

**STRENGTHENING WORLD BANK GROUP  
ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION  
CONSULTATION FEEDBACK**



**EGYPT**

(DECEMBER 12-14, 2006)

**Participants:** See attached list

Consultations between the Bank and representatives of the Government of Egypt (GoE), civil society and the media took place in Cairo from December 12-14, 2006. Feedback consisted of: (1) a set of extensive, face to face meetings with senior government officials; (2) a half-day workshop with parliamentarians, representatives of civil society, academia, labor and business associations, and the donor community; and (3) an evening meeting with selected members of the print and broadcast media. A list of Egyptian and donor participants is attached. On behalf of the Bank, the participants included the Chief Economist Mustapha Nabli; Robert Beschel, Sahar Nasr and Charles Adwan (MNSD); and Karem Elsharkawy (MNAEX).

The meeting with civil society was facilitated by Dr. Abdullah Kalil, a noted Egyptian attorney and anticorruption activist. A detailed rapporteur's report for the meeting with civil society has been prepared by Dr. Soliman Abdel Moniem, Executive Director of the Center for Study of Law and Economics at the University of Alexandria.

**How did the process fit into ongoing country dialogue?**

The discussions were fully consistent with the Bank's rapidly expanding country dialogue on issues of governance, public management and anticorruption. The Bank has been working closely with the GoE in several areas to streamline its operations and reduce opportunities for corruption through providing technical and analytic support to the General Authority on Investment and Free Zones (GAFI)—Egypt's "one stop shop" for investment. The Bank has recently agreed to a Reimbursable Technical Assistance (RTA) Program with the GoE to support several initiatives, including regulatory reform, support for a Freedom of Information Act, and assistance in privatizing state owned enterprises. WBI conducted a workshop on combating corruption in May 2006, and it will shortly conduct another workshop on empirical tools for measuring and monitoring corruption. Additional work on topics such as public financial management and civil service reform has been ongoing under the rubric of the Egypt PER.

**What were the key issues/themes raised by participants?**

As a general rule, most of the discussion with both GoE officials and representatives of civil society focused more upon the governance issues and challenges confronting Egypt than the Bank's anticorruption paper. Discussions with government officials tended to focus upon

measures that the Government of Egypt (GoE) is already taking to combat corruption, whereas discussions with parliamentarians, representatives of civil society and journalists focused on their perspectives on the adequacy of Egypt's current reform agenda. However, the discussion also yielded a significant number of insights regarding the efficacy of the Bank's effort in this area.

Three observations are worthy of broader attention. The first is that the discussions themselves ultimately reflected the central challenges and contradictions in Egypt's broader governance reform effort. On the one hand, over the past three or four years, the GoE has been active in implementing a wide array of measures to improve service delivery and reduce corruption in areas ranging from tax and customs to the creation of one stop shops for investment. This work has demonstrated not only an impressive commitment to reform but has also delivered significant improvements "on the ground". Under these circumstances, Bank staff agreed that Egypt would fall under the category where government leadership has demonstrated clear willingness to tackle these problems.

On the other hand, many representatives from the press and civil society feel that these reforms are tepid and constrained. They do not address fundamental issues involving corruption at higher levels or, more broadly, the opening of Egypt's political system up to greater competition. They also do not come to terms with some of Egypt's most pressing administrative challenges, including lack of accountability for certain government agencies and a massive yet under-performing public sector. Egypt underscores a common perceived problem throughout the region—the notion of "bright lines," in which reforms can move quickly in certain areas but other more sensitive concerns are held to be strictly "off limits".

The second and perhaps most novel insight to emerge from the discussions was the recommendation that any major sanctions or penalties for corruption be imposed by a neutral, independent third party or panel of arbitration. The GoE argued that such an arrangement, in which both the Bank and the accused party would be able to present evidence and argue their case, would help ensure greater fairness and impartiality in approach.

A third issue that emerged during the deliberations was the relative lack of understanding about who the Bank is and what we do among journalists and representatives of civil society. Bank staff were there to listen and only occasionally intervened in the discussion to clear up areas where information was patently false or misleading. However, a number of observations made it clear that there are pronounced misconceptions about the Bank's presence and operations within Egypt and elsewhere. Our communications strategy will require thorough overhaul to ensure that the right messages are getting out.

