International development cooperation

by Rawda Said Ali

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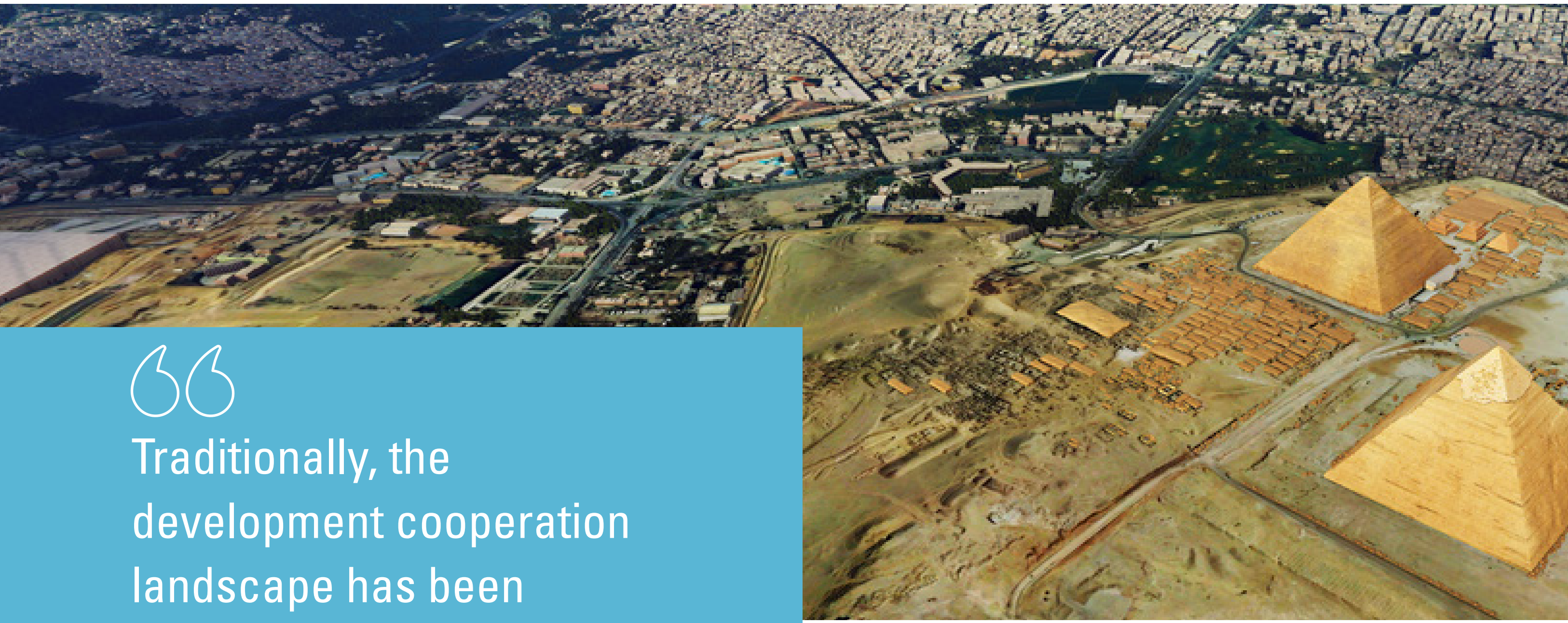

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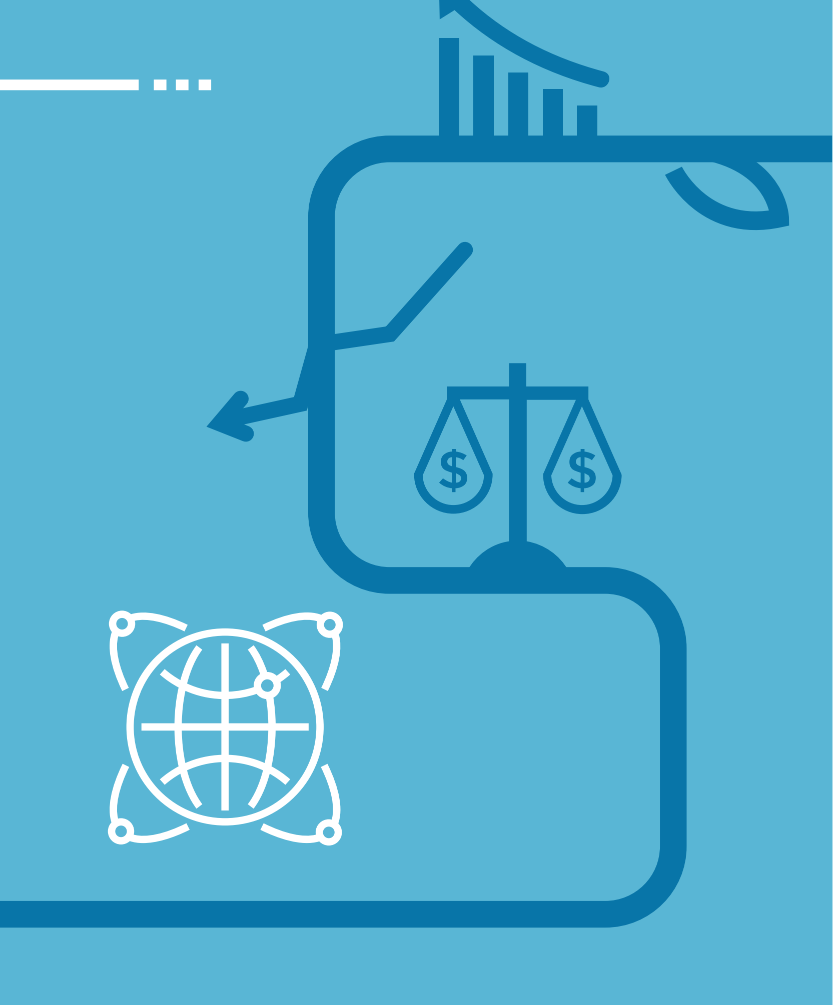
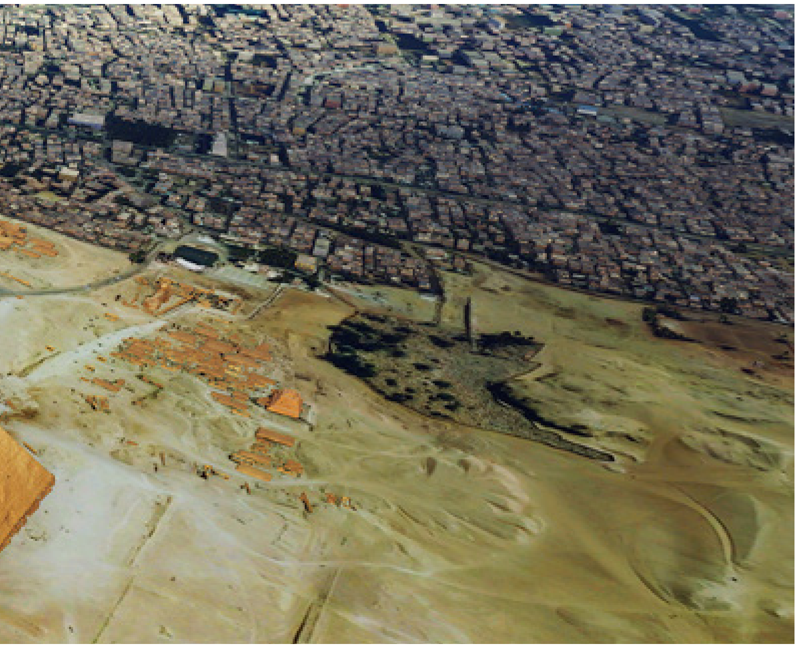


Background

The SDGs provide a compelling vision of what is to be achieved, and the FFD process offers an understanding of what this vision requires in order to be realized. Complementing this by addressing how we partner and work together will not only ensure that it is possible to address the magnitude and complexity of development challenges more effectively, but also guarantee that it is done in a faster manner.

In light of the prevalence of COVID-19, OECD estimated that the SDG financing gap in developing countries had widened by 70 per cent, from a gap of $2.5 trillion pre-COVID-19 to a 4.2 trillion financing gap post-COVID-19 in developing countries.[1] International development cooperation is therefore considered critical in this last decade to take action on the 2030 Agenda, as its tools can contribute to absorbing and recovering from macroeconomic shocks or similar crises that are likely to result in a decrease in external private investment and remittances.



Traditionally, the development cooperation landscape has been dominated by OECD countries, through the Development Assistance Committee. By transforming the development paradigm towards higher productivity, sustainability and private sector-led growth, new development actors have emerged. The current architecture of development cooperation includes five main actors providing development finance in the form of financial assistance and knowledge: Development Assistance Committee countries, non-Development Assistance Committee countries working through development cooperation, multilateral development partners, the private sector and NGOs.[2]

Boosting partnerships with international development partners offers an opportunity and a platform to encourage the development of joint solutions to shared challenges. Doing this in line with the internationally agreed Effectiveness Principles of the Global Partnership for Effective Development Cooperation—ownership by partner countries, a focus on results, inclusive partnerships and transparency and mutual accountability—will ensure that cooperation will contribute to the central pledge of the 2030 Agenda of leaving no one behind.

In this context, this chapter discusses the role of international development cooperation in Egypt and its different tools in financing and contributing to the SDGs.

A. Official development assistance

Traditionally, ODA has been almost synonymous with development cooperation. This is because the OECD Development Assistance Committee defines the concept of ODA and the criteria for its expenditure, and because it provides the largest proportion of resources for development assistance. While representing an important source of FFD in developing countries, especially for the least developed countries, the share of ODA has been dwarfed over time compared to other external sources. One reason is attributed to the failure to achieve the United Nations target of devoting 0.7 per cent of GNI of Development Assistance Committee countries to ODA, as set out in the Addis Ababa Action Agenda. In 2018, total ODA from Development Assistance Committee countries amounted to $153 billion, which is equivalent to only 0.31 per cent of their combined GNI.[3] For the same year, total ODA to developing countries fell by 4.3 per cent and the amount to the least developed countries fell by 2.2 per cent.

This declining trend in global ODA and the failure by many development partners to meet the target of a commitment of 0.7 per cent of GNI as ODA suggests that, in the current 2030 Agenda framework, ODA volumes are not sufficient to meet the development finance requirements needed to achieve the SDGs or close the financing gap. Nevertheless, strategic deployment of ODA

Box 8: OECD Development Assistance Committee definition of official development assistance

Official development assistance is defined as those flows to countries and territories on the Committee's list of ODA recipients and to multilateral institutions which are:

1. Provided by official agencies, including state and local governments, or by their executive agencies; and
2. Concessional in character (i.e. grants and soft loans) and administered with the promotion of the economic development and welfare of developing countries as the main objective.

Source: Organization for Economic Cooperation and Development (2021). What is ODA? Available from: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/What-is-ODA.pdf

can leverage additional private-sector inflows and provide policy advice, as well as the support required to achieve the SDGs.

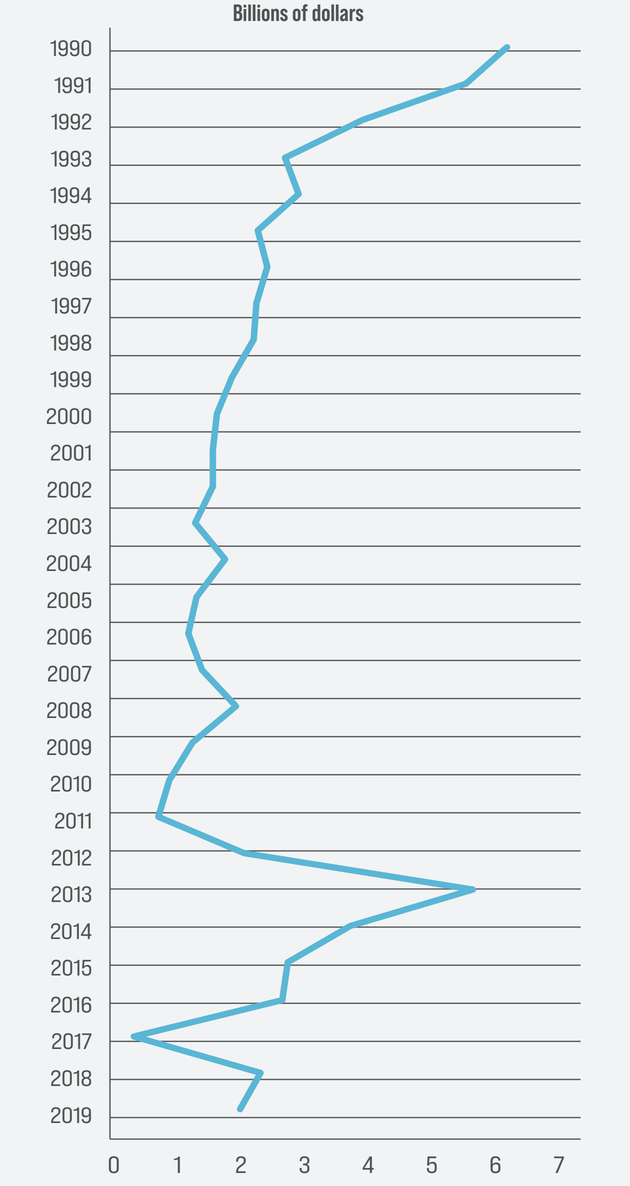
1. Landscape of official development assistance in Egypt

(a) Official development assistance volumes

In Egypt, there has been a decrease in volumes of ODA since the 1990s, including during the early years of the twenty-first century. This was partly a consequence of the decision of the United States to reduce its foreign assistance to Egypt by 5 per cent annually from 1999 to 2009. In addition, the change in the classification of Egypt from a low-income country to a lower-middle-income country has also contributed to decreasing volumes of ODA. A severe decline followed between 2008 and 2010 and was mostly attributed to the cutbacks in global ODA in general and in the ODA directed to the MENA Region in particular in the aftermath of the financial and Eurozone crises.

