



Co-Published Brief

EGYPT'S BUDGET FOR FY 2022/2023

AND ITS STIMULUS MEASURES & PACKAGES TO BOOST THE
ECONOMIC ACTIVITY IN THE WAKE OF THE GLOBAL CRISIS

Transparency Brief No. (8)

Fiscal Transparency and Citizen Engagement unit in the Ministry of Finance publishes this series of transparency briefs in collaboration with UNICEF in light of the government's keenness on enhancing Fiscal Transparency and Citizen engagement in state's budget process according to the internationally recognized standards to achieve adequate, effective, and transparent budgets for achieving greater and more equitable results.

Therefore, these reports aim at raising the awareness of citizens on what is taking place on a global scale affecting the Egyptian economy so that they can participate effectively in the participatory budget process.

All the information detailed hereafter is the sole responsibility of the Ministry of Finance of Egypt as it is the leading source for all the state budget allocations for the FY 2022-2023.

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1.0

Introduction

While the world is still recovering from the COVID-19 spillovers, the Russian Ukrainian full-scale conflict came leading to many consequences on disturbing and even stopping global supply chains at times, and a decline in global growth prospects.

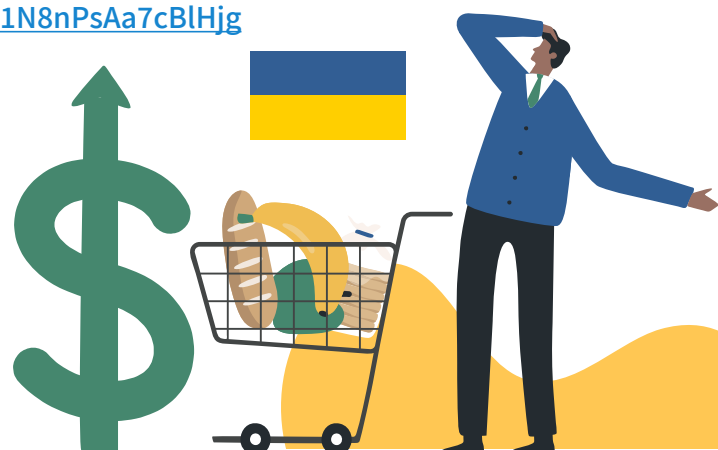
The Russian-Ukrainian crisis threatened the recovery gained after Covid-19 resulting to an increase in the cost of living of citizens. Therefore, the Government of Egypt (GOE) intensified its efforts not to lose the momentum toward implementing UN Sustainable development goals (SDGs) by 2030, especially in light of the crises.

Egypt is considered one of the Middle East countries that has been impacted by these unprecedented challenges. Nevertheless, despite the severity of the global crisis, the Egyptian Economy proved resilience and flexibility thanks to the macroeconomic reforms adopted by the Egyptian government since November 2016, which enhanced expected growth opportunities and economic recovery in the wake of these crises.

The government has responded with various Economic measures and fiscal policies with the aim of ensuring the protection of families, children, and the most vulnerable segments of society absorbing direct and indirect impacts, and supporting the Egyptian economy from the impact of global crises.

Therefore, this brief aims at highlighting the most important reform measures, rapid decisive and precautionary interventions, and mitigation packages allocated by the government of Egypt to deal with the negative effects of the global crisis on each of public health, economic and social levels. This brief also highlights the efforts of the Egyptian Ministry of Finance in enhancing transparency and citizen engagement through this series of transparency briefs to raise the awareness of citizen about the updates in the Global Economy echoing on the Egyptian economy. Such reports encourage citizens to participate in the various available methods facilitated by the Transparency unit through its website www.budget.gov.eg, or social media leading them to become active citizens and participate in voting on decisions related to budget preparation process at the local level. For more information, visit one of the following means of Social Media and Communication:

- <https://www.facebook.com/FTCEUnit>
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Implications of Russian-Ukrainian war on the global economy

Prior to the Russian invasion of Ukraine in late February 2022, the world was facing multidimensional challenges to overcome the economic repercussions caused by Covid-19.

However the outbreak of the Russian-Ukrainian conflict increased risks of global financial stress, inflation, food and energy insecurity, especially across emerging markets and developing economies (EMDEs).



