

## Action Fiche for Egypt

### 1. IDENTIFICATION

Title/Number	Support to Public Administration Reform and Local Development (ENPI/2010/021-865)		
Total cost	EU contribution: EUR 9 million		
Aid method / Method of implementation	Project approach – Centralised and Joint Management		
DAC-code	15040	Sector	Government administration

### 2. RATIONALE

#### 2.1. Sector context

"Political Reform and Good Governance" was already a main priority for cooperation between the EU and Egypt under the Country Strategy Paper (CSP) 2007-13). Nowadays, in the context of the revolution that started in January 2011 and of the current political transition both parties (the EU and the Egyptian Government) consider that reorganising the Egyptian public administration and deepening practices of good governance are still relevant and require urgent and fast implementation. Against this background, the European Commission, in a joint reformulation mission with the International Organization "International Management Group (IMG)" redrafted the programme of Support to Public Administration reform and Local Development. As the Egyptian Government pointed out: *"the proposed intervention which supports the Government of Egypt in developing relevant frameworks conducive to deepening practices of good governance, - focusing on the improvement of citizens' satisfaction and the capacity building of new local popular council members - is highly required especially with the new circumstances in Egypt and the current political transition system"*. The EU contribution is particularly relevant in 3 closely interconnected areas where the Egyptian authorities plan to upgrade their internal processes:

(I) Public finance management (PFM):

Implementation of public policies supposes as a prerequisite a result-oriented budgetary process in line with international standards. Efficient and transparent public finance management (PFM) systems are crucial to maximise the efficiency of public service delivery and better use of public funds. According to the 2009 Public Expenditure and Financial Accountability (PEFA) results, Egypt's PFM system offers scope for improvement. Current ongoing reforms follow a piece-meal approach and lack an overall medium/long-term reform strategy. Identified shortcomings can negatively impact the government's credibility and accountability.

(II) Evaluation of public policies, in order to fine tune their definition and implementation:

The Public Administration reform programme will contribute to upgrading national capacities to measure and improve the performance of public administrations and services, in line with international best practices. Apart from improving civil servants' regulations, there is a need to develop national principles/guidelines on how public administrations should integrate performance measures with an increased focus on "outcome results".

(III) Decentralization as a tool towards a greater efficiency of civil services:

The 25th of January revolution demands democracy, better living conditions and more efficient service delivery. The decentralization process is identified as a tool towards greater efficiency of public services which can be better delivered at local level through a more responsive government.

The Government of Egypt is in the phase of revising the National Decentralization Strategy (NDS). It has been stressed that several local civil servants have limited knowledge of local administration's legal, institutional, and operational best practice in decentralisation. In light of these elements a need for upgrading and expanding the training capacity with respect to planning, coordination, implementation, assessment and monitoring of local development and local governance is one of the priority areas that will be reflected in the revised NDS.

## **2.2. Lessons learnt**

During the identification and formulation phase and the recently concluded re-formulation phase, strong commitment to the project was shown by all the Egyptian authorities concerned: Ministry of State for Administrative Development, Ministry of Local Development, Ministry of Finance, Ministry of Planning and International Cooperation, the Egyptian Regulatory Reform Activity (ERRADA) and the Central Agency for Organisation and Administration (CAOA). The timing for such a programme is particularly relevant, notably for components II and III, both areas where reforms are already underway in this transitional period.

## **2.3. Complementary actions**

Most of the operations related to institutional building of the Egyptian administration – Twinning, Technical Assistance and Information Exchange instrument (TAIEX), Support for Improvement in Governance and Management (SIGMA) and technical assistance under the Support to the Association Agreement Programmes (SAAP) - could be considered as complementary to the proposed programme, as they intend to upgrade the internal processes of the administration. The main added value of this specific operation is that it focuses, in an inclusive and streamlined way, on the successive logical steps of implementation of public policies, from their definition to their evaluation.

## **2.4. Donor coordination**

EU Member States active in the field of administrative processes are Italy, with a focus on e-Parliament (EUR 0.9 million), Spain on capacity building (EUR 4.1 million), and France (EUR 0.2 million) on support to political reform and rule of law. Regarding decentralization, the donors active in this field are United States Agency

for International Development (USAID) (through the "Egyptian decentralization initiative"), United Nations Development Programme (UNDP) (through setting up a Results Based Management Unit and developing activities at Ministry of State for Administrative Development), Spain and France. Regarding PFM, there is currently no specific donor sub-group coordinating activity in this sector. However the EU has held numerous meetings with the main donors supporting the Government of Egypt in this area, namely: the International Monetary Fund (IMF), the World Bank (WB), USAID and Dutch Cooperation. At the moment, only the IMF provides some type of advisory role to the Ministry of Finance in fiscal decentralisation and PFM reform, but has no specific project in place.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The Overall objective of the programme is to support the Government of Egypt in its efforts to improve good governance practices. In particular, it will contribute to enhancing capacities of the selected key beneficiaries to further enhance the efficiency, effectiveness, accountability and transparency of the public administration.

