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Good Governance in the East Mediterranean Countries: Inconclusive EU Reforms in Egypt

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Corruption is a long-lasting problem in Egypt prevailing among all segments of society through forms of petty corruption like bribery, or billion-dollar public procurement contracts along with trackless large-budgeted special funds. Had been so prevalent, corruption had been amongst the upfront causes that triggered the Egypt revolution in Tahrir square with millions of frustrated Egyptians poured into streets. Following the 2011 revolution in Egypt overthrowing the 30-year Hosni Mubarak administration, many opportunities were created with regards to the deeply rooted corruption problems in Egypt. However, the EU taking part in the issue as the largest donor for the country failed to have substantial results on both

constraints on and resources for corruption due to the expected resistance coming from the Egypt government along with the reluctance on the EU side to impose upon thorough governance reforms to tackle the corruption in Egypt.

European Neighborhood Policy (ENP)

As originally designed to foster cooperation with the countries to the south and east to the Union, European Neighborhood Policy (ENP) offers goal-oriented reformation packages through Action Plans (AP) to incentivize positive transformation as of economic and government reforms. It rolls out financial assistance packages to, e.g. budget support, or politically reward the target country as strict conditions are met with regards to the

reforms. Within the context of the ENP, EU neighbors in East, namely Georgia, Armenia, Ukraine, etc., along with the Union's Mediterranean partners, such as Israel, Algeria, and Egypt, were gathered under a single roof, becoming part to the Neighborhood Policy. Having replaced the European Neighborhood and Partnership Instrument (ENPI) IN 2014(EU Neighbours South and East, 2019), European Neighborhood Instrument (ENI) forms the financial arm of the ENP with a budget of more than EUR 10-billion to actualize the core targets with regards to and democratic norms, market integration, development, regional cooperation, security. It should be noted that, although the promotion of good governance and civil society is included amongst priority targets of the ENP, tackling corruption was disregarded within 'Priorities for Action' in certain cases, as in the Egyptian one(Louis, 2017).

Governance Reforms of the EU in Egypt

From a historical perspective, Egypt is a nation that has never experienced a truly democratic regime. As the monarchy was overthrown in mid-50s, the country had been under 'quasi-socialist' regime where all aspects of the economy were run by state-owned enterprises (Acemoglu, 2013) until neoliberal privatization reforms took place in the 90s under the National Democratic Party (NDP) government of Hosni Mubarak. In the 1st wave of the reforms of the 90s, markets fell under the control of numerous businessmen eroding state bureaucracy and gradually entailing state-capture. Further privatization period in the 2000s accelerated state-capture with the continuing number of business elites infiltrating NDP, who were assigned to critical political positions later on. Corruption came to a point that the business elites put up monopolistic barriers in the crucial sectors like media, iron, and steel, automotive and cement industries, in which they regulated the laws in line with their self-interests to boost the commercial profits(Acemoglu, 2013). It is estimated that each minister had billions of dollars in assets, more shockingly, Mubarak's personal net worth was estimated in between \$40 to \$70-billion. Unemployment came close to 25% in 2011 and, since the wages had been too low, bribery became a must for the

officials in civil services. The massive amount of corruption, further impoverishing the people of Egypt, that had been carried out by the business elite eventually led to 25th of January revolution in Tahrir Square marked a brand-new political phase for Egypt under the authoritarian regime of Abdel Fatah al Sisi following the coup targeting Mohamed Morsi's elected government.

Today, Egypt remained to be an overly underdeveloped nation with massive amounts of recorded corruption. Egypt is ranked 105th in the Transparency International Corruption Perception Index 2018, with a score of 35 out of 100(Transparency International, 2019).With regard to corruption in Egypt, public procurements as a means to award selected people close to government along with bribery, lack of autonomy of judiciary and regulative bodies, and opacity of special funds as well as the limited civil society are marked as the key problematic areas that requires urgent governance reforms and intervention of international community.