2.1. IMF: Downgraded estimates for global Economic Growth

A significant slowdown in the global economic activity is expected to reach to around 2.8% in 2023, compared to a **growth rate of 3.4% in 2022, and 5.9% in 2021.**¹

Worsened global debt burden, and rising borrowing costs across the globe:

It is expected that the continuous crises will cause Worsened global debt burden, for the sovereign borrowing costs risen across the globe after Covid-19.

- Global debt as percent of **GDP rose from 256% in 2020 to 351% in 2021** as a result of the global crises.²
- According to the World Bank, Close to 60% of the world’s poorest countries are either in an already critical debt distress or at high risk of it.³

Statement	2021	2022	2023	2024
Real GDP growth rate (%) in the Global Economy	6.2	3.4	2.8	3.0
Real GDP growth rate (%) in the Developed Countries	5.4	2.7	1.3	1.4
Real GDP growth rate (%) in the European Countries	5.3	3.5	0.8	1.4
Real GDP growth rate (%) in the Emerging markets and developing economies	6.7	4.0	3.9	4.2
Real GDP growth rate (%) in the Developing and Emerging Asia	7.4	4.4	5.3	5.1
Real GDP growth rate (%) in the Middle East and Central Asia	4.5	5.3	2.9	3.5
Real GDP growth rate (%) in the Sub-Saharan Africa	4.7	3.9	3.6	4.2

Source: IMF – WEO April, 2023.

¹IMF World Economic Outlook, April 2023

²International Monetary Fund Global Debt Database 2021 and World Bank Group 2022.

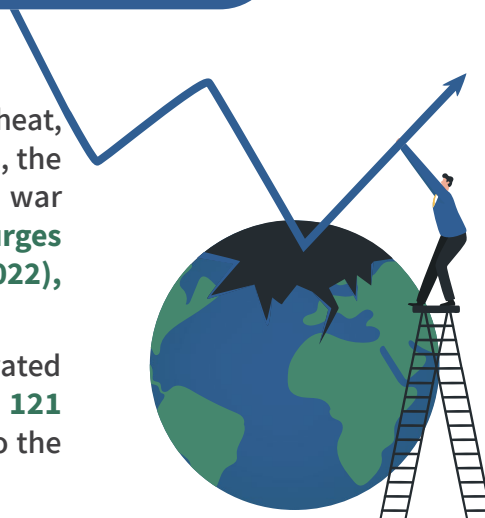
³Press release: Debt-Service Payments Put Biggest Squeeze on Poor Countries Since 2000. World Bank. December 2022. Accessed at: <https://www.worldbank.org/en/news/press-release/2022/12/06/debt-service-payments-put-biggest-squeeze-on-poor-countries-since-2000>

⁴It’s noteworthy that Egypt has been classified by the IMF as a Low middle income country.



2.2. Global inflationary pressures, supply chains bottlenecks, and accelerated monetary policy tightening

- As Russia and Ukraine were the world's largest exporters of wheat, natural gas, seed oils, corn, and several other commodities, the most immediate impact of the protracted Russia-Ukraine war was the disrupted supply of essential goods and **the large surges in the prices of these commodities (according to WTO, 2022), especially wheat and petroleum.**
- The situation was further exacerbated by the stubbornly elevated inflation that added pressure on public finances in over **121 countries**, particularly EMDEs, which have been exposed to the risks of high inflation rates.
 - In August 2022, the UN Global Crisis Response Group on Food, Energy and Finance has estimated an **increase in food prices by 32% since January 2022 and 50% since January 2020.**⁵
 - The situation has been exacerbated by high inflation which has contributed to the appreciation of the US dollar against many currencies in the world and increased costs of imports globally. According to UN Department of Economic and Social Affairs & Economic Analysis, 68 out of 146 countries recorded an inflation rate above 10% and 15 countries recorded an inflation rate above 30% in October 2022.⁶
 - As per the IMF World Economic Outlook (WEO), published in April 2023, Brazil and the United Kingdom's average inflation rate together is 5.9%, while Russia's is 7%. However, the average **inflation rate of Argentina's 98.6% and that of Turkey is 50.6% compared to Egypt's Average CPI of 21.1% July-March 2022/23** (CAPMAS, 2023).
 - However, despite the recent increase on Egypt's average inflation rates, while reaching 31.9% in February 2023, the Central Bank of Egypt is working on a plan to control the inflationary pressures and reduce targetted inflation rates to 7% ($\pm 2\%$) on average during the fourth quarter of 2024.
- This current situation resembles the stagflation of the 1970s, which was similarly characterized by persistent supply-chain shocks that fueled inflationary pressures and therefore pushed advanced economies to tighten monetary policies (by raising interest rates) to reduce the demand for money. It is worth mentioning that this current global tendency accelerates the vulnerabilities of EMDEs to financial stress and currency depreciation versus the US dollar (Danninger et al. 2022).