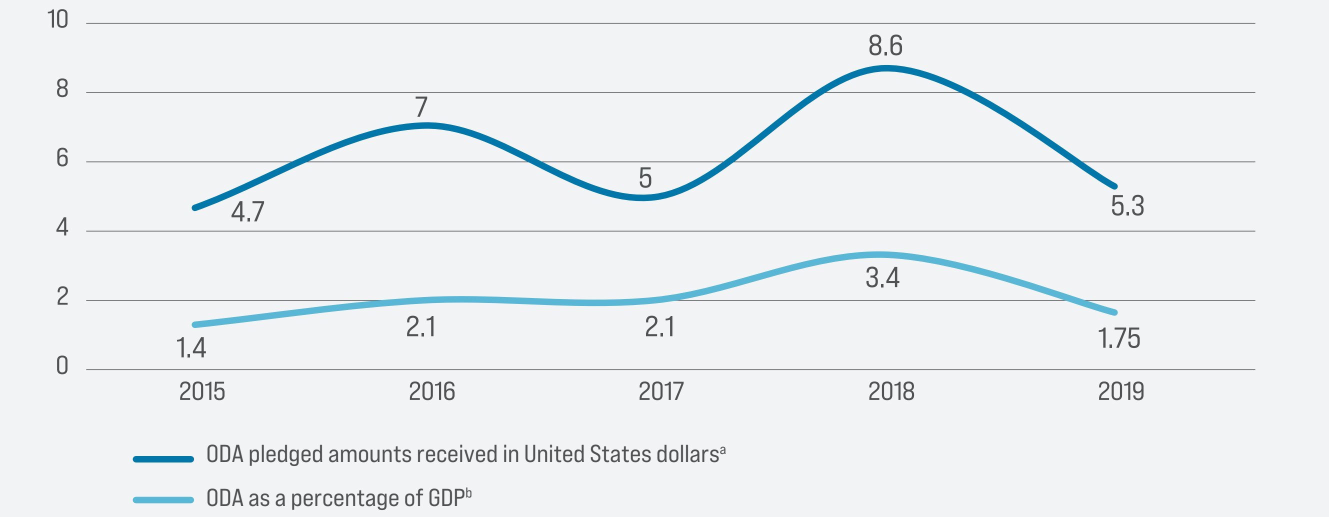
Figure 163 shows the net ODA levels in Egypt.[4] The numbers show a notable surge between 2011 and 2014, especially in 2013. This increase can be ascribed to the political instability and the economic downturn that followed the 2011 revolution. It has led to a shift towards non-traditional bilateral development partners in the Gulf to bridge the financing gaps. This in turn has increased levels of ODA dependency,[5] as reflected in table 33, where the share of net ODA received from central government expenses jumped from 0.9 per cent in 2010 to 5.9 per cent in 2013 and 3.5 per cent in 2014. This indicates that ODA serves as an important source of development finance at times of vulnerability to socioeconomic setbacks.

Figure 163. Net official development assistance received from 1990 to 2019 in current United States dollars



Source: World Bank (2021). World Development Indicators database. Available from https://databank.worldbank.org/source/world-development-indicators. Accessed December 2021.

Figure 164. Official development assistance, total received in United States dollars and as a percentage of gross domestic product



Sources: a Egypt's voluntary national reviews (2018–2021), published by the Ministry of Planning and Economic Development, Egypt.
b Author's calculations, based on World Bank (2021). World Development Indicators database. Available from https://databank.worldbank.org/source/world-development-indicators. Accessed December 2021.

Table 33. Net official development assistance received, as a percentage of central government expenses

Year	2010	2011	2012	2013	2014	2015
ODA as a percentage of central government expenses	0.9	0.6	2.3	5.9	3.5	2.5

Source: World Bank (2021). World Development Indicators database. Available from https://databank.worldbank.org/source/world-development-indicators. Accessed December 2021.

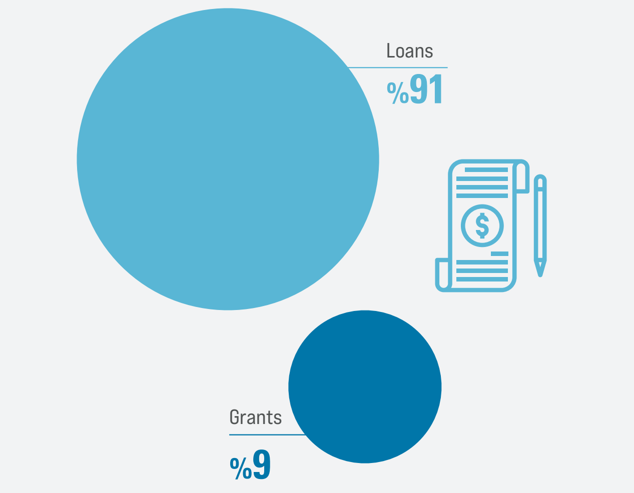
A closer look at the pledged amounts of ODA during the period 2015–2019, as illustrated in figure 164, shows that ODA has been maintained at a steady level of around $6 billion.

In 2020, pledged ODA totalled $9.8 billion, with $6.7 billion directed to sovereign sectors and $3.2 billion directed at financing to the private sector.[6]

(b) Official development assistance categories, sources and cooperation trends

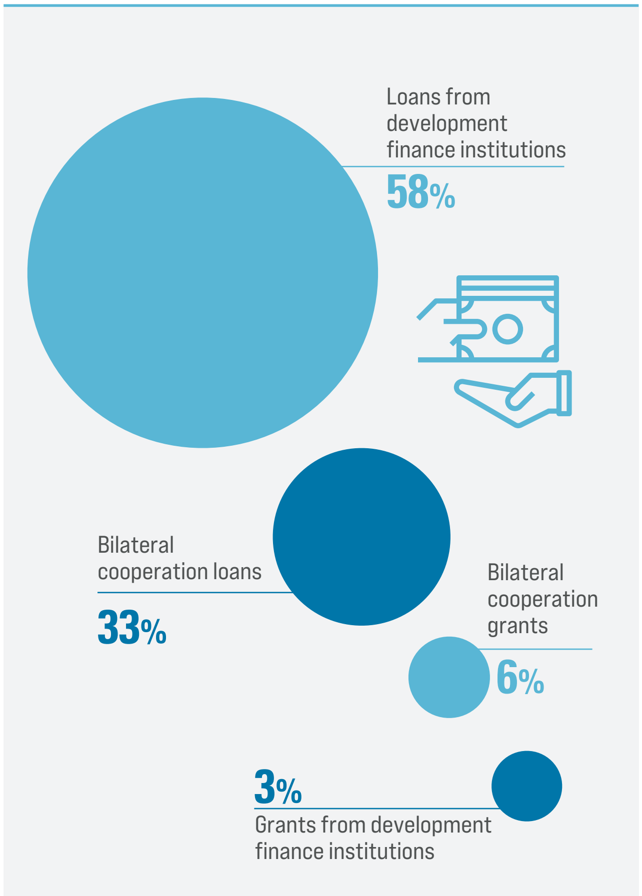
Disaggregating the ODA portfolio by category over the period from September 2015 to June 2019 shows that Egypt mainly secured ODA funds in two broad categories: concessional loans and grants. As illustrated in figure 165, trends show a very high share of concessional loans compared to grants in the ODA received, which accounted for only 9 per cent of the $21 billion of the total in signed ODA agreements during the same period. A deeper dive into the disaggregation shows that more than half of these loans came from multilateral agreements signed with development finance institutions, whereas 33 per cent were received from bilateral agreements, as reflected in figure 166.

Figure 165. Share of grants and loans (September 2015 to June 2019)



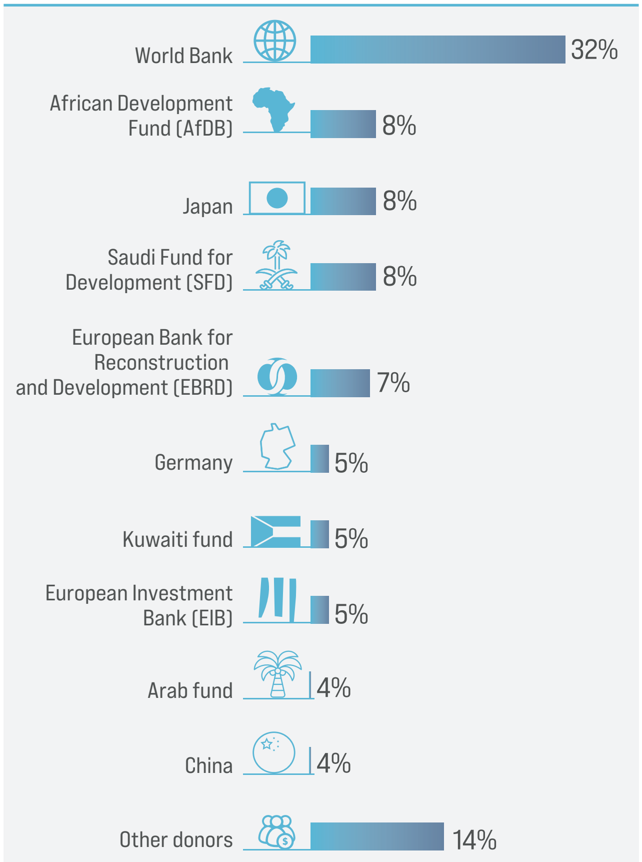
Source: Auhtor, based on data from periodic reports issued by the Ministry of International Cooperation of Egypt in 2019.

Figure 166. Disaggregation by financing source



Source: Auhtor, based on data from periodic reports issued by the Ministry of International Cooperation of Egypt in 2019.

Figure 167. Distribution of official development assistance by top donors (September 2015 to June 2019)



Source: Auhtor, based on data from periodic reports issued by the Ministry of International Cooperation of Egypt in 2019.

The development partners of Egypt can be split into two broad categories: multilateral and bilateral development partners. The main multilateral partners include the World Bank, the African Development Bank, the European Union, the European Investment Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank, the Fund for International Development of the Organization of the Petroleum Exporting Countries and the Arab Fund for Economic and Social Development. The bilateral group includes traditional Development Assistance Committee partners, such as Canada, China, Finland, France, Germany, Italy, Japan, the Republic of Korea, Spain, Switzerland and the United States. It also includes the Saudi Fund for Development, the Kuwait Fund for Arab Economic Development and the Khalifa Fund for Enterprise Development.

From September 2015 to June 2019, the World Bank topped the list of development partners (both bilateral and multilateral) by the total value of signed ODA agreements, with 32 per cent. It was followed by the African Development Bank, Japan and the Saudi Fund for Development, each with an average share of 8 per cent for the same period, as shown in figure 167.

Delving more into cooperation trends, table 34 lists the main focus sectors and areas with some of the key development partners in Egypt. The electricity and energy sector, for example, appears as a focal area for 10 of the 14 listed partners, and housing and utilities is explicitly mentioned for 7 development partners. The clusters of these focal areas reveal a collective sense of the bilateral and multilateral priorities for Egypt, as will be further clarified in the next section on the disbursement of ODA across different sectors.

Table 34. Cooperation trends with development partners

Development partner	Focus area for assistance by the top sectors receiving loans and grants
World Bank Group	Electricity and energy, housing and utilities, social protection, transport, health, education, small and medium-sized enterprises (SMEs)
African Development Bank and its agency (African Development Fund)	Electricity and energy, housing and utilities, health
European Investment Bank	Electricity and energy, transport
United States of America - United States Agency for International Development	Trade and industry, education, utilities, health
Islamic Development Bank	Energy, agriculture
European Bank for Reconstruction and Development	Transport, electricity and energy, housing and utilities
The Fund for International Development of the Organization of the Petroleum Exporting Countries	Electricity and energy, SMEs, agriculture, irrigation
France – The Government of France and the French Development Agency	Transport, electricity and energy, health, housing and utilities
China	Trade and industry, education, transport
Spain – The Government of Spain and the Spanish Agency for International Development Cooperation	Electricity and energy, antiquities, SMEs, housing and utilities
Germany	Electricity, utilities, micro enterprises and SMEs, education, environment
European Union	Energy, education, environment
Italy	SMEs, environment, trade and industry, education

Source: Author, based on a review of the websites of the Ministry of International Cooperation of Egypt and its partners, as well as areas of joint cooperation and the portfolio on ongoing projects financed with official development assistance (in number and dollar amount under the different sectors).

Whether cooperation is provided as grants or concessional loans generally depends on the nature of the project being supported and the national development needs identified. Currently, the documents for the medium-term sustainable development plan and the government action programme, for the periods 2018/19 and 2021/22, specify those needs. A specific challenge here is that the two documents list the needs, without much articulation of priority sectors or areas that may need external funds to be mobilized and would benefit more from international cooperation and ODA financing. The absence of a prior clear-cut vision of needful sectors and projects targeted for mobilizing external public resources may hinder efforts to address the financing gap in the most effective manner to allow the delivery of development priorities.

In order to institutionalize the borrowing process, the Prime Minister issued a Decree No. 2003 of 2018, stipulating the formation of a committee for managing the public debt and organizing external borrowing. This committee sets an annual ceiling for external borrowing, receives the financing needs of ministries and national entities, which should be consistent with national objectives, and identifies the financing gap and sources of finance to be provided externally.

The selection of relevant development partners to finance a specific project occurs by means of consultations among the line ministry seeking financing, the Ministry of International Cooperation and the development partner that would be involved in the initiation and planning phase of the project. To ensure the national ownership and alignment of international development cooperation with national priorities and to identify medium-term cooperation plans, the Ministry of International Cooperation regularly develops national development cooperation strategies with bilateral and multilateral development partners. These strategies are developed in a participatory and inclusive manner, including relevant national stakeholders, i.e. line ministries, national entities, the private sector and NGOs. Consultations are also carried out by the Ministry with other development partners who operate within the same areas of focus in the strategies to ensure synergies among all actors. These national strategies are approved by the Cabinet before they enter into force.

Meanwhile, in 2020, the Ministry of International Cooperation launched multi-stakeholder platforms as part of its new strategy for enhancing development cooperation. These platforms act as an engagement framework for regular and interactive consultations with development partners on sectoral and thematic focus areas for development cooperation. They provide opportunities for transparent and inclusive country-led dialogue to guide development cooperation and ensure alignment with national sectoral priorities by engaging with different development stakeholders including government representatives, development partners, the private sector and civil society.

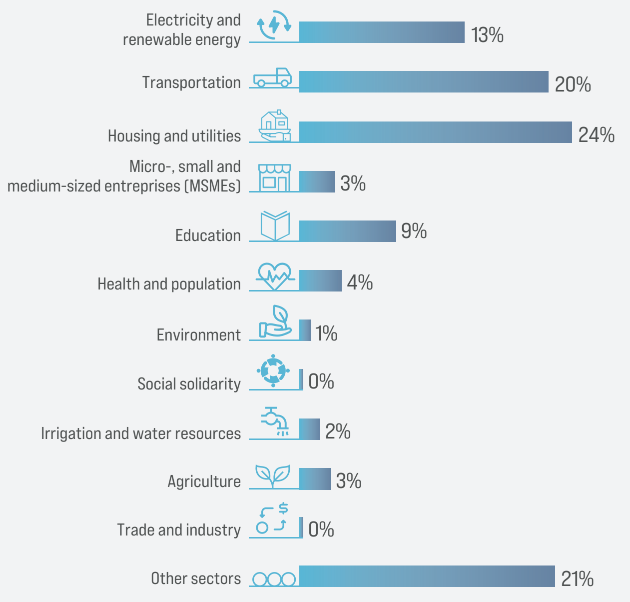
The launch of multi-stakeholder platforms as an institutional mechanism addressed the previous challenge of consultations between development partners and line ministries being conducted on an individual basis rather than through an integrated mechanism. They also serve to encourage a more focused approach with regards to ODA planning and utilization that is aligned with the broader Egypt Vision 2030 and further guide the government's specific four-year sustainable development plan and action programme. Moreover, they create a more dynamic and results-oriented engagement to enhance collaboration and discussions on sectoral strategies in line with national development objectives, as well as the international overarching 2030 Agenda.

