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**Master's Thesis of International Studies  
(International Cooperation)**

**Foreign Aid hinges on Accountability for  
its effectiveness;**

**A case study of Egypt's project Implemented by the  
World Bank and the African Development Bank**

August 2021

Development Cooperation Policy Program  
Graduate School of International Studies  
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# **Foreign Aid hinges on Accountability for its effectiveness;**

**A case study of Egypt's project Implemented by the  
World Bank and the African Development Bank**

A thesis presented

By

**Mahmoud Saeed Akl Radwan**

A dissertation submitted in partial fulfillment  
of the requirements for the degree of  
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**Graduate School of International Studies  
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Seoul, Korea**

# Foreign Aid hinges on Accountability for its effectiveness;

A case study of Egypt's project Implemented by the World Bank and the African Development Bank

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## **ABSTRACT**

### **Foreign Aid hinges on Accountability for its effectiveness; Sub- A case study of Egypt's project Implemented by the World Bank and the African Development Bank**

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This study examines the mutual accountability mechanisms and levels between donors and recipient countries to demonstrate the impact of the international level of Accountability on the domestic level. Explore the nature of domestic and mutual Accountability for assistance. Exploring the different accountability mechanisms in the Paris Declaration, Accra, and Busan Agenda, by analyzing project implemented by the World Bank and African Development Bank in Egypt to enhance the aid effectiveness through better accountability mechanisms.

**Keywords: Mutual Accountability, Foreign Aid, Paris Declaration, Accra, and Busan Agenda, Egypt, World Bank, African Development Bank.**

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## LIST OF ABBREVIATIONS

MA	Mutual Accountability
WB	World Bank
AFDB	African Development Bank
AAA	ACCRA AGENDA FOR ACTION
CPF	Country Partnership Framework
P-A	principal-agent theory
PD	Paris Declaration
DA	Domestic Accountability
CSO	Civil Society Organization
BPA	Busan Partnership Agreement (BPA)
MENA	Middle East and North Africa
UN	United Nations

# Chapter I

## 1.1 INTRODUCTION

This study's choice is based on the desire to understand the principle of mutual Accountability of foreign aid to obtain a complete picture of Egypt's accountability system. It is worth to mention that mutual Accountability plays a crucial role in shaping the quality of governance at domestic levels on one side. While on the other side, it makes countries and donors more accountable to achieve development outcomes of the projects that are being conducted through foreign aid funds.

In this context, the study's main question is, "To what extent applying an effective accountability can enhance the efficiency of the project implemented by the World Bank and the African Development Bank in Egypt?"

The study seeks to answer this question by presenting the MA theoretical framework, analysis of partnership strategies by focusing on the World Bank and African Development Bank projects implemented in Egypt.

Moreover, the study will present findings and conclusions by analyzing the Paris Declaration and the Accra and Busan Agenda while investigating the different perspectives of Accountability and furthermore. The study seeks to offer some recommendations to enhance the accountability system in Egypt. to understand the opportunities and challenges of implementing the accountability system in Egypt while

improving the synergies between mutual Accountability and domestic Accountability to maximize the benefits of foreign aid that Egypt receives.

## **1.2 PROBLEM STATEMENT**

The study discusses the impact of the mutual accountability system on aid effectiveness, whereas having an effective accountability system related to official development assistance plays a critical role in promoting good governance and Transparency. This study's main purpose is to determine the real effects of Egypt's accountability system for the projects funded by the World Bank and the African Development Bank. It should be noted that the absence of a strong and effective accountability system would lead to the problem of imbalance of power between recipient countries and donors, thus limiting the capabilities of the financial resources of recipient countries as a result of encouraging donor countries to do so.

## **1.3 RESEARCH OBJECTIVES**

The study's general objective is to examine Egypt's mutual accountability system, analyze strategic agreements and case studies of a project implemented in Egypt by the WB and the AFDB;

Therefore, the specific goals of the study are; investigate the impact of the MA system on national Accountability and governance in Egypt. Investigate Egypt's accountability mechanisms' effectiveness, analyzing the mutual accountability mechanisms used by the World Bank and the African Development Bank. In conclusion,

recommending policies that would enhance mutual Accountability with donor countries and achieve more government openness and good governance.

#### **1.4 SOURCE OF KNOWLEDGE**

The primary source of knowledge for this study's successful completion would be the Seoul National University Library and the Ministry of International Cooperation. Therefore, in addition to the official documents, books, press articles, reports and data of the highest importance and widely used in this paper for an analytical procedure, following the quantitative method of analysis, However, the internet (World Bank, Europe Union, Ministry of foreign affairs, Finance, Central bank of Egypt other sites related to development. Think Tank has and would continue to help enrich the progress and outcome of the study.

#### **1.5 SCOPE AND LIMITATION**

The scope of the study may be a limitation to the study. The fact that the data required for this study had to be collected from Egypt even though the author was at Seoul National University in Korea also posed many difficulties and may be identified as a constraint. It is also envisaged that the study will suffer constraints of time, resource inadequacy, and unavailability of relevant literature.

## Chapter II. Literature Review

### 2.1 Definition

"Mutual Accountability is a process by which two (or multiple) partners agree to be held responsible for the commitments that they have voluntarily made to each other."<sup>1</sup> (UN, 2009).

"Accountability can occur in the horizontal or vertical levels, or both: vertical Accountability: imposed from the outside on governments, or formally through electoral processes, or indirectly through citizens and civil society, including the media. These outside actors seek to impose good performance standards on officials—the most common mechanism in exercising vertical Accountability in elections. Horizontal Accountability: imposed from the inside on governments through institutional oversight mechanisms, checks, and balances, and refers to state institutions' ability to control violations committed by agencies, public bodies, other government authorities, or the requirement that agencies and bodies report violations. In addition to the mutual checks and balances provided by the executive, legislative and judicial authorities". (Akpanuko, 2012).

"Mutual Accountability is based on enforceability and internal responsibility between the State and citizens that donor and partner countries are accountable to taxpayers in achieving development outcomes and also increase civil society awareness

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<sup>1</sup> [https://www.un.org/en/ecosoc/newfunct/pdf/dcf\\_vienna\\_report.pdf](https://www.un.org/en/ecosoc/newfunct/pdf/dcf_vienna_report.pdf)

of corruption. "Mutual Accountability Divided between into two critical directions of Accountability: answerability (the commitment of power-holders to clarify their decisions and actions) and enforceability (the existence of mechanisms for punishing poor performance or non-compliance)"<sup>1</sup>. It is divided into three parts:-

- a) "**Representative**, enforceability explains the relationship between elected people and citizens, which takes a vertical direction from within a democratic, parliamentary system based on freedom of information and the redress legal and political sanctions based on domestic Accountability.
- b) **Corporate enforceability** in accountability relationships is based on the relationship in binding international contracts and agreements that include sanctions for breaching these obligations, which could be the relationship between the two parties equal or unequal.
- c) **Collaborative enforcement**, which is based on mutual interests without specific political and economic sanctions, aims to achieve common goals between the two countries, which is based on partnership and is present in many international agreements" (SADEV, 2012).

## **2.2 Mutual accountability in International Cooperation**

The Paris declaration of 2005 outlined "Mutual Accountability" as one of five specific principles for aid effectiveness. The goal was to address the underlying problem

of Accountability in development cooperation; Accountability's hierarchal systems giving more substantial donors more power over weaker ones were not ensuring that results were being achieved. Moreover, the vast majority of development cooperation initiatives' reality was asymmetric power relations involving many actors worldwide. The declaration set out to take responsibility for the significant outcomes of aid and move from solely a donor responsibility to being something where both donors and recipients would be mutually accountable to each other and their constituencies for development aid results (SADEV, 2012) . The primary indicator for following progress on mutual Accountability from the Paris Declaration was implementing regular mutual reviews of development results between donors and recipients (OECD, is it ODA?, 2008). The progress towards this particular indicator has been minimal.

Following the Paris Declaration, the Accra Agenda for Action (AAA) saw the concept of mutual Accountability broadened. The initial agreement in Paris included an understanding of Accountability involving only two actors; donor and recipient governments. At AAA, the accountability concept was defined as including citizens in both partner and recipient countries, pointing towards parliamentary accountability chains. Moreover, AAA recognized civil society organizations as important actors in securing mutual Accountability.

The fourth high-level forum on aid effectiveness was held in Busan in 2011. With the Busan Partnership Agreement (BPA), the concept of mutual Accountability was again expanded to include private sector actors, especially those in the BRICS economies. This forum also called attention to making information on progress towards

development accessible to all stakeholders (OECD, 2012) . The main consensus regarding Accountability from the BPa was that information transparency is essential to secure Accountability in development cooperation. Progress reports have shown that progress has been limited to implementing transparency practices (UNDP, 2014. )

Thus, we can see that although ambitions have been high to secure implementation of this newly agreed-upon principal, it has been dubbed 'the orphan principal' due to a lack of progress on its implementation (SADEV, 2012). There remain several barriers to securing mutual Accountability in practice; these challenges come during the interpretation of the agreements on strictly "how to account" and "whom to be accountable to" and "what to be accountable for? So, although the mandate of securing mutual Accountability is aimed at addressing the inherent asymmetries within development cooperation, in practice, we are still left with vertical notions of Accountability between donors and recipients. (Wilson, 2016).



