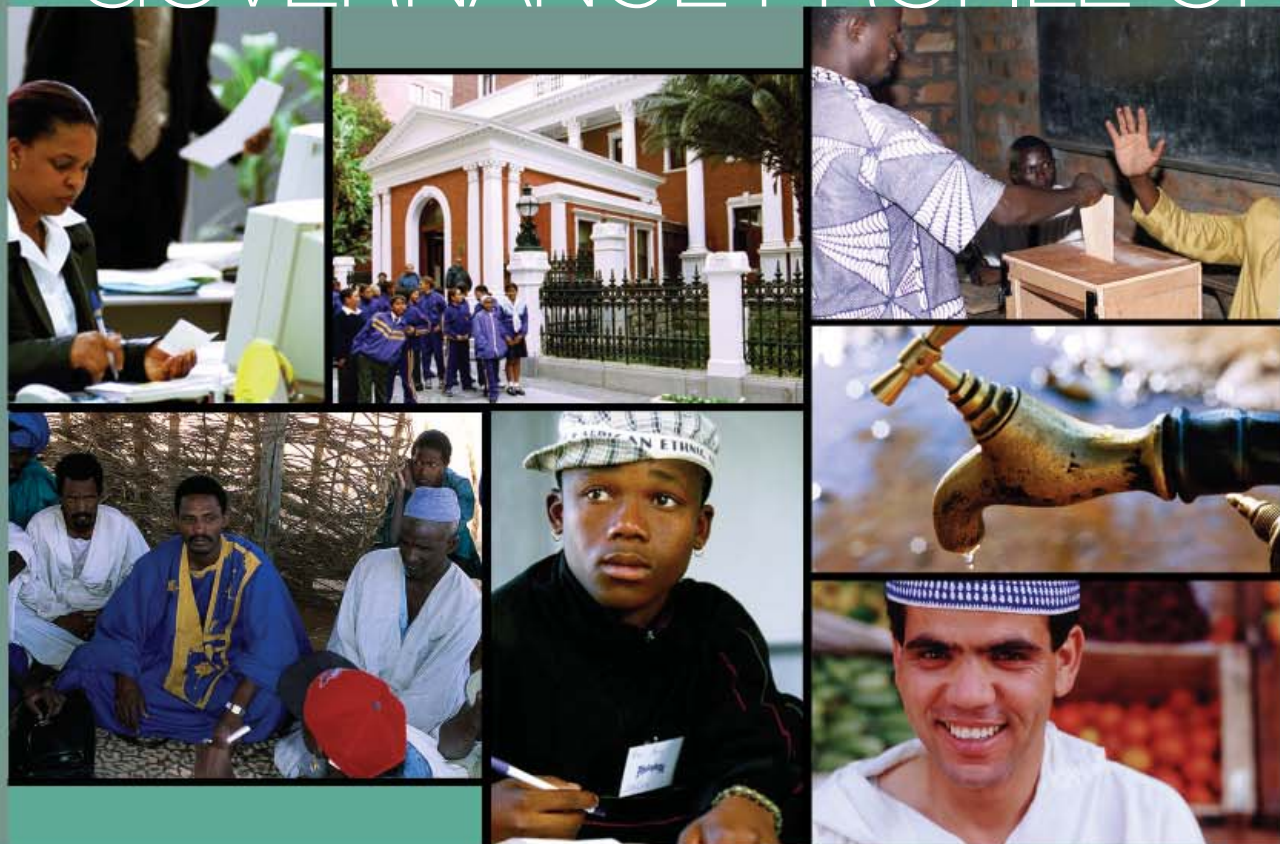




Economic Commission for Africa

# GOVERNANCE PROFILE OF



# EGYPT

MEASURING AND MONITORING PROGRESS  
TOWARDS GOOD GOVERNANCE IN AFRICA

North Africa



Economic Commission for Africa

ECA/DPMD/TP/04/05

# GOVERNANCE PROFILE OF **EGYPT**

Produced by Monique Nardi Roquette and Mamadi Kourouma  
Development Policy Management Division

September 2004

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## Preface: Overview of Project Methodology

This profile is excerpted from the June 2003 “National Country Report” on governance in Egypt contracted by the United Nations Economic Commission for Africa (ECA) to the Center for Economics and Finance Research as part of a large-scale project on “Measuring and Monitoring Progress towards Good Governance in Africa” involving 28 African countries. The National Country Report covers the year 2002 during which the household survey and Expert Panel study were conducted and the data analyzed by the authors. All information and data presented in this profile is extracted directly from the report unless otherwise indicated.

The project was conducted with a view to apply objective criteria for measuring and monitoring good governance in Africa, and, in the long run, to assist member countries in developing, sustaining and internalizing the norms of good governance within the public and private realms. To achieve these objectives three separate research instruments were designed and applied in each project country. The first used an Expert Panel to collect data on the perceptions of governance from a group of national experts providing knowledge-based responses to a total of 83 indicators<sup>1</sup> pertinent to the structure, capacity and operation of all governance actors; the second instrument consisted of a national household survey<sup>2</sup> collecting data on public perceptions regarding the accessibility, adequacy and quality of services; and, finally, desk research was conducted on the laws, rules, procedures, capacities and governance practices in the project country.

In order to standardize the caliber of the Expert Panel members across the project countries, and in view of the demanding nature of the expected outcomes in terms of optimizing the reliability, accuracy, and stability of the responses, the composition of the Expert Panel was carefully defined to ensure a fair representation of all stakeholders, whilst stringent statistical tests were applied to ensure the consistency and reliability of the responses. In order to obtain a balanced representation, the panel members, usually totaling around 100 national experts, were selected on the basis of a number of characteristics, including age, social status, education/field of training and occupation, level of interest in national affairs, political party membership, citizenship, as well as ethnic, gender, religious, and regional representation.

In the case of Egypt, the Expert Panel was composed of 96 individuals representing government institutions, political parties, and nongovernmental organizations.

The nation-wide sample surveys of households, on the other hand, were carried out by the collaborating research institutions in close co-operation with the National Statistical Office in each project country. Using the household as the ultimate sampling unit, and covering the entire population of households in the country, the study populations were suitably stratified using administrative regions and levels of urbanization, whilst parameter estimates would exclusively relate to the entire nation.

Finally, desk-based research gathering factual data and information on the prevailing political, social and economic conditions of the country was conducted by the collaborating research institutions to complement the perceptions obtained from the national experts and the general population.

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<sup>1</sup> ECA's Expert Panel was instrument altered by the Center for Economics and Financial Research and although not fully verifiable by ECA, results are being used.

<sup>2</sup> The estimation formula used in the household survey was not made available to ECA, but household survey results are quoted nonetheless.

## Political and Socio-economic Background (1990-2002)

### Major political developments since 1990

Egypt is constitutionally a democratic republic based on a multiparty system. The 1971 Constitution provides for the separation of powers between the Executive, Legislature and Judiciary. No constitutional changes have taken place in Egypt since 1980. In the 1980 referendum, the current president, Hosni Mubarak, assumed office with a two-thirds majority vote of the People's Assembly (PA). (The president is currently in his fourth presidential term.) He holds wide-ranging authorities and is the supreme commander of the armed forces, chair of the higher council for police agencies, and the higher council for judicial entities. The president nominates ministers, appoints 10 of the 454 members of the PA and 88 of the 264 members of the Shura Council, appoints and dismisses governors, university chairs, and other high ranking officials (to be further discussed in section on "Institutional Effectiveness").

The president is also the chair of the ruling National Democratic Party (NDP), which has been in power since it was established by former President Anwar Sadat in 1978 and effectively controls local government, the media, and the public sector.

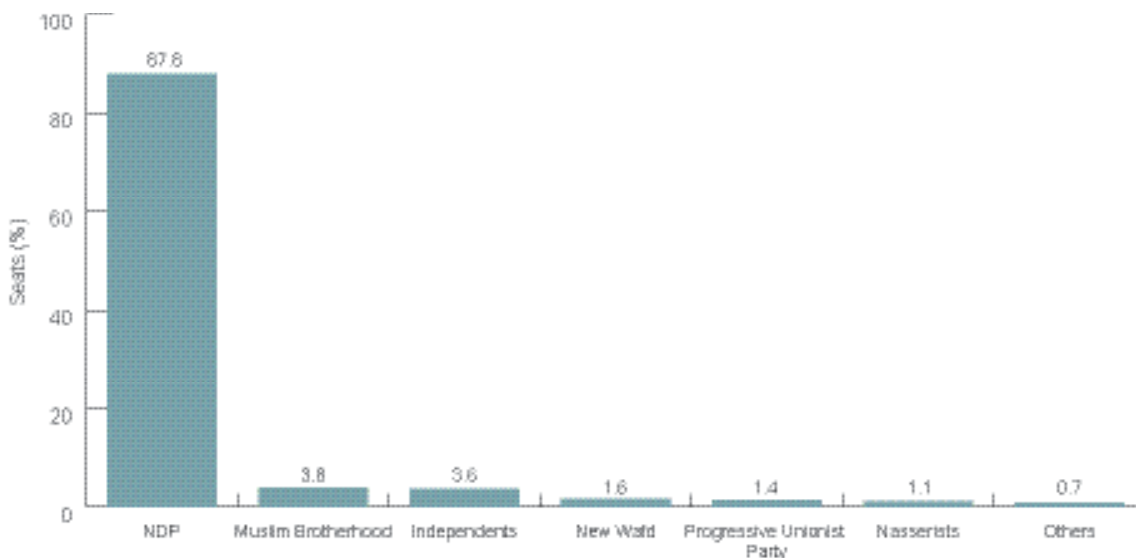
Egypt's 16 legally registered opposition parties' ability to compete has been frustrated by the NDP's dominance in the PA with a large majority of almost 90% (Figure 1). However, NDP has experienced a disappointing result in the parliamentary elections of 2000, which has prompted the substantial changes introduced to reform the party led by the President's son Gamal Mubarak.

### Box 1. The rise of Gamal Mubarak

"The president's younger son has played an increasingly prominent role in the political arena over the past three years, sparking rumours that he is being groomed for succession. He has spearheaded reform of the sclerotic ruling party, the National Democratic Party (NDP), aiming to improve participation and to deliver "good governance". At the September 2002 NDP Congress he was appointed head of the newly formed policy secretariat, which is responsible for all policy issues and the NDP's relationship with the government. Together with his position as a member of the party's steering committee, he has become the dominant figure within it after his father. In the past year government policy decisions, particularly in the economic sphere, have increasingly been attributed to the NDP."

