**Social Accountability and Fiscal Policy Making in Egypt:**

**The Case Study of the International Monetary Fund’s Proposed Loan in 2011**

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**Abstract:**

Social accountability is a significant approach to empower and engage communities to hold the government accountable and decide their priorities of development. Social accountability is considered as one of the main tools that contribute to the amelioration of the efficiency of fiscal policy. The promotion of social accountability mechanisms should be based on empowered civil society. This study assesses the status of social accountability in Egypt and its effectiveness based on analyzing the reality of Civil Society Organizations (CSOs). This study suggests that two uprisings in Egypt, in 2011 and 2013, were not enough to strengthen public participation and the involvement of CSOs in public policy making, in general, and fiscal policy, in particular. It indicates that the success of social accountability mechanisms in stopping the proposed International Monetary Fund (IMF) loan to Egypt in years 2011 and 2012 does not reflect a real change in the role of CSOs in shaping policies in the country.

**Key Words:** Egypt, Social Accountability, Fiscal Policy, IMF, and Civil Society Organizations

**Introduction:**

Accountability is one of the concepts that have received a growing attention over the last few decades. International experiences suggest that governments are capable of improving executive, legislative, judicial, and financial accountability through courses of actions such as strengthening top-down supervision, building staff capacity through civil service reform, creating performance standards and measures, and establishing effective independent public control bodies. However, the literature proposes that the involvement of various “societal actors” is imperative for the effectiveness of accountability reform as they play a major role in designing, creating and implementing accountability approaches (Ackerman, 2005).

The core of social accountability is depicted in ameliorating citizens’ engagement with politicians and public officials in a well-vested and organized way. The significance of the "social accountability" originates from its fundamental goal of promoting sustainable development at both national and local levels. Social accountability mirrors the increased attention directed to the issues of governance, empowerment and liberal approaches to development (Malena et al., 2004).

Practice of social accountability should have positive effect on making public policy at any of its phases; preparation, implementation, and evaluation. Fiscal policy is all about translating public choices into expenditure and revenue decisions by the government. It is very linked to the people’s daily life and future. As a result, social accountability initiatives are key mechanisms all over the world for the people to voice and express their preferences and choices. They are also very essential for the governments to formulate their policies in a way that matches, or at least does not contradict, these preferences.

Civil society in Egypt has witnessed many developments during the last decade of Mubarak’s regime that started in year 1980 and was ended by January 2011 uprising. These developments were one of the major motives for January 2011 and June 2013 uprisings. However, the development of civil society in Egypt was not associated with a parallel process of creating strong and effective social accountability mechanisms as hypothesized by this paper.

This paper examines the role of social accountability in affecting fiscal policy in Egypt through five sections. The first section provides a conceptual framework for social accountability and its mechanisms. The second section addresses the foundations of the relationship between social accountability and fiscal policy. The third section explores the status of social accountability in Egypt. The Egyptian context of the relationship between fiscal policy and social accountability is analyzed by section four of this paper. Finally, section five presents the case study of International Monetary Fund (IMF) loan to Egypt.

1. **Social Accountability: the Concept and Mechanisms**

Since 1980s, the concept of accountability became predominant for the debate among representative democratic governments. In 1990s, the concept prevailed especially with the advent of democratic regimes and state reform initiatives in various developing countries. (Dowbor et al., 2010).

With an increased emphasis on accountability, the concept has been defined in different ways. Accountability could be perceived as a “vital mechanism of control by providing stakeholders with information needed to challenge and react to advocacy actions” (Abdul Aziz and Coulson, 2010, P.3). Another definition describes accountability as a “proactive process by which public officials inform and justify their plans of action, their behavior, and results and are sanctioned accordingly” (Ahmed, 2008, P.11). This definition was emphasized by some of the authors, who discuss the concept by considering Latin American experience. For example, Smulovitz and Peruzzotti, emphasized that the concept of accountability guarantees that public officials offer information and justifications about their actions and decisions and consequently, public can hold them accountable for those actions (Dowbor et al., 2010).

The World Bank (WB) defines accountability as “the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, and a free media” (World Bank, 2007, P.2). The United States Agency for International Development (USAID) focuses on “the extent to which government officials are responsible to public approval when assessing accountability”. The UN-HABITAT defines accountability in terms of the existing “mechanisms for transparency, responsiveness, personal integrity and rule of law” in a country. Finally, the United Nations Development Programme (UNDP) defines accountability as “clear and effective lines of accountability, legal, financial, administrative, and political, to safeguard judicial integrity, and to ensure honest and efficient performance by civil servants in the delivery of public services to women and low-income groups” (UNDP, 2009, P.20).

Accountability can be classified to executive, legislative, judicial, financial and social. The first three types are related to the three main powers in the state and the extent to which are they accountable for their actions. As for the financial accountability, it is mainly concerned with the involvement of different stakeholders in public financial management decisions such as budget allocations. Finally, social accountability is about the ability of Civil Society Organizations (CSOs) to follow up policies and public decisions.

There are main two forms of accountability: **horizontal** accountability and **vertical** accountability. Horizontal accountability focuses on the extent to which the state entities are capable to check on the exploitation that could be exercised by other public institutions through different administrative, fiscal, political and legal mechanisms. Vertical accountability refers to “the means whereby ordinary citizens, mass media, and civil society actors seek to enforce standards of good behavior and performance by public officials and service providers” (Mwakagenda, 2010).

Social accountability is a clear translation of vertical accountability. As defined by the WB, social accountability is “an approach towards building accountability that relies on civic engagement” (Ahmed, 2008, pp. 3-4). Social accountability refers to the wider scope of actions and mechanisms that is beyond voting; the wider scope that is depicted in the ability of citizens to hold the government accountable with the involvement of different actors who contribute to the promotion of those actions and mechanisms such as, civil society, media and other societal actors (Public Affairs Foundation et al., 2007).

The concept and mechanisms of social accountability are very related to various concepts that are dominating the field of development. Social accountability is one of the major aspects of good governance. Additionally, it is a tool that could be effectively used in reducing poverty and combating corruption. Moreover, for effective social accountability, proper legislative reform is needed to permit citizens’ participation and promote for transparency and access to information. Finally, concepts such as, citizenship and gender are manifested in social accountability mechanisms.