1. The EU Initiatives in Fight Against Corruption

Initially being part of the Euro-Mediterranean Partnership (EMP), Egypt strengthened relations with the EU as the EU-Egypt Action Plan adopted in 2007 (ENP And Enlargement Negotiations, 2018). With the ENP AP conducted bilaterally between the EU and Egypt in 2007, promotion of good governance became one of the priority areas for the first time. The aid modality is contemplated as budget supports and the EU Commission has been the only donor to procure budget support, as Sector Budget Support (SBS), to Egypt (European Court of Auditors, 2013). Over 40 million Euros in the period between 2007 and 2009 and 50 million euros in between 2011 and 2013 in the National Indicative Programme (NIP) for Egypt was allocated for supporting reforms in the areas of human rights, good governance and democracy(Louis, 2017). Though after the 2011 revolution in Egypt, further aid packages from various EU intuitions over EUR 5 billion were planned to be allotted, the further payments towards SBS programmes were halted in the absence of reform implementations.

Operations of the EU tackling corruption and governance issues in Egypt have largely focused on the delimitation of opportunities/resources, albeit showing higher inefficiencies on that aspect, rather than constraints/deterrents for corruption. On the resources side; shifting to budget supports in aid modality, the EU set out a Public Expenditure and Financial Accountability (PEFA) study to assess the Public Finance Management (PFM) reforms. Based upon the PEFA, to ensure further improvements over PFM reforms and civil services, the EU additionally conducted the 'Support to Public Administration Reform and Local Development' (hereinafter as SPARLD) project in between 2015/18 (VNG International, 2019). Furthermore, laying conditions like 'a credible and relevant programme to improve PFM' as well as 'budget transparency and oversight', the EU's eligibility criteria is implemented as a prerequisite for SBS aims to indirectly improve governance. For instance, three of the five ongoing SBS programmes regarding the areas of Energy, Water and Education included PFM provisions granting fiscal transparency and accountability amelioration (Louis, 2017).

With regards to constraints/deterrents on corruption, the EU had a limited impact since the main objectives of the projects to prevent corruption revolved around capacity and efficiency building rather than ensuring the independence of the targeted institutions. Similar to SPARLD, the Modernization of Administration of Justice and Enhancement of Security (hereinafter as MAJES) project was contemplated in Annual Action Plan (AAP) 2010, with two indirectly corruption-related capacity-building projects targeting the Ministry of Justice along with the Ministry of Interior to improve the public service of Justice and effectiveness in fight against new types of crimes. The only direct anticorruption project of the EU, with a budget over EUR 2.55-million (European Court of Auditors, 2013), is completely delegated to United Nations Office on Drugs and Crimes (UNODC) to be implemented, with four objectives to establish "Institutional capacity to combat corruption and money laundering"; "National anti-corruption strategy"; "National legal framework



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on anti-corruption, anti-money laundering and asset recovery"; and to raise "Public awareness on the negative effects of corruption and money laundering" (UNODC, 2015).

2. Outcome of the Reforms on Resources and Constraints Sides

Though not being the primary objective of the anticorruption projects, the EU had too little impact on constraints on corruption in that normative constraints, e.g. involvement of civil society in the fight against corruption, was barely included in the agenda, the negotiations on the projects were made bilaterally between the EU and Egypt. The EU's overly flexible and 'slowly-slowly' approach towards the effectuation of the anticorruption projects crippled the reformation process. Often being delayed, the capacity-building projects were remained ineffective when implemented, since they narrowly focused on training and assistance -- even they were improperly carried out due to lack of experts and the theoretical lectures with no reflection of Egypt's corruption reality: incompetence of the

judiciary branch and law enforcement along with the rooted bribery problem. The EU's incompetent execution lacking tailor-made approach failed in following up the existing national anticorruption to promote or build upon them. Furthermore, as mentioned, the only direct anticorruption project was often delayed, and entirely delegated to UNODC and its own anticorruption toolkit.

