, all indications in parenthesis such as JCx.x or Ix.x.x refer to the Judgment Criteria and Indicators contained within the evaluation grid presented in detail in Annex 7 (Volume II of this report); the first digit refers to the Evaluation question number, the second digit to the Judgment Criterion and the third to the indicator.

The proposed interventions under the CSP 2007-2013 were, more explicitly than in the 2005-2006 NIP, geared towards supporting GoE reform initiatives (in the areas of human rights, justice and democracy, education, health, customs). The 2005-06 NIP clearly stated that these reforms addressed identified and prioritised needs and analysed the link between their outcomes and the achievement of expected intermediate and global impact thus clarifying the potential contribution of the interventions to addressing the country's and its population needs (I.1.1.3). Although interventions always attempted to respond to identified needs¹⁰, their success in doing so was sometimes thwarted by the length of the programming cycle: evolving circumstances then often led to adaptation of project design to ensure effectiveness and response to needs (I.1.1.5, I.1.2.4 and EQ8).

The change in the way the programming process responded to identified needs (I.1.2.3) can be linked at least partly to the implementation of the Commission's Reform of the Management of External Assistance which gave the Delegation in Egypt close involvement in the programming process after 2001. The Commission's deconcentration facilitated increasing participation of local stakeholders in the programming process. Choices of sectors of cooperation resulted from consultation between the Commission and the Ministry of International Cooperation (MoIC) even if cooperation priorities remained decided upon by the Commission. Indeed whilst being consulted in the process, the GoE's influence on the outcome remained small, being limited to more minor aspects (such as the amounts, the implementation modalities, the scope, etc.) while its desire to receive support in some areas where it felt the Commission to have a comparative advantage remained unanswered. Examples include support to trade facilitation or to human resource development, including technical knowhow, training, transfer of knowledge and science and technology, for which the Commission has potential value added and could step up its current support.

The MoIC's discussions with individual ministries were framed by the national Five Year Plan which priorities were also reflected in the Egypt-Commission cooperation: choices of interventions within sectors of cooperation were thus agreed between the Commission and the MoIC without necessarily consulting sector ministries and stakeholders again (I.1.2.4). If the direct role of the sector's stakeholders was thus muted in the choice of interventions, their role in shaping these interventions was important: there is ample evidence that individual interventions have increasingly been the result of discussions between the Commission and the targeted ministries or agencies, with additional inputs from other sectoral stakeholders, including other donors, thus increasing the likelihood that they responded to a shared diagnostic of identified needs and that their design ensured better ownership by the implementing agency.

The increased response of the programming process to identified needs was also prompted by the fact that the GoE policy agenda and the Commission's objectives were increasingly aligned after 2004.

¹⁰ The identification of needs at project level has either been done during project identification or has been analysed as project activities during implementation. Out of the 12 interventions reviewed, half presented an explicit analysis of challenges and needs of the area/sector/issue to which the intervention was designed to respond, three (FISC rural, EPAP and the upcoming Human Rights project) built on previous Commission experience in the sector and three included needs identification as part of the project activities (TEP, SAA and the DDH budget line in the area of Human Rights).

An increasing alignment of Commission and Government of Egypt's policy priorities: the 2004 turning point

The Commission's programming documents presented the GoE policy priorities and provided evidence that the choice of interventions contributed to their realisation (J 1.2). The policy agenda for the period under consideration was expressed in the GoE's Fifth and Sixth Five-Year Plans for Socio-Economic Development (2002-2007 and 2007/08-2011/12 respectively). The main features of these plans, as well as the important policy statements of President Mubarak and his Prime Minister were discussed in the Commission's programming documents (CSPs 2002-2006 and 2007-2013) thus providing an overall setting for the EU-Egypt Cooperation Strategy choices. The programming documents further provided ample evidence that the choice of interventions had something to contribute to Egypt's policy agenda by clearly showing for each area of cooperation and proposed intervention the policy context which would be supported through the intervention. This is also the case for the water sector which, although it was not initially included in the 2002-2006 CSP, was presented as an important tool for GoE's social policy objectives and as an essential component of the infrastructural setting required to attain high economic growth rates. The only area of support retained by the Commission in its cooperation strategy that did not specifically refer to an existing GoE policy is that of human rights, democracy and justice: it was introduced explicitly in the 2005-2006 NIP driven by the Commission's own development cooperation agenda and that of the Barcelona process (with the AA's preparation already finalised and the AA just about to be signed at the time) rather than by GoE's policy agenda which incorporated the issue only in its Sixth Year Plan.

The overall fit between the EU-Egypt Cooperation strategy and GoE's policy agenda has improved between the CSP 2002-2006 NIP 2002-2004 and the following NIPs and CSP with 2004 proving to be a turning point. After 2004, programming documents clearly show that the Commission's strategy was closely aligned to the national policy agenda. The links between the interventions' outcomes and the expected impact of the cooperation were also more clearly established. Indeed, although all interventions retained for funding under the NIP 2002-2004 were found to be relevant to needs and supportive of the GoE's economic and social objectives, the prioritisation of these needs was not clearly demonstrated (J1.1 and J1.2), leaving the feeling that the Commission's support was well directed but could possibly have been focused on greater priority needs. Instead the following NIP and CSP were much more aligned to the GoE's policy agenda's priorities as a result of the following factors:

- the imminence of the entry into force of the AA (awaited for 2004) and thus its objectives could be fully taken into account providing a clear framework for EU Cooperation;
- the launching of a new reform agenda by the Government in July 2004 which allowed the Government and the Commission to engage in a dialogue on several key reforms, such as in the financial, customs, trade enhancement, social, health, education or training sectors;
- the fact that the Government's Sixth Five Year Plan (2007-2011), as perceived by the Commission, had evolved towards more concern for the population and its needs (notably by integrating the poverty and equity dimensions into its social sector policies) thus increasing the motivation of the Commission to align on it; and,

- the availability of the results of the Country Strategy Evaluation (undertaken in 2004) which had shown some shortcomings of the previous strategic approach leading the Commission to *'give proactive support to more dynamic economic, social and political reforms in Egypt'* and since *'the promotion of balanced social development and social protection is an integral part of the Association Agreement (...) future EC assistance to Egypt better defines a clear set of objectives in support of social development and develops programmes with a focus on policy reform.'*

As a result, the choices of interventions of the NIP 2005-2006 and NIP 2007-2010 were well anchored in the country's policy agenda; in addition, all interventions reviewed clearly show their direct alignment with GoE's priorities (I.1.2.3).

The EU-Egypt Agreement's objectives shaped the programming choices

The programming exercises clearly put the cooperation programme in the context of the Barcelona Process, the AA and the ENP AP as well as of the Community Development Policy objectives (J1.3, I.1.3.1). The challenges that Egypt would have to meet in order to reach the objectives of the Association Agreement with the EU could not yet be analysed in the CSP 2002-2006 nor taken as a basis for its priorities since the AA had not yet been signed at the time (the negotiation process for the AA has been long: ongoing since 1994, concluded in 1999, signed in mid-2001, approved by the European Parliament in late-2001, ratified in 2003 and finally brought into force on 1st of June 2004).

Instead, the 2002-2006 cooperation strategy took the GoE's policy agenda and its own identification of needs as referral framework. At programming level, the choice of interventions focused on areas that were loosely or directly part of GoE priorities, but that were considered by the Commission as being essential for advancing towards the AA and MEDA objectives: trade cooperation, economic transition towards the building of strong competitive service and industrial sectors, the support to the creation of job opportunities, the financial and banking sector reform. The situation had changed dramatically for the programming exercise of the 2007-2013 CSP which has been anchored very explicitly and plainly on the AA framework and specifically takes account of the ENP AP priorities.

Both the European Union and the GoE are committed to the AA which is the backbone to the cooperation strategy (I.1.3.3). The Commission-Egypt cooperation programme was shaped by the objectives of the AA even if these cover many more areas than can be covered by the Commission technical and financial cooperation. The prioritisation of these AA objectives, the speed with which they ought to be pursued and the areas to be covered by the cooperation strategy were the subject of negotiations at programming stage between the Commission and the GoE; although views may have differed between the two parties, the Commission's views were more prominent in the choice of sectors of cooperation than those of the GoE that, as seen above, felt its influence limited to only some aspects such as implementation modalities or scope of the programmes, thus experiencing the resulting document as *a fait accompli* rather than as serving objectives determined in common. The importance given to support to the human rights and democracy issues illustrates this: this choice of sector of cooperation and interventions reflected clearly the Commission's perspective whereas the GoE would have preferred the Commission to intervene in strengthening access of its people to basic rights as a step towards democracy and human rights. Overall the programming choices were thus found to be in line with the AA

objectives, but the prioritisation of these choices was not necessarily the outcome of a shared process even though, most importantly, the consultation process much improved over time.

Similarly, the participatory approach to identifying interventions to be considered for Commission funding within sectors of cooperation has shown limitations: beneficiaries reported (I.3.3) that overall cooperation priorities were indeed appropriate to the objectives of the EU-Egypt agreements but regretted that some of the priorities identified at sector level had not received a hearing in the programming exercise, especially when they could only be tackled by the Commission because they concerned EU market access matters. The process of sector needs analysis was part of the national planning exercise thus ensuring that national priorities were adhered to but also removing potentially new concerns from being taken into account by the MoIC responsible for negotiating the cooperation programme with the Commission. On the Commission's side, the programming process focused the analysis on Egypt's challenges (see J1.1) whilst giving less importance to the Government's efforts, achievements and progress towards reaching the AA objectives, thus foregoing opportunities to recognise accomplishments and identify initiatives that might have been capitalised upon.

At intervention specific level, the design of the interventions almost always made plain the references to the AA and the manner in which the support was expected to contribute towards the furthering of Egypt's progress towards the AA objectives. Only in a couple of cases has the link not been made explicit but even here the actual contribution of the concerned interventions to the AA and AP's objectives were clearly identifiable. The only exception to this finding was the project funded under the European Initiative for Democracy and Human Rights (concerning the support to NGOs in the human rights and democracy area) which, being funded by a separate budget line and being a worldwide instrument, was not directly linked to the GoE's policy agenda or the AA or AP's objectives.

3.2 EQ2 on Synergies between Commission's interventions

EQ2: To what extent have Commission's interventions been articulated with each other so as to promote mutual synergies and avoid conflicts and to what extent have they been supported by and/or supportive of regional strategies and interventions?

The question relates to the internal coherence of the Commission support. It aims at verifying the extent to which the objectives pursued by Commission's interventions have been articulated so as to maximise their contribution to overall objectives. In particular, it assesses whether Commission's interventions have been designed and implemented with a view to be mutually supportive and create synergies.

The answer is structured in three parts which analyse the following elements:

- *Complementarities between Commission's interventions (J2.1);*
- *Complementarities between Commission's interventions financed under the bilateral assistance and EIDHR (J2.1);*
- *Complementarities between Commission's bilateral and regional interventions (J2.2).*

EQ 2 on Synergies between Commission's interventions - Summary

During the early programming period, synergies between several interventions supporting the same objectives have been foreseen in strategy documents. However, the interventions were generally not designed so as to create synergies, and, as a result, few complementarities happened during implementation. Most programmes of the CSP 2007-2013 and NIP 2007-10 have been designed in the continuity of past Commission's support to strengthen ongoing efforts and take them a step further, but without spelling out potential complementarities between interventions.

The EIDHR (Initiative then Instrument) have been designed to work in complementarity of the programmes financed under the bilateral assistance. However, potential synergies between bilateral programmes and projects financed under the EIDHR were not made explicit in strategy documents (CSP) and have not been foreseen during the design of the interventions. Synergies have not occurred during implementation either. An explanatory factor lies within the intrinsic features of the type of assistance delivered under the bilateral programming and EIDHR (geographical coverage, programming agenda, and consultative process).

Complementarities with regional interventions were increasingly mentioned in strategy documents at bilateral level (CSPs), but the NIPs generally did not envisage these complementarities. Regional strategy and programming documents (RSPs and RIPs) more systematically referred to bilateral programmes and to potential complementarities with them. However, they did not identify precisely which bilateral intervention should support the regional intervention and vice versa. At intervention-specific level, complementarities between bilateral and regional interventions were generally not envisaged and did not occur either during implementation.

Synergies between Commission's bilateral interventions were envisaged in strategy documents of the early period. However, interventions were generally not designed so as to create synergies, resulting in few synergies at implementation stage.

While the first CSP paved the way for potential synergies between bilateral interventions, bilateral programming under the second CSP built on previous programmes without spelling out the potential complementarities between them.

Complementarities were foreseen in the CSP 2002-2006 and corresponding NIPs between several interventions supporting the same objectives of (I.2.1.1):

- “Promoting the effective implementation of the EU-Egypt AA”: these concerned the following programmes: Trade Enhancement Programmes, Industrial Modernization Programme, Spinning and Weaving Programme and Support to the Association Programme.
- “Stability and sustainable and balanced socio-economic development”: these concerned the Social development and civil society programme (NIP 2002-04) and the Support to social reforms programme (NIP 2005-06): the first one focused on the social protection of the most economically vulnerable and socially marginalised groups while the second aimed at supporting government reforms within a broader national strategy aimed at reducing poverty in Egypt.

- “Supporting the management of water resources”: these concerned MEDA funded interest rate subsidies to EIB loans and two programmes (Support to Water Sector and South Sinai Programme).

Potential complementarities between different interventions identified to support the same objective were not clearly spelled out in the CSP 2007-2013 and NIP 2007-2010 (I.2.1.1). However, most programmes have been designed in the continuity of past Commission’s support to strengthen ongoing efforts and take them a step further. As an illustration, the Support for Reform of Education built on the Education Enhancement Programme.

Complementarities were generally not foreseen in the design of bilateral interventions, and, when foreseen, they were not clearly spelled out. At implementation stage, complementarities between bilateral interventions were the result of ad hoc initiatives.

Out of the twelve interventions selected for in-depth analysis, three financing agreements¹¹ referred explicitly to other Commission interventions in the same area so as to promote complementarities but without spelling out clearly the way complementarities were to be sought (I.2.1.2):

- FISC-Financial mentioned potential links and synergies with relevant Commission’s programmes (IMP and TEP-A);
- TEP-A referred to the common umbrella established by the IMP which focused on the capacity building of Egyptian enterprises to increase their competitiveness whereas TEP-A focused on the capacity building of the GoE to provide the services required by private enterprises to export;
- EPAP II provided funds to the National Bank of Egypt for on-lending to public and private enterprises for undertaking investments to reduce water pollution while the support to the water sector aimed to improve water quantity and quality.

During implementation, only a few synergies between Commission’s bilateral interventions have been observed (I.2.1.2). Specific complementarities envisaged in the NIP have not materialized due to the fact that interventions were not implemented concurrently (e.g children at risk and support to social reforms, TEP-A and IMP). Some synergies appeared such as in the case of SAAP and Water. They were sometimes the result of an active involvement of the EUD (Education BS and TVET).

Complementarities between bilateral interventions and projects financed under the EIDHR have not been foreseen in strategy documents (CSP) or during the design of interventions. EIDHR projects have generally been implemented as stand-alone projects which run in parallel to the bilateral ones.

With NGOs as its principal beneficiaries, the EIDHR (Initiative then Instrument) is intended to work in complementarity with Commission’s programmes financed under bilateral assistance. In strategy documents (CSP), there was reference to the Commission’s

¹¹ Reports produced during the formulation stage of the intervention have also been analysed when made available. They have not explicitly mentioned either the way complementarities were foreseen.

assistance under the EIDHR but the potential synergies between bilateral programmes and projects financed under the EIDHR were not made explicit (I.2.1.3).

During implementation, complementarities between bilateral interventions and projects financed by the EIDHR (Initiative¹²) did not occur. Several intrinsic features of the type of assistance delivered under the bilateral programming and EIDHR do not favour the emergence of synergies (I.2.1.4):

- The geographical coverage : EIDHR is a worldwide instrument while the assistance foreseen under the NIP is country-specific;
- The programming agenda: EIDHR programming is annual while bilateral programming (NIP) is done every three years;
- The consultative process: EIDHR can deliver assistance without the approval of the government while the programmes included in the NIP are approved by the government.

Increased reference was made to complementarities between Commission's bilateral and regional interventions in strategy documents, but not in the NIP/RIP or in the design of specific interventions, thereby resulting in few synergies during implementation.

Strategy documents at bilateral level increasingly referred to and envisaged complementarities with regional interventions over the evaluation period.

While reference to regional programmes was almost absent from the CSP 2002-2006, the CSP 2007-2013 presents a brief overview of MEDA regional cooperation activities and envisages complementarities with regional interventions as follows (I.2.2.1):

- On political development issues: bilateral assistance is to support the implementation of political reforms while regional activities include support for establishing regional networks and platforms of CSOs;
- On cooperation on justice and security issues: bilateral assistance will focus on strengthening institutions and implementing national strategies while regional activities will include judicial cooperation on cross-border issues, networks of organised crime and trafficking of human beings and migration;
- On transport and energy: bilateral assistance will target regulatory reform and implementation of the national strategy while regional activities will concentrate on trans-national activities.

This evolution has not yet been reflected in bilateral programming documents which generally did not envisage complementarities with regional interventions.

The three NIPs covered by the evaluation generally did not foresee complementarities with regional interventions. The NIP 2002-2004 envisaged potential synergies with regional programmes for two bilateral interventions out of eight¹³ while the NIP 2005-2006 did not

¹² Over the evaluation period, EIDHR projects implemented in Egypt concern the Initiative.

¹³ The TEP should be complementary to the regional EuroMed Market Programme; The South Sinai programme could develop synergy with other planned developments (e.g. the extension of regional energy networks and the development of the special economic zone in Aqaba)

mention regional interventions and the NIP 2007-10 does not envisage synergies between bilateral and regional interventions¹⁴ (I.2.2.2).

Regional strategy and programming documents (RSPs and RIPs) more systematically referred to bilateral programmes and to potential complementarities with them. However, they did not identify precisely which bilateral intervention should support the regional intervention and vice versa.

All RIPs¹⁵ over the evaluation period identified potential complementarities between regional and bilateral actions (I.2.2.3). These synergies consisted of either:

- assisting the partners in the definition of programmes that would then be implemented through the NIPs in the following areas: training of public administrations, telecommunications and justice and home affairs (crime prevention and crime-fighting); or
- supporting the development of a common regional approach in the economic sphere in complement of bilateral actions: South-South regional economic cooperation (customs cooperation within administrations in implementing preferential agreements) and internal market approximation.

However, one should note that these potential complementarities were identified at a general level. There was no reference to complementarities with specific bilateral programmes implemented in Egypt.

At intervention-specific level, complementarities between bilateral and regional interventions were generally not envisaged and did not occur either during implementation.

None of the selected interventions for in-depth analysis have mentioned regional Commission interventions undertaken in the same field so as to create potential synergies. At implementation stage, no synergies have been observed between bilateral and regional interventions (I.2.2.3 and I.2.2.4).

3.3 EQ3 on Human rights, democracy and the rule of law

EQ3: To what extent have the Commission's interventions contributed to the implementation of reforms in the area of human rights, democracy and the rule of law?

The question aims at verifying the extent to which Commission's interventions in the field of human rights, democracy and the rule of law contributed to advance the taking into account of these politically sensitive issues by the GoE in its reform agenda. The answer is structured in four parts which analyse the following elements:

¹⁴ The NIP 2007-2010 mentions that the Support for implementation of the Action Plan Programme (SAPP) should build upon the MEDSTAT regional programme which highlighted the need to take the issue of modernisation of the statistical system a step forward through a more substantial bilateral programme but no synergies are being sought for.

¹⁵ RIP 2002-2004, RIP 2005-2006, RIP 2007-2010

- *Support of the Commission to GoE reforms in the field of human rights, democracy and the rule of law (J.3.1)*
- *Support of the Commission to non state actors in the field of human rights, democracy and the rule of law (J.3.2)*
- *Contribution of Commission's interventions to implement tangible changes in these fields (J.3.3) and establishing sustainable bases for improved governance (J.3.4);*
- *Commission value added in this field (J.3.5).*

EQ 3 on Human rights, democracy and the rule of law - Summary

During the early period of the evaluation, the dialogue between the GoE and the Commission in the sensitive field of human rights, democratization and the rule of law has been difficult. A series of political developments and new policy orientations on both sides then created the conditions for a gradual increased dialogue between the GoE and Commission on these issues, which was pushed by the European Parliament and EU MS in several occurrences. This has been reflected in the Commission's bilateral support which progressively evolved from a support to development issues (protection of fundamental rights, social issues) to an explicit and direct support to GoE political reforms in these fields (support to awareness raising activities for institutions created in support of citizens' rights and the process of decentralisation).

As regards CSOs, the Commission, in agreement with the GoE, focused its bilateral assistance on the strengthening of their capacities through calls for proposals managed by government bodies instead of supporting directly their initiatives. With the EIDHR (Initiative then Instrument), it could directly support CSOs without the government consent. However, since EIDHR is a worldwide instrument, the choice of themes to be addressed by EIDHR and the allocation of an envelope of funds are done by the Commission HQ at worldwide level. As a result, the actions were in general not specifically adapted to national priority needs. With the Country Based Support Scheme, created in 2008 and designed to take into account the characteristics and the specific needs of each country, the support should be more adapted in the future.

Commission interventions generally delivered their outputs, hereby contributing to some extent to create a favourable environment for change in the area of justice and media coverage of human rights issues and raise citizens' awareness of their rights. The effectiveness of the capacity-building measures in the long-term and in terms of strengthened dialogue between the GoE and CSOs has not been evidenced. The activity-based nature of the interventions has not permitted an assessment of their impact in terms of tangible changes nor sustainability.

EU MS had leverage in this area through their own foreign policy that the Commission did not have. The latter, a rather new player in this field, has progressively been gaining stronger experience and building on internal capitalisation processes (Commission's guidelines). Its cooperation programmes were backed up by EU MS.

Commission’s bilateral support evolved from a support to development issues to an explicit and direct support to GoE political reforms in the area of human rights, democracy and the rule of law.

During the early period of the evaluation, human rights, democratization and the rule of law were sensitive issues in the Commission-Egypt dialogue. The GoE did not consider it appropriate to have a specific political and cooperation dialogue with the Commission on these issues considered as Egyptian political internal matters. The CSP 2002-2006 and NIP 2002-2004 (with the programme “Children at Risk”¹⁶) reflected the nature of the dialogue of the GoE in this area: the assistance foreseen thus focused on the protection of fundamental rights of vulnerable and marginalized groups with the civil society being an implementing agency channelling social service delivery to the poor (I.3.1.1).

A series of political developments and new policy orientations on both sides as well as the taking into account of lessons learnt from previous programming exercises then created the conditions for a gradual increased dialogue between the GoE and Commission on these issues, which was pushed in several occurrences by the European Parliament and EU MS (J.3.1):

- The Communications of the Commission “Wider Europe - Neighbourhood: A new framework for relations with our Eastern and Southern neighbours”¹⁷ and “Reinvigorating EU actions on human rights and democratization with Mediterranean partners”¹⁸ in 2003;
- The 2004 Country Strategy Evaluation which recommended the Commission to strengthen the dialogue with the GoE with regard to the strategic objective of democracy, human rights and the building of civil society and to mainstream these issues in future programming exercises;
- The entry into force of the AA in 2004 with Article 3 providing the legal basis for the establishment of a regular institutionalized political dialogue on human rights and democratisation between the EU and Egypt;
- President Mubarak’s Electoral Platform for 2005¹⁹ which proposed constitutional reforms, among which the reform of the electoral system, greater decentralisation and the reinforcement of the independence of the judiciary;
- The signature of the jointly agreed ENP Action Plan in 2007 between the EU and Egypt which provided for enhanced political dialogue and reform on democracy, the rule of law and human rights;
- The creation of a sub-committee on political matters in 2007 within the framework of the AA covering, upon request of the GoE, general political issues from human rights and democracy to international and regional issues. The sub-committee constituted a forum in which a dialogue on these issues could take place between the Commission, the GoE and some CSOs able to discuss policy.

¹⁶ The programme « Social development and civil society: children at risk » (MED/2003/005-722) (€20m) concentrated on the social protection of the most vulnerable groups, such as children at risk, and the strengthening of the capacity of the non-governmental sector to contribute to social development.

¹⁷ COM(2003) 104 final

¹⁸ COM(2003) 294 final

¹⁹ Source : <http://www.ndp.org.eg/en/Platform/Mubarak.aspx>

These developments were reflected in strategy and programming documents which increasingly supported GoE political reforms in these areas through programmes targeting explicitly democratization, human rights and the rule of law and implemented either by government bodies or CSOs active in these fields through calls for proposals managed by government bodies:

- The NIP 2005-06 included the first bilateral intervention of the Commission targeting explicitly democratisation and human rights. This programme aimed at supporting awareness raising activities for institutions created in support of citizens' rights such as the National Council for Women (I.3.1.3).
- Similarly, the CSP 2007-2013 considers the state of play of GoE reforms and assesses the areas which the Commission could support. The Commission recognizes that human rights and democracy are internal Egyptian matters and proposes, in its strategy paper, to focus its financial assistance on Egypt's priorities for political reforms, in particular the enhancement of the effectiveness of institutions entrusted with strengthening democracy and the rule of law, the review of the electoral system and the process of decentralisation. As a result, the support to Egypt's reforms in the areas of democracy, human rights and good governance and justice has become one of the three key objectives of the cooperation and the NIP 2007-10 identifies three programmes dealing directly with these issues²⁰. For one of these programmes²¹, the initially envisaged component on the electoral process has been reconsidered as the Egyptian authorities did not consider it as a priority for international cooperation and the decentralisation component has been postponed until the new decentralisation law is in place (I.3.1.2).

As regards support to CSOs, the Commission focused on the strengthening of their capacities under its bilateral assistance. With the EIDHR, it could directly support the initiatives of CSOs. However, since EIDHR is a worldwide instrument, the actions were in general not specifically adapted to national priority needs. With the Country Based Support Scheme, the support should be more adapted in the future.

While the Commission has been willing to support directly the initiatives of CSOs under its bilateral assistance, this approach has not been viewed as appropriate by the GoE. Instead, the GoE and Commission found a mutual ground of understanding in having the Commission supporting the capacities of CSOs through calls for proposals managed by government bodies (I.3.2.1). Reflecting the evolution of the dialogue between the GoE and Commission (see above), Commission interventions in the early period under evaluation supported the capacities of CSOs active in the delivery of social services while the end of the period witnessed an increased emphasis on CSOs active in the promotion of human rights, democracy and the rule of law.