⁵United Nations Global Crisis Response Group on Food, Energy and Finance. UN Brief No. 3: Global Impact of the War in Ukraine: Energy Crisis. August 2022.

⁶UN Department of Economic and Social Affairs. World Economic Situation and Prospects: January 2023 Briefing, No. 168. January 2023.

⁷IMF World Economic Outlook: Inflation rate, average consumer prices, April 2023.



2.3. Evaluating the impact of the global crisis on Egypt's economy and society

In addition to the losses related to the Omicron variant, the global geopolitical confusion was worsened by the Russian-Ukrainian war which negatively affected the post-pandemic world order, making Egypt – despite being strongly recovering from COVID-19 – face severe implications.

- In that regard, Egypt's economy was faced by larger gross financing requirements given the increased sovereign borrowing costs and global tightening of monetary conditions (higher interest rates). Additionally, real growth rate is expected to range between 4-5% for the fiscal year 2022/2023 as estimated by the Ministry of Finance.
- However, the prices of some strategic commodities rose due to the interrupted global supply chains, **pushing inflation rate to 31.9%** in February 2023 (CAPMAS, 2023) especially most of Egypt's wheat imports over the past 5 years originated in Russia (60%) and Ukraine (22%).
- Tightened monetary policy measures and interest rates



rise led by global central banks sparked a portfolio **investment outflow (22 billion USD)** in the context of the broader emerging markets selloff in Egypt (Minister of Finance, 2022).

Selected macroeconomic indicators for Egypt, 2020/2021 – 2022/2023			
	2020/21	2021/22	2022/23
Output and Prices			
Real GDP (Market Prices- Growth%)	3.3	6.6	4.2*
GDP (In billion EGP- Market Price)	6,663.1	7,842.5	9806.3 **
Consumer Prices (Period Average)	4.5	8.5	22.04
Public Finance			
Total Debt	84.6	87.2	80 (By 2027)

*Real GDP growth figure reflects the period Jul – April 2023.

** Ministry of Finance estimates.

Selected macroeconomic indicators for Egypt, 2020/2021 – 2022/2023			
	Actual 2020/21	Actual 2021/22	Budget 2022/23
Public Finance			
Revenues (in billion EGP)	1,108.6	1,347.2	1,517.9
Revenues (% of GDP)	16	12.5	16.7
Expenditure (in billion EGP)	1,578.8	1,831.0	2,070.9
Expenditure (% of GDP)	22.8	23.1	22.8
Overall Balance (% of GDP)	-6.8	-6.1	-6.1
Population	101.9	103.4	104.4***

Source: Ministry of Finance, April 2023.

*Real GDP growth figure reflects the period Jul – Dec 2022.

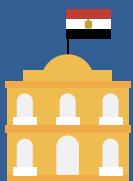
** Ministry of Finance estimates.

***Population figure reflects the period Oct-Jan 2022/23 (Latest update By CAPMAS 2023).



Egypt's FY 2022/23 budget: mitigation packages, human development promotion, and increased social spending

As mentioned, the current rising inflationary pressures (driven by supply chain shocks) is posing an additional challenge to Egypt's economic recovery, which triggered a set of recalibrated policies that aim at restoring price stability and creating an encouraging climate to investment and growth. In this perspective, as both price hikes and the measures undertaken are directly and disproportionately affecting citizens (especially low-income ones and those vulnerable to precarious employment), the Egyptian Government has shown considerable commitment to strengthening existing social protection programs, unleashing fiscal support measures and increasing poverty alleviation and reduction measures.



In this context, the Ministry of Finance (MoF) announced a group of Mitigation Packages, as follows:

1- Social Protection Package in March 2022 worth 130 billion EGP



The Ministry of Finance approved a package of **EGP 130 billion** for social protection in March 2022 at to deal with the inflationary effects resulting from the repercussions of global economic challenges and mitigate their effects on citizens. **EGP 2.7 billion** were allocated to include **450,000 new families** for the beneficiaries of “Takaful and Karama” programs, and **EGP 190.5 billion** were allocated to the National Authority for Social Insurance to spend the annual increase in pensions by **13%**, **with a minimum of EGP 120**, starting from the first of April 2022, as well as increasing tax exemption limit by 25% from EGP 24 to 30 thousand, and increasing periodic and special bonuses for state workers

and the monthly additional incentive and yearly disbursement as of April 2022 (**measures worth EGP 36 billion to disburse periodic bonuses and increase the additional incentive within the wage allocations in the next year's budget of 400 billion pounds**).



