



Executive Summary

BACKGROUND

This report summarizes the findings, conclusions, and recommendations of an independent evaluation of the UNDP's contribution to the social and human development of Egypt over the period 1997-2003. The ADR focuses on whether UNDP Egypt has been able to position itself strategically within the country's policy environment to make a unique and critical contribution. The ADR focuses on the following three objectives:

1. To assess, at the country level, the developmental effectiveness of the current Country Cooperation Framework (CCF) for 2002-2006.
2. To examine the appropriateness and sustainability of the UNDP's strategy in terms of addressing the most pressing issues of poverty, gender disparity, environmental protection, and governance.
3. To draw lessons that could inform policies and to identify policy areas where the activities of UNDP could be enhanced to sustain a relevant contribution to Egypt's long-term development.

The question of resource mobilization was an important aspect of the evaluation, since it is closely linked to UNDP's capacity to provide quality services in an efficient manner and to seize opportunities as they arise. The underlying evaluation question was always ascertaining whether the

activities and resources of UNDP aligned with the medium- and long-term needs and priorities of the country as a whole as well as with those defined in the Millennium Declaration of 2000.

THE NATIONAL CONTEXT

Egypt has been successful in reversing the trend of declining growth that persisted since the mid 1980s. During 1996 to 1999, real gross domestic product (GDP) grew at an average of 5.5 percent, real per capita GDP grew at 3.6 percent, and significant progress in terms of social development was also achieved. Net primary school enrollment rate increased from 63 percent in 1975 to 93 percent in 1999, infant mortality declined from 92 percent in 1980-1985 to 49 percent in 1993-1999, life expectancy at birth increased from 59 percent in 1980-1985 to 67 percent in 1993-1999, and literacy rate increased from 48.2 percent in 1992 to 55.5 percent in 1996.

The structural reforms of the 1990s led to rapid rates of growth reaching 6 percent by the end of the decade. However, these achievements must be viewed within the context of the challenges that Egypt still needs to address, notably unemployment and poverty. The persistence of poverty among certain socioeconomic groups points to economic and social factors underpinning the perpetuation of poverty across generations.

The negative impact of the reform program has fallen primarily on the vulnerable, especially children, the elderly, women-headed households, and the urban and rural poor. Cuts in public-sector investment and the removal of subsidies on

some basic food items have worsened the condition of low-income families.

Many of the most important indicators of human development, such as life expectancy, child survival, immunization, school enrollment, and access to safe water, have improved markedly over the past decade, but disparities in well being and access to services persist along income/social class, urban/rural, and gender lines. Egyptians enjoy higher levels of political freedom than in the past or in many other Arab countries, but the undeniable progress in this area has been hindered by practices that continue to obstruct full political participation.

As we assess the development results in Egypt, it is important to keep in mind the negative consequences of the situation in the Middle East and post September 11 events. Currently, Egypt faces a difficult economic outlook. While growth appears to remain resilient at almost 3 percent, the fiscal situation is hardly improving. At the same time, the pressures for additional public spending are growing. The main policy implication of this perspective is that if growth slows further and the fiscal and exchange rate pressures become more severe, the authorities will probably have to adopt some of the pending macroeconomic and fiscal structural reforms.

One of Egypt's challenges remains the size of its population, despite a decrease in growth rates, especially since the young generation represents approximately 40 percent of the population, reflecting a high dependency ratio. Added to this are challenges of unemployment, regional and gender disparities of poverty, illiteracy, and education. While the government has

made important progress in consolidating its democratic institutions, the persistence of emergency legislation over the past twenty years is regarded by several observers as not conducive to further enhancing civic and political participation.

MAIN FINDINGS

Resource Mobilization

The last ten years witnessed a profound transformation in the way the UNDP Egypt finances its operations. Financing for activities from core resources has decreased from 52 percent (1992-1996) to 17 percent (1997-2001 CCF) and may end up being less than 10 percent when the current CCF (2002-2006) expires. In absolute numbers, the reduction in core financing has been very fast. It has decreased from USD 31.8 million for the period 1992-1996, to USD 15.6 million for the 1997-2001 CCF. It is now estimated that it will be less than USD 7.5 million for the current 2002-2006 CCF.

The counter-balancing process has been one in which non-core resources, that is, resources mobilized from the government, donors, and other “third parties”, have grown quickly, increasing from USD 29.5 million in 1992-1996 to USD 77.3 million for the 1997-2001 CCF. At the end of the current 2002-2006 CCF, non-core resources could reach USD 132.8 million once pipeline projects are approved. In relative terms, this would mean that non-core resources end up financing more than 90 percent of total activities at the end of the current CCF in contrast with 48 percent and 83 percents in the two previous CCFs.