*Source: Economist Intelligence Unit*

Figure 1. Composition of the People's Assembly following elections in 2000



### Economic developments

Egypt has the second largest economy in the Arab world after Saudi Arabia. Strong growth over the 1990s helped to reduce poverty and support an expanding middle and professional class transforming Egypt into an emerging modern economy (Figure 2b).

The economy is constitutionally a planned economy. Nevertheless, the Constitutional Supreme Court issued a ruling paving the way for privatization without contradicting the “Socialist foundation” of the economy. In fact, Egypt went through several deep economic changes since the 1970s. After a marked improvement over the period 1974-1980/81, Egypt entered a critical period since the beginning of the 1980s, when the oil-related sources of foreign exchange started to decline. The resource gap increased to 11% of GDP in 1985, foreign external debt stocks increased to over US\$ 46 billion in 1986, and Egypt was placed among the most heavily indebted countries in the world.

During early 1990s, the Government adopted comprehensive structural reforms in an attempt to promote exports and economic growth. The Economic Reform and Structural Adjustment (ERSAP) was one of the major steps taken to reform the economy. Whilst broadly successful in terms of creating macroeconomic stability and establishing the basis for economic liberalization and privatization, progress toward a market economy has remained relatively slow.

Despite the considerable progress made towards lower inflation rate higher growth throughout the mid-1990s, real GDP growth declined between 1999 and 2002 (Figures 2a and 2b). Throughout the same period, other microeconomic indicators started to worsen with a rising fiscal policy, declining foreign reserves and deteriorating terms of trade).

Figure 2a. Consumer Price Index Change

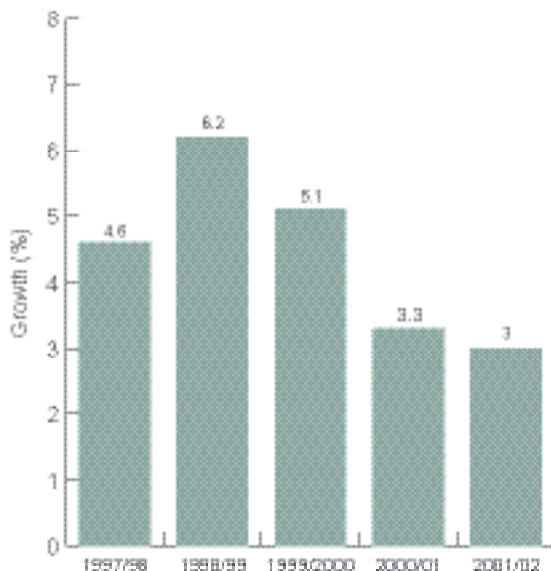
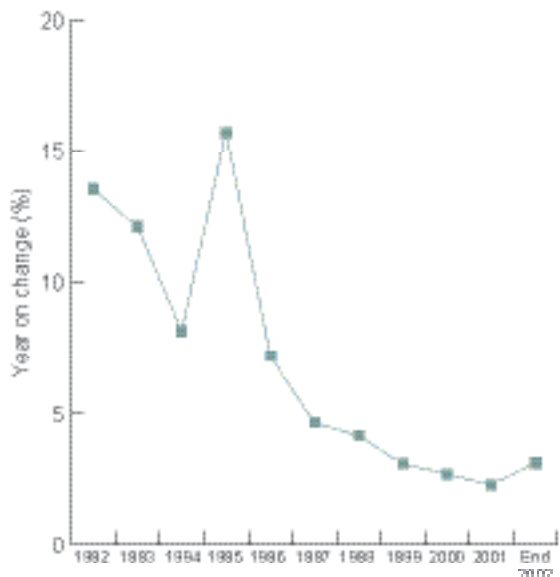


Figure 2b. Real GDP growth, 1997/96-2001/02



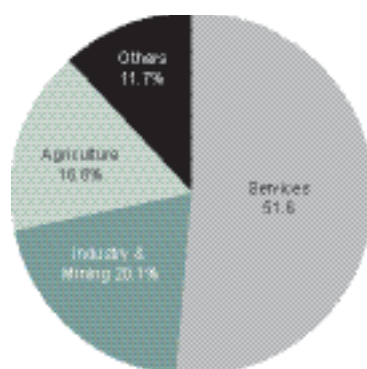
The accelerated rate of GDP growth per capita, which in 2001, according to the UNDP’s 2003 Human Development Report stood at US\$3,520, masks an unemployment rate that has remained consistently high at 8-9% and representing a significant deviation from the targeted rate of 7.3% outlined in the fourth 5-year plan of 1997/98-2001/02. The unemployment rate is particularly high for young people (20.1% for those aged 15-29 years) and for the educated (40-50%). There is also a strong gender bias as the 1996 population census recorded a female unemployment rate of 20.3%. However, official data are likely to grossly underestimate unemployment as most analysts put the true overall rate at about double the official figure—in the order of 15-25%.

Despite its declining share in GDP over recent decades, agriculture remains one of the key sectors of the Egyptian economy, currently constituting around 17% of GDP and 28% of total employment. Agricultural prices have been decontrolled except for cotton and sugarcane, and virtually all-agricultural subsidies were removed. Through a combination of improved incentives and the introduction of new high-yielding varieties, the sector has responded strongly, registering growth rates of 3-4% in recent years.

Manufacturing contributes around 20% of GDP and about 13.4% of employment. Between 1996/97 and 2001/02, the sector expanded at the rate of 4% per annum in real terms while the contribution to GDP remained barely unchanged at around 18%. During the 1990s manufacturing underwent a major transformation with privatization of state-owned enterprises and general liberalization of the sector. Egypt's key industrial sectors include textiles and clothing, food and beverages, furniture, and metallurgy. However, several sub-sectors are growing rapidly, in particular pharmaceuticals, automotive assembly, and electronics.

Services sector contributes over 50% to GDP, where sub-sectors are tourism, financial services and the receipts from the Suez Canal (Figure 3). A key characteristic of the sector is its sensitivity to external shocks and political tensions in the region. For example, the 11 September 2001 attack on the United States combined with the Middle East crisis had a major impact on the sector. This was particularly the case for tourism. Overall growth in the key sub-sectors of trade, tourism, finance and transportation has therefore slowed to an estimated 4.8% in 2001/02 compared to over 11% in 1998/99.

Figure 3. Sectoral shares of GDP, 2001/02

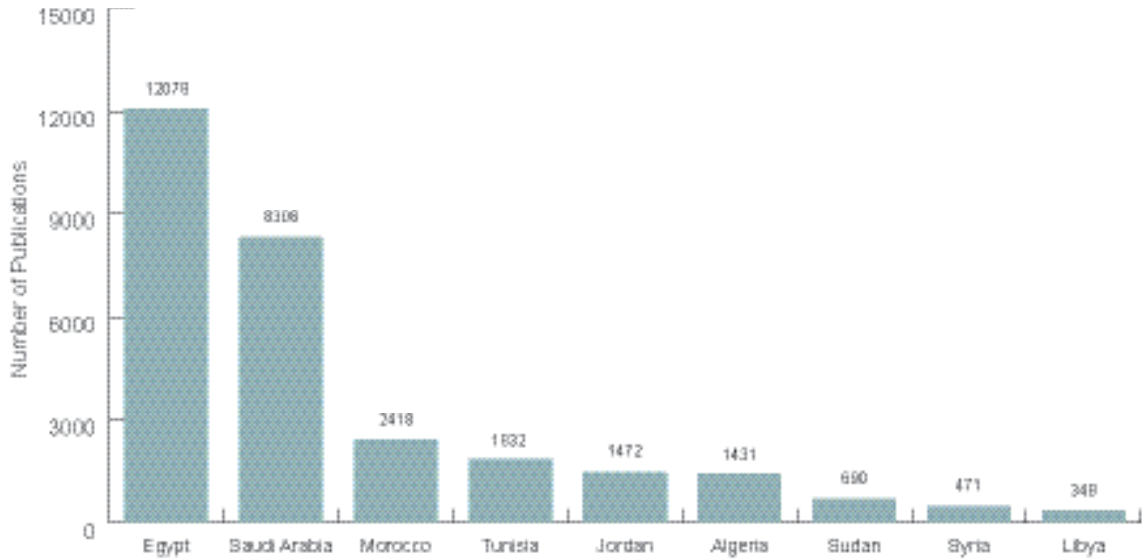


Source: ECA Economic Report on Africa 2003

### Social developments

With a total population of over 66 million (2002), Egypt is the second most populous country in Africa. The population growth rate has tended to decrease slightly during the last two decades; despite recent gains in terms of social indicators, Egypt still lags behind many middle- and low-income countries. Illiteracy in particular is still a problem with four in ten adults illiterate and an additional two in ten barely able to read and write. Whilst primary education is compulsory and enrolment rates officially reach 99%, secondary education enrolment is only 51%. Higher education in Egypt has made considerable progress with expanding on enrolment in one of the largest university systems in the Middle East and Africa (Figure 4). Despite the overall growth in higher education the system is failing to provide the relevant skills to the labour market unable to absorb the graduates.

