An Analytical Study of the Egyptian System of Aid Coordination and Management

Khaled Abou El Nour
Department of Economics and Finance, College of Business and Economics, Qassim University, Saudi Arabia

ABSTRACT
The aim of this study is to analyze the nature of financial aid flows. And it provides an empirical analysis of the documentation of the aid program as a framework for understanding Egypt's national sub system of aid coordination and management. The research problem addresses two sets of questions: How does the Egyptian System for the coordination and management of aid look like? and how can this system be made more efficient and effective? The research objectives are to analyze aid Commitments and Disbursements, study the distribution of aid by type of agreement. We also examine the extent of growth rates in the financial patterns of aid (Grants, Loans and Debt swap) and study the distribution of aid by geographic location and millennium development goals. The study also uses qualitative and quantitative approaches such as Mann whitney test, Phi and Carmers, Levene, Games howell. In addition, this study uses simple regression analysis in linear and semi-log form. The main findings are that there are significant growth rates in the variables under study. Loans should be kept to its minimum values to limit indebtedness levels and not burden the country with heavy external debts. Better management and coordination of external assistance will increase the positive impact and efficiency of aid system. Raising technical and financial support will improve the performance of projects financed by donors. Also, maximizing the utilization of external financial resources will make positive impacts on the national development capacity of Egypt.

Key words: International aid, development management, Egypt

INTRODUCTION
The Foreign aid can play an important and vital role in realizing the development goals and poverty reduction especially in the developing countries. The coordination of aid focuses on the procedures that lead to transfer the official development assistance to private institution or government recipient. The management of aid is the implementation process of the established project supported by direct or indirect development assistance. The efficiency of national aid system is based on some issues, which make the system clear, open and transparent, which increases aid effectiveness. In addition, the efficiency of aid system depends on the quality of aid portfolio including the pattern of external assistance and allocation of aid. Egypt conducted an economic reform program (Egypt Economic Reform policy and Structural Adjustment Program) (ERSAP) that led to major cancellation of debt through the Paris club. Egypt still needs to develop its capacities, human resources and solve the difficulties in the resource management and investments. These difficulties have a negative effect on the country's potential for undertaking an accelerated process of development. Egypt suffers from high level of poverty. Indeed, extreme poverty in Egypt...
reached about 3.4% and the number of people under poverty line was estimated to be around 20 million and 50% of whom live in rural areas. Hence, the socio economic plan (2007-2012) has adopted the goal of reducing poverty rate to 15% by the end of 2012. Egypt needs to ensure efficient allocation of both internal and external resources to increase the level of development. The ministry of international cooperation in Egypt is mandate to achieve the optimum utilization of external assistance to improve the effectiveness of Egypt’s development programs. Therefore, what is the best way to assist the Egyptian aid system in order to become more efficient? This research introduces an empirical analysis to understand the institutional structure and the power relations of national aid system in Egypt. The economic literature on external assistance has been concerned with promoting growth and aid efficiency. Few studies have focused on evaluating the effect of aid on economic growth in some developing countries (Roodman, 2006). Some of the studies in international aid focus on donor policies to understand the role of capital flow of aid for recipient countries. Other studies indicate that aid is unable to improve the quality of life in the developing countries and cannot make real changes to the world poor (Collier, 2007). Some of previous studies in Africa focused on the methodological framework of aid that contributed to established criteria and a benchmark on aid effectiveness and efficiency. On the other hand, some studies focused on understanding aid recipient characteristics and gave special attention to the effects of political transition factors on aid flows to the recipient countries. In the framework of the relationship between international aid policies and the development issues, Egypt took interest in aid actors involved in the context of international development partners (Zetter and Hamza, 1998). The United States has been providing financial assistance to Egypt for supporting economic development and political reforms. But the majority of Egyptian people do not believe that the United States is serious about improving economic conditions in Egypt (Alterman, 2006). On the other hand, debate on external assistance has revolved around the relative efficiency in terms of loans and grants and mentioned the debt in developing countries has accumulated by loan disbursements. Therefore, external assistance should be on the track goals and come in the form of grants (Rogoff, 2003). Some donor indicates to the importance of established specific measures regarding to the transformation of aid recipient countries from soft loans to grants (Kapur, 2002). The part of grants can help low-income countries to reduce their income taxes, which assist the balance of payment and increase the individual income in those developing countries. The flow of official development assistance depends on the strategic and political considerations of the donors and recipient countries. Otherwise, external assistance not based on the internal policy performance and economic necessity in the reality of recipient countries, but also affected by their external policy situation toward the donors in general (Alesina and Dollar, 2000). The determination of aid flows given attention in recipient countries in the framework of strategic interest in both of different bilateral and multilateral agreements (Schraeder et al., 1998). The interaction, among choice of macroeconomic policies and growth, declares that aid is beneficial to countries that adopt appropriate policies. Otherwise, in most recipient cases the impact assessment of aid flows indicates that foreign aid has absolutely no effects on investment and growth in the developing countries (Boone, 1994).

RESEARCH PROBLEM

The research problem can be summarized in two questions: How does Egyptian system for the coordination and management of aid look like? And how can this system are made more efficient and effective?
RESEARCH OBJECTIVES
The aim of this research is to addressing national policy to support the process of managing and coordinating official development aid. The main objective of this research is to analyze the nature of financial flows as an entry point to understand Egypt's national sub-system.

