Fiscal Transparency and Governance in Egypt

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Abstract

This study examines the impact of fiscal transparency on governance and corruption within the Middle East and North Africa (MENA) region, with a specific focus on Egypt's standing compared to its regional counterparts. Utilizing data from the Open Budget Survey and the Bayesian Corruption Index, alongside a review of fiscal policies and economic performance metrics, the research highlights the nuanced role of fiscal transparency in combating corruption and fostering effective governance.

Findings indicate that higher levels of budgetary transparency correlate with reduced perceptions of corruption, suggesting the critical importance of transparent fiscal practices for governance improvement. The study also explores the relationship between fiscal policies, economic performance, and investment, underlining the significance of transparency in enhancing economic outcomes. This research contributes to the broader scholarly discourse on fiscal governance by providing empirical evidence of the benefits of transparency within the challenging context of the MENA region.

Keywords: Fiscal Transparency, Governance, Corruption, Economic Performance, Egypt, Middle East and North Africa (MENA)

Introduction to Fiscal Transparency in the MENA Region

Martin (2002) presents that fiscal transparency plays a pivotal role in the governance and economic fabric of nations, particularly within the politically and economically volatile Middle East and North Africa (MENA) region. Martin (2002) articulates that fiscal transparency necessitates a condition whereby "governments should be as open and visible as possible to their stakeholders" (p.247). This assertion establishes a vital connection between transparency, effective communication, and trust among various stakeholders, including government officials, notable international organizations such as the IMF and the World Bank, civil society, the private sector, and the general populace. These stakeholders collectively influence the region's fiscal governance and economic landscape.

Fiscal transparency provides stakeholders with complete, prompt, dependable information. When transparency is lacking, it leads to concealed operations within the government, resulting in inefficiencies, improper resource allocation, and corruption. These issues consequently diminish trust in public institutions and adversely affect the economy's health.

This study examines Egypt's unique position within the MENA region, characterized by its distinctive political history, economic structure, and reform efforts toward enhanced fiscal transparency. Focusing on the period from 2006 to 2014, marked by significant sociopolitical upheaval, including the Arab Spring, this research aims to unravel the complexities of fiscal transparency's role in shaping governance quality and economic health.

By examining and contrasting Egypt's experiences with fiscal transparency against those of its MENA counterparts, the study sheds light on the nuanced relationship between fiscal transparency, governance quality, and economic outcomes. Drawing from Martin's (2002) foundational insights, this research aims to provide empirical evidence on how fiscal transparency can serve as a cornerstone for building trust, enhancing communication, and ultimately fostering more effective and sustainable financial policies across the region.

Literature Review

The Impact of Fiscal Transparency on Corruption and Governance

The relationship between fiscal transparency, governance, fiscal policies, and the digital economy is crucial for understanding corruption control, economic growth, and sustainable development in Egypt. This review synthesizes research across these domains to identify key insights and implications for policymakers and scholars.

Chen and Neshkova's (2019) empirical investigation leverages the Open Budget Survey and the Bayesian Corruption Index (BCI) to analyze data from Egypt and 94 other nations from 2006 to 2014. Their findings reveal a clear negative correlation between the degree of budgetary openness and perceived levels of corruption, suggesting that greater transparency in government budget practices and information directly contributes to lower corruption perceptions. This relationship is particularly pronounced at the later stages of the budgetary cycle, highlighting the importance of transparency throughout the fiscal process. The study also calls for further research into the diverse impacts of fiscal transparency initiatives and the potential side effects of anti-corruption strategies, such as regulatory overreach and the hindrance of economic innovation.

Building upon the groundwork laid by Chen and Neshkova (2019), Montes and Luna (2020) further assess the relationship between fiscal transparency, legal systems, and corruption control. Montes and Luna (2020) analyzed data from 82 countries over a similar period, and they identified a significant correlation between increased transparency in government expenditure and reduced public perceptions of corruption. This correlation is notably stronger in environments characterized by robust and equitable legal frameworks, suggesting a synergistic effect where fiscal openness and legal integrity strengthen public confidence in corruption control mechanisms. The study highlights how fiscal transparency curtails the discretionary power of public officials and politicians, thereby reducing opportunities for corrupt activities. A robust legal system further amplifies this effect by enhancing the likelihood of identification and remedies for corrupt actions, serving as a formidable deterrent against corruption.

Montes and Luna's (2020) research also presents Egypt as a case study, noting the country's lack of significant progress in fiscal transparency during the studied period. Montes and Luna (2020) attribute this stagnation to various factors, including inefficient administrative structures and deeply entrenched political systems, which substantially challenge the implementation of transparency initiatives. This detailed examination of Egypt's experience offers valuable insights into the complexities of enhancing fiscal transparency and the conditions necessary for such efforts to yield expected benefits in reducing corruption perception and improving governance.

