Localization

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Background

The adoption of the 2030 Agenda in 2015 signalled a commitment from world leaders to pursue a more sustainable path towards inclusive and equitable growth. Under the 2030 Agenda, 17 SDGs were formulated to cover a broad range of development issues, tying them to 169 targets and 231 unique indicators.[1]

In its integrated and transformative agenda, the universal nature of the 2030 Agenda requires cross-sectoral collaboration between multiple levels of government. With a strong emphasis on policy coherence, the 2030 Agenda stated that "Governments and public institutions will also work closely on implementation with regional and local authorities, subregional institutions, international institutions, academia, philanthropic organizations, volunteer groups, and others".[2] It is thus clear that while the implementation of the 2030 Agenda occurs primarily at the national level, achievement of the SDGs depends strongly on progress made at the local level.

The importance of focusing on local progress originated with the MDGs and the Local Agenda 21 (LA21). In the 2008 midterm evaluation of the implementation period of the MDGs, it was indicated that achieving the MDGs required ownership and local accountability and that the gaps in local delivery capacity are a significant factor in determining the success or failure of efforts to achieve the MDGs.[3] The localization roots go back to the United Nations LA21 at the 1992 Earth Summit. LA21[4] was a special mandate that defined the vital role of local authorities and introduced a voluntary process to create local policies and programmes for global sustainable development in the twenty-first century.[5]

Over the years, academics and policymakers have confirmed that centralization is not the right path for development. Its hierarchical and bureaucratic nature failed to produce the planned development of developing countries.[6] Shifting the governance model from a centralized to a localized approach essentially involves adjusting strategies, monitoring and evaluation in the subnational contexts to enable local and regional units to support achievement of the SDGs. It brings the SDGs to the local level and vice versa, ideally being both a top-down and bottom-up process that enhances vertical and horizontal policy coherence and thereby contributes to the transformative change envisioned in the 2030 Agenda.[7]

From 2000 to 2015, Egypt was committed to the MDGs to eliminate various dimensions of poverty. It succeeded in implementing some MDGs, such as achieving gender equality in primary and secondary education, decreasing the mortality rate of children under five years of age, promoting antenatal care coverage and expanding the proportion of access to sources of drinking water.[8] Nevertheless, efforts were uneven, and Egypt missed several MDG targets. The MDG performance differential between different governorates in Egypt was a major challenge that highlights the importance of subnational strategies and local capacity-building to address local needs. Local governance mechanisms therefore need to be strengthened to avoid bottlenecks in service provision, which frequently occur at this level.

Egypt demonstrated a commitment to localization by signing the LA21 at the Earth Summit in 1992 and adopting its country profile for the LA21 in 2002. This was followed by further commitments towards sustainable development over the years. In 2015, Egypt adopted the Sustainable Development Strategy: Egypt Vision 2030 that identifies relevant SDG targets by 2030. The country has been reasserting its commitment to the SDGs and to monitoring progress by submitting three VNRs (in 2016, 2018 and 2021) that present the national improvements and challenges relating to SDG indicators. By submitting its third VNR in 2021, Egypt has become one of only nine countries to conduct a third review.[9] The commitment to localization is specifically clear in the 2021 VNR, as Egypt dedicated a section to localization and national efforts in that regard.

Like many other developing countries, Egypt is facing challenges in achieving the SDG targets. One of the main challenges is accelerating performance at the local and national levels by securing proper financing to achieve results over the next decade. The global disruptors are adding more challenges and increasing the need to build more resilient communities. The socioeconomic effect of the COVID-19 pandemic has been noteworthy, as it highlights the importance of local capacity-building efforts to address the significant crisis and the needs of local communities.

This chapter highlights the importance of adopting a localization approach to achieving the SDGs in Egypt and identifies localization accelerators. It begins by examining the role of centralization, decentralization and localization approaches in enabling sustainable development. It then highlights the shift from a trickle-down approach to the bottom-up approach and presents localization as a two-way process between the central and local governments, which are working to complement each other. The chapter then builds on the implementation of localization by introducing "intervention logic", which is a logical model that offers a clear understanding of how targeted policy actions are expected to lead to desired outcomes.

Furthermore, this intervention logic is applied to implement localization in the Egyptian context in order to achieve the SDGs at the local governorate level. This is done by examining and analysing government commitment, localized goals and government efforts to allocate resources at the local level and implement actions to achieve the SDGs. The chapter proceeds to analyse the results of such efforts at the local level, focusing on the output indicators for SDG 1. It then utilizes intervention logic to understand the gap between ongoing localization efforts and targets. It identifies the accelerators for localization in Egypt as a way of addressing finance gaps and achieving the SDGs. The chapter follows the participatory approach in identifying localization stakeholders and is focused on SDGs 1, 11 and 17.

A. Methodology

This chapter focuses on developing the localization approach in order to achieve the SDGs for Egypt by identifying the current process and the targeting gaps at the governorate level. The analysis attempts to assess Egyptian efforts to use localization to achieve the SDGs using intervention logic. It estimates the gap in implementation of localization efforts by examining government efforts in the three phases of the intervention logic, which are defining local targets, deploying local resources and achieving desired effects.

Furthermore, the leading accelerators for the localization process in Egypt are identified, including the output-outcome framework for budgetary allocation at the governorate level as a foundation step to align governmental public spending and development and welfare efforts with the SDGs.

Figure 145. A map for localization stakeholders

Source: Author.

This analysis applies a mixed-method approach to collect and analyse both primary and secondary data. This approach provides triangulation, complementarity, initiation, development and expansion.[10] The participatory approach was followed in collecting the primary data by including all stakeholders in the analysis. The researchers began by drawing a map for all the localization stakeholders, shown here as figure 145. Semi-structured interview questions were used, which cover different dimensions of the SDGs and challenges at the local level.[11] We followed convenience sampling to select our interviewees.[12]

A poll was created of: (1) key stakeholders who can influence the success of the localization process; (2) primary stakeholders, who are directly affected by SDG-related projects; and (3) secondary stakeholders, who are indirectly interested or influenced by the projects. Eight stakeholders were then chosen, with policymakers, the management team and employees as main internal stakeholders. External stakeholders were also added in the form of academics and specialists who work on the SDGs or focus on decentralization or localization and represent an essential participant in the process.[13] The private sector is an essential stakeholder in the achievement of the SDGs, through capacity-building, resource provision and corporate social responsibility. Along with the public sector and civil society organizations, there are other essential and contributing stakeholders in the spread of localization, such as citizens (the community itself, represented by the inhabitants of localities), media, political parties, religious institutions and local and international donors.[14] Secondary data include international and national official documents, reports and statistics that are not highly adjusted to change, all of which were collected centrally by the Egyptian Government and its institutions. The research context is taken into consideration, as specific data sources from a time frame ending in February 2021 were reviewed. The Ministry of Planning and Economic Development provided the data validation for the study. "Governorate" is used as the local unit of analysis in our analysis on localization. A governorate is verified by the Constitution and has its own public administrative institutional framework.