Designed to be complementary to the bilateral assistance, the European Initiative for Democracy and Human Rights and its successor as of 1 January 2007 the European Instrument for Democracy and Human Rights allowed the Commission to support directly

²⁰ The “support for political development, decentralisation and promotion of good governance”, the “promotion and protection of human rights and involvement of civil society in protecting the environment” and the “support for modernization of administration of justice and enhancement of security”

²¹ The “Support to political development and good governance” programme.

the initiatives of NGOs in the promotion of the respect for all human rights and fundamental freedoms as well as the development and consolidation of democracy and the rule of law because these instruments offer the possibility to deliver assistance without the government consent (I.3.2.3). The support provided under the Initiative and the Instrument does not intend to respond to specific national priority needs as the instrument is worldwide: global thematic campaigns were defined under the Initiative²² and general strategic objectives under the Instrument²³ that do not necessarily fit with the country specific agenda. Under the Initiative, the support in Egypt focused on the democratic electoral process, awareness raising, capacity-building of CSOs, and community empowerment to defend and promote their rights (I.3.2.3 and Annex 6).. With the Country Based Support Scheme (created in 2008), component of the Instrument (succeeding to the Initiative) designed to take into account the characteristics and the specific needs of each country, the support should be more adapted to priority needs in the future²⁴.

Improvements were observed in the field of human rights, democracy and the rule of law. Commission interventions delivered their outputs but their activity-based nature did not permit an assessment of their impact in terms of tangible changes nor sustainability. The effectiveness and sustainability of the capacity building provided to CSOs has not been evidenced.

Notwithstanding Egypt's historical context of a state of emergency in place since 1967, documentary evidence and interviews pointed to improvements as regards its human rights, democracy and the rule of law situation²⁵. For instance, the work of the National Council for Human Rights had a positive impact on the defence of human rights as well as on awareness raising and considerable steps have been taken to improve the status of women and children. At the legislative and institutional levels, the political reform process made slow progress.

Progress and final reports of Commission's interventions in the field of human rights detailed the activities achieved by the interventions and generally reported positive results at activity level, for instance in terms of number of complaints received and treated by the National Council of Women (NCW) and National Council for Human Rights (NCHR), number of workshops organized for representatives of the Ministry of Interior, Ministry of Justice and associations active in this field, awareness and exposure to human rights and

²² Four global thematic campaigns have been defined by the EIDHR Annual Workplan 2006 (first annual workplan) : "Campaign 1: Promoting justice and the rule of law", "Campaign 2: fostering a culture of human rights", "Campaign 3: promoting the democratic process" and "Campaign 4: Advancing equality, tolerance and peace". Egypt was eligible to campaigns 2 and 3.

²³ For the period 2007-10, five strategic objectives have been defined : 1) Enhancing respect for human rights and fundamental freedoms in countries and regions where they are most at risk; 2) Strengthening the role of civil society in promoting human rights and democratic reform, in supporting the peaceful conciliation of group interests and in consolidating political participation and representation; 3) Supporting actions on human rights and democracy issues in areas covered by EU Guidelines, including on human rights dialogues, on human rights defenders, on the death penalty, on torture, and on children and armed conflict; 4) Supporting and strengthening the international and regional framework for the protection of human rights, justice, the rule of law and the promotion of democracy; 5) Building confidence in and enhancing the reliability and transparency of democratic electoral processes, in particular through election observation.

²⁴ In the case of Egypt for 2009, support is targeted to local civil society organisations in two fields: democratic electoral process and social and economic rights.

²⁵ See Annex 3 – National Background and Annex 7 – Data Grid EQ3, J.3.3

democratisation issues. These positive achievements contributed to some extent to create a favourable environment for change in the area of justice and media coverage of human rights issues and raise citizens' awareness of their rights. However, the absence of qualitative assessment of the support provided (e.g no monitoring of the training delivered or assessment of its impact, no qualitative analysis of the type of complaints received and treated by the NCHR, etc.) prevented one from assessing the impact in terms of tangible changes in the fields targeted as well as the sustainability of the support (Annex 6 and I.3.3.2).

Beneficiaries have generally been involved at design and implementation stages of interventions (I.3.4.1). This has been even more the case for projects financed under the EIDHR for which beneficiaries are required to design and implement their projects under a specific theme. Moreover, capacity-building measures have been included in programmes financed by the bilateral assistance and the EIDHR (I.3.4.2). However, the effectiveness of the capacity-building measures in the long-term and in terms of strengthened dialogue between the GoE and CSOs, and *de facto* the sustainability of the support, have not been evidenced for several reasons (Annex 6 and I.3.4.1, I.3.4.2, I.3.4.3):

- the outcomes and quality of the support provided have not yet been measured;
- the Commission opted for a short-term project approach rather than for a long-term capacity building strategy towards CSOs. This has focused attention on short term outputs rather than longer term results; this approach has been difficult to reconcile with the objective of supporting political change processes;
- Technical expertise and time availability are limited for Commission Delegation staff to support CSOs during and beyond the project duration and to get to know the actors and engage in dialogue;
- the CSOs eligible for funding were chosen by government bodies;
- the call for proposals system has been widely used to support CSOs but proved inadequate to foster the dialogue with civil society as a change agent and partner to implement strategies as it tended to limit the involvement of relevant CSOs²⁶ and to focus the dialogue on project activities with beneficiary CSOs only;
- existing monitoring and evaluation tools proved inadequate to ensure a strategic management of CSOs as actor in the development process as they ensured financial and administrative management until project closure but did not allow to monitor the evolutions within the civil society sector, the quality of CSOs participation in the development process, etc.

The recently undertaken Evaluation of EC aid delivery through CSOs²⁷ reinforces these findings by underlining “the absence of a consistent overall policy framework to address the essential questions on the use of the CSO channel” and shows that these findings have also been observed in other countries/regions supported by the Commission.

²⁶ Calls for proposal tend to capture larger NGOs, mostly international ones that master the English language and are used to respond to tenders.

²⁷ Partecip, « Evaluation of EC aid delivery through civil society organisation », final report, December 2008

EU MS had leverage in this area through their own foreign policy that the Commission did not have. The latter, a rather new player in this field, is progressively gaining stronger experience and building on internal capitalisation processes. Its cooperation programmes are backed up by EU MS.

While the AA and ENP Action Plan offer a common framework to the Commission and EU MS to have a common position of all EU actors in this sensitive area, there is no common European voice on foreign affairs matters in the Mediterranean region. Indeed, EU MS have their own foreign policy within the region and had leverage through it while the Commission could not have this leverage as it did not have a mandate for foreign policy matters (I.3.5.6).

Documentary evidence and interviews have not pointed towards a comparative advantage of the Commission in the area of human rights, democracy and the rule of law (I.3.5.1). Moreover, the Commission is a rather new player in this field (I.3.5.2). It chose to concentrate on fundamental rights and to implement its programmes through the UNDP which had a longer experience and stronger legitimacy in this sensitive area. It is progressively gaining more experience: the increased dialogue between the Commission and the GoE on these issues as well as the inclusion of specific programmes targeting more explicitly the field of human rights, democracy and the rule of law in the NIP 2007-10 reflect this evolution (see above J.3.1). Furthermore, the Commission is building on internal capitalisation processes: some of the recommendations presented in the Communication “Reinvigorating EU actions on human rights and democratization with Mediterranean partners” have been taken on board, such as the setting up of a sub-committee on political matters providing a forum for discussing these issues or the enhancement of the human rights dimension in the CSPs (I.3.5.3).

Overall, the support provided by the Commission through its cooperation programmes is viewed as positive by EU MS active in this field in Egypt such as France. Moreover, the EU MS expect the Commission to take on an important role in the future in this area as it is increasingly developing programmes in this area (I.3.5.6).

3.4 EQ4 on Economic transition

EQ4: To what extent has the Commission's support to the modernisation of Egypt's business environment (including the regulatory, institutional and administrative frameworks, the operation of banking and financial institutions and external trade facilitation) contributed to developing Egypt's external trade?

The question aims at verifying the extent to which Commission's support to promote and enabling environment for trade, private sector development and job creation contributed to improve the export performance of Egypt. It mainly relates to the criteria of effectiveness and also to sustainability.

The answer is structured in several parts which analyse the following elements:

- *Commission stimulated reforms of the institutional and regulatory frameworks (JC 4.1)*
- *Contribution of the Commission to facilitating the development of productive sector activities (JC 4.2)*
- *Contribution of the Commission to facilitating the improvement of economic infrastructure (JC 4.3)*
- *Contribution of the Commission to improving Egypt's external trade environment (JC 4.4)*
- *Contribution of the Commission to stimulating job creation, production and exports (JC 4.5)*
- *Added value of Commission support in this field (JC 4.6)*

EQ 4 on Economic transition - Summary Box

The EU-Egypt AA has been the catalyst for the Commission's support to wider economic and trade reforms. Its implementation entails a progressive regulatory liberalization, legislative reforms as well as the creation and/or strengthening of involved institutions.

Through several interventions representing almost half of the Commission's portfolio under the bilateral assistance, the Commission supported GoE reforms of the regulatory, administrative and financial framework for business development, existing GoE reform programmes in sectors critical for the Egyptian economy (textile, tourism, etc.), and GoE efforts to modernise the administrative capacities of the institutions responsible for the provision of economic infrastructure essential for business development.

The assessment of the expected results of these interventions has been constrained by the absence of specific quantified outcome targets to be reached. However, available monitoring and evaluation reports and interviews reported several positive achievements.

These interventions have contributed to facilitating the development of productive sector activities in helping :

- To reinforce financial markets and the capacity of local financial institutions;
- To increase SMEs and micro-enterprises access to commercial bank credit;
- In employment generation;

The achievements of reforms of the institutional and regulatory environment for business and trade through implementation of the 2005 SAAP programme have not been evidenced so far.

According to the WB Doing Business, Egypt was among the ten global top reformers. Progress has in particular been made as regards starting a business and trading across borders but has been slower in areas such as getting credit, employing workers, and paying taxes where Egypt's performance remained under the regional and income group averages.

Interventions have also contributed to trade facilitation by helping to :

- Reinforce the public administration's capacity to harmonise legislation and regulations with international and particularly EU frameworks;
- Decrease trade barriers and non tariff measures.

To translate into systematic durable changes individual results need to be consolidated by a long-term commitment of the Commission.

The signature by Egypt of a number of trade agreements at bilateral, regional and multilateral levels contributed to the drastic reduction of Egypt's tariff and non-tariff barriers between 2000 and 2008. However, trade restrictions were still important, as illustrated by the less significant reduction and high level of the tariff and non tariff measures compared to the ones of the tariffs alone.

Over the evaluation period, trade between Egypt and the EU in absolute value has increased. However, the shares of Egypt imports and exports have been bigger with the Rest of the World than with the EU and negligible with the Mediterranean area. Moreover, the shares of EU imports (respectively exports) in Egyptian imports (respectively exports) have not increased. The achievements in terms of trade facilitation, and more importantly the implementation of the AA as of 2004, contributed to some extent to these evolutions but attribution was not possible.

The EU-Egypt Association Agreement has been the driving force of the Commission's support to reforms of the institutional and regulatory environment of business and trade activities while the Commission also devoted significant financial resources to support these issues.

The EU-Egypt AA, signed in 2001 and entered into force in 2004, is the catalyst for the Commission's support to wider economic and trade reforms. Indeed, it requires regulatory liberalization and legislative reforms and entails the creation and/or strengthening of institutions involved in the implementation of the AA. This process should lead to a Free Trade Area between the partner countries within twelve years after the entry into force of the AA, that will guarantee the trade-related aspects of the AA, such as liberalisation of services and right of establishment, rules on competition and state aid, intellectual property protection, as well as public procurement.

Within the framework of the AA, **the objectives of strategy documents (CSPs) have been geared towards the opening and liberalisation of the Egyptian economy to stimulate growth and employment.** The Commission's assistance supported:

- GoE reforms of the regulatory, administrative and financial framework for business development (Trade Enhancement Programme, Support to the Association Agreement, Support to the Implementation of the Action Plan Programme, Financial and Investment Sector Cooperation Programme - Financial, Support to the Water Sector) (I.4.1.1) ;
- existing GoE reform programmes in sectors critical for the Egyptian economy (Spinning and Weaving Sectors Programme, Support to the Association Agreement, Trade Enhancement Programmes, Financial and Investment Sector Cooperation Programme – Social and Rural) (I.4.1.3) ; and
- GoE efforts to modernise the administrative capacities of the institutions responsible for the provision of economic infrastructure essential for business development (Trade Enhancement Programmes, Support to the Association Agreement, Support to the water Sector, Support to the Implementation of the Action Plan Programme) (I.4.1.2).

In terms of financial resources, this support represented 49% of the Commission's bilateral assistance: €489m have been devoted to economic infrastructure²⁸, private sector development²⁹, external trade³⁰ and the financial sector³¹, as illustrated by the figure hereunder:

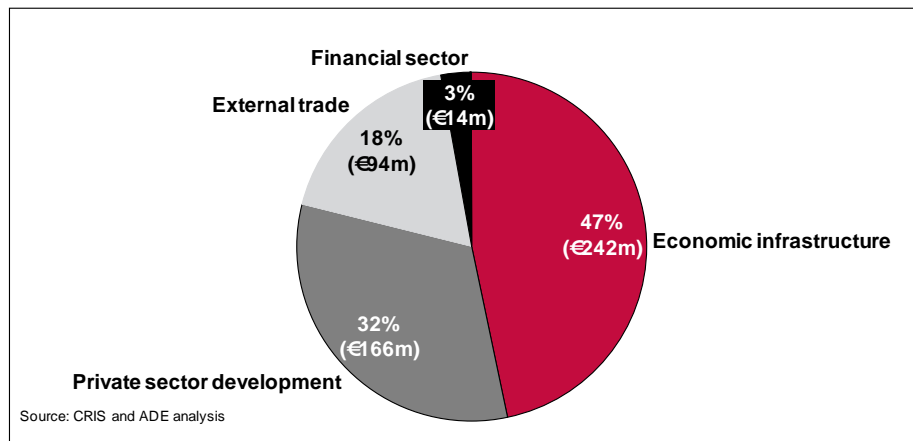
²⁸ Interventions concern the recently decided (2008) Support for investment in transport, energy and environment sectors, the Support to the water sector reform (2005) and several MEDA EIB interest rate subsidies (1998 and 2006).

²⁹ Interventions concern TVET (2002), Spinning and Weaving Sector Support (2004), FISC-Social (2004), FISC-Rural (2003), EIB Risk Capital (1998)

³⁰ Interventions concern TEP-A (2002), TEP-B (2002), TEP-C (2003), Promotion of the Association Agreement (2003), Support to the Association Agreement (2005), Support to the Implementation of the Action Plan Programme (2007) and Support to the Implementation of the Action Plan Programme and the Association Agreement (2008)

³¹ Interventions concern FISC-Financial (2004)

Figure 3.2: Sectoral repartition of Commission funds supporting regulatory and institutional reforms (1998 – 2008)



Commission's interventions have contributed to facilitating the development of productive sector activities but Egypt's performance in ease of doing business remained under the regional and income groups' averages

The documentary analysis of the interventions reviewed evidenced that FA/MoU have generally not identified specific quantified outcome targets to be reached by the interventions (I.4.2.1). The absence of a monitoring system enabling to ensure the follow-up of the achievements of the interventions constrained the assessment of the expected results. However, available monitoring and evaluation reports and interviews reported several positive achievements in terms of (I.4.2.1 and I.4.2.2):

- reinforcement of the financial markets and of the capacity of local financial institutions:
 - FISC-Financial³² assisted in the modernization process of the Egyptian financial sector (banks, financial institutions and regulators): it helped the Central Bank of Egypt to acquire new skills and have exposure to the latest supervisory techniques and to tackle the issue of the non-performing loans, state-owned banks in their restructuring process, and bank regulations to be increasingly in line with international standards, though more has to be done to comply with Basel II. As the Commission intervention fell under the GoE's Financial Sector Reform Programme umbrella, the improvements were closely embedded into this ongoing Egyptian reform.
 - FISC-Social delivered outputs (trainings, study tours, seminars, financial guides, etc.) that increased the capacity of local financial institutions to finance small and medium enterprises (SMEs) and micro-enterprises;
 - FISC-Rural organised awareness raising campaigns and training to encourage banks towards a more commercial cash-flow lending approach for rural agribusiness;
 - EPAP II contributed to increase the commercial banks capacity to finance SMEs by showing commercial banks that environmental lending can be a profitable and low risk business and leading them to develop their own environmental risk manual which helps them assessing environmental investments (I.4.4.2);

³² See Annex 6 – Selected interventions in brief and Annex 7 - Indicator I.4.2.2

- SMEs and micro-enterprises access to commercial bank credit:
 - FISC-Rural improved the access to credit facilities for small and medium producers of agricultural products, processors and entrepreneurs by (i) providing a revolving credit facility managed by Commercial International Bank, under the property of the Ministry of Agriculture and Land Reclamation, and (ii) facilitating the extension of loans to the disadvantaged groups through the establishment of focal points in four governorates. However, the results of the programme have been constrained by the banking financial regulation in risk management and in requiring collaterals for credits.
 - With FISC-Social, the Social Fund for Development's Small Enterprise Development Organization (SEDO) operated lending programs focused on bank intermediaries that were mostly used in trade and in agro-business and the SFD's Micro-Finance Unit (MFU) operated loan contracts with NGOs intermediaries that reached the poorest strata of the Governorates (Menia and Aswan).
- Employment generation:
 - The final evaluations carried out for FISC-Rural and Social estimated that these two programmes respectively contributed to the creation of around 10,000³³ and 33,000³⁴ jobs over the project period. It remains to be verified that these job creations were sustained in the long-run.

The achievements of reforms of the institutional and regulatory environment for business and trade through implementation of the SAAP have not been evidenced so far (I.4.1.2 and Annex 6). Indeed, the attractiveness of twinning for Egyptian institutions lied mostly in the technical know-how and support to institutional and organisation changes offered by counterpart institutions; with limited budgets and short time frames of implementation for twinning and complex legislative processes for change³⁵, improvements of the regulatory frameworks and administrative systems (usually fostered by institutional twinning in the context of approximation of the "acquis communautaire") remained objectives to be realised in the longer term under the GoE's national reform programme. It should be noted here that twinning in ENP countries supposes a voluntary rapprochement to the acquis instead of a mandatory transposition as it is the case for acceding countries. The approximation of European regulations, norms and standards necessary for Egyptian exports to Europe could be a powerful tool for developing Egyptian exports; this has not been a priority criterion for selecting twinning candidates in SAAP³⁶: so far one twinning project (in agriculture) has concerned issues directly related to external trade, whilst two others were indirectly related to trade development (support to GAAFI – the investment agency and support in accreditation at the Ministry of Trade and Industry).

³³ Permanent and casual jobs created in the following areas: packing/storage, seeds, honey production, machinery, trucks, irrigation and animal husbandry.

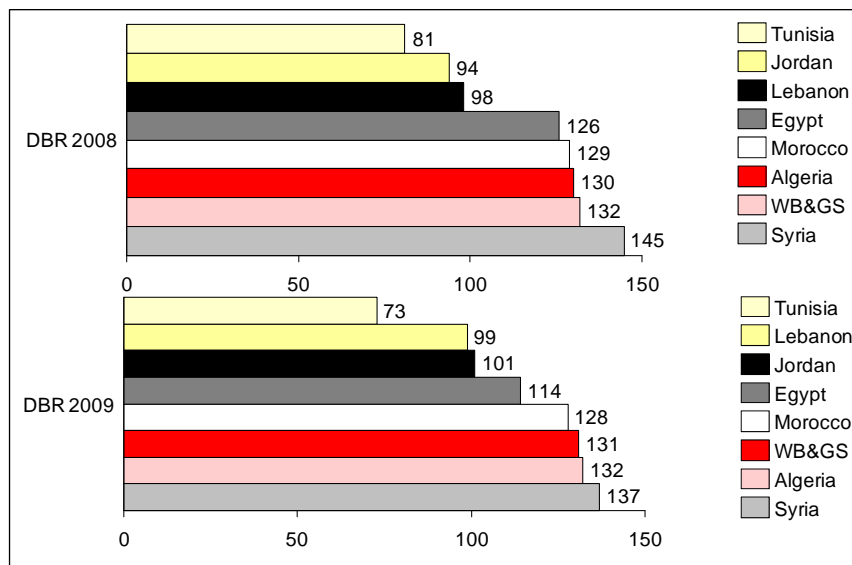
³⁴ No evidence on the types of jobs created. The loans have been mostly used in the trade and agro-business areas.

³⁵ The Egyptian Parliament must approve any legislative changes and any administrative procedures; the process can take more than the two years of implementation of a twinning arrangement.

³⁶ TEP-A foresaw in its FA twinning arrangements under the component « trade facilitation ». Neither the mid-term nor the final evaluations have mentioned these twinning arrangements.

According to the 2009 Doing Business, Egypt was among the top ten global performers (the third time in four years) and top regional performer. Overall, most ease of doing business indicators in Egypt showed progress over time³⁷, but among the 178 (respectively 181) countries benchmarked by the WB in 2008 (respectively 2009), Egypt was in the fourth quintile. Moreover, within the Southern Mediterranean region, Egypt remained at the fourth place in 2008 and 2009³⁸ (see figure hereunder) (I.4.2.1).

Figure 3.3: Evolution of Ease of Doing Business ranking among MPC (2008-2009)



Progress in Egypt has in particular been made as regards (I.4.2.1):

- starting a business (e.g Egypt reduced the paid-in minimum capital requirement by more than 80%, abolished bar association fees, and automatised tax registration while in 2006-2007 it cut the minimum capital required to start a business from LE 50,000 (equivalent to € 6700) to LE 1,000 (equivalent to €134), and halved start-up time and cost)
- and trading across borders (e.g new one-stop shops have been established for traders at Egyptian ports; as a result, time to import has been reduced by seven days and time to export by five).

But Egypt's performance remained under the regional and income group averages in the following areas: (i) Getting Credit, (ii) Employing Workers, and (iii) Paying Taxes.

³⁷ See Indicator I.4.2.1

³⁸ Overall doing business ranking data is unavailable for previous years

Commission’s interventions have contributed to trade facilitation but trade restrictions are still important and the sustainability of the support is questioned.

As noted earlier, FA/MoUs have generally not identified specific quantified outcome targets to be reached by the interventions, hereby constraining the assessment of the expected results. However, available monitoring and evaluation reports and interviews reported several positive achievements in terms of trade facilitation, in particular (I.4.4.1 and J.4.4):

- Contribution to the reinforcement of the public administration’s capacity to harmonise legislation and regulations with international and particularly EU frameworks through TEP-A and C. TEP-A provided technical assistance (i) to the Trade Agreement Sector department which is in charge of implementing and coordinating the implementation of trade-related aspects of the AA (ii) to the staff of the Ministry of Trade and Industry for trade policy formulation, and (iii) to the staff of the Egyptian export promotion entities. TEP-C contributed to the upgrading of the Egyptian Customs Authority senior and middle management skills through training and mentoring.
- Contribution to the decrease in trade barriers and in non tariff measures through TEP-B, in particular improvement of customs services, exemption of all imports earmarked for free zones from all inspection at ports, improvements of standards and control services, and expansion of export promotion schemes.

While Egypt’s trade agreements were limited to a preferential trade agreement with Syria (1991) and the WTO Agreement when Egypt joined as a member in 1995, Egypt became very active over the past ten years in signing a number of trade agreements at bilateral (among which the EU, several Southern Mediterranean partners, Iraq, Turkey), regional (Common Market for Eastern and Southern Africa (COMESA), Agadir) and multilateral levels (WTO) (I.4.4.3). These legal settings contributed to the drastic reduction of Egypt’s tariff barriers between 2000 and 2008 (see figure 3.4). However, trade restrictions were still important, as illustrated by the less significant reduction and high level of the tariff and non tariff measures (see figure 3.5) compared to the ones of the tariffs alone (I.4.4.2).

Figure 3.4: Evolution of Tariffs³⁹

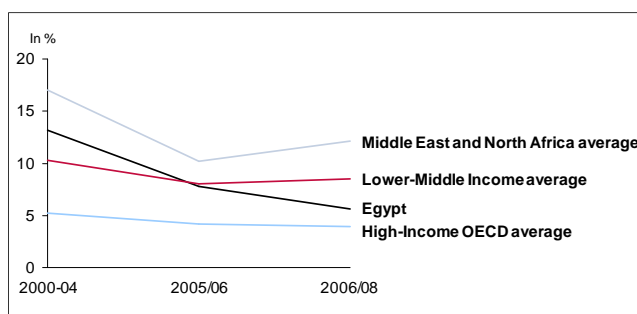
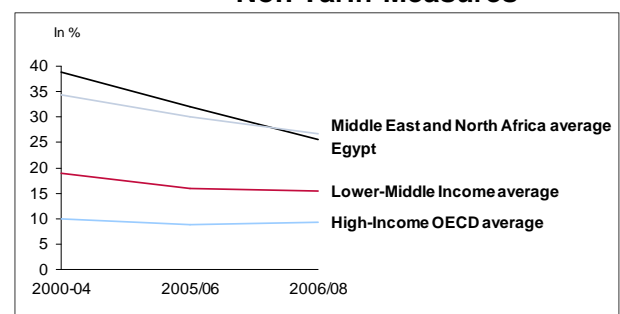


Figure 3.5: Evolution of Tariffs and Non Tariff Measures⁴⁰



Source: World Bank, World Trade Indicators 2008

³⁹ Tariffs refer to taxes imposed on a product when it is imported into a country

⁴⁰ Non tariff measures refer to other than import duties (tariff) employed to restrict imports. Two such measures are (1) direct price influencers, such as or drawbacks, exchange rate manipulations, methods of imports valuation, customs surcharges, lengthy customs procedures, establishment of minimum import prices, unreasonable standards and inspection procedures, and (2) indirect price influencers, such as import licensing and import.

Beneficiaries of Commission interventions perceived the support received as relevant and acknowledged positive results on economic reforms (I.4.6.7) but underlined the need of further capacity building / institutional strengthening support to maintain the ability of the Egyptian administrations and operators to comply with EU and international trade requirements (issuance of new regulations and laws), thus pointing to limits in terms of sustainability of the support provided.

The direct causality between Commission’s interventions and the evolution of Egypt exports was difficult to show.

Several Commission interventions, in particular the TEP programmes, aimed at contributing to the growth of trading and export activities. The achievements in terms of trade facilitation, and more importantly the implementation of the AA as of 2004, contributed to some extent to the evolutions presented hereafter but attribution is not possible (I.4.5.2 and I.4.5.3). One also has to keep in mind that the GoE has devoted significant resources to trade related-issues and that within the donor community USAID was an important player with a total support of \$14.8bn over the period 1975-2008 (I.4.6.2).

