Why Digitalization?... To Combat Corruption in Egypt

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Introduction:

Corruption has dire effects on societies economically, socially and politically. It leads to halting the economic growth of the state, lowering the standard of living of the individual, destroying the foundations of democracy in society, and robs citizens of the most basic human rights. Thus, states and international organizations seek to eliminate this phenomenon. Egypt is at the forefront of these countries, as it has ratified the international, African and Arab conventions on combating corruption. It has also issued a national strategy to combat corruption based on the policies of the various conventions. One of the most important policies stipulated in the strategy is the policy of digitization/ mechanization, which focuses on the digital transformation of government institutions and public services as a measure to reduce corruption. The Egyptian government has succeeded to a large extent in implementing digitization in various institutions and services.

Among the international community's efforts to combat corruption, the United Nations General Assembly adopted Resolution 58/4 that established the United Nations Convention against Corruption on October 31, 2003. The resolution also selected December 9th to be the International Anti-Corruption Day. Its purpose is to raise awareness of corruption and highlight the role of the convention in combating it. The main policymaking body of the convention is the Conference of the States Parties to the United Nations Convention against Corruption, which convenes every two years. Its role is to enhance cooperation between state parties, improve parties' ability to apply it, and to review the implementation of the convention. Egypt is hosting the ninth session of the Conference from 13-17 December 2021 in Sharm El-Sheikh.

This report focuses on the Egyptian government's efforts to combat corruption by issuing the National Anti-Corruption Strategy. It also focuses on the role of digitization in combating corruption and how Egypt implements it in its various strategies. And before that, the definition of corruption, the international conventions to combat it.

First: What is Corruption:

1- Definition

Corruption does not have a uniform definition. Some organizations do not even provide an exact definition of corruption, only mentioning its various practices, such as the League of Arab States and the United Nations. However, all its definitions include three elements: abuse, entrusted power, and private gain. Transparency International defines it as "*behaviour on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and **unlawfully enrich themselves,** or those close to them, by the **misuse** of the **public power entrusted** to them.*"

The Korean Independent Commission against Corruption also promotes the reporting of "*any public official involving an **abuse** of **position** or **authority** of violation of the law in connection with official duties for the purpose of **seeking grants for himself** or a third party*". The Asian Development Bank adds "officials in the public and private sectors" as well to its definition of corruption.

2- Types of Corruption

According to researchers, there are two types of corruption: illegal and legal. Illegal corruption is violations that are considered as criminal offences such as bribery and embezzlement. On the other hand, legal corruption is actions or practices that are not covered by legislations against corruption, but still contain the elements of corruption. A popular example of legal corruption is lobbying. Private companies are legally allowed to lobby for or against government decisions and laws. They put pressure on policy makers and use their connections to achieve their gains. They are also allowed to give them gifts and take them on fancy dinners so the policymakers and this is not considered as a bribe. Even worse, policymakers actually listen to them regardless of whether the decision is in the public's best interest or not.

3- Corrupt Practices

Even though the United Nations, the Council of Europe, and the Organisation for Economic Co-operation and Development (OECD) do not explicitly define corruption, they refer to its different practices and forms as criminal offences. The OECD Convention focuses on the offence of bribing foreign public officials in international business transactions. The Council of Europe in the Criminal Law Convention on Corruption mentioned active and passive forms of corrupt practices. It identified more targets of bribery such as "domestic, and foreign public officials", "national and foreign parliamentarians and of members of international parliamentary assemblies", "international civil servants", "domestic, foreign and international judges and officials of international courts", and "in the private sector". They also identified the offences of trading in influence, and money-laundering of proceeds from corruption offences.

The UN Convention includes, in addition to the previous offences, embezzlement or misappropriation of property in the public or private sector, abuse of functions, illicit enrichment, laundering of proceeds of crime, concealment and obstruction of justice. However, there are still many practices of corruption that could be mentioned such as fraud, blackmail, nepotism, extortion, plagiarism, and price-fixing.