B. Centralization, decentralization and localization: approaches to sustainable development

The end of the MDGs in 2015 marked the beginning of the 2030 Agenda and the creation of the 17 SDGs. The key differences between the SDGs and the MDGs are, first, that the former are universal and apply to all countries, rather than being an exclusive agenda for developing countries. All global actors—Governments, companies, educational institutions, associations and individuals—would work jointly to achieve these goals. Second, the scale and content of the SDGs are more ambitious; they reflect the synergies between the economy, environment and society while paying adequate attention to people, planet, prosperity, peace and partnership. The third, interesting difference lies in the debate on the proper governance model, whereas centralization versus decentralization may not have helped with the full achievement and effectiveness of the MDGs.

For this reason, in the era of the SDGs, it is essential to move beyond this power trade-off and acknowledge the comparative advantage that both central and local communities can offer. From 2000 to 2015, the MDGs stimulated a global campaign to eliminate various dimensions of poverty. They were mainstreamed into strategies and plans at the national and subnational levels, but efforts were uneven and many countries missed several MDG targets. Many lessons were learned from countries' experiences. The main lesson is related to the bottlenecks in service provision at the local level, such as in housing, education, infrastructure, water and sanitation, which are clarified in the following sections.

1. From a trickle-down approach to a bottom-up approach

The first supporting wave of decentralization was purely administrative; it focused mainly on reorganizing the public sector. "Decentralization [is] the transfer of authority and responsibility from the central Government to subordinate or quasi-independent organizations or the private sector".[15] The latest wave aimed more at promoting democracy at the subnational levels, more civil and female participation in local governance and decentralized delivery of services. The new perspective considered decentralization to be more than just pushing down financial resources to the subnational level; it also includes giving control over these financial resources.

Decentralization is the empowerment of people by the fiscal empowerment of their local governments.[16] This new definition indicated that decentralization is a means to an end and not an end in itself. Ideally, decentralization could result in better service delivery, efficient and fair allocation of scarce resources and the closing of gender and inequality gaps.

Much progress has been made in decentralization processes in many developing countries in recent decades; however, most of these attempts were incomplete and could not empirically serve their targets. Decentralization in the Middle East is seen as a profoundly political process involving many actors at the political, institutional, technical and cultural levels, as well as the consideration of culture and gender-related norms.[17] It inevitably transfers power from central to local government, creating tensions between local autonomy and central standards. That would be unlikely to be accepted in countries with a long history of central planning.[18]

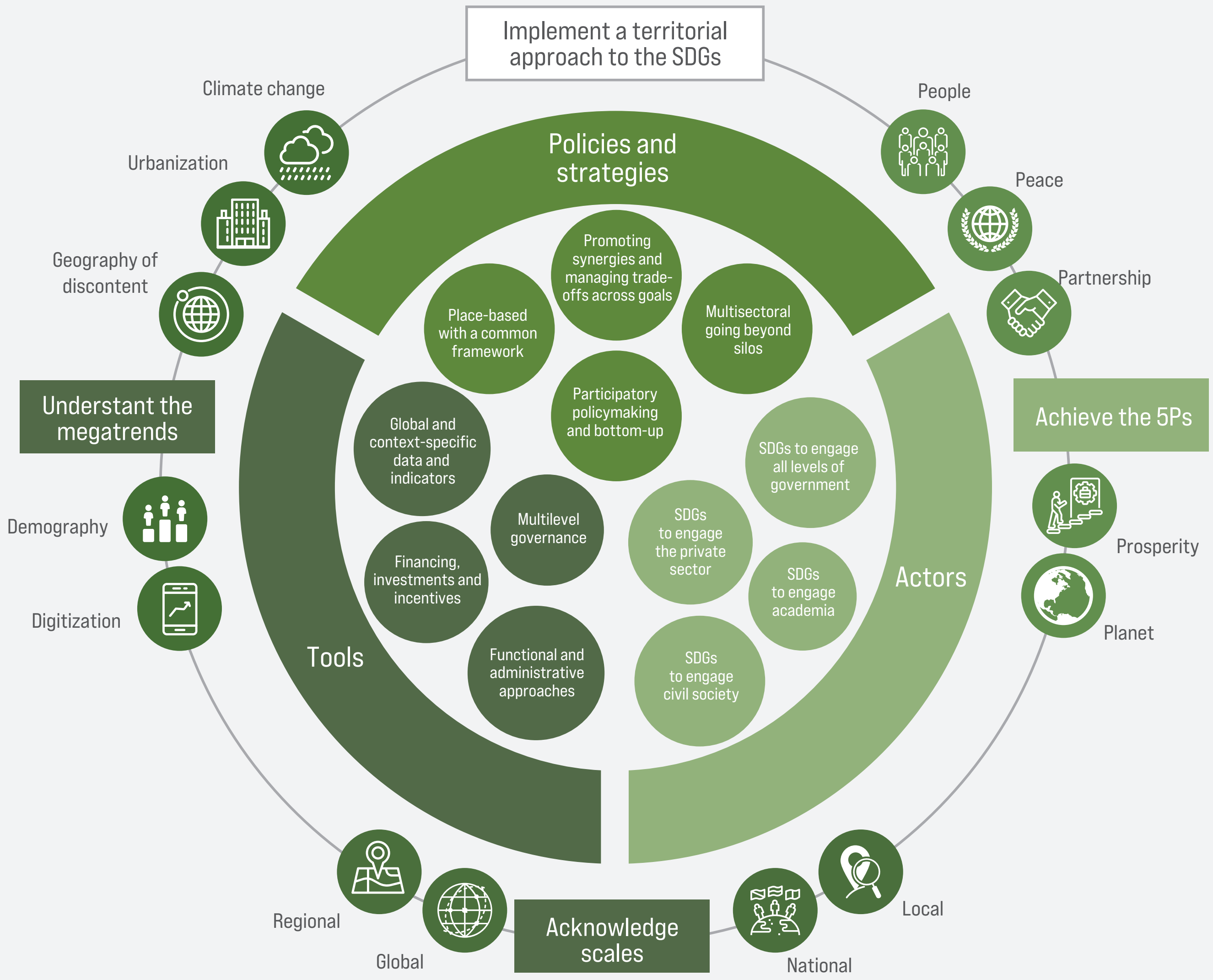
Moreover, the lack of local capacity-building causes local governments to fail when given new responsibilities. The decentralization process creates additional layers of government that produce more costs without changing public sector employment. Under these conditions, the "ideal" form of decentralization is perceived as an unattainable dream for developing countries. Incomplete, distorted decentralization failed to improve the quality of people's lives. Alternatively, localization goes beyond the concept of decentralization, which involves the loss of centralized power, by creating a common two-way process in which central and local governments are able to complement each other.