Malena, Carmen et. al. (2004) suggest that social accountability could be carried out at different national and local levels by various actors such as, citizens, communities, parliamentarians, CSOs and media. Social accountability tackles diverse issues such as, political conduct, public policy, public expenditures and service delivery. It also uses various strategies that could be depicted in research, monitoring, participatory planning, civic education, media coverage and building alliances.

It is worth noting that there is a conflation between social accountability and participation. Social accountability is not about the opportunity that citizens have in order to participate in decision making with public officials at the early stage of policy process. However, social accountability is about the opportunity that citizens have to acquire explanations regarding the public officials actions after policies implementation or outcomes have been produced (Grandvoinnet et al., 2015).

There are different approaches to social accountability practices. While the WB approach is concerned with the **tools** used in social accountability such as, participatory expenditure tracking and independent budgetary analysis, the Organization of Economic Cooperation and Development (OECD) approach to social accountability focuses on the **functions** such as, access to information, participation and consultation. Moreover, Caddy et. al. (2007) came with another complementary approach to tools and functions that focuses on the **objectives** which is depicted in ameliorating scrutiny, proximity and engagement.[[1]](#footnote-1) (Caddy, et al., 2007).

Social accountability mechanisms can also be classified by domain. In this regard, three domains can be highlighted as follows: planning and policy-making, budgeting, and public service provision. **Planning and policy-making** domain is dominating through participatory policy-making such as, the participatory formulation of poverty reduction strategies. CSOs, in different countries, play a major role in revising, criticizing and improving public awareness towards plans and policies in key issues such as, youth empowerment, gender equality, social services and employment (Public Affairs Foundation et al., 2007). Participatory planning is considered a basic tool for practicing social accountability. It refers to the process by which the passive beneficiaries of development become actors in identifying and prioritizing their needs (Vijayanand, 2005). One of the good examples on the participatory planning is the Gonesse City Development Consultation in France, which was an initiative led by the government to engage citizens in decision-making thorough providing consultation on city development on specific issues such as, infrastructure and public service (Caddy, et al., 2007).

The second domain of social accountability is **participatory budgeting**. This domain makes social accountability very related to fiscal policy-making. Public involvement in preparing and analyzing budgets and borrowing decisions is an expanding domain of social accountability. The formulation of participatory budget is most common at the local level, however, it can be found at higher levels of the government. Public Expenditure Tracking Survey (PETS) and debating debt policies are examples of social accountability practice that can be conducted at both local and national levels to monitor the flow of financial andphysical resources in addition to identify the leakages or bottlenecks (Public Affairs Foundation et al., 2007).

“Participatory budgeting is a process through which citizens participate directly in the different phases of the budget formulation, decision-making, and monitoring of budget execution. Participatory budgeting can be instrumental in increasing public expenditure transparency and in improving budget targeting” (World Bank, 2007, P.34). It is noteworthy that the introduction of participatory budgeting process was supported by different international and regional organizations, such as the WB, the Asian Development Bank, the United Nations, the Asia Foundation, and the International Budget Project. Participatory budgeting is perceived as a tool to ensure that the allocation of public resources is more “inclusive and equitable” (Ahmed, 2008).

**Public service provision** is the third domain of social accountability. It focuses on public services in terms of relevance, accessibility, and quality of public goods and services. This domain includes public participation in the monitoring and evaluation of major services. Public participation in monitoring and evaluation is usually conducted through specific indicators and standards selected by citizens themselves. (Public Affairs Foundation et al., 2007). This domain mainly tackles all fiscal policy decisions on the expenditure side. It focuses on the efficiency and effectiveness of public expenditure.

1. **Social Accountability and Fiscal Policy**

Fiscal policy is a policy concerned with government revenues and expenditures. Governments use fiscal policy as a powerful tool to intervene in the economy through taxation, public expenditure, and public borrowing. Fiscal policy has multiple objectives. Among these objectives are achieving macro-fiscal stability and fiscal sustainability; setting limits on government expenditures; diversifying and assuring the buoyancy of government revenues; controlling public deficit and debt management; maintaining fiscal discipline and intergovernmental fiscal arrangements; improving budget process in terms of comprehensiveness, coverage, multiyear budgeting, and linkage with public policy; maintaining price stability; influencing the consumption pattern; reducing unemployment levels; redistributing income; realizing economic development; removing deficit in Balance of Payment; and finally improving various aspects of public financial management like government accounting, procurement, financial control and internal audit[[2]](#footnote-2) (Briotti, 2005).

It is worth noting that decisiveness is about fulfilling or meeting the expectations of citizens and accountability is about holding the government accountable. However, reaching a balance between both accountability and decisiveness is not an easy task. Social accountability can lead to more effective fiscal policy through introducing substantial changes to both the decisiveness and accountability of governments. With regards to fulfilling the expectations or decisiveness, vertical mechanisms allow both civil society and government to work with the aim of enhancing the effectiveness and efficiency of public expenditure, improving tax administration system quality, identifying citizens’ needs in order to target social programs, taking inter-generational equity associated with domestic and foreign debt into consideration and enhancing the allocation of budget resources integrating citizens’ feedback on budget proposals. Consequently, these mechanisms lead to a better management in order to fulfill and meet citizens’ expectations. Moreover, vertical mechanisms enable civil society with a real understanding of budgetary constraints and the hard choices immanent with deciding the priorities of the allocation of the scarce resources, where best to get domestic and foreign fund, and how effectively meet the needs of public (World Bank, 2003).

In many countries, especially developing ones, problems in designing and implementing fiscal policy resulted in the failure of the government to provide its citizens with essential services. Those problems are depicted in the misallocation of resources, leakages, corruption, or weak incentives. Additionally, fiscal policy, given its sophistication, is usually formulated at central level in contradiction with the real needs and priorities of citizens due to the lack of transparency and discretionary way that governments follow during the formulation process. This could be valid especially for critical issues like borrowing money and drafting fiscal reform programs. Therefore, social accountability mechanisms contribute to enhancing the effectiveness of service delivery, improving fiscal decision-making by promoting for participatory, transparent and pro-poor approaches. This could be achieved through improving accessibility to information, enhancing public participation, and building constructive dialogue and consultation process between government officials in finance and planning ministries, citizens, and service providers.