2- Social Protection Package in July 2022 ranging from 11 to 12 Billion EGP

The efforts of the Ministry of Finance continued to mitigate the burdens on citizens and vulnerable groups, as a social protection package was approved in July 2022 ranging **between EGP 11 and 12 billion**, to include an additional million families for “Takaful & Karama” Program at an estimated **annual cost of EGP 5.4 billion** with **more than 20 million beneficiaries**, and the disbursement of exceptional aid to 9 million families for a period of 6 months at a cost of one billion pounds per month for pensioners who receive a monthly pension of less than 2,500 pounds, as well as those working in the state’s administrative apparatus who receive a monthly salary of less than 2,700 pounds.



3- Social Protection Package in October 2022 worth 67 Billion EGP to mitigate inflationary effects on citizens as follows:

Allocating EGP 376 billion of the state’s budget for investments, with an **annual growth rate of 18.3%**, compared to pre-actual final estimates of FY 21/22, to improve services provided to citizens, create more job opportunities, especially for youth, and increase environment friendly projects to 50%.



4-Allocating EGP 376 billion of the state’s budget for investments, with an annual growth rate of 18.3%, compared to preliminary final estimates of FY 21/22, to improve services provided to citizens, create more job opportunities, especially for youth, and increase environment friendly projects to 50%.



5- Following the efforts made by the Egyptian Government to deal with the current economic crisis, His Excellency, the President of the Republic announced a new package to improve the citizens’ quality of life and mitigate their burdens. The package includes 5 important measures starting from 1 April, 2023:

First: A package to increase the income of the government’s employees and those with special cadres, with a minimum of EGP 1,000 pounds per month.

Second: Raising the government’s employees’ minimum wage to reach EGP 3,500.

Third: And thus, raising the tax exemption limit on annual income from EGP 24,000 to EGP 30,000 annually.

Fourth: Raising the pensions disbursed to their owners and their beneficiaries by 15%.

Fifth: Increasing the financial categories granted to beneficiaries of Takaful and Karama programs by 25% per month.





3.1 Expenditure Allocations in FY 2022/2023 Budget:



It's noteworthy that in light of recent presidential directives, while preserving fiscal discipline, the FY 2022/23 state's general budget is mirroring a remarkable increase in spending on key human development sectors, namely social protection, education, and health.

According to the WB's newly published Public Expenditure Review (PER), the Egyptian economy is increasingly dedicated to direct support for vulnerable households.

The overall appropriations allocated for subsidies, grants and social benefits for the FY 2022/23 are 356 billion EGP, compared to 321 billion EGP in FY 2021/22.

In light of the government's keenness of its citizens as one of its most important adopted reformist tributaries, **51% of the government investments were allocated in FY 22/23 for building the Egyptian citizen by directing those investments to education, health, human development**, and focusing on rural development through Hayah Karima initiative and universal health insurance system.



Health

310 billion EGP have been allocated in FY 2022/23 to improve the quality of public health services (an increase of 34.4 billion EGP compared to last fiscal year)

Education

476.2 billion EGP (compared to 388 billion EGP in the FY 2021/22) have been allocated to education (pre-university and higher education) to strengthen school feeding, establish new schools and classes, and scale up digitalization and teacher capacity-building efforts.



This is in addition to allocating about **EGP 79.3 billion** for scientific research, and increasing allocations for support, grants and social benefits to **EGP 356 billion, and wage allocations to about EGP 400 billion.**

Furthermore, the report emphasizes that Egypt adopts a holistic approach in addressing gaps in human capital, where the country launched large-scaled, innovative and multidimensional programs and initiatives, such as "Haya Karima", "Forsa" and "Two is Enough" that aim at creating more productive and sustainable livelihood opportunities (World Bank, 2022).