### **Note About the MENA Consultations:**

1. In all countries in the MENA region, joint consultations were held involving parliamentarians, members of civil society, business associations and trade unions. It is therefore difficult to disaggregate the views of these distinct constituencies. In cases where observations clearly reflected the views of one group or another, we have broken them down separately. In other cases, they have been listed collectively under the “civil society” category.
2. Most consultations followed a standardized format, in which a brief 10-15 minute Powerpoint presentation was made by Bank staff that drew upon the key slides prepared by Central EXT and laid out the major aspects of the strategy. The discussions with various groups typically consisted of two sessions. The first session focused on Questions 1-3 in terms of the overall governance environment within a particular country. The more general questions provided by EXT were utilized in discussions with parliamentarians, civil society and the media, whereas discussions with government officials involved a more detailed and focused dialogue over their specific reform agenda. (In all of these countries, the Bank has been closely engaged in supporting a host of governance and public management reforms.) The second session then focused on the five Board-mandated questions to be addressed. After the initial presentation, Bank staff sought to refrain from subsequent interventions to maximize the time available for participant discussion. The only exceptions were: (1) instances where staff were asked to respond to specific questions; and (2) areas where there was a danger that, by not intervening, the quality of the discussions could be compromised by extensive reference to false and/or misleading information.
3. In two of the three countries (Egypt and Yemen), external facilitators and rapporteurs were used for sessions with civil society, parliamentarians and the media. In Morocco, the Country Manager, Ferid Belhaj, moderated the discussions. To ensure confidentiality, no external moderators or rapporteurs were present for any of the consultations with government.
4. Finally, in the interest of conserving space, we have deleted blank boxes from the matrix below where specific comments and/or feedback was not forthcoming during the consultations.

Respondent Type	Consultation Reply
<b>1. Top governance challenges in country</b>	
[Government]	<ul style="list-style-type: none"> <li>• It is important to define the problem of corruption with precision, since the phrase covers a wide variety of dysfunctional behaviors. In Egypt, three forms are particularly prominent: (1) the crafting of specific government decrees that favor particular interests over the public good; (2) procurement; and (3) illegal and/or irregular payments to civil servants, which could involve either coercion or collusion. Egypt is making progress on the first two, particularly with the drafting of standardized procurement regulations and the move to e-procurement in two pilot ministries this December.</li> <li>• The third is a more serious concern, although it is very difficult to track down and identify since all of the relevant records and documentation are typically fine. One way to minimize this problem is to reduce the amount of face-to-face contact between citizens and government officials and provide more services over the internet and to streamline and reengineer government business processes. Another is to automate service delivery to the greatest extent possible. Practices such as requiring all contractors to be paid through direct deposit, or putting government forms on the internet, can for example help eliminate corruption will advancing the speed in which services are delivered.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• <i>Policy Formulation.</i> One of the most pressing challenges confronting the government is enhancing transparency in policy formulation. A number of participants noted that there is often a gap between Egyptian political discourse and the type of policies that ultimately emerge out of the political process. Not much progress has been made, for example, in implementing covenants such as the UNCAC or various human rights conventions.</li> <li>• <i>Implementation.</i> In a related observation, many participants argued that much greater attention needs to be devoted to implementation at all levels of government.</li> <li>• <i>Political and Managerial Accountability.</i> Several participants noted that political and managerial accountability are weak throughout government. The control bodies who are charged with holding others to account are themselves neither accountable nor transparent in their operations. Many civil servants now view bribes as a regular part of their income. Measures for meritocratic selection and recruitment have atrophied and need to be overhauled and reinvigorated.</li> <li>• <i>Transparency.</i> A number of participants critiqued a culture of secrecy within Egypt, in which topics such as corruption could not be addressed openly—particularly when they involved acts at higher levels of government. A couple of participants expressed concern that Egypt’s proposed Freedom of Information legislation may actually end up reducing the amount of information available to the public.</li> </ul>

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> <li>• <i>Weak Judiciary and Eroded Rule of Law.</i> Several participants noted that the rule of law had eroded within Egypt to the point in which the efficacy of many rules and regulations had been called into question. The security services are perceived as being able to act with impunity.</li> <li>• <i>Citizen Participation.</i> Participants alleged that there is a lack of effective citizen participation in government, where policies are not widely owned and/or endorsed. This is particularly true among the poor and dispossessed. Some also felt that the state has an unfair monopoly over the reform agenda, electing to pursue issues that serve particular interests rather than those of the broader public as a whole. Others argued that the root problem is that the democratization agenda within Egypt is incomplete, which does not allow the functioning of checks and balances if the problem of corruption gets out of hand.</li> <li>• <i>Vision.</i> A number of participants critiqued the government for not having a robust vision for reform, which could then be translated into a specific plan with targets and milestones.</li> </ul>
[Media]	<ul style="list-style-type: none"> <li>• <i>Media and the Press.</i> Significant concerns were expressed among both journalists and the broader public regarding the degree to which high media standards were being maintained.</li> </ul>
<b>2. Promising areas of governance and anticorruption reform and potential obstacles</b>	
[Government]	<ul style="list-style-type: none"> <li>• With regard to governance and anticorruption, the GoE conveyed several key messages. The first is that the Government is wholly committed to this agenda. In his major annual speech before parliament three weeks ago, President Mubarak took the unprecedented step of referring to the fight against corruption no fewer than three times.</li> <li>• To date, the GoE has concentrated its efforts upon corruption prevention in areas with a major revenue function (tax and customs) or with an impact upon private sector development (the one stop shop for investment). Other reforms are currently being advanced, ranging from Freedom of Information legislation to decentralization to reforming civil service wages and legislation, which are also expected to have a major impact in the struggle against corruption. Still other efforts will serve the cause of broader political reform, such as those to strengthen parliament and to delegate more of the President's powers to the Council of Ministers, as well as those targeted at strengthening civil society.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• Administrative reform and enhancing efficiency of the public sector are extremely important</li> <li>• Two important measures could be engaging civil society more actively in monitoring project progress and in developing better tools and techniques for performance monitoring and evaluation more generally. The GoE</li> </ul>