Different developing countries succeeded in adopting participatory budgeting approach as a social accountability mechanism in fiscal policy. For instance, Brazil is one of those countries; it started its participatory budgeting approach in late 1980s at the municipal level after recognizing the importance of engaging citizen in decision-making process especially regarding resources. The Brazilian government took the initiative to involve CSOs to clarify the technical aspects of the budget, the implications of budget allocation, raise the awareness of the citizens regarding the budget and identify the priorities of resources allocation. In 2000, the number of municipalities that adopted participatory budgeting approach reached 140 and by 2004 reached 240 municipalities (World Bank, n.d.). Another example is the Gujarat State in India that adopted participatory budgeting approach through CSOs involvement in reviewing and analyzing the budget, which led to better allocation of resources for important sectors and resulted in the replication of the participatory budgeting approach in various states in India (Ahmed, 2008).

After the recorded success in various developing countries such as, Brazil and India,social accountability approaches to effective participatory planning and budgeting and public service delivery, started to be recognized by citizens and governments as an instrument for enhancing the efficiency and equity of fiscal policy. The real involvement of CSOs in budget formulation and analysis, debating inter-generational equity issues regarding domestic and external debt, expenditure monitoring and tracking, and participatory performance monitoring of public service delivery, paved the way for the agenda of social accountability pertaining fiscal policy ahead forward (Mwakagenda, 2010).

Furthermore, social accountability is one of the key approaches to empower communities and local governments with resources and authority to take control of their development. In contrast with the top-down approach to budgeting and formulating fiscal policies, social accountability takes a bottom-up approach and deals with communities as partners in development. The planning and investment decisions at grass-root levels are undertaken at the aegis of community groups and local government institutions.

In addition to investing in increasing development activities through enhancing public service delivery and more informed policy design, social accountability is also important for ameliorating both the **governance** system and **empowerment**. The foundation of any good government is depicted in the accountability of the public officials. Therefore, the different mechanisms of social accountability permit citizens to access information and raise their needs. Social accountability contributes to the engagement of citizens with bureaucrats in a more systematic and organized way. Moreover, social accountability mechanisms also contribute to empowerment especially for poor people. Empowerment could be perceived as the “expansion of freedom of choice and action”. Hence, by the provision of information on rights and collecting feedback from poor people, social accountability mechanisms offer different methods to combine the various voices of vulnerable groups, which enhance the level of empowerment and lead to effective responsiveness from the government side (Malena et al., 2004).

However, the relationship between social accountability, governance and empowerment could not be perceived as a linear relationship. On one hand the social accountability contributes positively to the governance system and empowerment. On the other hand, good governance and empowerment contribute to social accountability. Hence, the effectiveness of one component affects the effectiveness of the others.

Figure (1) suggests that the social accountability can affect the outcomes of fiscal policy through three channels. The first is social accountability mechanisms in the area of budgeting process, including preparation, approval, implementation, and evaluation, public expenditure efficiency and effectiveness. The second channel is social accountability mechanisms in the area of public financing and debt options, including public revenue mobilization, user charges and fees determination, bond issuance, and domestic and foreign borrowing. The third channel is through the social accountability mechanisms that are related to the expenditure efficiency and effectiveness. Through these channels CSOs and citizens can affect the outcomes of fiscal policy and its orientation.

**Financing and Debt Options**

**Public Expenditure Efficiency and Effectiveness**

**Budgeting Process**

**Figure 1. Social Accountability and Fiscal Policy Outcomes**

Axiomatically, all the three domains of social accountability mechanisms (planning and policy-making, participatory budgeting, and public service provision) cannot effectively work without the involvement of CSOs as they play an intrinsic role to guarantee that the citizens’ needs and priorities are taken into consideration by the government. The following section offers an overview on the status of CSOs in Egypt and the role of those CSOs in social accountability with specific attention to fiscal policy.

1. **Social Accountability in Egypt**

Before reviewing the social accountability status in Egypt, it is important to present an overview on the situation of CSOs. The history of civil society in Egypt goes back to the nineteenth century. However, by the 1970s civil society organizations gained momentum as a result of various economic, political and social changes after the 1967 war. The state encountered public protest against its socialist policies and its failure in providing the basic needs, which paved the way to CSOs to flourish. Many reasons have been identified for the revitalization of CSOs in Egypt including the expansion of the population, the growing individual resources that enabled people to create CSOs, and the relatively growing margins of freedom since the second half of the 1970s (Ibrahim, 2003). During that time, CSOs were under the direct supervision of the state, which is a phenomenon that is still dominant.[[3]](#footnote-3)

In Egypt, Law 32/1964 amended by Law 84/2002 regulates Non-Governmental Organizations (NGOs). Numerous criticism and accusations are being directed to the legal framework. NGOs laws and regulations in Egypt were never discussed with the relevant stakeholders to the extent that even concerned parties from civic associations never heard of the 2002 law until the draft was formulated and submitted to the Parliament.

The legal framework is restricting the operations of NGOs in Egypt on several issues, of which the most important is the ability to raise funds. NGOs are not allowed to raise any funds or receive foreign donations without the permission of the Ministry of Social Solidarity. The Ministry also has the right to dissolve any NGO that is viewed as performing illegal operations. Furthermore, NGOs are not allowed to engage in any political activity unless they are registered as political parties. Such restrictions on the operations of NGOs have created room for continuous debate on the status of civil life in Egypt. According to the legal framework, NGOs in Egypt must serve the public’s interest, be formally registered, have internal regulations, and have a non-sacramental mission (Law84/2002 for organizing civil associations in Egypt).

Proponents of the law believe that NGOs should not be allowed to raise any funds whether foreign or local without the permission of the government on the basis of national security. However, opponents perceive this vision as a form of authoritarian practice by the states in which all forms of political or public participation have to be under the strict control of the government. Also for the opponents, these restrictions and regulations hinder NGOs to conduct its work effectively and are considered a violation of human rights (Agati, 2007). Relaxing the above-mentioned restrictions would lead to a growing role of NGOs in Egypt through softening security measures and the dominance of the state on.

