



GOVERNMENT OF ARAB REPUBLIC OF EGYPT

UNITED NATIONS DEVELOPMENT PROGRAMME

Project Title:

**“Supporting the Ministry of Investment in enhancing transparency and fighting
Corruption”**

Award ID 00045038

Project number 00053138

Brief Description

The purpose of this project is to support the Ministry of Investment to battle corruption and mismanagement of public resources aiming at improving its relations with private sector and foreign investors. The project will: a) Support the drafting and issuing of the legal document on Freedom of Information; b) Raise public awareness and stakeholder engagement; c) Enhance capacity building and knowledge management; d) Promote Investment through enhancing transparency

SIGNATURE PAGE

Country: Egypt

UNDAF Outcome(s)

By 2011, democratic institutions and practices are firmly established and a culture of human rights through active citizenship is prevalent

Expected Outcome(s):
(CP outcomes linked to the SRF/MYFF goal and service line)

Democratic institutions and practices are strengthened and a culture of rights through active citizenship is promoted.

Expected Output(s) /

- a) Drafting and issuing of the legal document on freedom of information
- b) Battling corruption and ensuring transparency through public awareness and private sector partnerships
- c) Establishing various training and knowledge management activities
- d) Reviewing and reforming procedures and management processes related to investment relations

Implementing partner:


Ministry of Investment (MOI)

Other Partners:

Programme Period: 2007 - 2011
 Programme Component: Governance
 Project Title: Supporting the MOI in Enhancing Transparency and Fighting Corruption
 Project Duration: 2006 - 2009
 Management Arrangement: NEX

Budget
 General Management Support Fee:
 Total budget: 2,483,037 US\$
 Allocated resources:
 • UNDP
 • Embassy of the Kingdom of Netherlands
 • The Ministry of Investment (In kind)

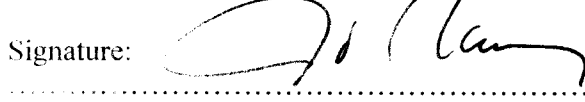
Agreed by: H.E. Dr. Mahmoud Mohieldin, Minister of Investment

Signature:  Date:

Agreed by: Mr. Ayman Zaineldin, Deputy Assistant Foreign Minister and Director of International Cooperation – Ministry of Foreign Affairs

Signature:  Date:

Agreed by: Mr. James W. Rawley, Resident Representative, UNDP

Signature:  Date:

In witness of: H.E. Mr. Tjeerd De Zwaan, Amb. Extraordinary & Plenipotentiary, Embassy of the Kingdom of Netherlands

Signature: Date:

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Acronyms and Abbreviations

| | |
|-------|---------------------------------|
| CCF | Country Cooperation Framework |
| CSOs | Civil Society Organizations |
| CSR | Corporate Social Responsibility |
| GOE | Government of Egypt |
| IOD | Institute of Directors |
| ISS | Implementation Support Service |
| MDG | Millennium Development Goals |
| MOI | Ministry of Investment |
| MOFA | Ministry of Foreign Affairs |
| MYFF | Multi-year Funding Framework |
| PMU | Project Management Unit |
| POGAR | |
| SME | Small and Medium Enterprise |
| SRF | Strategic Results Framework |
| TOR | Terms of Reference |
| UNCAC | |

Part I. SITUATION ANALYSIS

Corruption which is the misuse of public office for private gain poses a serious development challenge as it can undermine the efforts achieved in the field of good governance. It also reduces transparency and accountability and undermines the rule of law. Corruption reduces the economic efficiency and distorts resource distribution. By weakening government institutions corruption also reduces the investment flow and could seriously threaten emerging markets.

Egypt has signed and ratified the major international instruments fighting corruption. The Egyptian Penal Code constitutes a significant legislation enabling the anti-corruption efforts. Several public institutions are bestowed with power to investigate in corruption cases, for instance the Public Funds Prosecution affiliated to the public prosecution, the Public Funds Investigation Unit at the Ministry of Interior, the Social Prosecutor's Office and the Administrative Control Authority.