Trade between Egypt and the EU in absolute value has increased over the evaluation period, in particular as of 2002 (see figures hereunder) (I.4.5.5).

Figure 3.6: Egypt imports from the EU, rest of the World and MEDA-9 zone (In US\$M)

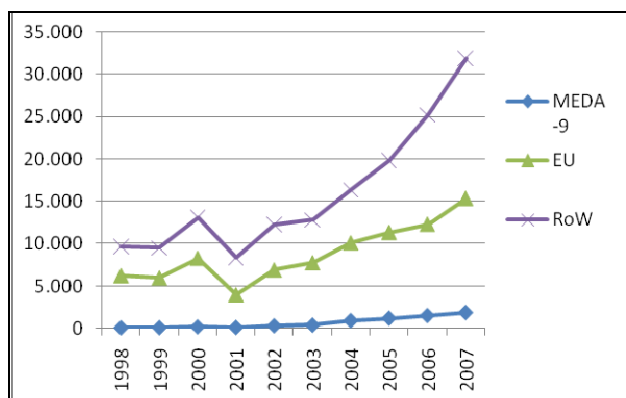
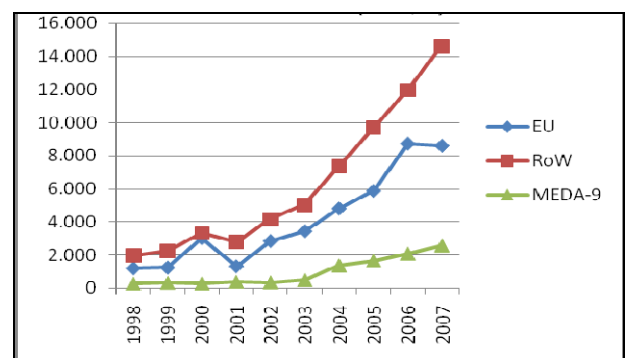


Figure 3.7: Egypt exports with the EU, rest of the World and MEDA-9 zone (In US\$M)



Source: IMF, Direction of Trade Statistics Database (DOT)

However, the shares of Egypt imports and exports were stronger with the Rest of the World than with the EU and negligible with the Mediterranean area. Moreover, the shares of EU imports (respectively exports) in Egyptian imports (respectively exports) were not increasing over the period (see figures hereunder) (I.4.5.5).

Figure 3.8: Destination of Egypt exports (In % of total Imports)

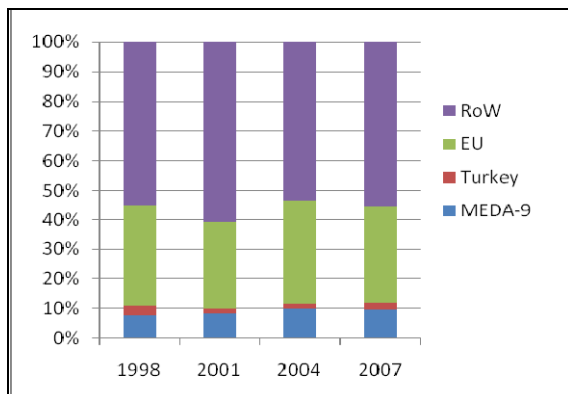
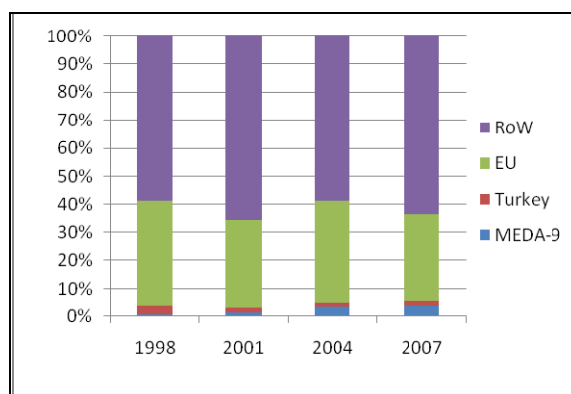


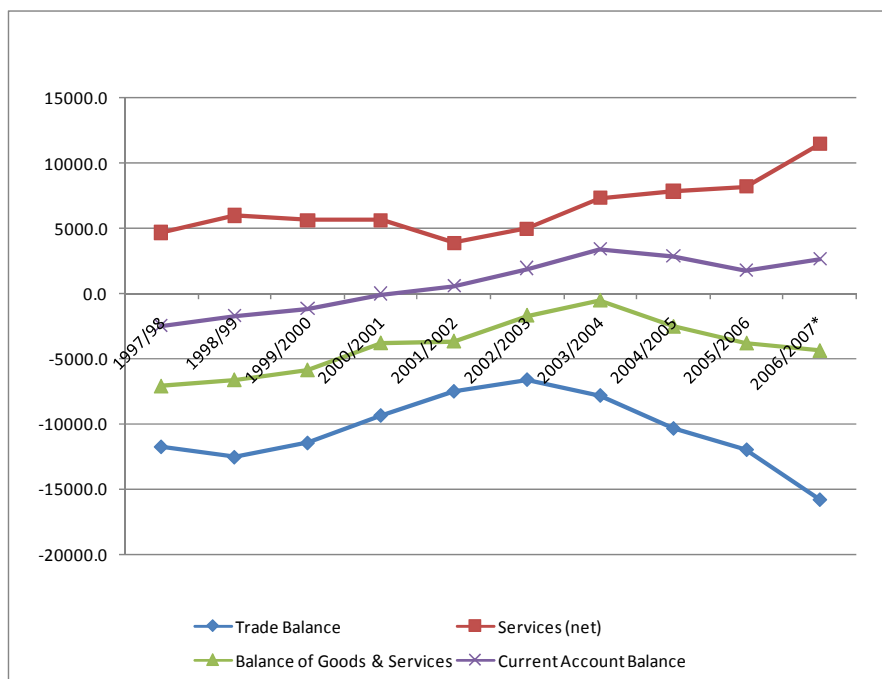
Figure 3.9: Origin of Egypt imports (In % of total Imports)



Source: IMF, Direction of Trade Statistics Database (DOT)

Egypt's external trade situation has not improved over the period. Indeed, while the trade deficit diminished between 1999 and 2002, it widened as of 2003 with imports (respectively exports) increasing at an average pace of 26% (respectively 28%) over the years 2003-2007 (see graph hereunder) (I.4.5.6).

Figure 3.10: Egypt – Balance of Payments (In US \$M)



Source: Central Bank of Egypt

3.5 EQ5 on Employment

EQ5: To what extent has the Commission supported employment, job creation and access to the labour market, including where relevant through supporting labour market reforms?

The Commission has been actively supporting economic transition and social development; the labour market is at the crossroad of these two essential areas and Commission interventions may thus have had direct and indirect effects on labour developments. This question looks at the possible contribution that Commission interventions in different sectors may have had on: reducing unemployment, increasing employment opportunities, stimulating job creation and improving the balance between employment needs and available workforce qualifications. The answer is structured around the following elements:

- *Employment and labour market reform have been priorities for the Egyptian Government (J 5.1)*
- *The Commission has supported the priorities identified by the GoE for employment and labour market reform (J 5.2)*
- *The sustainability of systems put in place for technical and vocational training have been enhanced by reforms undertaken (J 5.3)*
- *Reforms of the education systems supported by Commission interventions have led to improved adequacy of the labour force to market needs (J 5.4)*
- *Interventions supporting economic transition and the creation of small businesses have contributed to improve employment opportunities (J 5.5)*
- *Commission support to labour market reform added benefits to what would have resulted from EU MS alone (J 5.6)*

Answer to EQ 5 on employment - Summary

The development of human resources and the related questions of employment, unemployment and job creation have been top priority issues in the Government's policy statements over the last ten years: rather than on elaborating and implementing a specific labour market reform, the Government's strategy has focused on stimulating productive sector activities to increase labour demand and (more recently) on improving labour supply through better education.

The Commission has supported this strategy by focusing its cooperation programme on the productive sectors whilst also offering support to major reforms in social areas (in particular education): labour reform and employment have not been one of the direct objectives of any of the Commission programmes over the past 10 years, but employment has indirectly benefited from the Commission's programmes designed to stimulate private sector growth (including in particular the creation of small enterprises through offering credit lines) and the overall competitiveness of Egyptian enterprises, and from programmes supporting improved access to education and the education system reform.

In this regard, the support to technical and vocational training is most directly linked to employment issues since it aims to develop highly qualified and skilled labour in productive and service sectors and to develop the capacities for the formulation and implementation of a national technical and vocational education and training (TVET) reform policy. Whilst implementation of the TVET Programme has successfully

established technical education-enterprise partnerships in some sectors in link with the education sector, progress in reforming technical and vocational training is jeopardised by the lack of progress in the linked issues of TVET's institutional anchoring and the defining a TVET reform strategy; the sustainability of the project is also questioned.

The reform of the secondary education system supported by the Commission is also directly relevant to labour issues since it aims to improve the skills of new labour market entrants and of the existing labour force and to reduce new entries into the labour market. This recently launched reform should help aligning educational skills to required labour needs but this will require attention to be paid to the identification of labour needs, a flexible educational response and time to see results.

More generally, regarding the highly relevant Commission support programmes to the productive sectors, their effects on increasing employment opportunities and stimulating economic growth have been difficult to measure due to the relatively limited financial contribution made by the Commission to the overall financial effort of the Government of Egypt and other donors in stimulating private sector development, employment and growth (see also answer to EQ4).

Employment: a priority issue for the Government in need of a policy strategy

Although no specific labour reform policies were contained within the Government of Egypt's Fifth and Sixth year plans, the Government's economic reform programme launched in the early 2000s placed employment in the centre of its preoccupations (J.5.1). Specific employment initiatives were announced in President's Mubarak 2005 election programme and launched with the 2007/08 budget (I.5.1.5): subsidies for exports, industrial zones and industrial training were increased from LE 35 million (equivalent to €9.8 million) in 2001 to LE 3842 million (equivalent to €474.5 million) in 2007/08 and nearly LE 4 billion (equivalent to €522.7 million) in 2008/09 thus offering high incentives for job creation and employment.

Employment issues that were so far tackled primarily through the demand channel (production) would, through the new reforms, now also be addressed through the supply side (quality and level of available manpower): (i) the new pre-university education strategy which inter alia intends to target the needs of the labour market by reforming its curriculum and integrating technical and general secondary education (I.5.1.3); and (ii) the TVET reform⁴¹ (I.5.1.4).

The absence of a labour policy can be partly explained by the difficulties in capturing the essence of the Egyptian labour market and thus in elaborating a strategy without understanding its dynamics (I.5.1.1): the informal job market is large (estimated anywhere

⁴¹ The technical vocational education and training sector has been brought into focus in the year 2000-2001 within the agenda of the Ministry of Manpower and Migration (Ministry of Labour at that time) and has established the Supreme Council for Human Resources Development (SCHRD) in order to be the TVET reformer in Egypt. In 2002, this led to a comprehensive Policy Statement on Employment and TVET Reform in Egypt whereby the Egyptian Government committed to adopting complementary interventions and piloting reform initiatives, supported by donor funds. Since then there have been delays in elaborating an overall strategy for TVET: at the time of the mission (June 2009) the Supreme Council affiliated to MoMI was charged with supervising the integration of strategies being implemented by the different ministries so that synergies could be created between the different initiatives.

between 30% to 70% of the total), existing labour studies (often donor funded) are often focusing on one particular aspect producing partial and snapshot information that is not necessarily easy to access, statistics on labour supply and especially demand are rare, all elements which contribute to a poor knowledge of the labour market's characteristics and functioning. In addition, institutional responsibilities for labour rest foremost with the Ministry of Manpower & Immigration (MoMI) but also with a multitude of institutions that play a role in shaping labour supply (the ministry of education, sector ministries delivering TVET, private sector and CSO initiatives) or in creating labour demand (private and public sector employers); links between these different actors and their respective roles and responsibilities have not been formalised. Lastly labour dynamics in Egypt are strongly influenced by behavioural, social and cultural characteristics which make secondary and higher education very attractive to the detriment of vocational and technical education and employment; these societal beliefs are difficult to change in a short time frame and go well beyond a labour strategy.

Employment: not directly targeted or addressed by the Commission but indirectly supported via many aspects of the cooperation

Employment has not been one of the Commission-Egypt areas of cooperation during 1998-2008 (J.5.2) but many of the Commission programmes supporting economic transition addressed in fact several of the areas identified by the GoE as important for employment. During the period these programmes have in particular aimed:

- to stimulate private sector growth, to restructure productive enterprises and to enhance external trade capacities thus potentially contributing to production and employment (TEPs, Spinning and Weaving restructuring, SAAP, Research and Innovation, see I.5.2.3);
- to stimulate the creation of small enterprises (via the provision of funds for on-lending to small and micro-enterprises – Social Fund, FISC Rural and FISC Social) which were given a special role in the Sixth Five Year Plan in creating job opportunities for unemployed youth (I.5.2.3);
- to improve education access and to reform the education system (Education Enhancement Programme, Education Sector Policy Support Programme, higher education Tempus) which aimed to increase education levels of the population and thus improve the skills of new entrants into the labour market, to reduce new entries into the labour market through higher enrolment rates and lower school drop-out rates and to improve existing labour force's skills through adapting skills to labour market needs (I.5.2.1); and,
- to contribute to the improvement of the overall competitiveness of Egyptian enterprises through supporting them with highly qualified and skilled labour in different production and service sectors (manufacturing, tourism and construction) and developing human and institutional capacities for the formulation and implementation of a national technical and vocational education and training (TVET) reform policy (I.5.2.2).

Amongst these different programmes, the still ongoing 'TVET' has been the closest to aiming directly for labour market reform (see project fiche in Annex 6) even though, by focusing on the retraining of the existing workforce to facilitate industrial modernisation, it mainly targeted the qualifications and skills of the already employed workforce rather than tackling employment levels (increase employment/decrease unemployment levels, see

I.5.2.4). The programme responded to the Government's commitment to reforming the TVET within a framework addressing both immediate and well-defined needs for skilled labour within the existing TVET system and the long-term re-orientation of the overall TVET system to become more student and demand oriented.

The Commission's TVET project was very ambitious, aiming over six years to: (i) build Enterprise-TVET Partnerships (ETPs) in three major sectors that would create a dialogue between TVET suppliers (training providers and technical schools) and demand expressed by private sector enterprise owners and managers; (ii) improve the quality of practical skills and develop competence for the skills levels; and (iii) enhance the national TVET reform process and national TVET reform structure. The project has achieved the establishment of 12 sectoral ETPs and has successfully linked up with the education sector through the adoption of technical schools and the development of training packages (see Annex 6). The careful design of the project has led to ETPs being regarded in some sub-sectors as the training advisors or think tanks for the sector vocational training by offering sector needs analysis, developing occupational standards, learning content and materials and training modules in addition to monitoring the quality of training delivery within the specific sector. There are also signs that the ETPs may in time become self-financing through reliance on private sector funds only. However, progress in enhancing the national TVET reform process has been more difficult due in particular to the fact that no clear ownership of this reform policy has yet emerged due to the complexities of dealing with this cross-sector and cross-institutional issue (22 ministries and government institutions without real coherence and coordination are involved, see J.5.3).

Sustainability of TVET: ensured in its design but doubtful in practice

Despite its achievements, the sustainability of the project is constrained by several factors (J.5.3):

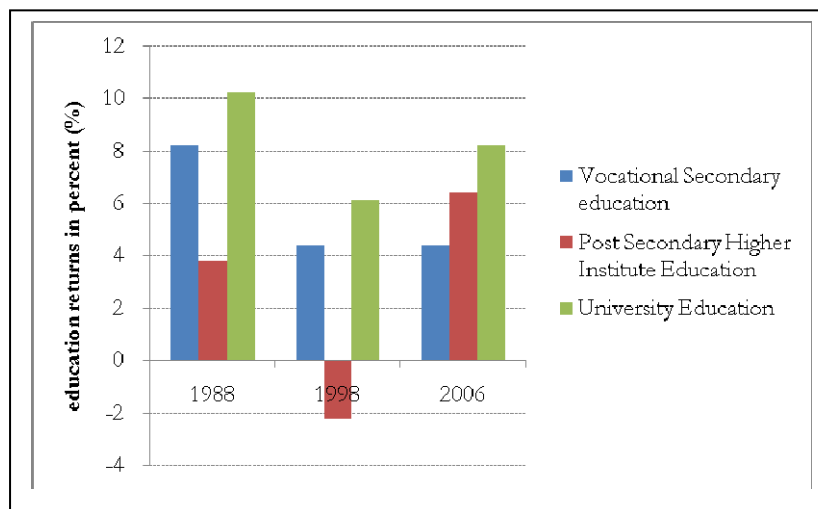
- (i) at the policy level, sustainability is conditional upon a national body taking over the responsibility of the overall TVET reform which is still currently under discussion;
- (ii) the time span for TVET (six years) is short in regard of the complexity of the project, its ambitions to provide building blocks for and contribute to the national reform of the TVET system (reform cannot be achieved over 6 years and social and behavioural changes take time) and the capacity of private sector stakeholders to take over the burden of managing and funding the ETPs⁴²;
- (iii) the project's design primarily fits the manufacturing sector and its application to the tourism and construction sectors which have different training dynamics was found by beneficiaries to be less successful (I.5.3.1);
- (iv) the financial sustainability of the project is uncertain both from a point of view of private sector participation (which may take over in some sub-sectors but not in others which are subject to lack of institutional clarity and have not matured sufficiently to attract private funding) and from the point of view of GoE funding since there is no single institutional champion for TVET (I.5.3.1, I.5.3.2 and I.5.3.4).

⁴² In order to benefit from lessons learned, the project has been implemented in phases with ETPs set up over the course of the project's life. This has the drawback that some ETPs have been set up only recently, a couple of years before the project ends, thus diminishing drastically the time allowed for the practices to be adopted and anchored in the sub-sector and thus reducing the likelihood of private sector take-over (see I.5.2.4).

The gap between educational outputs and labour market needs

The Commission has supported both the reforms in the general education system (through the EEP and now the ESPSP) and in technical education and vocational training. These have contributed to increase access to education which thus no longer represents a constraint to employment (I.5.4.1): the adequacy of school leavers to labour market requirements remains however constrained by educational quality, by social and cultural habits that do not favour vocational education and by the production of students whose skills are not well adapted to market needs. The problem is recognised by the Population Council's who found (in 2006) that rates of return to education in Egypt in general were low, and returns on vocational secondary education were not only low but falling (see Figure 3.11 and I.5.4.3); skill mismatch and education quality partly explained this finding.

Figure 3.11: Returns to education in Egypt, 1998 to 2006



The recently developed education strategy recognised the importance of taking account of labour market needs and the past failure of secondary education to interact with economic and technological changes and proposed a reform of secondary education encompassing a new curriculum and a rapprochement between the technical and general secondary streams of education⁴³ without however tackling the problem of identifying labour market needs. The implementation of the reform is supported by the Commission through its ESPSP since 2007 and outcomes of the proposed changes will be measurable in a few years time.

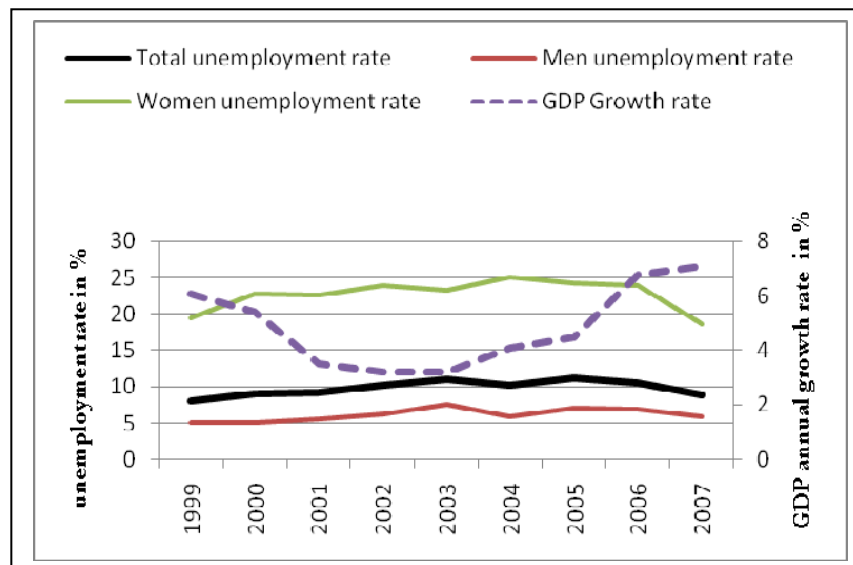
Accelerated employment and economic growth from 2004 onwards

Several of the Commission's programmes directly supported employment creation such as the credit lines provided by the FISC programmes (rural and social) which, at their own scale, led to increased employment opportunities for rural based households and low income households: their impact was limited to the scale of the programme (and the

⁴³ The education strategy evokes the need for a new management system of 'good governance' with businessmen involvement in determining curricula, defining required skills and providing practical training to students. The more systemic question of capturing labour market needs at national level (for example by linking up with the MoMI) and providing a flexible educational response to this is not discussed in the strategy.

survival rate of created jobs unknown) : some 43,883 jobs⁴⁴ were estimated to have been created thanks to the loans extended under the FISC programmes to small and micro-enterprises. The effect upon employment and growth of other Commission support to the GoE's efforts to develop a favourable environment for private sector activities, economic growth and employment, was more difficult to measure.

Figure 3.12: Egypt GDP annual growth rates and annual unemployment rates, in %



Overall the figures show that Egypt's performance (see Figure 3.12) both in terms of economic growth and reduction of unemployment rates since 2003/04 has been remarkable: as seen in EQ4, the reforms supported by the Commission have played an important role in this development.

The direct role of the Commission in supporting employment creation or unemployment reduction in Egypt has been muted so far and the Commission has not been involved in any labour reforms (thus espousing the GoE policy stance in this area). Employment issues have not been an area of discussion with the GoE. Nonetheless, potentially promising signs recently emerged which may, in future, lead to greater Commission support of the labour problematic: the EUD is active in the existing education sector coordination forum (DAG sub-group) and has recently tried to promote common reflection and initiatives in the areas of: (i) education by rallying donors around the GoE's education strategy and (ii) employment, by inviting the European Training Foundation (ETF) to share its vision of the problematic and approaches to supporting reform of education, training and labour market systems with different agencies in Egypt in order to promote a common understanding and approach to these issues.

⁴⁴ These are job creations which could concern unemployed people or not; to put the figure in perspective, unemployment was estimated by ILO at 2.1 million in 2007 and the employed population was 24.4 million out of a total population of 73.4 million of which 50 million aged above 15).

3.6 EQ6 on Social Services

EQ6 To what extent have Commission’s interventions facilitated the implementation of social sector reforms in the areas of health and education?

The Commission has been actively supporting the social sectors through various interventions of which the education and health projects and programmes have in particular sought to contribute to the implementation of reforms in these two sectors. The question will look at the extent to which the Commission has been able to contribute to the design of these reforms, the sector policy dialogue, institutional capacity building, organisational changes, financing of the sector's operating and investment costs and at the results of the reforms (when already measurable) in terms of improved functioning of the social sectors including the use made by beneficiaries of these services. The assessment of these results will enable to verify to what extent these reforms (and the Commission contribution to them) have put into place the building blocks for a sustainable socio-economic development: social services that provide equitable and wide access and that respond to the needs and demands of the population. The answer is structured around the following elements:

- *The Commission has supported reforms in basic social service delivery sectors (J 6.1)*
- *The sustainability of social services delivery systems has been enhanced by reforms undertaken (J 6.2)*
- *Social conditions measured in education and health have improved (J 6.3)*
- *Commission support in the area of social services added benefits to what would have resulted from EU MS alone (J 6.4)*

Answer to EQ 6 on Social Services - Summary

The Commission’s support to the social sectors in Egypt started in 1996 with support to health and education starting in late 1997. The latter took the form of co-financing of World Bank led programmes: using a mixture of policy-linked disbursement triggers and large PMUs set up alongside the sectors’ ministries did not achieve the programmes’ ambitious reform objectives. The Commission continued support to the sectors using SBS which supported reforms that were anchored in GoE’s institutions. In education, SBS supports the sector’s own strategy thus enhancing chances of achieving the reform objectives that were set by the Government in its sector strategy. In health, the SBS supports reform measures that do (not yet) form part of an overall sector reform strategy that is owned by the Government, thus making overall longer term sustainability of these reform measures more fragile. The financial sustainability of the health system is a major item in the Government-Commission policy discussion as it has been under debate for many years without as yet finding a satisfactory solution.

The monitoring of the results and ultimate benefits to the population of the strategies’ implementation which are being supported by the Commission-Egypt cooperation funds are not included as a feature of the BS designs; the Commission mainly focuses its sector dialogue on policy issues that are included as disbursement conditions.

From continuity to reform: the ‘after 2004’ era and sector budget support

Whereas during the previous twenty year period (1976-1996 covering Protocols 1 to 4) no Commission funds were directed towards the social sectors, this changed after 1997 when cooperation in the area of social sector development became a priority of Commission funding: as shown in Table 3.1, about 40% of total contracted funds over the period 1998-2008 went to the support in social sectors with support to health and education featuring prominently (I.6.1.2).

During the MEDA I period, the Commission aimed to support structural reform and economic liberalisation through some very large projects: the Commission co-financed the World Bank led Health Sector Reform Programme (HSRP, € 110 million, approved December 1998) and Education Enhancement Programme (EEP, € 100 million, approved 1997, not included in Table 3.1) which sought to support reform with funding being triggered by the implementation of a number of policy measures (see box 3.1 in EQ7). The decision of the Commission to enter the social arena is not documented; it is not explained by an alignment to the Commission’s poverty alleviation objectives for development aid (Maastricht Treaty) since, according to the 2004 CSE, the objectives of these social sector programmes were not in line with these wider objectives and it is not linked to an alignment to GoE policy priorities which did not, at the time, include social sector reform. It is only with the Fifth Five Year Plan (2002-2007) that equity and poverty were integrated into the GoE’s social sector objectives and only with the change of Government in 2004 that a clear reform minded agenda, including for health and education, emerged (I.6.1.1). The first interventions of the Commission in the education and health sectors through the EEP and HSRP thus attempted to trigger reform but in a context where the Government itself had not yet embraced a reform agenda; the interventions placed themselves largely alongside, rather than in support of, the Government’s operations (I.6.1.2).