Specific Objectives:

- (1) Supporting the Government of Egypt in improving the transparency and efficiency of public finances through the implementation of Public Finance Management (PFM) reforms;
- (2) Strengthening the capacity of the Government of Egypt to improve and measure performance of public administrations and services;
- (3) Supporting the Government of Egypt to reinforce its capacity to perform successfully its decentralization process.

#### **3.2. Expected results and main activities**

##### **Component I: Strengthening PFM to better implement public policies**

Expected results: (1) Building on the PEFA diagnostic, enhanced and strengthened PFM systems in key areas identified by the PFM Reform and fiscal decentralisation strategy including prioritisation, sequencing and budgeting of reforms, approved and coordinated by the Ministry of Finance; (2) Design key building blocks for a Medium Term Expenditure Framework (MTEF), initiate its implementation process and support it with comprehensive capacity building and technical assistance.

Activities: The main indicative activities to achieve Result (1) would be:

- (a) supporting the Ministry of Finance to finalise a comprehensive PFM Reform and fiscal decentralisation strategy and
- (b) support the implementation of prioritised PFM reforms identified in the strategy.

Result (2) would be envisaged under two indicative activities:

- (a) Strengthening technical capacity in the Ministry of Finance;
- (b) Strengthening technical capacity in selected central ministries and related institutions.

## **Component II: Measuring and Improving Performance of Administrations delivering Public Services to citizens**

### Expected results:

- (1) National Guidelines/Principles for measuring and improving performance of public services drafted;
- (2) Selected public services provide services of better quality responding to citizens' needs.

Activities: The main indicative activities to achieve the two above mentioned results would be:

- (a) Proposing to the Government of Egypt methodologies to develop national principles to measure and to improve the performance of public services;
- (b) Introducing into the planning, implementation, and monitoring of public services delivery operations the following elements: techniques for continuous measurement and improvement of performance such as Service Delivery Surveys (SDS), Citizens' Care Charters, letter of suggestions and letter of grievance, front desk employees' consultations;
- (c) Developing in selected public services capacity in strategic planning, administrative simplification, process reengineering, and relevant processes to facilitate the implementation of identified techniques;
- (d) Designing specific methods of management in conformity with the Egyptian cultural values for the improvement of the effectiveness and efficiency of the public administration;
- (e) Adopting reform measures in selected pilot administrations to improve the citizens/customers' satisfaction;
- (f) Training of public/civil servants who deliver public services (mainly front desk employees) in order to enhance the relation between the Administration and the Egyptian citizens.

## **Component III: Supporting Local Development/Decentralisation**

### Expected results:

- (1) The institutional and human training capacity is upgraded at both national and local level (capacities of national and local training centres upgraded and the training activities of the Sakhara Training Centre are improved to cover

training needs of the entire public administration category and not only of the top executives);

- (2) Capacity building activities for elected Local Popular Councils are upgraded once new popular councils are elected;
- (3) Local staff and leaders' level of awareness about decentralization is increased through advocacy activities;
- (4) Improved awareness and better informed public debate on decentralization/local development.

#### Activities:

- (1) Upgrade training facilities at local and national level to build capacities of local administrators and elected members of local councils;
- (2) Develop manuals of operations and deliver training modules and curricula;
- (3) Design and conduct train for trainer modules;
- (4) Build a network of local professional trainers;
- (5) Implement a selected number of awareness and advocacy activities.

The project foresees a small equipment component (hardware and software) to support the training capacities at national level of the Ministry of Planning and International Cooperation.

### **3.3. Risks and assumptions**

Due to the nature of the operations proposed, the success of the programme relies upon the assumption that the Egyptian authorities will continue to demonstrate strong political commitment to introduce reforms in the good governance area, and that a good coordination among implementing bodies will continue to take place. Concerning the PFM component, the main assumption is the continuation of effective leadership of the reforms by the Ministry of Finance, namely in this current context (further change of the Minister of Finance occurred in July 2011). The Ministry of Finance is setting up a Fiscal Decentralization and PFM unit, which should ensure the cooperation from the different departments in the implementation of reforms. It is assumed that the Ministry of Finance's strong commitment towards developing a PFM reform strategy will be sustained. As to decentralization, the EU support will be fully efficient as long as progress towards upgrading the legal framework in the area of local development, which has already started, will continue. The sustainability of the action relies upon the internal capacities of the Government of Egypt to implement and carry out reforms after the project is finalized.