The power context of corruption in Egypt can be summarized as follows:

- High concentration of state power at the center results in huge civil service;
- Civil service is burdened by a legacy of hiring as a fulfilment of a government promise to guarantee full employment then as a cushion against unemployment; this has resulted in a seniority based service that undermines competency;
- An overall culture of informality and nepotism affects hiring and rewards in the civil service;
- High levels of state discretion in investment, licensing, registering and tax collection have provided a strong incentive for rent-seeking;
- Plurality of anti corruption mechanisms and lack of clarity on mandates;
- Weak parliamentary oversight of anti corruption (except for some lonely voices of some opposition MPs);
- Weak regime of information creation, circulation and use for lobbying;
- Weak civil society involvement and monitoring capacity of anti corruption, especially in a manner that creates networks among civil society organizations;
- Weak professional journalism on corruption and no protection of whistle blowers;
- An overall system of impunity and marginalization of the poor, especially with respect to rule of law and access to justice.

That it is commonly recognised that significant levels of corruption persist despite efforts to limit this phenomena. Egypt has occupied the 70th position at Transparency International ranking for 2005 based on the corruption perception index. In a DRAFT study commissioned by POGAR, the author states the following:

"Egypt began its quest for political, economic and social development more than a decade ago. With economic reform taking the lead in the priorities of the Egyptian government, it adopted comprehensive macroeconomic policies and a structural reform program in an effort to put the economy on an export-led, high-growth path. While these efforts have created macroeconomic stability and established the basis for economic liberalization and privatization, progress toward a market economy has, nevertheless, remained relatively slow.

Corruption by way of nepotism, favouritism, and clientelism has led to weak economic growth, and has contributed to a lack in strong business investment and poor quality of government services. From 1998 to 2004, Egypt's Regulatory quality -an indicator of good governance along with other indicators mainly rule of law, voice and accountability and control of corruption- had significantly worsened (Kaufmann, 2005)¹. Though Egypt's position has witnessed some degree of improvement in Transparency International's Corruption Perception Index (CPI)², scoring 3.2 and 3.4 in 2004 and 2005 respectively, other Arab countries performed much better in this concern..."

Realizing the adverse effect on Egypt's competitiveness, the Egyptian government is in the process of launching a number of initiatives that all feed into an anti corruption strategy.

An anti-Corruption Programme should focus on the prevention of corruption through legal and institutional reform and ensuring effective law enforcement in cases of corruption. The projects aims at providing technical assistance in order to establish a permanent mechanism of coordination between public and private actors involved in the anti-corruption fight.

Challenges facing the MOI

- Lack of internal awareness on the importance of a sound anti-corruption policy
- Obtaining parliamentary ratification for the Freedom of Information act
- Implementation of reformed model to ensure the reduction of corrupt practices
- Bureaucratic practices that would slow down workflow

Target Group

The primary beneficiaries of the project are the public and private enterprises who will directly benefit from the improved transparency, availability of information and decrease of corrupt practices. Another group of direct beneficiaries are the customers who will receive better services especially from the public enterprises. Indirectly, everyone will benefit from improvements in the level of transparency. The success of the project will be judged by its impact on the ultimate beneficiaries-the citizens and businesses of Egypt.

¹ Kaufmann, Daniel (2005), "Back to Basics— 10 Myths About Governance and Corruption", *Finance and Development*, IMF, September 2005, Volume 42 No. 3

² CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).(Transparency International, 2005)

PART II. STRATEGY

The Egypt UNDP country office is embarking on this challenging program to support transparency and anti corruption measures in Egypt. The project is to be done in the true sense of a rights-based approach, looking into the power relations, assessing the capacities of duty bearers and claim holders and raising capacity of both sides to push the agenda of anti corruption. In doing so, it is partnering with a key ministry in the coalition of reformers and with civil society. UNDP intend to support the MOI's efforts in achieving good governance and the rule of law.

The project will contribute to the Country Programme Action Plan outcome 9 Democratic institutions and practices are strengthened and a culture of rights through active citizenship is promoted. UNDP is well positioned to manage the project as it has developed a track record and a certain market niche in supporting policy reform and capacity building. UNDP connects developing countries not just to ideas and resources, but also to hard information and analysis that can catalyze policy-making.