Table 3.1: Commission funding of social sectors (contracted amounts) 1998-2008

	Contracted in € millions	as % of total	Paid in € millions
Total contracted	1 000,9		660,3
Social sectors	414,2	41,4%	259,4
Health	189,3	18,9%	163,6
Education	140,3	14,0%	42,7
Poverty & local development	84,5	8,4%	53,1
Share of social sectors per instrument			
MEDA I		57,8%	
MEDA II		31,6%	
ENPI		51,1%	

Source: CRIS (March 2009) and ADE analysis

In the wake of the Government's adoption of a reform agenda in the social sectors in 2004, the Commission launched a new 'wave' of policy based sector support programmes in health and education. This firstly included the Health Sector Policy Support Programme of 2006 (providing for the period 2006-2011, a SBS of € 86m of which € 60 million has been disbursed to-date and €2m complementary TA support) which will be followed by a second programme (of € 110 million) to be launched shortly (and is thus not included in Table 3.1). This secondly entailed the newly launched Education Sector Policy Support Programme (ESPSP, € 120 million in budget support) approved in 2007 with a first tranche of € 40m disbursed in October 2008 (I.6.1.2).

Variable progress in elaborating and implementing reform strategies in social sectors

In the health sector the Commission's funded HSPSP aimed to support policy reform in the sector but reform measures date back to 1997 and do not form an overall coherent strategy. In the education sector, the Commission's policy based programme directly supports the implementation of the sector's reform strategy and is thus resolutely placed within the framework of the GoE's new National Pre-University Education Strategy Plan (NESP) 2007-2012. Budget support tranche disbursements are directly linked to the implementation by the Government of Egypt of policy-based activities foreseen in the reform strategy contained within the NESP (such as the preparation and implementation of decrees, of plans for decentralised management and financing, of plans for the reorganisation of infrastructures etc.) thus supporting and facilitating the ongoing reform process in the education sector.

The bases for sustainable social services delivery systems are not yet in place

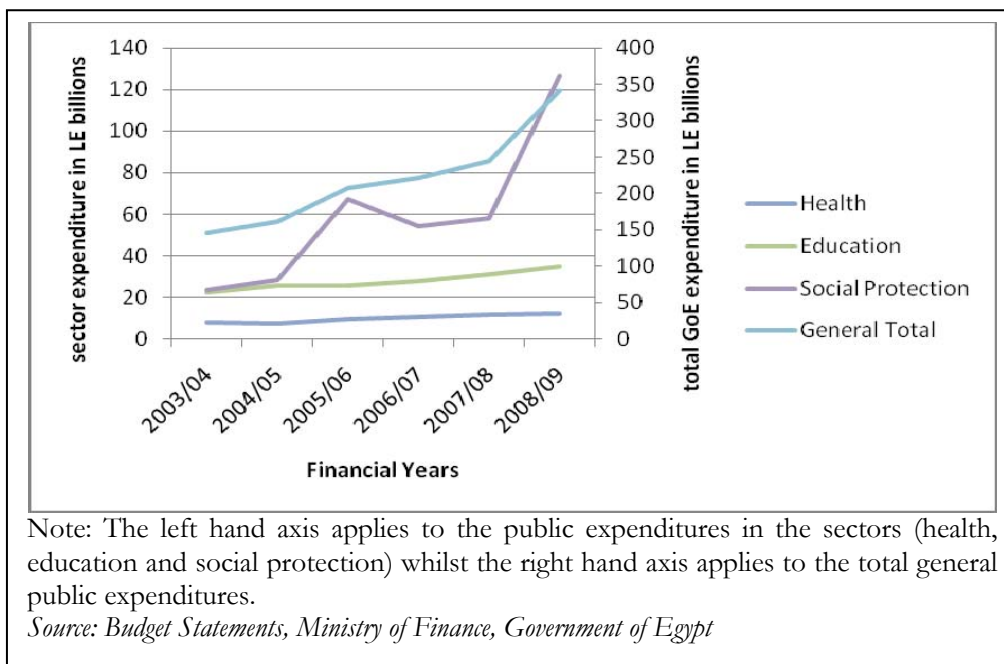
Past social sector interventions of the Commission which were part of large, multi-donor funded operations managed by important Project Management Units established in parallel to the ministries and with extensive recourse to European TA, have been criticised mainly because they were found to be ineffective in fostering the changes they aimed for⁴⁵. By using PMU which have sometimes been termed as 'second ministries' these large interventions did not strengthen the institutional capacities of host ministries thus undermining the sustainability of the interventions' achievements in terms of social service delivery systems (I.6.2.1 and I.6.2.2).

This pitfall has been avoided by the current budget support to the education sector where the Ministry of Education is in the driver's seat. The MoE has elaborated a National Strategic Plan which includes strong reform measures for ensuring institutional and administrative improvements notably through the institutionalisation of decentralisation which entails the reorganisation of the Ministry and its supportive authorities and centres as well as the strengthening of school management. At end June 2009 (date of the field mission) it was too early to appreciate whether these measures had been implemented (the compliance assessment for the second tranche release was scheduled for end 2009) and what effects they will have but it is expected that the decentralisation process will help ensure both greater institutional and greater financial sustainability of education service

⁴⁵ This has been recognized by the Commission in its CSP and refers to the results of the two studies cited above.

delivery. In the health sector, the situation is more contrasted: on the one hand the policy dialogue is more difficult, based on a matrix which is not entirely owned by the MoH, and on the other hand the financial sustainability of the health system currently represents the most important issue of policy dialogue between the GoE and the Commission. The financial sustainability of the health system presents a challenge to the GoE: at the moment health services are mainly paid by the people themselves (apart from the civil servants who are covered by the State's health insurance scheme) and the question is thus as much about financial sustainability as about health coverage for all at minimum costs (I.6.2.3).

Figure 3.13: Public expenditure on health, education and social protection (subsidies), in LE billions, 2003/04 – 2008/09 (planned budget)



Public resources allocated to the education and health sectors increased rapidly during the 1990's before slowing down considerably in the 2000's. This trend is set against a background of overall strong increase of budgetary outlays since 2003/04 (measured against the right hand scale in the Figure above) which was mainly due to the budgetisation of the cost of social protection subsidies as from 2003/04 (previously these subsidies existed but remained off-budget). The inclusion of social subsidies in the budget allows comparison of their evolution with that of other social expenditure. The Figure above shows that social subsidies weighed heavily and increasingly on total budget expenditures passing from 16% of GoE budget expenditures in 2003/04 to 37% in the 2008/09 proposed budget. Over the same period the shares allocated to health and education declined: they represented respectively about 4% and 10% of total budget expenditures in the 2008/09 draft budget (against respectively 6% for health and 16% for education in 2003/04 and 20% for education in 2002). The available data do not permit to verify whether this reduced share for health and education expenditure is just the effect of the budget's enlarged scope (moving subsidies 'on budget') or whether some expenditure rationing has also been imparted upon the two sectors (I.6.2.4).

Basic health and education indicators have improved over the 10-year period

Limitations in data availability have constrained the evaluators analysis of social sector outcomes to figures cited in the Sixth Year Plan (which refer to 2006/07); recent developments are thus not reflected in the following paragraphs (J.6.3). The early programmes (co-funded by the World Bank) of support to the social sectors did not achieve their objectives of reforming the sectors' policies; notwithstanding this, outcome indicators in both sectors improved (I.6.3.1). Progress in basic education indicators over the past ten year period has been achieved both in the access and use of public services but not in the quality of these services. The accent in education in the beginning of the period was mostly on increasing access. This led to an increase in the number of schools, classrooms and pupils enrolled in the three pre-university education levels (primary, preparatory and secondary) and to a slight reduction of the gender gap in education access. As a result, gross and net enrolment rates improved but education quality and disparities amongst regions did not improve concurrently. Education quality (as measured by class size, teacher qualification, drop-out rates, repetition rates and transition rates) worsened and whilst its improvement became a MoE priority from 1996 onwards, these efforts had not yet born conclusive results by 2006/07 (I.6.3.1).

In health the situation is contrasted: health access indicators are very good (95% of the population is within a 5 km range of a health facility) and some long term health indicators have improved over the past ten to fifteen years: child mortality has decreased from 91/000 in 1990 to 35/000 in 2006, births attended by skilled health staff increased from 37% in 1990 to 74% in 2007 and life expectancy increased (I.6.3.1). The main issues facing the health sector are that the range and quality of services provided are ill adapted to needs (and thus also undermine the cost effectiveness of health service provision by wasting resources on non priority services) and that the burden of health services payment remains with the patient thus limiting its use to those who can afford to pay (I.6.3.2).

The current SBS programmes in health and education (until 2009 at least) have not retained the monitoring of service delivery indicators and of health and education outcome indicators as criteria for measuring progress in programme implementation or simply for monitoring developments in the sectors (J.6.1 and J.6.3). In both sectors data reportedly exist and in health Demographics Health Surveys are carried-out every three years (J.6.3). Nevertheless, a relatively large share of the Commission-Egypt cooperation envelope (see Table 3.1 above) has thus been directed towards two sectors for which sector outcomes are not monitored by the Commission; without this type of monitoring it is impossible to verify whether the sector strategies that are being supported by the Commission are actually reaching their objectives in terms of improved service delivery to the population. Instead the monitoring of both social sector SBS programmes is entirely focused on the Government's progress in elaborating and implementing the reform itself rather than on the outcome; following outcome indicators would have permitted verification of the appropriateness and effectiveness of the reforms in terms of end-user services. Similarly, with monitoring limited to policy process indicators and their evaluation being used for SBS disbursement, the sector dialogue has been limited to policy issues, not including sector reviews of actual outcomes of strategy implementation.

The Commission: a strong European presence in the social sectors

The motivations of the Commission support to the social sector areas in Egypt are not explicitly stated in the programming documents (J.6.4): the earlier experiences of Commission support to multi-donor programmes (EEP and HSRP) have not been positive in terms of outcome and approach with regards to triggering reforms (I.6.4.2) and the decision to continue and increase support with SBS was taken without proper consideration of the particularities of this aid instrument and the readiness of the beneficiary sector ministries to engage into this approach of disbursement against policy based conditions. In this respect, some EU Member States expressed their concern with some of the Commission's positions on politically sensitive issues in the social sectors⁴⁶ and with the use of SBS in the absence of monitoring of sector outcomes. At the same time, these MS also acknowledged that their concerns were increasingly being taken on board by the Commission (I.6.4.5): they welcomed this, the more so that the Commission has means available which outstrip by far the possibilities of any bilateral donor. Indeed, if the Commission's voice emphasises the MS concerns, then the overall effect upon the GoE will be stronger than the voice of an individual MS. For some donors, such as the French Agency for Development (AFD) this is even more important: as the GoE will no longer allow its social sectors to undertake borrowing operations to fund their activities, keen donors such as the AFD who would like to intervene alongside the Commission cannot do so and follow thus with particular interest the activities of the Commission in these sectors.

3.7 EQ7 on Budget support

EQ7: To what extent has the move towards the use of sector budget support in key areas/sectors facilitated the implementation of reforms and contributed to improved institutional and regulatory frameworks in - and to improved management and performance of - these areas/sectors?

The question spans all areas of Commission support having used the budgetary support instrument and concerns more particularly the criteria of relevance and effectiveness: following the methodology⁴⁷ the question focused on the inputs, direct outputs and induced outputs of SBS. The answer is structured around the following elements:

- *The designs of the Commission's sector budget support interventions were adapted to the specific sectors' contexts (J.7.1)*
- *The sector budget support interventions strengthened the sectors reform process and contributed to tangible improvements in the sectors' policy, strategic, organisational, managerial and/or regulatory frameworks (J.7.2)*
- *The Commission sector budget support interventions contributed to improve the sectors' performance in service delivery (J.7.3)*
- *The Commission Sector Budget Support interventions have contributed to improving public financial management (J.7.4)*

⁴⁶ Issues raised in this context to the evaluators during the field mission included the MS's concerns with the Commission's support to the establishment of a health fund or its absence in supporting other donors' concerns over school books in education.

⁴⁷ The methodology for BS evaluation presented in the Issue Paper of May 2008 (E.Caputo, A.Lawson, M.v.d.Linde)

- *The Commission interventions have contributed to improve the policy preparation and implementation, including the use of the budget as a policy instrument (J.7.5)*
- *Commission support through the budget support modality added benefits to what would have resulted from EU MS alone (J.7.6).*

Answer to EQ 7 on Budget Support - Summary

The increasing importance of the use of SBS as a financing modality over the period espoused the GoE's policy shift towards economic reforms accompanied by sector policy dialogue from 2004 onwards and responded to the finding that projects relying on parallel management structures were not successful agents of change.

Existing or nascent reform programmes and the GoE's openness to discuss them eased the way for policy-linked SBS (triggers for disbursement have been mostly policy-based process indicators) and make ownership and sustainability of these reforms more likely. The SBS funded the activities required to implement reform measures rather than supporting overall sector strategy implementation. The pre-agreed reform measures were ambitious, some unattainable in the time span given; they triggered regulatory, institutional and managerial changes but their effects upon service delivery remain unknown.

SBS implementation has had no effect upon budgetary processes and budget management, partly because PFM issues have only very recently been integrated into Commission's SBS programmes in Egypt but mostly because the Egyptian Government used SBS funds like project funds. The compartmentalisation⁴⁸ of budget programming in Egypt constrains the budget arbitration process, effectively weakening the links between policy priorities and resource allocation and, by isolating the funding of reform measures from the overall expenditure allocation processes, casting doubts on the Government's political and strategic commitment to these reforms.

Sector budget support (SBS) has gradually taken a prominent role as a financing modality of the EU-Egypt cooperation programme. Over 1998-2008, the portfolio of Commission decisions contained eight SBS programmes⁴⁹ totalling almost 60% of the total value of new Commission commitments to Egypt. The programmes, detailed in Table 3.2, are currently at various stages of implementation; the evaluation based its analysis on the detailed consideration of two out of the three ongoing SBS interventions (in the water and education sectors) whilst using information about the other SBS operations where readily available.

⁴⁸ See footnote 52.

⁴⁹ The ESPSP ENPI/2008/020-261 is shown separately in the table but as it is a top-up to the original ESPSP ENPI/2007/019-248 it is counted as one and the same operation.

Table 3.2: Detail of Sector Budget Support interventions over 1998-2008 in thousands of Euros.

Decision number	Decision Title	Planned	Paid	Balance
MED/1998/004-295	Support to the Health Sector Reform Progr. - closed	40 230	40 230	0
MED/2003/004-150	Trade Enhancement Programme B - closed	39 686	39 686	0
MED/2004/006-223	Spinning & Weaving Sector Support - pending closure	79 813	74 938	4 875
MED/2005/017-543	EU Water Sector Reform Programme - ongoing	79 850	61 034	18 816
MED/2006/018-249	Support to health sector reform - ongoing	85 700	60 000	25 700
ENPI/2007/019-248	Education Sector Policy Support Progr. - ongoing	117 667	40 100	77 567
ENPI/2008/019-608	Support for Transport sector reform - to be launched	80 000	-	
ENPI/2008/020-261	ESPSP-Additional Commitment - ongoing	20 000	-	
ENPI/2008/020-494	Health Sect.Pol.Sup.Progr.II - to be launched (Note 1)	110 000	-	
Total Sector Budget Support decided over 1998-2008		652 946	315 988	126 958
Total Sector Budget Support contracted over 1998-2008		542 946	315 988	126 958
Total EC contracted amounts over 1998-2008		1 000 889	660 309	340 581

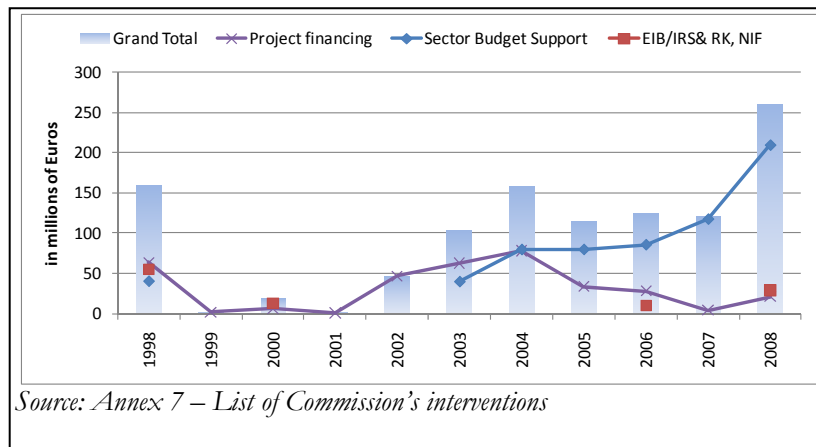
Note 1: The Health SPSP II had not yet been contracted at the time of the evaluation and has thus been included in the table for indication only.

Source: Annex 7 – List of Commission's interventions

Whereas some operations akin to SBS had been launched in the late 1990's⁵⁰, SBS became the Commission's most used aid modality in Egypt only after 2004 as illustrated by Figure 3.14: new cooperation decisions increasingly concerned SBS operations at the expense of project operations with the result that in 2008 out of €260 million decided for Egypt, €210 million (or 80% the total) concerned SBS programmes. They built on previous Commission experience⁵¹ except for the transport sector which the Commission did not support before (I.7.1.1).

⁵⁰ The participation of the Commission to the multi-donor support to education (1997) and health (1998) are often described as SBS but were in practice implemented through very large Project Management Units; the Industrial Modernisation Project (1997) not initially designed to be used as SBS was eventually (in 2003) changed into a SBS. The first programme specifically designed as SBS is the Trade Enhancement Programme B (TEP B) of 2003.

⁵¹ Support to the restructuring of the textile sector followed interventions for private sector development, industrial modernisation and trade development/customs modernisation; SBS in health and education followed co-funding of WB led conditionality-linked programmes in these two sectors; projects in waste water in the late 1980's gave the Commission some experience of the water sector before its recent SBS (see I.7.1.1).

Figure 3.14: Commission-Egypt Cooperation: commitment by year of decision, in millions of Euros, 1998-2008.

This gradual but important shift of aid modality was undertaken to increase aid effectiveness at a time when the Government embraced reforms in selected areas

The Commission was and remains the only donor to date to have engaged in SBS in Egypt. The shift towards SBS responded to the Commission's new approach to aid effectiveness (and the application of the Paris and Accra principles) and, more importantly, responded to the willingness of the GoE, after 2004, to engage in policy dialogue in selected areas where reforms were in the process of being elaborated such as textile restructuring, customs or water. The move was also helped by the findings of the 2004 EU-Egypt Country Strategy Evaluation which highlighted the limitations of traditional technical assistance based projects as agents of change and underlined the need for Government ownership of reforms. The context was thus propitious for a change of aid modality which could support Government led reforms in sectors of importance to EU-Egypt cooperation: programming documents started including operations called sector facility funding, structural adjustment funding, policy support, sector reform facility or sector reform support, all different terminologies denoting the general idea of supporting sector reforms with non-earmarked funds to be disbursed against the fulfilment of a set of specific policy conditions.

The Government's willingness to start policy discussions about reforms in these sectors eased the shift to SBS. At the time of SBS design, sector policies and strategies were not actually yet defined but were in the process of being elaborated:

- in water, fragmented efforts existed towards reform and the SBS aimed to *'provide a comprehensive reform framework which binds together and ties internally a number of policy measures in a consistent manner'*;
- in health and trade various policy papers and strategies for changes in sector components existed but did not (and do not yet) form an overall sector strategy;
- the furthest advanced sector in terms of elaboration of a coherent and overall strategy was education where a national strategy was being developed at the very time that the Commission was formulating its SBS to the sector .

This context of emerging sector strategies and emerging sector dialogue has facilitated the linking of the SBS operations to reform measures defined in nascent sector strategies (in education for example) or to reform measures related to specific aspects of sector strategies (in water, health or trade). Support was to be provided directly to the budget as non-earmarked funds thus giving full ownership to the GoE as to its use, but would be provided upon the satisfactory fulfilment of a number of conditions linked to reform implementation. All SBS provided to Egypt has been linked to policy-based process indicators (see Box 3.1); and all were also accompanied by institutional capacity building (in trade the TEPs A and C were undertaken alongside TEP B; in the health, education and water SBS specific envelopes have been set aside for complementary studies and TA).

Box 3.1: Approaches to policy based support in Egypt: USAID, the World Bank (WB) and the Commission

The harmonisation of donor practices in terms of budgetary support to the implementation of reforms has not yet been realised in Egypt. In the past, USAID, with its vast aid package, has tried to kick-start changes in Egypt by linking the implementation of concrete and stand-alone measures of change to the disbursement of specific amounts of money; this very direct and slightly mechanistic approach did not take place in the context of an overall reform programme. Since its significant downscaling of financial cooperation with Egypt, USAID has abandoned this approach in favour of the continuation of more traditional project funding.

The WB's approach tied programme disbursements to the overall progress made in realising a set of policy conditions within a given time frame and in the context of progress obtained in implementing a policy programme mostly defined by the Bank but with the authorities. These sector-wide programmes (such as in health or education co-financed by the Commission) were implemented through large PMUs staffed by external TAs and were, due to their lack of ownership by the different layers of the Egyptian public administration, not particularly successful in driving reforms.

Since the mid-2000's the Commission's policy support takes the form of SBS funds provided in annual tranches as a lump sum with fixed and variable parts. The variable part is triggered by the positive evaluation of a matrix of conditions, mostly sector policy measures that are steps of an existing reform strategy (such as in education) or of existing sets of reform measures (such as in water or health). SBS is thus based entirely on Government-led reform strategies. Disbursement in Egypt was linked exclusively to a set of (policy-based) process indicators, not to outcome indicators.

Because a majority of SBS disbursement triggers related to measures already owned by GoE or at least discussed with GoE, the ownership of reforms and thus their likelihood of success are good. The novelty (or value added) introduced by SBS concerned the timing of these measures: the SBS introduced some hard deadlines to the implementation of strategic reform measures which the GoE may have implemented anyway but possibly not according to the same schedule. In the event some of the reform measures are lagging behind, such as the effective implementation of the new water tariff: this is key to the sector's reform, the sustainability of its operations and the reduction of its weight in public subsidies. The SBS conditions are thus owned up to a point by the GoE but political reality constrains the implementation of some of the more ambitious aspects of these reforms (I.7.1.2 & I.7.2.1).

By contributing significantly to the financing of activities enabling the implementation of sector reforms, the SBS programmes gave backing to the reform-minded elements of the GoE to implement changes in specific sectors; in effect the Commission financed the sector reforms rather than overall sector strategy implementation. SBS is normally used to provide the government with sufficient resources to enable it to fully implement its sector strategy thus closing (part of) the sector's financing gap. The extent to which this was the case in Egypt remains unclear as (i) no information on sector financing needs in the medium term or on annual budgetary needs to implement sector strategies were found and (ii) SBS funds are treated in the budget by the Government no different from project funds. Firstly, no information on sector financing needs (as would be defined by a financing plan or by a sector medium term expenditure programme) were attached to the strategic plans in education or water (a fortiori in health since the sector has no strategic plan) which implementation was supported by Commission funding through SBS. Without knowledge of the costs of implementation of the sector strategies over time it is difficult to establish whether or not the Commission's funding had a pivotal role in closing the financing gap. One can only note that the Commission's actual financial contributions to the sectors' public financial resources on a yearly disbursement basis were relatively low (possibly 2%-3% of the water sector's yearly financial needs and less than 1% of the yearly education sector budget for example, see I.7.1.3 & I.7.2.2). In the education sector, the secondary role of financial support per se was underlined by the PER's finding (undertaken in 2005) that efficient and effective management of resources was, at the time, more an issue than the lack of resources.

Secondly, the budget in Egypt is not the financial equivalent of the strategy to be implemented: the compartmentalised programming of different expenditures (salaries, operating costs, goods and services and investments, see Box 3.2) leads to any 'reform' or new strategic direction being costed separately as an additional item to the sector's budget and in isolation from the rest of the strategy.

Box 3.2: The budgeting process in Egypt: the compartmentalisation⁵² of expenditure programming

In Egypt, sector ministries have only a limited role to play in the programming of public expenditure in the sectors they manage. The fragmentation of the budgeting process takes place at different levels:

- Recurrent expenditure programming falls under the remit of the Ministry of Finance (MoF) and distinguishes:
 - Salaries and wages programmed directly by the MoF without ministerial involvement;
 - Expenditure for goods and services programmed by central ministries and by governorate level authorities and submitted to MoF for approval; governorate and central level expenditures are not necessarily aggregated or coherent at sector level.
 - Other (operating) recurrent costs are programmed directly by the MoF simply on the basis of past expenditure (incremental budgeting).
- The investment budget falls under the responsibility of the Ministry of Economic Development (MoED): investment projects are part of the Five-Year Socio-economic Development Plan (and its annual tranche) and investment proposals from individual agencies must thus fit within the priorities established therein. Discussions on the capital budget takes place mainly between the MoED and the MoF (in terms of general budget volume) and between the MoED and the technical ministries/agencies for sector budgets. The MoF ultimately approves the investment budget and integrates it in the annual budget to be submitted to Parliament.

It is important to note that no budget ceilings are issued by the MoF in its budget circular and the same applies to the budget programming directives given by central ministries to their various directorates and deconcentrated levels: open-ended budgeting makes prioritisation very difficult and further constrains the eventual budget arbitrage process.

Within this context of compartmentalised budget programming, SBS funds are treated by the Ministry of Finance like project funds (see Box 3.3): they are earmarked in the budget thus reflecting the compartmentalisation of budgeting and strategy implementation. In water and education, SBS funds have been exclusively allocated to the financing of the activities identified as required for fulfilling the Commission SBS disbursement conditions. In spite of the absence of sector strategy cost plans showing financing needs, the Commission's SBS has provided fiscal space for the implementation of reforms since it exclusively financed activities for reform which, without SBS funding, may have been

⁵² The term 'compartmentalisation' is generally used in PFM literature as a generalization of the 'dual budgeting' concept which refers to the dual process with which the preparation of recurrent and investment expenditures is assigned to two separate entities. The term compartmentalization refers to a budget preparation process whereby budget preparation is separated in more ways than just the recurrent and capital expenditure: the responsibility for preparing different categories of expenditures is assigned to different entities. If the coordination between these different entities is close and systematic and a process of iterative budget programming exists to align the levels of expenditure of the different categories to each other and to the same policy objectives, then budget compartmentalization is not a problem in terms of expenditure effectiveness. If on the other hand the lack of budget unity is characterized by the existence of separate and insulate budgeting processes (there is no coordination between the different entities in charge of budget preparation), then the budget programming processes are open to inefficiencies and alignment of expenditures to overall policy priorities may no longer be ensured.

undertaken on GoE funding but may then have required more time and more political backing than it did now (I.7.2.2).