(c) Official development assistance use and disbursement

Examining the use of ODA in Egypt, reports from the Ministry of International Cooperation revealed that, for the period between September 2015 and June 2019, signed agreements amounted to $17.405 billion. Of this total, 31 per cent was directed to general budget support, while the remaining 69 per cent financed development projects.

As for the sectoral breakdown of ODA, figure 168 illustrates that economic sectors were top among signed agreements with 24 per cent, 20 per cent and 13 per cent for the utilities, transport and energy sectors, respectively, in the period from September 2015 and June 2019. Important social sectors like education, health and social protection combined account for approximately 13 per cent of the signed agreements.

Figure 168. Sectoral breakdown of official development assistance by signed agreements (September 2015 to June 2019)



Source: Auhtor, based on data from periodic reports issued by the Ministry of International Cooperation of Egypt in 2019.

In June 2020, the portfolio of ongoing development projects, as shown in table 35, included 19 sectors, with a total of 313 development projects. Grant financing for these projects account for only 17 per cent versus 83 per cent from concessional loan financing. This ratio corresponds to the fact that ODA grant share in middle-income countries is usually smaller than in low-income countries. This explains why the majority of grant financing is often channelled into social sectors, as social sector projects do not usually generate enough returns to be self-sustaining. In contrast, economic sectors are more often able to generate their own revenue streams, as well as benefit from other methods of financing (e.g. concessional financing).

As per table 35, economic sectors are receiving larger shares of the total ODA; in particular, allocations to housing and utilities, as well as the energy and transport sectors are equivalent to a share of 61 per cent of the total financing of the ongoing projects portfolio. In contrast, social sectors, particularly the education, health and social protection sectors, receive 15 per cent of the total financing.

Table 35: Portfolio of ongoing projects by sector share, in billions of dollars (30 June 2020)

Sector	Value	
Housing and utilities	5.792	
Transport	4.955	
Energy	4.424	
Education	2.145	
Petroleum	1.128	
Irrigation & water resources	0.952	
Social protection	0.902	
Health	0.806	
Supporting MSMEs	0.674	
Agriculture	0.557	
Tourism	0.531	
Environment	0.238	
Other sectors	1.866	
Total	**24.971**	
	Loans 20.734	**Grants 4.237**

Source: Ministry of International Cooperation, Egypt. (2020). Annual Report 2020: Writing the Future. Cairo.

2. Aligning official development assistance for the Sustainable Development Goals

The 2030 Agenda has had a significant impact on the set of national development priorities of many countries, where Egypt was among the earliest to translate the SDGs into a national vision in the form of its Sustainable Development Strategy: Egypt Vision 2030. With the adoption of this national development vision in 2016 and in conjunction with the increasingly complex and diverse development landscape, development cooperation in Egypt started to adjust to new demands to achieve national and global development goals.

Efforts led by the Ministry of International Cooperation, the government authority mandated with overseeing international cooperation in Egypt, began by adopting a new strategy that is focused on three key pillars, as illustrated in box 9. The prioritized pillars include enhancing the effectiveness of development cooperation by ensuring that ODA-funded development projects are aligned with the national objectives stated in Egypt Vision 2030 and that they also contribute to the global SDGs. Consequently, in 2020, the Ministry of International Cooperation carried out an extensive ODA-SDG mapping exercise as a mechanism for analysing the contribution of development cooperation to the SDGs. The mapping is aimed at identifying the alignment of current effective ODA-financed projects with the SDGs at a granular level to assess the extent to which development cooperation funds in Egypt contribute to the realization of the 2030 Agenda.

In this context, the exercise applied two mapping methodologies: a general sectoral mapping methodology and a more detailed project-focused mapping methodology.[7] Both methodologies enhanced understanding of the interlinkages and connections between ODA-financed projects and the SDGs. While sectoral mapping was able to link sectors that benefit from ODA finances for a limited number of SDGs at the national level, the project mapping approach was more comprehensive in highlighting several thematic SDGs that may cut across different sectors. Thematic goals include Goal 1 on poverty, Goal 5 on gender equality and Goal 10 on reduced inequalities, which are often integrated into project activities but are hard to tie to particular sectors.

Box 9: Pillars of the strategy of the Ministry of International Cooperation

1	Multi-stakeholder platforms for effective cooperation
2	ODA-SDG mapping framework to identify targets and ensure the optimal contribution of development cooperation to the SDGs
3	Global partnerships narrative to push forward towards the achievement of the SDGs and resilient recovery with: • People at the core • Projects in action • Purpose as the driver

Source: Ministry of International Cooperation, Egypt (2020). Annual report 2020: Writing the future. Cairo.

By December 2020, the project mapping exercise showed an alignment between the existing portfolio of 377 projects, worth $25.662 billion for both sovereign and private sector projects,

> The current architecture of development cooperation includes Development Assistance Committee countries, non-Development Assistance Committee countries working through development cooperation, multilateral development partners, the private sector and NGOs.

and the 17 SDGS, as illustrated in figure 169. These projects are implemented with various development partners and cover nearly 20 economic, social and environmental sectors, where over 50 per cent of the ODA allocation is directed towards regions falling behind in order to combat multidimensional poverty.[8]

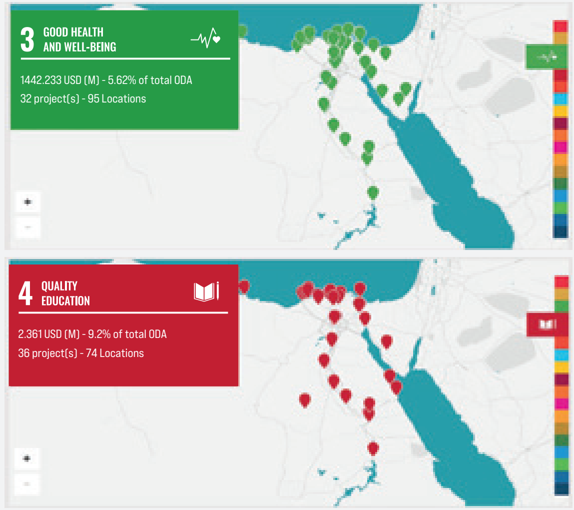
Figure 169: ODA-SDG mapping, December 2020

	Projects	USD (M)	of Total ODA
1 No poverty	20	1,328	5.17%
2 Zero hunger	17	486	1.89%
3 Good health and well-being	36	1,443	5.62%
4 Quality education	36	2,361	9.2%
5 Gender equality	13	82	0.32%
6 Clean water and sanitation	43	4,999	19.4%
7 Affordable and clean energy	34	5,950	23.2%
8 Decent work and economic growth	42	1,075	4.2%
9 Industry, innovation and infrastructure	36	5,737	22.3%
10 Reduced inequalities	5	16	0.06%
11 Sustainable cities and communities	30	1,497	5.83%
12 Responsible consumption and production	8	45.8	0.17%
13 Climate action	11	365	1.42%
14 Life below water	1	0.027	0.0001%
15 Life on land	8	15	0.006%
16 Peace, justice and strong institutions	32	240	0.9%
17 Partnerships for the goals	5	19.7	0.076%

Source: Ministry of International Cooperation, Egypt. (2020). Annual Report 2020: Writing the Future. Cairo.

Note: Projects funded with official development assistance broken down under each Goal by number of projects, allocated dollar amount and its percentage of total official development assistance.

Figure 170: Interactive ODA-SDG mapping



Source: Ministry of International Cooperation, Egypt (2021). Mapping our impact, available from www.moic.gov.eg/en-US. Accessed December 2021.

Based on that exercise, an interactive map (figure 170) was launched in 2020, reflecting the distribution of ODA per SDG with specific project details and geographical locations across Egypt. Collectively, Goal 6 on clean water and sanitation, Goal 7 on affordable and clean energy and Goal 9 on industries, innovation and infrastructure received 62 per cent of the ODA financing. Goals on education (Goal 4) and health (Goal 3) came in fourth and sixth place, with 36 projects for each and a percentage of the total ODA equivalent to 9.2 per cent ($ 2.3 billion) and 5.62 per cent ($ 1.4 billion) respectively, as illustrated in the figure 170.

Breaking down ODA by SDG is considered a significant shift in ODA reporting, as it serves as a mechanism and monitoring tool to track the contribution of ODA to the achievement of the SDGs in Egypt. On the one hand, it strengthens communication and coordination with development partners since their reporting is linked to the SDGs, which in turn eases the allocation of more ODA funds by focusing on specific SDGs that are important to certain donors. On the other hand, it allows the Government to be informed of underfinanced areas in order to further guide and improve the future allocation decisions for ODA and other concessional finance in a way that can accelerate the implementation of the ambitious 2030 Agenda.

Nevertheless, in quantity and nature, ODA alone is not sufficient to reach the levels of financing needed to achieve the SDGs. In light of this fact, the role and future of ODA is changing. There is a need to measure and leverage its development impact as a critical source for FFD. This requires further efforts and additional mechanisms, beyond the mere identification of the financial allocations directed to each of the SDGs, which is provided by the mapping exercise.

At the forefront of these efforts is a push for more use of ODA for catalytic purposes in order to maximize FFD. The use of ODA to catalyse private financing and mobilize additional resources in alignment with national and global development priorities has become a growing trend in development cooperation that can deliver more than just capital to contribute to the SDGs. In addition, private sector actors working together with the public sector on projects such as the "Benban solar power project", discussed in box 11, will leverage strengths from each sector in ways that can solve persistent development challenges. It is in this context that the Ministry of International Cooperation collaborated with different development partners, as will be discussed in section C, to carry out an in-depth study and map private sector financing to SDGs. These collaborations were aimed at emphasizing the positive role the private sector can play in the development process and enhancing its engagement in advancing the 2030 Agenda.

> In quantity and nature, ODA alone is not sufficient to reach the levels of financing needed to achieve the SDGs.

Assessing the external development finance landscape is also necessary to map the overall external finance contributions to the SDGs in Egypt and to further identify the extent to which other development financing flows beyond ODA can be accessed and mobilized. Such assessments will inform the INFF, discussed in chapter 3, and enhance the national development cooperation policy. In this regard, the Ministries of Planning and Economic Development, Finance, International Cooperation and Social Solidarity and the National Council of Women are cooperating with UNDP to carry out a DFA for Egypt. The assessment is expected to present a comprehensive review of the development finance landscape and an analysis for international and external investment and ODA pertaining to national strategy goals and the SDGs, with a special focus on social protection. Another area that requires attention relates to enhancing the quality of the aid coordination and management system, as part of the overall development cooperation in Egypt, which will be discussed in section F.

B. Private sector engagement in development cooperation

The 2030 Agenda, the Paris Agreement and the Addis Ababa Action Agenda all recognize and call for a strengthened relationship with the private sector to leverage technical expertise and bridge the investment gap between resources, which go far beyond what government budgets, tax revenues and ODA can provide.

1. Private sector engagement and financing development needs

Private sector engagement is fundamental to supporting and financing development needs in order to meet the 2030 Agenda, where multilateral development banks play an imperative role by leveraging their resources to attract the participation of private sector stakeholders.

Private sector engagement refers to initiatives taken by financial development institutions to mobilize financing from the private sector, either through the involvement of the private sector in the implementation and execution of the development project or through the use of funding provided by private financial institutions, which is known as blended financing.

The working group of the Donor Committee for Enterprise Development on private sector engagement has identified these two specific strategies for private sector engagement. The first is engaging with primarily large and international companies on equal terms to enhance the impact of their core business on the SDGs, for example, through the joint development and financing of SDG-oriented business models or dialogue platforms on responsible business practices. In contrast, other approaches involving active private sector participation focus more on local business or local business associations and government agencies, primarily to generate inclusive and sustainable economic opportunities. The second is engaging with the financial sector to mobilize private finance for development, for example, through blended finance instruments.

Blended finance is a tool for scaling up the financial flows geared towards development projects that are financed by international development organizations, including multilateral development banks and development finance institutions. It is a mechanism that can increase the impact of ODA flows by crowding in private sector investments. By mobilizing private investments, the impact of the development projects is maximized and the value of the contribution of ODA is clearly reflected in the achievement of the SDGs.

The use of blended finance as a tool has grown since the adoption of the Addis Ababa Action Agenda. This type of funding is most relevant for unlocking investments that the private sector would not have made on its own in support of national sustainable development priorities by providing a degree of concessionality through de-risking, public-private partnerships and credit guarantees that make investing in development projects attractive to the business sector.

It is estimated that $1.1 billion in concessional finance mobilized about $6 billion between 2012 and 2018 to reach a total of $48.8 billion; however, only 5.6 per cent of the total financing was allocated to social sectors, while more than 55 per cent was injected in energy and banking sectors that are usually commercially profitable.[9]

The use of ODA as a tool to mobilize private investments is critical, as the flow of ODA to low- and middle-income countries has been experiencing a decreasing trend since 2003. As such, it is key to explore the possibilities of increasing the effectiveness of blended finance by identifying relevant policies that make it more valuable in financing development by increasing its interest in supporting social sectors to end poverty and reduce inequalities. Nevertheless, to achieve this objective, private sector investors will need better information on opportunities and assurance that these opportunities present acceptable returns and risks.

For blended finance to work effectively, a common policy framework and guidance are essential. In line with the principles put forward in the Addis Ababa Action Agenda, the OECD Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals, stated in box 10, is a policy tool for all providers of development finance, including governments, development cooperation agencies, charities and other stakeholders. These Principles serve as a call to action to deliver optimal blended finance and to seize the opportunities that it brings for all. OECD is further using these Principles to inform key partners, such as the United Nations, the European Union and the World Economic Forum, on how to make progress with blended finance best practices, including at forums such as the G20 and Group of 7.[10]

Box 10: OECD Development Assistance Committee blended finance principles for unlocking commercial finance for the Sustainable Development Goals

Principle 1: Anchor blended finance use to a development rationale

All development finance interventions, including blended finance activities, are based on the mandate of development finance providers to support developing countries in achieving social, economic and environmentally sustainable development.

Principle 2: Design blended finance to increase the mobilization of commercial finance

Development finance in blended finance should facilitate the unlocking of commercial finance to optimize total financing directed towards development outcomes.

Principle 3: Tailor blended finance to local context

Development finance should be deployed to ensure that blended finance supports local development needs, priorities and capacities in a way that is consistent with, and where possible contributes to, local financial market development.

Principle 4: Focus on effective partnering for blended finance

Blended finance works if both development and financial objectives can be achieved, with appropriate allocation and sharing of risk between parties, whether commercial or developmental. Development finance should leverage the complementary motivation of commercial actors, while not compromising on the prevailing standards for development finance deployment.

Principle 5: Monitor blended finance for transparency and results

To ensure accountability on the appropriate use and value for money of development finance, blended finance operations should be monitored on the basis of clear results frameworks, measuring, reporting on and communicating on financial flows, commercial returns as well as development results.