Figure 4. Arab science and technology output, papers published in refereed international journals



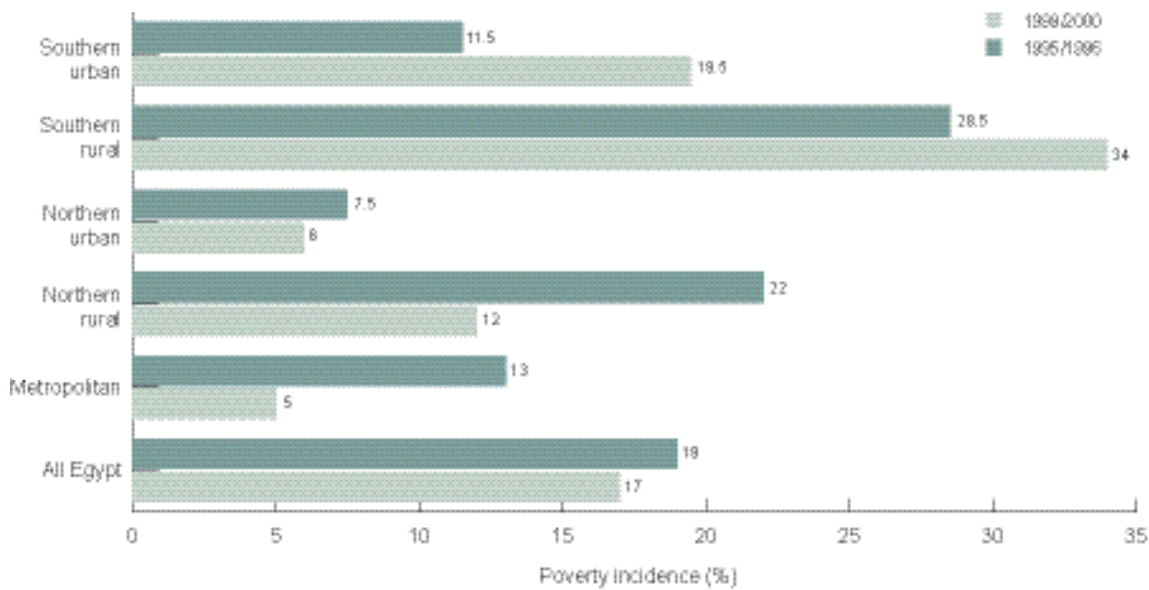
Source: UNDP, *Arab Human Development 2002*

Egypt, in comparison to other developing countries, has a well-established network of health facilities in rural and urban areas. As a result, certain health indicators improved markedly over the last few decades. Life expectancy for males and females increased from 49.5 to 51.9 years respectively in 1981, to 62.9 to 66.4 years in 1991, whilst infant mortality fell from 120 to 47 per 1,000 life births. At the same time, major health problems related to poverty, poor sanitation, limited financial resources and regional disparities in terms of access to health facilities are still persisting.

Moreover, in a fairly conservative society like Egypt, the exchange of information about reproductive and sexual health issues remains a major obstacle to identifying and addressing some important problems, such as the prevalence and spread of HIV/AIDS and sexually transmitted diseases (STDs). Statistical figures in this area are either insufficient or unavailable and officially reported HIV/AIDS cases are still low. The prevalence of HIV transmission following transfusion of contaminated blood, weak sterilization procedures and unsafe injection practices needs more attention. Hepatitis C is also an epidemic in Egypt, with a prevalence rate that is one of the highest in the world.

In Egypt the population under the poverty line has increased from 17.1% in 1981/82 to 24.2% in 1990/91 then decreased from 22.9% in 1995/96 to 16.7% in 1999/2000, aided by rapid economic growth and expansionary fiscal policies. But the economic slowdown in recent years is likely to have reversed some of these gains; there are indications that income disparities are growing wider. Poverty also has a strong regional dimension, with southern and rural areas having much lower living standards than northern and urban (Figure 5).

Figure 5. Regional Poverty incidence (%)



To alleviate poverty there are various government safety nets and insurances, the largest and most effective being the subsidy on baladi bread, which is provided at about one-third of the cost of production. In 1999/2000 it lifted 730,000 people out of poverty according to the World Bank. Another major initiative to alleviate the impact of privatization and public sector reform during the 1990s was the Social Fund for Development (SFD), which entered a second phase in January 1997. Regulated by the World Bank and funded by a number of multilateral and bilateral donors, the SFD is designed to support labour-intensive projects and provide physical infrastructure and services in the poorest regions. Hence, the SFD small loans and public works, for instance, created some 50-70,000 jobs per year, representing almost one-quarter of all new non-agricultural jobs.

In terms of gender policy, there have been a number of developments aimed at improving the plight of women in Egypt. In February 2000, a Presidential Decree was issued stipulating the establishment of the National Council for Women, replacing the National Commission for Women. The Council is presided over by Egypt's First Lady and is composed of thirty appointed members from different disciplines. The Council has been entrusted with a number of mandates, such as proposing appropriate public policy and designing a national plan for the advancement of women, monitoring and evaluating public policy and making suggestions to respective executive entities. Besides the Council, a number of ministries have directorates or policy coordination units with the mandate to mainstream and monitor the implementation of gender policies.

Civil society in Egypt suffers from a misperception that it should remain divorced from political activism. Its ability to address political and human rights is still constrained, despite several advances made in recent years. Its legal and administrative framework that governs civil societies is still in its infancy, and the sector as a whole suffers from lack of available capable human resources.

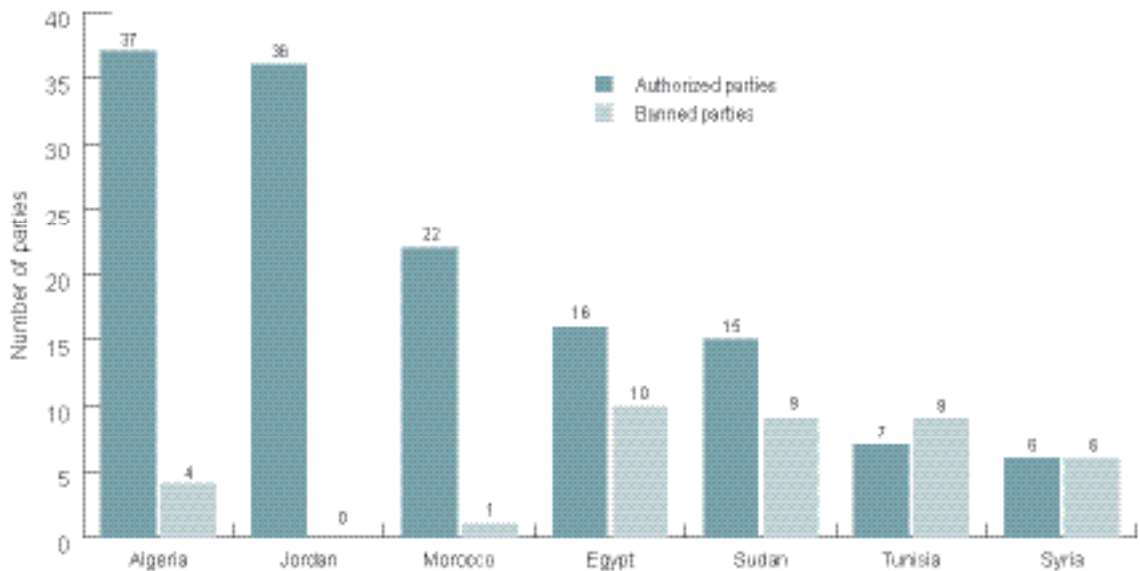
## Political Representation

### Legitimacy of the political framework

In terms of openness of the political system the issue currently predominating public discussions is that of "banned" political groupings, i.e. Islamic groups, in particular the Muslim Brotherhood (Figure 6). Standing as independents during the 2000 parliamentary elections, and despite government efforts to discourage participation, the Brotherhood emerged with 17 seats—the largest opposition grouping. Extremist Islamists were responsible for the 1992-99 insurgency aimed at

overthrowing the regime and instituting an Islamist state. Drawing followers from the younger and middle classes, the power base of the militants lies in the slums of Cairo and Upper Egypt where poverty and unemployment are widespread. But, weakened by internal divisions and a sustained campaign against militants by the state security forces, as well as a public backlash following the Luxor attack in 1997—where 58 tourists and 4 Egyptians were killed—the militants announced an unconditional ceasefire in March 1999, which is still in force.

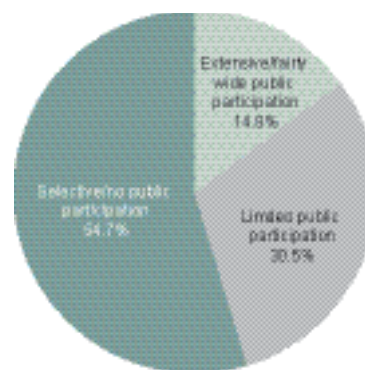
Figure 6. Number of authorized and banned political parties by Arab country, 2000



Source: UNDP, *Arab Human Development Report 2002*

The results of the household survey show that the public has little trust in the representational mechanisms of the political system. The mainstream political culture in Egypt still considers public affairs to be governmental affairs, under the sole authority of central administrators who decide without being accountable to public “demands”. Moreover, representative institutions are unable to mobilize public awareness and gain public trust. Hence, 97% of the household survey respondents do not attend political party meetings or rallies, whilst 94% of them do not discuss community problems with their local representatives, and 99% have never wrote to a newspaper to press for their interest.

Figure 7. Expert Panel opinion on decision-making participation mechanism



In support of the above results of the household survey, over half of the respondents in the expert panel survey perceived the political system as one that discourages participation.

Women's representation in the political system is marginal. The current People's Assembly includes only 11 women (2.43%). Also at the local level, women's representation is still minor. In 1980 women occupied more than 25% of the seats due to a quota system; then dipped to only 2% in 1991 after its abolition; continued decreasing to 1.2% in 1992 (upon amendment of electoral system and dissolving of elected councils); and finally fell to just 1% in 1997. However, among certain political and non-political institutions, women have been making some progress as they currently occupy about 5-8% of ministerial, 23% of senior management (e.g. undersecretaries of state), about 10% of diplomatic posts (e.g. ambassadors). They also represent 17% of membership in professional syndicates (e.g. bar associations and teachers' unions), and about 44% of faculties and researchers at universities and academic institutes. Furthermore, the President has appointed Mrs. Tahany El-Gebaly to be the first woman judge on the Supreme Constitutional Court. She is also a steadfast civil society and human rights activist.

Youth participation is also a matter of interest at the national and local level. In late 2000, the President declared a new policy to encourage youth participation in public life. He also started a trend of appointing young deputy ministers, which has encouraged calls for youth engagement in public positions.

### **Political parties**

Political parties become legitimate only through registration with the Political Parties' Commission, which is headed by the Speaker of the Shura Council and includes three ministers (Interior, Justice, and Parliamentary Affairs), in addition to three former judges appointed by the President. It is up to the Commission to approve new parties, after making sure that founding members have not been involved in illegal activities. However, the Commission is essentially a political organ, not a judicial or technical one, as it represents the stance of the government and the ruling party. If the Commission declines the registration of a new political party—and it almost always does—the applicants can bring the case to the Higher Administrative Court, where the party almost always gets a favourable ruling. Thus, 10 of the current 17 parties emerged upon a ruling of that court.

Almost all political parties tend to be elitist, male-dominated and ageing entities, which are dominated by "historic" leaders (e.g. the Unionist, the Labour, and the Umma parties) causing internal splits between "younger" and older generations (e.g. the Nasserist and the Wafd parties). None of the parties explicitly exclude social groupings, for the law regulating political activity preconditions that all parties should be open to all Egyptians. However, most of the established parties are characterized by social classes, (eg. the NDP being "the government" party, the Wafd representing the upper strata of professionals and liberal entrepreneurs, the Unionist party the radical leftists, and the adjoined Socialist Labour Party representing the Social Islamists).