Box 3.3: The treatment of SBS funds in the Egyptian budgetary process

From the time of design of the SBS the funds are notionally allocated to a sector ministry or agency by the MoF. After tranche release, the beneficiary ministry has to prepare a workplan which sets out precisely the different activities intended to be financed with the SBS; this workplan is presented to and debated with the MoED which will verify that the activities are indeed included in the Commission's SBS disbursement matrix and are required to fulfil the next tranche disbursement conditions. After approval of the 'SBS workplan' by the MoED, it is passed for final approval to the MoF who will transfer the funds.

In the water sector, the process was particular in that the WHC's workplan for the use of its share of the SBS tranches (55% of the total) was to be approved by its Board of Directors (on which sits the MoF but not the MoED) rather than by the MoED and the MoF.

At no stage are the SBS funds thus part of the total pool of funds of the Government which are subject to MoF or MoED arbitrage or subject to trade-offs at line ministry level. SBS funds enter the budget and are subjected to national budgetary procedures, but remain separated in that they are effectively treated as project funds.

The SBS programmes were designed with extremely ambitious reform agendas in mind. The conditions for SBS release include the implementation of numerous complex reform measures⁵³: time horizons are particularly optimistic and conditions have not taken sufficient account of the fact that their fulfilment may involve shared responsibilities between institutions that do not benefit equally from the support offered. Institutional support provided alongside SBS has facilitated the implementation of the required activities (I.7.2.3): in water this has been very successful but in education the appropriateness of linking SBS disbursement to conditions where the Commission's TA is instrumental in triggering progress is questionable even if this TA has been requested by the GoE. All in all, indicators have been functional in the sense that they are easily verifiable (barring the language constraint), but they have been very numerous (up to 67 conditions are counted for the 3-year ESPSP), complex (often requiring profound systemic, organisational, institutional or legislative changes) and their targets have been so ambitious that the Commission's evaluation of their achievement would need to be generous to allow disbursement (I.7.2.4).

⁵³ In education and water, most targeted activities required real changes to be made, including legislative and organizational changes: the indicators' achievement rate would depend very much on how advanced the activities were before the SBS was signed. Examples of complex undertakings might include those relating to public finance management in education where the two conditions related to the fixed component (submission by the GoE of the sector PETS and MTEF) or one under the variable component (the launch of programme-based budgeting in 3 selected Governorates by mid-2009) would require sustained efforts to implement change over the course of several years. The same requirement for MTEF and PBB were used in the water SBS.

Nevertheless, SBS has supported the implementation of improved sector frameworks: the reforms, whether in water or in education, have been geared towards improved sector management, better organisation, improved regulatory frameworks, enhanced institutional capacities: monitoring reports identified important successes in these areas in the water sector and the evaluation report of the support to the trade sector (TEP B) was equally positive on these features. Two important aspects of the sector frameworks that have been insufficiently addressed by the SBS programmes concern the sector monitoring and budget management processes and systems. Indeed by focusing the SBS programmes on sector reform steps and measures, the monitoring of progress has been at the level of the process of reform, not at the level of their results. In their design, SBS programmes have ignored the reform implementation aspects: **the extent to which the improved sector framework may lead to improved sector service delivery is not addressed in SBS design.** Monitoring mechanisms for implementation of sector plans and monitoring of outcome performance are absent from the Commission SBS matrices and from sector strategies although they are mentioned as a feature of the education plan and were also mentioned (verbally) for the monitoring of water supply and sanitation (I.7.2.1 & I.7.2.5).

As a result, **the sector discussions and monitoring remained at the policy level without extending to the effects of these policy measures on the functioning of the sector, on the capacity to deliver the services at the required level and on the performance in actually effectively delivering these services:** in the water sector⁵⁴ even though improving cost-effectiveness and quality of service delivery was the major focus of the reform these aspects were not part of the monitoring; and in education, monitoring is also geared towards the verification of conditions in the matrix which are predominantly policy-process indicators and where result indicators, to the limited extent where they have been included in the matrix, have not yet been defined (I.7.3.2).

The improvement of sector frameworks did not extend to budget management: there is no evidence as yet that the SBS contributed to strengthening the budgetary performance of the sectors it supported. Early programmes did not include any PFM considerations whilst current programmes focus their PFM involvement on other issues than budgetary performance (i.e. as apprehended through the three levels of budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources and efficient provision of services); both the water and the education sector programmes included strong support for reform in the sector leading to improved effectiveness of expenditure but the issue of resource allocation was only addressed in education (support for piloting an MTEF) whilst aggregate fiscal discipline, budget execution and results (service provision) were not addressed. The few analyses that exist on Egypt's PFM show that

⁵⁴ For water, the sector performance in service delivery is not monitored by the Commission or by the sub-DAG water group. Although monitoring systems reportedly exist in the two main ministries (MoWI and MoH) their results and reports are only available in Arabic. The language barrier thus creates a void of information in this area. The holding Company does similarly not publish anything in English that would permit the checking of results in terms of service delivery. Reportedly the Holding company owns a strategy and action plan which are mainly focused on inputs, not on results at client level although these would be easily measurable (water quality, number of households covered by clean water supply, by sanitation services, for example).

detailed information on budgetary performance is difficult to obtain, budgets are not linked to outcomes and results, and accountability remains an issue (I.7.3.1).

As for the influence of Commission SBS on the general performance of PFM, this has so far been very limited: firstly the Commission only very recently (as from 2006) started taking general PFM issues into account in the design of its SBS operations and secondly, and very importantly, because they treat SBS no differently from project funds the Egyptian PFM processes and systems do not lend themselves to benefit from the potential advantages of SBS (see Box 3.4): SBS has helped the GoE to implement its policies through the budget but there is no evidence that SBS has reduced financing needs or allowed increased expenditures (in the water sector it has on the contrary contributed to increase the sector's weight in public subsidies by aligning transfers to updated water tariffs); SBS has not strengthened the policy and budgeting frameworks and the compartmentalisation of the Egyptian budgeting system has constrained the use of the budget as a policy tool (which the SBS is supposed to foster); there is no evidence that the SBS has enabled a higher funding for public services; lastly the effects of SBS on aid-related transaction costs has not been documented. Only the most recently approved and ongoing SBS programme in education has included a general condition relating to PFM improvement⁵⁵. Hitherto, only three very general conditions pertaining to macro-economic stability and balanced growth, the provision of relevant information and the implementation of trade friendly reform policies were required for eligibility to budget support. The education SBS added PFM improvement as a general eligibility criterion for SBS and retained six sector specific PFM reform measures as conditions for fixed and variable components of the second and third tranche disbursements. These PFM conditions were linked to the preparation of a sector PETS, a sector MTEF and the pilot introduction of Performance Based Budgeting (PBB) in three Governorates: although such measures cannot be implemented by one ministry in isolation of a global PFM reform programme and were thus likely to face great difficulties, their inclusion as disbursement triggers has opened the door to their discussion with the MoE and the MoF thus possibly leading to wider PFM discussions with the GoE's and its agreement (in 2009) to undertake a PEFA (I.7.4.1).

⁵⁵ The education sector SBS (2007) requests *'the submission of a report attesting to the correct application of accounting and budgetary norms and procedures. This report (or an accompanying report as necessary) will furthermore report on the measures taken by the Government during the preceding year to improve public financial management and budget planning, formulation and execution'*. With the health (2006) and water (2005) SBS programmes, several global and some (water) sector-specific PFM conditions had been introduced as SBS disbursement triggers; they were those used by the BWI in their discussions and programmes with the GoE and provided no Commission-specific platform for PFM discussions.

Box 3.4: The potential benefits of budget support

- helps partners to implement their policies through the budget and thus:
 - respects ownership of policies and strategies and gives the Government direct control over the resources (therefore responsibility): this strengthens domestic accountability, capacity development and efficiency
 - aligns aid with national priorities, plans and processes
 - uses country systems/aligns with government procedures
 - helps to focus on results
- contributes to a more stable macro-economic framework by enabling increased expenditures and/or reduced financing needs
- strengthens the public policy and budgeting framework, it contributes to improved efficiency of use of resources and sustainability of the aid provided
- provides higher funding for public services (rather than for project investments)
- lowers aid-related transaction costs

The dialogue on global PFM reform has only very recently begun and the participation of the Commission in this dialogue is equally recent: hitherto donor involvement (the BWI and USAID) has been piecemeal, addressing specific well delineated elements of PFM (mainly on the revenues side of PFM). The recent undertaking of a PEFA, where the Commission has played an instrumental role, has reportedly enlarged both the constituency and the scope of the PFM dialogue; together with recent moves towards linking PFM reform to the decentralisation policies of the GoE this might prepare the grounds for consideration of a wider PFM reform programme (I.7.4.2).

The need for PFM reform in Egypt is clearly justified by the findings of the PEFA which showed many areas for improvement of PFM. For SBS to be most effective the budget needs to perform its function as a policy instrument. Indeed the basic motivation for using BS (see Box 3.4) rather than any other form of aid is the donor's willingness to support the implementation of the country's policies and strategies by using national budgetary procedures so as to improve the Government's authority over the allocation of its financial resources and thus reinforce the budget as a tool for implementing government policies by allocating resources to priority programmes and activities in a consolidated and coherent fashion. In Egypt, the budget is not fulfilling this function and SBS cannot reinforce the Government's allocative powers because the Government does not add the funds to its overall resources but treats them separately, like any other project funds (See Box 3.3).

Because budgetary processes are not fully integrated (see Box 3.2) the possibilities for budget arbitration within each sector are in effect extremely limited. Although the Commission's SBS could thus not change in any way the relationships and coordination between technical ministries and the MoF concerning aspects of the budgetary processes (budget discussions, budget preparation, activity planning and budget implementation and monitoring) (I.7.4.3 & I.7.4.4), it did trigger the creation (by Ministerial Decree) of a joint MoE-MoF task force in the education sector to work on the PFM issues flagged in the SBS (such as the MTEF pilot, budget programmes, PETS). SBS having been programmed and

executed using national budgetary procedures, these may have been reinforced but the budgetary process they underpin does not conveniently allow the efficient and effective allocation of resources according to national priorities. As such, the SBS has thus funded activities that may, or may not, have been perceived as priorities: since the funds have not been subjected to any budgetary arbitration process, it is difficult to assess the political and strategic policy importance of the reform measures and activities they finance other than recognising that support in these areas was retained by the EU-Egypt cooperation programme as priorities (EQ1 & I.7.4.6).

Even though the Commission is the only donor undertaking SBS in Egypt, it has indirectly had a positive impact upon harmonisation of donors and alignment on national priorities in both the water and the education sectors: in the former, the Water Masterplan (the elaboration of which was an important condition for SBS disbursement) provided for the first time a framework for prioritising investments in the sector to which donor support could align; and in the latter, the Commission is actively promoting the recently finalised National Strategic Plan for Education which again provides a platform for donor harmonisation, alignment on MoE's priorities and coordination (I.7.4.6).

SBS has strengthened the sector-wide policy dialogue but the link between policy and budget has failed to be established. In both sectors where specific interventions have been reviewed - education and water - the Commission's SBS came at an opportune time when sector strategies had just been finalised or were in the process of finalisation. In the water sector, the Commission continues to support efforts towards the consideration of a holistic strategy, including both the water from the point of view of the River Basin (and its agricultural and industrial uses) and from the point of view of water supply and sanitation. In both sectors, the SBS by widening the platform for discussions to the implementation of the sector strategy, has had several positive effects: the SBS matrix became a monitoring tool of strategy implementation to which donors were rallying (in the water sector) thus possibly leading to some form of future joint sector reviews; and new issues have been introduced in the policy dialogue such as the water tariff question or the PETS and MTEF in education (J.7.5). However, there is no evidence that the Commission interventions through SBS contributed to improved policy preparation and implementation, including the use of the budget as a policy instrument. The budget, because it allocates different levels of resources and thus of spending to different activities or programmes, is a translation, in revenue and expenditure terms, of the priorities of a government: it is a powerful tool to translate policy statements into reality. Hence, when the Commission wishes to support the implementation of a Government's policy, it chooses budget support as its preferred modality. However, the link between the budget and policy priorities in Egypt is not straightforward because of the incomplete integration of the budgetary process. The Commission's SBS programmes have focussed on some very specific (and quite sophisticated) PFM issues (MTEF, PBB, TSA) but failed to identify and address the issue of the compartmentalisation of the Egyptian budgetary processes which is essential to the use of the budget as a policy instrument: a fully unified budget process does not yet exist in Egypt (I.7.3.1).

The preliminary findings of the recently completed PEFA underlined some of the drawbacks of the lack of integration of the recurrent and investment parts of the budget (*‘such as coordination issues between the two central agencies for control and spending, as well as alignment problems between asset creation in the investment budget and long- and medium-term operating and maintenance costs of these investments’*, see PI-12 in PEFA 2009); the PEFA has not picked up on the fragmentation of the recurrent budget programming process as it is not an aspect under normal scrutiny of a PEFA. The PEFA did not provide a direct assessment on the question of the use of the budget as a policy instrument but it provided an interesting summary table on the links between the six dimensions of an open and organised PFM system and the three levels of budgetary outcomes⁵⁶ showing how some of the characteristics of the budgeting system can affect the strategic allocation of resources and thus the use of the budget as a policy instrument. In Egypt strategic resource allocation is weakened by certain key characteristics linked to: budget credibility; budget transparency and comprehensiveness; medium term programming and the setting of budgetary ceilings; in-year budget re-allocations and expenditure control; information about programmes’ costs and the use of resources; and external scrutiny of budget implementation. In this context the provision of budget support can align to national procedures but these underpin budgetary processes that rank the budget as an accounting tool rather than as a policy instrument. Although giving a clear signal of support to the implementation of reform, some important potential benefits of SBS can thus not be realised in these circumstances (see Box 3.4).

3.8 EQ8 on cost effectiveness of financing modalities and implementation mechanisms

EQ8: To what extent were the financing modalities and implementation mechanisms adapted to the objectives of the interventions and to the (absorption/implementation/administrative) capacities of beneficiary institutions so as to enable timely and cost-effective implementation?

This question covers the efficiency of interventions and focuses particularly on the link between the choice of financing instrument and implementation mechanisms and their appropriateness to (i) the outputs, results and expected impacts of the intervention and (ii) the specific policy, institutional, and human resource capacity context of the intervention. By questioning the appropriateness of choice of instrument the questions thus also covers the issue of relevance. The answer is structured around the following elements:

- *The financing modalities and their mix have been chosen so as to allow the attainment of the objectives pursued (J 8.1)*
- *The implementation mechanisms and their mix have been chosen so as to be adapted to the institutional context and to the objectives pursued (J 8.2)*
- *Financing modalities and implementation mechanisms took account of beneficiary institution's capacities (J 8.3)*
- *A mix of financing modalities and implementation mechanisms was used in the same sector to maximise adaptability to absorption capacities and timely implementation (J 8.4)*

⁵⁶ Table Annex 4.1: Mutual links between the six dimensions of an open and organized PFM system and the three levels of budgetary outcome.

- *Interventions are carried out within their allocated budget and planned schedule (J 8.5)*
- *Intervention implementation takes account of monitoring and evaluation results (J 8.6)*

Answer to EQ 8 on cost effectiveness of financing modalities and implementation mechanisms – Summary

During the period 1998-2008, financing modalities and amounts were decided by the Commission's headquarters at a very early stage of the programming exercise and the process by which they were arrived at was not based on an explicit argumentation; the GoE had little influence over these decisions. The choice of financing modalities has mostly been found appropriate except for the support used to strengthen CSO and NGOs (calls for proposals).

Implementation mechanisms were decided upon during project formulation as a result of context analysis and discussions with the main stakeholders; the GoE had an increasing role to play in decision making at this level. Implementation mechanisms have been found relevant to project objectives except in SAAP where the use of technical assistance might have been more appropriate to the beneficiary institutions' objectives than twinning. The combination of several implementation and financing modalities in one project has been much appreciated by beneficiaries.

Project/programme design were found to have at times underestimated the human resource limitations, absorption capacities and/or institutional constraints that had to be overcome to implement complex projects, resulting in slower than planned execution rates. This, combined with long lead times for programming, formulation and setting up of interventions, affected the efficiency of Commission support; effectiveness was relatively protected from these effects, notably by remaining responsive to change and in particular extending implementation times beyond the initial plans.

Cooperation amounts and financing modalities: Commission Headquarters prerogatives

The choice of financing instrument and fund allocations was determined by the Commission's Headquarters at the very early stages of programming, before project formulation. However, strategy and programming documents (CSPs/NIPs) have rarely specified and never justified the financing modalities and amounts that were proposed to be used for the proposed interventions, or for that matter for the cooperation as a whole. The strategy documents (CSP) gave some broad guidelines as to the appropriateness of financing modalities based on past experience:

- The CSP 2002-2006 mentioned:
 - the failure of large, multi-donor, technical assistance projects to drive reform; and
 - the effectiveness of participating in basket funding under very specific circumstances which thwart replication: the experience of the funding of the Social Development Fund was found positive but hinged on the quality of the Fund's delivery structure (good management, commitment, innovative mandate).
- The CSP advocated the concentration of funding on actions that can be identified and committed quickly (CSP 2002-2006 and especially NIP 2005-2006) and to keep

individual project amounts to more modest levels that can be managed by the institutions involved (so as not to overtax absorptive capacities).

- In the CSP 2007-2013 (and already foreshadowed in the NIP 2005-2006) a move towards funding of policy support was advocated (see EQ7).

At intervention level, the few identification/formulation files available for consultation have shown that financing modalities were decided upon before project formulation and were thus not discussed or justified in project formulation documents.

Whereas on the whole, the financing modalities used in the interventions selected have been used in line with expectations⁵⁷ except for sector budget support which although it supported sector policies and sector reforms, has been used by the GoE in the same way as project funding (see EQ7), the beneficiaries' views of the appropriateness of the instruments used vis-à-vis the objectives pursued have been varied:

- The availability of a mix of financing modalities for a same project has been appreciated as it offered more flexibility and adaptability to the project's context and objectives. It has been the case for two of the three FISC projects (Rural and social) where the bulk of the support was used to make financing available for on-lending (revolving credit fund) and was accompanied by project funding (including TA using Commission procedures, training including study tours, funding of equipment and operating costs). It was also the case for SAA where twinning, TAIEX and SIGMA are fulfilling complementary roles even though the beneficiaries interviewed found the assistance provided through TAIEX (5 days short term TA or 3 days visit to the EU or 2 days workshop) limited considering the required application procedures. Finally, sector budget support (SBS) operations such as in water and education also included TA and M&E/audit components (to be contracted directly by the Commission).
- The use of calls for proposals to strengthen CSO and NGO was not well adapted to their needs and to the objective of the support because the strengthening of their capacities has been limited to strengthening their ability to respond to Commission tenders which was not the objective of the support and didn't address implementation difficulties to execute the tenders once won.
- SBS has been appreciated for the relinquishing of Commission procedures for the use of funds thus greatly facilitating the managers' tasks, but has also implied the fulfilling of stringent conditions some of which fell under different ministries and were thus difficult to control by the beneficiary.
- Twinning has been appreciated for the technical know-how it provides but has not (so far) been used by the beneficiaries to elaborate legislative changes or improve administration systems which remain longer term objectives:
 - the approximation of *acquis communautaire* traditionally promoted by twinning are less relevant to ENPI countries which are not acceding countries;

⁵⁷ Expectations based on the earlier experience of the Commission as discussed above and according to the usual rules as follows:

- Project financing (in particular TA services) and twinning were used to build institutional and human resource capacities;
- Project financing with particularly large TA components were used to stimulate sector reforms but were later converted to or followed by policy based support which eventually took the shape of sector budget support in interventions designed after 2004 (see also EQ1 and EQ7)

- The know how provided by twinning has helped Egyptian public institutions to satisfy their needs in terms of TA and capacity building which at this point in time took precedence in their priorities over longer term considerations of legislative changes;
- the time span of twinning is relatively short compared to the longer term agenda of legislative reforms and the budget is relatively modest;
- the legislative reform process in Egypt is complex and lengthy.

Likewise to the choice of financing modality, the decision process underlying the prioritisation, costing and fund allocations to each sector and to each intervention was not made explicit in programming documents. The amount of funds available for cooperation with Egypt and the allocation decisions to sectors and interventions determined the scope of the projects and programmes to be implemented instead of funding decisions being based on a scoping of needs, the shaping of the project, its cost and its priority ranking amongst the group of possible supports.

Implementation modalities: increasingly shaped by sector discussions and usually relevant to the objectives of the project

Programming documents provided very few details about the implementation modalities that would be appropriate for the proposed programmes: an exception was the NIP 2005-2006 which specified implementation modalities for all proposed interventions but one⁵⁸; in all other programming and project documents (FA/MoU, Project Fiche) a discussion of needs, challenges, activities, expected results and objectives usually provided sufficient contextual background to show the logic of the choice of implementation modality. Unlike the choice of financing modality, the choice of implementation modality was realised and analysed in the project formulation phase and was thus most often the result of the analyses and discussions held during the preparatory phases of intervention formulation: the stakeholders (whether direct or indirect beneficiaries and other donors active in the sector/issue) have played increasingly important roles in shaping the intervention modalities.

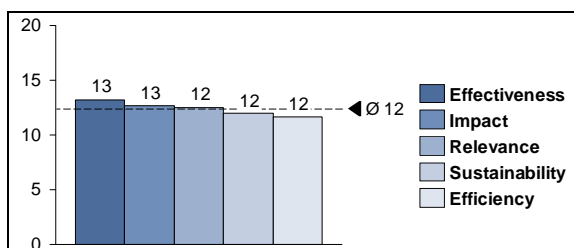
In terms of implementation, no evidence was found in the monitoring reports of the interventions selected for closer review that the mix of implementation mechanisms chosen for each intervention had been inappropriate or had caused problems in any sense. On the contrary, in ROM reports, several interventions' project designs were found to be very well adapted to both the context and the objectives. As was the case for the combined use of different financing modalities, it was interesting to note that a mix of implementation modalities were used in several instances to better achieve the objectives; the water SBS is a good example where SBS (based on intense policy dialogue) was combined with more traditional TA but also with twinning (under SAAP) and was complemented more indirectly by the pollution abatement project supported with an interest rate subsidy (IRS) combined with soft loans from the EIB and TA funded under the Facility for Euro-Mediterranean Instrument and Partnership (FEMIP).

⁵⁸ The social reform support of €15 m was left unspecified.

During the mission in Egypt, findings generally confirmed the relevance of implementation modalities. SAA was an exception since beneficiaries used twinning as technical assistance to stimulate organisational and administrative changes and strengthen their institutional capacities whilst the components meant to induce regulatory changes were given far less attention at implementation level.

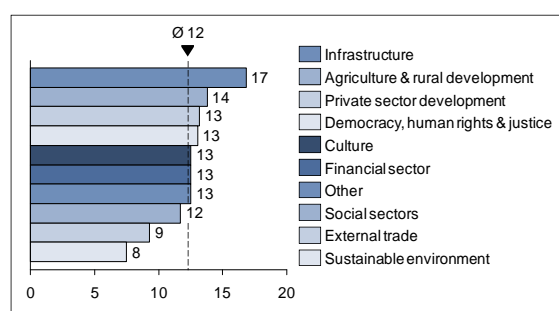
Looking beyond the 12 selected interventions at the wider picture of all relevant⁵⁹ projects monitored for the Commission in Egypt between 2001 and 2008 (see figures below), the overall weighted average score for relevance given by monitors to the 38 projects reviewed is 12.49 out of 20 points (of B in ROM terminology⁶⁰) which is good, slightly better than planned. Highest scorings were obtained for the infrastructure, agriculture and private sector development sectors whilst the least well noted project design/relevance was observed for sustainable environment and external trade.

Figure 3.15: ROM scores (out of 20) Overall performance per evaluation criteria



Source: ADE based on CRIS Database, see Annex 9

Figure 3.16: ROM scores (out of 20) Sector performance for Relevance



Project design could have taken better account of institutional capacities

Project implementation modalities were usually well adapted to the objectives pursued but institutional constraints faced by implementing agencies in Egypt have not been systematically taken into account. CSPs and NIPs refer to the institutional capacities of the beneficiary agencies without analysing the issue in terms of their absorptive capacity in order to adapt financing and/or implementation modalities accordingly to yield the best results. The same finding is made in most project formulation documents (FAs), an exception being the TVET where the analysis of the beneficiary’s strengths and weaknesses lies at the heart of the intervention’s design. The GoE’s assertion that human resources are

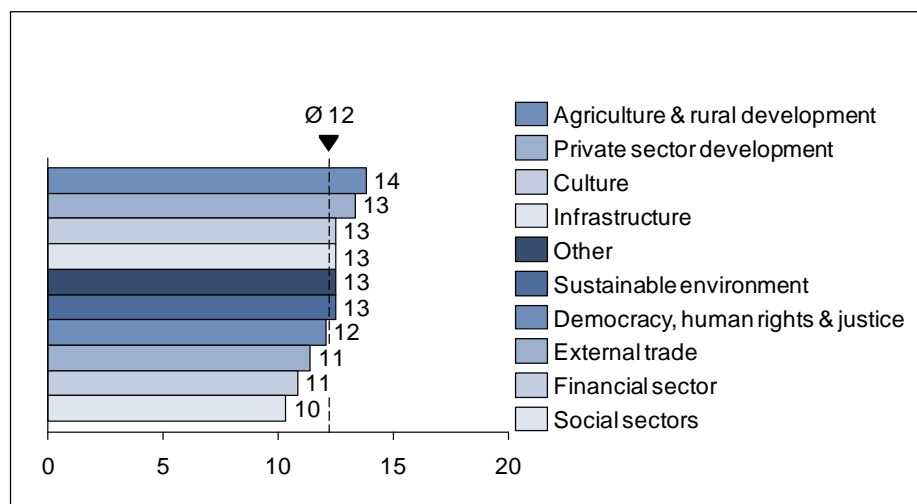
⁵⁹ See Annex 9 for the full analysis of ROM reports. Projects that are relevant to the period covered by the Evaluation exercise, ie that stem from decisions taken between 1998 and 2008 for bilateral programmes only: 38 programmes (representing 67% of total Commission commitments over 1998-2008) are recorded in the CRIS database with 65 monitoring reports.

⁶⁰ Scores or grades in monitoring reports are expressed as letters, A standing for Very good (much better than planned), B for Good (slightly better than planned), C for Minor problems (slightly below plan) and D for Serious problems. In order to compute aggregated scores, the marks A, B, C, D have been translated into scores on a total of 20. Each mark has been transformed in the value of the median of the quartile to which it corresponds, thus A = 17.5, B = 12.5, C = 7.5, D = 2.5.

the most pressing issue in Egypt is verified at intervention level: the weakness of human capacities, in particular to implement complex projects, has been insufficiently addressed in Commission interventions' designs. This, coupled in some instances with the underestimation, at project design stage, of the time required to set up projects (especially where recruitment of technical assistance or the setting up of a PMU was involved) and of the capacity of Egyptian institutions to absorb large amounts of funding (or in the case of SBS to fulfil the required conditions for disbursement), has sometimes contributed to implementation speeds which have been slower than planned.