2. Localizing the Sustainable Development Goals: a territorial approach and intervention logic

Targeting sustainable development through localization takes advantage of both centralized and decentralized modes of governance without compromising the benefits of centralization. Localizing the SDGs with the territorial approach (developed by OECD) allows for a place-based policy with a set of coordinated actions designed for a particular local community. This paradigm shifts from a sectoral to a multisectoral context, from a one-size-fits-all to a customized local plan and from a centralized top-down approach to a bottom-up approach.[19]

The territorial approach in figure 146 is based on the participatory and bottom-up approaches; it takes into account SDG synergies as critical elements of achieving local SDGs. The framework's shared responsibility allows stakeholder engagement and dialogue. A territorial approach to the SDGs is based on the 2015 United Nations global agenda to end poverty, protect the planet and ensure prosperity for all. This approach makes it possible to learn from one's own experiences and needs through a dynamic feedback loop. It aims to provide tools and opportunities to strengthen multilevel governance and promote a well-integrated policy framework across levels of government.

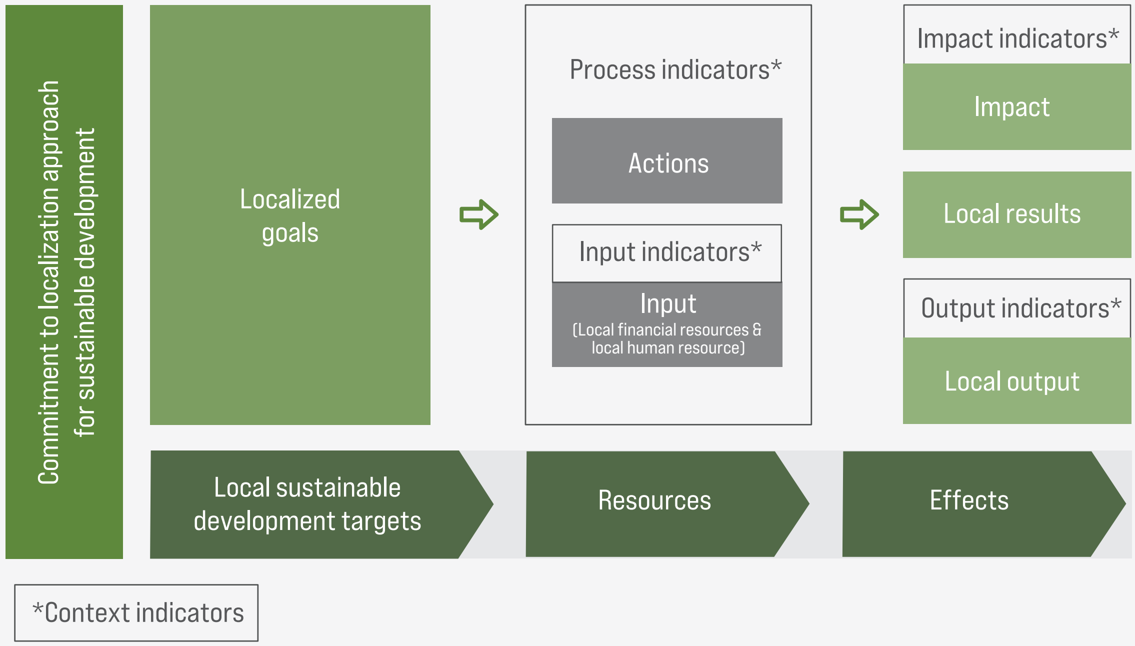
Figure 146. Analytical framework for a territorial approach to the Sustainable Development Goals



Source: Organization for Economic Cooperation and Development (2020). A Territorial Approach to the Sustainable Development Goals: Synthesis Report. Paris.

The SDGs could be localized through a process of building blocks within the intervention logic. This logic is a representation of a clear understanding of how policy actions lead to desired outcomes and identifies the causal links or relations between the inputs, activities, outputs and longer-term outcomes of any policy intervention. It also makes it possible to improve the policies that lead to the required change. Intervention logic shows how adding change brought about by policy action at the micro level leads to a desired modification at the macro level. The consequences of this contribute to the strategic goals at the national level.[20]

Figure 147. The application of intervention logic to localizing the Sustainable Development Goals



Source: Author, adapted from the Association of Flemish Cities and Municipalities (VVSG) (2019). Local Indicators for the 2030 Agenda (Sustainable Development Goals).

The application of intervention logic to the localization of SDGs is primarily based on the idea that specialization constitutes a complex policy intervention to foster national progress. As seen in figure 147, in the starting phase, each administration has ambitions translated into goals at the local level with local sustainable development targets. The goals are then converted into actions by deploying people and resources. The last phase (i.e. "effects") involves the administration monitoring whether these actions were successful and whether the goals have been achieved. Applying the intervention logic to localizing the SDGs requires each step to be measured by a set of indicators. The indicators are either quantitative or qualitative figures, or a combination of both. They are selected based on relevance to local levels, indicators that are influenced by local policy and availability of data. There are various types of indicators within the intervention logic:[21]

- Context indicators describe the context in which a local administration works. Examples are poverty figures, employment rates in the municipality and the composition of the population.
- Input indicators provide information about the people and resources used to achieve a specific goal or action.
- Classic input indicators examine the financial resources used for a particular action or goal or the number of employees.
- Process indicators provide information about the organization or the approach of an action or measure.
- Impact indicators measure the impact (of a strategic goal), the result (of an operational goal) or the output (of an action). In other words, the impact is measured at different levels in line with the hierarchy of the multi-year plan: actions and action plans, as well as operational and strategic goals.

Of the three phases addressed by the framework, the resources phase is the core phase instrumental to localization. This phase is mainly concerned with securing local financing and human resources to localize the SDGs successfully. The framework highlights the importance of having sufficient resources in the localization process, which is measured through input indicators. Securing resources therefore plays an essential role in localization, as examined in the following section.

C. Unleashing the Sustainable Development Goals at the local governorate level in Egypt

There have been several attempts at administrative, economic and political reforms in the decentralization process in Egypt over the decades; however, Egyptian Governments have never been successful in completing the ideal form of decentralization that improves the quality of life for local citizens. The 2014 Constitution outlines the country's administrative units (governorates, rural districts and villages) and the legal personality assigned to each of them. Each local unit is to elect a council to ensure oversight over authorities. This council can retract confidence from the local unit's leadership. During 2017 and 2018, the Egyptian Government prepared two draft laws on general planning and local administration to ensure a decentralization trend and presented them to Parliament.[22] Nonetheless, the practical progress on decentralization has always been slow; Egypt ranks just above Cambodia in the Administrative Decentralization Index rankings, at 85.[23]

The challenges of decentralization in Egypt were similar to most developing countries with a long history of central planning. Treisman analysed 166 countries in the mid-1990s to define six conceptions of decentralization.[24] Successful decentralization must be supported by a transparent system for sharing revenue between different levels of government when administrative and fiscal responsibilities are devolved from central to local government. The revenue-sharing system is mainly found in developed countries and does not exist in many developing countries. Most of these organizations are operational, irrespective of their levels of organizational devolution.

Egypt is one of the developing countries with a high degree of centralization and limited institutional and financial capacity at the local level, relying heavily on fund transfers for the functioning of operations. According to the Ministry of Finance, under the budget for the fiscal year 2020/21, local administration was allocated LE 171.6 billion and LE 185.5 billion for the fiscal year 2021/22, accounting for only 10 per cent of the budget over those two fiscal years.[25] The empirical findings by Alam and Alam show that resource-dependent municipalities use the assigned budget mainly to control expenditure and gradually shift towards managerial and planning orientation with the easing of financial constraints.[26]

While there seemed to be little progress in decentralization in Egypt over the years, localization would be the right course of action in view of its non-politicized nature and its particular focus on the local agenda for development to achieve national goals.