Respondent Type	Consultation Reply
	<p>should also consider improving the extent to which performance criteria are utilized in the budget process.</p> <ul style="list-style-type: none"> <li>The independence of Egypt’s judiciary has been compromised, and reform is needed to restore it and upgrade technical skills.</li> </ul>
<b>3. How the Bank should engage where governance is weak, and circumstances under which to disengage</b>	
[Government]	<ul style="list-style-type: none"> <li>While the GoE recognizes and supports the Bank’s role in combating corruption, it is important that the Bank avoid approaches that will ultimately prove counterproductive. To be effective, most reforms will require internal champions within government to take them forward, and the Bank should focus upon engaging with and supporting these champions and not adopt a confrontational approach.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>The participants argued that, in general, the Bank needed to be much more proactively engaged on these issues.</li> <li>However, several also warned that networks of corruption and patronage were deep and wide and an important source of political stability within the country.</li> <li>Some argued that the Bank should condition its support for Egypt on progress in liberalization and democratization. Others argued that it would be inappropriate to do so and would constitute unwelcome external interference.</li> </ul>
<b>4. How to ensure fair and consistent treatment across countries</b>	
[Government]	<ul style="list-style-type: none"> <li>Any major sanctions or penalties for corruption should be imposed by a neutral, independent third party or panel of arbitration. Such an arrangement, in which both the Bank and the accused party would be able to present evidence and argue their case, would help ensure greater fairness and impartiality in approach.</li> </ul>
[Representatives from Civil Society]	<p>Concerns were expressed by several participants that, while the Bank should use conditionality to support reform, it may not act in a transparent and politically neutral fashion.</p>
[Media]	<p>A small number of participants argued that the Bank was essentially a puppet of the U.S. Government, and as such lacked the independent moral standing to address anticorruption issues.</p>
<b>5. How to strengthen the Bank’s work with champions of reform outside the executive branch of government – parliament, judiciary, civil society, media and the private sector</b>	
[Government]	<ul style="list-style-type: none"> <li>The GOE strongly supports the engagement of civil society in governance reform, for such reforms will not succeed if left to the state alone. However, it must be recognized that progress needs to be made in ensuring that civil society organizations improve their own quality of governance. Many NGOs and CSOs do not operate in a</li> </ul>

Respondent Type	Consultation Reply
	<p>transparent and democratic manner and are not fully accountable for the sources and uses of their resources.</p> <ul style="list-style-type: none"> <li>The Bank can help by providing examples of best practice regarding mandated disclosure and reporting requirements for such organizations.</li> </ul>
[Legislature]	The Bank should play a role in strengthening the analytic capacity of Parliament.
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>There was a broad consensus among members of civil society that a multi-stakeholder approach was very important, and that new modalities needed to be developed to allow the Bank to work more effectively with NGOs and CSOs.</li> <li>Some argued that the Bank should focus much more heavily upon decentralization and working with governorates and municipal administrations.</li> <li>Some also argued that the Bank should change its lending practices and emphasize micro-finance.</li> <li>There was strong support for expanded Bank engagement in areas such as legal and judicial reform.</li> </ul>
[Private sector]	<ul style="list-style-type: none"> <li>In the area of economic decision-making, the private sector should be much more engaged in helping to set policy to prevent shifting or arbitrary decisions on the part of the Government.</li> </ul>
<b>6. How to mitigate fiduciary risk in Bank operations?</b>	
[Government]	<ul style="list-style-type: none"> <li>Article 27 in the Egyptian Constitution gives the community an explicit role in managing development projects. The Bank can prepare guidelines as to how this provision can be better utilized in the supervision of Bank projects.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>Some participants recommended that project monitors and supervisors be recruited from among civil society who could track the efficacy of Bank projects in meeting their milestones.</li> <li>On a sectoral level, particular emphasis should be placed upon areas such as education, health, modernization of the administration and the functioning of small enterprises.</li> <li>The Bank should take into consideration of the negative aspects of multinational corporations and push for reforming corrupt and/or inappropriate practices, such as allowing commissions paid by these companies to be tax deductible.</li> <li>The Bank should pay more attention to the criteria utilized for project selection, since a number of Bank projects were of fairly low priority.</li> </ul>
[Private sector]	Some participants felt that the Bank should do a better job in announcing tenders for Bank projects.