4- Consequences of Corruption

Corruption has grave economic, social, and political consequences on a state. First, it has a negative effect on economic growth and efficiency due to the inefficient allocation of resources. To add to that, shadow economies, which include unreported income that evade taxes, are established, thus, affecting the state budget. It also discourages local and foreign investment as corruption increases the costs, as well as, the risks of investment. No company would want to invest in an unstable environment. Corruption also causes an unfair distribution of income and wealth in a society. Moreover, corrupt tax administrations usually give exemptions to the wealthy, increasing the gap between the poor and the rich.

Second, it has a negative effect on social welfare. It increases the burden of families as they become required to pay bribes and look for connections to be able to get proper education, healthcare, or access to government services such as water and electricity. To add to that, it could also lead to loss of lives. The violation of building codes and safety regulations through bribing officials, leads to the collapse of buildings on top of people's heads and people dying in burning buildings. Moreover, corruption affects the quantity and quality of goods and services as it reduces the number of resources available for social welfare. It also leads to the misappropriation of these limited resources where officials decide to use them for profitable projects instead of social welfare projects. The social welfare projects themselves might contain corruption, thus, decreasing their effectiveness.

Third, corruption destabilizes the foundation of democratic institutions as it undermines the rule of law. It is also a threat to human rights as for example, it negatively affects the right to life, education, and a standard of living adequate for the health and well-being to name a few.

Second: International Conventions on Corruption

i) The United Nations Convention against Corruption (2003)

The UN found the need for international, rather than regional, preventive measures and cooperation in combating corruption. Thus, this Convention against Corruption was adopted. It has 188 parties. It includes technical assistance, and asset recovery. It provides states with a wide-range of standards, and rules to combat and prevent corruption. The convention also urges states to foster accountability and public management of public affairs, and property.

ii) The Inter-American Convention Against Corruption (1996)

It was adopted by the member states of the Organization of American States and signed by 34 parties. It is considered the first international convention to

address corruption. It aims to promote, strengthen, and regulate the prevention, detection, punishment, and eradication of corruption, and the cooperation between the states to ensure the effectiveness of measures.

iii) The OECD Convention on Combating Bribery (1997)

This convention was signed by 44 parties. It focuses on only one corrupt practice which is bribery. It is directed to the supply side of the bribery transaction as in the person or entity offering or giving a bribe. It is a legally binding international agreement, where its parties agree to establish the bribery of foreign public officials in international transactions as a criminal offence under their laws. It binds them to investigate, prosecute and sanction this offence.

iv) The Council of Europe Criminal Law Convention on Corruption (1999),

The Criminal Law Convention has 48 parties. Its aim is to coordinate criminalization of corrupt practices. It provides criminal law measures to harmonize economic criminal law in order to facilitate international cooperation in criminal matters.

v) Civil Law Convention on Corruption (1999)

The Civil Law Convention has 42 parties. It aims to give the victims of corruption the right to defend their rights, including the possibility of compensation. Compliance by the parties to the Conventions is monitored by the Group of States against Corruption (GRECO).

vi) The Anti-Corruption Initiative for Asia-Pacific (1999)

It is a regional forum that includes 31 parties. Its purpose is to support efforts to decrease corruption in Asia and the Pacific. Its main focus is to assist parties

in effectively implementing the United Nations Convention against Corruption through policy dialogues, policy analysis, and regional seminars. It also developed the Anti-Corruption Action Plan for Asia and the Pacific which includes setting goals and standards to protect the region from corruption. It is supported by Asian Development Bank and OECD.

vii) The African Union Convention on Preventing and Combating Corruption (2003)

It was signed by 49 parties to combat the widespread political corruption in African states. It addresses the areas of prevention, criminalization, international cooperation and asset recovery. It aims to develop mechanism to prevent, detect, punish and eradicate corruption, regulate cooperation between state parties, coordinate the policies between parties, promote socio-economic development through protecting the rights of citizens, and foster transparency and accountability.

viii)   The Arabic Convention for Combating Corruption (2010)

It was signed by 21 Arab countries. This convention calls for strengthening of measures to prevent, combat, uncover, and prosecute all forms of corruption and related offences, cooperation between Arab states in recovery of assets, enhancement of integrity, transparency, accountability and the rule of law, and the active participation of individuals and civil society organizations.