4.0

Egypt's comprehensive plan to deal with the current global crisis: recalibrated measures and policy adjustments



4.1. Restructuring the economy in favor of the private sector and foreign investments

Egypt is working on enhancing the role of private sector in advancing the country's economic activity, through:



State ownership policy document

On December 2022, His Excellency, the Egyptian President approved the final version of the State Ownership Policy document which outlines the Government of Egypt's vision and the future role of the



state in the economy. The document's objective is to establish a clear framework that includes:

- Regulating the relationship between the state and the private sector across various economic activities.
- Drawing up the roadmap for the coming years and determining the state's plan to withdraw from some sectors: **79 entire industries, including automobiles, manufacturing, electricity, and agricultural production (excluding wheat)**. In addition to some sectors related to infrastructure and strategic sectors, such as education, health, and water systems. The Egyptian state will remain the prominent investor in strategic sectors.
- Attracting foreign investments of **about \$10 billion annually over the next four years**.
- Developing a modern strategy for managing state-owned assets and "The Sovereign Fund of Egypt", as well as withdrawing from non-economic activities, and expanding partnership between the public and private sectors.
- Activating competitive and tax neutrality to stimulate the business environment.
- Aiming to **increase exports to \$100 billion by 2025**.

Revitalizing the Egyptian Stock Exchange:

especially by offering national companies owned by the state or run by the armed forces in the Egyptian Stock Exchange within the framework of the "**Initial public offerings (IPO)**" program. The latter aims to increase the share of the private sector in the economy over the next three years.

In February 2023, the Egyptian government announced that **32 companies will be offered, starting from 2023, whether on the stock exchange or to a strategic investor, in implementation of the state ownership policy document.**

Egypt has been approved to join the New Development Bank of the BRICS, which helps:

- Providing additional funding sources with low cost.
- Contributing to development projects that benefit citizens.
- The Bank provides technical assistance for the implementation of projects related to the national development priorities of the member states.



4.2. Reviving the vital tourism sector and diversifying sources of foreign currency



In this regard, in order to target new tourist markets and connect the gap created by the ongoing war, Egypt launched two promotional campaigns on social media – “Your Vacation in Egypt” and “Follow the Sun”. **The aim of these two campaigns was to attract tourists from Arab countries specially the Gulf countries, EU and Non-EU countries** such as France, Italy, India, and the United Kingdom (Source: Ministry of Tourism, 2022).



The government **started implementing an easy visa package for tourists** and agreed on extending the Aviation stimulus programs contracts⁸ while preparing for the inauguration of the Grand Egyptian Museum.



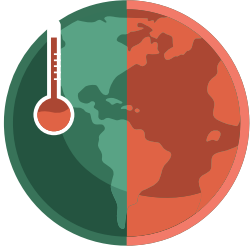
In parallel, in order to mitigate the pressure on external accounts and diversify sources of financing, Egypt’s government is also **working on raising gas exports, transfers and deposits from the GCC countries and the FDI inflows to oil and gas extractives** (World Bank, 2022). It is also worth noting that the Suez Canal profits unprecedentedly increased from 5.6 billion USD in 2020 to 6.3 billion USD in 2021, an increase of 13% (Egyptian Cabinet, 2022).



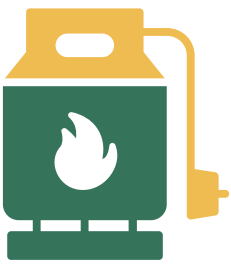
⁸Aviation Stimulus Programs: They are programs based on non-discrimination between charter and scheduled flights and giving additional incentives upon achieving sustainable growth once every six months, divided into ascending categories on stimulus flights, and simplifying administrative procedures, including required papers for the process. The program includes stimulating flights from 9 international airports, namely Sharm el-Sheikh, Hurghada, Marsa Alam, Taba, Luxor, Aswan, Abu Simbel, El Alamein, and Marsa Matrouh.

5.0

Egypt is making strides on the global stage: From promoting green financing and climate adaptation, to raising energy production and exports



The global crisis seems likely to have a far-reaching effect in delaying the world's response to climate change and slowing down **climate financing progress in light of the Paris Agreement's objectives**. Nevertheless, Egypt showed a remarkable commitment to the climate **agenda by hosting the 27th Session of the UN Climate Change Conference** of Parties which took place in November 2022 (COP27).