Source: Organization for Economic Cooperation and Development (2018). OECD DAC blended finance principles for unlocking commercial finance for the Sustainable Development Goals. Paris.

2. Private sector engagement in Egypt

The private sector plays an imperative role in the economy of Egypt, providing the largest share of aggregate production (72.4 per cent of GDP for the 2019/20 financial year) and employment (74 per cent of total employment).[11] Egypt Vision 2030 envisages a key role for the private sector in realizing national sustainable development priorities and contributing to the necessary funding.

In 2018, the Ministry of International Cooperation partnered with OECD to conduct an important case-study on private sector engagement in development in Egypt using ODA flows, as part of OECD efforts to set international guiding principles for private sector engagement.[12] The study examined a total of 277 PSE projects in Egypt. Projects were drawn from the websites of development partners and those provided by the Egyptian government. These include those financed bilaterally by providers from OECD countries and multilateral development banks, which together accounted for almost 80 per cent of ODA in the country.[13] In addition, projects with the top five United Nations institutions operating in Egypt, as well as those with Brazil, China, India, the Russian Federation, South Africa and other key Southern partners were also included. The findings showed that:

1. Private sector engagement through development cooperation largely comes from multilateral development finance institutions, followed by bilateral (Development Assistance Committee) donors and their implementing agencies.

2. Large domestic private sector actors are the most prominent partners in reviewed private sector engagement projects (62 per cent of projects), followed by large transnational companies (39 per cent). Domestic MSMEs accounted for only roughly 8 per cent.

3. For 77 per cent of projects examined, private sector partners are recipients of finance (47.3 per cent of projects overall, including debt financing). Following this role, they act as an implementing partner (31 per cent), financier (or resource provider, 25 per cent) or an on-lender to MSMEs (20 per cent).

4. Finance represents the most common modality for private sector engagement in Egypt, where blended financing is used for about 42 per cent of the implemented projects. Capacity development was the next most prominent modality of engagement at 15.4 per cent (42 projects), followed by technical assistance (9.2 per cent, 25 projects), policy dialogue (2.9 per cent, 8 projects), knowledge-sharing (1.1 per cent, 3 projects) and research (1.1 per cent, 3 projects). In this context, 49 projects (17 per cent) included more than one modality.

5. Sectors of focus in private sector engagement through development cooperation are finance, energy, manufacturing and agriculture, accounting for 32 per cent, 14 per cent, 13 per cent and 8 per cent of projects, respectively.

The findings of the study were limited to the involvement of the private sector in ODA projects with an average budget of $50 million. Those projects were concentrated in the financial sector, as the majority of ODA flows are utilized through the banking sector to expand credit lines for financing MSMEs. Engagement across projects therefore tends to place MSMEs as a beneficiary of private sector engagement projects rather than an active partner.

While supporting the MSME sector is crucial for its contribution to job creation, especially for young people and women, there are still significant gaps in support for social services sectors. In addition, there is still a need for more private sector engagement in order to increase its contribution to knowledge transfer and capacity-building.

It is worth noting that the Ministry of International Cooperation shared these findings with all relevant stakeholders in a participatory workshop to enact the recommendations of the study. Within this context, the Ministry also organized specialized workshops to discuss various ways of improving private sector engagement in development, especially by promoting the public-private partnership scheme, transforming the corporate social responsibility of companies in sustainable development activities and attracting investments in remote and underserved areas to catalyse development.[12]

To further assess the impact of private sector engagement in development, the Ministry of International Cooperation and the International Finance Corporation carried out a joint exercise to map the latter's private sector financing for the SDGs. This mapping provided evidence that ODA contributions in leveraging private sector engagement can advance the 2030 Agenda and accelerate achievement of the SDGs.[13]

(a) Challenges to private sector engagement

SDGs do not yet appear to be a strong driving factor for private sector actors, aggravating the reasons why private sector engagement is still undersized globally and in Egypt, especially in addressing social needs. A major challenge is the lack of shared interests and aligned objectives, where business interests are not always the same as those of the most marginalized. Companies are interested in working on areas related to their core activities or the areas in which they operate. This is partly because of the absence of a proper needs assessment on the communities lagging behind, limited data on different economic activities and limited local government capacity to address private sector needs. Similarly, the private sector is often viewed as a funder and an implementer by development partners and the Government, rather than as a stakeholder and a source of expertise.

In an effort to address these problems, identify common interests and promote shared values that form a solid basis for cooperation, the Government launched several initiatives. One was the unveiling of a government portal for an integrated investment map in 2018.[14] The map covers potential investment opportunities in all industrial sectors nationwide and compiles projects of different types and sizes, including free zones, technology-dedicated efforts, manufacturing complexes, national megaprojects and SMEs. Furthermore, the Ministry of International Cooperation launched national multi-stakeholder platforms (mentioned previously) as a vehicle that provides regular and structured public-private dialogues to encourage private sector engagement in development within the various sectors. Through these platforms, the Ministry invites line ministries to present their reforms and achievements, promote the existing potential investment opportunities listed on the map, discuss their strategies going forward and highlight priority areas for potential cooperation with development partners and the private sector. Participants then discuss the necessary details and the actions required to maximize collaboration and optimize outcomes. The Ministry then follows up afterwards with more specialized technical workshops to enhance the visibility of potential areas of cooperation and relevant development partners for each area.

> These organized multi-stakeholder platforms are expected to strengthen partnerships to achieve better results by opening the door for regular, interactive and participatory consultations with all stakeholders.

Another longstanding challenge relates to regulations and heavy bureaucracy, where lengthy procedures tend to complicate agreements or decisions on private sector engagement in the public domain and slow down the actual implementation of projects when agreements are concluded. Added to which, social enterprises and corporate foundations that target socioeconomic needs tend to fall outside the existing legal and regulatory frameworks, making it hard to exploit their contributions to sustainable development. Encouraging more private sector engagement in projects aimed at the social sectors in particular and their related challenges is possible through the provision of incentives and further legal and regulatory reforms.

In this regard, the Government has adopted a first wave of regulatory reforms to address some of these impediments and to promote investments and engage the private sector in SDG-related projects, as comprehensively discussed in chapter 6. Continued efforts are still ongoing, such as the recent amendment No. 153 of 2021 to the provisions of Law No. 67 of 2010, regulating private sector participation in infrastructure projects, services and public utilities. The amendments provide further facilitation for establishing public-private partnership schemes, give the private sector the opportunity to initiate and propose partnership projects, as well as cut red tape by shortening some procedures.

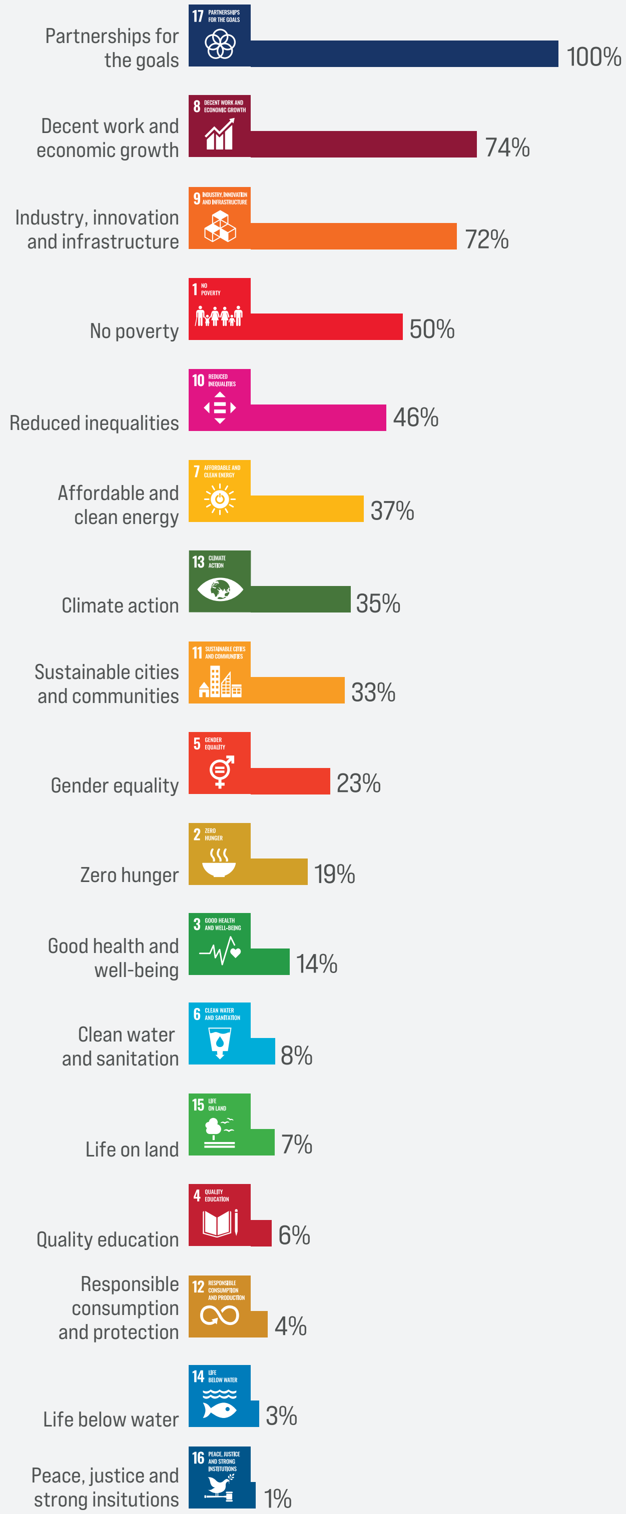
Other challenges in private sector engagement relate to the nature and time frame of the monitoring, evaluation and reporting of results for development projects. Although businesses around the world are making greater efforts to realize the SDGs by achieving sustainability themselves or by applying inclusive business models, as clarified in chapter 6, reporting requirements tend to be a challenge when engaging with development partners. Private sector actors have different ways of assessing performance and rely on different accountability mechanisms. They tend to focus more on financial returns and want to be able to report on results through quarterly reports rather than adopting a longer-term perspective. The internal monitoring systems of private firms are designed primarily to track financial performance and risk management; they rarely track development effectiveness and outcomes. In contrast, development outcomes take time, and the evaluation of projects happens at the level of impact. This requires a high level of detail on end-users and socioeconomic data, frequent reporting, the integration of a broad spectrum of activities into a common assessment system and the monitoring of missions that sometimes take time away from meeting the main objectives of private businesses.[15]

(b) Blended finance and role of global finance

In development cooperation, multilateral development banks and development finance institutions play an imperative role in providing direct financing, helping to catalyse additional public and private resources and engaging the private sector more effectively for sustainable development. This is in addition to providing policy advice and technical assistance that are needed to improve the investment climate and build domestic capacities.

Currently, multilateral development banks and development finance institutions are leading the way in the arrangement and structuring of blended finance solutions that could provide the significant financing support needed by unlocking private and philanthropic capital for development. Blended finance fully aligns with SDG 17 on partnerships for the SDGs, particularly target 17.3 to mobilize additional financial resources for developing countries from multiple sources. As illustrated in figure 171, the latest analysis, conducted for the period 2014–2019, on the alignment between the practice of blended finance and the SDGs shows that blended finance has been mostly aligned to the subset of investable SDGs. This includes SDG 8 on decent work and economic growth and SDG 9 on industry, innovation and infrastructure, whereas it is less aligned with the SDGs on health and education (SDGs 3 and 4). It is therefore very important to consider where the use of blended finance is mostly fruitful and to focus it appropriately on the sectors where it can achieve maximum development impact.

Figure 171: Alignment between blended finance transactions and the Sustainable Development Goals (2014–2019)



Source: Convergence (2020). The State of Blended Finance 2020. Toronto, Canada.

Comparing the trends in the use of blended finance between 2010 and 2012 and between 2016 and 2018 shows a significant increase in the proportion of blended finance transactions aligned to SDG 10 on reduced inequalities, rising from 25 per cent to 52 per cent.[16] Blended finance has also been demonstrated to be a useful development tool for climate- and environment-related SDGs. This includes SDG 13 on climate action; SDG 7 on affordable and clean energy, which increased from 27 per cent in the period 2010–2012 to 37 per cent in the period 2016–2018; and SDG 11 on sustainable cities, which has risen from 22 per cent to 28 per cent for the same time period. For the same periods, data show a steady focus on SDG 1 on poverty and Goal 8 on decent work and economic growth.

Egypt has had a successful experience in maximizing financing for development through joint financing by multilateral development banks. The "renewable energy feed-in tariff programme" and the "Benban solar park project", explained in box 11, are examples of a blended finance structure that supported the development of the renewable energy sector in the country. This project exemplifies an effective development cooperation with multilateral companies and engagement with the private sector, showing how these partnerships can drive sustainable economic growth. In the last decade for action, continuing to build and expand similar cooperation partnerships across different sectors would be fundamental to maximizing FFD and accelerating the achievement of the national and international SDGs.

Box 11: Example of a blended finance structure supporting the development of renewable energy projects
The Egyptian Renewable Energy Sector

Following the blended finance principles of OECD and the World Bank Maximizing Finance for Development approach, the Egyptian Government worked with the World Bank to develop a national strategy, prioritizing energy sustainability and private sector investment.

The International Finance Corporation led an international consortium that has provided 653$ million in financing for the construction of 13 solar power plants in the Benban solar park in 2017. The consortium includes the African Development Bank, the Asian Infrastructure Investment Bank, the World Bank Group (including the International Bank for Reconstruction and Development, the International Finance Corporation and the Multilateral Investment Guarantee Agency), the Arab Bank of Bahrain, the CDC Group of the United Kingdom, Europe Arab Bank, Green for Growth Fund, Finnfund, the Industrial and Commercial Bank of China and the Development Bank of Austria. Implementation of this project was carried out in cooperation with 45 different private companies.