## **Chapter III. Research design**

### **3.1 overview**

The analytical structure used in this study is the philosophy of the main agent (P-A theory). One of the benefits of this theory is its capacity to accurately explain hierarchical relations within development collaboration, in this case. The theory suggests that the principal delegates allocate assignments to the agent and use different punishments to obey the agent. It implies that there would be a basic factual disagreement between the two parties and that the agents naturally have more knowledge about their actions than the principals do. This adds to the principals' involvement in techniques to exercise power over the agents to protect their rights. One such approach is Results-Oriented Management, which is based specifically on the logic of P-A theory, and I include this in the theoretical context.

The study recognizes donor organizations as principals and recipient organizations as agents. Rather than evaluating concrete hypotheses from the P-A hypothesis, I use the theory's explanatory force to explain the relationship between contributors and receivers.

In addition to the P-A principle, I am exploring the theoretical underpinnings of Accountability and the critical aspects of the concept. Building on this, I am adding a variety of accountability problems addressed in the literature. Others are unique to development collaboration, whereas some are specific to main-agent interactions in

general. Each of these accountability problems will then be addressed in light of the findings of this study.

I will provide the theoretical basis for this paper in this section. First of all, I am (AFDB's Strategy, 2013) presenting the key agent's principle, which will be used as an overarching basis for recognizing the hierarchical role in development cooperation. Secondly, I will provide a theoretical structure for the term development collaboration on Transparency. Finally, I will clarify the methods of this article.

### **3.2 Principal-Agent theory**

The P-A hypothesis (also referred to as Agency Theory) are embedded in the economic reward theory. They can be traced back to the work of Adam Smith on the determination of salaries. Smith wrote, "The workmen desire to get as much, the masters to give as little as possible" Here, he indicates a profound conflict of interest between the masters and the staff of the day." (Smith, 1776). Here, he proposes a fundamental conflict of interest between masters and workers of the day.

Masters (principals) assigned duties to their subordinates (agents), and while their arrangement was contractual, the bargaining power between the two sides was not equally distributed; the masters had the upper hand. However, even if the masters had an edge, they still relied on the agents to conduct their duties. This is the whole picture of the main-agent relationship, more established in the public choice theory subset.

This hypothesis is based on the premise that it is possible to grasp all modes of social and political activity and a series of contracts or agreements) where one part,

known as the principal, enters into exchanges with another part, the agent. There are many explanations that the principal may pursue an agent; the role may require specialized professional skills, or the principal may not have the staff to do the job independently. In either case, the central area of concern is how labor is divided between them.

As with other public choice theory theories, P-A theory suggests that all people are rational utility maximizers, finding the most effective means for their different purposes. In the end, this places the interests of the principals and agents in conflict with each other. Further problems in the P-A relationship come from the issue of asymmetrical information. Also, the principals and agents may not have accurate information about each other's true motivations, which each side does not have. Try to exploit to their advantage. From the key point of view, there is always confusion about how the agents' actions can lead to goals that have been agreed upon. Thus, the Agency Theory's central tenant attempts to explain the ideal form of interaction between the two pieces, considering what we know about them and the essence of the tasks they seek to complete. The purpose of the study of contracts is to consider how the two sides can better discuss, define, and control the arrangement to prevent issues that may occur as the agent acts.

### **3.2.1 Agency costs**

The Principals have many resources at their disposal to ensure that the agents cooperate with the deal. Next, they may create rewards or penalties for agents based on

their success. Second, the Principals should track agents carefully to ensure that their conduct is compliant with the contract. Third, they may enter into a binding arrangement with the agent, ensuring the agents may be responsible for paying penalties if the agreement is not completed. These methods will incur a certain number of costs on the principal; these costs will vary based on how much the agent's interests differ from those of the principal. Such expenses are known as the costs of the Agency.

### **3.2.2 Agency problems**

In the Agency Theory literature, there are usually two issues that emerge in the main-agent relationship, both of which derive from the initial issue of asymmetric knowledge. The first is an adverse selection; this occurs before the two sides enter into a formal arrangement. The Principal may have different screening methods for identifying an effective agent. They will never truly know, though, whether the agent is the right choice for the job since their knowledge is the right candidate for the task because their information is limited (EISENHARDT, 1989) there is an adverse selection when the principal chooses an agent who cannot fulfill their contracted duties.

Second is the problem of a moral hazard. This arises from the fact that principals cannot fully observe agent behavior once a contract has been negotiated (MOE, 1984) . Since agents are utilitarian-maximizing, they often execute activities with minimal expectations in environments where their success is not noticed by the principal. Agents are said to be trembling in those cases where they make minimal attempts to carry out their duties. Moral danger often arises where the agent has a target dispute with the

principal and chooses to fulfill his or her goals. At the end of the day, values would not have flawless frameworks for tracking their agents, so moral dangers are normal. (Wilson, 2016)

### **3.2.3 Theorizing accountability**

Building upon the figure of principal-agent relationships that has been sketched above, we can move closer towards the concept of Accountability. When applying this P-A framework to parliamentary systems and the policy implementation process, we observe several principal-agent relationships from voters down to civil servants. These relationships essentially form a chain of delegation, where those who have the authority to make political decisions delegate such decisions to agents. (STRØM, 2000) . This panel process is essential within representative democratic systems; voters have neither the time nor the ability to make informed and consistent decisions without delegating responsibility. The following figure outlines the chain of delegation in parliamentary systems:

With this chain of delegation comes a parallel chain of Accountability; each agent is accountable to their principal. Ideally, an agent is responsible to their principal if they are (1) obligated to act on behalf of the principal, and (2) can be rewarded or punished by their principal, depending on their performance (FEARON, 1999). This is typically associated with a vertical form of Accountability; Bovens definition provides a good overview: "Accountability is a relationship between an actor and a forum, in

which the actor should explain and to justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face the consequences.

To simplify the definitions given above, we may boil down Accountability to two main tenants: answerability and enforceability, both of which are the two most common dimensions associated with Accountability in the literature. Answerability denotes the level of information available for principals to justify decisions and actions. The information made available to them will create the foundation for decisions to enforce commitments that have been made between agents and themselves (Wilson, 2016). Enforceability describes principals' ability to ensure that agents stick to obligations that have been made and refer to the mechanisms available to principals in those instances where commitments are not followed up.

Another form of Accountability looks to provide more direct relations between those who are to give an account on the one hand, and the media, civil society, and citizens on the other. This is known as horizontal Accountability. While vertical Accountability relies on enforceability to ensure agents account for principals, horizontal Accountability does not place formal obligations on agents to render an account. Accountability takes place voluntarily outside of a legal principal-agent relationship, whereby agents feel morally responsible for giving a public account on their. The word horizontal itself implies a departure from the idea that one is subordinate to another and focuses on being responsive to clients, independent overseers, or professional standards (Wilson, 2016).

### **3.2.4 Accountability problems in development cooperation**

Accountability problems mar the relationships between donors and recipients. In this section, I will shed the light on the main issues that are present in the literature on Accountability in development cooperation.

### **3.2.5 Answerability and enforceability**

Building further on the concept of public Accountability that has been sketched above, we may adapt individual tenants to the principal-agent relationships within development cooperation. Public Accountability exists from voters down to civil servants; this essentially forms a system of checks and balances that hold the various actors accountable for their actions. In theory, the relationships along this chain have mechanisms that meet the answerability and enforceability requirements associated with vertical Accountability. In development cooperation, however, certain things that secure Accountability from principal to an agent are often missing as with all international cooperation. Firstly, let us look at enforcement even though states that sign international treaties and are bound by them ignore these treaties, will seldom be forced to comply with other treaties (OCAMPO, 2014). Another factor is that many international agreements are voluntary, and there remains nothing to enforce officially. An example of this is seen in the limited number of OECD countries that have fulfilled their commitment to a minimum of 0.7 percent of Gross National Product (GNP) to ODA. Although these factors concern agreements between countries, the same logic of enforceability exists within many project partnerships in development cooperation.

The second dimension of Accountability, answerability, is also hindered in development cooperation. The information flow from the agent to the principal is affected by the underlying information asymmetry between the two parts. Still, additionally, the geographic distance between them creates additional challenges in gathering accurate information. To remedy the problems of answerability in development cooperation, donor governments had bolstered the vertical mechanisms available. This has involved conditionality for aid grants and saw donors using policy conditioning as sanctions that recipients had to obey to receive finances. This has been criticized for removing ownership of aid from beneficiaries and placing it in donors' hands. As mentioned in the previous chapter, a mutual form of Accountability has been promoted more recently by the OECD to push donors to move away from vertical Accountability towards horizontal Accountability; in the literature, this is also referred to as mutual Accountability. (BOVENS, 2003)

### **3.2.6 The broken feedback loop**

Like the chain of delegation we see in a typical principal-agent model, development cooperation has a hierarchical system often referred to as the 'chain of aid delivery.' In section 1.2, I noted that this had been developed further into the "Aid Octangle." et al. stress that the linkages in this octangle should be viewed as groups of nested relationships, any one of which may be productive or counterproductive. It is outside this paper's scope to analyze all of the nested relationships within the aid octangle. Instead, the main focus will be on the donor-recipient relationships within the framework



of the P-A theory. Based on this, we may view donors as principals who delegate tasks to their agents, the recipients (labeled "contractors" in the aid octangle).

The P-A theory literature assumes dyadic relationships, where one principal delegate a task to one agent. In the aid octangle, the principal-agent model becomes somewhat more complicated. This complexity leads to what calls the "broken information feedback loop."