RESEARCH METHODOLOGY AND SOURCE OF DATA
This research reviews the literature on international aid and highlights the lessons learnt about the impact of aid and its effectiveness regarding the national capacity development of Egypt. The research methodology analyzes the institutional architecture for aid coordination and management in Egypt. The study focused on aid flows that give rise to institutional provisions, functions and coordination between aid actors. They clarify the system and responsibilities of aid coordination and management. The aid disbursements from (2001-2012) are analyzed in order to identify the main factors measures which affect the efficiency of aid system in Egypt. The study used qualitative and quantitative analysis with relative measures like percentages, cumulative ratios and Index number. In addition the study conducted analysis of variance U test or Mann whitney test and also used Phi and Carmer's crosstabs, Levene statistic, Games howell and Dunnett. Moreover, the study analyzed the Significance of the growth rate of the aid components by using non-causal model. This model is used in Linear and Semi-log forms: The Linear is: $Y_t = \beta X_t$ and Semi-log: $\ln Y_t = \beta X_t$.
Where: $Y_t$ is dependent variables and $X_t$ is time. This analysis was conducted without a constant to neutralize the effects on the significance of variables.
Moreover, the study provides an aggregate analysis of aid commitments and disbursements. Thus it analyzes the financial patterns of aid (grants, loans and debt swap) and conditional aid, the type and terms of assistance, aid by kind of agreement (i.e., bilateral and in multilateral). It also looked into the aid disbursements in terms of their conditions (i.e., tied, untied and partially tied). Analyze evolution and financial allocation of aid distribution by sectors and main sub sectors. It also studies the distribution of aid by geographic location and millennium development goals. The Central Bank of Egypt and ministry of international cooperation were the main sources of data, having started registration of the data of external assistance since 2001.

LESSONS LEARNT FROM SUCCESSFUL STORIES OF AID EFFECTIVENESS IN EGYPT
Impact of aid at the micro level (socio economic impacts of IEDS projects): This program started since the year 2000 for eight years, under the Italian and Egyptian cooperation development swap, with a total value of about L E 850 million. This program introduced an overview and snapshots of its impact projects, such as West Noubaria Rural Development Project, employment generation and poverty alleviation. The program activities have contributed to improved livelihoods for the population in the settlement areas and mad changes on driven demand and socio-economic level. The farmers benefited from improved living standards and increased micro enterprises for women's. The program led to other projects such as establishment of databases in rural areas, The sustainable Rural Development of Wadi El Rayan, New Land Settlements and Marketing Link Program.

Impact of aid at the macro level (aid effectiveness on the national capacity development in Egypt)
Economic policy initiative consortia (EPIC): This project began in 1996 for a four years period and was financed by the USAID as technical assistance to increase the national capacity
development of Egypt. This project provided advice on economic policy reform to Egyptian policy makers and introduced technical support to improve the Egyptian performance in national development.

**Education sector assistance strategy:** The government of Egypt has worked with the European Commission and the World Bank since 1996 on the framework of education reform. The ministry of education worked to improve efficiency and quality of education. Educational strategy support interventions to improve the educational system and emphasizes the importance of the national dialogue with community participation. This project focused on the needs for structural changes and admits that the educational system in Egypt faces enormous challenges in the development agenda.

**UNDP program at the Institute of National Planning (INP):** This program received financial and technical support from United Nations Development Program (UNDP), United Nations Population Fund (UNFPA), World Food Program (WFP) and the Social Fund for Development (SFD) in Egypt. The program aimed at providing an annual report on human development in Egypt and was managed by UNDP in support of the Egyptian efforts within the framework of the development of process.

**Banking institute:** This institute was financed by different donors such as (European Commission (EC), United States Agency for International Development (USAID), United Kingdom (UK) and the Canadian International Development Agency (CIDA). The institute's objective was to enhance the capacity for development, expertise of Egyptian bankers and strengthen the banking leadership. Its impact was shown in upgrading improved banker's performance and upgraded institutional capacities in the banking sector of Egypt. In addition, this institute has expanded its activities to include central and Eastern Europe and the Arab region and Africa.

**External debt management unit at the central bank:** The focus of this unit is Egypt’s external debt statistics. The unit was transformed into a separate department at the Central Bank of Egypt, to assists the World Bank efforts in the financial reform policy program in Egypt. This unit has a positive impact on the technical cooperation in institutional banking capacity development. Moreover, these units carries its activities at the level of organizations, payment systems, bank supervision, automation, reserve management and monetary policy and provide its expertise to other countries in Africa.

**AN OVER VIEW OF AID IN EGYPT**

Egypt received a significant amount of external assistance compared to other developing countries. The official development assistance to Egypt has begun to decline from main donors. The major donors to Egypt are the United States Agency for International Development (USAID), European Commission (EC), European member states (EU), Japan and the World Bank. The United States is the dominant donor for Egypt accounting for 50% of the total development assistance in 1990s. The United Nation agencies contributed 1.3% of all aid, while the USA and EU jointly contributed about 89% of the total aid to Egypt during this period. The international donors assisted Egypt in implementing the Economic Reform and Structural Adjustment Program (ERSAP) to promote the private sector and increase economic growth. The political stability of country during
the Gulf war induced some donors to increase their aid to Egypt. The first few years of the 21st century witnessed a decrease of Official Development Assistance (ODA) to Egypt. This decline was due to the United States decision to decrease its foreign assistance to Egypt by 5% annually from 1999-2009 and also the change in the classifications of Egypt from low income countries to lower middle income countries.

INSTITUTIONAL INSTRUMENTS FOR AID COORDINATION AND MANAGEMENT IN EGYPT

The ministry of international cooperation stipulates the preparation of grants and loans drafts for both bilateral and multilateral agreements regarding economic cooperation and technical assistance. Its tasks also included the finalizing ratification procedures, preparation of loan rescheduling and debt swap agreements and follow up the progress of programs and feasibility studies to ensure cost effectiveness. The national aid system in Egypt works under the Ministry of International Cooperation (MIC).

The national aid sub-system in Egypt is based on receiving official development assistance and Technical Cooperation (TC). The ministry of international cooperation consists of five sectors for cooperation which are: (1) sector for cooperation with the two Americas and Canada, (2) sector for Asian countries-Australia and New Zealand, (3) sector for Arab and Africa countries, (4) sector for European Countries, (5) sector for cooperation with international organizations and Arab financial institutions. Each sector of them is divided into two central department’s areas, the first is for cooperation and the second is a general department for cash transfers and special accounts. In addition, each central department includes specialized general departments for achieving their tasks towards the specific area of cooperation.