Fiscal transparency is identified as a pivotal element in the realm of government procurement practices. The study by Aboelazm and Afandy (2019) offers a comparative analysis of centralized versus decentralized procurement systems in Egypt, shedding light on the management of public finances within the country. Their findings suggest a pathway to enhanced fiscal transparency through increased private sector engagement in these processes. According to Aboelazm and Afandy (2019), the private sector fosters competition within public procurement. This competition benefits the government as it may lead to more favorable pricing and improved quality of goods and services, thereby optimizing public expenditure and efficiency. Furthermore, the research emphasizes the significance of considering the effects of procurement practices on small and medium-sized enterprises (SMEs), advocating for policies that bolster these vital components of the economy.

As Aboelazm and Afandy (2019) underscored, the involvement of SMEs in public procurement serves both economic and social objectives by mitigating corruption and enhancing overall transparency. A more diverse participation pool can weaken the concentration of power and create more mechanisms for oversight, contributing to a more equitable and sustainable economic landscape. The recommendations from Aboelazm and Afandy (2019) are rooted in the conviction that such comprehensive engagement can markedly improve efficiency and transparency in procurement practices. They call for continued research to refine these practices further, ensuring they are inclusive, transparent, and ultimately conducive to achieving broader economic benefits (Aboelazm & Afandy, 2019).

Ezzat and Fayed (2019) thoroughly examined the Central Bank of Egypt's autonomy, investigating its impact on the country's democratic integrity. Their comparative analysis of various global central banks in 2010 aimed to discern the relationship between central bank independence (CBI) and its implications for democracy. Ezzat and Fayed (2019) identify CBI as the central bank's freedom to make monetary policy decisions without interference from governmental or political forces. Ezzat and Fayed (2019) argue that this freedom is critical for maintaining monetary and economic stability, protecting the economy from the instability that might arise from short-term, politically motivated fiscal policies. They highlight the necessity of this independence for making economic decisions focused on the economy's long-term well-being rather than on immediate political benefits.

Furthermore, Ezzat and Fayed (2019) delve into the broader significance of CBI, noting its role in preventing governmental exploitation of the nation's money supply for electoral or other politically driven purposes. An independent central bank should be positioned to prioritize core objectives such as an economy's price stability and inflation control (Ezzat & Fayed, 2019). Achieving these objectives is crucial for creating a stable economic framework, which underscores the essential role of CBI within the broader spectrum of economic governance and policy formulation. However, Ezzat and Fayed's (2019) research also points out that while independence from political influence typically supports democratic ideals, excessive autonomy might counterintuitively diminish the effectiveness of CBI. They emphasize the importance of striking a careful balance that promotes good governance and anti-corruption efforts without compromising the effectiveness of monetary policy.

In another insightful study, Abdellatif et al. (2019) investigated fiscal transparency and its significance in democratic legislation within the Middle East and North Africa (MENA) region, focusing on Egypt, Jordan, and Tunisia. Employing the Open Budget Index (OBI) as their main analytical framework, they evaluated the budgetary frameworks of these countries, highlighting the crucial role of public access to budget information, opportunities for citizen participation, and the effectiveness of oversight institutions in promoting fiscal responsibility. Abdellatif et al. (2019) research identifies a disturbing contradiction in Egypt: while primary legal documents are accessible, financial barriers like paywalls limit equal access. The absence of standardized methods for evaluating the financial impact of laws and a general lack of budgetary impact analyses further complicate the situation, pointing to vital areas where Egypt needs to improve its fiscal transparency efforts, especially in stakeholder engagement and public budget discussions (Abdellatif et al., 2019).

According to Abdellatif et al. (2019), Jordan is taking significant steps toward enhancing transparency in its legislative process by making proposed laws accessible to the public before their final approval. This initiative, however, stops short of mandating the inclusion of financial impact assessments for these laws (Abdellatif et al., 2019). In collaboration with the United States Agency for International Development (USAID), Jordan has developed preliminary guidelines for conducting financial impact assessments of laws (Abdellatif et al., 2019). These guidelines aim to gain a clearer insight into new legislation's potential effects on the nation's fiscal health. Nonetheless, executing such financial impact assessments is contingent upon a specific request from the Prime Minister, indicating a selective approach to conducting these evaluations (Abdellatif et al., 2019).

Abdellatif et al. (2019) state that Tunisia sets a commendable standard within the region for attempts to attain greater fiscal transparency, as evidenced by its adherence to Circular No. 14, which mandates comprehensive impact assessments for draft laws. This policy promotes transparency and ensures that legislation undergoes thorough scrutiny of its financial implications, embedding a culture of accountability and meticulous legislative review. Abdellatif et al. (2019) advocate for expanded research efforts to explore fiscal transparency further and its impact on governance. They call for comparative studies across the MENA region to better understand the relationship between transparency, public engagement, and the effectiveness of legislative impact assessments. Such research is vital for identifying best practices and fostering environments where fiscal transparency and democratic governance can thrive.

The Role of Fiscal Policies in Economic Development and Investment

In economic development, particularly in developing nations, the strategic implementation of tax policies plays a crucial role in attracting Foreign Direct Investment (FDI). Abdellatif et al. (2021) provide a comprehensive analysis, focusing on Egypt's experience from 1975 to 2017 to explore the interplay between FDI and its determinants, notably tax incentives and supply-side tax policies. Abdellatif et al.'s (2021) empirical investigation aims to shed light on the effectiveness of these fiscal strategies in encouraging FDI inflows and to offer actionable policy recommendations for similarly situated countries.