In addition to keeping climate at the top of the global agenda, and in light of the reshaping of the world energy landscape (given the decline of Russian gas exports to the EU), **Egypt is keen to preserving a resilient multilateral cooperation by acting as a new gas supplier to the European Union (EU)**. It's noteworthy that in June 2022, a memorandum of understanding was signed between Egypt, Israel and the EU Commission through which Israel will be sending more gas to Egypt's Liquefied Natural Gas (LNG) facilities before exporting it on tankers to the EU. The latter also assessed ways to expand regional hydrogen partnership and renewable energy cooperation with **Egypt as a potential leader in renewable energy production and export** (Von der Leyen, 2022).

6.0

Overview of Egypt's economy: strengths and challenges

Prior the external shocks witnessed during the past few years, Egypt embarked on a package of structural policies since November 2016 to address existing macroeconomic imbalances and develop human capital. In this regard the Egyptian government has undertaken various pre and post pandemic measures regarding fiscal policy, monetary policy and exchange rate that aimed to unleash the private sectors' potential and to strengthen socio-economic inclusion.



6.1. Egypt's structural reforms since 2016: A path forward for improved public finance indicators and better social safety nets

Structural reforms aiming to:

- **Restoring macroeconomics stability.**
- **Reducing public debt and deficit as share of GDP.**
- **Scaling up social spending programs.**



Achievements during the past 6 years:

- Achieving a **growth rate recovery of 6.6%** in FY 2021\22 up from 4.4% in FY 2014\15, **as well as 4.2% (under revision) in FY 2022/2023 compared to the global average of 3.2% for EMDEs**; despite the effects of the Ukrainian war.
- A fall in unemployment rates from **13.1% in FY 2014/15 to 7.1%** in the first quarter of 2023 (CAPMAS, 2023). Whereas, according to the International Monetary Fund's World Economic Outlook report issued in October 2022, the unemployment rate in **Brazil reached 9.8%, and 10.8% in Turkey, compared to an unemployment rate of 7.3% in Egypt.**
- Putting budget deficit and public debt on a downward path and achieving a primary surplus that is estimated to reach **1.5% of GDP by the end of the fiscal year 2022/2023**, and to achieve a total fiscal deficit of about **6.1% in FY 2022/2023** as per July-December pre-actual estimates compared to 12.5% in the fiscal year 2015/2016 and moving public debt from 103% in 2015/2016 to less than 80% of GDP by June 2027 after reaching 87.2% in FY 2020/2021.
- Enhancing Egypt's public **expenditure efficiency and resource mobilization** in order to raise spending on key human development sectors: education, health and social protection.
- By gradually phasing out fuel subsidies since 2014, the Egyptian Government has created more room in the State's budget for more people-friendly investments. In this regard, it is worth mentioning that the country **made progress in Human Development Index (HDI)**, where it was ranked 97th (among 189 countries) in the UNDP HDI report in 2021/22, rising by 19 places compared to ranking the 116th in 2020.



In response to the current global developments and external pressures. In May 2022, Egypt's Prime Minister announced and explained the state's plan to deal with the economic downturn, as commissioned by the President of Egypt.



6.2. Egypt's continued progress on macroeconomic growth, public finance and debt management

- A noticeable financial performance was seen in the actual primary values of the FY2021\2022 state's budget, achieving a primary surplus of **1.3% (100 billion EGP) due to the reduced gap between revenues and expenses.**
- With an additional **growth in tax revenues by 18.7% in FY 2021\22**, which shows the keenness in integrating the informal sector and combating tax evasion by implementing automated procedures and by raising tax administration efficiency.

- The IMF's Ex-post Evaluation (EPE) published in July 2022, affirmed that Egypt's SBA 12 months arrangement **achieved its primary objectives and that the government's actions** were consistent to the Fund policies.
- In order to diversify its debt financing instruments and increase foreign investors' participation, Egypt adopted a key innovative policy of expansion in sovereign (self-governing) bond issuances: the green bonds in 2020 (**because of which Egypt received its first green financing of 1.5 billion USD in 2021**), the yen-denominated Samurai bond in 2022 (targeting the Japanese market), and offering the first issuance of sovereign Islamic Sukuk in the history of Egypt in February 2023, at a value of \$1.5 billion with subscriptions amounting to \$6.1 billion.