The cooperation between Egypt and the development partners has given rise to administrative units for aid management to assist the Egyptian government to create a more efficient environment for aid. These units include the Operational Unit for Development Assistance (ODUA) established in 1992 and the Development Support Program Unit (DSP) established in 1994 to follow up the implementation of the Policy Reform Program. The unit for Development Cooperation Database for Egypt (DECODE) was established in 2001 to carry out the classification of data on development assistance.

Moreover, the ministry of international cooperation restructured the Center for Project Evaluation and Macroeconomic Analysis (PEMA), to evaluate projects funded by Egypt’s development partners. Egypt took care of its part of aid coordination through joint committees with donors to boost bilateral cooperation and strengthen relationships for economic and technical cooperation. In addition, other parties play an important role in aid coordination in Egypt like, the Consultative Group (CG) meeting chaired by the World Bank and the Donors Assistance Group (DAG) which consists of 40 members excluding Arab countries. Effect of DAG is a major improvement to encourage donor and government efforts of the CG that deal with capital and technical cooperation issues. Indeed, these institutional parties should maximize the benefits and utilities from aid and ensure efficiency for a sustainable development process in Egypt.

DISTRIBUTION OF ODA BY DONOR AND TYPE OF AGREEMENTS (BILATERAL, MULTILATERAL – UNITED NATIONS SYSTEM AND NON-UNITED NATIONS SYSTEM)

The types of agreement express the share of each kind of donor in both bilateral and multilateral agreements including United Nations system and non-United Nations system. Egypt
received about US$ 24.322 billion from all the donors in the form of bilateral agreement (51.84%) and multilateral agreement (48.16%). NGOs represented by Ford Foundation that reached about (0.0002%) and others (0.0032%). The total value of aid disbursements during the period of study (2001-2012) from bilateral agreements come into US$ 12.764 billion from 27 donors. The top eleven donors represented 96.45% of the bilateral disbursements. The cumulative ratio indicates that USAID maintained its top rank as the first donor (66.77%), Germany is the second (10.58%), Italy (4.29%), Abu Dhabi Fund (3.96%) and Kuwait Fund (2.512%). The other donors participated by ratio between (1.052% to up to 1.890%) such as Danish international Development Agency (DANIDA), Spain, Japan, Canadian International Development Agency (CIDA), Netherlands and Switzerland. In addition, the main donors during the period of study in the multilateral agreements are the European Investment bank (EIB) that presented the first Donor and participated by (36.25%). The African Development Bank-ADB arrived in the second largest donor (17.49%). The European Commission contributed about (12%), the World Bank (11.88%), Arab Fund (10.82%), Arab Monetary Fund (6.29%) and UNDP (1.29%). The cumulative ratio indicates that all these institutions accounted about 96.11% of the total multilateral disbursements during the period of study. The total value disbursed through Multilateral non UN-System during the period of study reached about (84.29%) from all Multilateral Agreements. The main donors in form of non UN System are EIB (43%), ADB (20.74%), EC (14.35%), Arab Fund (12.84%), Islamic Development Bank (7.47%), OPEC Fund (1.03%) and other donors participated about less than 1% as the CDC, Montreal protocol and IBRD. The total external assistance disbursed by UN System reached about (15.73%) from all Multilateral agreements and the main donors in this form is the World Bank (75.58%), United Nations Development Program UNDP (8.21%), the united nations children’s emergency fund UNICEF (4.89%), the world food program WFP (3.93%), international fund for agricultural development IFAD (2.72%) and UNFPA (1.19%). Each of other donors in this form reached about less than 1% presented by united nations industrial development organization UNIDO, Food and Agriculture Organization FAO, Arab Gulf Fund for Development AGFUND, International Labor Organization ILO and United Nations Educational, Scientific and Cultural Organization UNESCO. Finally, bilateral donors were responsible for the largest proportion of external assistance disbursements, followed by Multilateral non-UN System and ended by Multilateral UN System. In general, the concept of these results in this part is convenient with the scope of the complexity of determination of aid flows (Schraeder et al., 1998).

COMMITMENTS AND DISBURSEMENTS OF THE OFFICIAL DEVELOPMENT ASSISTANCE

A commitment is obligation considered in an agreement supported by donors and come in form of loans or grants for specified purposes in recipient country. The total amount of commitments during the period of study 2001-2012 reached about US$ 22.761 billion, with average US$ 1.897 billion annually. Commitment has increased from US$1.550 billion (6.81%) in 2001-US$ 2.716 billion (11.93%) in 2007 with index number 175.3%. The maximum value of commitments reached about US$ 4.786 billion (21.03%) in 2009, with index number 308.8%. the lower amount of commitments reached about US$ 552.8 million (2.60 %) in 2005. The disbursements represented the actual international transfer of the ODA to Egypt, amounted US$ 24.622 billion during the period 2001-2012, which makes an average of US$ 2.052 billion annually. The rising amounts of disbursements during the period of study, accounting US$ 5.613 billion (22.80%) in 2003 and with an index number 347%. Compared to the 2008 figure, which amounted to US$ 2.425 billion
(9.85%) with an index number of 150%. The disbursements during other years ranged from US$ 1.501 billion (6.10%) in 2006 to 2.333 billion (9.48%) in 2007. The results of statistical analysis using Non Parametric tests for two independent samples namely u-test or Mann-Whitney Test in both of the commitments and disbursements indicates that (p-value = 0.565), which means there is no Significant relationship between the commitments and disbursements during the period of study. Table 1 shows the results of linear and semi-log regression analysis for commitments and disbursements. They show a significant growth rate in both of commitments (B = 0.252, R-square = 0.725, t = 5.383, Sig. = 0.000**) and disbursement (B = 0.259, R-square = 0.658, t = 4.598, Sig. = 0.001**) during the period of study. The differences between commitments and disbursements in the same year or from year to year, are due to several reasons related to donors and recipients of aid. These differences are due to delays of commitment in some years, which leads to the accumulation of financial transfers to other years.

Some of the reasons are also traceable to donors’ policies and Egyptian procedures and policies. Such difficulties have to be minimized in order to reduce the gaps between commitments and disbursements and increase the efficiency of aid system in Egypt in the future. These results agree with the findings of Azam et al. (1999), particularly their suggestion that donors and governments adopt effective policies and maintain efficient institutions.