Abdellatif et al.'s (2021) research uncovers a significant disparity in the effectiveness of tax incentives compared to supply-side tax policies on FDI attraction. Their findings suggest that policies characterized by simplified tax structures and lower tax rates are more effective in attracting FDI to Egypt than traditional tax incentives, which have a negligible impact. This finding is critical, considering the global tax obligations of multinational enterprises (MNEs), which diminish the attractiveness of tax exemptions in host countries. Abdellatif et al. (2021) advocate for broader income tax bases and lower rates, typical of supply-side taxation, as measures that better align with the operational realities of MNEs and thereby attract greater levels of FDI inflows.

Complementing the analysis conducted by Abdellatif et al. (2021), Alaa et al. (2021) explore the broader factors influencing economic growth in Egypt, grounded in endogenous growth theory. Alaa et al. (2021) explain that foreign investment significantly boosts a country's economy over the long term but has a small impact in the short run. This assertion by Alaa et al. (2021) shows how foreign investment and economic growth are closely linked: investment helps increase cash flows and production, which draws in even more investment, creating a growth cycle.

Furthermore, Alaa et al. (2021) explore the contribution of international trade and technological progress to economic strength, advocating for open trade policies and investments in research and development. However, Alaa et al. (2021) also identify macroeconomic challenges such as exchange rate volatility, financial development concerns, and the adverse effects of interest rates and inflation on growth.

By synthesizing findings from both studies, a comprehensive narrative emerges on the interdependence of fiscal policy, FDI, and economic growth. Abdellatif et al. (2021) and Alaa et al. (2021) collectively offer a nuanced understanding of the fiscal and macroeconomic levers that can be mobilized to enhance economic development. They highlight the critical balance between attracting FDI and fostering a conducive environment for sustainable growth. Their contributions underscore the importance of informed policy-making in leveraging economic and fiscal strategies for development and integration into the global economy.

Diwan et al. (2020) conduct a thorough examination of how cronyism influences Egypt's economic progression, with a particular emphasis on the period characterized by changes in business regulations. Diwan et al.'s (2020) study reveals the adverse consequences of political favoritism on economic growth and labor market dynamics, highlighting cronyism as a major barrier to equitable economic progress. The involvement of politically connected firms in key sectors led to hindered employment and labor productivity growth, illustrating how political ties negatively affect job creation and efficiency. Notably, crony firms' access to trade protections and subsidies facilitated undue profit margins, undermining competition and deterring broader economic investment (Diwan et al., 2020).

Alveredo et al. (2019) conducted a comprehensive analysis of income inequality across the Middle East from 1990 to 2016, employing an innovative methodology that integrates household surveys, national accounts, tax records, and wealth data. Their study fills a critical void in economic research by identifying the Middle East as the region exhibiting the highest level of income inequality worldwide. They found that the share of income held by the top decile is 64%, markedly surpassing figures reported in Western Europe, the United States, and Brazil. Alveredo et al. (2019) emphasize the enduring nature of this inequality while also acknowledging minor fluctuations that raise questions about the impact of geopolitical and economic shifts on these patterns. Alveredo et al. (2019) attribute a considerable portion of these income disparities to the substantial oil wealth in certain regional countries, underscoring the complex interplay between natural resources and economic distribution.

Alveredo et al. (2019) advocate for greater income and wealth data transparency, suggesting that redistribution mechanisms are vital for mitigating regional deep-seated inequalities. Alveredo et al. (2019) underscore the disparities between nationals and foreign workers in Gulf countries, contributing insights relevant to social cohesion, labor rights, and economic policy.

The study by Giovannetti et al. (2020) enriches the discussion initiated by Alveredo et al. (2019) by examining the effects of tariff modifications on the Egyptian labor market. Giovannetti et al. (2020) research analyzes the impact of changes in tariffs—taxes on imported goods—on the labor market, specifically focusing on real wages and job stability amid substantial geopolitical and economic shifts.

Contrary to the expectation that higher tariffs would protect domestic industries and benefits workers, Giovannetti et al. (2020) uncovered that increased tariffs led to lower wages and reduced job stability. Conversely, tariff reductions did not significantly improve wages or job stability for workers. This finding debunks the assumption that protective tariffs necessarily aid workers, revealing instead that such measures might inadvertently lower their earnings and diminish job security. The study by Giovannetti et al. (2020) highlights a critical insight: modifications in tariff policies, whether increases or decreases, did not yield the anticipated benefits for Egyptian workers in terms of enhanced earnings or more stable employment opportunities.

Conversely, tariff liberalization does not inherently enhance worker conditions, suggesting a nuanced relationship between trade policies and labor market outcomes (Giovanneti et al., 2020). Crucially, Giovannetti et al. extend their analysis to include the importance of fiscal transparency, arguing that understanding the nuanced impacts of tariff changes on employment necessitates clear and open fiscal policies. Such transparency is essential for dissecting the multifaceted effects of trade adjustments and fostering policies that genuinely support worker welfare and economic stability.