In this context, localization process of Egypt will be analysed using intervention logic: (1) the Egyptian Government's commitment to localization, (2) the identification of local SDGs, (3) resources for localizing the SDGs and (4) the effects of localizing the SDGs. This will identify the localization gap, while referring to the challenges that may hinder successful localization, and highlight the accelerators to unleash localization that would boost progress in achieving the SDGs.

1. The Egyptian Government's commitment to localization

Egypt has always been at the forefront of international commitments to sustainable development and support for the global mainstreaming of localization. Egypt attended the 1992 Earth Summit in Rio de Janeiro and was one of the 16 Arab states committed to LA21.[27] The latter was a voluntary process aimed at creating local policies and programmes to achieve sustainable development. The process required local governments to consult with the local community, minority groups, businesses and industrial organizations to develop local environmental plans, policies and programmes, among others. Egypt adopted its country profile for LA21 in 2002 to monitor the country's progress and track and record the national actions taken to implement the Agenda. Despite all previous evidence of the Egyptian Government's strong commitment to LA21, local sustainable development has been long led by NGOs and corporate social responsibility projects.

In a similar manner, Egypt has demonstrated its international commitment since the announcement of the 2030 Agenda. It submitted three VNRs in 2016, 2018 and 2021, providing evidence of its adherence, progress and challenges. Egypt submitted its VNR in 2018 on time, alongside eight countries in the MENA Region: Bahrain, Jordan, Lebanon, Morocco, Qatar, Saudi Arabia, Sudan and the United Arab Emirates. The other 12 countries in the MENA Region could not deliver their VNRs as scheduled. The Egyptian Government improved its programmes and projects dedicated to its SDG targets at the central level. The 2018 VNR reflected the country's participatory approach to people and civil society, focusing on the trickle-down impact of SDG 1. In the same VNR, the Government mentioned its localization strategy of creating sustainable development units and working groups in different ministries, and incorporating the localization of the SDGs into the medium- and long-term strategies of some ministries and entities.[28] This did not reveal any commitments or actions explicitly taken at the local governorate level. That raises concerns about the misconception of localization in the 2018 VNR.

By submitting its third VNR in 2021, Egypt has become one of only nine countries to do so. Given recent government actions and announcements to localize the SDGs, the third VNR has an entire section on the Egyptian Government's localization efforts and aspirations as a component of its policy-enabling environment to achieve the SDGs.

While Egypt has not yet begun to submit any voluntary local reviews, a crucial de facto commitment to the localization process, it has embarked on producing SDG localization reports at the governorate level and producing human development reports on impacts at the subnational level. Local human development indicators would allow further monitoring of the progress and achievement rates towards SDGs at the local level.

Similarly, Egypt has shown a national commitment to localizing the SDGs. In March 2015, Egypt launched the Egypt Vision 2030 as a primary development strategy. It is aimed at developing unified, long-term sustainable development as a base for development plans at the national, local and sectoral levels. The Egypt Vision 2030 touched upon the empowerment of local administrations to achieve institutional and societal governance. This national sustainable development strategy provides great support for localization, facilitating an institutionalized dialogue, technical support and financing for local communities. Nevertheless, the Egypt Vision 2030 also takes into account the planning and identification of SDG targets and indicators to remain at the national central level. It did not include mapping or cost analyses of local plans. The commitment of Egypt to localization can therefore be confirmed (de jure). Strengthening synergies between local and national plans remain essential to achieving the SDGs. In the coming sections, the three phases of intervention logic are used to evaluate the reality of localization in Egypt (de facto).

2. Phase one of intervention logic: the identification of local Sustainable Development Goals

Local targets and monitoring indicators are needed to direct finances and investments to achieving the SDGs at subnational levels. The first attempt in 2018 by Baseera, the Egyptian Center for Public Opinion Research, identified local targets.[29] In 2020, the Ministry of Planning and Economic Development, in partnership with Baseera and the United Nations Population Fund, launched the "localization of the Sustainable Development Goals at the governorate level project". The project focused on quantifying targets and indicators for each governorate, which helps to develop appropriate plans and priorities to achieve these goals. In the second phase, the project selected five governorates to hold workshops with their officials on planning and follow-up. The workshops familiarize them with the SDGs, indicators and quantitative targets for each governorate. The third phase covered the rest of the governorates. The report identified a set of SDGs indicators and provided the current situation data in the governorate. It estimated the 2030 targets for each governorate. That is the basic step for localizing the SDGs at the governorate level. Each governorate would know what is expected of it for 2030, which helps to develop the appropriate action plans and identify the resources needed.

The report published by the project considered two scenarios when estimating local targets and indicators. The first scenario assumes that all governorates follow the same rate of national-level target change. The second scenario assumes a lower or upper target limit at the governorate level. Any excess in a governorate is distributed to the other governorates. The indicator limit is determined using the local target achieved for a country with a completed national target equal to the Egyptian national target for 2030.

The second scenario helps to narrow the gap between governorates; however, it raises many concerns about how realistic and accurate the local targets are. The was an inconsistency in the indicators considered and the number of governorates taken into account, even as it does not cover all 17 SDGs owing to limitations in data availability. The upper and lower limits are explained in the methodology on the basis of other countries' achievements, although they have different contexts and development paths. Tables 1 and 2 of annex 9 show Baseera's SDG estimates of achievements at the governorate level by 2030. Nevertheless, this can be considered a preliminary attempt at context indicators, which are partially related to the first step of the intervention logic of localization discussed earlier. It is a beginning step that can be revised in the future to reach reliable local goals with a high degree of accuracy and credibility. It is worth noting that two important things are still missing at this stage: ownership of local targets and action plans attached to the targets.

3. Phase two of intervention logic: resources to localize the Sustainable Development Goals

This section will continue to follow the intervention logic for localization by identifying the resources used to localize the SDGs in Egypt. The resources include actions taken and inputs mobilized for localization.

(a) Actions taken towards localization

Several recent actions and initiatives in Egypt to support and serve localization are identified, focusing on SDG 1. These are Haya Karima, governorate and citizen investment plans and human capital initiatives.

(i) The Haya Karima programme

Haya Karima is one of the Government's actions to address localization in line with the previously discussed intervention logic.

The initiative was launched by President Abdel Fattah El-Sisi on 2 January 2019, for the purpose of improving the standard of living and services provided to citizens most in need, especially in villages. By 2021, the initiative was transformed into a fully-fledged national programme for the development of the Egyptian countryside and rural areas. Haya Karima takes an evidence-based policy approach and adopts a participatory approach by including all stakeholders, cooperatively led by the Ministry of Planning and Economic Development (central government) and the Haya Karima Foundation. It works with consolidated efforts between the Government, NGOs and the private sector and makes strides towards addressing the SDGs at the local level, serving as a seed for localization and much-needed efforts to bridge the development gap between rural and urban governorates, while lifting the most impoverished villages out of poverty.