According to the law, civil associations are not allowed to: form military or semi-military formations or detachments; threaten national unity, violate public order or morality or advocate discrimination against citizens, an account of sex, origin, color, language, religion or creed. Moreover, CSOs are prohibited by law to practice any political or trade union activity exclusively restricted to political parties and trade unions; and seek profit or practice any profit-oriented activity. However, adopting commercial controls to generate such income that contributes to the realization of the association’s purposes shall not be considered a contravening activity (Law84/2002 for organizing civil associations in Egypt).

Although the above-mentioned conditions seem realistic and justified, they are not clearly defined in the legal framework and are left to be under the discretion of executive authorities, which gives the ultimate power and the upper hand to government authorities to dissolve or reject applications put forward by civic associations. Government enacts and implements various laws and regulations that define who can safely become part of civil society. Moreover, many CSOs in Egypt receive money from the government and they compete on this funding. This situation puts pressures on CSOs to conform to what is considered acceptable activism based on the international neoliberal agenda. (Atlan-Olcay and Icduygu, 2012).

After the 25th of January uprising, one of the main priorities of the human rights organizations was the amendment of the Law 84/2002 that governs their activities. Different proposals were presented during the rule of the Supreme Council of Armed Forced (SCAF) in 2012 and during President Morsi’s period in 2012. Nevertheless, when Abdel Fatah El-Sisi assumed his position as President of Egypt, a draft Law for civil associations in Egypt was presented in June 2014. This draft, if approved, would not decrease the government’s control and scrutiny over CSOs sources of funding and activities. Under counter-terrorism measurements, President El-Sisi issued a presidential decree amending Article 78 of the penal code on 23 September 2014. This amendment imposes harsher penalty on those who receive foreign funds, in case of violating the law, which could reach to life imprisonment. This amendment is perceived as an expansion of practicing the government control over the CSOs and as an instrument to undermine the role of those organizations (Meringolo, 2015).

The Constitution of 2014 mentioned non-governmental associations in Article 75, which stipulates “All citizens shall have the right to form non-governmental associations and foundations on democratic basis, which shall acquire legal personality upon notification. Such associations and foundations shall have the right to practice their activities freely, and administrative agencies may not interfere in their affairs or dissolve them, or dissolve their boards of directors or boards of trustees save by a court judgment. The establishment or continuation of non-governmental associations and foundations, whose statutes or activities are secretive or conducted in secret or which are of military or quasi-military nature is prohibited as regulated by Law” (Constitution of Arab Republic of Egypt, 2014).

This Article provides CSOs with some space to operate and guarantees less intervention of the state in its affairs. However, the extent to which this Article will be implemented is still unclear.

The distribution of NGOs activities is presented in table (1). According to the Ministry of Social Solidarity’s statistics, around 35.71% of the NGOs are working on the local communities development activities, while those working on cultural, scientific and religious services represent almost 28.30%. Additionally, the percentage of NGOs working on social care activities reached 24.61%. However, less attention is directed to social accountability with percentage of 0.25%, educational activities with percentage reached 0.47%, organization and management 0.1% and family empowerment and protection 0.48%. Activities like evaluating the business of government, tracking public expenditure, debating budget allocations, and conducting participatory budgeting and planning campaigns, which are the core for any social accountability initiative, were very rare. This indicates that the orientation of NGOs is far from social accountability and this could be attributed to the lack of capacity, the embedded culture that is depicted in the belief of NGOs mostly provide philanthropic or charity activities and the political and legal atmosphere that is far from applying accountability mechanisms.

**Table 1: The Distribution of Egypt’s NGOs by Activity as of June 2015**

|  |  |  |
| --- | --- | --- |
| **Activity** | **Number of NGOs** | **Percentage** |
| Pensioners  | 137 | 0.30% |
| Economic Activities  | 330 | 0.73% |
| Educational Activities  | 210 | 0.47% |
| Organization and Management  | 45 | 0.10% |
| Demographic  | 17 | 0.04% |
| Human Rights Awareness  | 226 | 0.50% |
| Technical Support and Capacity Building  | 50 | 0.11% |
| Social Defense  | 53 | 0.12% |
| People's Friendship  | 116 | 0.26% |
| Social Accountability  | 114 | 0.25% |
| Youth Empowerment and Rehabilitation  | 48 | 0.11% |
| Local Communities Development  | 16083 | 35.71% |
| Environment Protection  | 497 | 1.10% |
| Consumer Protection  | 117 | 0.26% |
| Cultural, Scientific and Religious Services | 12743 | 28.30% |
| Health Services  | 502 | 1.11% |
| Child and Motherhood Care | 1786 | 3.97% |
| Special Needs and Disabled Protection  | 628 | 1.39% |
| Prisoners Care | 37 | 0.08% |
| Family Empowerment and Protection  | 214 | 0.48% |
| Social Assistance  | 11081 | 24.61% |
| **Total** | **45034** |  |
|  **Source: Egypt’s Ministry of Social Solidarity Statistics, 2015** |

Table (2) shows the distribution of NGOs by governorate. The table indicates that Cairo, Giza and Alexandria have the highest numbers of NGOs. While South Sinai, North Sinai, Matrouh and Port Said have the least numbers of NGOs. This could be related to the percentage of population as Cairo for instance has almost 20% of total population in the country. Additionally, this indicates the lower attention towards establishing NGOs in frontier governorates like North Sinai and Matrouh.