FINANCIAL PATTERNS OF ODA DISBURSEMENTS IN EGYPT (GRANTS, LOANS AND DEBT SWAP)

The financial Patterns of the external assistance may be classified into three Categories, Grants, Loans and Debt Swap. Grant involve the provision of funds by a donor that does not require reimbursement from the aid recipient. The total amount of grants is as high as US$ 11560.63 million and accounts for about 46.85% of total ODA with an average of US$ 963.39 million annually during the period of study (2001-2012). Grants represent the main part of assistance and reached about US$ 1073 Million in 2001 and US$ 1445.89 million in 2007 with an index number of 135.70%, which rose to 155.73% in 2012. USAID represented the first grant donors by 61.33% during the period of study, although it started to decline its grants for Egypt. European Commission maintained its second rank at US$ 103.90 million annually in average, with index number 166% in the form of grant during the period of study. The African development bank come in the third place among grant donors having contributed about (7.35%). Next come Germany with grants contribution of (4.92%), Abu Dhabi Fund (3.28%) and host of other grant donors who contributed less than 2% each. Loans on the other hand are provisions of foreign funds for development of process, which should be repaid according to the conditions set at the time of loan agreement. During the period of the study total loans amounted to US$ 12879.21 million or about (52.20%) of the total amount of external assistance, with an annual average of US$ 1073.27 million. The volume of loans rose substantially from US$ 538.14 million (4.18%) in 2001, to US$ 4183 million
(32.48%) in 2009 with an index number of 777%, before it receded US$ 432.75 million and then to US$ 844.03 million in the years 2010, 2011, respectively. The analysis of the top loan donors indicates, the European Investment Bank contributed about US$ 311 million (41.35%), for an amortization period of 12 years and 4 years grace period. The World Bank contributed about US$ 100.39 million (13.94%), with a fixed interest rate ranging between (0.55%-11%) and a variable interest rate of 0.75, with an amortization period of 22 years and grace period 6 years. The conditions of the concessional loans provided by Germany and IFAD offered the lowest level of average fixed interest rates to Egypt during the period of study. While Italy and Spain charged the lowest average variable interest rates, the longest amortization period was provided by Italy and Germany. The percentage of loans against grants should be tracked and measured as it is indicative of risk during the period of study. Therefore, loans should keep to its safest levels to limit risks and indebtedness levels.

Table 2 shows the results of regression analysis in linear and semi-log functions. These results indicate that there are significant growth rates in each of grants, loans and debt swaps. Grant in linear (B = 116.597, R-square = 0.680, t = 4.830, Sig.=0.001**). Loan in semi-log (B = 0.998, R-square = 0.818, t = 6.387, Sig.= 0.000**). Debt Swap in semi log (B = 0.437, R-square = 0.770, t = 5.488, Sig. = 0.000**). And for total in semi log (B = 0.906, R-square = 0.782, t = 6.284, Sig.= 0.000**). The linear form is the best estimator for grants, but semi-log is the best form for loan, debt swap and the total of the types of assistance. Debt swap disbursement involves the sale of debt by the creditor government and should used in projects and programs in the recipient country. The total debt swap reached about US$ 234.3 million, or (0.95%) of the total ODA disbursements during the period of study, with an annual average of US$ 19.53 million. It rose from US$ 7.60 million in 2001 to US$ 36.57 million in 2007 and then tapered off US$ 22.73 million in 2009 and to US$ 11.29 million in 2010. The main donor for debt swap to Egypt is Italy which contributed about 81%, followed by Switzerland with 17% and international fund for agricultural development (IFAD) of 1.57%. Debt Swap disbursements remained an important component of total assistance although its value is relatively low compared to the values of loans and grants. While Italy and Switzerland presented the main donors in this form. The concepts of these results agree with the findings of Kapur (2002), especially that encourage the conversion of concessional loans to grants.

DISTRIBUTION OF ODA DISBURSEMENTS BY CONDITIONS OF DEVELOPMENT PARTNERS (UNTIED, PARTIAL TIED AND TIED)

The ODA by conditions it classified into three tying categories as untied assistance, partially tied assistance and tied assistance. The partially tied aid comes under special restrictions and should
Table 3: Results of regression analysis of aid development partners providing (untied, partial tied and tied aid) in linear and semi-log during the period (2001-2012)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Formula</th>
<th>Slope</th>
<th>R-square</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untied</td>
<td>Linear</td>
<td>52.449</td>
<td>0.648</td>
<td>4.502</td>
<td>0.001**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.719</td>
<td>0.782</td>
<td>6.284</td>
<td>0.000**</td>
</tr>
<tr>
<td>Partial tied</td>
<td>Linear</td>
<td>13.458</td>
<td>0.822</td>
<td>7.133</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.563</td>
<td>0.802</td>
<td>6.575</td>
<td>0.000**</td>
</tr>
<tr>
<td>Tied Aid</td>
<td>Linear</td>
<td>4.426</td>
<td>0.663</td>
<td>4.649</td>
<td>0.001**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.399</td>
<td>0.877</td>
<td>8.867</td>
<td>0.000**</td>
</tr>
<tr>
<td>Total</td>
<td>Linear</td>
<td>70.333</td>
<td>0.706</td>
<td>5.142</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.757</td>
<td>0.788</td>
<td>6.397</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

*Indicate significant at 0.05, **Indicate significant at 0.01

spent on goods and services. The total value of the external assistance as classified into (untied, partial tied and tied aid) reached about US$ 6834.22 million, or (27.69%) of total ODA during the period (2001-2012). The annual external assistance by terms of aid conditions and donors indicates that the total value of untied external Assistance reached about US$ 5197.45 million (76.05%) with an annual average of US$ 433.12 million. The main donors in the form of untied aid are the European Investment Bank (66.37%), Abu Dhabi fund (8.24%) and Kuwait fund (5.31%). The partially tied constituent of external assistance reached about US$ 1265.86 million (18.52%) of the total tied aid with annual average of US$ 105.49 million. The main donors in this form are Germany, UNIDO and the European Commission. Tied external assistance reached approximately US$ 370.94 million (5.43%) of the total tied aid, with an annual average of US$ 30.91 million. The main donors in this form are the African development bank, European Commission, Japan, Italy and Switzerland.