The programme is divided into three phases based on the needs of impoverished villages, according to statistics from CAPMAS. The first phase targeted villages with a poverty rate above 70 per cent, the second stage targeted villages with a poverty rate that ranges between 50 per cent and 70 per cent, and the third phase targets villages with a poverty rate of about 50 per cent. In addition to the poverty rate, the criteria for identifying villages in need includes weak basic services with sewage and water networks, a low rate of education, a high density in school classes, the extent of the need for intensive health services to meet health-care needs and road networks in poor condition.

Haya Karima was recognized by the United Nations Partnership Platform for its sustainable efforts to achieve the SDGs by targeting citizens' needs at the local level. It fulfilled the platform's criteria of being specific and measurable, achievable, resource-based and time-bound, with efforts to localize the SDGs. The initiative has four pillars: (1) improving living standards and investing in human capital, (2) developing infrastructure services (3) raising the quality of human development services and (4) economic development.

(ii) New Governorate Plan and Citizen Investment Plan

The Government has developed two plans: the governorate plan, and the citizen investment plan launched in 2020.[30] Both plans represent serious localization efforts. The governorate plan informs each governorate of the gap between its current local SDG level and its local targets, derived from the national target in the VNR. The citizen investment plan highlights the main features of the sustainable development plan for the fiscal year at the national level. Furthermore, it identifies essential economic indicators for each governorate, as reflected by GDP, the growth rate and the unemployment rate. The plan also identifies the governorate's share of public investments, distribution by sector and the number of projects assigned in the fiscal year. Identifying the SDG targets of governorates indicates effective planning that ensures that budgetary allocations reflect the priorities of local communities. The collaboration of stakeholders (e.g. local governments, communities, civil society, businesses and young people) creates better financing opportunities for local communities, unlocking the local potential of the SDGs.

Box 6: *Haya Karima* – one of the most significant development programmes for poverty eradication in the modern history of Egypt

The programme is primarily concerned with the most impoverished villages and is aimed at eradicating poverty and reducing the development gaps between rural and urban governorates by directing resources at the local level according to local needs.

It covers more than 4,500 villages, 175 centres and 20 governorates, serving around 58 per cent of the population with a total estimated budget of LE 700 billion (approximately $44.5 billion to achieve the comprehensive development of villages and reduce the rural-urban gap).

The plan for the first phase included 52 centres that include 1,400 villages and 10,000 constituents with LE 260 billion (approximately $16.5 billion), with the remaining 123 centres to be targeted later. The first phase has already been completed, with approximately LE 103 billion allocated for its implementation, providing health and educational facilities and services, as well as sports and cultural activities, in about 277 villages where the poverty rate exceeds 70 per cent, with a total of 4.5 million beneficiaries. The second phase targets 50 centres nationwide, encompassing 1,381 villages. The remaining villages are expected to be targeted during the following two years.

The scale of efforts linked to the programme aimed at rural Egypt is unprecedented. The programme includes the launch of indicators to measure the quality of life in villages and follows the participatory approach in planning and funding. In support, the Ministry of Planning and Economic Development has recently launched an electronic portal to link statistical indicators to participatory planning for village development after identifying citizens' needs, opinions and priorities. It lists the projects and interventions and further links them to indicators. The programme is to be coupled with improvements to the official capacity of local governments to plan, finance and deliver vital local services for the country in order to be on an accelerated path to achieving the Sustainable Development Goals.

Source: Author.

(iii) Human capital initiatives

Several initiatives taken by the Government are focused on the development of resources related to human capital. This contributes significantly to localization and is highlighted in the second phase of the intervention approach. The National Training Academy initiative supports administrative personnel across local communities to enhance their performance by giving them customized training based on a competitive selection process. In addition to this programme, for the past four years, the Academy has also offered a one-year programme for young people. Moreover, the Presidential Leadership Program works to include competent individuals in the public and private sector pipelines and raise the efficiency and performance of their workers in the public administrative sector. The Government also followed up to empower the alumni of this programme locally using various tools and sectors. For example, in 2019, the Egyptian cabinet appointed a group of governor deputies assigned to their home governorates. At a higher level of human capital-related initiatives, the Egyptian Ministry of Planning and Economic Development created a performance system that is aimed at measuring the performance of the State administrative apparatus at the governorate level using qualitative and quantitative key performance indicators on the planning, monitoring and evaluation phases.

(b) Financial inputs mobilized for localization

Several financial resources have been used to empower localization in Egypt. Central government transfers, government investment in the SDGs at the governorate level (see chapter 6 and the funding formula), subsidies, grants, social benefits (see chapter 4 on the Takaful and Karama programmes) and Egyptian mega projects.

(i) Central government transfers: government budget allocated to local administration

Government budgets are at the core of sustainable development and are the most powerful economic tool the Government has to meet its people's needs. The national SDG performance depends on the budget as even the most well-rounded public policy has a minor impact on the relevant Goal until it is matched with sufficient public resources to ensure its effective implementation.

Government expenditure indicates the extent of (fiscal) decentralization because it is generally measured using the ratio of local revenue to total public revenue and/or the percentage of local expenditure to total public spending. Data indicate that, on average, developed countries have a higher level of decentralization than developing countries.[31] The budget spending of the Egyptian Government can be divided into three main components.

The administrative apparatus consists of 34 ministries and sovereign bodies. There are approximately 161 service bodies of the ministries. The local administration consists of the 27 governorate offices and the service directorates.

According to the Ministry of Finance, the budget for the fiscal year 2020/21 amounted to LE 1.713 trillion, as shown in figure 148. A total of LE 1.327 trillion was allocated to the central Government's administrative body, accounting for 77 per cent of the total budget, and service bodies distributed LE 214.9 billion, or 13 per cent. In contrast, the local administration was allocated LE 171.6 billion, accounting for 10 per cent of this budget.[32]