**Table 2: The Distribution of NGOs in Egypt by Governorate as of June 2015**

|  |  |  |  |
| --- | --- | --- | --- |
| **Governorate** | **NGO's Percentage** | **Governorate** | **NGO's Percentage** |
| Assiut  | 3% | Menia | 3% |
| Aswan | 3% | New Valley  | 1% |
| Alexandria | 7% | Bani Souwaif | 4% |
| Ismailia | 1% | Port Said | 1% |
| Luxor | 1% | South Sinai  | 0.3% |
| Giza | 10% | Red Sea | 1% |
| Dakahilya | 5% | El-Beheira | 5% |
| Suez | 2% | Damietta | 1% |
| Sharqeia | 6% | Sohag | 3% |
| El-Gharbya | 4% | North Sinai | 1% |
| Fayoum | 3% | Qena | 3% |
| Cairo | 18% | Kafr El-Shiekh | 5% |
| Kalyobiya | 5% | Matrouh | 1% |
| Monofiya | 4% |  |  |
|  | 100% |
| **Source: Egypt’s Ministry of Social Solidarity Statistics, 2015** |

The number of registered NGOs between 2007 and 2015 is displayed in table 3. It shows that the year 2011 witnessed a remarkable change in the registered NGOs with percentage change of 158%. However, the number of registered NGOs started to slightly decline since 2012 and dramatically decreased in the first six months of 2015 to reach 277 NGOs with percentage change of -82%. The increased number of registered NGOs in 2011 could be attributed to the conditions of 25th of January uprising that provided an encouraging environment to establish various NGOs with different activities. However, the decrease in the number of registered NGOs in the following years could be experianced by the political instability and the persistent restricted legal conditions and the aforementioned amendment on Article 78 of the Penal Code in September 2014.

**Table 3: Number of Registered NGOs (2007-2015)**

|  |  |  |
| --- | --- | --- |
| **Year** | **Registered NGOs** | **Percentage Change** |
| 2007 | 1978 |  |
| 2008 | 1708 | -14% |
| 2009 | 1687 | -1% |
| 2010 | 1598 | -5% |
| 2011 | 4116 | 158% |
| 2012 | 4074 | -1% |
| 2013 | 2988 | -27% |
| 2014 | 1514 | -49% |
| 2015 | 277 | -82% |
| **Total: 19940** |
| **Source: Egypt’s Ministry of Social Solidarity Statistics, 2015** |

Generally, most of NGOs in Egypt have internal constrains. They are revolving around person – public figure - or specific purpose, which affects the achievement of their goals. Additionally, most of NGOs have vague mission or vision. Also they lack capacity that could influence the government to take specific actions (UNDP, 2008). Some of them are bureaucratic, centralized and dealing with top-down approach affecting the flexibility of the organization.

Political parties in Egypt are not in a better status regarding social accountability compared to NGOs. After almost three decades of adopting the one party system, Egypt has allowed the establishment of political parties in 1975. Till the collapse of President Mubarak’s regime in 2011, the number of political parties did not exceed 25, due to the restrictions imposed on forming political parties. In the three years that followed the 2011 uprising, the number of political parties has been jumped to be around 100. The majority of these parties are revolving around key public figures, mainly politicians or businessmen, with very low level of institutionalization (Azbawi, 2012). Social accountability interventions are on the bottom of the new parties’ agendas. They considerably focus on their own affairs and the political activities. However, parties with socialist background and those that are built to protect labor rights has involved in different social accountability interventions and campaigns for minimum wage, consumers’ rights, and anti-monopoly. Examples of these parties are: National Progressive Unionist Grouping Party, Egyptian Social Democratic Party, Egyptian Justice and Development Party, Socialist People’s Alliance Party and the Arab Democratic Nasserist Party.

Professional syndicates could be viewed as the most active CSOs as a result of the benefits they provide to their members. In Egypt, there are tens of syndicates including labor, physicians, engineers, journalists, lawyers, teachers and other syndicates as related to professions. Since the members of the professional syndicates often hold vital positions, they are better in following the policies and the issues of their professions compared to the other CSOs’ actors. As a result, syndicates are appropriate places to debate policy options and to monitor the actions of the government. Although dissolving any of the syndicates is not an easy decision to be taken, the government intervened many times in the affairs of syndicates by either freezing their activities or dissolving their boards (Ibrahim, 2003).

There is no doubt that media has an intrinsic role in promoting social accountability. While the CSOs include the independent media as a main actor, it is important to shed the light on the media environment in Egypt.

The role of media in Egypt is diverse between state media, independent media and the social media. The history of the media environment in Egypt was manifested in the control of the state media that prevailed in different sectors such as, printing, broadcasting and news agencies (UNESCO, 2013). The state media is considered as one of the tools used by the government to serve its political agenda and convey its messages to citizens (Abdulla, 2014).

Before the 25th uprising, the Ministry of Information was considered as one of the most powerful tools of the regime. The government control over state media institutions resulted in diminishing public trust towards those institutions. The emergence of the independent or private media in different forms such as, newspaper and television stations relatively represented a challenge for the state media as it breached the entrenched beliefs of state control (El-Issawi, n.d.). Despite the increasing number of private media, its freedom of expression was profoundly restricted and the state media controlled the scene (UNDP, 2008). Since the 2011 uprising, the number of television outlets has increased, especially the outlets that related to political parties. Moreover, the social media played a significant role in the uprising and its widespread led to its use in organizing the demonstrations (UNSECO, 2014). Today, private media and social media have a great influence on public and they have the ability to mobilize citizens towards specific interests.

Given the limitations facing CSOs in Egypt, several alternatives have been available for Egypt’s intellectuals to preach for social accountability. For instance, universities, think tanks, and research centers, which enjoy relative independence from the state, have been continuously pushing for more participation and accountability among citizens and the government entities. These academic communities used to organize conferences and workshops to discuss public affairs and to debate policy options.

Under pressure from the international donors and some CSOs, the Government of Egypt (GoE) has initiated a number of semi-autonomous interventions to promote social accountability. In cooperation with the UNDP, the GoE established in 2006 the Social Contract Center (SCC) with the objective of providing policy advice and policy options, monitoring the implementation of the Millennium Development Goals (MDGs) as proposed in the Egypt’s Human Development successive reports. The SCC adopts a number of mechanisms, which support the concept of social accountability by ensuring the active participation of CSOs, citizens, and the private sector (The Egyptian Cabinet, 2006).

German Technical Cooperation (GIZ) adopted fieldwork to assess and analyze citizens’ satisfaction regarding the delivery of public services in two poor urban districts, Boulaq el Dakrour and Mansheit Nasser. The GIZ’s Participatory Development Program (DPD), starting from 2007, has been involved in several participatory planning schemes in urban areas within the jurisdiction of Greater Cairo. In addition, General Organization of Physical Planning (GOPP), in cooperation with the UN-HABITAT, has a long-term project to prepare physical and economic development plans for almost 200 cities in Egypt. The planning methodology utilized in the project is based on the participation of main stakeholders in identifying the society needs and priority development projects.