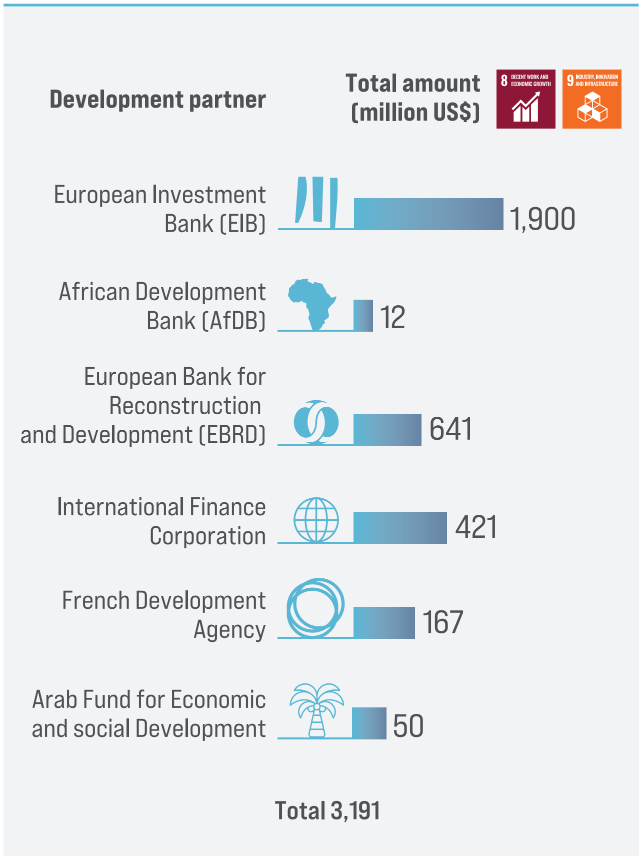
The European Bank for Reconstruction and Development played a leading role in developing the contractual framework for the "feed-in tariff programme", which helped to unlock investments from international renewable energy developers and development institutions. Using a blended finance structure, the Bank and the Global Climate Fund supported Egypt's feed-in tariff scheme through the use of grants and concessional finance for technical assistance and to blend them into the debt capital structure for renewable energy. Through these two components, cooperation with the Bank and the Fund presented a comprehensive technical assistance programme to enhance renewable energy integration, policies and planning. It also scaled up investments to support the development and construction of renewable energy projects totalling 1$ billion by blending their financing to leverage debt financing from international and development financial institutions, and, at a later stage, from commercial banks and private sector investments. This cooperation demonstrates an effective attribution between official development assistance financing for projects and public-private partnership projects.

Source: Organization for Economic Cooperation and Development (2020). OECD DAC Blended Finance Principle 4: Focus on effective partnering for blended finance. Revised Note following public consultation. Paris.

(c) Increased emphasis on private sector engagement after COVID-19

With the outbreak of COVID-19, the Government of Egypt placed more emphasis on private sector engagement to mitigate the pandemic's adverse economic impacts by facilitating business continuity and ensuring support for existing projects. The increased emphasis on private sector engagement is clearly reflected in the finance directed to the private sector from the total signed agreements for development financing in 2020, worth $9.891 billion.[17] While $6.7 billion has been secured for financing sovereign projects, almost $3.191 billion is dedicated to private sector development, accounting for one third of the total amount. These funds are directed to support private sector development for projects targeting SDG 8 and SDG 9, as shown in figure 172.

Figure 172: Total official development assistance directed to financing private sector development



Source: Ministry of International Cooperation, Egypt. (2020). Annual Report 2020: Writing the Future. Cairo.

Government determination and efforts to scale up and sustain the increased private sector engagement is further informed by a diagnostic report, issued by the International Finance Corporation in December 2020 on the country's private sector, addressing sectoral challenges and opportunities for private sector-led economic development, investment and job-creating growth. The report reveals that ICT, agriculture and health are key sectors in Egypt that present promising opportunities for cooperation and productive private sector engagement to address a number of gaps in the economic and social infrastructure.

There is a critical opportunity to leverage the ICT sector and use it as the gateway for a digital economy by focusing on developing digital infrastructure and innovative solutions to health care, transport and learning. The agriculture and agribusiness sector is another key sector that contributes to the country's GDP (11.4 per cent), employment (21.3 per cent) and exports (15 per cent of merchandise exports).[18] Opportunities lie in promoting agribusiness and private sector investment in agriculture through projects that target the strengthening of supply chains, enhancement of export capacities and improvements in the adoption of food standards. Health is also a key sector, where the private sector has been steadily growing and where private investment can foster partnerships for innovation, especially with the increased burdens on the health-care system in light of the pandemic.

Recognizing the significance of the private sector in the coming period, the Ministry of International Cooperation announced private sector engagement as the key theme for development cooperation in 2021 to promote development financing to expand private sector engagement, with a focus on green projects and sustainable growth. In this respect, and within the framework of the multi-stakeholder platforms, the Ministry organized a number of participatory workshops in various sectors, all of which were intended to provide institutionalized and regular public-private dialogue to encourage private sector engagement in development within targeted sectors.[19] The workshops were focused on different areas relating to the health sector, public enterprises and private sector engagement in development, rural and agricultural development, transport and closing the gender gap accelerator. Furthermore, a global digital campaign, entitled "game changers", was also launched by the Ministry in March 2021 to demonstrate the value of public-private partnerships and moving towards a greener economy.

The Government should continue to increase these efforts in order to reach common understandings and raise awareness of the role of the private sector in achieving transformative changes and a positive social impact through job creation, digitization and sustainability. It should also continue its collaboration with multilateral development banks and development finance institutions to extend their blended financing instruments in order to tap into the local capital market and boost economic inclusion. The recently launched national multi-stakeholder platforms present an opportunity to identify current and future areas for cooperation with development partners and the private sector. Such platforms also provide an opportunity to optimize and scale up corporate sustainability efforts that contribute to the broader multi-stakeholder efforts to achieve the SDGs. Hosting these regular dialogues for partnerships and coordinated action should continue to be organized by theme (geography, sector and/or issue) to enable a more focused and effective engagement on the part of the private sector and other stakeholders.

C. South-South cooperation

South-South cooperation has emerged as an important modality of development cooperation among countries of the South, allowing them to engage with each other and share their knowledge, skills, expertise and resources in specific areas to meet their national development challenges through concerted efforts. There is growing recognition for partnerships for South-South cooperation, and boosting it through triangular cooperation mechanisms can play a significant role in achieving the 2030 Agenda and contributing to the implementation of the SDGs.

Egypt is a model in the region by being one of the most long-standing and pivotal providers of South-South cooperation, even as it continues to be a recipient of ODA. Given the lack of data on South-South inflows to Egypt, it is estimated that its level is significantly lower in comparison to other FFD flows. This section therefore mainly focuses on the country's role as a provider rather than a recipient and highlights its role in Africa in sharing knowledge and strengthening capacities that are crucial to the advancement of the SDGs.

Box 12: South-South and triangular cooperation

There is no formal or common definition of South-South cooperation. The term refers to a broad framework of collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. South-South cooperation involves two or more developing countries and is largely built on broad-based partnerships, solidarity and mutual interest.

Triangular cooperation is collaboration in which traditional donor countries and multilateral organizations facilitate South-South initiatives through the provision of funding, training and management, as well as other forms of support.

Source: Author, based on information from the United Nations Office for South-South Cooperation.

As a provider of South-South cooperation, Egypt specializes in sharing its knowledge and good practices with other developing countries through its technical cooperation agency: the Egyptian Agency of Partnership for Development.[20] The Agency operates under the auspices of the Ministry of Foreign Affairs and currently works with 52 African countries with a focus on establishing partnerships that support the efforts of these countries to effectively implement Agenda 2063 and the 2030 Agenda. Through the Agency, the current engagement of Egypt in South-South cooperation can be classified under four main areas: designing and delivering capacity-building programmes, deploying experts, offering scholarships and providing humanitarian assistance in the form of medical, logistical, food and financial aid.

Egypt delivers the capacity-building programmes in cooperation with specialized national institutions and international partners.[21] These programmes cover the areas of diplomacy, judiciary, women's empowerment, health, agriculture and education, in addition to other innovative areas of emerging importance to African countries, including those related to renewable energy, ICT, food security and peace and security. Since 2014, Egypt has trained approximately 12,000 trainees and dispatched over 62 Egyptian experts to exchange knowledge and share good practices in different domains with 21 African and Commonwealth countries. It also provided 157 financial aid packages to different countries.[22] In the establishment of its partnerships and programmes, the Agency prioritizes Goal 2 on hunger, SDG 3 on health, SDG 5 on gender equality and Goal 16 on peace, justice and strong institutions.

The Agency also coordinates an Egyptian governmental fund dedicated to Nile Basin countries. The Egyptian initiative for development in Nile Basin countries provides funding to implement developmental projects in several fields, such as power generation and the construction of solar power plants. The initiative is also focused on water resource management projects, such as rain harvesting and dredging wells, as well as health-care projects, which include establishing fully-equipped, specialized hospitals and mobile clinics to deploy medical services in remote areas in various African countries.

Financing for South-South cooperation initiatives comes partially from the Government of Egypt, which allocates an independent annual budget to the Agency. In addition, the Agency successfully uses the cost-sharing mechanism through bilateral cooperation with the relevant African beneficiary country. Other resources are mobilized through triangular cooperation partnerships, where the Agency has tripartite collaborations with several development banks and international organizations, which contribute significantly to supplying African countries with the expertise needed in selected fields. Examples of cooperation partnerships in this vein include one with the Japan International Cooperation Agency, where 12 capacity-building programmes have been implemented yearly since 2014, targeting 21 sub-Saharan African countries.[23] Fields and topics varied between agriculture, fisheries resource management, animal health, post-harvest management and irrigation techniques. Another cooperation partnership is with the Islamic Development Bank, which is focused on jointly organizing capacity-building programmes for African officials and providing experts in vital fields such as health, education and infrastructure. Such triangular cooperation programmes are enabling the transfer of knowledge to sometimes isolated communities and thereby providing them with the means to kick-start their sustainable development process.

> The use of ODA to catalyse private financing and mobilize additional resources in alignment with national and global development priorities has become a growing trend in development cooperation that can deliver more than just capital to contribute to the SDGs.

COVID-19 response efforts through South-South cooperation activities

Egypt holds the vice-chair position of the African Union COVID-19 Response Fund, which was established in March 2020 with the aim of strengthening the continental response to COVID-19 and mitigating its socioeconomic and humanitarian impact on African populations. Within this framework, Egypt has contributed by sending medical aid worth $4 million to 30 African countries to support their efforts to contain the challenges resulting from the spread of the pandemic.[24]

More than ever before, the role of South-South and triangular cooperation is vital to the recovery of developing countries, as it promotes learning from action-oriented policies and measures used to handle social, economic and environmental responses to the COVID-19 crisis from across the region. Although it brings opportunities for development, a number of challenges to South-South Cooperation remain to be addressed.

One such challenge pertains to the measurement and evaluation of South-South cooperation, stemming mainly from its nature, where the value of technical assistance, knowledge-sharing and capacity-building activities are difficult to quantify. Cooperation with the United Nations and other development partners is needed to develop methodologies for measurement and to enhance the methods for data collection, reporting and results management to capture the contribution of South-South cooperation to the SDGs. Similarly, there is a need for an integrated information system that can capture all South-South cooperation actions and activities (tracking recipient and provider countries). This is necessary to enable the generation of quantitative and qualitative data that track, measure and assess the impact of South-South cooperation and knowledge exchange, as well as the return on investment from this type of cooperation in a transparent, regular and timely manner.

Another interconnected challenge is to strengthen the human capacities working in that domain. Interviewees from the Ministry of Foreign Affairs expressed the need for a staff of professionals, dedicated exclusively to the coordination and monitoring of South-South cooperation activities, as well as access to robust statistics.[25] They also stressed the need for an integrated information system to ensure transparency in South-South cooperation decisions and projects and allow a more active and targeted pursuit of cooperation opportunities. Addressing these challenges will guide and inform the Government on how to leverage South-South cooperation partnerships to scale up and make better use of development financing to develop productive capacities and make progress towards the attainment of the SDGs.

D. Illicit financial flows

Tackling the illicit financial flows or capital movements that take place across borders for the purposes of concealing illegal activities and evading taxes has never been as high on the political agenda as it is today.[26] Illicit financial flows constitute a major challenge for most countries, especially developing countries, as they have a negative impact on domestic resource mobilization, divert resources from efficient use in major social sectors and undermine sustainable

Box 13: Illicit financial flows in the SDGs

Target 16.4
By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

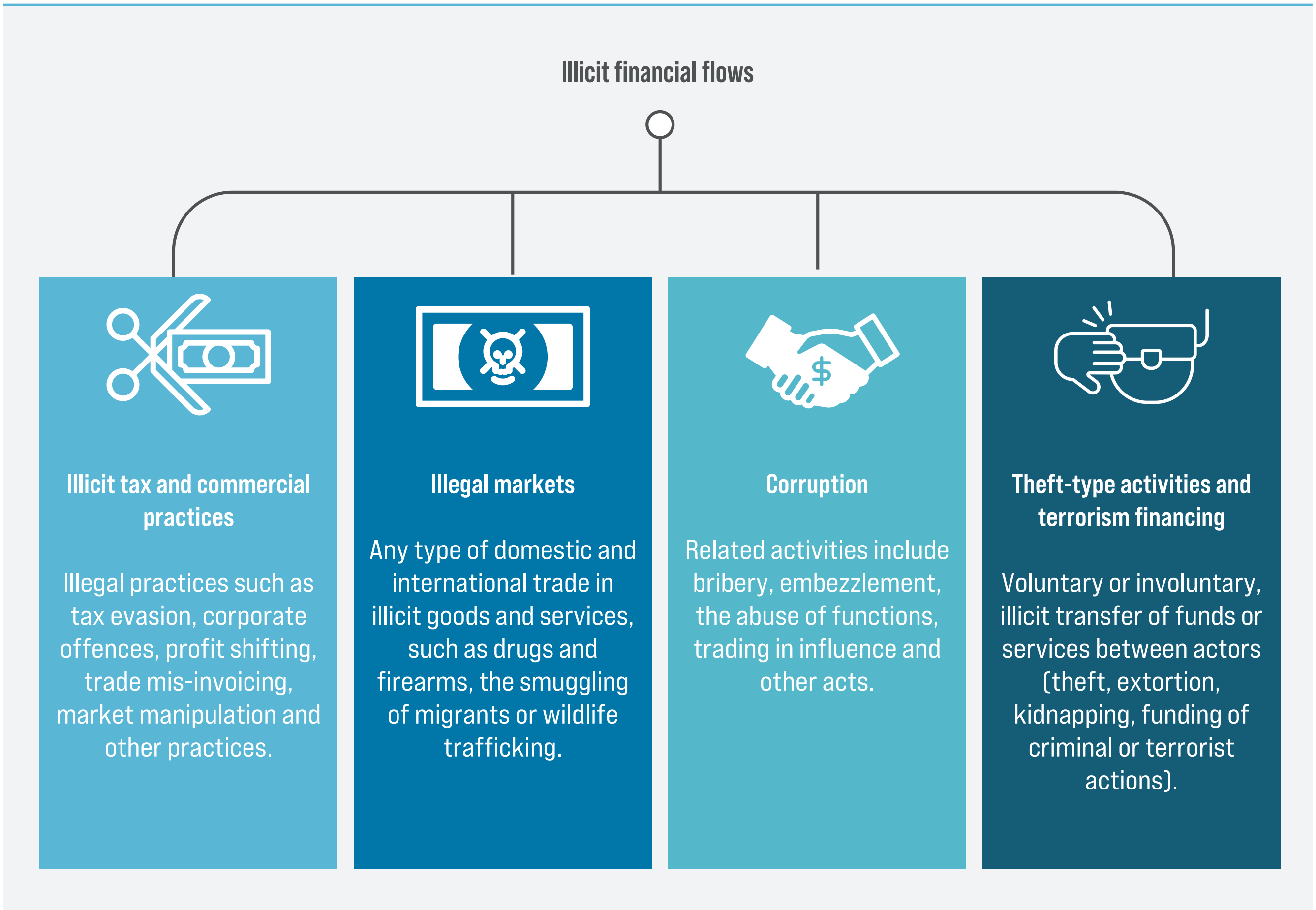
Indicator 16.4.1
Total value of inward and outward illicit financial flows (in current United States dollars)

economic growth in developing economies. Given the direct linkage of illicit financial flows to the domestic resource mobilization process and the corrosive role they play, it is imperative to address this issue within the context of FFD. This is especially urgent in this last decade for action, where an increased focus on curbing illicit financial flows can provide potential sources of capital to invest in SDG processes and responses to sudden crises such as the COVID-19 pandemic.