The project stands out as being in line with the GOE's commitment to fight corruption. The Egyptian Ministry of Investment placed top priority on the issue of confronting malpractices/corruption and promoting transparency throughout the process of the restructuring and/or sale of public enterprises. Few measures have been recently conducted for that purpose including:

- Posting the meetings' minutes of holding companies' general assemblies for the first time on the internet and publishing/distributing them in hard copies to all interested parties (including media, parliamentarians...etc).
- Establishing a decentralized institutional decision-making hierarchy (by establishing management committees and boards) to avoid concentration of power in the hands of a few.
- Further empowering further the monitoring bodies in public enterprises; mainly through the conduct of regular General Assemblies' meetings and the periodic evaluation of the boards of directors' performance.
- Improving the quality of the auditing tools over the functions of receiving, processing and following-up documented complaints; in full coordination with relevant monitoring authorities within the government (such as the Central Auditing Organization and the Management Monitoring Authority).

In addition, the Ministry is currently trying to draft the freedom of information law in an attempt to ensure an atmosphere of transparency that would improve the business environment in Egypt.

The anti-corruption project aims at supporting a number of ongoing activities launched by the ministry of Investment to battle corruption. The project will:

a) Support the drafting and issuing of the legal document on Freedom of Information

The project will focus on providing technical assistance to the Ministry's legal department in the provision and drafting of the sections, only which follow the mandate of the Ministry, in the legal document on Freedom of Information

According to UNDP practice note on access to information, there is an integrated approach to information and communication that is embedded in transparency, active participation and responsiveness. This approach includes generation of information, its availability, its accessibility, and the ability of society to understand the information, use it and base policy opinion upon it. Finally, the integrated approach includes a component of responsiveness to societal educated opinion.

There are four strategic areas of intervention that UNDP aims to include in its access to information programming:

1. Legal framework of access to information
2. Capacity strengthening of the media
3. Raising awareness of right to official information and strengthening mechanisms of providing such information and using it
4. Strengthen communication mechanisms for vulnerable groups

Three areas of activities are suggested below:

a) Contextualizing and Benchmarking Progress with Baseline Studies

In order to best assess the strategic entry points and benchmark and monitor UNDP interventions on the information front, the context of information has to be analyzed in a situation analysis and some baseline studies have to be undertaken.

b) Launching Workshop for Comparative Experience

The component may be initiated via a workshop that includes various stakeholders in order to create a platform for policy dialogues not only on the legal text of a freedom of information act, but -most importantly- on the organizational arrangements which support or sabotage any freedom of information act.

In this workshop, UNDP may assist in presenting a baseline study of the information regime in Egypt as well as various experiences from Mexico, Thailand, and India.

c) Capacity building

The project also envisages training of staff on freedom of information. This will only be possible upon the passing of the law and most importantly of its executive decree.

b) Public Awareness and Stakeholder Engagement

The Project will also focus on increasing public awareness in order to ensure an enhanced process in terms of transparency.

According to this integrated approach, UNDP defines its strategic and long intervention in two components: the supply side of information and the demand side thereof. On the supply side, UNDP assists in the process of generation of information and its accessibility on the part

of government agencies. On the demand side, UNDP assists in promoting demand for information and capacity building to use information for informed policy dialogue. Finally, UNDP assists in creating platforms of multi stake holders who use transparent access to information for policy dialogue, hoping to increase responsiveness via such platforms.

Based on commissioned baseline studies, the project can design a strategic action plan for a multi year partnership. Baseline studies could be shared with multi stakeholders in policy dialogue workshops which result in recommendations for partnership and action.

An awareness campaign is to be designed based on the knowledge that will be gained from the baseline studies about the nature of corruption in Egypt and its impact on various areas of economic transaction and social service provision.

Including the private sector is imperative of successful anti corruption strategies. For one, there is a positive relationship between the Ministry of Investment and the private sector and that should be utilized for two purposes:

- To provide a constructive forum for the private sector to voice their concerns about the embedded incentives for rent-seeking in the public sector; that would assist the MOI and UNDP to design relevant strategic entry points for anti corruption.
- To provide a constructive platform for the private sector to voice their concerns about issues of lack of transparency within the private sector as well as priorities for stronger private corporate governance upon which the MOI and UNDP may want to base a strategy for anti corruption that tackles the phenomenon inside the private sector.
- To build an alliance for a stronger presence of Global Compact, the UN agreement on Corporate Social Responsibility, in the anti corruption campaign.