The slowness generally encountered in the setting up and implementation of Commission funded projects has been a recurrent issue of concern expressed by beneficiaries. On the one hand, the D+3 rule⁶¹ which is meant to speed up project implementation has had perverse effects (rushed tendering leading to a loss of effectiveness at a later stage); on the other, the slowness and/or complexities of procedures in some projects (such as in EPAP, SAA, TVET) have deterred dynamic candidates from accessing project outputs leaving the Commission to deal with less well performing candidates. The slowness and delays encountered in project implementation, when added to the long time taken in general by the Commission's identification, programming and formulation processes, seriously undermined the effectiveness of the Commission's support: by the time an intervention comes 'live', the initial constraint which it was meant to relieve may have been lifted (the TEPs) or the context may have changed (TVET), thus requiring adaptation of the project design. The slowness also undermined efficiency which is illustrated in the figure below.

Figure 3.17: ROM scores (out of 20) – Sector performance for Efficiency



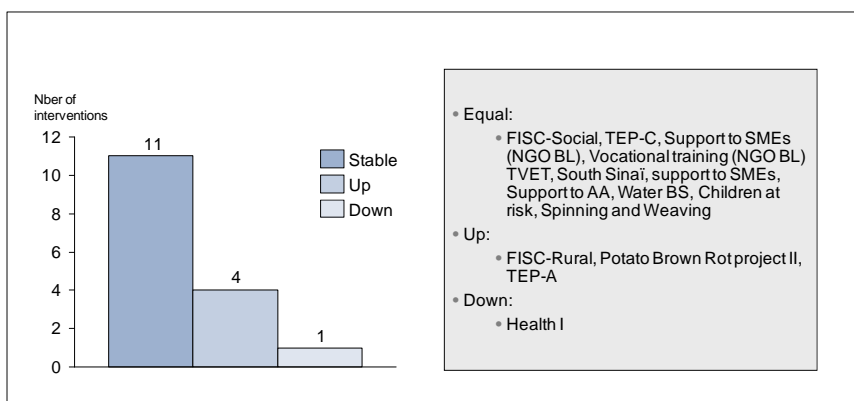
Source: ADE based on CRIS Database, see Annex 9

⁶¹ Introduced by EC Regulations N° 1605/2002 and 2342/2002, it implies that Financing Agreements must be concluded before the 31 December of the year following the budgetary commitment (n+1) and that contracts implementing the FA must be concluded within three years of the budgetary commitment (n+3).

The figure above and Annex 9 show that the overall performance in terms of efficiency of the sample of projects that has been monitored and reported in the CRIS database is below the overall average of the five criteria (11.6 against an overall average of 12) whilst effectiveness in fact scores high (13.2) which tends to show that projects have been relatively successful in adapting to new contexts or constraints. This is further verified by the analysis of the responsiveness of interventions based on monitoring reports (see Annex 9). If monitoring scores improve over time for project design, efficiency and effectiveness, then there is a good chance that the project has been implemented with sufficient flexibility to adapt to new external factors and notably to take account of M&E recommendations. The overview of the monitoring reports available for Egypt between 2001 and 2008 on decisions made after 1998 shows that for those 16 projects for which more than one monitoring report was available (see Annex 9):

- the relevance of project design remained stable throughout the period for 11 projects (69%) whereas for 4 projects (25%) the scoring for project design improved and for 1 projects (6%) it deteriorated (see figure below).

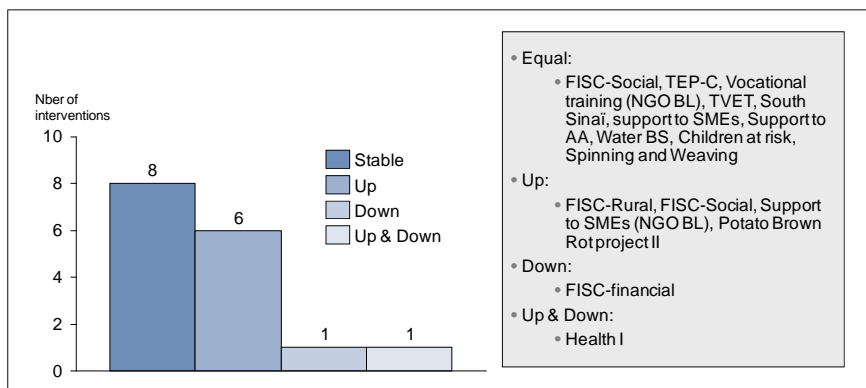
Figure 3.18: Evolution of ROM scores for Relevance



Source: ADE based on CRIS Database, see Annex 9

The efficiency ratings showed a good performance with 6 projects having improved performance in terms of efficiency over the period, 8 having remained stable, 1 having faced declining efficiency ratings and finally one project where efficiency fluctuated (see figure below).

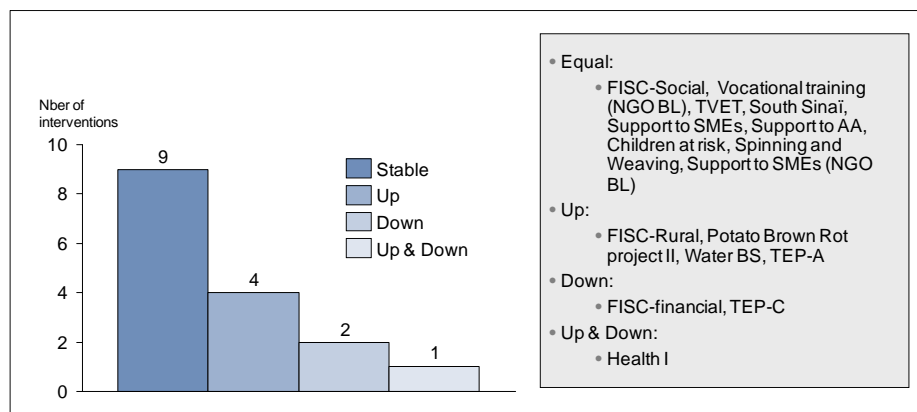
Figure 3.19: Evolution of ROM scores for Efficiency



Source: ADE based on CRIS Database, see Annex 9

- The effectiveness scorings included 4 projects improving their effectiveness criterion over the monitored period, 2 projects experiencing declines in effectiveness, 1 project with fluctuating scores and the majority (9 projects) having stable scores for effectiveness over the period (see figure below).

Figure 3.20: Evolution of ROM scores for Effectiveness



Source: ADE based on CRIS Database, see Annex 9

On the whole, the results for the three criteria thus show a reasonable responsiveness of projects to change. Whereas for some projects these changes (for better or for worse) resulted from the influence of external factors upon the project (thus altering the relevance, efficiency and effectiveness of the project), projects have generally been responsive to recommendations made by the monitoring teams and have been flexible in adapting project activities accordingly. This finding is corroborated by the review of monitoring reports for the interventions selected for closer scrutiny⁶² and by beneficiaries who confirmed that despite the inflexibility of the financing agreements, projects did adapt to changing circumstances: for instance, the extension of project implementation time beyond what was originally foreseen has been very frequent.

Finally it is important to note that the Commission very rarely undertook mid-term or end of project evaluations: several important programmes have been funded in sectors where the Commission had already been actively involved (such as in TVET, HR and democracy), possibly with different financing instruments (projects or co-financing rather than SBS or twinning), without these previous interventions having been evaluated. These evaluations could yield important results to improve programme design and thus to improve future programme/project effectiveness.

⁶² For those of the 12 interventions where regular monitoring reports were available, the recommendations of monitoring teams have led, at least in some cases, to the adaptation of the design (especially with regards to the schedule and planned activities).

3.9 EQ9 on Commission support to Egypt in the wider cooperation context

EQ9: To what extent have the Commission’s strategies, programmes and activities been designed and implemented in coherence with other EC policies and in coordination and complementarity with the EU Member States, EIB and other donors?

The question relates to coherence, coordination and complementarity (3Cs) issues. It aims at verifying the extent to which (i) Community policies have been implemented in coherence with the Commission’s cooperation with Egypt and (ii) coordination and complementarity with EU MS, EIB and other donors have taken place at design and implementation stages.

The answer is structured in three parts which analyse the following elements:

- *The convergence of EC policies and the Commission-Egypt cooperation in working towards realisation of the Barcelona objectives (J9.1);*
- *Coordination of Commission’s interventions with the set of other donors’ interventions (J9.2);*
- *Complementarity of Commission’s interventions with the set of other donors’ interventions (J9.3);*

EQ 9 on Commission support to Egypt in the wider cooperation context - Summary

The overall coherence of all EC policies likely to affect Egypt (such as trade, energy, transport, environment, research science and technology, good governance, etc.) lies at the heart of the Barcelona process. The latter is embodied in the AA which provides for political dialogue and cooperation in various fields of mutual interest. With the ENP, the ENP AP sets an agenda of political and economic reforms anchored in the Barcelona process. Overall, this framework ensures that EC policies likely to affect Egypt take into account the objectives of the Community policy in the sphere of development cooperation. At country level, no evidence was found that EC policies, other than cooperation, have affected progress towards the Commission-Egypt cooperation’s objectives. However, in the area of trade, the discrepancy between the speed of implementation of new EC policy directives and that of the cooperation support programme prevented Egypt from systematically keeping pace with the challenges arising from the new EU provisions. In the area of human rights and democracy, whilst pursuing the same objectives and remaining overall coherent, the policy stands of the EU were adjusted in the cooperation policy to adapt to Egypt’s specificities.

Several donor coordination mechanisms have been established between the Commission and EU MS as well as with other donors:

- at strategic level: the Luxembourg process gathers the Commission, EIB, WB and IMF, while coordination between the Commission, EU MS and the EIB takes place in the MED/ENPI Committee at programming level; and
- at implementation level: the Development Partners Group gathers all donors in the field and ten thematic sub-groups have been put in place.

Consultation and involvement of EU MS in the CSP/NIP formulations has progressively improved over the evaluation period. Donor coordination within the DPG has been mostly limited to exchange of information. In 2009, coordination was variable across sectors: from little coordination in the health sector, to exchange of information in the education sector, and strong coordination between the Commission and EU MS in the water sector and in emerging new sectors proposing co-funded programmes (energy).

Coordination with other donor-funded interventions has not been the general rule. It materialised during implementation when foreseen at design stage. It was generally stronger for BS interventions with the matrix of disbursement conditions being the result of extensive discussions.

Complementarities between donors' interventions have generally not materialized. The research of complementarities was increasingly pursued by donors at the end of the evaluation period, with the Commission active in the fields of education, water, energy and transport through (i) the thematic sub-groups where, in the case of education, it pushes for closer coordination by involving donors in its programme identification and formulation and (ii) the NIF, which is a Commission instrument facilitating the co-financing of large investment projects in the area of water and energy between the EIB, KfW, AfD and the Commission.

The AA and ENP Action Plan provide the overall framework for coherence of EC policies likely to affect Egypt. At country level, EC policies other than cooperation have not affected progress towards the Commission-Egypt cooperation's objectives.

The overall coherence of EC policies likely to affect Egypt lies at the heart of the Barcelona process. This process (see also annex 4) is underpinned by a network of bilateral relations between each Mediterranean Partner Country and the EU, embodied in the AA which provides for political dialogue, free trade between each partner and the EU to be established over a transitional period, and various forms of cooperation. Relations with Egypt in the context of Barcelona are driven by a number of Community policies, in particular trade, energy, transport, environment, research science and technology, good governance, gender issues and the protection of human rights. The European Neighbourhood Policy (ENP) goes beyond existing relationships to offer a deeper political relationship and economic integration. The central elements of the ENP are the bilateral ENP Action Plans agreed between the EU and each partner. These set out an agenda of political and economic reforms with short and medium-term priorities. The implementation by Egypt of its Action Plan will help to further integration into EU economic, social and technological structures and significantly increase the possibility to advance the approximation of Egyptian legislation, norms and standards to those of the EU in appropriate areas, thereby enhancing prospects for trade, investment and growth. This framework ensures that EC policies likely to affect Egypt take into account the objectives of the Community policy in the sphere of development cooperation (I.9.1.1).

At implementation level, most interventions reviewed testify that the current framework satisfactorily ensures coherence of EC policies with the cooperation objectives and no situations of conflict requiring mitigating measures were identified. Programmes such as

the SAA programme of twinning, the support provided to the reforms in the areas of trade, health, education, water or financial services, all seek to support Egypt in its progress towards economic integration. At sector level, coherence was also generally ensured but some adjustments were necessary in the area of democracy and human rights and efficiency-related issues limited the benefits expected from the coherence between EC policies and the cooperation programme in the area of trade. In the area of human rights and democracy, the coherence between the EU policies and the cooperation policy could only be maintained by adjusting EU objectives and the pace of changes to the Egyptian specificities. In the area of trade, the cooperation programme could not adapt quickly to new directives issued under the EU's trade policy: cooperation support priorities, fixed every year in the AAP, could not systematically keep pace with the challenges arising from new directives issued by the EU in the trade area thus potentially (and temporarily) affecting Egypt's capacity to maintain its competitiveness on the EU markets (I.9.1.2).

A deeper analysis of the coherence issue, at the level of all relevant EC policies and their coherence with the total Egypt-Commission cooperation programme could not be undertaken in the frame of the current evaluation. This would have required an identification of all EC policies potentially affecting the cooperation of the Commission with Egypt followed by a thorough analysis of potentially relevant studies and of the minutes of the sectoral sub-committee meetings⁶³ as well as interviews to provide evidence on instances where development cooperation objectives had been negatively affected by other EC policies.

Donor coordination mechanisms have been established between the Commission and EU MS as well as with other donors at strategic and implementation levels. Coordination was mostly limited to exchange of information and there was no sector specialisation between donors.

Donor coordination mechanisms have been established at strategic level. Coordination between the Commission and the IMF, WB and EIB takes place at headquarters within the framework of the Luxembourg process⁶⁴ which is devoted to strategic issues (I.9.2.2). The coordination between the Commission and EU MS has been defined by the MEDA guidelines for coordination of external assistance validated by the MED Committee in 2001 (I.9.2.3). These provided for regular coordination meetings, annual review meetings and the establishment of a joint report on the strengthening of operational coordination. In practice, regular meetings of Development Counsellors were organised in Cairo in which the Commission and EU MS exchange information on their respective programmes and discuss prospective synergies. At programming level, coordination between the Commission and EU MS and the EIB took place through the MED/ENPI Committee.

⁶³ The sub-committee meetings are a formal structure for dialogue between the Egyptian Government and the European Commission in the form of yearly meetings in twelve specific reform areas. The sectoral sub-committees monitor the implementation of the AA. Any divergence between EC policies and the cooperation programme would have been brought to light in the negotiations and discussions between the different Directorates General of the European Commission and the Egyptian authorities. Due to the highly political nature of these discussions, the minutes of these sub-committee meetings were not made available to the team.

⁶⁴ The Luxembourg process designates the regular meetings held at headquarter level between the directors of DG ECFIN, RELEX, the IMF, the WB and the EIB.

Consultation and involvement of EU MS in the CSP/NIP formulations has progressively improved over the evaluation period. The 2004 Country Strategy Evaluation mentioned that EU MS expressed considerable dissatisfaction regarding their consultation and involvement in the first CSP. EU MS reported that they were put under pressure to accept quickly the CSP without adequate time to consult appropriately their own respective Governments departments. Italy, UK, Netherlands and Denmark pointed out that the CSP did not contain sufficient lessons learnt from previous programmes of assistance. EU MS noted that considerable improvement occurred since deconcentration and appreciated their involvement in the 2004-06 NIP. It was felt that the EUD was working gradually towards strengthening the process of coordination between EU MS. For the preparation of the CSP 2007-2013 and formulation of the NIP 2011-2013, the Commission has consulted EU MS and invited them to comment on the interventions proposed in the NIP (I.9.2.2).

A forum for exchange of information has been set-up in the field. Efforts to coordinate activities between the Commission, EU MS and other donors have been made through the Donor Assistance Group (DAG), recently renamed Development Partners Group (DPG)⁶⁵ (I.9.2.3). It was composed in 2009 of 21 bilateral partners and 13 multilateral agencies, including the UN family and World Bank. In complement of the DPG plenary group, the following ten thematic sub-groups have been set up:

- Health and Population;
- Gender and Development;
- Natural Renewable Resources (Water and Agriculture);
- Human Resource Development/Education;
- Participatory Development and Good Governance;
- Environment and Energy;
- Micro, Small and Medium Enterprises;
- Poverty;
- Information and Communications Technology (ICT) ; and
- Transport

Within the thematic sub-groups, donors exchanged information and discussed GoE policies through presentations made either by donors or by the government on the reforms undertaken. Commission representatives reported an improvement of donor coordination in recent years: close work on PFM issues with the WB, discussions on specific sectors of interventions so as to exchange information (I.9.2.3).

Overall, donor coordination was more an information forum than a cooperation forum (I.9.2.3). Several factors explained this statement:

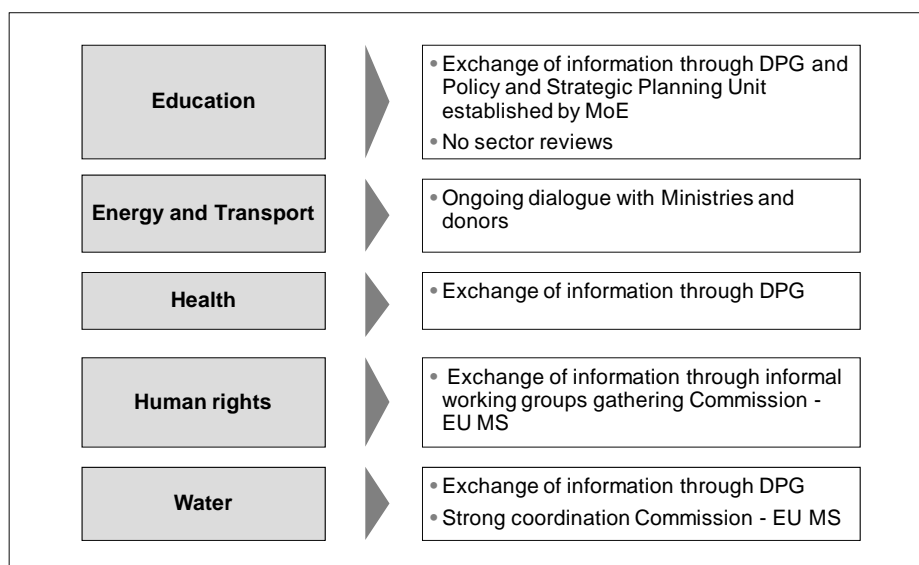
- Donors did not actively look for intertwining their projects with those of the other donors;
- Donors such as USAID had their own agendas and ways of implementing projects;

⁶⁵ In 2005 and 2006, the DAG was respectively chaired and co-chaired by the EC Delegation and Canada, while, in 2007 and 2008, by the Netherlands and UNICEF. For 2008 and 2009, the UN Resident Coordinator and Germany have been designated to respectively Chair and Co-Chair the DPG.

- In specific sectors such as education, the GoE has chosen to let donors finance specific pilot projects for testing different approaches over the years; this tended to reduce donor alignment and cooperation;
- There was a lack of Egyptian leadership for donor coordination.

Donor coordination varies across sectors and there is no sector specialisation (I.9.2.4). As illustrated in the figure hereunder, coordination among partners presented varying degrees between sectors. Some donors were quite active in specific fields such as USAID and CIDA in the support to SMEs, or GTZ and the Netherlands in water, but there was no sector specialisation as such between donors.

Figure 3.21: Varying degrees of coordination between sectors (in 2009)



Source: ADE based on Annex 7

Coordination with other donor-funded interventions has not been the general rule. It materialised during implementation when foreseen at design stage. It was generally stronger for BS interventions.

The analysis of the selection of interventions showed that more than half of them have not been designed in full knowledge of the other donor's activities (I.9.2.2). Specific interventions have been prepared together with other donors preparing programmes in the same field (e.g the KfW assistance with FISC-Social and the Skills Development Programme of the WB with TVET). There was little evidence of operational coordination with EIB loans on own resources. In the case of SBS interventions (Water and Education), the Commission has actively involved the GoE and other donors in their design. In particular, the matrix of disbursement conditions has been the result of extensive discussions and agreements with the various stakeholders. At implementation stage, coordination between donors took place for those interventions that had been designed together with programmes financed by other donors (e.g FISC-Social and TVET) (I.9.2.3).

Complementarities between donors' interventions were not a general rule. The research of complementarities was increasingly pursued by donors, with an active role of the Commission in specific sectors.

There were some examples of complementarities with the programmes financed by other donors, but this was not the general rule (I.9.3.1). For instance, with FISC-Social, the Commission targeted medium-sized NGOs while the KfW programme provided financial services to small NGOs. Similarly, the Commission financed together with the WB the Education Enhancement Programme and worked closely with UNESCO on the same programme. However, the research of synergies between donors' interventions has not been the rule until recently, even in sectors that benefited from much donor support such as water.

Beneficiaries reported that complementarities were increasingly considered between interventions financed by various donors over the period. In that respect, several examples show that the Commission had a leading role in the promotion of complementarities in the fields of education, water, energy and transport (I.9.3.3):

- The Commission, co-chair of the education thematic working group in June 2009, pushed for closer coordination by involving donors in its programme identification and formulation and organising donor meetings for discussing specific topics (MTEF, decentralisation, vocational training);
- The Water SBS triggers form the main basis for policy discussions at the DAG sub-committee water sector meetings;
- The Commission pushed the creation of a sub-group in transport as a disbursing trigger for its recently decided SBS intervention in transport;
- The Neighbourhood Investment Facility, which brings together the Commission, the EU MS, the partner country and the European Public Finance Institutions, presents a good potential for complementarities. In Egypt, it facilitates co-financing of large investments projects in the area of water and energy between the EIB, KfW, AfD and the Commission, such as the recently decided IWSP. The Commission also planned to develop synergies between the IWSP and the Water SBS intervention.

4. Overall assessment and conclusions

4.1 Overall assessment

The Commission-Egypt cooperation strategy: the continuity of objectives was accompanied by a change in approach, moving from addressing specific needs to aiming for policy changes and wider sector reforms

The EU-Egypt cooperation has always been deeply entrenched in a political dialogue and the Commission's support to Egypt reflects its consideration of Egypt as a key player in the region. Successive cooperation strategies (2002-2006 and 2007-2013) have continuously underlined the importance of strengthening the stability, security and economic and social prosperity of Egypt. From 2004 onwards the political and policy agendas of the Government of Egypt and the Commission have grown much closer and this has enabled the cooperation strategy to increasingly become a tool for supporting the political agenda enshrined in the Association Agreement.

Over the past ten years, the cooperation strategy has thus shown continuity in its objectives (establishing peace, stability and prosperity as well as cultural rapprochement and integration into the world economy) and in its support of economic transition and socio-economic development. At the same time the cooperation strategy has evolved considerably: starting with the 2005/06 NIP and confirmed with the 2007-2013 CSP (corresponding to the recent ENPI) the cooperation strategy responded to at least two important developments: (i) the signing of the Association Agreement and (ii) the embrace of reform minded policies by the Egyptian Government. These developments have facilitated the following important changes in the cooperation strategy:

- the move from support to economic transition and socio-economic development to supporting overall socio-economic policy reforms;
- the move from supporting fundamental rights and socio-economic development towards the support to human rights, democracy and the rule of law;
- at the end of the evaluation period, a move was noted with the favouring of support to basic economic infrastructure sectors such as transport and energy where policy reforms were possibly also in the pipeline.

At the same time, the financing modalities used have evolved from mainly project support which addressed specifically identified population needs and sector constraints in the beginning of the period towards sector budget support as the main financing modality (80% of funding decisions in 2008) which aimed for global policy, regulatory, institutional and managerial reform of important sectors (such as water, customs, health, education); a move away from practical hands-on interventions was thus noticeable in favour of policy support which could give the Government of Egypt greater ownership and say over the use of the funds it received. These changes are to a large extent still too recent to permit the appreciation of tangible results.

Contributions to outcomes from the implementation of the EU-Egypt Cooperation programme were not identified

Taking into account interventions funded over the period, and basing the assessment more particularly upon the twelve interventions selected for detailed analysis (and some others for which evaluation reports were available), it was found that project and programme outcomes were very difficult to identify through the Commission's own monitoring systems:

- projects have been designed predominantly as activity-based interventions, without definition of quantified targets or of quantitative and qualitative performance indicators. The implementation of these projects thus allowed a monitoring of outputs but not of outcomes.
- Sector budget support operations have used policy based triggers for disbursement which also served as the main monitoring tool for progress made in the sector: similarly to the projects funded by the Commission, no quantitative and qualitative result indicators have been identified or defined for monitoring and evaluating the outcomes of the supported policy reforms. The monitoring system used by the Commission therefore hasn't enabled it to verify that the strategies which it supported delivered the targeted results and that these contributed to the objectives pursued.

Overall, the EU-Egypt cooperation was thus implemented without monitoring of the way it affected sectors' outcomes (whether on productive capacities, employment, social sector service delivery performance, etc.) or of the extent to which it might have contributed to the overall intended impact (such as improved governance, poverty reduction, economic growth, etc.); as a corollary, the Commission does not know the extent to which the implementation of the EU-Egypt cooperation programme satisfied population and Government needs.

This issue is probably not particular to the Commission's cooperation as it more broadly reflects the Egyptian context where: (i) statistics in general are not easily publicly available, possibly not collected systematically and not a yardstick by which Government institutions measure their own performance; (ii) donor funds are but a 'drop in the sea' in terms of financing needs and joint sector reviews between donors and Government agencies are not systematically undertaken; (iii) all donors use project support where inputs-outputs and results are relatively easily verifiable within the confines of the project's immediate scope.

The Commission's interventions have delivered some direct positive results which can be linked to wider positive developments in Egypt

In some areas, Commission interventions almost certainly contributed to immediate positive developments even though attribution is impossible in an economy as important as Egypt where the Commission's support was small compared to national (and some international) resources devoted to the same issues: positive developments were noted especially in the area of economic transition and growth, in particular in the ease of doing business and the development of small and medium sized enterprises -including increased access to credit-, trade facilitation and institutional strengthening in agencies responsible for banking, trade and regulatory functions, where the Commission has been actively supporting the GoE with specific programmes.