According to established models of efficiency in public, politicians (principals) can place pressure on public institutions (agents) to adhere to the needs of beneficiaries of available programs in cases where beneficiaries are dissatisfied with the outcomes of the program in question. Likewise, beneficiaries (acting as principals) can pressure their politicians (agents) from their side, which creates an ongoing cycle of public efficiency. The power of the beneficiaries, in this case, is that they are voters and taxpayers in their country, making them the ultimate principal. In this scenario, it is generally assumed that both parts are well informed about the programs being implemented (MARTENS, 2002). The difference with development aid is that beneficiaries of aid programs are neither voters nor taxpayers in the country that pay for the aid – and therefore, they have little political advantage over donors. For example, assistance beneficiaries have no sanctioning capabilities towards aid donors; they can merely observe the outcomes.

Furthermore, standard information feedback mechanisms are strained because of the two parts' geographical and political distance. Thus, there are limited mechanisms for transmitting the beneficiaries' views of aid programs directly to the donors. Even if

the information were to flow from the bottom-up, beneficiary views are likely to be perceived biasedly because their goals conflict with donors. (Wilson, 2016).

The intended beneficiaries of aid are those at the bottom of the octangle, recipient countries' citizens. Although they should be regarded as the principals in this scenario, they lack the same channels of answerability and enforceability available to taxpayers in donor countries. The feedback loop continues to be broken. However, donor countries have tried to remedy these problems by gathering information on program performance in other indirect ways (MARTENS, 2002) .

### **3.3 METHODOLOGY**

The study conducts a descriptive analysis of the qualitative approach to assess mutual accountability policy indicators between the World Bank and the African Development Bank (a project case study). It is based on evaluation reports issued by development partners it draws on current policy, implementation framework, academic literature, and critical data from secondary sources. The data shall be retrieved from governmental documents, i.e., national surveys, research articles, annual reports, census reports. The UN agencies' reports, International Development Agencies, World Bank, Asian Development Bank, certain official websites of the government departments, and ministries. It would further benefit from the scholarly writings of famous experts of the relevant fields (i.e., social sciences, public policy, etc.).

### **3.4 Analytical framework**

This study focuses on assessing and analyzing the level of mutual Accountability among the WB, AFDB, and Egypt to find out its impact on domestic Accountability in Egypt. by analyzing the projects case study using the Paris declaration and Accra and Busan Agenda following international level's mechanisms (i) a common agenda; (ii) a monitoring framework; and (iii) a process that includes dialogue and negotiation. ( Hechler, H., & Tostensen).

#### **3.4.1 International level**

##### **i. Common Agendas**

At the national level, donors and recipient governments have formed and dedicated themselves to various shared agendas. Both fell into two categories: growth policy agreements and development results and aid effectiveness agreements. Partner governments and their constituents have their own development strategies: national, program, and sectoral implementation strategies (at least in principle). However, since donors (strives) to fund by recipient budgets and align themselves with recipient preferences, they have an interest in the content of these tactics. In addition, PRSPs- which some policymakers have incorporated into their national strategies-require funding from the World Bank and the International Monetary Fund. (World Bank, 2007). Growth techniques are an essential tool for dialogue, discussion, and the development of a shared structure. Once developed, these strategies-which also include a matrix of

policy initiatives and objectives-are used as frameworks for measuring development. Around the same time, though in some situations, dual strategic mechanisms have been established, resulting in conflicting or different lines of Accountability.

**ii. Monitoring mechanisms**

There is a series of 'monitoring' processes that monitor both government and donor progress towards negotiated commitments on aid effectiveness and growth. Although all of these services remain focused on recipients, donors are gradually being judged. Some systems have disaggregated statistics, ranging from information on aid flows to information on development outcomes (such as poverty rates and enrolment in primary education).

**iii. Dialogue, debate, and negotiation**

Dialog and dialogue forums are required to shift agreements and reporting systems from mere square procedures to mechanisms that enhance Transparency and promote behavioral improvement. "They not only help to set the agenda and assess results but also to create trust and offer encouragement to enforce commitments." (Steer et al., 2009). These forums exist at the technical and political levels. (Handley, 2008). Technical working groups are structured around fields and subjects. These sessions, which are primarily attended by technical personnel from the appropriate ministry and donors involved in the region, discuss progress against the negotiated commitments and the reasons for lack of progress. Since working group meetings are usually conducted on a regular basis during the year, they are an essential forum for establishing trust and a shared approach. Reference words also form working groups.(Williamson et al 2008)

### **3.4.2 Domestic level**

Which explains the relationship between the ruled (citizens) and those who rule (the Government). Domestic Accountability over aid concerns the relationship between governments that administer and benefit from the aid and local departments that administer aid on their behalf. Domestic Accountability can involve a wide range of local actors, including the executive branch, parliament, audit institutions, civil society organizations, political parties, the media, and the private sector. These actors play several roles in aid, providing inputs to national development plans, facilitating discussion about development priorities, participating in the budget process, monitoring progress against aid goals and development effectiveness, and ultimately penalizing governments for poor performance.

## **Chapter IV. Mutual Accountability in Egypt**

### **4.1 Background**

Initially, for an extended time from 2000 to 2018, Egypt received about \$ 31,210,159,977 " world Bank data current US\$. (worldbank, 2000/2018).

Development aid is the Egyptian Government's tool - represented by the Ministry of International Cooperation - to fill the financial gap and finance priority development projects through international development partners.

In this context, improving the public administration and governance system is crucial to strengthening the relationship with citizens to achieve sustainable growth and poverty reduction. The Egyptian Government has taken several steps to address issues related to the public administration system and governance; to undertake reforms aimed at improving access to information and citizen participation in most areas of public sector activity; to strengthen the relationship between the Government and citizens, and to reduce the sense of alienation and frustration with the State.

To ensure maximum benefit from aid effectiveness, governments must support the level of Transparency, Accountability, and address deficiencies in law enforcement systems, regulations, Policies, low incentives and lack of sanctions. This makes it impossible for people and companies to access government services or keep officials accountable. In the implementation of this, reference must to;

First: An overview of the Egyptian political and economic situation.

Second: Accountability and monitoring in the 2014 constitution

Third: - Accountability and monitoring for the economic development plan,

Fourth: - The Law was regulating the Ministry of International Cooperation.

## **4.2 Egypt's political and economic situation.**

Egypt has suffered for long periods of deteriorating living and economic conditions, low growth rates, high unemployment, and inequality, which led to the two revolutions from January 25, 2011 - June 30, 2013.

In 2014 Egypt adopted a new constitution and elected a new president, and it succeeds in achieving reforms at the economic and social level. Even though Egypt's reforms still have several challenges represented in "reducing the budget deficit, increasing the growth rate and recovering the banking sector, and making progress on the human development level. Moreover, it needs to improve the public administration and governance system. Developing far-reaching systemic changes to turn the Egyptian economy into a competitive market will alleviate poverty and generate ample work prospects and sustain social and political stability.

## **4.2 Accountability and monitoring in the 2014 constitution**

"**Article 68**, Information, data, statistics, and official documents are the property of the People, and the disclosure thereof from their various sources is a right guaranteed by the State for all citizens. The State is committed to provide and make them available to citizens in a transparent manner. The Law shall regulate the rules for obtaining them and terms for their availability and confidentiality, the rules for their deposit and storage; and

the rules for and filing complaints against the refusal to provide them. The Law shall also impose penalties for withholding information or deliberately providing wrong information. The State institutions shall deposit official documents with the National Library and Archives once they are no longer used. The State institutions shall also protect, and secure such documents against loss or damage, as well as restoring and digitizing them using all modern means and instruments according to the Law" (CONSTITUTIONNET, 2014).

"**Article 93**, The State shall be bound by the international human rights agreements, covenants and conventions ratified by Egypt, and which shall have the force of law after publication in accordance with the prescribed conditions". (CONSTITUTIONNET, 2014).

"**Article 127**, the executive power may not obtain a loan or funding or engage in a project that is not listed in the approved State budget which entails expenditure from the State treasury within a subsequent period, except with the approval of the House of Representatives" (CONSTITUTIONNET, 2014).

"**Article 151**, The President of the Republic shall represent the State in its foreign relations and conclude treaties and ratify them after the approval of the House of Representatives. Such treaties shall acquire the force of Law following their publication following the provisions of the Constitution. Voters must be called for a referendum on the treaties related to making peace and alliance and those related to sovereignty rights.



Such treaties shall only be ratified after the announcement of their approval in the referendum. In all cases, no treaty may be concluded, which is contrary to the provisions of the Constitution or which results in ceding any part of state territories" (CONSTITUTIONNET, 2014).

"**Article 219**, The Central Auditing Organization shall be responsible for monitoring the funds of the State, the funds of the State public and independent legal persons and other authorities as specified by Law; s well as being responsible for monitoring the implementation of the State budget and independent budgets and for auditing its final accounts" (CONSTITUTIONNET, 2014).

### **4.3 Accountability and monitoring for the economic development plan**

The Egyptian Government has formulated an economic and social development plan in discussion with civil society, the private sector, citizens, and partners. It focuses on three main areas: economic development, improvement of the public administration system and governance, social justice, and inclusion of all social groups. The most prominent features of this strategy focuses on the leading role that the private sector is expected to play in economic development, the emphasis on the need to enhance Transparency and Accountability in the public sector, and the emphasis on inclusion. (Egypt\_vision2030, n.d.)

In this context, Egypt has a national strategy to act as the main framework for all projects until 2030. It supports this achievement through improved enforcement and

cooperation mechanisms with the private sector, NGOs, and academia's participation to accelerate sustainable development.

The sixth objective of the state's plan: The Government works to achieve efficient and effective governance of state institutions and society with private sector institutions and civil society and to establish Transparency with citizens. It seeks to achieve governance by adhering to laws, rules, accountability procedures and combating corruption within a framework of Transparency by publishing all data and making them available to citizens within a range of Accountability to ensure the implementation of the goals approved by the Government (Egypt\_vision2030, n.d.).