The research by Alveredo et al. (2019) and Giovannetti et al. (2020) collectively underscores the complexities of economic policies and their ramifications on inequality and labor markets. Both studies advocate for a nuanced understanding of policy impacts, calling for integrated approaches that consider economic growth and the workforce's well-being. Their contributions enrich academic dialogue and provide valuable perspectives for policymakers striving for more inclusive and equitable economic structures.

Complementing this analysis, Shaohua et al. (2020) examine the effects of governmental policies, macroeconomic stability, and financial market development globally. Shaohua et al. (2020)

underscore macroeconomic stability as fundamental to developing resilient financial markets, noting that stability attracts investment and enhances market efficiency. The study stresses the importance of government transparency in amplifying the benefits of macroeconomic stability, as it equips market participants with vital information for informed decision-making (Shaohua et al., 2020).

Shaohua et al. (2020) also assess the ambivalent nature of anti-monopoly policies, acknowledging their immediate benefits in curbing market power concentration while cautioning against potential long-term challenges like information asymmetry. This nuanced view on policy impacts emphasizes the delicate balance required in policy formulation and implementation to ensure sustainable financial market growth.

The studies conducted by Diwan et al. (2020) and Shaohua et al. (2020) highlight the intricate interplay between government policies, economic development, and market dynamics. They advocate for a balanced approach to policymaking, emphasizing transparency, fairness, and competition as essential for fostering sustainable development and political stability.

Achar (2020) provides an incisive exploration of socioeconomic inequality in the Arab region, focusing on Egypt's peculiar scenario where official statistics depict low inequality levels despite widespread perceptions of significant social disparity. This discrepancy is central to understanding the Arab Spring's roots, which Achar (2020) attributes to flawed inequality measurements, particularly household surveys that fail to capture the wealthiest segments' income.

Household surveys in the Arab region, particularly in Egypt, are criticized for failing to accurately capture the incomes of the wealthiest households, leading to a significant underestimation of socioeconomic inequality (Achcar, 2020). These surveys often rely on consumption data rather than income or wealth, masking more profound income and wealth disparities and complicating international comparisons due to varying data accuracy (Achcar, 2020). The methodology's limitations, including non-response or underreporting from high-income households, challenge the credibility of data on socioeconomic inequality, contributing to the debate around the 'Arab Inequality Puzzle' (Achcar, 2020).

Further examining crony capitalism and corruption, Achar (2020) identifies these as critical factors deepening societal rifts, particularly in Egypt. Achar (2020) suggests that the entanglement of economic policies and market competition with political favoritism has entrenched inequality. Additionally, Achar (2020) critiques the role of globalization in exacerbating income disparities, arguing that Egypt's economic reforms intended to integrate with the global economy have paradoxically widened socioeconomic gaps. Through this analysis, Achar (2020) challenges conventional approaches to measuring inequality and underscores the intricate effects of economic policies, crony capitalism, and globalization on socioeconomic divides, offering insights into the Arab Spring's socioeconomic drivers.

Complementing this discourse, Sallam (2019) examines the impact of currency volatility on Egyptian private companies' investment behaviors from 1982 to 2015. Currency volatility discourages capital expenditure primarily due to its impact on the prices of imported capital goods, which are significant for countries like Egypt, where a large portion of capital goods are imported.

The paper by Sallam (2019) highlights that changes in the prices of capital goods, which are directly affected by fluctuations in the exchange rate, are significant factors that negatively impact investment rates (Sallam, 2019). As the prices of imported capital goods denominated in local currency are subject to foreign exchange market conditions, investors bear exchange risk related to repaying their foreign currency debt to banks. This introduces uncertainty in investment decisions, as firms face risks associated with exchange rate fluctuations, potentially leading to higher costs for capital goods and discouraging investment (Sallam, 2019). Moreover, the study emphasizes that foreign exchange market reforms and improvements in the trade balance are crucial for alleviating obstacles that hinder investment, indicating that addressing currency volatility can positively affect capital expenditure decisions (Sallam, 2019).

Together, Achar (2020) and Sallam (2019) enrich the dialogue on socioeconomic inequality and economic policy in Egypt, highlighting the need for refined inequality measures and stable macroeconomic frameworks to address socioeconomic disparities and foster sustainable development. Hassaan and Salah (2023) explore the nuanced dynamics between corporate governance, financial transparency, and the economic perturbations caused by Egypt's currency devaluation. The research highlights the November 2016 decision by the Egyptian Central Bank to devalue the national currency, a move prompted by International Monetary Fund pressures to stabilize the stock exchange. This policy significantly increased the US dollar's value, inducing a substantial economic shock without prior preparation for the impacted groups (Hassaan & Salah, 2023). The study timely addresses corporations' intricate challenges in preserving precise and trustworthy financial reporting amidst considerable macroeconomic fluctuations.