1. Definition, conduits and volume estimates

The definition of illicit financial flows has varied over the past decade, influencing the scope and magnitude of what can be measured. However, in 2020, the United Nations Office on Drugs and Crime (UNODC) and UNCTAD, the joint custodians of SDG indicator 16.4.1 on illicit financial flows, developed a conceptual framework for further work on illicit financial flows. The framework offered a statistical definition of the term and delineated a scope for its measurement. Accordingly, illicit financial flows are defined as financial flows that are illicit in origin, transfer or use; that reflect an exchange of value; and that cross country borders. Moreover, the UNCTAD-UNODC task force on the statistical measurement of illicit financial flows designated four categories as main sources that lead to illicit financial flows in their framework. As illustrated in figure 173, these include tax-related and commercial illicit financial flows; illegal markets; corruption-related activities; and exploitation-type activities as well as theft and terrorism financing.

Figure 173: Categories of illicit financial flows



Source: Author, based on information from the United Nations Conference on Trade and Development and the United Nations Office on Drugs and Crime (2020). Conceptual Framework for The Statistical Measurement of Illicit Financial Flows. Vienna.

In Africa, illicit outflows are estimated at $88.6 billion per year.[27] Losses caused by tax evasion are projected to total between $40 billion and $80 billion every year.[28] Similarly trade mis-invoicing costs Africa between $30 billion and $52 billion annually.[29] Curbing these annual amounts could cover half of the SDG financing gap in Africa.

According to a number of studies and reports, Egypt stands out among African countries in the magnitude of illicit financial flows, especially those related to tax and commerce.[30] Nevertheless, it is hard to give a precise figure for the overall size of illicit financial flows that captures all proceeds arising from different sources in view of the multiplicity of channels and institutions involved. In this regard, it is worth mentioning that the UNCTAD-UNODC methodological guidelines to measure tax-related and commercial illicit financial flows, released in May 2021, will be pilot tested in Egypt for the statistical measurement of illicit financial flows, potentially providing a better data basis for decision-making processes A launch workshop with national experts and stakeholders from institutions and agencies in Egypt was organized in early September 2021 to introduce the concepts and definition of illicit financial flows, along with the methodologies and guidelines for measuring them. The workshop also presented practical examples and good practices from previous pilot activities and discussed the forthcoming plan of work to implement activities and tools.

Illicit outflows

$88.6

billion per year

Losses caused by tax evasion

$40 & $80

billion every year

2. Major sources for illicit financial flows in Egypt

Tax-related and trade-related illicit financial flows are major sources of illicit outflows in Egypt, including the proceeds of tax evasion, the misrepresentation of tax records, and misreporting and mis-invoicing associated with trade activities. Egypt has been increasing its international tax collaboration to stop the drain on resources and tax revenues arising from deficiencies in the international tax framework that create opportunities for tax base erosion and profit shifting.

(a) Tax-related illicit financial flows

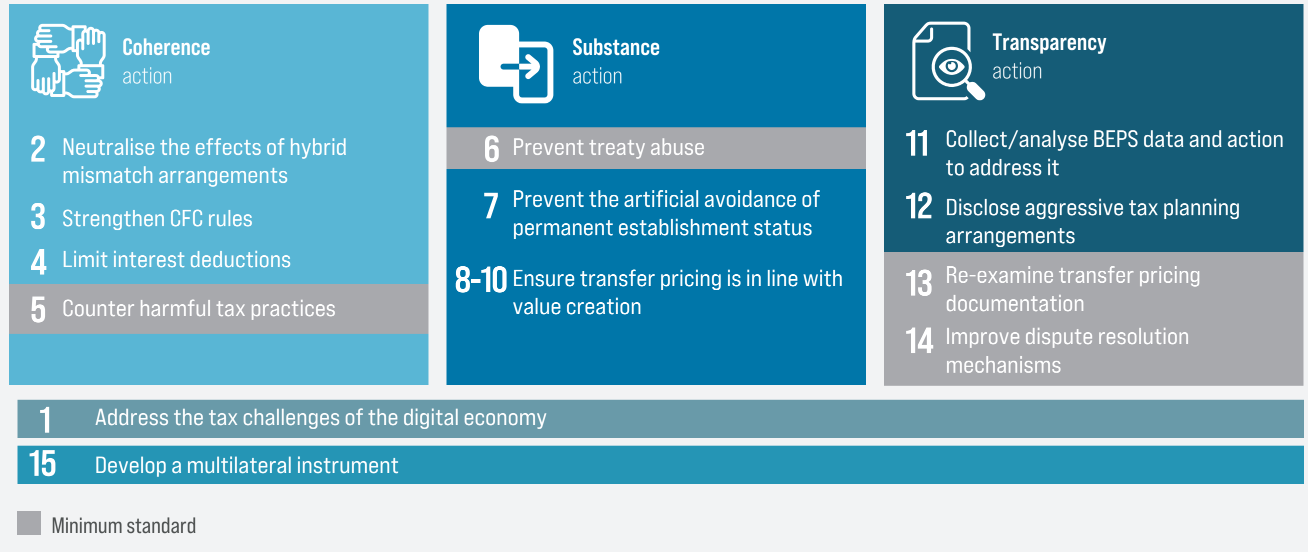
Tax revenue in Egypt represented an average of 77 per cent of the total country's revenue between the fiscal years 2017/18 and 2019/20.[31] Increasing tax revenue is therefore the main means of reducing the country's budget deficit. International cooperation on tax issues improves the Government's ability to protect its tax base and enhances its domestic resource mobilization capacity, thereby enabling it to finance its budget and further respond to sustainable development priorities.

Base erosion and profit shifting and their consequences of tax evasion, double taxation and shifting profits are among the complex tax issues that pose major global and national challenges that require broad collaboration between countries. The global average revenue losses from corporate income tax are estimated to be up to 10 per cent of global corporate income tax revenues every year ($240 billion). In Egypt, tax avoidance and evasion are similarly responsible for significant tax revenue leakages, which, as a percentage of tax revenues, are estimated to be higher than the global estimate in view of the greater reliance on corporate income tax revenues in developing countries. Reasons for such losses are largely attributed to loopholes in national tax legislation, the exploitation of double tax agreements or mismatches in tax rules between countries and limited country enforcement resources. This is in addition to other methods that involve shifting profits to countries that assess little or no tax on capital gains or other sources of income.[32]

In this respect, the Government of Egypt has made significant cooperation efforts to combat tax-related illicit flows. First, the Government implemented the base erosion and profit shifting minimum standards. Egypt has been an active member of the Inclusive Framework on base erosion and profit shifting since 2016. The Framework brings together 139 countries and jurisdictions to collaborate on the implementation of 15 actions to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment. Over the past five years, Egypt has demonstrated its pledge to implement the base erosion and profit shifting measures and the four minimum standards, as illustrated in figure 174.

In the same regard, Egypt was one of the first countries to sign the multilateral instrument on base erosion and profit shifting with member countries in 2017 and deposited the ratification instrument in September 2020, with 54 covered agreements and 38 matched agreements to date. The multilateral instrument allows its signatories to efficiently update their relevant tax treaties to incorporate measures to eliminate double taxation and prevent abuse of tax treaties without the need to renegotiate every treaty. The more matched agreements there are, the more gains and efficiencies are made for Egypt. Furthermore, the Egyptian Tax Authority issued updated transfer pricing guidelines in 2018 and a practical manual on country-by-country reporting in 2019, in compliance with the four minimum standards of actions on base erosion and profit shifting, as illustrated in figure 174. These country-by-country reports enhance transparency for tax administrations and provide them with adequate information to enable analysis of the behaviour of multinationals for tax-risk assessment purposes.

Figure 174: Base erosion and profit shifting - 15 measures

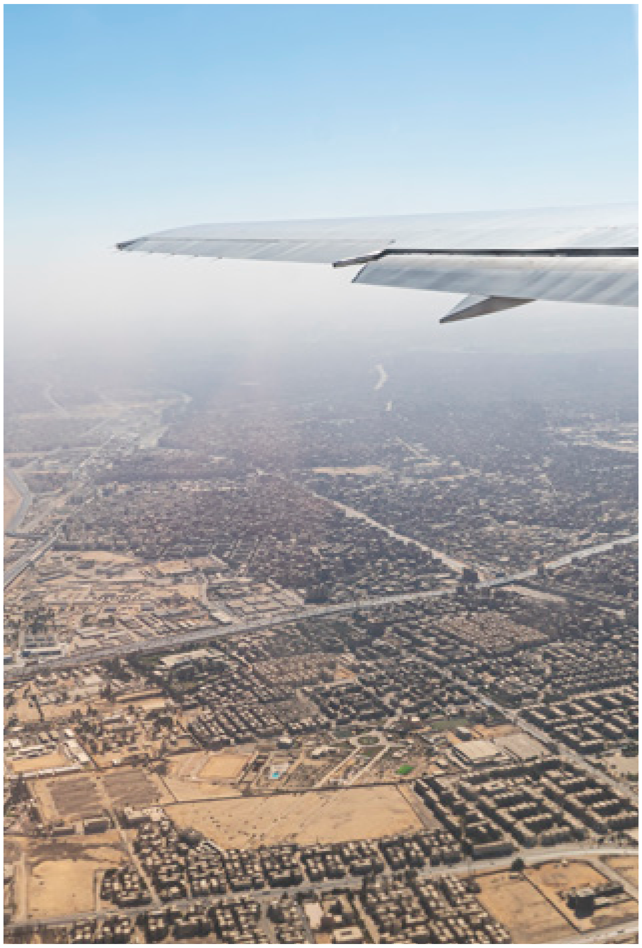


Source: State Secretariat for International Finance, Switzerland (2020). BEPS minimum standards. Available from www.sif.admin.ch/sif/en/home/multilateral/unternehmensbesteuerung/mindeststandards.html. Accessed December 2021.

Second, the effective exchange of information among countries is necessary to combat international tax offences and will provide significant assistance to Egypt in deterring tax evasion. In 2016, Egypt joined the Global Forum on Transparency and Exchange of Information for Tax Purposes, which supports its members in tackling offshore tax evasion by monitoring, reviewing and assisting jurisdictions in implementing the relevant international standards. As a member of the Global Forum, Egypt chose to implement two internationally recognized transparency tax standards. The first is the exchange of information on request, which requires a tax authority to provide information to another tax authority that is required for more investigation and enforcement of its tax laws. Information of this type includes ownership information for all relevant legal entities and arrangements (legal and beneficial ownership), accounting records and banking information. The second standard concerns the automatic exchange of financial accounting information, which entails the reporting of the financial account information of non-residents by the financial institution to their tax authorities. The tax authorities then automatically exchange the reported information with the tax authorities of the account holders' country of residence under the globally agreed Common Reporting Standard.

Since 2017, Egypt has engaged in a pilot project with the Global Forum secretariat and the United Kingdom to implement the obligations and processes for the exchange of information. Through a comprehensive mentoring and training programme (the "induction programme"), technical assistance has been provided on a number of topics, including how to improve the effectiveness of exchange of information on request (via an exchange-of-information unit and an exchange-of-information manual and its legal framework). This is in addition to assistance for joining, signing and ratifying the Convention on Mutual Administrative Assistance in Tax Matters, which will enable Egypt to access and obtain tax-related information from nearly 130 jurisdictions across many countries. It is also worth noting that Egypt will be assessed for its compliance with the exchange of information on request in the first quarter of 2022, as per the Global Forum's peer-review schedule for African countries. Nevertheless, Egypt has not yet set a date for the first automatic exchange of information.

Third, beneficial ownership transparency is considered a key requirement of international tax transparency and an essential policy tool in countries to fight financial crimes and reduce illicit financial flows. In most illicit practices and cases, there is a difference between the legal owner and the beneficial owner of an asset, land or bank account. It is therefore critical for national authorities to have available information on beneficial ownership for all legal entities and arrangements to ensure that they are able to carry out proper investigations relating to tax evasion, financial crimes or asset recovery cases.



In a commendable step that complies with the required standards of the Financial Action Task Force to implement measures that ensure the availability of beneficial ownership information to national authorities, Egypt approved a related legislation in March 2020.[33] The ministerial decree introduced establishes a mandatory disclosure of ultimate beneficial ownership from any entity doing business in Egypt.[34] In addition, according to the amendments introduced by the decree, ultimate beneficial ownership information has now become available in the public domain. It is worth noting that further guidelines for implementing this legislation are still required, as the decree does not specify or provide a definition for the following legal terms: "beneficial owner", "ownership", "control" and/or "legal interest".

To sustain the progress made in complying with international standards and meeting different commitments, several challenges need to be addressed; some of these are legal or political, while others are administrative and institutional. For example, accessing information on the accounts of bank clients, whether companies or individuals, for tax purposes is restricted by the banking legislative framework, as the current legislation, Law No. 194 of 2020 on banking, adheres to bank secrecy obligations for customer accounts. Accordingly, it is not permitted to disclose any bank information for the aim of reducing tax evasion or complying with the exchange of information obligations under double tax treaties or other international agreements to which Egypt is a party. Exceptions to the confidentiality obligation apply if there is written permission from the customer or their legal representative, or in the presence of a court order or permission during a lawsuit, arbitral proceedings or upon request from the public prosecutor.

While bank secrecy provisions create an obligation to banks and serve as a privilege afforded to the bank customer that their information will be legally protected from third parties, confidential clauses must not be seen as being absolute. This is especially true in cases where individuals misuse or exploit these laws to hide their ill-gotten wealth and/or evade taxes. In this regard, it may be useful for the relevant national authorities to enter into bilateral agreements that waive banking secrecy for dubious accounts and allow the information needed to be obtained under certain strict conditions or with evidence from banks and financial institutions. Addressing the bank secrecy challenge also opens the door for more effective international tax cooperation in terms of joining and signing important multilateral conventions such as the Convention on Mutual Administrative Assistance in Tax Matters.