The plan also stipulated that governance and Accountability are critical elements in overcoming data and financing challenges. In this context, the solutions provided by technological progress should be used to establish a cooperation mechanism to achieve the required level of harmonization, Transparency, and knowledge sharing. The control system requires improvements to enhance process relevance at all levels of implementation, from the project level to the policy level. Strengthening monitoring and evaluation units in all government agencies are imperative to ensure their ability to deal effectively with any deviations from plans and objectives. These units should be well equipped with all the human and material resources needed to monitor and evaluate progress in all programs and projects using predefined standards and key performance indicators. A well-developed monitoring and evaluation system is essential to optimize the use of limited financial resources. The system can also encourage sound and timely data due to its reliance on measurable results and goals. (Egypt\_vision2030, n.d.)

The State, represented by the Ministry of Planning, Follow-up, and Administrative Reform, shall develop the planning and follow-up system following the goals of sustainable development by linking the development goals with the goals of Egypt's vision - with the Government's work program for all funded development projects implemented by the support agencies in the Arab Republic of Egypt in preparation for the presentation and making them available to the competent authorities through;

Linking the UN Sustainable Development Goals and the goals of Egypt Vision 2030 with the Egyptian Government Action Program (2018-2022). (Egypt\_vision2030, n.d.)

They enable all principal and subsidiary agencies to formulate their development plans and submit proposals for those plans.

The formation of the main building block in building the information infrastructure around the proposed projects for all the reference bodies, in a way that serves the goals of sustainable development of the United Nations, and the vision of Egypt 2030 with its goals and indicators to measure its performance, as well as the Government's work program (2018-2022) to facilitate the process of follow-up.

We are providing a great deal of Transparency in selecting projects included in the State's sustainable development plan by standardizing the criteria for judging projects and comparing them. (Egypt\_vision2030, n.d.)

## **4.4 The role of Ministry of International Cooperation.**

### **i. Ministry of International Cooperation's mandate**

The Ministry of International Cooperation (MoIC) is the sole Egyptian governmental entity receiving, allocating, and managing Official Development Assistance (ODA) to Egypt. Besides managing the relations between the Arab Republic of Egypt and the international organizations, financial regional and international institutions, investment guarantee institutions, and the United Nations (UN) specialized agencies in the economic cooperation field. (MOIC, 2015)

The MoIC also Prepare the bilateral and regional indemnification agreements and loans and grants agreements in cooperation with foreign governments. Ensuring the proper follow up and monitoring of; the ratification process of such agreements and the implementation of the activities and projects entailed within these agreements; moreover, MoIC is entitled to resolve any conflicts or disputes arising as a result of the implementation of such agreements; lastly Manage and monitoring the progress achieved by implementing the ODA funded by the United Nations Development Program (UNDP) or other development cooperation partners. (MOIC, 2015)

### **ii. MoIC Strategic Plan Objectives**

- a) Strengthening the State's autonomy and the freedom of political decisions and ensuring that international arrangements follow national interests rather than determined by external partners.

- b) Raise the foreign currency available to alleviate reserve pressures and secure cash capital to execute development programs, particularly those targeting the poorest and most remote regions.
- c) Improve economic return and minimize potential financing risks by diversifying financial instruments and instruments and improving bargaining capabilities and contractual terms. (MOIC, 2015)

## **Chapter V. The WB position on Mutual Accountability**

### **5.1 Overview**

Inception, the International Bank for Reconstruction and Development, was established in 1944, later called the World Bank Group, and included five development institutions. In the beginning, it aimed to provide loans to rebuild countries destroyed by World War II. Later on, his focus shifted to providing loans for development rather than reconstruction, in the areas of infrastructure, "dams, electricity networks, irrigation networks, and roads."

In 1956, the World Bank Group provided loans to private sector companies and financial institutions in developing countries to establish the International Finance Corporation. With the establishment of the International Development Association (IDA) in 1960, more focus was on the poorest countries, in the context of a steady shift towards eliminating poverty, supportive economic growth, and Ensure sustainable gains in enhancing the quality of life of people in developing countries.

Consequently, the World Bank is a vital source of financial and technical assistance to developing countries, including 189 member states. Targeting the following;

- a) To end extreme poverty, the Bank seeks to reduce the percentage of people living on less than \$1.90 per person per day to no more than 3% by 2030.
- b) Promoting commonwealth, the goal is to increase the most deficient 40 percent of every developing country population.

Via financial tools and services represented in loans to developing countries at low-interest rates, interest-free loans, and grants. Investments in education, health care, public policy, infrastructure, financial and private sector growth, agriculture, environmental, and natural resource management. Establish alliances with states, other multilateral organizations, commercial banks, export credit agencies, and private investors to fund such development projects. It also offers creative information sharing projects for developed countries represented by 'economic guidance, analysis, empirical surveys, and technical assistance programs.' The Bank also encourages capacity building in the countries it provides services. (WB, n.d.)

## **5.2 World Bank Strategy**

As we mentioned above, the World Bank's goals are to work to end extreme poverty, achieve sustainable development goals, and enhance shared prosperity for nations. In implementing this, the World Bank is working to establish partnerships and cooperation with international partners, including countries, civil society, and the private sector.

The World Bank Group has adopted new programs to overcome external influences and radical shifts in the global economy, global risks and fluctuations, and the continuous changes like poverty that affect development. "Within this framework, the World Bank Group prepared a strategy to achieve comprehensive development and eliminate conflict in the MENA. It works on - "Economic and social inclusion for peace

and stability in the MENA, It places at its core the goal of supporting peace and achieving social stability." (tralac, 2015).

The policy is focused on four elements addressing the root causes of conflict and aggression and immediate consequences through development initiatives that foster integration and create equality shared by all (tralac, 2015). The four elements on which this approach is based are as follows;

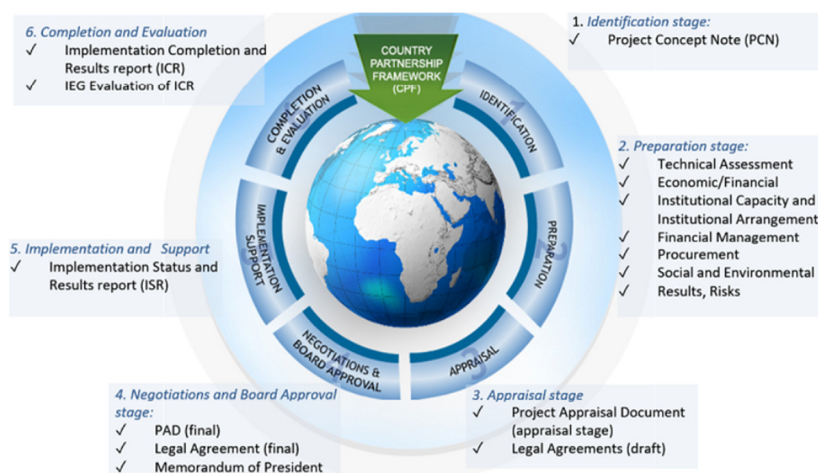
- a) Renewing the social contract-creating a new development paradigm focused on increasing public confidence; supporting the vulnerable and those at risk of suffering more effectively; delivering inclusive and accountable services; strengthening the private sector so that it can build employment and provide the opportunity for young people in the region.
- b) Regional Cooperation, in particular concerning the provision of regional public utilities and industries, such as education, water supply, and electricity, to promote greater confidence and cooperation between the countries of the region.
- c) Resilience to shocks and emergencies resulting from refugee and migration crises, by promoting the well-being of migrants, internally displaced persons, and their host communities, by concentrating on building trust and establishing the facilities they need.



- d) Reconstruction and recovery-through a dynamic strategy that draws together external allies mobilizes considerable resources and bypasses humanitarian emergency assistance for longer-term stability wherever and wherever war fades (An Overview of the World Bank Group Strategy, 2013).

### 5.3 World Bank Project's cycle

The World Bank offers financial assistance for growth and reform in low-and middle-income countries by initiating development programs, adopting transparent processes to accomplish the target through the project cycle used to plan, schedule, execute and manage projects. Furthermore, the length of the project period is compatible with commercial expectations for a long time. It is not rare for the project to take longer than four years; it is determined before it is finished. (World Bank, n.d.) , A World Bank project consists of six stages as follow;



Source: WB

### **i. Identification**

The World Bank, IFC, and the International Investment Agency, together with the borrowing country's Government, design the financial assistance details after conducting the analytical work. The borrower and the World Bank are designing a strategy called the Country Partnership Framework to set the country's highest goals for poverty reduction and the development of living conditions.

Identified projects will vary across the economic and social continuum from infrastructure education, health, and government financial management. The WB and the Government negotiate on the project's initial concept and its beneficiaries, and the Bank's Project Committee outlines the specific aspects of the Project Concept Notice. This paper describes the planned goals, immediate threats, and alternative scenarios. During this process, two additional bank documents are produced. The Project Details Guide outlines the scope of the planned project. It provides valuable public information for the adaptation of tender materials to the planned project. The publicly accessible Integrated Protections Data Sheet describes crucial concerns relevant to the Bank's environmental and social security policies. (World Bank, n.d.)

### **ii. Project Preparation**

The borrowing Government and its implementing agencies are responsible for the project's planning process, which can take several years to carry out feasibility studies and, if necessary, to plan infrastructure and technological designs during this phase and later in the project's execution phase. Beneficiaries and partners are also consulted to receive their input and ensure that the proposal satisfies their needs.