The contributions made by the Commission funded support and their achievements were small in regard of the objectives pursued: many trade restrictions (especially non tariff barriers) still remain, the growth of Egyptian external trade with the EU and with the region is muted, regulatory changes have not (yet) been implemented as expected, important and difficult reforms such as in the water sector (both in terms of legislation organising the sector and in terms of the application of the new tariff levels) have not (yet) been implemented and others have not (yet) been addressed (IVET, health insurance). Much thus remains to be done in terms of socio-economic reforms and most importantly, frameworks need to be set up to monitor the effects of these reforms upon economic performance and social service delivery performance.

In the social sectors, and in particular in education, the Commission has facilitated the implementation of reform measures by the Ministry by providing it with the necessary resources to do so (by linking its SBS to activities which entail the implementation of policy measures). It has also taken a proactive role in supporting the sector strategy and advocating the alignment to this strategy amongst other donors.

With regards to human rights and democracy the achievements have primarily been at a political level. The Commission's support has mainly targeted institutions appointed by the Government, within the confines of what the Government of Egypt was willing to accept. The degree of success varied: the institutional strengthening of the three councils and two ministries has been found limited whilst the strengthening of CSO/NGOs has been poor.

The EU-Egypt dialogue has made great strides and has been supported by Commission interventions which could to some extent lead to positive developments in Egypt.

One of the important achievements of the EU-Egypt dialogue over the past few years has been the discussion of difficult and sensitive topics such as human rights and democracy, some aspects of public finance management or of social subsidies (of water tariffs in particular). These topics have been openly discussed and changes in some of these areas have been directly supported by the cooperation programme (support to HR, democracy and the rule of law firstly implemented partly by UNDP and then with the forthcoming ENPI funding directly through the relevant ministries; undertaking of a Public Expenditure Financial Assessment with the Ministry of Finance and of a Public expenditure tracking survey in education; support to the reforms in the water sector with the adoption of new tariff calculations even if these are not yet implemented). Discussions have recently extended to other important areas such as transport and energy.

It is yet too early to appreciate whether these discussions and the supports given will lead to any fundamental policy changes. In areas having benefited from past Commission support such as customs (with the TEP programmes) or banking (contribution of FISC Financial), policy changes are being implemented but continued support is still required to consolidate and extend the reforms. In other areas where policy changes have started to be implemented (partly at least facilitated by the financing provided by the Commission's SBS), such as water or education, it is too early to tell whether these reform measures will have any lasting effects and whether they will spill over into the overall implementation of the sectors' strategies. Because reforms, often supported through SBS, have been treated in the budget no differently from projects, their ownership and their impact upon overall

sector policy implementation cannot be assumed. Nevertheless, some of the reform measures undertaken under the banner of SBS have been politically difficult to achieve and appear irreversible: the commitment of the Government to reform and these first steps towards the implementation of reform measures might thus well prefigure profound changes in the sectors concerned. The importance of and the need for monitoring the effects of these changes on sector outcomes cannot be overstated; one cannot simply assume that reforms are of good quality and will achieve the intended results.

In some areas such as health and TVET, discussions and Commission support have been ongoing for many years enabling sensitive policy issues to be discussed with the GoE without however leading as yet to a clear breakthrough in terms of policy changes; reforms take time and the effects of reform implementation are equally long to materialise.

4.2 Conclusions

The conclusions are formulated in four clusters corresponding to the following themes, as illustrated in the figure hereunder:

- relevance of the cooperation strategy;
- the outputs, outcomes and likely impact of the interventions and of the cooperation strategy;
- the efficiency of implementation and financing modalities; and lastly,
- the political and policy dialogues.

Figure 4.1: Conclusions

Groups	Conclusions
<i>Relevance of the cooperation strategy</i>	C 1: Shaping of cooperation strategy
	C 2: Consultation process
<i>Outcomes and impact</i>	C 3: Measurement of outcomes
	C 4: Outcomes in the 3 main areas of support
<i>Efficiency of implementation and financing modalities</i>	C 5: SBS supported changes
	C 6: SBS used as a project by GoE
	C 7: Good mix of implementation modalities
	C 8: Aims and uses of financing modalities
<i>Political and Policy dialogues</i>	C 9: Political and policy dialogues evolved
	C 10: SBS and policy reform

4.2.1 Relevance of the cooperation strategy

Conclusion 1 – The shaping of the cooperation strategy relied on the consideration of policy objectives and needs but lacked prioritisation

Strategy and programming choices have been increasingly relevant to the objectives pursued by the GoE-Commission as of 2004 and increasingly responded to Egypt's overall needs and priorities by aligning to the Government's plans but the areas of cooperation were not prioritised and the response strategy was not explicitly spelled out in the strategy documents.

<i>Based on: EQ1, EQ 3, EQ4, EQ5, EQ6 and EQ8.</i>	<i>Leading to recommendation: R1, R3, R4, R5</i>
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Over the evaluation period (1998-2008), the cooperation strategy has increasingly been explicitly shaped by the objectives common to the EU and Egypt resulting from their political dialogue and enshrined since 2001 in the Association Agreement and since 2007 in the Action Plan. These objectives together with the overview of the political, social and economic situation of Egypt and of the political agenda of the successive Governments presented in both cooperation strategy documents (CSP 2002-2006 and 2007-2013) provided a clear context to the cooperation strategy.

During the early programming period (2002-2006) the needs and priorities of the Government of Egypt and its population took a secondary role, with cooperation priorities largely decided upon by the Commission, the GoE influencing only some programming aspects (the amounts, the implementation modalities, the scope, etc.) once the sectors of cooperation had been decided by the Commission.

The country's needs and priorities were brought much more to the forefront from 2004 onwards: the choice of interventions became more clearly and explicitly aligned to the identification of constraints facing Egypt and its population and to the reform minded policy framework of the GoE.

Nevertheless, the cooperation documents did not spell out the manner in which the Commission, within this general context of increased alignment to common objectives, needs and GoE policies, identified the sectors and issues which it considered as important to support in the Commission-Egypt cooperation strategy. The needs and challenges faced by the Egyptian population and the Egyptian Government were presented but not prioritised in the programming documents and the Commission's response strategy at macro level was not clearly articulated with these needs and challenges: at sector level, the manner in which the proposed interventions would contribute to lift the constraints and contribute at macro level to attain the Commission's and GoE's objectives was not explicitly analysed.

As a result, whereas it was clearly established that each intervention responded to an existing need, it was less clear that these interventions were addressing priority needs. In addition, because the fund allocation process between sectors and interventions wasn't based on a careful analysis of costs and priorities, the proposed cooperation programme may not have represented the most effective approach to addressing the identified needs.

Conclusion 2 - The shaping of the cooperation strategy increasingly resulted from participation of the Government of Egypt and other stakeholders in Egypt in the programming and formulation exercises but was still dominated by the Commission

The involvement of the Government of Egypt in the discussions leading to the choice of sectors of cooperation and interventions has been increasingly important. The consultation process has not yet fully been extended to a discussion of the priority areas of support.

Similarly the process leading to the choice of interventions within sectors has increasingly relied on discussions with the MoIC; consultations with line ministries and other stakeholders has mainly been undertaken for the formulation of interventions.

Based on: EQ1, EQ2, EQ8, EQ9

Leading to recommendation: R1, R4, R5

Facilitated by the deconcentration of the Commission's services, the role of the GoE and of the sector stakeholders has been increasingly important in shaping the details of the cooperation strategy. The programming process was still dominated by the Commission but as the exercise became increasingly led by the Delegation after 2001, it was also becoming increasingly open and consultative: local stakeholders, whether the Government, beneficiaries or other donors present in Egypt (and in particular the Member States) could make their voice heard and influence the cooperation programme at increasingly high levels of decision-making. So far the programming process has been opened up mainly at the level of choices of interventions within sectors/areas of cooperation whilst the determination of the cooperation strategy remained mainly a Commission prerogative.

The consultation process was still rather embryonic with, on the Egyptian side, the Ministry of International Cooperation playing a determinant role in negotiating the cooperation programme with the Commission but sector ministries intervening little in the discussions. Similarly, other players such as other donors, and in particular EU Member States, have been increasingly solicited to express their views on the cooperation strategy choices of the Commission and have been able to influence the shape of individual interventions; this has been mainly the case for the sector budget support operations where MS (and other important donors such as the World Bank and USAID) have been widely consulted for the elaboration of the disbursement matrices.

The consultation process has not yet fully been extended to a discussion of the priority areas of support or to a debate on the choice of financing modalities used: the identification of areas in which the Commission could provide specific value added has not been actively pursued by the Commission despite wishes from the MoIC that support be provided in areas where the Commission has a comparative advantage; the increased use of direct budget support by the Commission has similarly not been debated even though the Commission was the only donor using this approach.

4.2.2 Intervention outputs, outcomes and likely impacts

Conclusion 3 – The contribution of Commission funded interventions to the reaching of desired outcomes and intended impacts was not monitored by the Commission

Interventions generally implemented their activities but the extent to which the produced deliverables contributed to the expected outcomes and impact was not monitored by the Commission which did not identify quantified targets to be reached by its interventions and focused its attention on the monitoring of project and budget support activities and deliverables.

Based on: EQ3, EQ4, EQ5, EQ6, EQ7, EQ8

Leading to recommendation: R8, R9

Commission interventions were designed without factoring into their design the monitoring of their contribution to outcomes and intended impacts. The conclusion reached above (C1) that the Commission’s response strategy did not provide an explanation of the links between the interventions proposed, the needs and challenges identified and the manner in which the proposed interventions would contribute to lift the constraints and contribute to the wider objectives of the cooperation, is perfectly reflected in the design of individual interventions: no attention has been paid in individual interventions’ design to the verification of the intervention’s contribution to the reaching of the sector objectives and of the wider cooperation objectives.

No monitoring systems have been designed for this: the links between project outputs and project outcomes have not been analysed and not been monitored by the Commission. None of the interventions that were reviewed for this evaluation contained references to the monitoring of sectors’ outcomes (whether on productive capacities, employment, social sector service delivery performance, etc.) or to the evaluation of intended impacts (such as improved governance, poverty reduction, economic growth, etc.). This lack of available monitoring information hampers the assessment of what works and what doesn’t and limits the ability of policy makers, aid decision makers and programme managers to allocate resources to the most effective uses.

Conclusion 4 – Ten years of Commission support have (i) allowed important political strides in the area of governance to be made, (ii) positively contributed to economic change (trade and business) and (iii) seen a shift from project to budget support in the support of reform in the health and education sectors

Commission's support aimed for improvements in three major areas: governance, economic transition and poverty. Considerable financial resources were devoted to economic and social sectors.

- In the area of (political) governance, the Commission-Egypt political dialogue on HR, democracy and the rule of law gradually improved which enabled the Commission to no longer target only fundamental rights but to target explicitly these more sensitive issues with interventions designed within the limits given by the GoE. The modalities used to support CSOs did not lead to an improved participation of CSOs in the development/political processes.
- Interventions targeting economic transition supported GoE-led reforms. They contributed to the progress observed in Egypt in terms of ease of doing business and trade facilitation.
- The financially most important support was given to social sectors and particularly education and health where the most recent programmes facilitated the implementation of reform measures; the links with strategy implementation, the improvement of social service delivery and the reduction of poverty were not factored into the design.

Based on: EQ3, EQ4, EQ5, EQ6

Leading to recommendation: R3, R8, R9

Progress in governance issues

The dialogue between the European Union and the Government of Egypt on human rights, democracy and the rule of law emerged from the political developments inherent to the coming into force of the Association Agreement in 2004. Hitherto the Commission's support had mostly targeted socio-economic development issues (protection of fundamental rights and social development); after 2004 the Commission could offer explicit and direct support to GoE political reforms in these fields (support to awareness raising activities for institutions created in support of citizens' rights and the process of decentralisation).

This important political step forward was not matched by the achievements of the interventions: they generally delivered their outputs, which may have contributed to create a favourable environment for change in the area of justice and media coverage of human rights issues and raise citizens' awareness of their rights (but these changes were not measured or monitored by the interventions); however, the effectiveness of the CSOs capacity-building through calls for proposals (rather than direct support of their initiatives) on the CSO-GoE dialogue was not evidenced⁶⁶.

⁶⁶ It should be noted that these findings have also been observed in other countries/regions of support of the Commission (see EQ3).

Progress in economic transition

Support to Egypt's economic transition has been a major area of support of the Commission-Egypt cooperation strategy characterised by renewed dynamism after the entry into force of the Association Agreement and the adoption of reform minded policies by the GoE in 2004. Initiatives in this area are so numerous and important that the effects of the Commission's support cannot be isolated from that of the Government's own massive efforts or of those of other donors (and in particular USAID) supporting this area.

Notwithstanding the attribution problems and the fact that the contribution of individual interventions' outputs to intervention outcomes have not been measured, findings point towards tangible results obtained by Commission interventions, notably in the areas of trade facilitation and of ease of doing business which contributed to Egypt's ranking as a top reformer in the region. The Commission's support has been provided in different important areas (trade facilitation, TVET, provision of credit lines for SMEs, banking sector support, capacity building through twinning, etc.). Whilst each individual operation might have contributed to positive changes, the overall support remained scattered and focused on isolated aspects, illustrating the lack of an overall strategic approach to issues such as trade development, employment or SME development. This lack of global approach coupled with relatively short implementation time spans for individual operations (excepting TVET and SAA which run over 5 or 6 years) and most importantly the lack of visibility over continued future Commission support in the same sub-areas, rendered the Commission's efforts fragile and jeopardised the sustainability of their outcomes.

Progress in the social sectors

The Commission's support to the social sectors started in 1997 but has since absorbed 40% of the Commission's resources (excluding the Health Sector Policy Support Programme II of €110m not yet started). In education and health, Commission support has evolved from large technical assistance driven policy based programmes to direct budget support aiming for sector reform led by the Government. Notwithstanding the progress realised by Egypt in the education and health status of its population, the contribution of the early Commission funded programmes to these results could not be evaluated and appraisals realised by the World Bank concluded to modest (even unsatisfactory for health) achievement of project objectives. Currently, the support to education is directly linked to the implementation of reform measures which are contained in the Ministry's recently developed National Education Strategic Plan. In health, reform measures which trigger SBS disbursements came from more disparate sources, the sector having hitherto not developed one single exhaustive reform plan.

In both sectors, the SBS has enabled reform measures to be implemented, thus supporting and lending credibility to the reform-minded officials, but the fact that the reform measures were only implemented as Commission funded projects casts doubts on the credibility, political backing and ownership of an overall reform programme and on its reach into the realms of strategy implementation. The Commission, by focusing its monitoring on activities and deliverables, has not verified the extent to which (i) these reform measures have affected the ability of service delivery systems to effectively and efficiently deliver their services to the population and (ii) the improved service delivery contributed to improving social outcomes. Without the collection and monitoring of appropriate data within these sectors of intervention, these aspects cannot be appreciated: the verification of social sectors outcomes is the only way to establish that the reforms supported were indeed appropriate to the objectives pursued.

Conclusion 5 – Sector budget support has supported changes towards improved operational frameworks in key sectors

Sector budget support has been used to finance the implementation of reform measures in several sectors (customs, trade, water, health, education) thus paving the way for regulatory, institutional and managerial changes that characterise an improved overall framework for sector operations.

Based on: EQ7

Leading to recommendation: R7

SBS has been implemented in Egypt at a strategic time when the GoE embraced policy reforms in several sectors. The Commission offered timely support to the implementation of reform minded policies by providing direct budget support to be disbursed against the fulfilment of a (large) number of policy-based conditions contained in so-called SBS disbursement matrices. These disbursement matrices have been used by the GoE to establish workplans of activities to be implemented by the relevant ministries after which SBS could be disbursed (if all activities undertaken had led to the fulfilment of disbursement conditions). In this way, the Commission’s support has enabled the trade, water, education and health sectors to undertake the activities required for implementing reform measures designed to improve the regulatory, managerial and institutional frameworks for improved management and performance of these sectors. In time, and if these measures are not implemented as stand-alone activities but prove to be part of a larger reform initiative that will be followed through by the GoE, these measures may prove to have been an effective way for the Commission to support the GoE’s initiatives in pushing through its politically sensitive agenda for reform in some key sectors.

Conclusion 6 – Sector budget support has been used by the Egyptian Government as a project thus foregoing the potential benefits of this instrument

Sector budget support has been implemented by the GoE as a project modality, using SBS funds to execute workplans of activities required to achieve the reform measures used as triggers for SBS disbursements. This approach and the absence of links between the SBS and general PFM issues have constrained the instrument’s potential benefits, in particular its effects upon the improvement of sector policy and budgeting frameworks.

Based on: EQ7

Leading to recommendation: R6, R7

In order to fulfil conditions for SBS release, the GoE transformed the SBS disbursement triggers into the deliverables of workplans of activities to be implemented by the beneficiary ministries and agencies. In the Egyptian context, SBS was thus in effect used by the GoE as a project modality whereby each targeted ministry prepared a special work plan for the activities to be undertaken to fulfil the policy-based conditionalities contained in the SBS matrix: this work plan was then approved just like any other project prepared and executed following Egyptian budgetary procedures. The funds received from the Commission for SBS were used to execute the work plan. In this approach, which

implemented SBS operations as projects, the important objective of SBS of improving the public finance management aspects of sector operations, and in particular the strengthening of the use of the budget as a policy tool could not be achieved. The delinking of the operations from general public finance management issues has in particular constrained the realisation of the instrument's following potential benefits:

- SBS funded exclusively the activities necessary for implementing reform measures, the money was not fungible and did not become part of the ministries' overall budget allocation (which concept does not exist in Egypt's PFM systems); as a result the SBS did thus not contribute to the implementation of the overall sector strategy;
- SBS was linked to some sophisticated and unrealistic PFM measures but has not considered the problem of the Egyptian budget compartmentalisation;
- SBS could thus not contribute to improving policy preparation and implementation including the use of the budget as a policy instrument and as an effective tool to efficiently allocate and use public resources; and lastly but not least importantly,
- SBS operations did not pay attention to the sectors' performance in service delivery.

4.2.3 Efficiency of implementation and financing modalities

Conclusion 7 – Interventions used a good mix of implementation modalities but their objectives were overambitious and their implementation requirements were underestimated

The 1998-2008 period saw cooperation evolve towards projects of lesser financial weight and Sector Budget Support Programmes which often combined different implementation modalities to good effect. The efficiency of the Commission's support has been hampered by several factors:

- Lead time from project identification and formulation to implementation;
- Overambitious objectives of some programmes;
- Complexity of procedures; and
- Weakness of human capacities and institutions.

<i>Based on: EQ1, EQ2, EQ3, EQ4, EQ5, EQ6, EQ7, EQ8, EQ9</i>	<i>Leading to recommendation: R2, R3, R4, R5, R6</i>
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The cooperation strategy of the 1998-2008 period took good note of the findings of the earlier cooperation programmes that very large technical assistance driven programmes were not effective in attaining the cooperation objectives. The CSP 2002-2006 and 2007-2013 thus proposed smaller projects and increasingly turned to direct budget support to support policy reforms. SBS represents an increasing financial weight in the overall cooperation envelope since 2004: more than half of the Commission's cooperation took the form of SBS over the period, programmes ranging between € 80 million (water, transport⁶⁷) and € 140 million (education); all other projects were more modest in size falling below the € 20 million mark (except the support to South Sinai with € 62 million).

⁶⁷ TEP B was only € 40 million but belonged together with non SBS support for an overall contracted amount of € 64 million.

Projects, reduced in size, have used a judicious mix of implementation modalities (traditional project activities, training, credit lines, TA, twinning, TAIEX, direct budget support) thus giving some flexibility to adapt to sector contexts and to project objectives which has been appreciated by beneficiaries. Several factors diminished the efficiency of implementation:

- the lead time necessary for Commission operations to mature from project identification and formulation to effective implementation: it reduced the project's efficiency and relevance (the context may have changed in the meantime, the constraints may have been addressed by another initiative such as was the case for example for customs addressed by USAID when TEP didn't materialise rapidly enough) and it jeopardised planned or potential synergies (TVET and the World Bank's Skills Development Programme for example);
- the overambitious objectives of some projects/programmes:
 - SBS programmes were based on matrices of disbursement triggers which represented difficult and ambitious reform measures which were not necessarily realisable within the period of time proposed; some triggers were unrealistic and made little sense isolated from a wider reform effort (PFM triggers for example).
 - All programmes tended to post ambitious objectives which were out of reach of one intervention especially so where they ambitioned to introduce or catalyse major changes or policy reforms (SAAP, TVET and the water sector SBS for example).
 - The time span allowed for project implementation was at odds with the scope of objectives pursued: change takes time and needs to be accompanied for many years before it takes root.
- the complexity of procedures governing the access to projects outputs (funding, training, technical assistance, twinning, etc.): the efforts required to access outputs have discouraged some potential applicants and/or left some Commission's projects with those applicants who failed to obtain assistance elsewhere; it also left some beneficiaries disappointed of the results obtained compared to the efforts required to get there.
- the weakness of Egyptian human capacities and institutional requirements for project implementation: although education and training were important components of the EU-Egypt cooperation in general, human resource needs have not been systematically taken account of and institutional capacities have been underestimated in specific projects' designs ; it sometimes contributed to slow uptake and lost opportunities.

Conclusion 8 – The aims and potential specificities of different financing modalities have not been fulfilled and have not been understood by beneficiaries

Financing modalities, decided by the Commission, have been adapted to the objectives pursued by the interventions but the specificities of each instrument have not been taken fully into account:

- sector budget support in particular has been used and implemented by the GoE like project support thus foregoing many of its potential benefits,
- twinning has been used mainly as transfer of know-how, the regulatory and legislative components having not (yet) been implemented, and
- NGO/CSOs have been supported via calls for proposals which were not well adapted to their capacities.

In addition, the different aims and uses of each available instrument were generally not clearly explained or well understood by beneficiaries who were thus in a difficult position to make best use of them.

Based on: EQ3, EQ4, EQ7, EQ8

Leading to recommendation: R2, R4, R5, R6

The rationale behind the choice of financing modalities was generally not explained. The use of Sector Budget Support was decided by the Commission's headquarters, not as a result of the intervention's formulation process but on grounds that were not explicitly addressed in programming or project documents. SBS programmes were designed without due consideration being paid to the fact that many of the SBS's inherent objectives (reinforce ownership, use the budget as a policy instrument thus aligning with policy priorities, help focusing on results, strengthen public policy and budgeting framework, etc.) could not be realised in the Egyptian context due to the characteristics of the Egyptian budgetary process and systems.

In the SAAP, twinning has been used to build improvements of the regulatory frameworks through legislative changes and of administrative systems but these changes have not (yet) materialised; so far, twinning was seen by beneficiaries as a welcome source of technical know-how.

Finally, the approach used to strengthen CSOs/NGOs has relied on their response to calls for proposals for which their institutional capacities were insufficient: the Commission's support thus had to focus first on building capacities in the area of responding to Commission calls for proposals rather than on building capacities for CSO/NGOs to interact with the population and the GoE in pursuit of their wider objectives.

For these three financing modalities, the contexts of their use had been insufficiently analysed; in addition, the particularities and characteristics of the different financing modalities were generally not well appreciated by the Egyptian counterparts who were thus in a difficult position to make best use of them.

4.2.4 Political and policy dialogues

Conclusion 9 – The political and policy dialogues have evolved considerably over the past ten years and have allowed sensitive issues to be discussed and acted upon

Major advances have been made in the political dialogue between the GoE and the Commission with the entry into force of the AA and the signature of the AP. In parallel, the Government's adoption of a policy reform programme after 2004 has enabled the Commission to increasingly shift its financial support from projects towards a more comprehensive support to reform using budget support thus facilitating its participation in (selected) sector policy dialogues. This in turn has enabled the discussion of sensitive issues (PFM reform, water tariff reform, health insurance reform). Changes affecting these issues have been directly supported by the Commission and may lead to more profound changes and the eventual adoption of wide reforms in the years to come.

Based on: EQ1, EQ7

Leading to recommendation: R7

The political dialogue undertaken in the context of the Association Agreement sub-committee meetings has been important and extending to new areas; in some of these areas, especially those where the GoE was intent on reform, the cooperation strategy has been able to respond with switching its support from a piecemeal, project approach to a more comprehensive budgetary support of the Government's reform programme in some sectors (customs, education, health, water). This switch has facilitated the discussion of policy issues in the sectors concerned but also in the cross-cutting area of public finance management; as a result of these discussions the Government has welcomed some initiatives supported by the Commission (such as the water tariff study, the PEFA study, the launching of the PETS in education) which could in time lead to more profound changes and wider reforms.

Conclusion 10 – The extent to which reform measures supported through budget support in some sectors were representative of overall sector reform programmes was not clearly established

The Government's adoption of a policy reform programme after 2004 has enabled the Commission to offer comprehensive support to reform in some sectors (customs, water, education, health) through sector budget support which release was triggered by the implementation of a set of pre-agreed reform measures. The extent to which these reform measures were representative of a comprehensive and exhaustive reform programme has not been evidenced:

- the reform measures supported by the Commission have not necessarily been part of wider reform programmes;
- SBS funds were treated by the GoE as project funds in the budget, thus effectively separating them from the overall budget arbitrage decisions where policy priorities, including reforms, are expressed.

Based on: EQ7

Leading to recommendation: R7, R8, R9

By using SBS to support specific reform initiatives of the GoE, the Commission has been able to participate in the policy dialogue through the preparation and yearly discussions of its disbursement conditions which were based upon the fulfilment of a set of policy process indicators (specific reform measures).