The USAID’s funded Egyptian Decentralization Initiative (EDI) between years 2005 and 2013 launched participatory planning initiatives in the governorates of Beheira, Assiut and Qena. EDI’s Integrated District Development Plan (IDDP) process encouraged the elected local councils at the governorate, district and village levels to allow CSOs, private sector, and citizens to get involved in planning processes (USAID, 2008). In year 2010, Egypt’s Ministry of Finance designed an initiative to involve citizens in state budget formulation. The Ministry prepared a friendly version of the budget and it distributed thousands of copies on citizens for free. Although the impact of the initiative was limited, it represented a turning point in the budget process in the country.

CSOs activities relatively affect the government policies and decisions regarding public service provision. The fact that there is a considerable percentage of NGOs in Egypt is working on social services delivery and charity efforts made these organizations real potential partners to the government. The government used to involve the well-rooted civic organizations in the decision-making and policy formulation processes regarding social services funded by the state budget. However, the role of these organizations has not been developed enough to allow for holding the government accountable for its actions.

**IV. Fiscal Policy and Social Accountability in Egypt**

Various actors affect the formulation and implementation of fiscal policy in Egypt both formally and informally. Formal actors include the Ministry of Finance (MoF), the Central Bank of Egypt (CBE), the Central Agency for Audit, and the Parliament. On the other hand, informal actors comprise mainly the CSOs like media, political parties, NGOs like business associations, and professional syndicates.

The MoF is the main responsible for the formulation of fiscal policy on revenue and expenditure sides, Macro-Fiscal status and fiscal sustainability, public debt management, deficit finance, and public financial management affairs. With respect to expenditures, key ministries and central agencies in Egypt like the Ministry of Defense, the Ministry of Education, the Ministry of Health, the Ministry of Oil and Mining, the Ministry of Electricity and Energy, and Public Utilities authorities, play a significant role in deciding spending priorities. Local administration agencies accounted for almost 15 percent, in average, of national expenditures between the fiscal years 2009/2010 and 2014/2015.

The Central Bank of Egypt is another key actor with respect to fiscal policy formulation in Egypt. It is an independent entity that is in charge of coordinating between fiscal policy and monetary policy in Egypt. Additionally, it participates, under the supervision of the MoF, in managing and financing the state budget deficit.[[4]](#footnote-4) The Central Agency for Audit has the sole task of performing external audit function as well as reporting the results of its audit to the Parliament and the MoF. The parliament discusses and approves the state budget and monitors its execution through the planning and budgeting committees.

Fiscal policy has been an attractive subject for CSOs in Egypt, mainly political parties that designate considerable sections of their programs and press coverage to discuss issues like tax equity, expenditure efficiency, deficit control, and debt management. NGOs, mainly business associations, address fiscal policy issues from different perspectives such as, the effect on the poor, the impact on business environment, the efficiency of expenditure, and the equity of tax system. Syndicates and unions often consider the fiscal policy as it affects their interests and utilities. Academia and research centers pay a significant attention to fiscal policy debate. They form specialized forums before and during the state budget discussion in the Parliament to critically analyze the budget and to propose amendments and changes in the proposed allocations.

Before 2011 and 2013 uprisings, the formal (horizontal) accountability system regarding fiscal policy in Egypt suffered from many weaknesses. Basically, the Egyptian system was characterized by the dominance of executive authority over the legislative one and the lack of technical capacity of the Parliament’s members, specialized committees, mainly budgeting and planning, and technical secretariat. Moreover, the nature of the budget system itself limited the scope of accountability due to the absence of clear links between the budget, on one hand, and the government’s policies and objectives, on the other hand, lack of Medium Term Expenditure Framework (MTEF), and adopting the line-item budget framework rather than program and performance based ones. Unfortunately, most of the aforementioned weaknesses that characterized the formal accountability system in Egypt regarding fiscal policy prior the uprisings remained in place without any improvement. Only slight improvement was witnessed in this issue related to the dominance of executive authority over the legislative one. As more power was granted, by the Constitution of 2014, to the legislative power especially concerning the accountability of the government.

Akin to the horizontal accountability, social or vertical accountability regarding fiscal policy was very weak prior the uprisings. The political environment was mainly monopolized by only one party (National Democratic Party), which did not encounter any effective opposition. Political culture was very negative and weak with majority of population do not participate in the political process or elections. Even the role of the universities and research centers was very limited. And as mentioned earlier, the budget based social accountability was very rare. CSOs in Egypt mainly preferred to practice limited participation in fiscal policy making rather than real accountability. Moreover, CSOs suffered from the restricting legal framework; weak capacities, specially regarding fiscal policy domain; and limited scope of activities which were mainly vested in social services with focus on women, children and youth. Syndicates were also politicized and controlled by specific interests. Only the media was having a growing scope among all those actors in debating and questioning government fiscal actions.

Unlike the horizontal accountability, the vertical or social accountability witnessed some improvements post the uprisings, especially 2011 one, on various aspects. The monopolization of political environment with single party has been eliminated with many parties started to influence the political process. Even the political culture turned into positive with rising participation rate of population in elections and referendums reflecting increasing awareness. The syndicates remain politicized and the scope of the media is considerably growing. Youth-led CSOs took advantage of the lax legal environment after the 2011 uprising to work on some critical democracy based issues that were considered red lines before (Yerkes, 2012). A survey conducted to collect the opinion of 369 CSOs in Egypt regarding the civil society perceptions of post 2011 uprising Egypt. The survey indicates major improvements on all types of restrictions that can affect civil society, mainly censorship, unlawful arrest and imprisonment, defamation and harassment, and obstacles in daily operations (Foundation for the Future, 2011). However, the role of CSOs in the budget based social accountability is still very limited. Currently, CSOs practice some participation and little accountability.

The actions taken by the government of Egypt after ousting President Morsi, as a result of June 2013 uprising, decreased the scope of political participation and accountability. The government tightened security measures, postponed the parliamentarian and local elections, and shut down a number of media institutions as part of its policy to fight against terrorism. This puts more restrictions on CSOs in Egypt and limits the political openness. Also, the government imposed tight criteria on CSOs to receive fund from international donors. These criteria dramatically decreased the scope and scale of CSOs activities in Egypt.