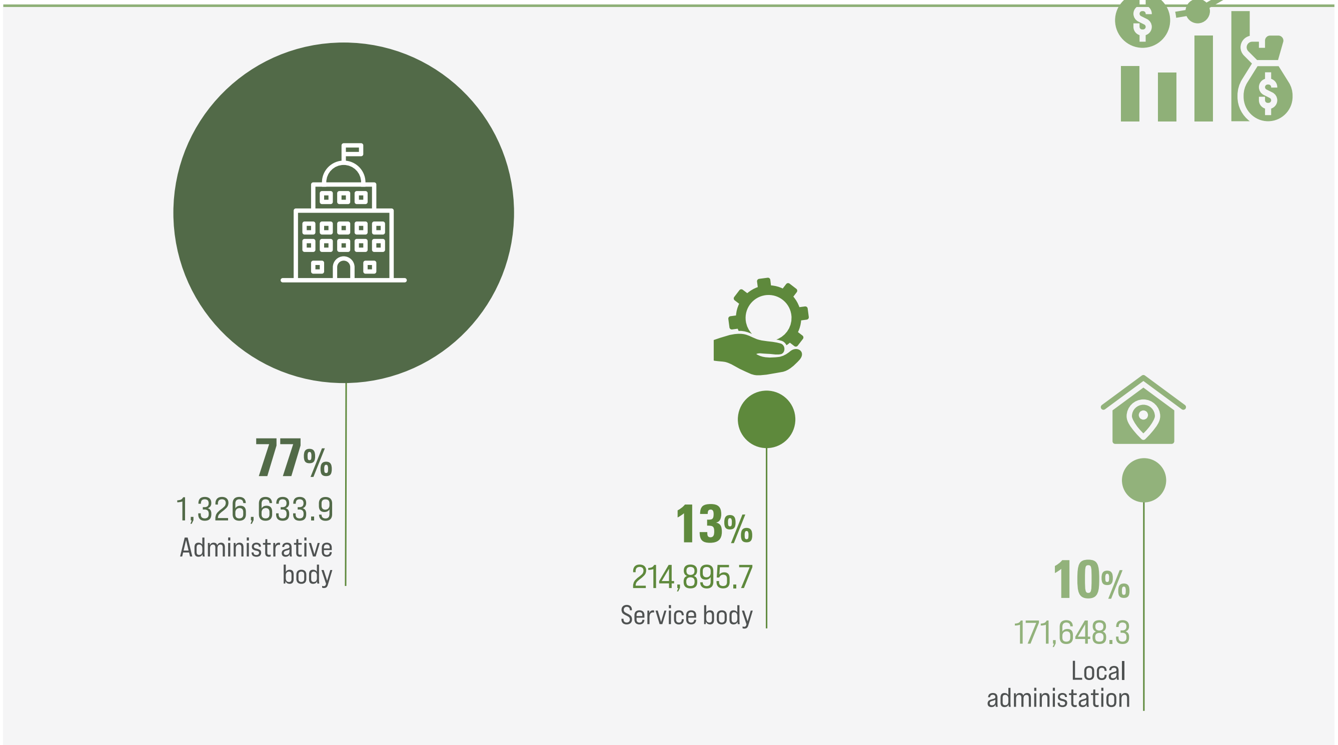
Putting this in perspective, the subnational government expenditure in OECD countries accounted for 16.2 per cent of GDP and 40.4 per cent of total public spending in 2016. Such expenditure represented 19.2 per cent of GDP and 50.0 per cent of public expenditures.[33] An example of another relatively centralized country is Slovenia, where 23 per cent of total public spending was local government expenditure (municipalities) in 2019 and the rest was central government expenditure.[34] The expenditure of Egypt on local administration is therefore considered to be at the lower end of the spectrum.

As a result of the country's highly centralized system, data on the local governorate level is relatively scarce. The breakdown of budgetary data at the governorate level is unavailable. The local administration budget (figure 149) shows that a significant portion of the budget per governorate goes to public sector wages, which accounts for 75.3 per cent. The allocated number of local investments for which local governorates are responsible and that could be directed towards improving public services, such as education, health and utilities, which are crucial for achieving SDGs, received less than 13 per cent in the 2020/21 budget.[35]

A significant portion of the budget per governorate goes to public sector wages, which accounts for

75.3%

Figure 148: Government budget of Egypt (2020/21)



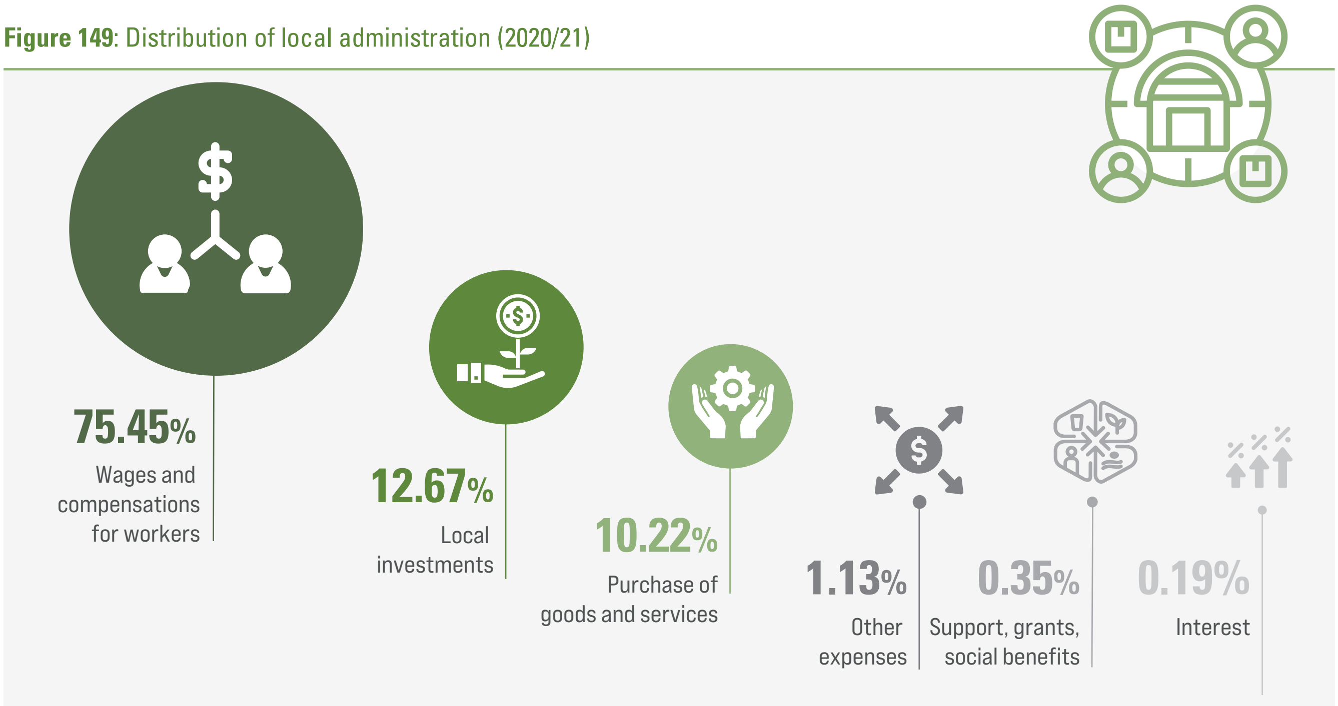
Source: Ministry of Finance, Egypt (2020). National Budget FY 2021/2020. Cairo.

Nevertheless, it is essential to note that, while this public expenditure reflects a level of centralization and the efforts needed to achieve localization, it does not reflect all spending on SDGs at the local level. For instance, a sizeable share of chapter 6 on the administrative body of central government and public service bodies deals with capital projects that support local administration.[36] The allocation of the entire budget to the central government and ministries primarily serves the SDGs as well, albeit at the national rather than governorate level. The entitlements included in the Egyptian Constitution are to enhance the financing of health and education services at all stages and in scientific research, and they support the provision of the financial resources necessary for the process. Article 18 of the Constitution stipulates that the State shall commit to allocating a percentage of government spending to health that is not less than 3 per cent of GNP. Articles 19, 21 and 23 also stipulate the State's commitment to allocating no less than 4 per cent of GNP to education, no less than 2 per cent to higher education and no less than 1 per cent to scientific research. Given the importance of education and health services, the constitutional entitlements pave the way for the Egyptian Government to expand by increasing allocations in these areas and raising the relevant indicators at the local level.