6.3. Controlling prices, containing net exports deficit and reducing dependence on Russian and Ukrainian imports

- Since the outbreak of war, the domestic prices' gradual rise and widened net exports deficit pushed the Central Bank of Egypt (CBE) to take some measures, such as: to cumulatively raise interest rates several times in 2022 to reach 800 bps. Along March 21, May 19, October 27, and December 22, 2022. As well as allowing exchange rate overnight to depreciate by around 16.25%, the central bank's main operations rate at 17.25%, and the credit and discount rate at 16.75%. These policy adjustments aimed at **reducing persistent imported inflation and stemming the widened net exports deficit** (encouraging rebounds in export-oriented sectors).
- However, despite the recent increase on Egypt's average inflation rates, while reaching 31.9% in February 2023, the Central Bank of Egypt is working on a plan to control the inflationary pressures and reduce targetted inflation rates to 7% ($\pm 2\%$) on average during the fourth quarter of 2024.
- Egypt undertook conclusive measures to be less dependent on wheat imports from Russia and Ukraine, to navigate the impact of supply chain hold ups on food security, these measures included:
 1. **Exploring new markets** to fill the gap, such as France, Bulgaria and Romania.
 2. **Increasing local wheat production:** It is noteworthy that Egypt has succeeded in increasing its total **agricultural area to 9.7 million acres**, and its total cropped area to 17.5 million acres throughout the agricultural seasons of the year (Ministry Of Agriculture, Nov 2022). In this regard, Egypt plans to increase its **wheat cultivated area to 7.5 million acres** (Minister of Supply, 2022) compared to 3.65 million acres in 2022 (Ministry of Agriculture, March 2022).
- In addition to increasing allocations to food ration subsidies (**from 87 billion EGP in FY 2021/22 to 90 billion EGP in FY 2022/23**), state institutions in Egypt have launched nationwide campaigns to provide low-cost food commodities to help reduce the burden of hiking prices for citizens, especially through mobile outlets (Ministry of Finance, 2022).⁹

⁹There is a difference between the agricultural and the cropped area of land. The cropped area is: the total area of crops that were produced and harvested during one agricultural year. Usually, the agricultural area is greater than the cultivated area during the same year, given that most of the agricultural lands in Egypt produce more than one crop per year on the same piece of land.

7.0

Participatory Budget



7.1 THE TRANSPARENCY & CITIZEN ENGAGEMENT UNIT AND ITS MANDATE:

- Transparency and Citizen Engagement activities have been carried out since 2015 by the ministry of Finance, before the official establishment of the unit by a Ministerial decree No.574 of 2018. Assigning the unit to spread the financial and economic awareness with transparency and inclusiveness and change the image of the ministry in appropriate timeline, so that empowering the citizens to participate and follow up on the state's budget and be part of the decision-making process.
- The unit is mandated with periodically informing the public of fiscal and economic trends in a transparent, comprehensive and timely manner.
- Therefore, building institutional frameworks that enable the different segments of society to actively participate in the budget cycle and participating in decision making processes through several participatory budgeting tools deployed by the unit, and its success partners, such as the public hearing sessions held in Fayoum and Alexandria. In addition, creating participatory mechanisms aimed at reaching, motivating and empowering youth and women to participate and understand the state's budget and Egypt's Vision 2030, as well as getting to know national projects in innovative interactive ways that suit different age groups.



7.2 WHAT IS THE DRIVING FORCE BEHIND CREATING A TRANSPARENCY UNIT?

- The need for more transparency in the state's budget has become more pressing considering the current global pandemic and the ever-changing global socio-political dynamics. To that end, the government is keen to institutionalize internationally recognized standards of transparency and citizen engagement throughout its institutions as emphasized in Egypt Vision 2030.
- Ultimately, transparency and engagement endeavours aim at effective public financial management, better public services and meaningful development projects that cater directly to citizens' priorities.



Objective of Public Participation



Empowerment: Providing people with the opportunity to having the final decision



Cooperation: Participating with people in all decision taking aspects, including setting alternatives and identifying preferred solutions.



Participation: Working directly with people during the process to ensure constantly understanding and considering public concerns and aspiration.



Coordination: Receiving the public feedbacks towards the analysis, alternatives and/or decisions.



Provision of Information: Providing people with balanced and objective information to help people in understanding the problem, alternatives, opportunities and/or solutions.