Table 3 shows the significant growth rates of the Un-Tied, Partially Tied and Tied Aid, using regression analysis in linear and semi-log functions. Thus there is a significant growth rate in untied in semi log (B = 0.719, R² square = 0.782, t = 6.284, Sig. = 0.000**), partially tied in linear (B = 13.458, R² square = 0.822, t = 7.133, Sig. = 0.000**). And the tied aid in semi-log (B = 0.399, R² square = 0.877, t = 8.867, Sig. = 0.000**) and the total in semi-log (B = 0.757, R² square = 0.788, t = 6.397, Sig. = 0.000**). The linear form is the best estimator for the partially tied, while semi-log is the best form in both of Untied, Tied Aid and the Total of these variables. The analysis shows that some of donors tie some of their aid, which obligates recipients to spend the aid on goods from the donors’ home country. These conditions undermine the recipient’s utilization and benefits from aid and deprive them from making use of better chances and opportunities. Some studies conducted in Egypt indicate that this kind of aid increases the cost of aid projects by approximately (30%) and reduces the real value of aid by 25%, which makes a negative impact on the aid efficiency.

In this context, the Paris declaration encouraged increasing aid efficiency by reducing the transaction costs between donors and recipients. But this efficiency measure was not carried out within the framework of the Egyptian aid experience, which leaves a negative impact on the aid performance in the Egyptian case. These results corroborate to the conception that aid is unable to make real differences for the world poor (Collier, 2007).

DISTRIBUTION OF USING ODA BY TYPE OF EXTERNAL ASSISTANCE AND DONOR

The Ministry of international cooperation assumes the responsibility for negotiating effective development assistance to Egypt. The external assistance embodies different types of programs.
One of them is the Free standing Technical Cooperation (FTC), for the transfer of know-how and technology and managerial skills to build up the national capacity for development activities. The total disbursements for Technical Cooperation (TC) reached about (31.56%) during (2001-2012).

The disbursements for this program through bilateral agreements reached about (84.65%) and come from USAID (85%), Germany (7%), Italy, DANIDA, the Netherlands and CIDA. This program benefits from the multilateral non UN system that which contributed approximately (10.35%) of which came from ADB, Arab Fund, Arab monetary fund, EIB and EC. The multilateral agreement UN system contributed about (5%) that comes from UNDP and the World Bank (25%). The investment project assistance does not include the TC component. It is the provision in cash or in kind for specific investment projects. The disbursements for this type of assistance reached about (37.78%) of total assistance. The bilateral agreements contributed to this program by (2.71%) and the major donors are Abu Dhabi Fund (28%), Germany (25%) and Kuwait Fund (15%). The multilateral agreements contributed (79.25%) and the major donors are EIB (59%), the Arab Fund (17%) and the world bank (10%). The Emergency and relief assistance reached about (0.06%) and the total value of food aid as a type of external assistance reached about (0.32%) during 2001-2012.

The study examined the relationship between the kind of agreement and types of external assistance. The relevant statistics are as follows: (Phi and Cramer's Value = 0.188, Sig = 0.837), (Contingency coefficient = 0.185). Thus, the study did not find a significant relationship between the kind of agreement and types of external assistance.

Moreover, the study also examined the relationship between the value of aid and all types of external assistance under study. The results were as follows: (Eta coefficient for Bilateral agreements = 0.23 and Eta coefficient for multilateral = 0.47. This indicates that there is no significant relationship between the Value of aid and the types of external assistance in both agreements. The study also conducted one way analysis of variance between the types of external assistance, (Levene Statistic = 4.317, Sig. = 0.004). This results indicates the existence of a significant relationship between the types of external assistance, with confidence interval Limit of 95% (F-Value = 22.841, Sig. = 0.000).

In addition, the study uses (Games-Howell and Dunnett) test to examine the variation between the type of investment project assistance not including the TC component and the type of technical cooperation. The results of this test indicate that there are no differences between the type of investment project assistance including the TC component, program budgetary aid and emergency relief assistance. This means that the distributional efficiency between the types of assistance is still low and was conducted separately, which leaves a negative impact on the efficiency of the aid system in Egypt. These results do not agree with those of Boone (1994). Which indicate that foreign aid has absolutely no effect on investment and growth.

**DISTRIBUTION OF USING EXTERNAL ASSISTANCE DISBURSEMENTS BY MILLENNIUM DEVELOPMENT GOALS- MDGs**

The official development assistance plays a vital role in assisting the efforts of the government of Egypt to achieve the MDGs. This section will present the main patterns of MDGs under the official development aid disbursements with special emphasis on the contribution to each of these goals as well as the size of assistance it received during the period of study. The aims of MDGs may be summed up in 8 goals that are to be pursued. Each of these goals it considered an important area of development challenges and strategy in Egypt.
Table 4: Assistance disbursements by MDGs (in millions US$) during (2001-2010)

| MDGs                                      | 2001 | 2007 | 2010 | Total period | %  
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 1: Eradicate extreme poverty and hunger</td>
<td>307.28</td>
<td>457.16</td>
<td>328.00</td>
<td>2406.08</td>
<td>29.15</td>
</tr>
<tr>
<td>Goal 2: Achieve universal primary education</td>
<td>63.20</td>
<td>17.16</td>
<td>14.89</td>
<td>304.45</td>
<td>3.69</td>
</tr>
<tr>
<td>Goal 3: Promote gender equality and empower women</td>
<td>68.49</td>
<td>60.22</td>
<td>38.67</td>
<td>379.67</td>
<td>4.60</td>
</tr>
<tr>
<td>Goal 4: Reduce child mortality</td>
<td>62.88</td>
<td>50.45</td>
<td>42.17</td>
<td>403.52</td>
<td>5.99</td>
</tr>
<tr>
<td>Goal 5: Improve maternal health</td>
<td>59.69</td>
<td>43.64</td>
<td>48.31</td>
<td>453.45</td>
<td>5.61</td>
</tr>
<tr>
<td>Goal 6: Combat HIV/AIDS, malaria and other diseases</td>
<td>28.11</td>
<td>18.22</td>
<td>23.16</td>
<td>227.90</td>
<td>2.76</td>
</tr>
<tr>
<td>Goal 7: Ensure environmental sustainability</td>
<td>283.24</td>
<td>421.74</td>
<td>370.10</td>
<td>2877.70</td>
<td>34.25</td>
</tr>
<tr>
<td>Goal 8: Develop a Global partnership for development</td>
<td>0.00</td>
<td>165.54</td>
<td>73.82</td>
<td>1152.37</td>
<td>14.00</td>
</tr>
<tr>
<td>Total</td>
<td>862.89</td>
<td>1224.10</td>
<td>989.10</td>
<td>8255.18</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Ministry of international cooperation 2011, unpublished data, Egypt