(ii) Government investment in Sustainable Development Goals at the local governorate level

When analysing public spending on the SDGs in Egypt, it is clear that Egypt addresses SDGs through central spending, as only a tiny portion goes to local investments in the distribution of the local administration budget. The degree to which central spending achieves local needs is therefore crucial to achieving the SDGs. There are two key steps to estimating public spending on the SDGs. The first is to identify sectors and forms of public expenditure that can be considered related to the SDGs. The second is to identify relevant sources of data.

Figure 149: Distribution of local administration (2020/21)



Source: Ministry of Finance, Egypt (2020). National Budget FY 2021/2020. Cairo.

Looking at the general expenditure in the government budget in Egypt, government spending is divided across six chapters, defined by the Ministry of Finance: (1) wages and compensation of employees; (2) the purchase of goods and services; (3) interest; (4) subsidies, grants and social benefits; (5) other expenditure; and (6) the purchase of non-financial assets (investments). The two chapters that have the most impact on the SDGs are chapter 4 on subsidies, grants and social benefits and chapter 6 on the purchase of non-financial assets (investments). This analysis is therefore focused on chapter 6 in this section and on chapter 4 in the next section.

The total government investment in chapter 6 of the budget reached LE 273 billion in the 2020/21 budget.[37] Figure 150 shows that the two urban governorates that received the largest amount of financing from government investment are Cairo, which received 11 per cent, and Giza, which received 7 per cent of the total amount.

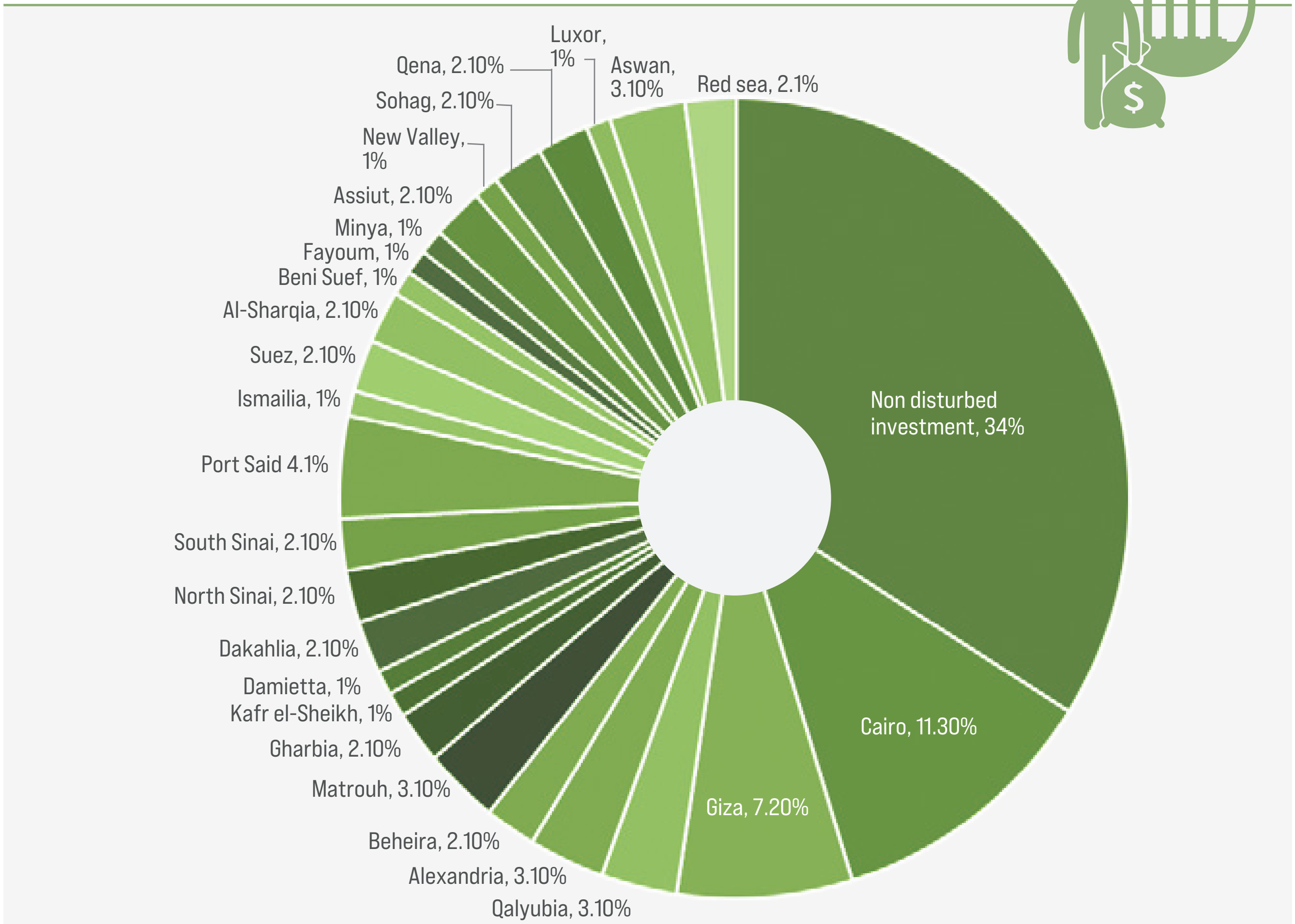
Following the budget system's hierarchical structure, any need or spending request identified at the lowest level must be passed from the village to the district to the governorate before being including in a budget request. Ultimately, budget ceilings and requests from governorate directorates are determined by the Ministry of Finance and approved by the Cabinet and Parliament as part of the annual budget process.[38] According to Law No. 70/1973 on preparing the plan and following up on its implementation, the Ministry of Planning and Economic Development is the entity in charge of organizing and supporting the economic and social planning process. It is therefore responsible for distributing the budget under chapter 6 at both the governorate and ministerial levels.

According to the Ministry of Planning and Economic Development, chapter 6 investments primarily serve the SDGs under three categories: (1) main infrastructure, (2) human development and (3) regional planning. Accordingly, the Ministry could facilitate localization and provide support for development programmes and plans to achieve the SDGs at the local level identified in the intervention logic. This can occur through the effective and optimal allocation of investment resources in line with local needs and governorate priorities. The requests for investments included in chapter 6 of the budget have long depended primarily on the claims of the governor or minister, negotiation skills and awareness of the governorate's needs and capabilities. This has achieved little in the way of alleviating poverty in impoverished areas and reducing development gaps between governorates.