It is noteworthy, though, that the surprising results of the 2000 elections provoked some internal revisions in party structures. President Mubarak took the initiative and called upon the NDP to undertake a comprehensive party "development process", and dedicated the 8th convention in 2002 to initiating and approving changes in key party positions, changes in the party's internal structure and policy programmes. One of the reportedly major changes was the creation of a "policy formulation" council, headed by his younger son Gamal. In addition, the party created a youth forum (the NDPY), an economic forum for economic and financial issues, and a women's forum to tackle their concerns and suggest policy alternatives for their empowerment. However, it is too early to tell, what the impact of these internal reforms will be on votes in the next elections.

### **Legitimacy of the electoral process**

Since the beginning of public elections in Egypt's modern history, i.e. the early 1920s, elections have taken place under the supervision of the government (most often the Ministry of the Interior); no independent commission or entity was established. The electoral system was amended in mid-2000, however, to ensure "full" judicial supervision of elections. This is considered a great improvement as judges are free from political interests and enjoy a high profile as supervisors of

elections. It was observed during the 2000 elections, the first to be supervised by the Judiciary, that the mandate of judges involved should be extended to enhance the quality of the free election process in Egypt. The most critical issues are to extend judicial supervision outside the ballot rooms to cover the balloting neighborhood and to scrutinize incorrect and unreliable voters' lists.

There are, however, complaints about government intervention in election procedures such as the definition of boundaries and size of constituencies, and mobilization of voters for government candidates whilst blocking others who favour the opposition.

Egypt has about 24.7 million "registered" voters. However, this figure is frequently disputed because there is no reliable source on the total electorate. Cleaning up the voter registration system is at the heart of political reform demands and on the top of the agenda of political parties. The key dilemma of any reform initiative lies in the lack of a nation-wide consistent and comprehensive ID system. A few years ago, the government launched a central campaign to urge citizens to obtain a "national serial number". So far, perhaps only 20 have received such an ID number.

Regarding election transparency, only 22% of the Expert Panel felt that the electoral system legally and practically ensures a fully credible and transparent voting and results reporting process, whilst 36% believed that it was never done (Figure 8a). In terms of electoral authority fairness, 45% of the Expert Panel reported that the electoral authority was rarely impartial and transparent in its activities or that it was controlled by the incumbent government or ruling party (Figure 8b).

Figure 8a. Expert Panel opinion on election transparency

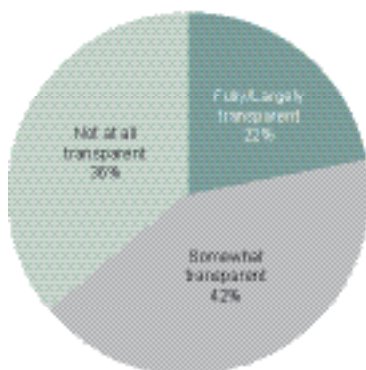
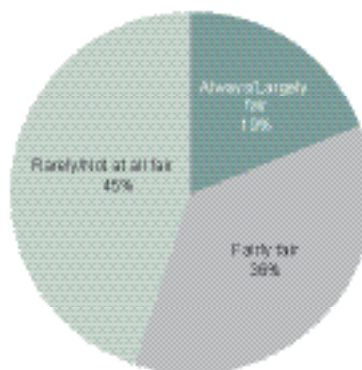


Figure 8b. Expert Panel opinion on electoral authority fairness



The public has been overwhelmingly occupied with discussions about elections and electoral systems, starting with the People's Assembly elections in October/November 2000, to the Shura Assembly elections in 2001, and local elections in April 2002. In September 2002, the President stated that the electoral system law ought to be revised and amended. Since then, a great deal of media coverage, meetings and seminars have been produced pointing out a variety of views on what needs to be reformed.

## Economic Management and Corporate Governance

### Enabling policy environment and regulatory framework

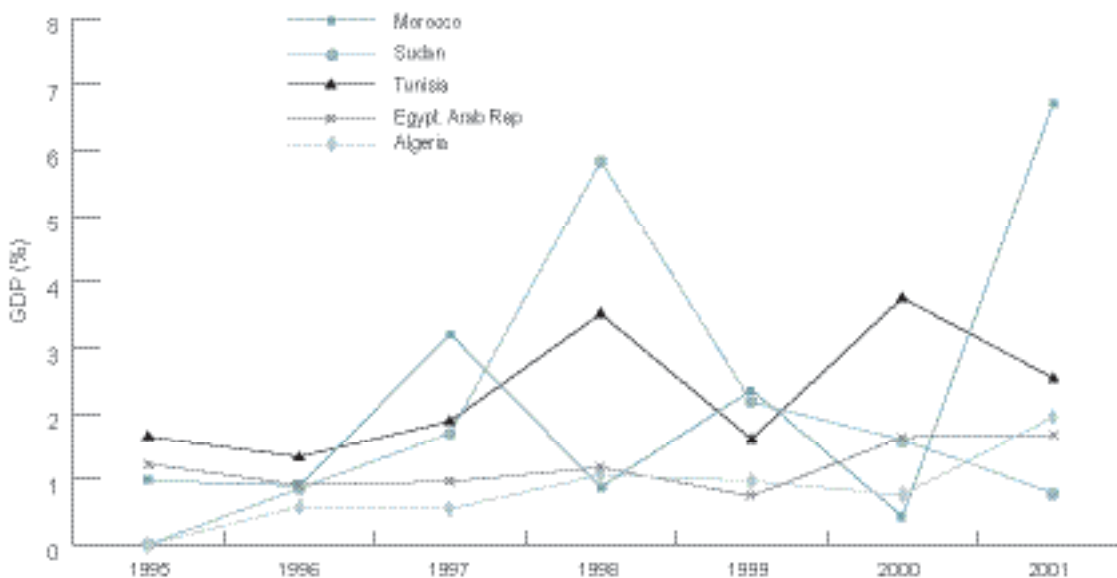
Over the period 1960-2002, the Egyptian economy passed through five main stages: the nationalization and heavy state intervention of the 1960s; the *infatih*, open door policy adopted during the 1970s; an attempt at economic reform as a response to external shocks during the 1980s; the initiation of a comprehensive economic reform and structural adjustment in the early 1990s; and the exposure in the late 1990s to several exogenous shocks.

During the 1990s, the Egyptian economy enjoyed positive performance until its exposure to three major consecutive shocks in mid-1997: the East Asian crisis, the Luxor terrorist attack, and the collapse in oil prices. The global economic fallout following the September 11th terrorist attacks exacerbated already perceptible trends of slowed economic growth due to a tight monetary policy, increasing the internal and external imbalances the Egyptian economy was already experiencing.

In January 2003, the Prime Minister announced the floating of the Egyptian pound in order to resolve long-standing exchange rate difficulties. However, the authorities informally stepped in to reassert control as the currency depreciated by 14% on the first day. Although the pound was allowed to further dip over the coming months, an effective cap was put on depreciation by September, causing the differential between official and black-market rates to widen again.

In spite of the important role of foreign direct investment (FDI) spillover effects on productivity, technology transfer and market entry, it still plays a modest role in Egypt compared to neighbouring countries (Figure 9). More than half of the FDI flows into Egypt during the past decade went into chemicals, food and beverage, and engineering. Together with tourism, those sectors receive some 70% of total FDI.

Figure 9. Foreign direct investment as a percentage of GDP, 1995-2001



Source: World Bank Africa Database

### Public financial management and accountability

Despite recent efforts to the contrary, budget transparency remains limited in Egypt. Even upon the approval by the People's Assembly, the budget is not made available to the general public. Within the public sector, sections of the document are only available on a "need-to-know" basis. During the budget implementation phase, basic financial statistics are not disclosed, making it difficult to assess whether expenditures are in accordance with approvals made. Upon completion of the fiscal year, actual expenditure data are made available in an aggregated form and with great delay.

Figure 10a. Expert Panel opinion on tax system transparency

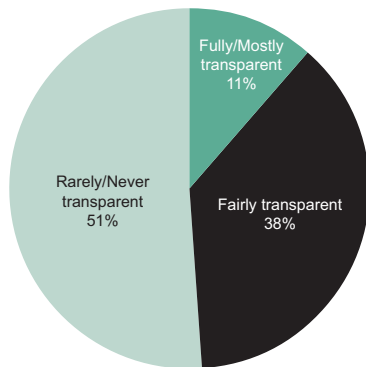
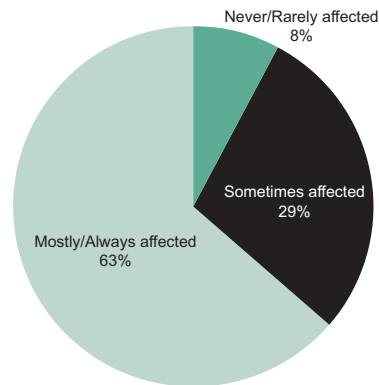


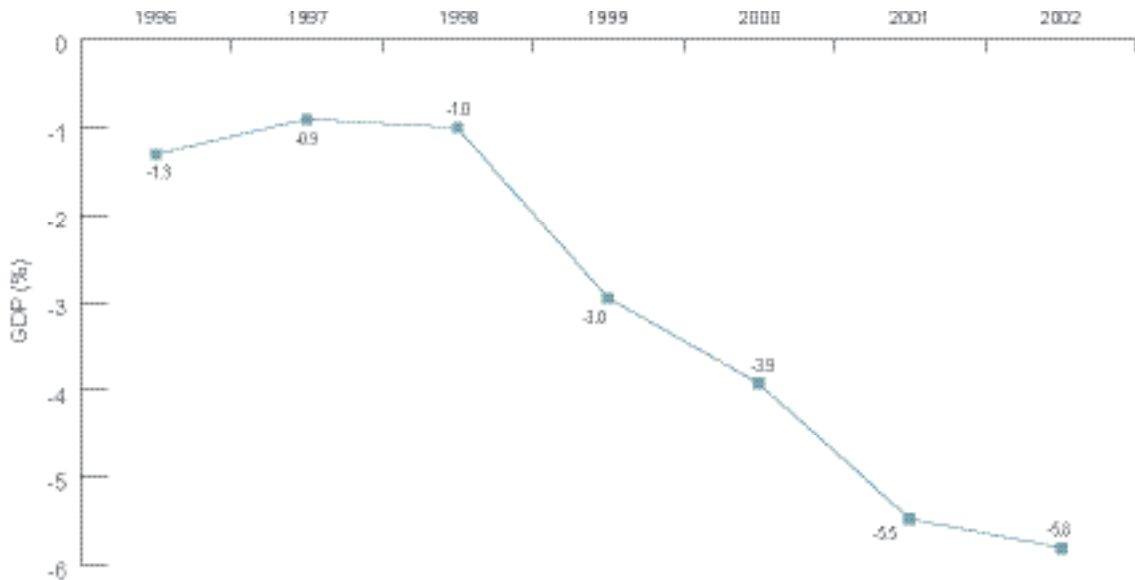
Figure 10b. Expert Panel opinion on tax evasion and corruption



According to the Expert Panel survey, only 11% viewed the tax system as always or mostly transparent, whilst 51% believed that it was rarely or never so (Figure 10a). In terms of tax system evasion and corruption, 63% thought that the system was always or mostly affected (Figure 10b).