Increasing the level of public impact which leads to a more effective and responsive citizen on the local level



7.3 HOW DOES THE UNIT PERFORM ITS MANDATE?

Firstly, the unit periodically publishes **comprehensive reports around the budget cycle** along with reader-friendly citizen versions. Recently there have been **several in-focus publications such as the COVID-19 Public Spending and the Children Budgetary Allocation briefs to respond to the uncertainty citizens are faced throughout the pandemic**. All reports are published on the Ministry's interactive online platforms. www.budget.gov.eg , www.mofdigitalgate.gov.eg , www.mof.gov.eg

- Secondly, the unit along with its success partners work on engaging citizens on ground through several participatory budgeting tools such as public hearing sessions, surveys, simulations, social accountability workshops.
- Youth constitute the larger block of the unit's audience, and therefore several endeavours such as orientations on the country's fiscal and economic status quo have already taken place at several universities to raise their financial awareness and engage them with the budget cycle. Furthermore, more endeavours such as a budget game and other interactive financial literacy tools are currently in the pipeline in partnership with the UNICEF.
- Moreover, the unit has partnered with pioneer civil society organizations and universities in order to integrate budget-relevant capacity building and sports extra-curricular activities in student's school learning journey as well as create a link between their graduation cap-stone projects, participatory budgeting and mega national projects to raise their awareness and provide them with hands-on experience.
- Lastly, creating better communication channels with the public such as public hearing session in the parliament, social media platforms with visual content, mobile apps and interactive games that cater to the needs of all the different audience groups have been at the core of the unit's mandate.



7.4 ENDEAVORS PURSUED BY THE UNIT TO INFORM AND ENGAGE CITIZENS

- In response to the global pandemic and its accompanying uncertainty and challenges faced by citizens, the unit has recently published, in partnership with UNICEF, several simplified and reader-friendly citizen versions of its technical reports around the budget cycle including children budgetary allocations and COVID-19 public spending.
- Youth constitute the bigger block of the unit's audience group and to that end an interactive website has been undergoing development to engage them with interactive financial literacy courses and games, in partnership with UNICEF. <https://cutt.ly/lc4enYS>
- Moreover, in partnership with government and non-government institutions, parliament as well as private sector, the institutionalization of on-ground citizen participatory budgeting tools such as public surveys, public hearings, social dialogue, and third-party monitoring have been deployed in 3 governorates (Cairo, Alexandria, Fayoum) with ongoing prospects for expansion in other governorates simultaneously.



7.5 EGYPTIAN MODEL FOR PARTICIPATORY BUDGETING

- **Participatory budgeting is a tool for good governance and combatting corruption and it aims at better financial management of the state's budget.** PB creates a common ground for citizens and relevant government and non-government institutions that ultimately leads to **the alignment of development priorities and thus more effective results that are responsive to citizens' needs and government capacity.**
- **The Ministry of Finance relies on providing transparent economic and fiscal data that equips citizens to actively engage in sustainable development plans and decision-making processes through participation in budget preparation.** Raising the financial awareness of citizens and equipping them to understand and analyze **the citizen budget should in turn allow them to monitor development projects and carry out social accountability activities.** <https://bit.ly/39Yf77W>
- The unit's medium-term action plan for the implementation of participatory budgeting relies heavily on **creating a solid network of success partners amongst which are government, non-government institutions and private sector in order to successfully replicate the Egyptian model of PB across the country.**



Concluding Remarks

The brief aimed at demonstrating the key policy adjustments and measures undertaken by the Egyptian Government to mitigate the effects of the ongoing global crisis provoked by the Russian invasion of Ukraine, characterized by rising inflationary pressures, supply chain bottlenecks and high uncertainty. The brief gave an overview of Egypt's growing economy prior to the external shocks and how it reacted to the outbreak of the war and its adverse spillovers.

This brief also highlights the reform measures adopted by the Egyptian government to face the current global crisis following the economic reform efforts applied since 2016 in the areas of monetary and public financial reforms, expanding the social protection network, and developing the Egyptian citizens to improve their standard of living.

In other terms, the government intends to further intensify efforts to alleviate the crisis' economic cost on the different affected sectors, especially the low-income households and the private sector's export-oriented activities.

The Fiscal Transparency and Citizen Engagement unit publishes reports around the budget cycle along with several simplified and reader-friendly citizen versions of its technical reports. Recently, there have been several briefs dedicated to specific sectors, such as: reform measures to support the Egyptian economy in the aftermath of the current global crisis, and a simplified guide to allocating the more Children-responsive budget to raise the awareness and provide all segments of society with all the important information, especially during times of crises.

All reports can be viewed through the Ministry's interactive platforms on the Internet including the FTCE unit's website.

www.budget.gov.eg,

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