The World Bank usually plays an advisory role and provides research and guidance as needed during this period. However, the Bank assesses the implementing organizations' relevant ability to cooperate with the borrower on arrangements for overall project management, such as the frameworks needed for financial management, recruitment, reporting and tracking, and assessment. (World Bank, n.d.)

### **iii. Safeguard Policies**

Projects funded by the Investment Project Financing Instrument are regulated by organizational policies and procedures intended to ensure that projects are politically, financially, socially, and environmentally sound. The new Environmental and Social System (ESF) of the World Bank, approved by the World Bank Board on August 4, 2016, extends the protection of people and the environment in bank-funded programs. The latest criteria have come into force in 2018, which refer to new investment ventures in which a concept note is issued.

### **iv. Project Appraisal**

The appraisal helps stakeholders to analyze the nature of the project in-depth and to address any pending problems. The Government and the World Bank shall review the work undertaken during the identification and planning processes and affirm the program's planned effects, the anticipated beneficiaries, and the appraisal tools to track development. At this time, a consensus is made on the feasibility of all facets of the enterprise. The Bank Team agrees that all facets of the project are compatible with all aspects of the World Bank. The Government has administrative arrangements in place to execute the project effectively. Both parties settle to a project timeline and disseminate

critical documents and recognize any unfinished business needed for the Bank's final approval. The final measures determine the project's preparation for execution and consensus on the requirements for effectiveness (agreed-up action before implementation). The Project Details Guide will be revised and published when the project is accepted for funding. (World Bank, n.d.)

**v. Project Approval**

Once all project specifics have been negotiated and approved by the Government and the World Bank, the Project Team shall prepare a Project Assessment Document (for investment project financing) or a Program Document (for growth policy financing), along with other financial and legal documents, for review and approval by the Executive Board of the Bank. Once funding permission is secured, the conditions for efficacy are met, and the legal documents approved and signed, the implementation phase begins. (World Bank, n.d.)

**vi. Project Implementation**

The creditor government is undertaking the infrastructure project with funding from the World Bank. The executing government department shall draft the project requirements with the Bank's team's technical assistance and help. It shall conduct all procurement of the materials, works, and services required and reduce environmental and social effects as set out in the approved plans. Financial accounting and acquisition experts on the project team of the Bank shall ensure that appropriate fiduciary measures are in force for the utilization of project funds. Both materials are ready, but delays in the process and unforeseen incidents will also contribute to the restructuring project's

goals. Once underway, the implementation of the government department updates on project operations daily. The Government and the Bank both join together twice a year to plan a summary of the program's progress, the development status report and the performance report. Progress, effects, and influence of the project on beneficiaries are tracked by the Government and the Bank in the implementation process to collect data to determine and assess the overall success of the activity and the project in terms of performance. (World Bank, n.d.)

#### **vii. Project Completion**

When the project is finished and closed after the loan disbursement period, a phase that will take anywhere from 1 to 10 years, the World Bank and the creditor government record the outcomes achieved; the difficulties encountered; the lessons learned, and the information acquired from carrying out the project. The World Bank Operations Team shall collect this information and details as part of the Implementation Completion and Monitoring Performance, using input from the implementing government department, co-financing agencies, and other partners/stakeholders. The document explains and analyses the final effects of the initiative. The findings are then compared to the predicted results. During this exercise, the information gathered is also used to decide whether additional government interventions and capability enhancements are required to maintain the program's benefits. The assessment committee also assesses how well the whole operation followed the Bank's operational policies and bank capital utilization accounts. Information obtained from this assessment method of outcomes. (World Bank, n.d.)

### **viii. Evaluation**

The Bank's Independent Assessment Group assesses the success of about one project out of four (about 70 projects a year), comparing outcomes against the original goals, sustainability of results, and the effects of institutional growth. From time to time, IEG also publishes Impact Assessment Studies to determine the economic benefit of projects and the long-term impact on people and the environment against explicit counter-factories. (World Bank, n.d.)

## **5.4 Country Strategy Report**

A strategy that the World Bank signs with the recipient countries' Government is considered the first step in concluding the beneficiary countries' project, as mentioned before. It is signed once every five years. The partnership strategy was signed with the Egyptian Government on November 20, 2015, including analyzing the economic and social conditions and the Government's challenges. The most critical areas of the Egyptian strategy 2030, the World Bank's goal and strategy for the MENA countries, areas of partnership framework, recommendations, and tools for bringing about economic and social reforms (world bank , 2015).

### **5.4.1 The framework of the Arab Republic of Egypt's strategic partnership for the fiscal years 2015-2019.**

The World Bank Group's strategic partnership framework for Egypt is based on the dialogue held with the Egyptian Government and the Egyptian Government's 2030 strategy for sustainable development and consultations with Egypt's stakeholders.

The strategic partnership framework signed with the Egyptian Government includes three: (a) Improving the public administration and governance system; (B) Private sector-led job creation; (C) Social inclusion.

**i. Improving the public administration and governance system**

Strengthening the State's Accountability to its citizens is necessary to achieve sustainable growth, enhance the country's economy, and eradicate poverty. It also helps to reduce the citizen's sense of alienation and protection from political conflicts as well. Regarding the public administration and governance, the Bank focuses on three pillars: (a) Enhancing Transparency and efficiency, including budget transparency and carrying out administrative reforms. (b) Supporting institutions that include all, especially supporting institutions that work for the benefit of the low. (C) Encouraging citizen participation and hearing their voices by developing mechanisms to survey citizens' opinions and address mechanisms The complaint. (Ossege, 2012).

In this context, the Bank has adopted a set of approaches at the level of projects, sectors, and the national level to reform governance and support the State's Accountability for improving services. At the project level, the Bank will be agreed with countries on criteria for how the project can help in advancing the management and governance system?; on the other hand, for the sectoral level, the Bank will focus on management improvement considerations Public policy, enhancing strategic participation, identifying critical issues in the field, and guiding them not only in project design but also supporting the policy dialogue with governments— Regarding the national level, the bank will concentrate on reviewing experiences in the field of

governance, modifying its course of action, and requiring it—supporting the citizen Inclusion and renewal of the social contract programs by strengthening Transparency and enhancing the Accountability of institutions involved in many projects (world bank , 2015).

**ii. Improving the regulatory environment for private sector investments:**

The private sector in Egypt faces an unequal and challenging business regulatory environment that impedes business activities development. This, in turn, reduced job growth, especially for people in need, and undermined shared prosperity opportunities. WB Solutions -. The World Bank Group's projects' portfolio focuses on regulatory reforms and innovative measures in specific sectors. Moreover, work to more equal opportunities and simplify the investment environment. It focuses on (a) Supporting reforms that address fundamental barriers to entry into new business enterprises and enhance competition. (b) Encouraging investments to overcome obstacles to private investment and entrepreneurship and encourage growth on a large scale stimulates enhanced competitiveness in specific industries and regions. (world bank , 2015).

**iii. Mechanism of implementing the strategy**

The WB pledges to provide Egypt \$ 8 billion, 6 billion at the request of the Government, and 2 billion will be supplied to the Government based on economic achievement and the provision of facilities to enhance investor confidence, private sector participation, and the ability of the Egyptian economy to address risks. The Bank replaced the financing system for investment loans with a loan financing system to



finance development programs and policies. This aims to reform governance policies, enhancing citizens' voices, address the complaints system at projects' level and sectors, enabling the private sector to participate. The Bank also has set standards principles for project financing decided not to finance projects that could be implemented by the private sector. Therefore focus on projects that supporting governance and Accountability—focusing on policy reform and organization structure. The Bank uses a programmatic approach that encompasses financing and knowledge and uses analytical tools that form a strategic pillar of policy dialogue and project design.

Concerning monitoring and evaluation, the Bank will keep integrating monitoring on the part of users through transparent procedures for public participation, open data systems that enhance citizen/beneficiary opinion polling more efficiently, and effective systems to raise grievances at the program/project level, leading to citizen-oriented mechanisms. (world bank , 2015)

## **Chapter VI. The AFDB position on Mutual Accountability**

### **6.1 overview**

The African Development Bank (AFDB) is the best development organization in Africa, helping Africans. It is the engine of economic development and integration, Africa's voice and African development across the region - and beyond. The African Development Bank works to stimulate economic development and social progress and contribute to poverty reduction by allocating financing capital for investment in states and supporting policy guidance and technical assistance to support member states and implement sustainable development goals.

The AFDB group is composed of three entities: AFDB, which is the parent institution, the African Development Fund (ADF), and the Nigerian Trust Fund (NTF) and is composed of 54 African countries and 26 non-African countries (AFDB, n.d.).

### **6.2 African Development Bank's Strategy**

The AFDB's Strategy for 2013-2022 aims to implement the aspirations of the entire African continent and the future of Africa for economic transformation, to improve the quality of growth for all African citizens and countries, achieving economic and environmental growth, moving to green growth, working for the entry of many young people into the labor market, and making Africa the next emerging labor market. The

strategy consists of two objectives, supported by five operational priorities; In three particular focus areas.

**i. objectives**

- a) Inclusive growth:- Inclusive Achieve comprehensive growth, create jobs, reduce poverty By investing in infrastructure, achieve gender equality and community participation, and improve member states' competitiveness skills' growth.
- b) Green growth:- Helping Africa gradually move to green growth by enhancing natural resources, improving water, energy, food security, stimulating innovation, and creating job opportunities. By trying to find development paths that alleviate pressure on natural materials, build resilience in the face of climate shocks, and provide sustainable infrastructure.

**iv. Operational priorities.**

The strategy identifies five significant channels for the Bank to get work done and enhance Africa's development quality.