Other obstacles to meeting the exchange of information standards and various related commitments concern implementation capacity and resources. The effectiveness of efforts to meet obligations and apply the measures needed to tackle tax evasion is influenced by the quality of implementation. On the one hand, it is necessary enhance the capacity of institutions, namely the Egyptian Tax Authority and the Ministry of Finance. This is to ensure the presence of adequate ICT infrastructure, technological processes and computer software that allow for effective data handling and are able to meet the requirements concerning information confidentiality and safety. On the other hand, it is also very important to improve the capacity of human resources to conduct international tax audits and tax analyses.

(b) Trade-related illicit financial flows

Commercial practices are considered a dominant source of illicit outflows for developing countries. The term "trade mis-invoicing" refers to the illegal practices used by traders to reduce or evade income taxes, VAT or customs duties through the intentional submission of invoices that misrepresent the price, quantity or quality of goods. According to UNCTAD, trade mis-invoicing costs Africa between $30 billion and $52 billion annually. It is presumed that revenue losses from trade mis-invoicing are likely to be equivalent to those attributed to tax evasion and profit shifting by multinational corporations. Given the magnitude of the problem, the latest report of the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda called for trade mis-invoicing to be considered a separate policy problem with separate solutions to other forms of tax evasion.

In a study on illicit financial flows in developing countries during the period 2004–2013, trade mis-invoicing in Egypt was estimated to contribute to the loss of nearly $25 billion for the same period. In another comprehensive case study on the level of trade mis-invoicing, the potential tax revenue losses to the Egyptian Government in 2016 alone were estimated to be almost $1.6 billion.[35] This amount is equivalent to 4.1 per cent of the value of the total government revenue collections in the same year. Of the $1.6 billion total estimated lost potential revenue, export mis-invoicing accounted for nearly $404 million, while the other $1.2 billion was the result of import mis-invoicing.

Egypt introduced a new customs law in November 2020 to reform the Egyptian tax and customs system, address fraudulent trade practices and ensure proper implementation and oversight of the financial systems, imports and exports. Law No. 207/2020 is the current regulatory framework addressing trade mis-invoicing.

The new law, replacing the previous five-decade old customs laws (No. 66/1963 and No. 186/1986), seeks to facilitate international trade between Egypt and other countries by simplifying and streamlining customs procedures and digitizing mechanisms for customs clearance and fee collection. In addition, the law applies strict measures to combat customs evasion through different provisions that stipulate more severe penalties on customs violations or customs smuggling than had previously been the case.[36] The penalties stipulated include the confiscation of goods subject to the offence, minimum and maximum fines for customs offences, as well as jail sentences in some cases.

The law was followed by a draft law on customs, executive regulations and a Decree No. 38 of 2021on pre-shipment registration procedures (i.e. advanced cargo information) using a single window electronic system. Besides seeking the facilitation of procedures, these legislative steps lead to the expansion of the use of digital technologies and, in turn, generate better documentation and increased exchanges of information and data. These unprecedented legislative developments must therefore be coupled with continuous support for institutional and human capacity-building to enhance monitoring and evaluation capacities and tools, which are essential to curbing illicit flows. Since customs authorities are responsible for monitoring and evaluating the accuracy of export and import prices and quantities, further strengthening of administrative capacities in specific areas is much needed. This includes areas related to the detection and investigation of potential over- or underinvoicing of commodities entering and exiting the country by enabling the rapid processing of large data sets, which can assist in the detection of illicit transactions.

3. The way forward: policy and institutional coherence in countering illicit financial flows

Despite growing awareness of the risks of illicit financial flows and increased international cooperation to curb them, it is still challenging at the national level to tackle the problem effectively in a comprehensive manner that would enable significant lump sums of money to be linked to SDG financing. This may be because of the multiplicity of types and sources of illicit financial flows, in addition to the range of different institutions involved, where each is dealing with a particular form of illicit financial flows separately, without coordination.

Addressing the challenge of FFD more effectively at the national level, especially in the last decade for action, may call for a more innovative and coordinated approach to tackling illicit financial flows. One that would take advantage of the economies of scale to capture all forms and channels of illicit flows, which necessitates better coordination on both the policy and administrative framework levels to promote financial integrity and address existing gaps. The High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda states in its 2021 report: "[i]t is no longer good enough to talk about—or even create—standalone institutions to promote progress on specific aspects of financial integrity, such as an apex anti-corruption body". In this respect, the Panel recommends that "Governments should create robust and coordinated national governance mechanisms that efficiently reinforce financial integrity for sustainable development and publish national reviews evaluating their performance".[37]

Within this context, and to build on the national steps taken to address the different aspects and types of illicit flows, the Government should promote policy and institutional coherence in relation to countering illicit financial flows in order to overcome any policy conflicts and obstacles in inter-agency coordination. This requires the establishment of a functional mechanism with the membership of all State institutions involved to lead a focused effort on this issue and encourage collaboration. Efforts may be concentrated on several aspects. The first is measuring the real magnitude of illicit outflows in the case of Egypt, capturing the full image and encompassing all sources and channels. Efforts should also prioritize gathering, revising and harmonizing all legislative provisions that address illicit financial flows in reference to the different aspects and pinpoint any conflicting or problematic articles that prevent significant progress in this area. Another aspect is to ensure that the different institutions involved do not have overlapping mandates or responsibilities and, most importantly, identify how they can act as connected links in a chain of measures, establishing patterns of responsibility, authority and accountability that do not fragment or overlap.

Such efforts would serve as a coherent approach to exploit synergies where they exist and remove overlapping or competing mandates. They also pave the way for the streamlined and coordinated reporting that is central to linking illicit financial flows to broader development planning frameworks, specifically the INFF, and ensuring that it is coherent with medium-term revenue strategies that would greatly contribute to national priorities.

E. Quality, impact and effectiveness of development cooperation

The impact and effectiveness of development cooperation are often affected by the quality of planning, coordination and implementation arrangements among both the national and international counterparts. This comes with the modernization of the dynamics of development cooperation and the enhancement of the management capacities of the institutional structures involved. The COVID-19 pandemic has further emphasized the urgency of delivering development cooperation in a better and more effective manner in order to support economies and minimize the negative spillovers of similar crises.

1. Enhancing national planning for development finance

Most Governments have made progress by establishing robust national sustainable development strategies and plans that lay out the priorities that still need to be financed. However, these national strategies do not often provide details as to how they will be financed and implemented. To this end, the INFF is considered a tool that better links financing to development strategies to strengthen national planning processes and ownership and to better align development interventions with national objectives and the SDGs. The establishment of such frameworks is also usually associated with shifts in national planning mechanisms and coordination structures to facilitate more diverse sources of financing and a multiplicity of partners working together to enhance the effectiveness of development cooperation.

In this context, Egypt is pursuing several efforts. Establishing an INFF, as discussed in chapter 3, will ensure that the costing of objectives in the Egypt Vision 2030 and SDG targets, the assessment of the current financing landscape and associated financing gaps are all available and integrated within public and private financing policies. Such processes will also broaden the awareness of and generate dialogues around SDG-aligned development financing priorities, support decision makers and build understanding and momentum for required reforms and new policies.

In addition, in regard to FFD, Egypt signed a cooperation protocol with the United Nations Joint Sustainable Development Goal Fund in March 2021. The protocol signed is for a draft strategy for financing the SDGs in the country, placing special emphasis on the key sectors of education, health, social protection, water, sanitation and transport. This cooperation will assist the Government in evaluating the current situation to determine the cost of achieving the national development goals outlined in Egypt Vision 2030 and will be implemented in collaboration with United Nations agencies in Egypt.

“South-South cooperation has emerged as an important modality of development cooperation among countries of the South, allowing them to engage with each other and share their knowledge, skills, expertise and resources in specific areas to meet their national development challenges through concerted efforts.

These efforts can benefit from adopting a national development cooperation policy as a broader framework that guides the advance planning and mobilization of all external financing resources (ODA and other external resources). Such a framework will help to align international development cooperation with the national priorities within the country's INFF. It will also provide clarification on the division of responsibilities between all stakeholders involved at the national level and thereby improve the communication and coordination between them, which will contribute to the improved delivery of development cooperation.

2. Coordinating with development partners

With the outbreak of the pandemic, Egypt has prioritized reinforcement of the coordination between national and international counterparts to further enhance the effectiveness of development efforts by all actors. This is reflected in the creation and launch of the multi-stakeholder platforms in 2020 as a country-led engagement framework for international cooperation.

These organized multi-stakeholder platforms are expected to strengthen partnerships to achieve better results by opening the door for regular, interactive and participatory consultations with all stakeholders, including the Government, development partners, the private sector and civil society. They also serve as a coordinating mechanism that enables the identification of financing priorities and objectives across sectors while allowing for increased synergies among development partners.

3. Monitoring and reporting on development cooperation

Monitoring and reporting are key to the quality and effectiveness of development cooperation. Not only do they allow tracking progress against national and international development cooperation commitments, but they also provide information for review processes and inform dialogue among stakeholders. Strengthening monitoring and reporting mechanisms at the country level helps to provide an evidence base to improve results and presents an opportunity for knowledge-sharing and mutual learning with other countries.

Realizing the importance of monitoring, Egypt has been participating in OECD monitoring reports on development cooperation effectiveness. The Ministry of International Cooperation participated in the first monitoring report on the Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability in 2005; it also continued to monitor its own performance in the two most recent monitoring rounds of the Global Partnership for Effective Development Cooperation in 2016 and 2018. The Monitoring Framework collects data on ten indicators that review progress on the four internationally agreed principles of effective development cooperation. The results are then compared to the data collected by Development Assistance Committee countries and a comparative matrix is produced of the performance of all countries involved in the monitoring process.

According to the results of the latest survey of the Global Partnership for Effective Development Cooperation in 2018, and as published in the annual report of the Ministry of International Cooperation in 2020, Egypt has shown progress in all four principles of effective development cooperation, recording higher levels of effectiveness in comparison to other middle-income countries.[38] In assessing country ownership of development cooperation objectives, Egypt scored 95 per cent, compared to an average of 87 per cent in other countries. Development partners who contributed in the monitoring round affirmed that all Egyptian ministries clearly communicated the national development objectives, which are guided by the

Egypt Vision 2030, and that the implementation and disbursement of ODA in the short and medium terms are executed as planned for the majority of projects. Second, regarding the focus of results, development partners affirmed that they rely on national results frameworks for 93 per cent of their activities in Egypt, compared to an average of 80 per cent in other countries.

For inclusive partnerships, the monitoring round identified the need for a more in-depth approach to mechanisms to engage the private sector and civil society in development cooperation. This led to the collaboration of the Ministry of International Cooperation with OECD in the case study on engaging the private sector in development to set international guiding principles in that connection. Lastly, in assessing transparency and mutual accountability, it was reported that 70 per cent of information on development cooperation, including access to signed agreements, project implementation documents, data on financial allocation and disbursement rates, as well as monitoring and evaluation reports, is publicly available. The missing data were attributed in large part to cooperation mechanisms with non-Development Assistance Committee countries that follow different patterns in their planning, financial allocations and implementation. Examples include cooperation with Gulf countries and China, which require a more adaptive mechanism to account for different modalities of cooperation.

In addition to establishing the systems needed to create an environment conducive to national development, including the monitoring measures of the Global Partnership for Effective Development Cooperation, Egypt implemented parallel efforts to follow up on and monitor development cooperation projects and activities to assess their progress towards achieving the SDGs. In 2020, the Ministry of International Cooperation restructured its monitoring and evaluation department with the aim of institutionalizing a strong system for regular monitoring, transparency and accountability with the beneficiary line ministries and implementing institutions. Accordingly, ODA-financed projects within each sector are regularly monitored, and updated reports are shared on a quarterly basis with the Egyptian Cabinet to ensure that any challenges or bottlenecks encountered are resolved during implementation. According to the Ministry, this system has contributed to the drop in the percentage of projects that experienced problems to only 1 per cent as at June 2021, compared to 28 per cent in earlier periods.

These reforms, including the reporting of ODA in terms of financial contribution to the SDGs, are valuable for tracking progress towards achieving development priorities and determining the effectiveness of development cooperation, as well as providing information on existing finance gaps. Not only is this essential, but it is also important to capture other types of development cooperation in Egypt and track their contributions, results and impact.

In that respect, it is suggested that Egypt would benefit more from expanding the monitoring framework to go beyond ODA and integrate other development cooperation interventions. This can be done by complementing the existing tools and channels for monitoring and review rather than setting up new ones. Enhancing the information and data systems for broader development cooperation will make it possible to capture the contribution of other forms of finances that are channelled into development cooperation but are not counted. This includes climate financing and funds injected in South-South and triangular cooperation projects, in addition to other flows that contribute to the achievement of the SDGs. An integrated monitoring system will also support the public governance and accountability mechanism of development cooperation. The system should be responsive to the demand for data disaggregation and must ensure the quality and timeliness of data collection to inform the decision-making process, ease tracking progress and measure the impact.

This step should be coupled with the development of national capacities in terms of quantity and quality. Strengthening the capacity of the key staff involved in the monitoring and evaluation activities of different development projects is pivotal to assessing the quality, impact and effectiveness of development cooperation.

Technical training on the development of methodologies for data collection and the improvement of data generation at the local level in particular, in addition to the interpretation and analysis of data are crucial to enable proper monitoring and reporting within the country's national results framework.

F. Conclusion and policy recommendations

In line with SDG17, on strengthening the means of implementation and revitalizing the global partnership for sustainable development that calls for partnerships between different actors and across various sectors, this chapter discussed international development cooperation, including its role in FFD. Different cooperation tools have been examined as external finance channels and as powerful catalysts and levers for domestic resource mobilization, allowing for acceleration of the achievement of the SDGs in Egypt. In addition, the role of Egypt as a provider of South-South cooperation in Africa, through knowledge-sharing and the strengthening of capacities crucial to the advancement of the SDGs, was highlighted.

The subsequent points summarize the main concluding remarks of the chapter and are followed by recommendations for the way forward.

Although ODA continues to be part of financing for progress towards sustainable development, the volumes of it in Egypt diminish its relative importance in comparison to other sources of external finance. Nevertheless, its use can be optimized by directing it towards providing targeted support for certain SDGs or areas that are underfinanced and shifting towards a more catalytic role to mobilize other sources of development finance that are important to achieving the SDGs.

Private sector engagement is fundamental to supporting and financing development needs. In Egypt, private sector engagement through development cooperation can be further strengthened and extended to fill the significant gaps in social sectors and address social challenges. With the Government having announced private sector engagement as a key theme for development cooperation in 2021, there is an opportunity to create a national policy framework through an inclusive and participatory process.

Blended concessional finance is one of the important tools that can help to close the large investment gap in Egypt, where multilateral development banks and development finance institutions play a crucial role in using concessional resources for blended finance transactions to mobilize the necessary resources. Egypt already has successful experience in maximizing FFD through joint financing from multilateral development banks in the energy sector and should build on it to replicate this experience in other priority sectors and projects. Partnerships with multilateral development banks and international financial institutions should also focus on providing direct financing and on catalysing additional public and private resources, as well as on providing the policy advice and technical assistance components required to improve the investment climate and build domestic capacities.