Support to the comprehensive anti corruption strategy:

The center will commission studies and carry on consultation processes need to develop a national anti-corruption strategy and possibly the launch of a national anti-corruption commission.

c) Capacity Building and Knowledge Management

The project will support the development of training courses and training of trainers on anti-corruption to be added to their curricula on good governance

The project needs to assess the institutional structure of this institute: directorship, mandate, financial autonomy, policy of recruiting trainers, policy of receiving trainees, their incentive structure and courses so far in order to assess the cumulative knowledge available and what is needed of the project to add on the area of anti-corruption.

The project will also carry on needed research and reform activities to the current knowledge management system utilized by MOI.

d) Investment promotion through enhancing transparency

The purpose of this output is to improve investment climate and stimulate more investment by improving the performance of the Ministry of Investment through reducing bureaucracy and increasing transparency.

PART III MANAGEMENT ARRANGEMENTS

The proposed implementation period of the project is one year. The project will be executed by the Ministry of Investment. The project will operate in accordance with UNDP regulations, including those for procurement and accounting. The National Project Director's selection will be in accordance with UNDP's principles of transparency and openness, giving full and equal opportunities to all candidates. Selection should be made on a competitive basis with paramount consideration to efficiency, competence and integrity. Selection should also be made by consensus between MOI and UNDP and at least one UNDP staff member should be present on the interview panel. The TORs for all staff should clearly identify the outputs, remuneration and evaluation process and should be agreed upon by both the Government and UNDP. There will be annual assessment of the performance of the national Project Director, against criteria specified at the commencement of their contracts.

The National Project Director is responsible for the overall management and day-to-day operations of the project. He/She will prepare and update the yearly project work plan. The partnership strategy will include the Ministry of Investment, private sector and the Global Compact Network in Egypt.

Relations and co-ordination with other government, private bodies and others will be the responsibility of the project, its national Project Director and its Project Executive Group.

The project will also be managed by the following:

The Project Executive Group

The Project Executive Group is the group responsible for making executive management decisions and providing guidance to the National Project Director, including approval of project revisions and project's annual work plans. Project assurance reviews by this group are made at designated decision points during the running of a project, or as necessary when raised by the National Project Director.

The Project Executive Group will meet bi-annually (or more frequently if necessary) and will be composed of:

Chairman: Minister of Investment (or a representative)

- UNDP Representative
- MOFA Representative
- Embassy of the Kingdom of Netherlands representative

EX officio: The Project Director

- Output Managers
- Other persons relevant to the agenda.

Minutes: The National Project Director will act as secretariat for the Group, being responsible for convening the meetings, preparing the agenda, overseeing preparation of materials for presentation to the meeting and for preparing and distributing minutes of the meetings.

Project Assurance:

The Project Assurance role will support the project by carrying out objective and independent project oversight and monitoring functions. This role of the Project Assurance ensures appropriate project management milestones are managed and completed. UNDP is responsible for designating a Programme Officer to provide this oversight, which is mandatory for all projects.

Project Staff

The Project will have, at a minimum the following full time staff:

- Procurement & finance (to carry out these functions in accordance with UNDP regulations, to prepare Terms of Reference for Short Term Assistance contracts and job descriptions for monthly contracts, and act as liaison between persons hired by the project and the finance department).

Implementation Support Service (ISS)

ISS costs will be recovered and charged to budget code 73500 as the project input itself, based on the universal price list.

The budget includes a 5 % General Managerial Services (GMS) on the Dutch cost sharing to be paid to UNDP on a basis of expenditure and delivery.

PART IV. MONITORING & EVALUATION

Results-Based project monitoring by the NPD and UNDP will be conducted through the preparation and use of a Project Operation Plan (POP), a detailed Annual Work Plan (AWP) for the project's expected one year duration, Quarterly Progress Reports, and an Annual Progress Report (APRs). The NPD is responsible for the timely submission of the mentioned documents to UNDP and the Project Executive Group. The format for these documents will be provided by UNDP. Monitoring will be assisted by a UNDP Programme Officer and the Results-Based Management (RBM) Unit.