- a) Infrastructure development, The Bank makes significant contributions to the development of infrastructure in Africa in transportation, water, and energy, as Africa needs a massive infrastructure, as it invests only about 4% of the GDP for infrastructure development, compared to 14% in China.
- b) Regional economic integration, The Bank plays the leading role in developing and achieving economic integration, creating broader markets, linking cities, and supporting trade in Africa.

- c) Private sector development, The Bank works to invest in Africa by providing technical advice, entrepreneurship, and designing activities to meet and address private sector challenges. Support and lending of micro and small enterprises.
- d) Governance and Accountability, The Bank works to support that supports inclusion and promotes Accountability - and supports fiscal decentralization and local resource mobilization by supporting the capacities of parliamentarians, media, and CSO and enhancing public financial management.
- e) Skills and technology, The Bank works to provide technical and professional support related to the market's needs and provides young people with the skills needed to establish small businesses. (AFDB's Strategy, 2013)

**v. Special areas of focus**

In addition to the mentioned goals, the Bank pays particular care to fragile states, agriculture and food security, and gender equality.

- a) Fragile states, The Bank works to support fragile states' diverse needs that comprise a fifth of the continent's population and strengthen their economies.
- b) Agriculture and Food Security, The Bank works to boost agriculture and food security by enhancing Africans' livelihoods living in rural areas by continued rural infrastructure and rising agricultural production and competitiveness. Through investing in regional infrastructure and engaging in a policy dialog to eliminate trade barriers to food imports and inputs such as fertilizers, would mitigate food price uncertainty and minimize food insecurity.

- c) Gender, the Bank works to enhance women's and girls' capabilities and opportunities to boost the output and participation of half of Africa's people.

## **6.2 African Development Bank's project cycle**

### **i. Project identification**

The ADB Group works with each regional creditor member state to identify the medium-to-long-term growth plan and organizational program in a paper called the Country Strategy Paper (CSP). The Bank Group performs multidisciplinary economic analyzes in close collaboration with the Government and stakeholders in the region, with civil society, NGOs, the private sector, and partners in the country, with a participatory approach. Therefore, the CSP is a general macro-economic analysis of the country's critical economic and financial characteristics; analyses its past success, growth patterns, and expectations for progress. In light of the market's detailed review, the target sectors and sub-sectors likely to benefit from the Bank Community's funding have been identified. This is also a crucial tool for the ADB Group's policy dialog with countries. The Bank's Operations Assessment Department (OPEV) annually reviews the country's strategy and the ADB for a nation to assess its suitability and the level of growth efficacy reached in the ex-post evaluation of projects. Opportunities to tackle projects. (AFDB, AFDB, n.d.)

### **ii. Project preparation**

This process starts with the bank's involvement in funding a new project or initiative, which involves the compilation of internal and external knowledge and evidence to help

the bank's experts assess the project. Bank specialists study the proposal in accordance with the country's CSP and collect current records, such as feasibility reports, and review details with state authorities. The Bank uses advisors to work with government counterparts to conduct a project feasibility study. Advisors work closely with stakeholders, including finance, civil society, project recipients, and other organizations operating in these fields. The final report draft will be discussed at a multilateral meeting attended by government officials, the Bank, and advisors. During this process, the ADB agrees with the Government to execute a project or program management department. (ADFB, n.d.)

### **iii. Project appraisal**

During the project assessment, the ADB Community investigates the viability of the project for an appraisal mission. In collaboration with the Government and stakeholders, the assessment task explores the technological, administrative, diplomatic, technological, institutional, cultural, marketing, and management aspects of the project and the possible social effects. Detailed project vulnerability and analyzes are carried out to determine the feasibility of the planned project—Conditions of Loan. Following the field assessment, the Mission prepares an evaluation summary with a loan request note from the President to the Board of Directors. It draws up a draft loan agreement for negotiation. It is the board of directors of the World Bank Group's policy to approve a project or funding scheme solely based on assessment reports prepared and submitted by

bank personnel. One of the methods used by ADB workers in these diverse project cycle operations is project design and control. (appraisal, n.d.)

#### **iv. Loan negotiation**

After the Management Committee's work is finished, and the project or initiative is approved for acceptance by the Board, the draft project plan is sent to all relevant parties for review. Comments are received, and the Government is called upon to bargain with the ADB. At the talks, an agreement must be reached or reaffirmed on the following: (a) the initiative, studies, or services' goals and definition. (b) The amount of the loan at the international and domestic costs of the project and the funding schedule. (c) a provisional inventory of goods and services to be purchased; (d) execution and plan of expenses. E) The borrower prefers swap options; (f) a provisional payment plan, providing accurate details on account numbers and related banks; (g) purchase procedures and dates for bid announcements; (h) specific information on the initiating organization and the project execution unit. (I) suggested a reasonable date for signing the loan and timelines for first and last payments; (j) Co-financing of programs, associated financing arrangements, interoperability, and other miscellaneous reports (AFDB's Loan negotiation, n.d.)

#### **v. Board approval**

After long discussions with the Government, the application for a loan is sent to the Board of Directors of the Bank for approval. This report is referred to as the Board

Decision. They shall be published on the site after approval by the Board of Directors, along with the necessary legal agreements. (AFDB's Board approval, n.d.)

**vi. Loan signing**

After ratification by the Directors' Board, the paper shall be submitted to the borrowing country's Government for approval. Upon the Council of Ministers' consent, the loan arrangement is usually signed by the President of the ADB or the Vice-President and the Government Delegate. If the loan has been accepted, the borrower can sign a loan or grant agreement with the bank group for a maximum term of 90 days. The commitment or service fee continues working on the loan 45 days after the loan's signature, whether or not the disbursement is made. The loan or grant must come into force or be considered effective before the disbursement starts. ( AFDB's Loan signing, n.d.)

**vii. Loan effectiveness**

The loan will take effect as soon as such conditions have been met and agreed to be in force before the first disbursement. This is also regarded as the effectiveness of the loan. In addition to the other conditions" that could be reached at a later date, the following are some normal provisions that are said to precede the first payments: (a) Assignment of approved signatories to the loan resources; (b) Have a legal opinion. (c) Apply the investment schedule. (d) Provide a catalog of products and resources to be purchased; (e) Opening and retaining a private enterprise account; and (f) Creating a project management team. G) Any other provision agreed upon during the agreement if required



before the first disbursement. These provisions are also limited to the regulatory criteria related to the above and the reciprocal feasibility of co-financing and the execution of sub-loan arrangements. Requirements and deadlines for the effectiveness of the loan are set out in the loan agreement. The ADB Legal Counsel and Project Coordination Officer shall assess whether the conditions have been fulfilled, after which the loan becomes successful. Usually, the loan papers allow 90 days to come into effect with the loan arrangement. (AFDB's Loan effectiveness, n.d.)

#### **viii. Implementation**

The execution of the project begins from the moment the project is deemed to be successful. The implementing organization shall execute the ADB programs in compliance with the agreed timetable and procedures. However, the implementation's oversight allows the Bank Community to ensure that the project's physical implementation continues smoothly and in compliance with the implementation plan and information. Project advisors are named when appropriate to support the Government, often financed by grants mobilized by the Bank's Collaboration and Cooperation Section. The ADB project teams shall review real progress in executing and monitoring development priorities in good collaboration with the Creditor and the implementing agencies. ADB disburses the loan for authorized expenditure, as stipulated in the loan agreement, based on the required justifications. Implementation duration usually varies from two to five years, but depending on the project's form and scope. The ADB Community assessment missions evaluate the success of the project's execution by

visiting it at least twice a year during the implementation period. The ADB usually allows the Creditor to submit daily progress notes on the project. Details on the success of the program's execution, the status of the construction targets, and the loan agreements are attached to the project information document during the implementation process (AFDB's Implementation, n.d.)

#### **ix. Post evaluation**

If the project facilities and technical assistance have been completed, the Bank shall prepare a project completion report (PCR) or a technical assistance completion report to record the implementation experience. Such reports are prepared within 12-24 months to complete the project and provide a comprehensive chain of inputs, outputs, results, and impacts. The KPIs used to measure the progress of projects and initiatives have been built around the following: 1) importance and accomplishment of goals for the assessment of the program; 2) execution results for the borrower; (3) adherence to the project cycle timeline and performance and function of the bank. 4) The systemic advancement of the initiative; 5) the viability of the project's outcomes or plan. Individual projects' success score is based on a score ranking or score system with scores varying from 0-4. Ratings of 3-4 suggest "very satisfactory results. (Post evaluation, n.d.)

### **6.3 Country Strategy Report**

This strategy is considered to support the Egyptian strategic plan to support the Egyptian economy, create jobs, protect vulnerable groups, and enhance public service

and governance, thus enhancing Egyptians' well-being. This, in turn, would decrease the risk of social unrest and contribute to enhancing regional security.

### **6.3.1 The Egyptian partnership framework**

This strategy was signed between Egypt and the African Development Bank. This strategy is in line with the Egyptian strategy and also with the priorities announced by the Council of Ministers to implement structural reforms in Egypt, which aim to assist Egypt in (a) achieving high and well-diversified growth that provides job opportunities and higher added value and (b) achieving social justice and inclusion. While guarantee proper macroeconomic management. in the light of this strategy, The bank will provide loans for major transformational projects aligned with the main objectives of promoting inclusiveness through focusing on two operational elements: (a) supporting the infrastructure (for private sector competitiveness, sustainable and inclusive growth, and social and spatial inclusion) and (b) supporting governance) to enhance Transparency, efficiency, equity, and increase private sector participation through the following; (AFDB, CSP, 2015).