The role of South-South and triangular cooperation is becoming increasingly important to the recovery of developing countries from

COVID-19 as it promotes learning from action-oriented policies and measures used to address social, economic and environmental responses to the pandemic from across the region. Focusing on tracking, measuring, assessing and documenting its added value and its impact on sustainable development could further guide and inform the Government on how to leverage South-South partnerships to scale up and make better use of development finance, develop productive capacities and make progress towards attaining the SDGs.

Combating illicit financial flows is becoming more urgent as a result of the pandemic. Continued cooperation on the national and international fronts can play a vital role in enabling the use of higher levels of domestic resources to finance sustainable development. Improving inter-institutional coordination and strengthening national enforcement capacities to investigate suspicious transactions, as well as international information sharing and tax cooperation, contribute to greater efficiency and effectiveness in curbing illicit financial flows.

The coordination and effectiveness of development cooperation must continue to be strengthened at all levels, from politically agreed priorities and a balanced combination of development cooperation modalities to integrated and coordinated programming at the country level. The continuous enhancement and upgrading of coordination mechanisms and tools is also required with regards to planning and management, the information technology and data systems used and the capacities of different institutions and human resources involved in monitoring and reporting activities. This will in turn contribute to improving the transparency and effectiveness of cooperation by maintaining a focus on reporting, results and sustainable impact.

In light of the abovementioned conclusions, two sets of recommended policy actions are proposed. The first set is strategy oriented, involving a set of structural policies and strategies that would act as an overarching framework within which development cooperation would operate to improve policy coherence in order to achieve the Egypt Vision 2030 and the SDGs. The second set is specific and action oriented, focusing on the operational level, in particular on the process and the delivery of results. In doing so, it involves coordination between different national entities in mobilizing funds and communicating with development partners to deal with any institutional dispersion. It is also concerned with the management of delivery in terms of maintaining a focused approach towards results by emphasizing follow-up, monitoring and evaluation, in addition to scaling up institutional and human capacities. Both sets of policy recommendations are oriented towards operationalizing and achieving the four core principles of global effective development cooperation: ownership by partner countries, a focus on results, inclusive partnerships and transparency and mutual accountability.

1. Strategy-oriented recommendations

1 Adopt a more comprehensive national development cooperation policy. A comprehensive and overarching legal framework that covers a broader scope of external financing resources, including ODA, can better support the INFF discussed in chapter 3 and will act as an enabler that increases the coherence and effectiveness of development cooperation in Egypt. The policy should: (i) be closely linked to national and global sustainable development goals; (ii) stress the critical set of external resources that international development cooperation encompasses to support the realization of the SDGs (this includes financial transfers, capacity support and policy advice with primary development impact, all of which can fill resource gaps and provide targeted support to realize national development

efforts and contribute to international ones); and (iii) reflect the clear roles and responsibilities of a wide range of actors in development cooperation. This includes governmental actors at the national and subnational levels, bilateral and multilateral development partners, the private sector, civil society and charities.

2 Adopt a national ODA strategy. The ODA coordination and management system in Egypt can be strengthened with the adoption of a legal framework, reflected in a national ODA strategy. The strategy can be formulated in the medium term to be part of a larger overarching framework for the national development cooperation policy suggested above. It should be focused on the purpose of ODA, declaring the goals, priority sectors and priority geographic zones for intervention that would optimize its use, thereby maximizing the development impact of ODA and contributing to achieving national priorities. In this way, the strategy will serve as a compass, pointing towards what needs to be done, where and in which areas. In turn, it can serve as a tool to better understand the role that development cooperation and concessional finance can play compared to other sources of finance. It will therefore guide the Government with regard to decisions on the allocation of ODA and support it in managing the competing sectoral interests. The strategy will also guide development partners by indicating national objectives and increasing alignment with them. Moreover, it will increase the efficiency of the ODA system by ensuring that development cooperation resources are better allocated with the development priorities defined in the national strategy and plans and respond to the SDGs. Lastly, adopting a clear national ODA strategy will enhance national capacity in the medium-term predictability of development cooperation indicators, improving the country's ranking in the principle of country ownership.

3 Formulate a national policy framework for private sector engagement through development cooperation and beyond. Developing such a policy framework will contribute to building more inclusive partnerships and increasing country ownership through greater participation by local stakeholders. This process should be aimed at clearly outlining the objectives of private sector engagement, benefits to different stakeholders, opportunities for engagement and conditions of engagement (such as monitoring, evaluation and results reporting). The organized multi-stakeholder platforms focused on private sector engagement should be used as a medium to reach this policy framework and as a starting point for this process.

2. Action-oriented recommendations

1 Extend the regulatory frameworks to comprise and promote private sector engagement in social sectors. This step will stimulate and increase financing for innovative business models, such as social enterprise models that target socioeconomic needs. The Government must provide incentives for the private sector to move from economic investments to impact investments generating social, environmental and financial returns. This may include presenting fiscal and non-fiscal incentives (endorsements, labelling, training and information) to help businesses and private sector front runners to target development challenges in specific sectors and regions that lag behind

with an explicit focus on the poor and the most vulnerable.

2 Create a road map for blended finance that is linked to the INFF. As mentioned earlier, the Government of Egypt is currently conducting a DFA to map and analyse FFD flows and their associated policy and institutional frameworks. In that regard, and in cooperation with different development partners, the Government can spearhead an exercise to evaluate the potential of adopting blended finance for different priority development sectors and projects with financing challenges. It is important to measure the cost of blending compared to other financing structures and to identify the most appropriate instrument that addresses the existing challenge and helps to achieve the desired impact. The evaluation should be based on the sustainability of the underlying programme or intervention, the potential for increased efficiency by engaging the private sector and the interest of private sector partners. Adopting a strategy will allow the Government to use blended finance in a strategic and systematic way that helps to close the financing gap, stimulates innovation in high-impact sectors and fosters the development of the domestic market.

3 Adopt a strategic blended capital approach at the level of MSMEs. In relation to the previous recommendation, it is important to adopt an appropriate approach for the stage of maturity and capital needs of enterprises that perform social activities in the public interest. For example, early-stage capital is required for innovative businesses and projects, which may be able to attract commercial financing in the medium to long term but require highly concessional capital in the short term. Such early-stage organizations can be provided with grant funding, while entities that are in a growth stage should be considered for investment capital. Adopting a strategic blended capital approach will ensure that dormant account funds are used efficiently and private capital is directed towards sustainable development.

4 Form a dedicated and functional mechanism to support efforts to tackle illicit financial flows in a more coordinated manner and reinforce financial integrity for sustainable development. Such a mechanism is desired to effectively coordinate between all national bodies involved in curbing illicit flows and to promote policy coherence by overcoming any existing conflicts in relevant policies. The mechanism can take the form of a high-level committee that is mission-driven, time-bounded and reports directly to the President to guarantee the inter-agency collaboration that is needed to improve financial transparency mechanisms and communicate progress to the public.

5 Address challenges in the national regulatory frameworks, enforcement mechanisms and capacities to effectively curbing illicit financial flows. It would be useful to reconsider the repeal of banking secrecy for tax administration purposes and the effective exchange of information. On the one hand, it would enable the competent authorities to combat tax evasion, money-laundering and other financial fraudulent activities. On the other hand, it would establish a framework for complying with international standards on the exchange of information. Nevertheless, implementing this

step should be coupled with strict safeguards that protect against the political misuse of any such provision by government bureaucrats and against breaking the public trust in banks, which would have a negative impact on the economy. Any amendments must ensure that information will only be used for the intended purposes and specific cases clearly stated in the law. It is also key to continue to provide ongoing support to effectively implement the tax and customs services reform and to upgrade their digital technology infrastructure and tools to enhance their administration and implementation capacities in order to effectively detect and deter illicit transactions.

6

Strengthen the management of information on development cooperation. Using an advanced and integrated information system for managing ODA and similar data flows (including South-South cooperation and climate financing) is key to ensure the availability and timeliness of accurate statistics on development cooperation projects. The system is also expected to enhance coordination between the ministries involved in development cooperation to ease monitoring and maintain a results-focused approach. Improving the monitoring system in place will help to overcome the challenges of limited reporting and disaggregation of information on the allocation and use of ODA at the national and subnational levels, which will consequently better inform and guide policy interventions to ensure that no one is left behind. It will further increase the accessibility, transparency and reliability of public information, as well as operate as an accountability tool that enables the national Government and various development partners to make improved, informed decisions based on emerging evidence.

7

Invest in the development of human capacities to scale up private sector engagement and knowledge-sharing. The national experience of Egypt, as well as other international experiences, shows that institutional and human capacity-building go hand in hand. This suggests that the mapping of existing finance needs and resources must be accompanied by efforts to address the human capacity gaps at the national and local levels. Capacity-building to scale up private sector engagement and knowledge-sharing are two areas that must be targeted as a matter of priority. Increasing the quantity and quality of private sector engagement for sustainable development requires ensuring that the appropriate skill sets are available for work with the private sector throughout the project development process. Investment in the recruitment and technical training of staff able to prepare projects properly, with experience across a range of financial instruments, is therefore crucial. Moreover, the fact that concessional blended finance is relatively new calls for a focus on building capacities in documentation and knowledge-sharing with regards to: (i) the structures and approaches that worked in Egypt; (ii) the projects and sectors in which those structures and approaches were deployed; and (iii) why they did or did not work, elaborating on the enabling conditions for replication of such efforts.

Endnotes

1. OECD, 2020d.
2. "Non-Development Assistance Committee countries" are classified as European countries with established development policies that adhere to the Committee's guidelines, Arab donor countries that do not align with the Committee's standards or South-South development cooperation partners. "Multilateral development partners" refers to multilateral development banks and development finance institutions.
3. United Nations, Inter-agency Task Force on Financing for Development, 2020.
4. According to the World Bank, net ODA consists of disbursements of loans made on concessional terms (net of repayments of principal) as well as grants by official agencies of the members of the Development Assistance Committee, multilateral institutions and non-Development Assistance Committee countries. The analysis may show a different trend when total ODA disbursement is considered rather than net ODA.
5. According to OECD-Development Assistance Committee, the ratio of aid to central government expense provides a measure of recipient country's dependency on aid. More information can be found at https://data.worldbank.org/indicator/DT.ODA.ODAT.XP.ZS?end=2019&locations=EG&start=1990&view=chart.
6. Ministry of International Cooperation, Egypt, 2020.
7. Information on the mapping methodology can be found at: www.moic.gov.eg/en-US/Sectors/Index?na=110. The mapping process is updated regularly each quarter, as new projects begin and others are completed.
8. Ministry of International Cooperation, Egypt, 2021.
9. United Nations, Inter-agency Task Force on Financing for Development, 2020. Social infrastructure and services, accounting for 5.6 per cent, are aggregated as follows: water supply and sanitation, 2.1 per cent; health and population and reproductive health, 1.8 per cent; other social infrastructure and services, 0.7 per cent; government and civil society, 0.5 per cent; and education, 0.4 per cent.
10. OECD, 2018b.
11. Central Bank of Egypt, 2021; Morsy, 2017.
12. For more information on the multi-stakeholder platform, see www.moic.gov.eg/en-US/Search/Index?searchText=MSP.
13. More information on the joint exercise between the Ministry of International Cooperation and the International Finance Corporation can be found in the article "Greening Egypt's economy and what it means for the MEA Region". Available from www.fdiintelligence.com/article/79361.
14. The map can be found at www.investinegypt.gov.eg/English/Pages/explore.aspx?map=true.
15. Global Partnership for Effective Development Cooperation, 2018a.
16. Convergence, 2019. Convergence is the global network for blended finance. It generates blended finance data, intelligence and deal flow to increase private sector investment in developing countries and sustainable development.
17. Ministry of International Cooperation, Egypt, 2020.
18. International Finance Corporation, 2020b. GDP, employment and export percentages are for 2019.
19. For more information on the multi-stakeholder platform, see www.moic.gov.eg/en-US/Search/Index?searchText=MSP.
20. The Egyptian Agency of Partnership for Development is the national body mandated with boosting Egypt's South-South and triangular cooperation efforts. It was established in 2014 as a merger of two long-standing specialized funds for technical cooperation with other regions, namely the Egyptian Fund for Technical Cooperation with Africa and the Egyptian Fund for Technical Cooperation with the Commonwealth, Islamic European States and Newly Independent States. The Agency is administered by a Secretary General who is appointed by the Foreign Minister.
21. Egyptian Agency of Partnership for Development, 2021.
22. According to an interview in March 2021 with a senior official at the Ministry of Foreign Affairs.
23. South-South Galaxy is an online tool launched by the United Nations Office for South-South Cooperation as a global knowledge-sharing and partnership-brokering platform for South-South and triangular cooperation to promote and scale up best practices for the benefit of developing countries.
24. Egypt Today, 2021.
25. The author conducted interviews with senior officials at the Ministry of Foreign Affairs and the Egyptian Agency of Partnership for Development who are responsible for South-South and triangular cooperation.
26. Illicit financial flows and international collaboration to reduce them are usually addressed as part of overall efforts to enhance the domestic resource mobilization and taxation systems. However, since domestic resource mobilization is not addressed in a specific chapter in this report, illicit financial flows, with a focus on their tax- and trade-related conduits, are discussed under international development cooperation.
27. UNCTAD, 2020b.
28. OECD, 2021.
29. UNCTAD, 2020b.
30. Important studies and reports include the Report of the High Level Panel on Illicit Financial Flows from Africa "Illicit Financial Flows: Track it, Stop it, Get it", issued by the United Nations Economic Commission for Africa in 2014. The report estimated the cumulative illicit financial flows for Egypt between 1970 and 2008 to be $105.2 billion, equivalent to a 14.7 per cent share of Africa's total illicit financial flows. In addition, the 2013 joint report by the African Development Bank and the Global Financial Integrity "Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980–2009" noted that Egypt ranked third in Africa (after Nigeria and South Africa) in the exportation of illicit capital over the time period. It also dominated the ranking of North African illicit outflows, followed by Algeria and Libya.
31. Author's calculations, based on the final accounts of the State budget of Egypt for the fiscal years 2017/18 and 2019/20, published by the Ministry of Finance, Egypt.
32. Other sources of income include royalties on intellectual property.
33. The Financial Action Task Force is an intergovernmental organization that promotes policies to combat money-laundering and terrorist financing.
34. Decree No. 41 of 2020 introduced amendments to Law No. 34/1976 on the executive regulations of the law on the commercial register.
35. Global Financial Integrity, 2019.
36. The new law identifies the various types of customs violations (such as unjustified decreases or increases in imported goods and the provision of incorrect valuations of goods for import and export) and customs smuggling (such as providing false or fabricated documents or invoices). Smuggling is defined as the illegal entry of goods into the Egyptian customs territory.
37. United Nations, High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, 2021, p. X and p. 39.
38. Global Partnership for Effective Development Cooperation (2018b); Ministry of International Cooperation, Egypt, 2020.