As it is expected from the EU to have minor effects on constraints, on the resources side it had far worse results since it is claimed that the EU aid for SBS Programmes even increased the resources for corruption due to inability to trace some of the funds that went into special funds. Furthermore, although the budget supports were specifically conditioned concerning anti-corruption measures in other ENP countries, the Commission failed to substantially address the short-comings in PFM (European Court of Auditors, 2013) through SBS, despite of Egypt's serious problems in the area of corruption (European Court of Auditors, 2013) that entailed the 2011 revolution in the first place. Also, the monitoring had been carried out by the Egyptians officials that in charge of the SBS programmes rather than the Commission itself, making way for false representation for the implementation process. For such reasons, in addition to absence of a parliament in Egypt due to the junta regime, the Commission pulled the plug on the ongoing SBS programmes in 2012 and postponed them to the closing date of 2017 (Louis, 2017). In 2017, the EU has foreseen a new initiative named Single Support Framework (SSF) 2017-2020 to further strengthen partnership and boost strategic investment projects (The European Union Delegation to Egypt, 2017). The SSF programme largely focuses on the economic as well as social stabilization of the country. As stated by a commissioner for ENP and Enlargement Negotiations in Cairo: "The EU is Egypt's first trade partner and its largest source of investment. As our interests coincide, we should work together to build prosperity, and the conditions that can attract investment into the country" (The European Union Delegation to Egypt, 2017). Governance as well as enhancing democratic state is included within Sector 3, for which only 10% of the funds were allotted (European Commission

Press Release, 2017). Capacity-building and civil society support are only involved as complementary support to the total aid allocated to the SSF. Although it is emphasized that inclusive and sustainable social development is to be involved in priority areas, the limited funds for governance and civil society reforms along with the absence of direct anticorruption projects cause worry for the effective implementation of the overall initiative.

Why failed?

It is fair to state that the EU had barely an impact in the fight against corruption in Egypt in both the constraints and resources side, sometimes even worsened the situation by creating more opportunities for corruption, for its reluctance to get to the bottom of the issue and assess the ongoing projects thoroughly to have substantial results. The limited number of direct and indirect governance and budget reforms that were initiated by the Commission are often criticized due to the fact they are too apolitical mostly addressing the issue as an agent-problem, rather than a collective action problem, thus undermining the role of the state (Louis, 2017).

There are two main causes with regards to the failed transition in Egypt: 1) The political conjuncture of Egypt led by President Abdel Fatah al Sisi through a highly totalitarian regime, in which the political, as well as economic, costs exceedingly override the benefits of the governance reforms; 2) The fact that the current status-quo of Egypt does not really have an impact over the bilateral economic relations with the EU, in that the EU is the largest source of FDI (The European Union Delegation to Egypt, 2017) in Egypt. As the former is expected, the success of the reformation projects is largely determined by the latter factor, to what extent the EU is willing to implement them. Trade between EU and Egypt has surged from EUR 11.8-billion to EUR 28-billion in between 2004 and 2017 as the EU as the biggest import and export partner, "covering 29.7% of Egypt's trade volume in 2017" (European Commission, 2019). It is apparent that the EU's attitude towards the fight against corruption in Egypt is mainly shaped by its economic and trade-related priorities. Furthermore, as it is laid out in the 2015 review

of ENP and became clear in the agenda of the SSF in 2017, the EU focusses on matters closely related to its own agenda, such as security, migration, and trade and investment-related issues rather than tackling corruption in Egypt, which fails the governance reforms in the first place.

Conclusion

Though on paper there seems to be an effort from the EU with regards to the direct anticorruption and indirectly corruption-related governance reforms to be implemented in Egypt, the Commission had its major short-comings in practice. The SBS reforms are suspected to increase resources for corruption and capacity-building projects had too little impact on the constraints on corruption. The incompetence in addressing the substantial causes of the corruption in Egypt –i.e. lack of civil society involvement, ineffective trainings of officials as part of the capacity-building projects, or approaching corruption as if it is an agent-problem rather than a collective-action problem, is related to the domestic resistance coming from the al Sisi government, in which the ENI fails to roll out considerable financial assistance with regards to corruption to override the political and economic implementation cost, and the reluctance on the EU side to tackle with the problem due to the fact that the current status-quo causes no threats for the bilateral trade and investment relations in between the EU and Egypt. As Single Support Framework 2017 shows, the fight against corruption in Egypt is to remain only as a sub-objective for the EU and not likely to change in the near future.

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