#### **i. Infrastructure funding, the provision of supporting infrastructure across the significant integrated markets through**

- a) Improving reliability and diversifying energy services by supporting the ambitious renewable energy program, providing investment financing, expanding energy sector efficiency, and focusing on the Transmission and Distribution System (T & D). This will help support the energy sector in

improving the private sector's growth, participation, productivity, and job creation by improving the efficiency and availability of energy supplies, as the private sector currently absorbs about 40% of the total supply.

- b) Improving access to and production in irrigation, agribusiness, water management, and water storage and sanitation facilities will increase agricultural production and job prospects in rural areas by providing improved infrastructure, growing opportunities for agribusiness, and more effective water allocation schemes efficiency in water usage.

**ii. Supporting the government and reflecting on three aspects**

- a) Support for Egypt's ambitious macroeconomic policy (subsidy reforms, fiscal stabilization, performance enhancement, openness, and disclosure of public agencies and public institutions, etc.).
- b) Developing an ecosystem Sectors that contribute to the private sector's growth that will generate broader economic opportunities and competition, including high-value-added industries and micro, small, and medium-sized enterprises, to create unique work opportunities for young people.
- c) Improving inclusiveness through funding for social security and improving productivity in distributing public services to vulnerable communities and developing human capital through vocational training and skills growth and entrepreneurship development.

### **iii. Implementation mechanisms**

Providing a range of instruments such as Partial Risk Guarantees (PRG), Partial Credit Guarantees (PCG), and Line of Credit (LOC) to small and medium-sized businesses to promote trade and improve the involvement of the private sector, including small and medium-sized enterprises. Implement the strategy in close cooperation with the activity of all stakeholders, including civil society. The selection of projects will be based on the goals of the Bank's long-term business strategy for the period 2013-2022.

The Bank will improve cooperation with development partners by using a shared outcomes matrix within PBOs, new forms of financing, such as the Transition Task Force, and an expanded focus on programs across industries. To strengthen its involvement, the Bank will continue to sustain a precise and reliable political dialog with the Egyptian Government in areas supported by the Centered Policy and supported by the ESW. Fund strategies for financial integration and the growth of the local capital market. The bank could also recommend promoting public-private investments in significant development ventures as well as in private companies. Moreover, The Bank will ensure quick implementation of reforms and further sustain its aggressive (pragmatic) reform agenda. A versatile strategy will also be implemented to promote reforms in critical fields, and technical support will be preferred. Providing grants to ease pressure on public institutions to finance and design programs. Professional assistance and ESW for project recognition and design are expected to contribute to impact initiatives. (AFDB, CSP, 2015)

## Chapter VII. Case study

### Fiscal Consolidation, Sustainable Energy, and Competitiveness programmatic development policy financing loans;

#### Loan's objective

Aims to (I) strengthen fiscal discipline, (II) ensure sustainable energy supplies, and (iii) improve the business environment. The development policy loans were signed jointly by the WB and the AFDB, with a total value of four billion six hundred and fifty million dollars, divided into three interest-bearing loans with a variable margin and a maturity period of 35 years, including a grace period of 5 years. As follows;

Table 1; Project Summary

Loan	Date signed	Date of entry into force	closing date:	Amount	Percentage disbursed (%):
World Bank					
Frist	19/12/2015	8/9/2016	30/6/2017	1,000,000,000	100%
Second		15/3/2017	30/6/2018	1,000,000,000	100%
Third		4/3/2018	30/6/2019	1,150,000,000	100%
African Development					
Frist	15/12/2015	4/1/2016	31/12/2016	500,000,000\$	100%
Second	19/12/2016	22/3/2017		500,000,000\$	100%
Third	11/9/2018	11/9/2018	31/12/2018	500,000,000\$	100%

#### i. Strengthening Financial Control

By increasing tax revenues and unifying the highest income tax rate, issuing a national-added tax law, and covering the value-added tax payments, it was considered a condition

for disbursing the first loan. in addition to moderation in the growth of the wage bill, Improving financial debt management, as follows;

**a) moderation in the growth of the wage bill**

Amending the annual budgets to reduce the rate of wage growth concerning the GDP, set a maximum limit for bonuses, separate the variable from salaries from the fundamental component, set up a wage automation system, enhance financial inclusion, and set a maximum limit for appointees at 25% of the total local pension.

**b) Improving financial debt management**

The WB request the government to issue a mandate to publish a medium-term debt strategy, to establish a unit to improve financial management for audits to review errors, to strengthen financial control, to set up a committee to review sovereign guarantees: to review and evaluate requests for guarantees, develop new policies to prevent contingent liabilities, assess risks, and implement the budget.

**ii. Ensuring sustainable energy supply**

The government has to reduce energy subsidies, improve sector governance, and allow the private sector to participate in the energy and gas sectors. Improving companies' financial conditions ensure maintenance, which attracts more investments to reach more returns—introducing competition and transparency by separating the transport company's subordination from the holding company and working independently to

compete. The Egyptian government set a timetable for private sector participation in the electricity sector. Commitment to transparency by paying attention to public consultation and disclosing information regarding pricing once the subsidy cut is accepted, allowing the public to participate and giving them a chance to be heard.

### **iii. Improving the business environment**

More than 60% of companies operate in the informal sector, and the reason for the reluctance is red tape, inadequate procedures, and lengthy procedures for industrial licenses. The government should have issued laws to improve industrial licensing, to encourage competition in the markets, and finally to issue investment legislation to improve the investment system and its transparency and expand the scope of national treatment to include foreigners, settle investment disputes and return profits to the homeland, and the government created one-person companies. The World Bank obligated the government to publish information on the Internet and relevant laws, regulations, and guidelines. A decision was issued by the Prime Minister to impose cooperation between ministries, which was followed by the issuance of the Industrial Licensing Law. Law to promote competition and against anti-competitive practices.

### **Implementation: -**

The World Bank has set preconditions for the Egyptian government for the loans to take effect as following;



Table; 2 Actions required from the Egyptian government before each loan to achieve the program's objectives;

Loan	Actions
First Loan	"The decision of Law No. 96 of 2015 amending the Income Tax Law.
	The issuance of a decision by Law No. 32 of 2015 approving the general budget for the fiscal year 2016
	Ministerial Resolution No. 515 of 2015 was issued, which provides a medium-term debt management strategy for publication.
	The Prime Minister issued Resolution No. 2259 of 2015, implementing the second annual amendment to electricity tariffs.
	Decree-Law No. 87 of 2015 to encourage competition in the electricity sector and separate the Egyptian Electricity Transmission Company.
	The Cabinet approved the draft gas law.
	The decision of Law No. 203 of 2014 regarding stimulating electricity production from renewable energy sources.
	The Electricity Utility and Consumer Protection Regulatory Agency issued temporary licenses to 10 private sector investors.
	Decree-Law No. 17 of 2015 and Prime Minister's Decree No. 1820 of 2015 issued an introduction to the Investment Law" <sup>2</sup> .

<sup>2</sup> <http://documents1.worldbank.org/curated/en/630471468186542188/pdf/100978-PGD-P157704-R2015-0233-1-Box393255B-OUO-9.pdf>

Table; 3 Actions required from the Egyptian government before the Second loan to achieve the program's objectives;

"Loan	Actions
Second loan	The Prime Minister's Decree No. 2807 of 2015 was issued to launch the industrial licensing system's reform.
	The Egyptian government has enacted Law No. 79 of 2016 regarding Termination of Tax Disputes" and published it in the Official Gazette.
	The government enacted Law No. 8 of 2016 regarding linking the state's general budget and approved the general budget for the fiscal year 2017
	The Ministry of Finance issued a report on the wage bill titled "Government employees' wages.
	The Ministry of Finance issued Decision No. 247/2016 to establish and operate the Public Financial Management Improvement Unit.
	The Ministry of Electricity and Renewable Energy issued Decision No. 436 of 2016 regarding implementing a third annual amendment to the electricity tariff. 2- The Supreme Council of Energy has adopted a policy to finance the disparities with the estimates included in the actual fuel costs compared to the budget in the country's medium-term fiscal framework.
	The Ministry of Electricity and Renewable Energy issued Resolution No. 230 of 2016 in which it was found that the executive regulations of the Electricity Law.
	The Ministry of Electricity and Renewable Energy issued Decision No. 244 of 2016 regarding establishing an Energy Efficiency Unit and providing it with workers
	The Council of Ministers issued Resolution No. 2533 of 2016, announcing the amended policy for the renewable energy feed-in tariff.
	The Council of Ministers approved a draft law on one-person companies that includes extending the benefits of protecting limited liability companies to one-person companies and submitting it to Parliament for a decision.
The Minister of Trade and Industry issued Ministerial Resolution No. 1071 of 2016 approving the program's implementation plan for reforming the industrial licensing system". <sup>3</sup>	

<sup>3</sup> <http://documents1.worldbank.org/curated/en/311431482462242135/pdf/1482462241077-000A10458-P161228-Egypt-DPF2-PD-Post-Negotiations-29-Nov-12022016.pdf>

Table; 4 Actions required from the Egyptian government before the Third loan to achieve the program's objectives;