### **3.4. Crosscutting Issues**

As regards cross-cutting issues, gender and environment will be addressed directly, through activities that relate to impact monitoring and assessment (policy capacity),

and more generally with good governance practices that benefit women as a promoting factor of the rule of law and development.

### 3.5. Stakeholders

Major stakeholders and target groups/beneficiaries of the project are as follows:

Components	Institutional Stakeholders	Other Stakeholders and/or beneficiaries
Component I	Ministry of Finance	Selected pilot ministries and administrations
Component II	Ministry of State for Admin. Development	Central Agency for Organisation and Administration (key stakeholder/partner, selected pilots), ERRADA
Component III	Ministry of Local Development (DSU)	Governorates, Local Popular Councils/local administrations' representatives and citizens, Local development Centres, Local Training Centres

Other stakeholders that could be involved in the project will be the organizations defending the users of public service as well the representatives of the private sector.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The programme will be implemented through the signature of a Financing Agreement with the Government of Egypt. The agreement foresees direct centralised management for the component "Public Financial Management Reform" and for the audit and evaluation components. Joint Management," implemented through the signature of a Standard Contribution Agreement with the International Management Group (IMG) is foreseen for the components related to the measurement of the public services' performance, to decentralisation and to the provision of equipment (hardware and software) for the Ministry of Planning and International Cooperation. The international organisation complies with the criteria provided for in the applicable Financial Regulation.

IMG is an international organisation with 13 EU Member States being also IMG members. The choice of a single operator will ensure coherence of implementation of this Action integrating two different but interrelated components. IMG was identified by the Commission services as the International Organisation having passed the 4 Pillar Assessment, with proven competence and experience in these sectors and in the region that can better guarantee tailor made, flexible and fast implementation of the actions as requested by the Egyptian government in the current context.. IMG will count on the expertise and competence of various European practitioners which will be associated to local expertise for a peer-to-peer approach. IMG has contributed substantially to the re-formulation of this programme during their mission to Egypt in July 2011 (joint re-formulation).

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the

beneficiary country, international organisation or delegatee body under, respectively, decentralised, joint or indirect centralised management.

The European Union Delegation in Egypt will ensure that the relevant stakeholders are associated throughout the project cycle. In order to ensure ownership of the project by the Egyptian Authorities, a steering committee comprising all the stakeholders will be set up within the Ministry of Planning and International Cooperation.

#### 4.2. Procurement and grants award procedures

For components under direct centralised management

##### 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the European Neighbourhood and Partnership Instrument (ENPI) regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 21(7) ENPI.

No grants contracts are foreseen either under direct centralised or under joint management.

For component under joint management

All contracts implementing the project components under joint management must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

#### 4.3. Indicative budget and calendar

The indicative budget breakdown is:

Category Breakdown	EUR
<b>1. Direct centralised Management</b>	
• Strengthening Public Finance Management (services)	2,500,000
<b>2. Joint Management</b>	
• Improving and Measuring Performance of Public Administrations	
• Supporting Local Development/Decentralisation	
• Training Equipment (hardware and software) to the Ministry of Planning and International Cooperation	6,200,000
3. Visibility, Audit and Evaluation	200,000
Contingencies	100,000
<b>Total</b>	<b>9,000,000</b>

The foreseen implementation phase duration is 36 months from the signature of the Financing Agreement. A 24 months closure phase will follow.

#### **4.4. Performance monitoring**

Indicators will be identified during the inception phase of the project in order to establish an initial baseline. The indicators will be monitored throughout the project's internal biannual progress reports and/or by external monitoring missions. Results Oriented Monitoring (ROM) can also be used.

#### **4.5. Evaluation and audit**

The project will be subject to a mid-term review, a final evaluation and audits if useful. The mid-term review and the final evaluation will compare the design and implementation of the project, including its logframe, through an analysis of the relevance, efficiency, effectiveness, impact and sustainability of the project. Independent evaluators and auditors will be contracted by the Commission services in accordance with its internal procedures.

#### **4.6. Communication and visibility**

The programme will be implemented in such a way that the best visibility is given, at all times, to the support of the EU for the programme, the achievements of its objectives and results obtained. The EU Visibility Guidelines shall be used as guidelines. All involved stakeholders will take appropriate action in order to avoid any confusion between the present programme and those supported by other international donors so as to ensure the best visibility of the co-operation between EU and Egypt.

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