This investigation is particularly pertinent to stakeholders in developing economies with structural similarities to Egypt's, underscoring the critical significance of solid corporate governance and vigilant auditing in achieving financial transparency. Hassaan and Salah (2023) highlight the crucial function of independent leadership and active financial auditing in maintaining transparent reporting.

Cobham (2020) comprehensively examines monetary policy frameworks (MPFs) in the MENA region, comparing these with practices in advanced and other emerging markets. This analysis highlights the distinct approaches and implications of exchange rate targeting (ERT) and inflation targeting (IT), underscoring ERT's focus on currency stability, often at the cost of domestic policy freedom due to heavy foreign exchange interventions. In contrast, IT emphasizes price stability, granting central banks the leeway to tailor monetary policy to domestic needs, contingent on a robust financial system and policy transparency (Cobham, 2020).

Cobham (2020) states that IT is distinguished by its emphasis on transparency and accountability, requiring central banks to make public their inflation goals and policy strategies, thus bolstering monetary policy's predictability and credibility. This focus on maintaining price stability helps mitigate inflationary expectations, fostering a conducive environment for long-term economic growth by stabilizing the financial landscape for investment and consumption (Cobham, 2020).

Through Cobham's (2020) exploration, the complex relationship between policy flexibility, inflation management, and economic performance in the MENA region becomes apparent. This illustrates the variety of monetary strategies and governance across these nations. The study by

Cobham (2020) underscores the importance of a considered approach to monetary policy that balances the objectives of inflation control with those of economic expansion.

The study by Ali et al. (2022) provides an in-depth analysis of the dynamics between shareholder composition and the transparency of corporate political spending among S&P 500 companies. This investigation is particularly timely and relevant, given the growing public and regulatory interest in corporate governance practices and the ethical implications of political contributions by corporations. By dissecting the influence of institutional, insider, governmental, and foreign shareholders on the disclosure of political expenditures, Ali et al. (2022) fill a significant gap in the literature concerning corporate transparency and accountability.

One of the key findings of the study conducted by Ali et al. (2022) is that companies with a higher proportion of institutional or governmental ownership tend to exhibit greater transparency regarding their political spending. This suggests that these types of shareholders may prioritize ethical considerations and the potential impact of political activities on corporate reputation and stakeholder trust. The inclination of institutional and governmental shareholders towards more disclosure aligns with broader trends in ethical investing and corporate social responsibility, reflecting a demand for higher standards of accountability in corporate conduct (Ali et al., 2022).

Conversely, Ali et al. (2022) observe that companies predominantly owned by insiders, such as managers and employees, are generally less forthcoming about political spending. This could be attributed to the potential conflicts of interest and the desire to maintain discretion over activities that could influence tax policies, regulations, or government contracts to their advantage. The reluctance to disclose political contributions in such cases underscores the complex interplay between corporate governance, ownership structure, and transparency practices.

Interestingly, Ali et al. (2022) note that governmental owners may not necessitate increased political spending disclosure if the company already demonstrates robust financial and operational transparency. This finding hints at a nuanced understanding of transparency by governmental shareholders, who may weigh a company's overall governance and disclosure practices when assessing the need for specific political spending information (Ali et al., 2022).

Moreover, Ali et al. (2022) identify competitive pressures as a catalyst for greater openness about political expenditures. Companies facing intense market competition may use disclosure as a strategic tool to garner public support and legitimize their political engagements (Ali et al., 2022). This aspect of the findings highlights how external market forces can influence corporate transparency beyond the internal dynamics of shareholder composition.

Ali et al.'s (2022) research significantly contributes to the scholarly literature on political spending disclosure and fiscal transparency, offering valuable insights into how ownership structures impact corporate transparency practices. The study sheds light on the motivations behind varying levels of disclosure and informs ongoing discussions among policymakers, investors, and corporate governance advocates about enhancing transparency and accountability in corporate political activities.

The study conducted by Aboud and Diab (2019) provides a comprehensive analysis of the correlation between Environmental, Social, and Governance (ESG) ratings and corporate performance, both in financial terms and market dynamics. This research is particularly significant as it examines the importance of sustainability and corporate responsibility in shaping business outcomes. By examining the impact of ESG ratings on companies, Aboud and Diab (2019) contribute to a deeper understanding of how these factors influence trading activity, stock liquidity, profitability, and overall financial health.

One of the critical findings of Aboud and Diab's (2019) study is the positive association between high ESG ratings and enhanced market performance, characterized by increased trading activity and improved stock liquidity. This indicates that the market rewards companies recognized for their commitments to environmental stewardship, social responsibility, and strong governance structures (Aboud & Diab, 2019). Such companies are perceived as less risky and more sustainable in the long term, attracting more investors and potentially leading to a premium in their stock valuation (Aboud & Diab, 2019).

Furthermore, Aboud and Diab (2019) uncover that higher ESG ratings correlate with a higher return on assets, signifying greater profitability. This suggests that sustainable practices and ethical governance benefit the environment and society, thus translating into financial benefits for the company. Integrating ESG principles into business operations and strategy enhances efficiency, innovation, and stakeholder trust, leading to superior financial performance.