"Loan	Actions
Third loan	The Ministry of Finance issued a wage bill report titled Memorandum on Political Wage Reform and Development in August 2017.
	The issuance of Ministerial Resolution No. 290/2017 to establish a dedicated internal audit unit
	The issuance of Ministerial Resolution No. 201/2017 establishes a committee for sovereign guarantees to be tasked with developing policies for issuing sovereign guarantees.
	Initiate the publication of a section in the FY 2018/7 Budget Statement on the economic risks facing the implementation of the state's general budget.
	The Ministry of Electricity and Renewable Energy issued Ministerial Resolution No. 312/2017 regarding the amendment of electricity prices.
	The Prime Minister issued Decisions No. 1435/2017, 1436/2017, and 1437/2017 to amend fuel prices in the financial year 2017/2018
	The Prime Minister's Decree No. 1959/2017 to establish the new General Assembly of the Egyptian Electricity Transmission Company, according to the Electricity Law and its implementing regulations
	Adoption of the Investment Law No. 72/2017 and the Prime Minister issued Ministerial Resolution No. 2310/2017 approving the executive regulations accompanying the law,
The Ministry of Investment and International Cooperation implements the institutional reforms mentioned in the Investment Law, including improving the services provided to investors such as (a) Publishing all procedures and requirements for licenses and permits for all activities and sectors, and a complete inventory of available investment incentives and structural standards (b) Providing automated registration services And integrated through the Internet, and this includes the services of establishing and registering companies provided by other parties, according to what has been published in the procedures on the General Authority for Investment and Free Zones website on the Internet". <sup>4</sup>	

<sup>4</sup> <http://documents1.worldbank.org/curated/en/254401512702112528/pdf/EG-P164079-DPF3-Program-Documents-Nov-7-11142017.pdf>

**The results of implementing the loan conditions: -**

Egypt witnessed an improvement in its financial conditions in 2016-2018 from a decrease in the fiscal deficit from 12.5% to 8.1% in 2019, achieving a budget surplus of 1.9%, and an increase in monetary reserves from 16 billion dollars to 43 billion dollars in 2018. Is due to:

- a) Decreasing government spending from 30.7% to 28.3% due to reducing electricity subsidies, containing the wage bill due to the existence of the civil service law
- b) Increase in tax revenues from 13.5% of GDP to 14.2% of GDP
- c) The debt decreased from 108% to 90% in 2019.
- d) Achieving economic growth from 2.9% to 5.5% in 2019.

**Energy sector:-**

The Egyptian government has achieved a surplus in the electricity sector that reached 1,000 megawatts instead of a deficit that reached 5,540 in 2015 due to direct reforms and the strengthening of competition and transparency as follows:

- a) Reducing subsidies for the electricity sector from 3.4% to 1.9% in 2019,
- b) Continuous Disclosure to the public about the new electricity and gas tariffs.
- c) Allowing the private sector to participate in electricity investments.

### **Improving the business environment: -**

According to the World Bank estimates, Egypt witnessed high private investment rates, which reached 9.1% of GDP in 2019, and improved ranking in transparency indicators and doing business. As follows: -

- a) Success in registering the number of companies from zero in 2015 to 500 companies per month in 2018
- b) The number of registering all kinds of companies increased by 1430 per month instead of 867.
- c) Success in reducing the time for licensing industrial facilities from 634 days to 55 days and five days for issuing the license by notification.
- d) Eliminate 11 anti-competitive practices in 2016.

## **Chapter VIII Key Finding**

### **8.0 Analysis**

The study above demonstrates that mutual accountability is a very complex concept, involving multiple stakeholders and dimensions at various levels. In particular, donors impose a kind of sanction in suspending loan disbursements until the Egyptian government implements reforms through enforcement. On the other hand, at the theoretical level, the "principal-agent," the relations are clarified as follows: (I) At the local level, the government (acting as agents) for civil society organizations and parliament (as a Principal) the government to provide data and make it available to the public, stakeholders, and Parliament discussions. (II) At the international level, the government (as agent). The WB and the AFDB (as a Principal), the government are committed to implementing agreed policies. As a result, Noted the mutual accountability's standards had been applied in the program on a large scale, according to the international agendas, due to the strong cooperation on the part of the World Bank and the African Development Bank with the Egyptian side because Egypt has a national strategy to work as the main framework for all projects until 2030. It works on implementing this strategy through cooperation with international partners, the private sector, and citizen civil society organizations. Through the following;

## **1- Mutual accountability on the international level;**

The World Bank represents it, and the African Development Bank provided financing for three loans and setting some conditions for disbursement so that the Egyptian government is assured of implementing the obligations stipulated in each loan through the advance procedures for the loans that were made in consultation with the various concerned and civil parties. Development partners set the Egyptian government's condition to issue the value-added tax law to disburse the second development policy loan and introduce many legislative and reform amendments to achieve the loan's objectives. The PDF series support the policy matrix. The policy matrix's policy measures are also consistent with the government's short- and medium-term reform programs. The government has already made encouraging progress in implementing it during the first year. The World Bank and the African Development Bank make all data and documents related to the public's loan on the two banks' websites. The mutual accountability at the international level represented in;

### **a. Policy dialogue**

The dialogue nurtures the implementation and review of joint commitments between donors and partner countries at the project, sector, and national levels. It encouraged public debate to hold both donors and governments accountable. Many meetings were held, and many joint missions were dispatched to discuss all the loan pillars coordinated with the government's inter-ministerial working group for this loan. The Ministry of International Cooperation organized a consultative meeting with donors and

development partners outside Egypt on 2 November 2015 and another in November 2016 to discuss the government's economic reform program, focusing on the proposed loan program's pillars. Coordination with effective actors, continuous consultations with civil society and citizens, and legislative measures to enhance transparency regarding essential reforms. They are raising awareness and assistance in alliances by producing content via radio, broadcast messages, and graphics.

**b. The common agenda has clear goals**

Egypt signed a partnership strategy with both the World Bank and the African Development Bank, which includes Egyptian challenges, frameworks for cooperation between the two sides, and implementation mechanisms, for allocations of forward-looking aid sector by sector.

**c. Joint monitoring and evaluation**

Ensure that joint progress is monitored, and this is evidenced by the Egyptian side's commitment to implement the conditions required for the disbursement of each joint evaluation loan in progress made through mutual evaluation reviews at the country level. The Ministry of International Cooperation coordinates with other ministries regarding the results indicators' follow-up based on sectoral indicators published routinely. Technical assistance has been provided to the Ministry of International Cooperation to establish an administrative information system to follow up on data collection quarterly from all relevant ministries to follow up on program indicators and



outcomes. The program outcomes are monitored from measuring progress towards achieving the results indicators included in the policy and results matrix).

## **2- Accountability at the National Level is reflected in the following.**

Supported a more inclusive framework for enhanced participation of partner countries, local authorities, parliamentarians, civil society, and private sector empowerment. DPFs contributed to renewing the social contract in Egypt by encouraging transparency and inclusive growth. Measures to encourage accountability and good governance have been included in all aspects of the reform program, ranging from citizen budgeting to investor dispute settlement mechanisms and public hearings on electricity sector regulation. Oblige the Egyptian authorities to adopt standards for electronic publishing of emerging information with resources and provide them on time through development cooperation to meet the information needs of developing countries. in the other hand Presenting the financing agreements to Parliament for approval to proceed with the conclusion of loan procedures they are publicizing the approval of the President of the Republic's loan in the Egyptian newspapers to inform citizens thereof in the implementation of Egyptian law. Many laws were presented to Parliament in implementing the terms of the loan for approval, published in Egyptian newspapers for citizen media. Make available information on the loan agreement on the Egyptian Ministry of Finance's official website, including the financial details of the World Bank and African Development Bank loans for the policy program. It is worth noting that the information is available in Arabic. Oblige the donors to issue laws that enable the private

sector to develop and implement the loan agreement. Governance of government sectors and obligate Egyptian authorities to publish all data on licenses and conditions on websites to enhance transparency and make them available to citizens within a range of accountability to ensure the government's goals.

## **8.1 Conclusion**

In the end, this study reviewed the system of mutual accountability applied between the World Bank and the African Development Bank through the Egyptian case and its impact on strengthening local accountability by reviewing the partnership agreements signed with the Egyptian government and analyzing the case study. Highlighting some of the main challenges that Facing the Egyptian government and the impact of implementing the accountability system on facing these challenges ended with Egypt's achievement of accomplishment in implementing the project's accountability system under study. Consequently, this study sought to praise these achievements and provide insights into the aspects that can be worked on to achieve further progress.

## **8.2 Recommendations:-**

Firstly, despite the project achieving advancement in the mutual accountability field, Egypt still needs to Develop its legal mechanisms and institute the legislative reforms in order to be aligned with international standards for accountability in development, which follows a self-disclosure policy. Secondly, Assign an independent body to audit this expenditure within six months of the resource disbursement and

publish the relevant finding. Thirdly, establish clear rules for publication and disclosure specifying: the information that should be provided, the dates on which they must be published, and the legal responsibility for not publishing them. Finally, Provide essential data for the development programs' economic performance in a convenient and appropriate time. In order to facilitate more in-depth analysis for all development projects implemented by partners through stakeholders, a comprehensive documentation of projects and programs is needed, and it must include: loan and grant agreements, terms attached to assistance, procurement documents, and country strategies provided by service providers

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## 국문초록

이 연구는 국제적 책무성 수준이 국내적 책무성 수준에 미치는 영향을 설명하기 위해 상호 책무성의 메커니즘, 그리고 공여국과 수원국의 상호 책무성 수준들을 살펴본다. 국제 원조에 있어 국내 책무성 및 상호 책무성의 성격을 알아본다. 또한, 세계은행, 이집트의 아프리카개발은행에 의해 수행된 프로젝트를 분석함으로써 파리 선언, 아크라 행동 강령, 부산 어젠다의 상호 책무성 메커니즘의 차이를 알아본다.

키워드 : 상호 책무성, 국제 원조, 파리 선언, 아크라 행동 강령, 부산 어젠다, 이집트, 세계 은행, 아프리카 개발 은행.