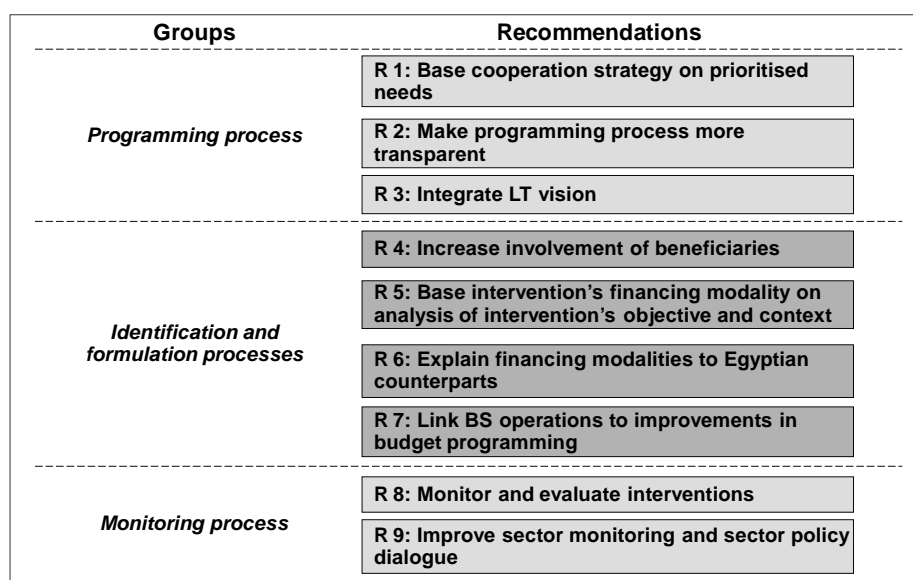
Although the reform measures used as SBS disbursement triggers were part of an overall reform strategy in education, this was not the case in water or health. As a result in these two sectors, the extent to which reform measures retained for SBS disbursement purposes effectively announced the implementation of an overhaul in the sectors' management and policies remains uncertain: important policy decisions such as those regarding the water tariffs and the water legislation or those relative to general health insurance have not yet been taken and sector wide strategies have not yet been elaborated in these important sectors. More generally, the GoE's commitment to reform was not evidenced by the budgetary allocations to the water, health or education sectors which did not change from previous funding trends. The eventual outcomes of the reform measures implemented with Commission support will only be measurable in a few years time: fragile steps in the direction of overall reforms have been made but time will tell whether sufficiently wide political backing existed to enable their full implementation and ensure their sustainable and lasting effects.

5. Recommendations

The recommendations are based on the foregoing conclusions and are formulated with the view to improve the appropriateness, effectiveness, efficiency, impact and sustainability of the Commission-Egypt cooperation programme. The recommendations are structured around three clusters aiming to improvements in the following areas, as illustrated in the figure hereunder:

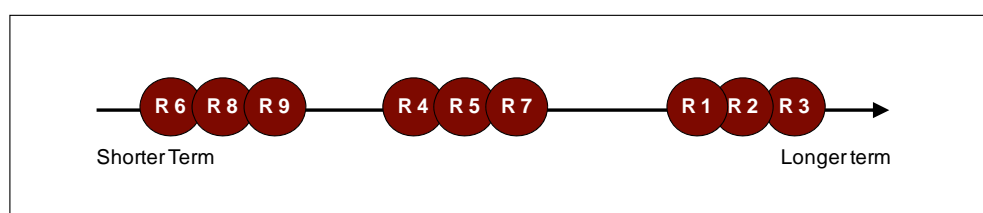
- the programming process;
- the identification and formulation processes;
- the monitoring process.

Figure 5.1: Recommendations



All recommendations aim at being practical and specify to whom they are addressed and are cross referenced to the conclusions underlying them. A timeline of implementation of the recommendations is also presented in the figure hereunder so as to facilitate their incorporation.

Figure 5.2: Timeline for implementing recommendations



5.1 Improve the programming process

Note: The programming process for the 2011-2013 NIP was ongoing at the time of this present evaluation and has not been included in the analysis; some recommendations may already have been applied to some extent in this ongoing exercise.

Recommendation 1 - Base the cooperation strategy on prioritised needs	
<p>The relevance and thus effectiveness and sustainability of the Commission-Egypt cooperation programme could be greatly enhanced if cooperation interventions were responding more closely to jointly identified priority needs whilst taking account of the specific characteristics of the Commission's potential support modalities.</p> <p>For this the programming process could proceed as follows:</p> <ul style="list-style-type: none"> ▪ Diagnose challenges and needs with regards to the objectives of the common EU-Egypt agenda of the Association Agreement and Action Plan, then prioritise needs, then respond to them ▪ Choose priority areas where the Commission has experience and value added ▪ Maximise synergies 	
<p><i>Based on:</i> C1, C2</p>	<p><i>Responsibility: Commission to undertake with the GoE a joint identification of needs, link it to a prioritisation of AAP and identify therein areas where the Commission, compared to the GoE and/or other bilateral/multilateral partners could provide specific value added due to its experience, expertise, available financial modalities, available cooperation budget etc.</i></p>

The scope of potential areas that could require the Commission's support in Egypt is immense and any intervention can thus be easily justified by a need identified either by the Commission or by the Government. However, with aid effectiveness in mind, it is important that the Commission's cooperation focuses on those areas where:

- (i) priority needs have been identified with regards to the objectives of the common EU-Egypt agenda of the Association Agreement and Action Plan and by the Commission's wider cooperation objectives as outlined in the EC Treaty (sustainable development, reduction of poverty, insertion into the world economy, democracy, fundamental freedoms, the rule of law and human rights).
- (ii) the Commission has previous experience and where the Government of Egypt has recognised that the Commission could bring in specific value added as compared to other donors (trade facilitation, human resource development including training, transfer of knowledge, science and technology, education, health);
- (iii) interventions can complement each other (or complement other donors interventions) such as to create synergies and possibly reach the critical mass necessary for achieving improved outcomes. The latter is already being undertaken through a NIF in the energy sector.

Foremost, it is essential that the Commission-Egypt cooperation programme responds to the priorities established by the Government of Egypt: this has started to happen with the

2007-2013 CSP but cooperation areas still were more the result of Commission preferences than of Government needs and priorities. The dialogue around the Action Plan and its Annual Action Programme should increasingly influence the choice of cooperation priorities so that the cooperation strategy also reflects the maturing relationships of the EU and Egypt. The Egyptian authorities should be involved early on in the programming process which needs to be transparent and more participative to produce a document serving common objectives. Increased involvement of sector players in the discussions usually held between the Commission and the Ministry of International Cooperation would also be required to determine needs and priorities at sector level and to ensure that interventions are planned within a time frame that can lead to tangible and sustainable results. Although this is mainly a question of project formulation, early involvement of sector players would ensure that appropriate amounts and types of interventions are foreseen in the CSP and NIP. This increased involvement has started to happen in the programming exercise that was ongoing at the time of this evaluation for the next NIP (2011-2013).

Secondly, if going into new areas of cooperation, the Commission needs to ensure that it has a thorough understanding of the constraints and challenges of the area and that its appreciation of the challenges to be met and the approach to tackle them is entirely shared with the relevant authorities. If applied, this could for example have avoided some of the pitfalls encountered in using budget support and tackling public finance management issues in sector budget support operations.

Recommendation 2 - Make the programming process more transparent by involving the Government of Egypt early on in the process and providing explicit arguments in favour of choices made

The Government of Egypt and EU Member States have increasingly been involved in the programming process but the last programming exercise (CSP 2007-2013 and NIP 2007-2010) was still dominated by the Commission's services in headquarters. The process could be made more transparent if the Commission explicitly shared its views on:

- **the rationale behind the choice of cooperation areas and interventions**
- **the way the interventions will contribute to the objectives pursued**
- **the rationale behind the choice of financing modalities used.**

Based on: C1, C2, C7

Responsibility: RELEX and AIDCO to prepare clear and well reasoned and argued CSPs

The involvement of the GoE and of EU MS in the programming process, as it has increasingly been done, enhances the transparency of the process; this could be extended to the early stages of preparing the strategy cooperation to help understanding of the choices of total cooperation amounts and of their allocations to priority sectors of cooperation. The underlying logic of these programming choices are not discussed and this may cast doubts as to the effectiveness of the Commission's aid in Egypt where relationships have matured beyond a simple donor/aid recipient relationship to a strategic and trading

partnership and where financial flows may be of lesser importance than the intensification of political, cultural and technical ties.

In addition, it is important that the choices of sectors of cooperation and interventions are justified in the programming documents so as to ensure that interventions present an adequate response to the needs identified and to existing challenges. Strategy and programming documents (CSP, NIP and Annual Action Programme) need to present an explicit analysis of the manner in which proposed interventions are intended to contribute to the overall cooperation objectives which themselves are aligned to the objectives of the Action Plan: this would also help in establishing priorities for cooperation and interventions.

Similarly the choice of financing modalities and in particular the factors having led the Commission to adopt sector budget support should be explicitly presented in the programming documents.

Recommendation 3 – Integrate the long term vision into the cooperation programme

The cooperation programme should clarify the medium and long term cooperation strategy in each priority area and interventions should be accompanied by the commitment to continued support to ongoing efforts: the efforts to bring about change outlast by far the length of the programming cycle.

Based on: C1, C4, C7

*Responsibility: Commission in cooperation with GoE for strategic direction of cooperation programme areas
Commission services and programme formulation teams for integrating LT vision in individual operations' design*

The needs and challenges faced by the GoE have been presented but not prioritised in the programming documents and the Commission's response strategy has not been clearly articulated with them (see C1). Similarly, opportunities for (i) linking different supports to create synergies and (ii) developing a strategic approach in the long term to some important issues such as employment, trade, economic transition or Human Rights have generally been missed (see C1 and C4).

A long term vision is particularly important in the area of human rights because the approach developed had limited results. The Commission should develop a long term vision and strategy to strengthen CSO's capacities, based upon the evaluation of its previous supports to CSOs and on a dialogue with CSOs (via workshops, events or training). This new strategy should be defined in view of reinforcing the capacities of CSOs in defending/promoting basic rights of the population and increasing their participation in political life.

In the area of economic transition, sustainability of the Commission's efforts also needs to be reinforced: individual results need to be consolidated by a long-term commitment of the Commission so that they translate into systematic durable changes. In particular, support is

still needed in terms of capacity building / institutional strengthening to maintain the ability of the Egyptian administrations and operators to keep up with EU and international trade requirements (issuance of new regulations and laws in particular).

In the area of socio-economic development, the need for a sustained programme of support is felt most acutely for the TVET where interesting initiatives are being taken but where project funding will not enable them to come to fruition within the time scope given.

Whether in water, education or health, any policy reform takes time to be adopted, to be translated into strategies and implementation plans, to be implemented and eventually to produce the expected results and make a difference to sector outcomes. Supporting such long term objectives as sector reforms should thus also translate in longer term commitment as changes need to be consolidated and sustained. In addition, to ensure that the changes made and achieved contribute to improving the operations of the sector and improve the sector's outcomes, it is essential to monitor the evolution of process and result indicators that can testify that the progress being made is in the right direction: results achieved in terms of service delivery need to be verified (see R8) as reforms are not undertaken for their own sake but for the benefits they bring to the population.

5.2 Improve the identification and formulation processes

Recommendation 4 - Increase the involvement of beneficiaries and consultation of sector partners when identifying and designing support interventions

When designing its sector budget support operations, the Commission has actively implicated the beneficiary institutions (even when there were many such as in the water sector) as well as other donors active in the sector in the discussion of the disbursement matrix. This proactive approach could be replicated when designing project interventions so that interventions can better respond to stakeholders concerns and needs about the sector's context, and adapt accordingly the intervention's objectives, achievable outcomes, time-frame of operations, implementable project modalities and appropriate institutional and human capacities for project implementation.

<i>Based on: C1, C2, C7, C8</i>	<i>Responsibility: Delegation of the European Commission to engage greater participation of project formulation teams, GoE and donors.</i>
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Programmes were usually designed following an identification phase followed by a formulation phase during which potential programme beneficiaries, main sector stakeholders, other donors active in the same field, were consulted. Despite this, projects often proposed unrealistic timetables, non practical project management set-ups, over-ambitious plans for programme activities' implementation; programme designs also almost systematically paid insufficient respect to the motivations of potential beneficiaries for using project outputs and underestimated the human and institutional requirements for project implementation. In Egypt, the Commission's interventions are only a 'drop in the

sea?. Except where specific EU know-how is made available (for example that linked to external trade requirements for entry into the EU market), beneficiaries usually have several alternative options to obtain what they require. When programme design is ill adapted to their needs or the programme procedures for accessing outputs are unsuited to the context, beneficiaries will be deterred from participating in the programme.

The attractiveness of Commission support, but also its effectiveness and efficiency, could thus be further improved if programme design and implementation considered:

- Involving potential beneficiaries at the start of programme formulation to increase the appropriateness of the project's design to the sector's context and the beneficiary needs;
- Adapting the project/programme's objectives to the institutional capacities of implementation agencies, to the time frame given;
- Consider more realistic objectives and take better account of the long lead times for Commission funded interventions to improve projects and programmes' relevance and sustainability; and
- Find a balance between the complexity of procedures to be followed by potential beneficiaries for accessing project deliverables and the importance (financial or otherwise) of these deliverables.

Recommendation 5 – Base the selection of the intervention's implementation and financing modalities on an analysis of the intervention's objective and the context of its implementation.

More efforts should be spent at the identification and formulation phases to determine the most appropriate implementation and financing modalities for each intervention such as to adapt to the context whilst giving the intervention the best chance of reaching its objectives by using the most appropriate intervention modalities. In this regard the analysis of sector's institutional, operational, policy and budgeting frameworks are essential.

Based on: C1, C7, C8

Responsibility: Commission formulation team engaging with beneficiaries to determine the most appropriate financing instrument to be used for support

The choice of direct budget support as a financing modality has been made by Commission headquarters during the identification phase without prior explicit assessment of the contexts in which it was to be used: the SBS programmes designed over the period 1998-2008 have all been designed without prior analysis of the public finance management framework (whether at global or sector level) thus missing out on the constraints, particular to Egypt, which would face the SBS's objectives of improving sectors' policy and budgeting frameworks and thus missing out on opening the dialogue with the authorities on global PFM issues. Instead, some specific PFM issues, such as the introduction of medium term expenditure planning or the implementation of public expenditure tracking surveys (in education) have been discussed and have led more recently to the opportunity

for discussing wider PFM issues with, in particular, the undertaking of the PEFA study. Whilst PEFA has enabled a more thorough analysis of the Egyptian PFM systems, it is also necessary to analyse the quality of the processes which underpin these management systems. In particular, the issue pertaining to the use of the budget as a policy instrument is of paramount importance to a sensible use of any future budget support operations (see also recommendation 7).

Sector budget support should be proposed as a financing modality only after a thorough understanding has been reached of the sector's operational framework and in particular of the sector's policy and budgeting framework. During project formulation all elements permitting the decision of using SBS to be taken should be analysed and the logic of the decision as well as its implications for the outcomes of SBS use should be specifically and explicitly addressed in the programme formulation files. In particular, further analysis of the compartmentalisation of the Egyptian budgeting process should be undertaken: a study could be carried out of the extent to which the different and separate budgeting processes (for salaries, goods and services, other recurrent costs, investments) are effectively non coordinated and non unified processes and the institutional arrangements underpinning these processes could be identified. These processes may differ from one sector to another and the choice of supporting a sector through direct budget support should be based upon a preliminary analysis of the budgeting processes used in the sector (and notably the coordination of the budgeting process between the different layers of spending units).

With regards to twinning, this modality should preferably be used where real partnership is intended and where legislative and regulatory changes are aimed for. Twinning has indeed been used in many cases where technical assistance might have been just as useful because what was required was the transfer of technical know-how. In these cases, the potential advantages of the partnership approach of twinning were not used and the legislative and regulatory changes which are normally part of a twinning were not at the forefront of the beneficiaries' objectives. In order to determine which financing instrument and which implementation modality is the most appropriate, it is recommended to conduct an analysis of the contextual elements such as the objectives of the support required, the motivations for requesting twinning rather than another form of support, the alternatives available to satisfy the same needs at possibly lesser costs or greater effect.

The evaluation evidenced that the approach developed to support CSO had limited results. In line with the recommendations made in the Evaluation of EC aid delivery through CSOs⁶⁸ and with Recommendation 3, it is recommended that the Commission develops a long-term approach in its support to CSO. CSOs should be supported with a long term strategy aiming at reinforcing their capacities in defending/promoting basic rights of the population and at increasing their participation in political life through improved dialogue with CSOs and more adapted CSOs modalities. To do so, the Commission should:

- Promote a continued dialogue with CSOs:
 - Invest in a better knowledge of the CSO arena : devote time and resources to better understand how CSO work;

⁶⁸ Particip, « Evaluation of EC aid delivery through civil society organisation », final report, December 2008

- Determine, within given limits, the most suitable dialogue mechanisms for involving CSOs in programming.
- Use more adapted CSO modalities:
 - Put an emphasis on capacity development of CSO actors to increase their participation in economic life and not only to respond to Commission calls for proposals;
 - Explore modalities to provide long-term (institutional) funding to targeted CSOs or to networks that perform strategic roles;
 - Create to the extent possible space for funding own initiatives of CSOs.

Recommendation 6 – Explain the advantages and constraints of different financing modalities to the Egyptian counterparts

New (and older) instruments such as sector budget support, twinning, technical assistance and NIF should be better explained to Egyptian counterparts so that they know what advantages these different financing modalities offer and what constraints or obligations they entail.

Based on: C6, C7, C8

Responsibility: Commission services: training or workshop sessions

It was found that whilst most beneficiaries are fairly conversant with the different procedures required to access the different kinds of support offered by the Commission (except for CSOs which needed to receive special capacity strengthening in responding to calls for proposals), the understanding of the actual contents of these different kinds of support varies across different ministries. For example, twinning has been used by beneficiaries as a special kind of technical assistance but the underlying objectives of the instrument were not necessarily considered (or understood); TAIEX was seen by beneficiaries as rather cumbersome considering the relatively limited monetary value of what it offered; sector budget support was used and implemented as a project by the GoE with the specificity that its implementation was entirely managed by the latter using its own procedures and its role in reinforcing sector policy and budgeting was thus passed by.

Beneficiaries, by making better use of the mix of different instruments offered by the Commission and which target different audiences and results, could get more out of the Commission's support; for this the beneficiaries would need to understand the full potential benefits that can be drawn from the different instruments.

This can be illustrated by the twinning where much experience of the instrument has been gained by the Commission in accession countries but where its use in ENPI countries is still relatively recent. Here some of the recommendations made in the early years of using twinning in pre-accession countries could apply today to Egypt⁶⁹: *“The lesson for the future is that the Twinning philosophy needs to be explained more comprehensively and introduced more sensitively if*

⁶⁹ An Evaluation of Completed Twinning Projects, A Report Presented to the National Contact Points' Meeting, Brussels - 30th/31st January 2003 Chris Cooper, Civil Service College, Cabinet Office, UK and Mikael Johansen, Danish School for Public Administration

it is to gain acceptance and commitment from the recipient country.(...) Allied to this observation, there seems to have been a very poor understanding of the partnership approach which is fundamental to the achievement of the guaranteed results in Twinning projects (...) The realisation that accepting a Twinning project might involve more work for the (...) administration came as a shock in many cases. (The administrations) were not conditioned and prepared for this abrupt change of approach and were not adequately resourced to respond early enough to reap the full benefits of the cooperation offered. Again, the lesson learned is that the obligations of the recipient need to be made more explicit at an earlier stage and that tighter conditionalities need to be applied.”

The fact that twinning is a partnership (and thus offers a possibility for Egyptian institutions to look at how things are done, organised, legislated etc. in Europe) and not simply a transfer of technical know-how is only partially understood and/or accepted by SAAP beneficiaries and merits not only better sharing of information but also better analysis of the contextual factors (such as motivation, objectives) of potential beneficiaries (see recommendation 5).

It is thus recommended that the Commission undertakes a communication campaign to explain the different instruments, highlight their differences and their specific uses.

Recommendation 7 – Link direct budget support operations to overall improvements in budget programming

The current budgeting process used by the Government of Egypt which fragments public expenditure programming by type of expenditure undermines the use of the budget as a policy instrument and does not lend itself to realising the full potential benefits of SBS. For this, SBS should be accompanied by an intensive policy dialogue on public finance management reform aiming to improve policy based budgeting and to unify the budgeting process (or at least improve the coordination and coherent programming of public expenditure underpinning activities contributing to the same policy objective) in order to improve allocative efficiency of public expenditure.

Based on: C6, C9, C10

Responsibilities: Commission support in PFM

The advantages of using SBS are currently limited to the fact that the programming and execution of the funds is done according to normal Egyptian budgetary procedures. To realise the full potential of SBS, the funds should be allocated by the Government of Egypt to the funding of expenditures which result from a budget arbitration process based on policy choices and priorities (instead of on the matrix of disbursement conditions as currently the case). Budget support could potentially assist the Government of Egypt in unifying its budgetary process to allow this arbitration to take place; this would require the Commission, through the policy dialogue linked to budget support, to assist the GoE in undertaking a far-reaching PFM reform that would include addressing issues such as budget credibility, budget transparency and comprehensiveness, budgetary programming within a medium term economic framework of spending constraints, as well as the crucial

issue with regards to SBS's effectiveness of the budget's compartmentalisation (which could remain if coordination in budget programming and execution were to be strengthened). Work in these different areas in a coordinated, coherent and properly sequenced manner would assist in transforming the budget into a policy tool rather than just an accounting or treasury management tool. Assisting with the design and the implementation of these changes could be one of the envisaged roles of continued SBS.

5.3 Improve the monitoring process

Recommendation 8 – Instruments and systems to monitor and evaluate the contribution of the Commission's support to sector outcomes should be part of project design	
<p>Each project should be designed with a clear logical framework and monitoring system producing qualitative and quantitative data necessary for results monitoring: project outputs contribute to the realisation of sector outcomes which themselves contribute to the reaching of the intended impacts and these have to be measured to verify the effectiveness of actions undertaken.</p> <p>For budget support to policy reforms, the implementation of reform measures also aims <i>in fine</i> to improve service delivery. The measurement and monitoring of these outcomes by the Government is essential to ensure that reforms are delivering the expected results. Where sector statistical systems do not exist or cannot deliver the data required for result monitoring, the Commission should support the development or improvement of such systems as a matter of priority.</p>	
<p><i>Based on: C3, C4, C5</i></p>	<p><i>Responsibility: For intervention and sector monitoring: the Commission's services together with GoE sector ministries; for evaluation of intended impacts: Sub-committee meetings and special surveys/ studies.</i></p>

The design of projects and sector budget support operations calls for the inclusion of monitoring tools which enable the verification of outcomes: aid effectiveness requires not only that support delivers the intended outputs but also that these outputs contribute to improve sector outcomes measured by qualitative and quantitative indicators.

Each project should be designed with its logical framework clearly established: project outputs contribute to the realisation of sector outcomes which themselves contribute to the reaching of the intended impacts; the measurement of these links at the hand of pre-agreed monitoring indicators is essential to verify the robustness of the project design and its effectiveness in reaching agreed targets and contributing to intended impacts. Project design should systematically define result indicators to be monitored in the course of project implementation and the monitoring system to be used for the collection of the required data.

As the Commission's support moves away from project funding towards sector wide funding, the monitoring of social service delivery performance is essential to verify that the implementation of sector reforms in these areas permeates to the implementation of the sector strategy and that the implementation of the strategy has the desired results. Support

to the implementation of policy reform measures aims for tangible changes in sector policies and strategies which in turn aim for improved service delivery: these outputs and results need to be monitored so as to ensure the soundness of the reform by verifying its effectiveness in reaching the intended objectives, i.e. that service delivery systems are effectively and efficiently delivering the services and contributing to improving social outcomes; at the moment this is not included in the SBS programmes.

All SBS programmes should thus, in addition to the monitoring of policy process indicators currently undertaken, identify the result indicators that need to be monitored for verifying effectiveness of reform implementation. When supporting sector reforms via SBS and where sector statistical systems do not exist or cannot deliver the data required for result monitoring, the Commission should support the development or improvement of such systems as a matter of priority even when results will only materialise after the Commission support has come to an end. Indeed, the improvement of these monitoring tools and systems is part of the improvement of the managerial framework aimed for by sector support.

The EU-Egypt discussions in sub-committee meetings enable some degree of monitoring of Egypt's progress towards reaching the AA objectives; in the same way the contribution of the Commission funded interventions to Egypt's progress in reaching cooperation objectives should be measurable and monitored. In addition, individual interventions should be systematically evaluated (as foreseen in the cooperation programme) and their results shared publicly before the formulation of new interventions in the same area or pursuing the same objectives. This will also help disseminate best practices developed at project level and thus add value to the Commission's cooperation programme.

Recommendation 9 – Improve sector monitoring and sector policy dialogue through joint sector reviews

Linked to the above recommendation, the results obtained by the implementation of reforms supported by the Commission should be monitored on a continuous basis by the Government and the Commission to verify that reforms reach their intended outcomes and that support has been effective. In addition to the collection on a regular basis of a minimum set of performance result indicators in the sectors supported by SBS, annual sector reviews should be organised between the GoE and the Commission (and other donors) to monitor progress of service delivery performance and, if possible, of use of services by the population. The verification of the contribution to impacts could be undertaken on a less frequent basis.

Based on: C3, C4, C9

Responsibility: Commission support to organisation of sector reviews by GoE and Commission participation to these

The evaluation underlined in several occurrences that the ability to monitor the outcomes of reform and strategy implementation is of paramount importance: strategies are not implemented for their own sake but to deliver a service to the population and reforms are similarly implemented to induce change, usually to improve the service delivery to and use/access for populations. If these outcomes are not measured and not monitored, the

degree of success of the strategy and/or reform in reaching its objectives cannot be assessed and the effectiveness of the use of public funds cannot be verified.

As a corollary, sector budget support which is totally handled by the recipient country should only be implemented in those sectors where a reasonably reliable data collection and statistical system exist to enable the monitoring of outcomes in terms of service delivery and its use by the population. In Egypt, if these systems exist, their results should be used by the Commission for monitoring purposes; if the systems do not exist or their results are not publicly available for scrutiny and use, then the Commission should make its SBS conditional upon the setting up of such systems (or the strengthening of the systems or their opening up to public scrutiny) as they are an essential component of good public management practices (see recommendation 8 above).

The data produced by these systems are also essential to provide the basis for discussions between the Commission and the Government in areas where support is provided; it is indeed important that result indicators be used to monitor that progress is being made in the supported sectors and that they serve as possible discussion points for the EU-Egypt dialogue (in the same way as the policy process indicators do); the Government's decisions about reform implementation (and whether or not external support is required) should be shaped by the results reached at end-beneficiary level.

This is therefore not so much about trying to establish links between the support of the Commission and the results and impacts obtained (this is impossible given the huge attribution problems linked to the Commission's relatively small financial share in actual support of the reform implementation and to the time lag it takes to produce results); it is about good management practices and about establishing a meaningful dialogue, ensuring that reform implementation is on the right track, ensuring that the design of the reform is adequate for the objective pursued and, ultimately, that the support provided is thus effective in contributing to the final objectives of the reform in terms of improving services to the population and improving their living conditions.

The importance of monitoring sector outcomes should also be underlined by undertaking joint sector reviews which have proved to be extremely useful tools to coordinate activities, monitor sector performance, verify the outcome of strategy implementation, provide directions for adapting sector strategies, identify new needs and constraints, etc. They are an essential tool to verify that reforms lead to the intended outcomes.