Other sources of information for monitoring are minutes of Project Executive Group

meetings as well as any project reviews and presentations. UNDP reserves the right to conduct external Project or Outcome reviews/evaluations during or following the lifetime of the project by external consultants.

A Communications and Monitoring (C & M) plan must be prepared during the project's initiation process. The C&M Plan framework should describe which activities and outputs will be monitored, reviewed and evaluated, how and by whom. The plan must articulate the types of communications and associated scheduling required during the project, as well as methods of communications with stakeholders. More information on the content of this plan is to be provided by UNDP.

A final project review should be conducted during the fourth quarter of the last year of the project as basis for assessing performance, contribution to related outcomes, and determining lessons for broader application. This review will involve all key project stakeholders and the Implementing Partner, and focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes. Project lessons learned should be actively captured to ensure ongoing learning and adaptation within the organization.

PART V LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Egypt and the United Nations Development Programme, signed by the parties on January 19, 1987. The host country-implementing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the government cooperating agency described in that agreement.

The following types of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she has assured that the other signatories of the project document have no objections to the proposed changes:

- Revisions in, or additions of, any of the annexes of the project document; and
- Revisions, which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation.
- Mandatory annual revisions to re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility.

SECTION II: PROJECT RESULTS AND RESOURCES FRAMEWORK

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| Intended Outcome as stated in the Country Programme Results and Resource Framework: |
| Outcome 7: <u>Improved efficiency and equity in the delivery of public services</u> |
| Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets. |
| <ul style="list-style-type: none">▪ Public administration reform for efficient, effective, responsive, and pro-poor public services promote▪ Institution/legal/policy frameworks established to promote and enforce accountability, transparency and integrity in public service |
| Applicable MYFF Service Line: 2.7 public administration reform and anti-corruption |
| Partnership Strategy: Partnership between UNDP, Ministry of Investment and Donors |
| Project title and ID (ATLAS Award ID): |

| Intended Outputs | Output Targets | Indicative Activities | Responsible parties | Inputs |
|--|--|--|---------------------|--|
| <p><u>Output 1</u> Support the drafting and issuing of the legal document on Freedom of Information</p> | <p>Final Draft of the relevant sections in the legal document on “freedom of information</p> | <p>Base line study Comparative Policy Workshop Capacity building for Ministry’s staff Final Draft of the relevant sections in the legal document on “freedom of information</p> | | <p>International Experts UNDP global experts Experiences such from other countries</p> |
| <p><u>Output 2</u> Public awareness and stakeholder Engagement</p> | <p>Public awareness strategy on transparency and anti-corruption</p> | <p>Three sets of baseline Studies • Capacity Assessment • Privatization process • National strategy on anti-corruption & compatibility with UNCAC Multi-stakeholder workshops to share results</p> | | <p>Commission Studies International Experts Workshop facilitation</p> |

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|---|--|--|---|
| <p><u>Output 3</u> Capacity building and knowledge management</p> | <p>Training components and knowledge management systems developed</p> | <p>Workshops to Involve Private Sector in policy dialogue</p> <p>Designing Radio, Press and TV material</p> <p>Training course on anti-corruption</p> <p>Trained trainers on anti-corruption</p> <p>Training on record keeping</p> | <p>Experts</p> <p>Global Compact Network</p> <p>Business Association in Egypt</p> |
| <p><u>Output 4</u> Investment promotion through enhancing transparency</p> | <p>Reviewing and reforming procedures and management processes related to investment relations</p> | <p>Carry on Inception period; establish an implementing unit (IU);</p> <p>Appoint a review mission;</p> <p>Develop reviewing situation report;</p> <p>Review and enhance reform</p> | |

| | | | |
|--|---------------------------|--|--|
| | action plan, | | |
| | Implement recommendations | | |
| | Monitor progress | | |
| | Evaluate results. | | |

SECTION III BUDGET

The preliminary budget for the project (in US dollars):

| | |
|----------------------|------------------|
| Government (In kind) | 35,000 |
| UNDP | 70,000 |
| Dutch | 2,383,037 |
| SPPD | 30,000 |
| Total | 2,483,037 |