The political developments that have been occurred since 2011 and 2013 uprisings in Egypt have had nothing to do with the centralized nature of policy making in this country. The policy making in Egypt used to be mainly the function of the executive authority with limited margin of participation (Zahran, 2010). Enhancing social accountability, especially in the domain of fiscal policy requires structural changes not only on the side of CSOs but also on the side of policy-making style in Egypt.

**V. The Case of International Monetary Fund Loan to Egypt**

Economic and fiscal deterioration were among the reasons that led to January 2011 uprising in Egypt was associated with economic and fiscal deterioration. As a result, the GoE started a serious negotiation with the International Monetary Fund (MF) to obtain a loan to control the exchange rate and to reduce the deficit in the balance of payments.

Basically, the government was very close to reach an initial agreement with the IMF in 2011 to provide Egypt with USD 4.8 billion as standby agreement. However, negotiations concerning the loan were postponed several times due to the rising domestic political and social instability especially in year 2012. Consequently, the IMF offered Egypt an emergency loan of around USD750 million. The Egyptian government rejected such offer due to the political pressure exercised by CSOs. After June 2013 uprising the GoE decided to suspend the negotiation with the IMF due to the economic assistance received from the Arab Gulf countries. However, GoE would re-launch the negotiations on the loan due to the expected decrease in the Arab Gulf countries assistance and the growing rate of budget deficit.

Historically, finalizing a loan between the government in Egypt and any international institution such as, the IMF, the WB, the African Development Bank, or the Arab Development Fund was a very routine process. It was uncommon to find CSOs in Egypt organize strikes or protests to criticize borrowing or to discuss its social and economic burden. Except for some articles in left wing newspapers, it was very rare to find considerable coverage to fiscal policy, in general, and the borrowing and debt management decisions in particular. Research centers and think tanks were the only CSOs that used to organize events to discuss such issues.

The negotiation between the GoE and the IMF was very different after the 2011 uprising. The negotiation received a considerable attention in the governmental and independent newspapers and media channels especially in year 2012. It is very fair to conclude that the society was divided between proponents and opponents of the loan. Proponents of the IMF loan, mainly governmental officials, experts, and economic scholars, relied on the fact that receiving the loan at that time would trigger wave of positive sentiment and boost domestic outlook by domestic and international financial and investment institutions. This was expected to encourage foreign capital to fly back to Egypt and hence cure part of the balance of payments deficits that Egypt was facing the country. In addition, the fund received would assist in financing the budget deficit, which would reduce issuance of government debt and consequently interest rates might go down. Such slump in interest rates normally reduces the cost of government debt and narrows the budget deficit. Moreover, net international reserves were expected to surge due to the inflow of funds and hence exchange rate would stabilize and the Egyptian currency might appreciate.

On the contrary, opponents of the loan, mainly CSOs in Egypt, were divided into two groups. The first group rejected the loan for its negative economic implications in terms of increasing Egypt’s external debt and the economic deprivation caused by the austerity measures associated with the loan. Furthermore, this group claimed that there are other financing alternatives with fewer side effects that could be utilized to cure the economic problem rather than the loan. The other group rejected the loan for the procedures applied at the time of negotiations. Lack of transparency was very obvious at that time as almost all political parties and CSOs were excluded from the negotiations. Additionally, there was no public disclosure concerning the terms and conditions of the loan, the proposed economic reform program, or even the mean of utilizing the funds. Besides, interest payments related to the loan was rejected due to religious considerations.

During years 2012 and 2013 many CSOs rejected the loan. Political parties, public figures, NGOs, syndicates and revolutionary political movements expressed their objections through several protests. For example,[[5]](#footnote-5) on August 28th, 2013, dozens of members of the Revolutionary United Front, Strong Egypt Party, and the Front of Socialist Revolutionaries in Damietta, gathered in front of a services complex in the governorate of Damietta to announce their rejection to the IMF loan requested by the GoE. The demonstrators expected that the IMF loan would have political and economic negative impact on the Egyptian people. In addition, the Alliance of Egyptian Revolutionaries announced their rejection of the IMF loan, warning the GoE from continuing the negotiation. According to the Alliance, the loan would bring more poverty for coming generations and would have undesirable side effects on the poor more than the rich.

On September 25th, 2012, the Tagammu Leftist Party, Socialist Popular Alliance, and Egyptian Communist Party have set forward alternatives to the IMF loan to be considered by the GoE. The three entities issued a joint statement laying out measures they believe could replace the loan. Among these measures were: strict and progressive taxation, exceptional one-time taxes on the rich, new tax on profits achieved from stock trading and real-estate, and annulling unjustifiable taxation breaks.

On November 11th, 2012, and in light of the negotiations between the GoE and the IMF, a group of four parties, twelve NGOs, two syndicates, and two movements drafted and sent a memorandum to the Egyptian Prime Minister and the IMF Managing Director. The memorandum stated that the negotiations of the terms and conditions of the loan agreement, including the government’s economic reform program, have lacked transparency on the part of both the IMF and the GoE. Moreover, the memorandum criticized the fact that these negotiations have continued in the absence of an elected parliament, which was dissolved on 14 June 2012, and with the President of Egypt holding full legislative authority, which contravene the democratic principle of separation of powers.[[6]](#footnote-6)

On November 12th, 2012, seven parties and political forces protest march that started from the front of the Egyptian Stock Exchange Market in the central of the country, and ended peacefully in front of the headquarters of the Cabinet of Ministers, for the second time, to declare their rejection of the IMF loan, with the participation of lawyer Khaled Ali, former presidential candidate. The march included, dozens of members of Popular Liberation, Dignity, Strong Egypt, the People's Alliance parties, the movements of Revolutionary Socialists, and the Youth for Justice and Freedom. The same protest march has been replicated on January and April 2013.