Third: Egyptian Efforts in Combating Corruption:

Transparency International's Corruption Perceptions Index ranks countries by perceived levels of public sector corruption, as determined by expert assessments and opinion polls. Egypt's score increased in 2018 from 32 to 35, and this indicates that Egypt was on the right track in its war against corruption, but it decreased

again in 2020 to 33/100, and its rank also decreased from 106 to 117. The drop in Rank and points to Covid-19, and the challenges imposed by the Egyptian government.

Corruption had increased during the pandemic with officials taking advantage of the panic and desperation of people. There were also more cases of corruption in the healthcare system. The cases that can be cited are only the ones that were successfully uncovered by the police like the 2020 arrest of the custodian of the regional warehouse for medical equipment for embezzlement of medical supplies.

1- The National Strategy of Anti-Corruption

Egypt has put forward a national strategy for combating corruption in 2014 in accordance with the various international and regional agreements that it ratified. Its main aim is to create a society that is aware of the dangers of corruption and is able to identify and reject it. Moreover, article (218) of the Egyptian Constitution states: *"The state is obligated to combat corruption, and the law defines the competent regulatory bodies and bodies. The competent regulatory bodies and bodies are obligated to coordinate with each other in combating corruption and promoting the values of integrity and transparency, in order to ensure the good performance of the public function and the preservation of money." and to develop and follow up the implementation of the national anti-corruption strategy in partnership with other relevant bodies and agencies, in the manner regulated by law."*

The main anti-corruption body is Administrative Control Authority (ACA) which has technical, financial and administrative independence from other institutions. Other bodies in the institutional framework of the strategy are: National Anti-Corruption Academy/ Central Auditing Agency/ Bodies and Units of the Ministry of Finance/ Central Agency for Organization and Administration/ Administrative Prosecution Authority/ Illicit Gains Department/ General Department for Combating Public Funds Crimes (Ministry of Interior)/ Anti-Money Laundering Unit/ Financial Supervisory Authority/ The National Coordinating Committee for Combating Corruption (headed by the Prime Minister)/ The Anti-Corruption Coordination Sub-Committee (headed by the Chairman of the Administrative Control Authority)

The first stage of this strategy was from 2014 till 2018. At the end of this stage, they assessed its successes and failures. They also identified the challenges they faced, and put forward recommendations and suggestions for overcoming them. Thus, the Egyptian government adopted the second stage of the strategy 2019-2022. The second stage had 9 goals with each goal having implementation procedures, with clear performance measurement indicators of each procedure, and general performance indicators for each goal. Moreover, the government releases a report each year of the goals and procedures that this year will focus on. It provides the success rate of each procedure in the previous year and how much it contributes to the overall strategy.

The goals (and success rate in 2020) of the national strategy were:

1- Developing an efficient and effective administrative apparatus, with a 43.05% success rate.

2- Providing high-quality public services, with a 79.8% success rate.

3- Activating the mechanisms of transparency and integrity in governmental units, with an 87.98% success rate.

4- Developing the legislative structure supporting the fight against corruption, with a 51.28% success rate.

5- Updating the judicial procedures to achieve complete justice, with a 95.31% success rate.

6- Supporting law enforcement agencies to prevent corruption and combat it, with a 76.92% success rate.

7- Increasing societal awareness of the importance of preventing corruption and combating it, with a 76.92% success rate.

8- Activating international and regional cooperation in the field of prevention and anti-corruption, with a 100% success rate.

9- Encouraging the participation of civil society organizations and the private sector in preventing and combating corruption, with an 85.71% success rate.

Its implementation procedure includes training employees, journalists and media professionals, establishing an internal audit system, updating the database and infrastructure of the administrative and justice systems, setting a reward system for upstanding performance, updating salary structure, and setting a system to measure public satisfaction. Moreover, it encourages knowledge exchange

between institutions locally, regionally, and internationally, and establishing ethics code in universities, civil society organizations, and the private sector. It also encourages and stresses the importance of the involvement of schools, universities, media& journalists, religious institutions, and research centers in preventing and combating corruption. Furthermore, it focuses on updating legislations for better administrative performance, transparency, protection of whistleblowers and witnesses, and simpler legal procedures.