Table 4 shows Goal 1: Eradicate extreme poverty and hunger, the total disbursement targeting this goal, amounted to US$ 2406.08 million or (29.15%) of the total disbursements by MDGs during the period 2001-2010. The disbursements for this goal increased from US$ 307.28 million in 2001 to US$ 457.16 million in 2007 with an index number of 148%. and reached about US$ 328 million in 2010.

Goal 7: Ensure environmental sustainability, This goal comes on top in terms of disbursements by MDGs. The total disbursement targeting this goal amounted to US$ 827.71 million or (34.25 %) of the total disbursements by MDGs. The disbursements of this goal have increased from US$ 283.24 million in 2001 to US$ 421.74 million in 2007 with an index number of 148.90% and reached about 370 million in 2010.

Goal 8: Develop a global partnership for development. This goal was registered with MDGs in 2008 and quick rose to third place in terms of disbursements to MDGs. The total disbursements targeting this goal amounted to US$1152.37 million (14%). Disbursements for this goal increased from US$0.40 million in 2003 to US$ 165.54 million in 2007 with an index number of 32722% and reached about US$ 1152.37 million in 2010.

Goal 4: Reduce child mortality, coming in the forth places. The value of total disbursements for this goal amounted to US$ 493.52 million or (5.99%) of the total disbursement for all goals during the period 2001-2012. The value of disbursement for this goal decreased from US$ 62.88 million in 2001 to US$ 50.45 million in 2007 and reached about US$ 42.17 million in 2010.

Goal 5: Improve maternal health. The total disbursements for this goal amounted to US$ 463.45 million, or (5.61%) of the total during the period of study. The sums disbursed for this goal reached about US$ 59.69 million in 2001, US$ 43.64 million in 2007 and US$ 48.31 million in 2010.

Goal 3: Promote gender equality and empower women. The total value disbursed for this goal amounted to US$ 379.67 million (4.60%) during the period of study. In general, Egypt needs to increase the financial support for eradicating extreme poverty by creating methods that are more efficient for that purpose at the national level. These results are agree with those reached by (Collier, 2007). Especially his suggestion that aid was unable to make a real different to the world poor.
DISTRIBUTION OF USING EXTERNAL ASSISTANCE BY SECTOR AND MAIN SUB-SECTOR

Table 5 shows, the total value of ODA disbursements to eleven sectors during the period of study increased from US$ 1619.14 million in 2001 to US$ 2333.67 million in 2007 with an index number of 144.13%, and rose to 2395.75 million in 2010. The study conducted an analysis of variance between the averages of assistance disbursed by sectors to examine the significance of relationships between the sectors under study during the period (2001-2012). The following statistics were computed: (Levene Statistic = 4.317, Sig. = 0.004) and (f-value = 22.841, Sig. = 0.000). This indicates that there are significant relationships (95% confidence interval) between ODA distributed by sector. The top eleven recipient sectors of ODA during the period (2001-2010) received US$ 13891.6 million.

Energy generation and supply sector: This sector come out on top among the top eleven sectors, which received US$ 2736.69 million, or (20.13%) of the total value of disbursements. The total disbursement value for this sector rose from US$ 78.17 million, or (4.83%) in 2001 to US$ 596 million (26.67%) in 2005 with an index number of 762% then declined to US$ 490 million, or (21%) in 2007 with an index number of 627%, but eventually rose to US$ 680.09 million in the year 2010.

Industry sector: This sector came second and received US$ 2023.65 million, or (14.57%) of the total value of disbursements during the period of study. The disbursement value for this sector rose from US$ 149.23 million (9.22%) in 2001 to as high as US$ 684 million (39.47%) in 2004 with an index number of 458%, and then plummeted to US$ 195.92 million (8.4%) in 2007 with an index number 131% and reached about US$ 220.34 million in 2010.

Agriculture sector: It ranked third among recipient sectors and received US$ 1488.37 million, or (10.71%) of the total value of disbursements by sectors. The disbursement value for this sector decreased from US$ 208.01 million (12.85%) in 2001 to US$ 165 million (9.5%) in 2004 with an index number of 80%, and fell further to US$ 178 million (7.64%) in 2007 with an index number of 86% and finally reached about US$ 103.72 million in 2010. The allocation of aid funds to the agricultural research, industrial and export crops, post harvest and also agricultural development and livestock activities is still very low although, if increased, it can enhance and empower the agricultural sector in Egypt. Where the majority of agricultural producers are small farmers.