On April 23rd, 2013, El-Masry El-Youm, popular independent newspaper, explored the views of 14 officials and experts on the IMF loan. The views of these officials became a subject for a number of talk shows over at least one week. On May 4th, 2013, Egypt’s Independence Movement organized an economic conference to discuss alternatives to the IMF Loan. In addition, several seminars and workshops were arranged in Cairo University, Alexandria University, and the American University in Cairo to raise public awareness concerning the loan and its pros and cons.

Accordingly, the GoE stopped the negotiations with the IMF regarding the loan. Unquestionably, the CSOs played an important and unprecedented role in resisting such loan. However, the role of CSOs does not rule out the fact that the financial assistance of the Arab Gulf countries after the two uprisings supported the decision of the government.

The above-mentioned actions of CSOs raise a real case of social accountability in Egypt regarding fiscal policy issue. These actions have been highly considered by the senior officials in the GoE and in the IMF. The movements of CSOs in Egypt put pressure on the government to act openly and in more transparent way regarding the loan’s conditions and its impact on the economic and social life of people. Moreover, the GoE has been obligated to explain to CSOs and citizens the reasons behind seeking this loan from the IMF and to discuss and rule out the other alternatives that have been proposed by the CSOs. The tough and serious debate on the issue opened the file of borrowing and managing debt in Egypt for more deliberations and analysis. At the same time, the IMF became very cautious in handling this loan agreement to the extent that it asked the GoE to reach a political compromise with the CSOs on the loan conditions as a prerequisite to finalize this deal.

**Conclusion:**

The case study of the IMF loan suggests that the future of social accountability in Egypt after the 2011 and 2013 uprisings is promising. Given all the legal, political, administrative, and financial obstacles that face the development of civil society in Egypt, CSOs have gained the confidence to hold the government accountable and to broaden the voice scope. The CSOs actions regarding the IMF loan would be a good example for lobbying and affecting policy making. This case motivated the government to launch effective communication channels with the civil society at least to avoid resistance and to contain opposition. For example, the Egyptian Ministry of Planning and the Ministry of Finance are currently involving CSOs in formulating long-term national plans and budgets more than the situation before the uprisings.

Nevertheless, the success of social accountability mechanisms in stopping the proposed International Monetary Fund (IMF) loan to Egypt in years 2011 and 2012 does not reflect a real change in the role of CSOs in shaping policies in the country. Many structural reforms are needed to maintain the sustainability of effective social accountability in the coming period. Means for strengthening social accountability include supporting grassroots and small NGOs technically and administratively; opening up with international agencies through knowledge and experience sharing schemes; raising public awareness regarding the social accountability benefits and impacts; and setting clear legal and institutional frameworks for social accountability activities. Most importantly, transparency and data disclosure must be enhanced through improving accessibility and availability of information, promoting dialogue and consultation between different societal actors and key policy makers and creating incentives for all stakeholders to invest more in social accountability mechanisms.

Finally, government should build up and enhance the existing initiatives of social accountability on all aspects and levels with creating empowering legal base for NGOs and syndicates to provide more services and to get more involved in fiscal policy making, in budget formulation and analysis, in expenditure tracking, and in monitoring the performance of public service delivery. Vertical accountability could lead to strengthening the horizontal one. Citizens involvement in decision-making process could affect the government decisions pertaining enhancing its formal (horizontal) accountability systems. People need clear mechanisms in which they could participate to identify their development needs and priorities as well as hold the government accountable. This will not be achieved without strong social accountability mechanisms.

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1. The Definitions of the objectives as set by the OECD and the WB are: ***Scrutiny***: initiatives that enhance assessment, analysis and scrutiny of government actions, focusing on the power of information to extract accountability. ***Proximity***: these initiatives are usually led by governments and aim to reduce the “distance” between citizens and governments. They often seek to identify citizens’ needs or preferences but are not designed to seek direct public participation in government actions (public consultations, community cabinets). ***Engagement***: these initiatives are essentially government-led and effectively incorporate citizens in the decision-making process itself (*e.g.* participatory budgeting). For more details, see: Caddy, Joanne, Tiago Peixoto, and Mary Mcneil. (2007). "Beyond Public Scrutiny: Stocktaking of Social Accountability in OECD Countries". World Bank Institute Working Paper, Stock no. 37265. [↑](#footnote-ref-1)
2. For more discussion on the effect of fiscal policy on economic activity please refer to Briotti, Maria Gabriella (2005). Economic Reactions to Public Finance consolidation: A Survey of the Literature. European Central Bank [↑](#footnote-ref-2)
3. For more information about the development of civil society in Egypt please refer to Hassan, Hamdy. (2011). Civil Society in Egypt under the Mubarak Regime. Afro Asian Journal of Social Science. Vol.2. No.2. P.P. 5-7. [↑](#footnote-ref-3)
4. In fiscal year 2014/2015 the state budget deficit in Egypt approached USD 58 billion (around 13 percent of GDP) (Ministry of Finance Statistics, 2015). [↑](#footnote-ref-4)
5. This paper relies on the press coverage provided by Al-Ahram, the major governmental newspaper, El-Masry El-Youm, a popular independent newspaper, Egypt’s Independent, Egypt’s branch of the Independent, and El-Youm El-Sabia, the most popular electronic news website in Egypt, over the time period between January 2012 and June 2013, to collect information about CSOs reactions to the GoE-IMF loan negotiations. [↑](#footnote-ref-5)
6. Memorandum Signatories: (1) Political Parties: the Popular Current Party, the Egyptian Current Party, and the Strong Egypt Party, and the Popular Alliance Party; (2) Civil Society Organizations: Egyptian Center for Economic and Social Rights (ECESR), Egyptian Initiative for Personal Rights (EIPR), Hisham Mubarak Law Center, Association for Freedom of Thought and Expression (AFTE), Egyptian Foundation for the Advancement of Childhood Conditions, Habi Center for Environmental Rights, Cairo Institute for Human Rights Studies, Egyptian Women Legal Aid, the Egyptian Association for Community Participation Enhancement, New Woman Foundation, Act Egypt, and Arabic Network For Human Rights Information; (3) Syndicates: Egyptian Federation for Independent Trade Unions, and Federation of Teachers; and (4) Movements: Popular Campaign to Drop Egypt’s Debt, and April 6th Movement. [↑](#footnote-ref-6)