The fiscal deficit has been rising steadily since 1998/99, reaching over 5% of GDP by 2001 and 5.8% in 2002 (Figure 11). This continuous rise is caused by a number of factors, including the implementation of a number of large-scale national projects, most notably the Toshka agricultural and land reclamation project; ongoing trade liberalization placing downward pressure on customs revenues; inherited social commitments such as the bread subsidy; and domestic debt servicing, which now represents the largest single budget expenditure item, accounting for 6-7% of GDP in 2001/2.

Figure. 11. Budget balance as percentage of GDP, 1996-2002



### Integrity of monetary and financial systems

The Central Bank of Egypt (CBE) is the authorized supervisory body of the banking system in Egypt that ensures the stability of the Egyptian currency. It emerged when the National Bank of Egypt was divided into two separate banks in 1960. The CBE has the legal power to supervise and to take corrective actions against banks not in compliance with prudential regulations. It is managed by a board of directors composed of fifteen members including the Chairman (Governor), two Deputy Governors, Chairman of the Capital Market Authority (CMA), two chairmen of banks, representatives of the Ministry of Economy, Finance, and Planning, four specialists in

monetary, financial and legal issues, and two representatives of the private sector. The Governor and Deputies are appointed for a renewable period of four years by a Presidential Decree.

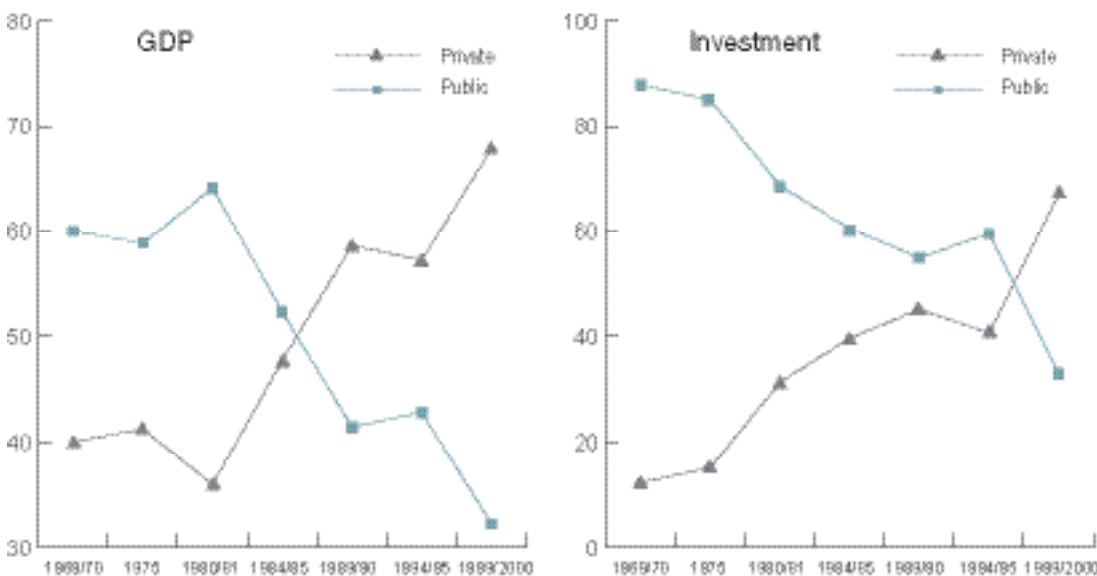
The liberalization of the financial system required the strengthening of the Central Bank's regulatory authority. Significant steps in terms of regulation and supervision were taken during the 1990s to ensure stability during the transition and strengthen the banking sector as it moved into a new era of diversification and competition.

However, bank supervision in Egypt is hampered by several limitations. First, the laws governing the CBE do not specify explicitly the relationship between the Governor and the political authority; and where the law is quite clear, actual practices may deviate from it. Second, there is lack of clarity about the role and responsibilities of the CBE's board of directors, as there is a degree of overlap between the role of the Chairman and the board, leading to uncertainty in the final decision making. Third, the significant increase in the number of banks and branches has not been met by an equivalent increase in the staff, capacity or resources of the CBE's Control Department resulting in insufficient on-site monitoring. Finally, effective supervision of public banks is notably difficult due to political pressures: in particular, they are subject to government intervention in terms of credit allocation, resulting in a high ratio of non-performing loans since lending is often based on political connections rather than financial viability.

### Private sector development and corporate governance

Since the launching of the economic reform programme, the government has taken measures in the economic, legal, monetary, financial, and institutional areas to encourage private sector participation and boost investment, both local and foreign. Encouraged by a more stable macroeconomic environment, the business environment has improved, offering investors attractive incentives and opportunities, duty-free zones, and industrial cities. On the legal front, price restrictions were removed, several legal constraints were eased to become more accommodating to the private sector, and bureaucratic procedures were streamlined considerably (Figure 12).

Figure 12. Public and private shares in GDP and investment, 1969-2000



However, the ability of Egypt's business environment to attract investments is still weak as there are still a number of obstacles that limit its expansion and adversely affect its efficiency and competitiveness, including the complexity of tax administration, inefficient and slow dispute settlement mechanisms, the absence or inefficiency of support services like training centers and laboratories that issue quality certificates and certificates of origin, the high cost of labour, the difficulty

of exporting due to the over-valued exchange rate and the complicated procedures of customs rebate and drawback systems, the difficulty and high cost of obtaining financing, and the lack of transparent economic policies.

A key component of the adjustment and stabilization reform programme has been to reform the private sector in line with the government's strategy to create a market-oriented, private sector-led economy. Although this has led to a shift in economic activity the sector as a whole has failed to significantly build its international competitiveness, with non-oil export performance remaining weak. Strengthening the private sector has faced a range of constraints, including the lack of relevant skills among the workforce and poor transparency in business and legal spheres. This has been exacerbated by often confusing and contradictory government policies towards private enterprises.

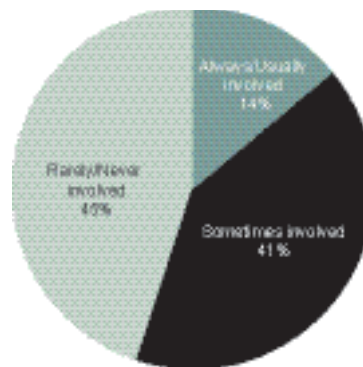
#### Box 2. Law 203

Law 203 of 1991 established the legal basis for privatization by removing the 314 public sector enterprises from the control of government ministers and restructuring them as affiliates under sixteen independent holding companies. In principle, the holding companies operate as private sector companies with full financial and managerial accountability. The issuing of Law 203 was coupled with the establishment of the Public Enterprise Office (PEO), which is the technical office responsible for setting plans and monitoring the restructuring and privatization programme. The holding companies are each managing a portfolio of affiliated state-owned enterprises (SOEs), with a mandate to maximize the present value of the portfolio on behalf of the State. Any holding company is granted the right to sell and buy companies without government interference. Implementation of Law 203 has been successful in removing all sources of dualism between public and private business concerns and has raised the efficiency of SOEs by allowing them to operate under the same set of conditions and rules that govern the private sector. Competition has been promoted, and SOEs are no longer constrained in their operations by any social requirements, such as selling at controlled prices or hiring in excess of their required labour.

By May 2000, Egypt had successfully privatized around 200 public enterprises. These include 134 non-financial public enterprises and their assets, public sector shares in 21 joint venture industrial companies, 16 joint venture banks, two joint venture insurance companies, and various other entities. However, the Government has not shown the same readiness towards the privatization of the four public banks, still holding about half of the total assets, despite the fact that Parliament approved legislation permitting full privatization in June 1998. Similarly, the four public insurance companies, representing some 90% of the market, also still remain in government hands.

According to the expert survey, 45% stated that the government never or rarely involves the private sector in decision-making that affects its development, whilst only 14% believed that it always or usually does (Figure 13).

Figure 13. Expert Panel opinion on private sector participation in policy-making



Source: ECA, *Economic Report on Africa 2003*

Since the more profitable enterprises were the first to be privatized, loss-making companies constitute a large share of the present portfolio. Of the 314 initial companies, 54 were financially unprofitable in 1989/90. At the peak of the privatization process in 1996/97, when the Government was focusing on selling profitable companies, the number of remaining loss-making companies had increased to 82, which was more than 33% of the portfolio. But by 1998/99 the number went down to 41 due to the better management of the holding companies and restructuring of public enterprises.

### Box 3. Egypt's privatization strategy paid off

In 1998, the Public Enterprise Office selected a sample of 28 enterprises to be evaluated after having been privatized. Companies were chosen from different economic sectors and represented those privatized with different sales strategies. Those that were privatized after early 1997 were excluded because they would not have had a long enough time series to develop trends. The survey showed that sales increased in 20 companies, while earnings before interest and tax increased in 19 companies. The average salary per worker increased in 27 companies and the balance of short- and long-term loans to banks declined in 23 companies. The survey, using simple indicators, thus illustrated the general improvement in most of the privatized companies.

In 2002, small- and medium-sized enterprises (SMEs) accounted for about 75% of private sector employment. However, probably only about 10% of micro enterprise and SME's financing needs are currently satisfied. Despite recent initiatives to improve SME access to credit, the estimated "financing gap" still amounts to about LE8.5 billion (US \$1.6 million).