<table>
<thead>
<tr>
<th>Sector name</th>
<th>2001</th>
<th>2007</th>
<th>Index number</th>
<th>Total period</th>
<th>%</th>
<th>Rank</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy generation and supply</td>
<td>78.17</td>
<td>490.23</td>
<td>627.11</td>
<td>680.09</td>
<td>2796.69</td>
<td>20.13</td>
<td>1</td>
</tr>
<tr>
<td>Industry</td>
<td>149.23</td>
<td>195.92</td>
<td>131.29</td>
<td>220.94</td>
<td>2023.65</td>
<td>14.57</td>
<td>2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>208.01</td>
<td>178.22</td>
<td>85.68</td>
<td>103.72</td>
<td>1488.37</td>
<td>10.71</td>
<td>3</td>
</tr>
<tr>
<td>Water supply and sanitation</td>
<td>170.93</td>
<td>80.94</td>
<td>47.35</td>
<td>64.93</td>
<td>1112.03</td>
<td>8.00</td>
<td>4</td>
</tr>
<tr>
<td>Trade</td>
<td>137.40</td>
<td>239.31</td>
<td>174.17</td>
<td>192.56</td>
<td>1172.42</td>
<td>8.44</td>
<td>5</td>
</tr>
<tr>
<td>Government and civil society</td>
<td>14.04</td>
<td>539.13</td>
<td>3839.00</td>
<td>740.15</td>
<td>1440.25</td>
<td>10.37</td>
<td>6</td>
</tr>
<tr>
<td>Banking and financial services</td>
<td>388.66</td>
<td>101.90</td>
<td>39.98</td>
<td>85.79</td>
<td>1086.94</td>
<td>7.82</td>
<td>7</td>
</tr>
<tr>
<td>Education</td>
<td>118.78</td>
<td>120.05</td>
<td>101.05</td>
<td>146.18</td>
<td>892.86</td>
<td>6.43</td>
<td>8</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>58.47</td>
<td>100.79</td>
<td>179.58</td>
<td>72.68</td>
<td>717.025</td>
<td>5.16</td>
<td>9</td>
</tr>
<tr>
<td>Multi sector/cross-cutting</td>
<td>46.44</td>
<td>87.51</td>
<td>135.80</td>
<td>51.42</td>
<td>609.53</td>
<td>4.39</td>
<td>10</td>
</tr>
<tr>
<td>Health</td>
<td>55.29</td>
<td>40.78</td>
<td>73.84</td>
<td>36.29</td>
<td>551.29</td>
<td>4.00</td>
<td>11</td>
</tr>
<tr>
<td>Grand total for all sectors</td>
<td>1619.14</td>
<td>2333.67</td>
<td>-</td>
<td>2395.75</td>
<td>13891.60</td>
<td>100.00</td>
<td>-</td>
</tr>
</tbody>
</table>

Ministry of international cooperation 2011, Egypt, 2011
Supporting this sector does not only mean boosting the Egyptian national economy, but will also raise agricultural production and increase agricultural exports. Moreover, supporting the agricultural sector will help carry out the national development policy for reducing poverty especially in the rural areas. The disbursement values for the rest of the top eleven sectors can be observed in Table 5 above. The indications of these results agreed with those of RogerZetter and Hamza (1998). Especially within the framework of the interplay between international aid policies and state development issues.

DISTRIBUTION OF USING EXTERNAL ASSISTANCE BY GEOGRAPHIC LOCATION (REGIONS AND GOVERNORATES IN EGYPT)

The total value of ODA disbursements by geographic location amounted to US$ 21068.29 million with an annual average of US$ 1755.69 million during the period (2001-2012). The total value disbursed by geographic location rose from US$ 1619.13 million in 2001 to US$ 2353 million in 2007 with an index number of 144%. It then declined to US$ 552.17 million in 2012.

During the period of study, the central government received US$ 7575.78 million, or (35.95%) of the total disbursements. The value received by the central government increased from US$503.93 million (6.65%) in 2001 to US$ 1077.86 million (14.23%) in 2007 with an index number of 213%. This amount fell to only US$ 240.78 million in 2012. These figures show that development assistance is largely centralized as compared to regional disbursements in Egypt. Thus, Lower Egypt received US$ 5739.77 million (27.24%) of the total disbursements considered by region. Middle Egypt received US$ 3530.83 million (16.76%), while Upper Egypt received US$ 2391.76 million (11.35%) and Out of Valley received US$ 1830.14 million, or (8.69%) of the total disbursements during the period of study.

Table 6 shows the results of regression analysis in linear and semi-log of external assistance disbursements by Geographical location in Egypt. These results indicate that there are significant growth rates of assistance in Central Government (B = 0.759, R-square = 0.791, t = 6.452, Sig. = 0.000**). Lower Egypt (B = 0.710, R-square = 0.739, t = 5.578, Sig. = 0.000**). Middle Egypt (B = 0.662, R-square = 0.748, t = 5.707, Sig. = 0.000**). Upper Egypt (B = 0.617, R-square = 0.746, t = 5.684, Sig. = 0.000**). Out of Valley (B = 0.582, R-square = 0.748, t = 5.711, Sig. = 0.000**). The total (B = 0.881, R-square = 0.766, t = 5.993, Sig= 0.000**).

Table 6: Results of regression analysis of external assistance disbursements by geographical location in Egypt in linear and semi-log during the period (2001-2012).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Formula</th>
<th>Slope</th>
<th>R-square</th>
<th>t-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government</td>
<td>Linear</td>
<td>79.812</td>
<td>0.670</td>
<td>4.727</td>
<td>0.001**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.759</td>
<td>0.791</td>
<td>6.452</td>
<td>0.000**</td>
</tr>
<tr>
<td>Lower Egypt</td>
<td>Linear</td>
<td>51.359</td>
<td>0.567</td>
<td>3.792</td>
<td>0.003**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.710</td>
<td>0.739</td>
<td>5.578</td>
<td>0.000**</td>
</tr>
<tr>
<td>Middle Egypt</td>
<td>Linear</td>
<td>33.160</td>
<td>0.634</td>
<td>4.387</td>
<td>0.001**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.662</td>
<td>0.748</td>
<td>5.707</td>
<td>0.000**</td>
</tr>
<tr>
<td>Upper Egypt</td>
<td>Linear</td>
<td>22.359</td>
<td>0.636</td>
<td>4.333</td>
<td>0.001**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.617</td>
<td>0.746</td>
<td>5.684</td>
<td>0.000**</td>
</tr>
<tr>
<td>Out of valley</td>
<td>Linear</td>
<td>17.604</td>
<td>0.657</td>
<td>4.588</td>
<td>0.001**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.582</td>
<td>0.748</td>
<td>5.711</td>
<td>0.000**</td>
</tr>
<tr>
<td>Total</td>
<td>Linear</td>
<td>204.288</td>
<td>0.688</td>
<td>4.928</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td>Semi-log</td>
<td>0.881</td>
<td>0.766</td>
<td>5.993</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

*Indicate significant at 0.05, **Indicate significant at 0.01
The analysis of ODA by geographic location indicate that the central government and lower Egypt governorates received the highest proportions of the total official development assistance disbursements. Therefore, the distribution of aid is biased for the urban governorates such as Alexandria (8.7%) and Grand Cairo (7.86%).