Although being able to generate non-core resources is commendable, it is also important to assure that they are used effectively and targeted to the “right” priorities. In this respect, the evaluation found data indicating that UNDP maintained this alignment in the 1997-2001 CCF and is doing so in the current 2002-2006 CCF. The fact that government cost-sharing financed 80 percent of total non-core funded activities in the first CCF (1997-2001), confirms that this financing was consistent with the right developmental priorities. At the same time, UNDP is making a deliberate effort to diversify its non-core financing, therefore the 2002-2006 CCF will show a lower proportion for government cost-sharing.

In examining the thematic distribution of funds according to developmental priorities for the 1997-2001 CCF and for the current 2002-2006 CCF, it can be seen that in the CCF for 1997-2001, poverty alleviation received 52 percent of all resources. Governance and policy advocacy together represented 18 percent of all resource allocation, and the environment received 16 percent. In the current CCF for 2002-2006, poverty alleviation through job creation and support for capacity development is allocated 48 percent of total core and non-core resources. The environment’s share will probably increase to 22 percent and governance and human development will probably receive 24 percent of the total.

The evaluation confirms that there has been policy consistency since the late 1990s and full alignment between resources and the key thematic priorities of poverty reduction, governance, and the

environment. Furthermore, the interventions address the deficits identified in the Arab Human Development Report (AHDR) 2002.

Of concern in resource mobilization are the issues of sustainability and diversification. An analysis of these two issues should include considerations about the underlying substantive matter that needs to be kept “right” and relevant. That substantive matter is what makes the process a self-sustaining one.

UNDP is conscious of these issues and is responding by staying focused on its strategic framework and alert in identifying innovative projects in “frontier” public policy areas. These two approaches are interdependent as the overall appropriateness of the development strategy is what gives rise to the partnerships that in turn bring about resource and project diversification.

Strategic Institutional Position of UNDP

On the basis of work done in the 1997-2001 CCF, particularly in the area of information and policy advocacy, UNDP has been highly effective in positioning itself at the center of the critical links that often lead to the institutional transformations needed for—and resulting from—development.

UNDP’s focus on institutional transformation is right on target, since it is now widely accepted that institutions and collective rules fundamentally ‘matter’ in explaining long-term social development in countries with different factor endowments. Institutions are sets of formal and informal rules that shape the behavior of individuals. While it is

clear to many scholars and development practitioners that institutions matter, the real challenge is how to go about supplying the “right” institutions, getting rid of the “wrong” institutions, and inducing societies to “demand” better institutions.

A major component of UNDP’s strategy in Egypt included supporting the generation of new information about social problems and situations that hinder development. The dissemination of information and the resulting awareness by the public leads to a proxy of demand by change. A demand is created for new institutional arrangements to deal with the problems that society feels should be addressed—such as in the case of rural poverty, gender disparity, and local development.

UNDP’s role in using information and creating public awareness to induce change is supported by work undertaken by three eminent economists in the area “information economics” who received the Nobel prize in 2001. The ADR highlights four of their tenets that apply to the relevance of UNDP Egypt and its ability to position itself where it counts most:

- Information, imperfections, and asymmetries are pervasive in all economies.
- Most economic markets lack information, and political markets tend to be even more deprived in terms of information.
- One of the key roles of the state is to generate information and to support an environment conducive to a growing demand for information.
- Information affects political processes as well as economic ones.

UNDP has, in effect, put all of the above into use through its advocacy work, by supporting efforts such as the National Human Development Reports (NHDRs), partnerships with the media, and the social marketing initiative. All of these are designed to generate new information and to raise public awareness about key social problems, further generating a good proxy for demand for change and for institutional innovations.

In addition to the above, the other key strategic entry points for UNDP's work included:

- UNDP's comparative advantage as an impartial and trusted partner;
- Upstreaming policy advice into the public sector at large and using pilot experiences to influence general policies;
- Resource mobilization and forging strategic partnerships with the government, donors, multilateral partners, and other stakeholders;
- Opportunities for joint UN programs.

While all of these entry points are important, the evaluation highlights the use of the NHDR for its enormous strategic capacity to gradually transform the structure of Egypt's public sector. Advocacy through the NHDR has the potential to make it more effective, at all levels, in responding to the basic needs of a large portion of the population—particularly the poor and those living in small villages.

The CO has been shifting the focus of Egypt's Human Development Report (EHDR) from the national level to the governorate level. This emphasis on local development as the preferred level of

government to deal with the basic issues of poverty and governance is the “right” strategy for Egypt and for UNDP.