Egypt does not yet have a comprehensive competition law. A proposed competition and anti-monopoly bill has been the subject of debate for almost ten years, and although several drafts are available, none have yet been submitted to the People's Assembly, due to the strength of the business opposition. This is a vital piece of unfinished business, which is needed to enhance institutional reforms, promote governance and improve resource allocation.

### Accounting and auditing systems

The Permanent Committee for Standards of Accounting and Auditing was established by the Ministry of Economy and International Cooperation in 1997. The main responsibility for drafting accounting and auditing standards, however, lies informally with the Egyptian Society of Accountants and Auditors. Its committee selects and translates particular international accounting and auditing procedures of relevance to the Egyptian market.

The Central Bank (i.e. CBE) provides the guidelines and rules of accounting and auditing on financial reporting by banks. Although the Banking Law mandates all banks to follow the accounting and auditing requirements set by CBE, the latter lacks appropriate mechanisms to verify if the banks' financial statements are prepared in compliance.

In spite of all the efforts exerted by the Government to enhance the accounting and auditing systems, there is still considerable room for further improvements. For example, the CBE does not have the power to impose sanctions on auditors who do not comply with prudential regulations. The public accountants and auditors are not subject to reviews by any regulatory body, and have thus never been sanctioned for malpractice.

The office of the Auditor General in Egypt is represented by the Central Auditing Agency (CAA), an independent government unit responsible for auditing government departments and agencies as well as public sector companies. The CAA submits its reports to the People's Assembly. The CAA has taken great steps in assuring that the accounting reports of the public sector comply with internationally accepted standards. The CAA is also responsible for appointing two auditors for the accounts of the CBE, who have the access to all bank documents.

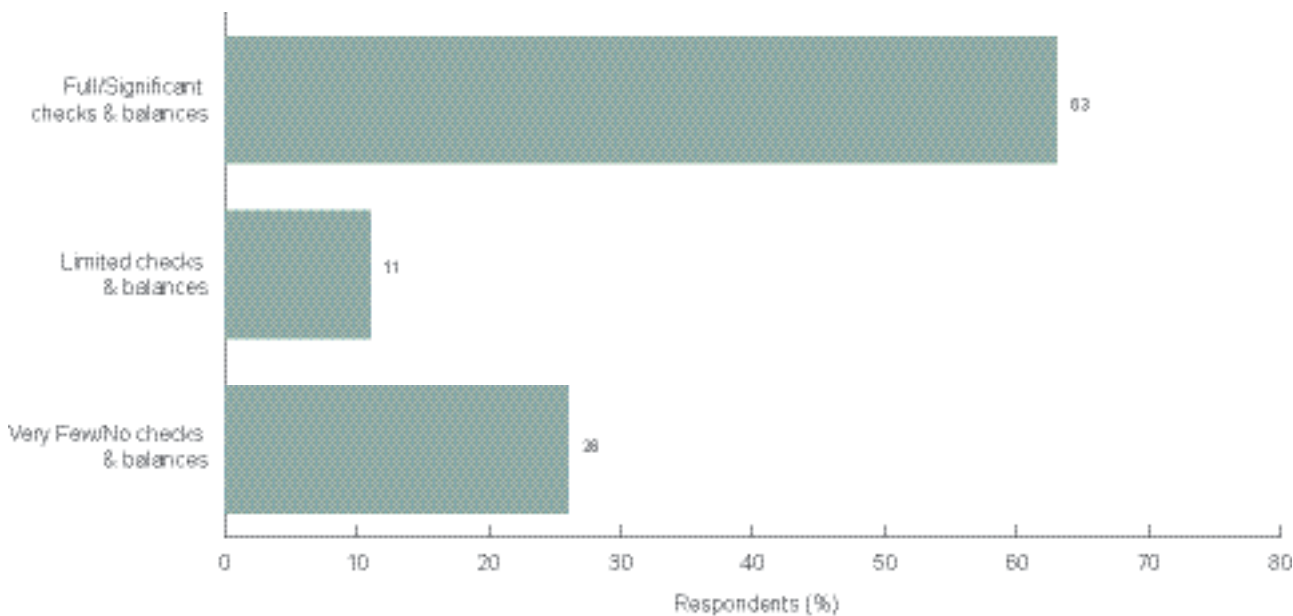
## Institutional Effectiveness and Accountability

### The Constitution and checks and balances

According to the Egyptian Constitution, the President heads the Executive branch' of government. It includes four tiers: the Presidency, the Government, local administration, and national specialized councils. The President is the Head of State and Government, the Supreme Chief of the Armed Forces, and has the power to appoint and dismiss the Prime Minister, ministers, and governors as well as the right to dissolve Parliament. Hence, the regime is heavily biased towards the Executive, vesting supreme powers in the person of the President, who largely controls political institutions, the bureaucracy, and resources.

According to the Expert Panel, 63% believed that there were full and significant checks and balances between the different branches of government, whilst slightly more than one quarter thought that there are actually fully or significant presence of them (Figure 14).

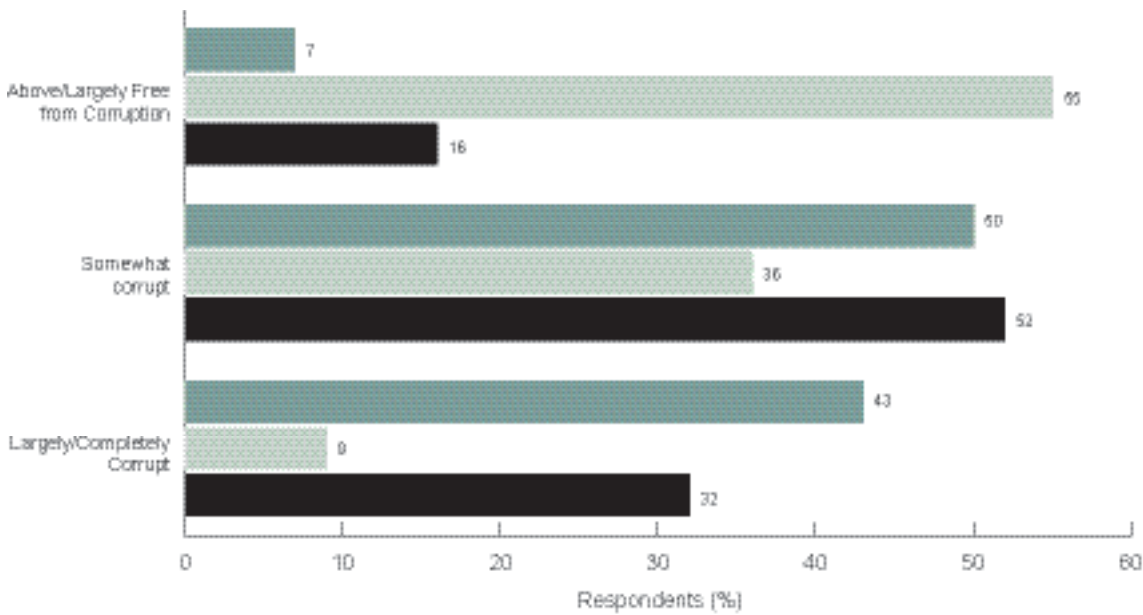
Figure 14. Expert Panel opinion on constitutional checks and balances



The legislative branch is a bicameral body, the lower chamber being the People's Assembly (PA) and the upper chamber the Shura Council. The PA is constitutionally the legislative body. However, the President can issue Presidential Decrees with the force of law, either in case of emergency state regulations, or with delegated authority from the PA.

Oversight is another function of the PA, practiced in various forms, ranging from demand for information to interpellation and fact-finding missions. The standing orders identify 13 tools of oversight available to Members of Parliament (MPs) but in practice, only few of these tools are used, namely, requests for information and urgent statements. All in all, the Assembly's ability to change the Government or amend legislation is limited. With some 90% of the members of Parliament supporting the Government, oversight is more ceremonial in nature. In fact, the media, particularly the opposition papers, have come to play a stronger oversight function over government and bureaucracy. Related to corruption, however, the Expert Panel found the Legislature in general to be above or largely free from corruption as compared to the Judiciary or Executive (Figure 15).

Figure 15. Expert Panel opinion on corruption: Executive, Legislature, and Judiciary

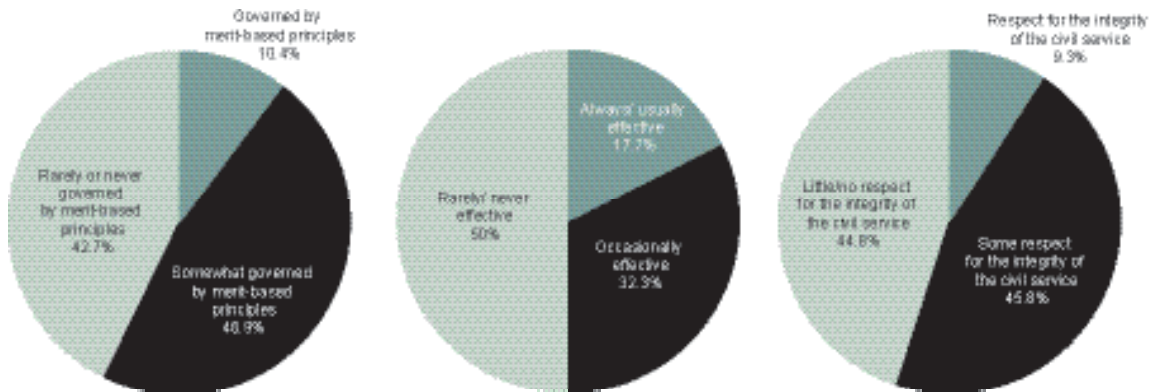


The Shura Council is essentially an advisory organ. Two thirds of its 264 members are directly elected, the remaining 88 members are appointed by the President. According to the Constitution, the Council should discuss proposed amendments to the constitution, bills on basic rights, annual socio-economic development plans, international treaties, and other subjects referred to it by the President. However, the decisions of the Council are not binding, and ministers are not accountable to the Council. Despite this, the Council has been gaining more recognition among political parties and the public media, acknowledging the high quality of its debates and advice offered.

The judicial system comprises three segments: common courts (civil, and penal), administrative courts, and anomalous courts (e.g. state security/emergency courts, ethics courts, military courts) and finally the Supreme Constitutional Court. The independence of judges and autonomy of the court system are generally uncontested. An overall assessment of the judicial system in Egypt is that it is efficient, fair, and impartial, even though the Government tends to circumvent rulings not to its liking by invoking state of emergency regulations, which have been in force since Anwar Sadat's assassination, allowing police quasi unlimited search and arrest powers.