In contrast, some governorates in Upper Egypt and out of valley such as Assiut, Suhag and north Sinai governorates received lower proportions of assistance, although they still need more water sanitation, health care and education services. In general, these results agree with conclusions reached by Burnside and Dollar (1997) and Azam et al. (1999).

CONCLUSION

The discussions on aid in Africa indicate that despite its influence in the developing countries, very little institutionalized mechanisms exist for the management and coordination of aid. Indeed while all the donor countries have well develop institutional arrangements for the management and coordination of aid—eg Norwegian Agency for Development Cooperation (NORAD), USA AID, DANIDA etc. there are very few countries in Africa that have institutionalized structures for the management and coordination of aid. Egypt provides an exception as it has a comprehensive and institutionalized mechanism for the coordination of aid. Egypt has a unique institutional architecture for aid coordination and management. This architecture is based on the institutional structure of the ministry of international cooperation supported by some donors in terms of aid coordination and management like OUDA, DSP, DECODE, PEMAs. The main findings in this research indicate that the structure and functions of joint committees such as DAG and CG have improved the terms of aid coordination in Egypt, and their positive role helped Egypt improve its aid utilization and development. At the same time and as a result of the limited financial resources of external assistance, the government of Egypt is seeking to increase the level of aid efficiency. The results of the statistical analyses used in this research indicate that there are significant growth rates in terms of Commitments and Disbursements. In addition to that there are significant growth rates in the financial patterns of ODA Disbursements including (Grants, Loans and Debt swap) and also in the distribution of aid by geographic location in Egypt. In this context the framework of analysis, suggests that some intervention measures should adopted and strongly pursued as part of the Egyptian policy in the aid system. Some of these one the eliminating of barriers, that inhibit the acceleration factors of aid effectiveness. In this respect dialogue should continue with donors in order to reduce the gap between commitments and disbursements. The aid architecture needs to be more focused on bilateral agreements and NGOs. The financial pattern of aid should reflect the quality of aid portfolio and the efficiency of aid system. Therefore, loans should keep to its safest levels to limit risks and indebtedness levels without burdening the country’s financial position and external debt. Efforts and negotiations should be increased for more protocols on debt development swap, which will assist in reducing the loan burden in the long term. As for as aid conditions are concerned the system should work to transfer partially tied aid into untied aid or tied aid to reduce the transaction costs and increase the utilization of this part of aid.

Moreover the type of assistance should be focused on the priority needs of each governorate especially those governorates that realize low infrastructures and Human Development Indices (HDI) levels. Sector specific disbursements should target the most needy governorates in Egypt, with a redistribution of ODA by geographic location based on the real needs of infrastructure and the level of basic services in each governorate. Therefore, additional financial resources should allocated to Upper Egypt and the frontier governorates, which still suffer from lower human
development standards and higher poverty ratios. Finally, there should be more transparency and
decentralization of decision-making, more simplified government procedures at the local
governorate level. A clear sectoral strategy and policy should be forged to guide action from donors
toward governorates and sectors into which funds should disbursed. In general, enhancing
technical and financial support will improve the performance of programs and projects financed
from external assistance. In addition, better management and coordination of external assistance
will increase the efficiency of the aid system. Maximize the utilization of external financial
resources in term of aid both in micro and macro level, which will affect positively on the national
capacity development in Egypt.

ACRONYMS

AfDB : African Development Bank
AGFUND : Arab Gulf Fund for Development
AsDB : Asian Development Bank
CBE : Central Bank of Egypt
CG : Consultative Group
CIDA : Canadian International Development Agency
CIP : Commodity Import Programme
DAC : Development Assistance Committee
DAG : Donor Assistance Group
DANIDA : Danish international development Agency
DECODE : Development Cooperation Database Egypt
DCR : Development Cooperation Report
DSP : Development Support Program Unit
EBRD : European Bank for Reconstruction and Development
EC : European Commission
EIB : European Investment Bank
EPIC : Economic policy initiative consortia
ERSAP : Economic Reform and Structural Adjustment Program
EU : European Union
FAO : Food and Agriculture Organization of the United Nations
FGM : Female Genital Mutilation
FTA : Free Trade Agreement
GDP : Gross Domestic Product
GoE : Government of Egypt
HDI : Human Development Index
IDB : Inter - American Development Bank
IBRD : International Bank for Reconstruction and Development
IDA : International Development Association
IFAD : International Fund for Agricultural Development
IFC : International Finance Corporation
ILO : International labor organization
IMC : Industrial Modernization Center
IMF : International Monetary Fund
INP : Institute of National Planning
JBIC : Japan Bank for International Cooperation
JICA : Japanese International Cooperation
LDCs : Least Development Countries
MDGs : Millennium Development Goals
MIC : Ministry of International Cooperation
MSME : Micro, Small and Medium Enterprises
NCCM : National Council for childhood and Motherhood
NGO : Non Governmental Organization
NORAD : Norwegian Agency for Development Cooperation
ODA : Official Development Assistance
OECD : Organization for Economic Cooperation and Development
UDA : Operational unit for Development Assistance
PEMA : Center for Project Evaluation and Macroeconomic Analysis
TC : Technical Cooperation
UNDP : United Nations Development Programme
WP : World Food Programme
WP-ISEE : Working Party on Aid Effectiveness and Donor Practices
UN : United Nations
UNESCO : United Nations Educational, Scientific and Cultural Organization
UNFPA : United Nations Population Fund
UNICEF : United Nations Children's Emergency Fund
UNIDO : United Nations Industrial Development Organization
USAID : United States Agency for International Development

REFERENCES