Importance of UNDP's Contribution

There are three interdependent fronts of activity in which the UNDP has been able to make a significant contribution to Egypt's medium- and long-term decentralization. The first front is by proposing innovative and seminal projects that respond to social needs previously not fully discerned or perceived. In this approach, the UNDP has made use of its institutional comparative advantage to support projects such as: human rights training for judges, prosecutors, police, and journalists; enhancing the technical capacity of the National Council for Childhood and Motherhood (NCCM); institutional development of the ICT sector; supporting programs to deal with the HIV-AIDs problem; and supporting a new phase of the project for National Council for Women (NCW) to increase the percentage of women in Parliament.

The second front in which the UNDP plays a critical role is by bringing other donors, multilateral partners, and stake-holders to participate in its “frontier” proposals to address somewhat politically difficult issues. The partnerships thus configured not only bring resources and technical expertise but also provide a distinct institutional strength and legitimacy to raise public awareness about pressing social needs. One innovative project characterizing this is the support to the Northwest Coast Development Plan (which

included a component for the clearance of mines on the northwest coast of Egypt.) UNDP played an instrumental role in helping the Ministry of Planning complete the Northwest Coast Development Plan and succeeded in convincing the government that mine clearance needed to be seen as a development priority and not just a military exercise while convincing donors to support the efforts at the same time. UNDP's partners expressed to the ADR mission that only UNDP could play this galvanizing role. A good example of the recognition earned by the UNDP in its coordinating role is the appointment (in 2002) of the UNDP Resident Representative of the United Nations as Chairman of the Donor Assistance Group (DAG).

The third area where UNDP's contribution can be found is in its special relationship with the government. "Development" means change, particularly the institutional transformation of a society's collective assets. Governments are in charge of nurturing and delivering constructive social change—a difficult challenge for all societies, both developed and developing. In responding to this challenge, the UNDP and the government of Egypt have successfully established a mature partnership. Through their formal and informal dialogue, they have been able to co-sponsor, inter alia, research, surveys, and advocacy activities that induce demand for change in public policies and generate information to facilitate the right supply response from the government. An example of this is the social marketing program and raising awareness about female genital mutilation (FGM) practice.

In terms of Millenium Development Goals (MDGs), there is enough data and analysis to support the conclusion that Egypt was making progress towards the MDGs until the years 2000-2001. This progress came largely as a result of the fast rates of GDP growth observed in the second half of the 1990s. The question now is whether that tendency can be maintained over the coming years when fiscal and macroeconomic expansionary policies may not be sustainable and the external outlook is uncertain. Most UNDP projects respond to supporting progress towards the MDGs. The CO has successfully adopted the role of "campaign manager" in raising public and official awareness about the MDGs. Beyond its own MDG-related projects, UNDP is also responding to its responsibility as a promoter of this commitment throughout Egypt's public and private sectors.

Leadership

The evaluation underscores that the UNDP office underwent (in 2001) a significant reprofiling exercise aimed at creating an internal culture and associated business processes to enable the CO to manage a more focused and higher impact policy portfolio. The reprofiling led to a major shift in the way UNDP did business by making UNDP's program more relevant to Egypt's national development priorities by targeting resources more strategically to areas where UNDP could make a discernable difference to the development situation.

This shift followed a change in leadership of the CO (both the Resident Representative and Deputy Resident

Representative), which articulated the new strategic vision and positioning of UNDP. The evaluation team concluded that the CO is currently:

- Making a critical and positive contribution to Egypt’s long-term social and human development.
- Strategically positioned to sustain and perhaps even deepen its unique contribution to Egypt’s development by using its comparative advantage.
- Leveraging and aligning resources within other key donors, bilateral donors, and multilateral donors to enhance the “collective” contribution to Egypt’s social and human development.
- Working where it matters the most, that is, where the constraints for progress are most severe.
- Addressing the key deficits of governance, gender, and knowledge outlined in the AHDR 2002.

KEY LESSONS LEARNED

Four major issues were raised by the report in terms of lessons learned and emerging opportunities

Choice of Strategy Determines Effectiveness

The most overarching policy implication for the CO as well as for the UNDP as a whole is that effectiveness depends on being right on target when selecting a particular development strategy. The characteristics of that strategy determine developmental effectiveness and are what places the UNDP at the epicenter (or at the periphery) of policy making in a given country. In the case of Egypt, the overall strategy of focusing mainly on institutional

transformations at the local and regional levels is clearly the right policy choice. The effective use of information and advocacy, through the NHDRs for example, to induce demand for change is a key component of UNDP’s strategy. An important lesson learned is that UNDP can and should play a proactive role in triggering processes of change to induce demands for policy innovations. While this carries political risk, not doing much about what matters also carries risk.