Egypt faces the problem of a large, inefficient and underpaid civil service with weak professional incentives, but which, at the same time, wields immense political influence, resisting efforts to reform it (Figure 16). A recent World Business Environment Survey documented widespread corruption in interactions between business and government, with most interviewed firms indicating that "informal payments" are frequently paid for services, in particular tax and customs officials.

Figure 16. Expert Panel opinion on civil service management criteria, accountability and citizen perceptions of the civil service



### Human rights, rule of law and law enforcement

In November 2002, the UN Human Rights Committee expressed concern about the “semi-permanent” state of emergency in effect since 1981, the very large number of offences punishable by death, the apparently systematic use of torture, trials of civilians before military courts, and restrictions on the activities of nongovernmental organizations (NGOs). The UN Special Rapporteur on Torture reported that a request to visit Egypt and had been pending since 1996.

#### Box 4. Fair Trials?

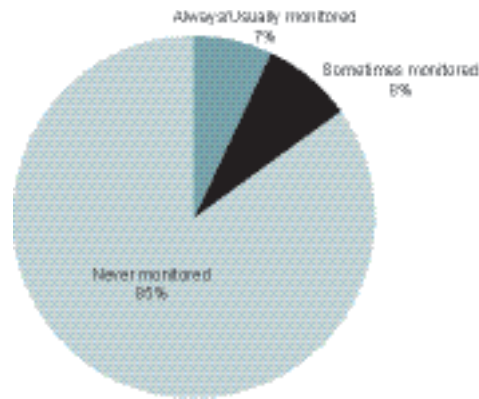
Scores of people faced trial before exceptional courts, such as state security courts, established under emergency legislation. They were charged with a variety of offences, including membership in illegal organization, contempt for religion, espionage and corruption. The procedures of these courts fell short of international standards for fair trial. For example, defendants did not have the right to a full review before a higher tribunal.

Legal restrictions and government controls limit the activities of political parties, NGOs, professional associations, trade unions and the media. There are bans on several political parties and party newspapers. In June 2002, the PA approved a controversial law requiring NGOs to obtain prior authorization from the government before conducting board elections, joining an organization outside Egypt or receiving external funding.

New initiatives by the National Democratic Party including the establishment of the Higher Council for Human Rights, abolishment of emergency courts, and dismantling of the “twenty five years with work imprisonment” sentence are likely to improve Egypt’s human rights record. Women’s rights, in particular, need to be given special attention, as over half of the experts interviewed do not believe that any action is taken upon women’s rights violations.

As per Figure 17, of the Expert Panel regarding violation in prisons and its monitoring are self-explanatory since the vast majority felt that they are rarely or never monitored nor reported to government organs to the public. Also, 85% of the experts believed that violations of human rights by the police and prisons are never or rarely monitored and reported by civil society organizations to the public.

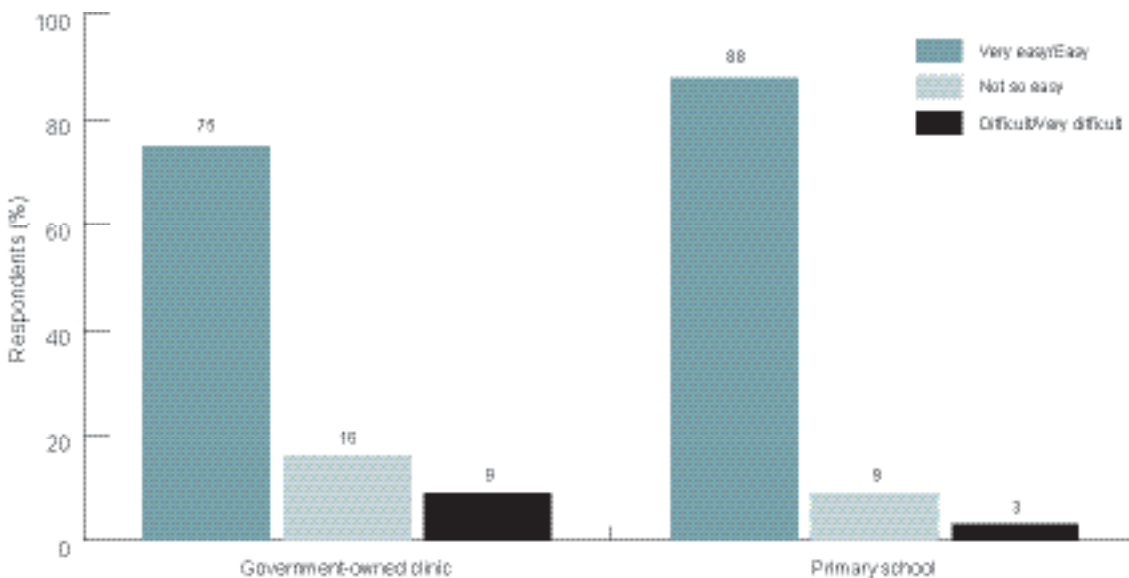
Figure 17. Expert Panel opinion on monitoring violations by police in prisons



**Access, affordability, quality and pro-poor and gender orientations of service delivery institutions**

Egypt is divided into 26 governorates each encompassing two branches: administrative boards (which represent the central authorities) and popular councils (which are locally elected). There is a system of checks and balances between the administrative boards and the popular councils, which should, theoretically, guarantee better internal governance in state entities. Popular councils can monitor the activities of the administrative boards through a variety of tools (e.g. seeking explanations and raising questions), whereas the executive officials on the administrative boards can veto popular councils’ recommendations, on grounds of irrelevance or being outside the jurisdiction of the local unit. The main function of both councils is to implement public policies and deliver services at the local level.

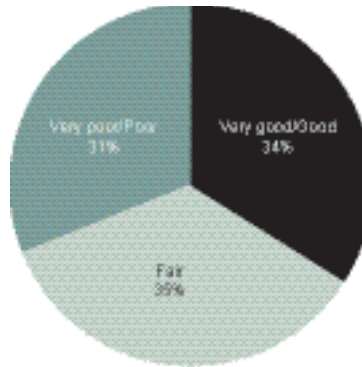
Figure 18. Household survey on access to services



The overall perception emerging from the household survey results is that the access to public service is generally considered easy and its quality fairly good (Figure 18).

According to the household survey conducted, accessibility to a public clinic was considered easy or very easy by the vast majority of the households interviewed (77%) as was access to a primary school (88%). In terms of quality, health services at the local level were considered good by 33% of the households, whilst 23% considered them poor or very poor. Medical costs were considered high by 65%. The quality of public education was believed to be good by an over half the respondents, fair by quarter and very poor by only 9%. Overall results are reflected in Figure 19.

Figure 19. Household survey results on public service quality



#### Box 5. Contradictory legislation governing decentralization

“One feature of the legal framework of local management is that it has considerable contradictions. Despite working under the same ‘unified’ local administration law, local chiefs, in particular Governors, have found themselves playing double agents of centralization and decentralization at the same time. Moreover, some laws, Presidential and ministerial decrees carry clashing regulations. For example, the law considers Governors fully authorized representatives of the Executive while other decrees of the Cabinet and the Prime Minister withdraw a lot of their mandates. Other ministerial decrees minimize the autonomy of Governors in the areas of procurement and contracting through setting rigid procedures and imposing the approval of the center. Towards mid 1990’s, a number of recommendations have been made to empower them to undertake development policies more effectively and the President interfered to help resolve the clashing relations with the center.”

*Source: Quoted directly from National Country Report text*

#### Non-state actors

Reforms in the area of human rights are advancing, although overall freedom of association remains restricted. The notorious Law No 32 related to NGOs from 1964 was amended in 1999, and then declared unconstitutional. Finally the government passed it again in 2002. It is seen as further restraining voluntary associations and depriving them of their major source of funding (external donations), which now has to be approved by the government first.

At the same time, the opposition press has enjoyed greater freedom of expression, although constraints persist and many journalists are facing prosecution. The press is subject to the control of the Higher Press Council, and four main publishing houses control most of the press, competing as commercially independent units. Of the opposition press, Al-Wafd, the mouthpiece of the New Wafd party is by far the most popular, with a circulation of about 50,000. On the whole, though, newspaper penetration is still low, and with illiteracy rates still high, television is the most influential mass medium.

## Institutional Capacity Building and Governance

The relation between strong, capable institutions and good governance has been clearly acknowledged by most African governments over recent years. Efficient and effective institutions are indeed understood to be essential prerequisites for establishing and entrenching a culture of accountability and transparency in the management of national affairs. Therefore, capacity in the context of the ECA project “Measuring and Monitoring Progress towards Good Governance in Africa” is about capacity to promote democratic governance, to improve the structures and institutions of economic policy making, invigorate the strength of civil society to contribute to national development, and create a context of social empowerment for the people – in which they can contribute meaningfully to decisions that affect their life chances and the developmental process.

Capacity has been described as representing the ‘missing link’ in the African development and democratization process, and this view is indeed amply supported by the evidence collected throughout the project countries. Despite the differing contexts and circumstances, certain capacity gaps appear to be cross-cutting, affecting both state and non-state actors and institutions throughout the continent. Without being exhaustive, some of the most critical capacity gaps that need to be addressed include the following:

- Most legislatures in Africa lack the necessary institutional capacities to perform their constitutionally mandated functions. Some of the most common deficiencies identified include inadequately educated legislators, who lack relevant knowledge, access to information, sophistication, freedom and independence that would enable them to perform their mandated duties efficiently and effectively.
- Judiciaries in many African countries do not enjoy operational independence as the Executive determines the appointment, promotion and remuneration of judicial officers. The prospects of career mobility for judges therefore largely depend on how well they can court and patronize the Executive. In most cases, the budget and funds of the Judiciary are controlled by the Ministry of Justice, creating lengthy bureaucratic procedures and often resulting in discriminatory funding used against ‘erring’ courts and judges.
- The capacity gaps cutting across the institutions of the Executive, including the central and regional/local government tiers, the civil service, public parastatals and the electoral authority, generally concern the employment of inadequately trained, remunerated and motivated human resources, which often results in corruption, misuse of office and poor government service delivery, especially at the decentralized levels of government.
- Capacity gaps also affect civil society organizations in Africa, which often fail to fulfill their role of expanding the political space and enhancing participation. Weaknesses include their internal organization, poor management and leadership skills, limited resources and human capacity, and concentration in African capitals, which limits their presence in rural areas where they are sometimes most needed.
- Many political parties across Africa are also largely failing to mobilize and aggregate public opinion. This is partly due to adverse regulations and practices imposed by ruling parties, and partly due to their weak leadership and internal governance structures, which limits their capability to effectively articulate issues, engage in meaningful and organized debates, and promote their political principles or visions of society.