The ACA also published a report explaining the indicators of awareness and combating administrative corruption. There are seven indicators: citizens' awareness, company officials' awareness, and evaluation of experts in the fields of economics, governance, law, public policies, and companies. In 2019, the general indicator score was 59.5 degrees, as the perception index of administrative corruption reached 49 degrees, while the index of perception of efforts to prevent and combat administrative corruption reached 69.2 degrees.

2- Digitalization and Combating Corruption in Egypt

Another important procedure that the Egyptian government is seeking to implement within the strategy is digitalization/ mechanization. This is because it is considered an important anti-corruption tool due to its many benefits in reducing corruption risks. It minimizes the communication between citizens and officials and, as a result, reduces the risks of bribery. Moreover, it decreases the complexity of governmental bureaucracy. It creates a more direct channel of communication between officials and citizens, fostering transparency and accountability. Furthermore, it allows for more careful auditing systems that quickly and efficiently catch corrupt practices in the private sector. To add to that, digitalization and open-data systems decrease the perception of corruption rates of the citizens. This affects actual corruption rates as people believe that corrupt practices will be more easily caught and that they do not need to resort to it just to get things done.

For the previous reasons, Egypt is focusing on the digitalization of its various institutions. It set up Government Financial Management Information System

(GFMIS) in order to connect all financial units of governmental institutions. It is used for any government spending including salaries of public officials. Its functions include preparation and implementation of state budget, procurement management, cash management, debt management and accounting processes. This system is already implemented in the Tax Authority and customs, allowing organizations to pay their taxes or customs electronically or through any approved bank. This means that each payment is recorded and can be tracked. This facilitation of e-payment and e-signatures help reduce unofficial payments which reduces corruption.

Moreover, in regards to taxes, all organizations are now required to submit their invoices on the e-invoice system and all future invoices issued should be electronic. This allows the Tax Authority to accurately track concluded transactions. It also allows them to verify this information and spot any discrepancies quicker. This close digital monitoring allows Egypt to crack down on tax evasion and other corrupt practices. In fact, the Egyptian Minister of Finance has stated that "the e-invoices system succeeded in detecting more than 3,000 cases of tax evasion, and tax differences were collected, worth close to 4 billion pounds". The Illicit Gain Law was also amended to allow the ability to submit financial disclosure statements electronically in September 2021.

The Central Bank also launched a strategy for financial technology, where it established a center for financial technology to be a unified platform that brings together all parties to the financial technology system, including businessmen, financial technology pioneers, financial institutions, regulators, service providers, and investors. It also established a regulatory laboratory for financial technology applications where it gives programmers space to create and test applications for various financial services, and a fund to support financial technology innovations, where it studies ways to finance and invest.

Egypt also aims to connect all administrative units' databases in order to facilitate knowledge exchange between them. It has succeeded, as of 2020, in linking 60 units, 13 ministries, 48 government institutions, and 8 governorates. It aims, as well, to update the ACA's database to allow for better monitoring. Moreover, it is

aiming to digitalize public services through setting up official websites and applications. It succeeded in digitalizing 45 out of 452 service such as inquiring about traffic violations, issuing birth certificates, and other services. This decreases the possibility of bribery. They also established 259 technological centers to provide public services. Furthermore, within the framework of Arab cooperation in the fight against corruption, the Central Auditing Agency held a remote training course titled "Quality Control on Regulatory Work" for representatives of various Arab countries' agencies.

Moreover, in order to foster transparency and accountability, it set up websites and social media accounts for each governmental institution and ensures that they are updated with the latest information and are easy to access. 84 administrative units are supposed to publish their strategy annually. For example, the Ministry of Finance published the 2020-2021 citizen's budget on its website, as well as reports on government purchases. In addition, the ACA added an electronic option to receive complaints by entering the authority's electronic portal.

Conclusion:

Corruption, with its various practices and types, poses a grave danger to societies, despite the various international and regional agreements that attempt to combat it. In an effort to combat and prevent corruption, Egypt issued the National Anti-Corruption Strategy in 2014, which is now in its second phase, based on the recommendations and principles of various international conventions. One of the main recommendations that Egypt focuses on, is digitization, as research has shown that it has a positive impact in fighting corruption and reducing perceptions of corruption. However, Egypt still faces some societal challenges.