Aboud and Diab (2019) also highlight strengthening the link between ESG ratings and financial performance following political changes in Egypt. This observation underscores the role of macroeconomic and political stability in amplifying the benefits of good ESG practices. In times of political transition or uncertainty, companies with strong ESG credentials may be viewed as more resilient and better positioned to navigate challenges, further attracting investment and supporting financial success (Aboud & Diab, 2019).

Aboud and Diab's (2019) research underscores the importance of ESG factors in investment decision-making and corporate strategy, particularly in regions experiencing political and economic volatility. The findings advocate for broader adoption of ESG criteria in evaluating company performance and investment potential, suggesting that a commitment to sustainability and responsible governance can lead to tangible financial and market advantages.

Allah (2019) assesses the transformative potential of the digital economy for Egypt, particularly after the 2011 revolution, by benchmarking against global leaders like Sweden and Singapore. Allah (2019) presents a comprehensive framework for Egypt's economic empowerment through technology, emphasizing the essential roles of digital infrastructure and education. Allah (2019) identifies Sweden and Singapore's success as rooted in their commitment to technological innovation and digital literacy, suggesting a similar path for Egypt, including technology adoption, educational reforms, and infrastructure development.

Allah (2019) explores explicitly the impact of digital currencies, such as Bitcoin, on financial systems, pointing out their capacity to streamline transactions by bypassing traditional banking intermediaries. This shift towards digital currencies, backed by blockchain technology, is seen as a step towards financial inclusiveness and a more efficient financial ecosystem in Egypt (Allah, 2019).

Allah (2019) also examines the potential of digital technologies to enhance governmental operations, proposing that Egypt can leverage these tools to improve service delivery, combat corruption, and enhance public sector accountability and transparency. Allah (2019) underscores this digital shift as a critical strategy for Egypt to achieve its ambitious goal of joining the top 30 economies by 2030.

Literature Review Conclusion

This scholarly review synthesized findings from various studies addressing fiscal transparency, economic and corporate governance, digital transformation, and sustainability within the context of Egypt and the broader MENA global landscape. The emerging themes from the review include the intricate relationship between corporate governance and transparency, the impact of digital economies on growth and development, the role of environmental, social, and governance (ESG) criteria in enhancing corporate performance, and the influence of shareholder composition on corporate political spending transparency.

Studies by Hassaan and Salah (2023) and Ali et al. (2022) highlighted the crucial role of effective corporate governance in ensuring transparency and accountability, particularly in financial disclosures and political spending. Hassaan and Salah (2023) found that currency devaluation challenges corporate governance and auditing quality, leading to diminished financial transparency. Ali et al. (2022) discovered that companies with significant institutional or governmental ownership were more transparent about their political expenditures. These findings underscore the complexity of corporate governance mechanisms and their critical role in enhancing or impairing transparency depending on the external economic conditions and shareholder composition.

The review revealed the transformative potential of digital economies, as explored by Allah (2019), who emphasized Egypt's opportunity to leverage digital technologies for economic growth and development post-2011 Arab Spring revolution. By drawing parallels with Sweden and Singapore, the study illustrates the importance of robust digital infrastructure and education systems as pillars for a successful digital economy. Additionally, the advent of digital currencies was highlighted as a key component of financial sector evolution, offering new opportunities and challenges for economic systems. The emphasis on digital transformation underscores the critical role of technology in facilitating economic resilience and competitiveness.

Aboud and Diab's (2019) research into ESG ratings and corporate performance presents a compelling argument for the integration of sustainability practices within corporate strategies. The study found that higher ESG ratings correlate with better market and financial performance, especially in the context of political changes. This theme resonates with the growing recognition of sustainability as a driver for corporate success, reflecting an increasing demand for responsible business practices that align with broader societal and environmental objectives.

Ali et al. (2022) explored the influence of shareholder composition on corporate behavior, particularly regarding the disclosure of political spending. The study's findings indicate that the nature of ownership impacts the level of transparency in political expenditures, with institutional and governmental shareholders promoting greater openness. This theme highlights the nuanced ways in which different types of shareholders shape corporate governance practices and the implications for accountability and ethical conduct.

The confluence of these themes illustrates the multifaceted challenges and opportunities facing Egypt and similar MENA economies in navigating the complexities of modern economic governance, sustainability, and digital transformation post-Arab Spring. The studies collectively underscore the importance of robust governance frameworks at the corporate and national levels to enhance transparency, accountability, and ethical conduct. Furthermore, they highlight the transformative potential of digital technologies in reshaping economic landscapes, underscoring the necessity for strategic investments in digital infrastructure and literacy to harness these opportunities.

Moreover, the emphasis on ESG criteria and sustainability practices reflects a broader shift towards responsible business conduct that aligns with societal and environmental objectives. As companies and economies strive to balance economic growth with sustainability, integrating ESG principles is critical for achieving long-term success.