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[Media]	Some participants argued (incorrectly) that, in spite of its blacklist against 330 companies, the Bank has taken no action against corrupt firms and/or individuals.
<b>7. The Bank's role vis-à-vis other donors in supporting governance reform</b>	
[Government]	<ul style="list-style-type: none"> <li>• The GoE is fully supportive of a more proactive Bank role in this area, particularly when it comes to helping disseminate the lessons of experience and examples of global best practice.</li> <li>• It would be worth brainstorming for 4-5 hours at the Bank's spring meetings among governors as to how this agenda could be best advanced.</li> </ul>
[Representatives from Civil Society]	There was strong support for the Bank working closely with other donors on this agenda, particularly the OECD and UNDP. The importance of a joint agenda among the donors was underscored.
[Donor Community]	The UN agencies argued that any Bank work should take place within the framework of United Nations Convention Against Corruption (UNCAC), which Egypt has signed and ratified. They also noted the importance of the donor consultative group, which they chair, in taking this agenda forward.
<b>8. How to monitor progress in governance and anticorruption at the country level</b>	
[Government]	<ul style="list-style-type: none"> <li>• The GoE expressed considerable concern about the nature of existing governance indicators and the ways in which they may not accurately reflect either the situation on the ground or the trajectory of a given country's reforms. They noted that current indicators are subject to a variety of conceptual and methodological issues that may compromise their accuracy, yet rightly or wrongly they are becoming the vehicle through which government performance is judged. It is particularly important that any ranking of countries be avoided, since this will inevitably raise political problems and in many cases is not adequately supported by the data. Also, it must be appreciated that the process of institutional reform may take 5-10 years and will not be adequately captured in an individual "snapshot" from a given year.</li> <li>• The GoE is interested in finding out more information about second generation indicators, such as the Public Expenditure and Financial Accountability (PEFA) indicators.</li> </ul>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• A number of participants emphasized that UNCAC provides an appropriate framework against which progress can be evaluated.</li> </ul>

Respondent Type	Consultation Reply
<b>9. Areas for improvement in GAC strategy and country-level support</b>	
[Government]	<ul style="list-style-type: none"> <li>• One of the major vehicles through which the Bank can assist this effort is the upcoming Reimbursable Technical Assistance program, which will help facilitate the principles of good governance along six dimensions, including regulatory reform, freedom of information, and training and capacity building. Other areas would include the provision of technical assistance in areas such as governance indicators and performance monitoring and evaluation.</li> <li>• The reform of public procurement is another area where the Bank could potentially be of assistance.</li> <li>• Other measures are needed to enhance accountability and help professionalize the civil service. They include new civil service legislation, which will make it easier to sanction employees for corruption or non-performance, as well as training and capacity building to help develop professional cadres in areas such as financial management.</li> <li>• Work also needs to move forward in addressing the roots of corruption in the private sector by improving regulation and using the banking structures to enforce sound principles of corporate governance.</li> </ul>
[Legislature]	<p>The Bank should do more to help train parliamentarians and in developing their capacity to supervise public resources and combat corruption.</p>
[Representatives from Civil Society]	<ul style="list-style-type: none"> <li>• The Bank needs to provide funds, analysis and advice in the context of a comprehensive strategy for helping the Government combat corruption.</li> <li>• The Bank needs to do more to help modernize key supervisory institutions, such as the legislature and municipalities.</li> <li>• The Bank should support the development of a national plan for corruption control involving the state, chambers of commerce, private sector and civil society.</li> </ul>
[Media]	<ul style="list-style-type: none"> <li>• Some argued that Government TV is a disaster and needs to be thoroughly overhauled. Others argued that there is too much concentration of ownership in the media, and the Bank needs to play a role in ensuring that more independent voices were heard.</li> <li>• There was a consensus that much work needs to be done to upgrade the capacity and skills of Egyptian journalists.</li> <li>• Some participants argued that the Bank should be doing more with the Ministry of Administrative Development to advance reform of the core public sector, including monitoring progress on staff reductions.</li> <li>• A handful of participants argued that the Bank needs to get its own house in order in terms of the transparency of</li> </ul>

Respondent Type	Consultation Reply
	its recent lending and personnel decisions before lecturing to other countries about how they should address corruption.
[Donor Community]	The UNDP criticized the nature of these consultations and argued that far more sustained engagement was necessary to take this agenda forward.