Resources Follow “Good” Projects

The successful growth of non-core funding is the result, *inter alia*, of the convergence of the supply of “good” projects and initiatives by UNDP and of the demand for those projects by the government of Egypt and the donor community. The result of the intersection of this supply and demand are partnerships around shared policy objectives. There is an “incentive compatibility” for each partner to maximize its own legitimate interest, all under the aegis of a propitious environment provided for each stakeholder by the government of Egypt. Without this overarching support from the government of Egypt, not much would have been achieved.

While it could be argued that the reduction in core financing has not really hurt the program in Egypt—and may even have had an unintended incentive to generate more non-core resources—this conclusion would not be warranted from a wider policy perspective. The evaluation recommends that a minimum of core resources, in absolute and relative terms, appears indispensable to deepen some key

programs and projects where the UNDP Egypt has a comparative advantage to mobilize resources and nurture partnerships with other donors.

External Economic Conditions are Uncertain

UNDP Egypt would be well advised to factor the growing probability of increasing global and regional difficult external conditions into its short- and medium-term plans for policy making. If they were to become serious, this could compromise much of the welfare and human development advances of the late 1990s and last two to three years. However, this challenge needs to be seen as an opportunity to deepen some structural reforms. Fortunately, several key policy lines can be maintained and even reinforced without significant additional resources—such is the case of the ongoing programs to support local and regional development, reduce gender disparities and adult illiteracy, and engage civil society in governance issues. The fundamentals of these programs do not need to depend on significant additional funding. The modalities and incentives involved in public spending are the determinants of its effectiveness.

Good Management and Policy Strategies Engender Synergies

Even the right developmental strategy needs an efficient management team to implement it. UNDP, after the change in leadership and the re-profiling that took place in 2001, has demonstrated the capacity to perform at high levels of management effectiveness. From an UNDP-wide perspective, the implication

is that COs that can show exceptional performance should be given the right incentives to maintain such levels of initiative and results.

RECOMMENDATIONS FOR THE FUTURE

Given that the UNDP CO is well positioned in Egypt's policy-making environment, the ADR looked at the question of where UNDP should focus during the next five to ten years. Where should UNDP accompany the government of Egypt in deepening the furrows it has already sown? This means answering the question of what policies and projects have the most externalities for sustaining human development over the long haul. While there are a number of possible answers, the evaluation team would like to recommend the following three interdependent areas:

- Regional, local, and village (social and fiscal) development.
- Poverty reduction through sustainable job creation and enhanced quality of public expenditure.
- The development and enhancement of institutional research on the key developmental issues of the country.

No matter what the immediate future may bring, there is little question that Egypt has to seek its own “endogenous” sources of growth within its available resources. Regional, local, village, social, and fiscal development offer the opportunity to increase economic and social welfare by simply applying basic principles of decentralization and subsidiarity to all public-sector activities. This is also the way to better integrate the country and to give it more political cohesiveness.

Poverty reduction and a better income distribution are key long-term priorities of Egypt. The effective way to go about both is to support sustainable job creation and to work on institutional arrangements that enhance the effectiveness of public expenditure for basic education and health. The key guiding principle is that public resources and subsidies in these sectors should go to the consumers of these public goods instead of to the suppliers of the inputs of those goods.

Keeping in mind the long-term vision referred to above and staying in line with the overall analysis of the report, lessons learned, and emerging issues, the evaluation makes the following specific recommendations for the immediate future, focusing on enhancing the current partnership with the national level government and advancing the work agenda at the governorate level:

- Organize a seminar with the national authorities and with the 26 governorates plus the city of Luxor to discuss in depth the findings of the seven governorate-level HDRs that will be finalized in 2003. This would also provide an opportunity to further discuss local-level planning initiatives such as the Decree of Qalyubia Governorate.
- Further support the remaining 20 governorates to produce HDRs.
- Support “Governorates Seminars” as a forum for informal but technical exchange of information and experiences on decentralization issues. A participatory process would provide valuable guidance on how to proceed and would make use of innovative experiences such as El Fayoum as referred to in the report.
- Commission an external and independent evaluation to formulate a diagnostic on the current decentralization framework, identify the main restrictions limiting a stronger local and regional development, and make policy recommendations to strengthen local and regional development.
- In line with the overall activities centered on local development, the EHDR 2004 should concentrate on decentralization.
- Undertake a pilot program to reform/modernize selected public administration institutions/ departments to serve as models.
- Reach agreements with the national government to enhance decentralization policies and studies and “pilot” local development experiments.
- Work informally with governorates to explore ways in which some decentralization experiences can be scaled up into the public sector at large.