- Finally, the private sector contribution to good governance remains inadequate across many African countries, which is often a consequence of unstable policy frameworks and unpredictable regulatory enforcement capacities. Furthermore, existing mechanisms for consultations and partnerships between the public and private sectors remain weak and unstructured, whilst only few African countries have adopted policies acknowledging the existence and promoting the development.

Whilst these are some of the most commonly observed shortcomings affecting the capacity of African states, each country also has its own, specific capacity issues to address and prioritize in light of both, the differing stages of development with regards to the capacities of institutions of governance, and of existing resource constraints. Therefore, there must be flexibility and a considerable degree of local ownership in the identification and prioritization of capacity building requirements. In the case of Egypt, some of the specific capacity gaps identified in the study are being discussed below country study.

### **Major capacity gap areas identified in the country study**

The legislative branch suffers from scarcity of legislators who are educated about of the different dimensions of the legislation, whether social, economic or political. The process of legislating per se lacks coherence and transparency due to the lack of a systematic procedure for initiating and monitoring the law-making process.

The judicial system suffers from a lack of specialized judges; further, the number of cases vastly exceeds the number of judges. In addition, the system is not computerized, which leads to losses of cases and files. At the same time, the Ministry of Justice has recently set up the Judicial Reform Commission that, in collaboration with other government bodies, is making a comprehensive review of necessary legislative changes to the commercial/business legal framework. New laws on intellectual property rights, money laundering and special economic zones were passed in 2002.

Bureaucracy and inefficiency, disguised unemployment and a promotion system based on seniority rather than merit are the major features of the executive branch. The working methods of the Executive are outdated as government officials are not sufficiently exposed to opportunities to update their skills and network, due to lack of financial resources.

In the Egyptian context, the development of Civil Society Organizations (CSOs) requires efforts in several major areas. First, common perceptions and attitudes towards civil society need be changed, as most people see them as philanthropic or charitable organizations, rather than independent, intermediary organizations concerned with public affairs. In order to change perceptions, it is incumbent upon CSOs to move their policy orientation towards “independent” collective activism. Second, the legal and administrative context has to be reformed to empower CSOs and let them get involved in public affairs, whilst keeping them accountable to the public. Third, the internal structures of CSOs need to be revised to render them accountable and more transparent to the public. Funding is another crucial factor that needs to be dealt with more openly and independently. Finally, human resources available for these groups are less competitive and need key improvements in terms of fund raising and project management skills, automation, monitoring and evaluation tools.

Prior to the NDP initiative to rejuvenate political representation structures in Egypt, it was symptomatic that even non-state actors were controlled by veteran figures. However, a number of new NGOs engaged in different fields started to emerge and become influential, including young businessmen’s associations which are proliferating and having an impact on political decision making processes. Other new non-state actors are the human rights groups gaining increasing importance in Egyptian society.

**Measures to address capacity gaps within state and non-state actors**

A number of ministries have started to take on specialists to upgrade the quality of the bureaucracy. For instance, some have started to have legislative units in their offices to assist in drafting the required laws. Additional staff are hired on a temporary contractual basis and are subject to a higher wage scale from that available in the traditional governmental hierarchy. In most of the cases, they are judges working in the judicial system who take on additional work to raise their salaries and upgrade their technical specializations by getting more involved in relevant issues. They reduce the workload of other state or non-state actors (such as Parliament) and are more informed about the technicalities and spill-over effects of each legislation. The problem that ministries face in the mid term is how to integrate specialists within government offices. In other words, there are new institutional challenges rather than financial constraints.

Several programmes were undertaken as well to upgrade the skills of judges and an initiative to computerize the whole system of handling cases is taking place. However, they are still not sufficient. In addition, several initiatives from the NDP have been undertaken for NGOs to upgrade community skills in tackling different issues, such as voting processes.

## Annex I: ECA Project on “Measuring and Monitoring Progress towards Good Governance in Africa”

The Economic Commission for Africa conceived of this project in the late 1990s in response to the emerging consensus that good governance is central to Africa’s development agenda and progress, as well as to the growing demand for sustained improvements to Africa’s governance situation.

The project has been conducted in phases; by the end of 2003, it encompassed the following 28 countries:

Benin, Botswana, Burkina Faso, Cameroon, Chad, Egypt, Ethiopia, Gabon, Gambia, Ghana, Kenya, Lesotho, Malawi, Mali, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

Plans for 2004–2006 include adding some 12 additional countries to the study.

### Project Groundwork

In order to conceptualize the project, ECA convened a series of workshops in 1999, tapping on expertise from within the continent and outside, consulting widely with relevant universities, research institutions and organizations, such as the Organization of Economic Co-operation and Development (OECD), the United Nations Development Program (UNDP), and the African Development Bank (ADB), Organization of African Unity (OAU), and many others with the following objectives in mind:

- To agree on the components of good governance, in all its dimensions, taking into account the disparate cultural, historical, and other socio-political factors across the African continent. A call for the development of a list of qualitative and quantitative indicators to measure governance emerged.
- To establish criteria for measuring and monitoring governance in the face of the disparate historical, socio-political, and economic disparities among African states. The need to create a dynamic mechanism for periodic cross-national assessment of the performance of African states thus became a central element to the advancement of good governance on the continent.
- To identify ways and means to create and sustain Africa’s ownership and commitment to good governance norms and practices in the context of African realities. Consensus building among the various stakeholders, especially between civil society and the state, was deemed essential.
- To build research capacity in the area of governance.

### Methodology

A research instrument with three components was designed to obtain information on the state of governance in Africa, as reflected by the political, economic, and social affairs in each country. The three research components consist of:

- An opinion-based study using a national Expert Panel, comprised of a group of national experts whose numbers ranged from about 70 to about 120 across project countries. In each of the 28 project countries, members of the Expert Panel were carefully drawn to ensure repre-

sentation with regard to age, social status, education and field of training, political orientation, the private sector, civil society organizations, and ethnic, regional and religious background as well as gender balance.

The research instrument was in ‘cafeteria’ format, and it was formulated and fine-tuned by distinguished groups of experts on Africa in conferences held at ECA in September 1999, March 2000 and April 2001, and then subjected to a pre-test in South Africa and Benin before the final project launch in October 2001. The subject matter of the research encompassed: (i) Political Representation, which included the political system, distribution of power, political party freedom and security and the credibility of the electoral process; (ii) Institutional effectiveness and accountability, which included the effectiveness of the three branches of government, with some emphasis on the Executive branch; (iii) Human Rights and Rule of Law; (iv) Civil Society Organizations, which looked into their independence, operational environment and their effectiveness; and (v) Economic Management, which looked into investment policies, the tax system and the impact of corruption. Once collected, the data from each Expert Panel study were further subjected to rigid quality control to ensure that they were consistent and reliable.

- A national sample survey using a stratified two-stage probability sample ranging from some 1,300 to 3,000 households across Africa to represent a cross-section of the population (i.e., rural and urban, poor and middle class, the educated and the illiterate) to gauge perceptions of principal national problems and the accessibility, adequacy, and efficiency of government services.

The questionnaire for the national household surveys was in closed form. It was jointly designed by experts at ECA and by external partners who have had rich research experience in related studies in several countries. However, the implementation of the household surveys was left entirely to research collaborators in each project country, but close quality control was undertaken by ECA to ensure that all surveys had national coverage and were sound in scientific design and implementation.

The household sample survey in each project country was carried out either in close collaboration with the National Statistical Office, or with the principal sampling experts of the same office, to ensure that it utilized the official sampling frame, stratification, and survey infrastructure so as to enhance the credibility of the final outcome. Consistent with sound scientific survey practice, details on sampling methodology, measures of error, copies of all research instruments and other relevant information are provided in appendices of all country reports.

- Desk-based research of factual information and hard data to supplement and complement the Expert Panel perceptions and national household surveys.

## **Project Implementation**

### **Preparation and pre-testing of research instruments**

The preparation of the research instruments was completed by mid-2001. The instruments were then pre-tested in Benin in August 2001 and South Africa in September 2001. As a result, minor modifications were made to ensure validity and technical soundness.

### **Selection of collaborating institutions**

Only national organizations were considered to conduct the studies. Capacity assessment missions were undertaken to identify research institutions to partake in a highly competitive bidding process, which resulted in the selection of a single collaborating partner or consortium per country. In the case of Ethiopia, five institutions were invited to submit bids, only two did so, and one was selected.

### Pre-launch workshops

Selected research institutions were invited to a 3-day Pre-launch Workshop at ECA in August 2002 to familiarize them with the methodology to ensure cross-national comparability of research implementation, and to agree on the work plan for each country based on a master work plan proposed by ECA.

### National launch workshops

Each country held a National Launch Workshop with representatives of government, civil society, and other stakeholder groups to introduce the project, promote a suitable implementation environment and ensure the development of national ownership.

### National country reports

The collaborating institutions collected the data, obtained ECA's quality control clearance, analyzed it, and produced the National Country Report. ECA provided technical oversight to ensure conformity with its detailed instructions and agreed-upon work plans and report formats, and reviewed the final results.

### National stakeholder and sub-regional workshops

The National Country Reports were presented at National Stakeholders Workshops in each country and subsequently at three Sub-regional Workshops (North Africa and the Horn, Southern and Eastern Africa, and West and Central Africa) during the months of November and December 2003.

### African Governance Report (AGR)

The inaugural issue of the African Governance Report, a new ECA biennial, is a synthesis of the first 28 National Country Reports. It is being produced and the overview is expected to be presented to African Heads of State and all key stakeholders at the Fourth African Development Forum (ADF IV), scheduled for October 2004, in Addis Ababa, Ethiopia.

## Annex II: Basic Data

	1998	2001	2002
Land area ('000 square kilometers)	1.000	.....	.....
Population (millions)	61.6	65.2	66.4
Life expectancy (years)	.....	68.3	68.9
Illiteracy total (% aged 15 and above)	46.4	43.9	43.1
Illiteracy female (% aged 15 and above)	58.3	55.2	54.1
GDP (current US\$ billions)	82.1	98.5	89.8
GDP growth (annual %)	4.5	3.5	3.0

Source: <http://www.worldbank.org/data/countrydata/countrydata.html>.