In conclusion, the scholarly review highlights the dynamic interplay between fiscal transparency, governance, technology, sustainability, and shareholder influences in shaping corporate and economic outcomes. As Egypt and other economies with similar geopolitical frameworks navigate the challenges of economic development, political stability, and global competitiveness, the insights from these studies offer valuable guidance for policymakers, corporate leaders, and stakeholders. By embracing transparent governance practices, leveraging digital transformation, and committing to sustainability, economies can foster an environment conducive to innovation, growth, and equitable development.

Analysis

The extensive literature review on fiscal transparency and governance within Egypt and the broader MENA region reveals several critical themes. These themes underscore the multifaceted nature of fiscal transparency and its implications for governance and economic performance and highlight the challenges and opportunities facing several countries in the MENA region post-Arab Spring. This analysis delves into these emerging themes, explaining their significance and the interconnections among them.

Fiscal Transparency as a Cornerstone for Enhanced Governance

A central theme that emerges from the literature is the pivotal role of fiscal transparency in improving governance quality. Fiscal transparency—defined as the full disclosure of government financial activities to the public—serves as a foundational element for accountability, public trust, and effective policy implementation. Research consistently shows that when governments operate transparently, particularly in their budgeting processes, they enable greater oversight, reduce opportunities for corruption, and foster a sense of trust among citizens and investors alike. This relationship suggests that fiscal transparency is not merely a procedural attribute but a substantive driver of improved governance outcomes.

Inverse Relationship between Transparency and Corruption

Closely linked to the discourse on governance is the theme concerning the inverse relationship between fiscal transparency and corruption. The literature review documents a consistent negative correlation between the level of budgetary transparency and perceptions of corruption within a country. Higher transparency in fiscal matters tends to coincide with lower levels of corruption, which, in turn, contributes to enhanced governance. This finding is crucial, as it indicates that efforts to increase fiscal transparency can be an effective strategy for combating corruption—a pervasive challenge across the MENA region and a significant barrier to economic and social development.

Economic Implications of Fiscal Transparency

Another significant theme pertains to the economic impact of fiscal transparency. The literature review reveals that transparent fiscal policies and practices have a direct bearing on a country's economic performance and attractiveness to investment. Specifically, transparency in government budgeting and fiscal policies provides a stable and predictable environment for investors, thereby attracting foreign direct investments (FDI) and other forms of investments. Furthermore, transparent fiscal management ensures the efficient allocation of resources, contributing to economic growth and stability. This theme highlights the economic dividends of fiscal transparency, emphasizing its role not just in governance reform but also in economic policy and planning.

Challenges of Fiscal Transparency Implications

Despite the acknowledged benefits of fiscal transparency, the literature also addresses the substantial challenges to its implementation. These obstacles encompass institutional hindrances, opposition from political sectors, the intricacy of financial frameworks, and potential opposition from established interests that gain from a lack of transparency. The literature points to the need for a multifaceted approach to overcome these obstacles, involving political will, institutional reform, and stakeholder engagement. This theme underscores the complexity of the path toward greater fiscal transparency, highlighting the need for tailored strategies that consider the unique political and economic contexts of MENA countries.

Role of International and Domestic Stakeholders

A further theme involves the critical role of both international and domestic stakeholders in promoting and implementing fiscal transparency. International organizations, such as the IMF and World Bank, alongside civil society organizations and the private sector, emerge as key proponents of transparency reforms. Their involvement ranges from advocacy and pressure for reform to providing technical assistance and resources for implementing transparency measures. This theme underscores the importance of collaborative efforts and partnerships in advancing fiscal transparency initiatives, pointing to the synergies between domestic reform agendas and international support mechanisms.

Comparative Perspectives within the MENA Region

Lastly, the literature review highlights the value of comparative analysis within the MENA region. The literature identifies best practices and pinpoints gaps by examining the varied experiences and outcomes of fiscal transparency efforts across different MENA countries. It offers a nuanced understanding of the complex regional landscape. This comparative perspective is instrumental in contextualizing Egypt's experience within the broader regional dynamics, providing a richer analysis of the factors contributing to successful transparency initiatives.

In conclusion, the literature review on fiscal transparency and governance in Egypt and the MENA region reveals a complex interplay of factors influencing governance and economic outcomes. The themes identified here underscore the critical importance of fiscal transparency as a catalyst for governance improvement, economic development, and anti-corruption efforts. They also highlight the challenges to implementation and the crucial role of a broad coalition of actors in driving reforms. As Egypt and other MENA countries navigate the path toward greater fiscal transparency, these themes offer valuable insights for policymakers, civil society, and international partners in formulating effective strategies for reform.

Recommendations

A comprehensive approach encompassing policy reforms and innovative programming is essential to address the intricate challenges of fiscal transparency and its consequential impact on governance and economic performance in Egypt and the broader MENA region. Strengthening legal frameworks constitutes a critical initial step; legislation that mandates the full disclosure of government financial dealings, adhering to international standards like the IMF's Fiscal Transparency Code, is vital. Such legal underpinnings should guarantee the autonomy of auditing bodies to facilitate impartial government account evaluations, reinforcing the infrastructure for transparency.

Moreover, the integration of technology-driven solutions into fiscal processes can revolutionize the accessibility and analysis of financial data. Governments should prioritize investments in digital platforms that enable real-time fiscal data reporting, enhancing public access and interaction with this information. The potential of emerging technologies, such as blockchain, offers promising avenues to fortify the accuracy and security of financial records, thereby increasing public trust in fiscal management.

Promoting public participation in fiscal matters is another cornerstone of enhancing transparency and accountability. Policies encouraging the engagement of civil society, NGOs, and citizens in the budgeting process—from planning to implementation and review—can significantly amplify oversight and ensure government accountability. Initiating public consultations, participatory budgeting, and establishing civil oversight mechanisms are practical steps toward democratizing fiscal governance and fostering a culture of inclusivity and transparency.

Capacity building and public awareness campaigns are pivotal in equipping stakeholders with the necessary skills and knowledge to effectively engage with fiscal information. Tailored programs for government officials, media personnel, and civil society representatives, alongside widespread awareness initiatives, can cultivate an informed public discourse on fiscal transparency. Such efforts not only empower stakeholders but also nurture a societal ethos valuing transparency and accountability as foundational elements of governance.

International cooperation and support play a substantial role in advancing fiscal transparency reforms. Leveraging technical assistance, resources, and expertise from international organizations and fostering regional collaboration through forums and networks can provide MENA countries with the necessary support and guidance for reform implementation. This collaborative framework can facilitate the exchange of best practices and experiences, enhancing regional capacities to achieve transparency objectives.

Lastly, engaging the private sector as an active participant in transparency initiatives is crucial. The private sector's involvement, driven by its vested interest in stable and transparent fiscal environments for investment, can be mobilized through incentives and public-private partnerships focused on developing transparency tools. Business associations can also be pivotal in advocating for transparency and aligning government and private interests toward common goals.

Implementing these multifaceted recommendations demands a concerted effort from all stakeholders—government, civil society, the private sector, and international partners. Though the path to enhanced fiscal transparency and improved governance is fraught with challenges, a strategic and inclusive approach rooted in the principles of openness, participation, and accountability can pave the way for more effective governance and sustainable economic development across Egypt and the MENA region.

Summary

This study investigates the intricacies of fiscal transparency and governance across Egypt and the MENA region, underscoring the crucial role that fiscal transparency plays in bolstering governance, curbing corruption, and fostering economic growth and stability. Through an extensive literature review, the research identifies key themes, evaluates the challenges and prospects linked to fiscal transparency, and suggests specific policy measures to tackle the highlighted issues.

One primary finding from the literature review is the indispensable role of fiscal transparency in driving improved governance. The practice of maintaining open and accessible government financial information promotes accountability, builds public trust, and facilitates effective policy execution. The research finds a negative correlation between fiscal transparency and corruption levels, suggesting that transparency in government financial activities can significantly mitigate corruption and elevate governance quality.

The study also sheds light on the economic benefits of fiscal transparency. It demonstrates that clear and transparent fiscal policies are vital for attracting foreign direct investment (FDI) by offering a reliable and stable investment climate. Additionally, it points out that fiscal transparency contributes to the efficient distribution of resources, which is beneficial for economic stability and growth, highlighting its importance in governance improvement and economic strategy and planning.

Challenges to the implementation of fiscal transparency in the MENA region, especially Egypt, are also addressed. These include institutional hurdles, resistance from political factions, complex financial systems, and opposition from interests vested in maintaining a lack of transparency. The resolution of these challenges calls for political dedication, institutional reforms, and the involvement of multiple stakeholders, underlining the complexity involved in enhancing fiscal governance.

The research emphasizes the role of both international and domestic actors in advocating for fiscal transparency. Organizations like the IMF and the World Bank, alongside civil society and the private sector, are identified as key supporters of transparency reforms. Their work in advocacy, technical assistance, and resource provision is crucial in propelling transparency efforts forward. The study highlights the value of collaborative work and partnerships in pushing for reforms, pointing out how domestic objectives align with international support.

The research offers insights into effective practices and existing gaps in fiscal transparency and governance through comparative analysis within the MENA region. This approach provides a deeper understanding of regional variations and the diverse effects of transparency efforts across different countries within the MENA region.

The paper concludes by transforming the extensive analysis into practical policy suggestions to overcome the challenges to fiscal transparency in Egypt and the broader MENA region. These recommendations cover enhancing legal frameworks, adopting technological solutions, encouraging public engagement, improving capacity and awareness, strengthening international collaboration, and promoting private-sector involvement. These strategies represent a comprehensive approach to advancing fiscal transparency and governance reforms.

This research underscores the importance of the ongoing debate on governance and economic growth in the MENA region. It presents valuable insights for policymakers, civil society, and international stakeholders in devising effective strategies to improve transparency, governance quality, and economic robustness. Moreover, this paper aims to lay the groundwork for future research, encouraging a continued exploration of how enhanced fiscal transparency can serve as a cornerstone for sustainable economic and governance models in the MENA region and beyond.

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