Given the government commitment to localization, the Ministry has recently been moving to introduce the country's funding formula to ensure that budgetary allocations reflect the priorities of local communities. Within the standards setting committee for the distribution of local development investments, a financing equation was developed to distribute investment in 27 governorates. The formula ensures that budgetary allocations reflect the priorities of local communities. This formula is a step towards fiscal decentralization, attending to the main feature of the concept: "finances follow functions".[39] The funding formula takes into account several variables determined by the standards setting committee to reflect the development status of the governorate:

- The average share of the governorate in the total treasury investments directed to local development programmes (percentage).[40]
- The share of the governorate's population out of the entire country's population.
- The governorate's poverty rate.
- The governorate's location (border or non-border governorate).

Figure 150: Local governorates' share of adjusted government investments (2020/21)



Source: Ministry of Planning and Economic Development, Egypt (2020).

Figure 151 shows a considerable change in the amount and distribution of chapter 6 funding for the 27 governorates following the introduction of the funding formula (reflected in the 2020/2021 budget).

(iii) Subsidies, grants and social benefits

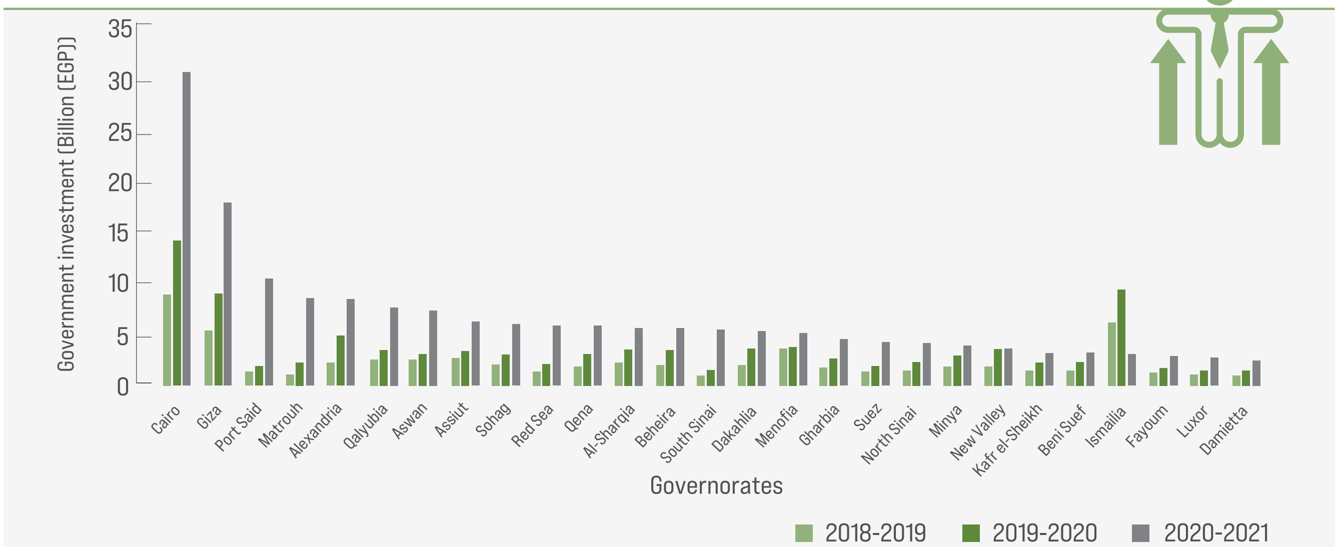
Chapter 4 of the government budget contained allocations for subsidies, grants and social benefits, which accounted for LE 326 billion in the budget for the 2020/21 fiscal year. While information on the distribution of this sum at the governorate level is unpublished, 18 per cent of the amount, or LE 57.9 billion, goes to the Takaful and Karama programmes, which is distributed at the governorate level and forms part of the resources allocated at the local level. The Takaful and Karama conditional and unconditional cash transfer programmes are among the country's most significant human capital development investments, targeting many SDGs, most notably SDG 1. The programme is built on the premise that investing in people through nutrition, health care, quality education, jobs and skills is key to ending extreme poverty and creating more inclusive societies. By analysing the programme's per capita spending at the governorate level, figure 152 shows that the governorates of Upper Egypt, which suffer from some of the country's highest poverty rates, receive the largest per capita support from the programme.

(iv) Megaprojects to localize the Sustainable Development Goals

The term "megaproject" refers to a project with a greater magnitude of aspiration level, size, actor involvement, implementation time, complexity and impacts. Investment in infrastructure megaprojects creates and sustains employment, uses many domestic inputs relative to imports, improves

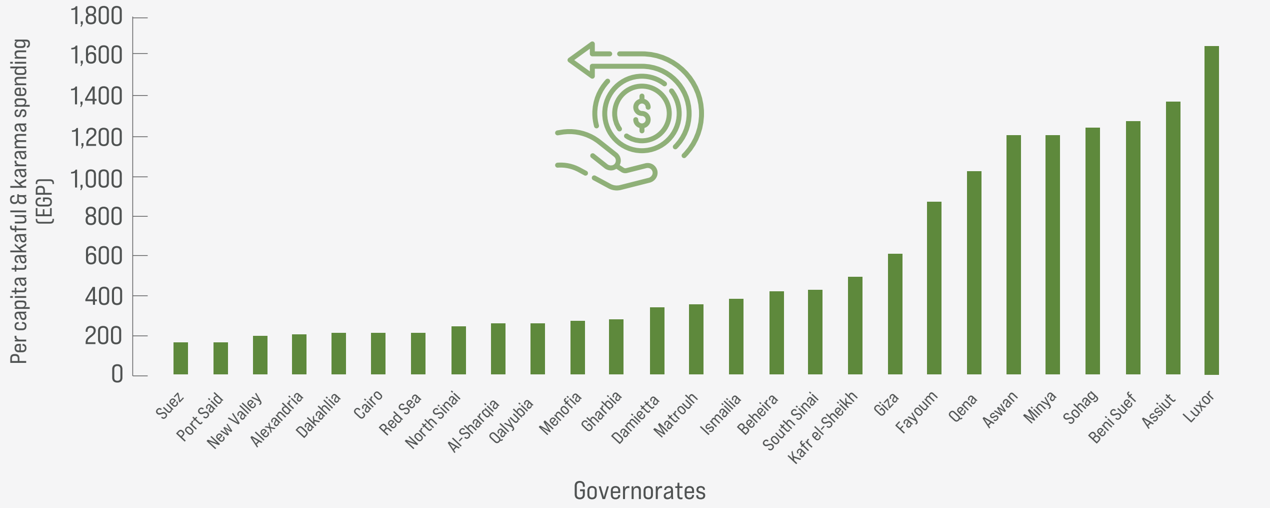
> The Ministry has recently been moving to introduce the country's funding formula to ensure that budgetary allocations reflect the priorities of local communities

Figure 151: Government distribution of investment under chapter 6 of the budget before and after the funding formula, in billions of Egyptian pounds



Source: Ministry of Planning and Economic Development, Egypt (2020).

Figure 152: Per capita allocation of Takaful and Karama cash transfers at the local level



Source: Author, based on data from the Ministry of Social Solidarity, Egypt.

productivity and competitiveness, provides consumers with higher-quality services and improves the environment when using eco-friendly materials. Four "sublimes" induce investment in megaprojects. According to Flyvbjerg, the first sublime is technological, being the excitement engineers and technologists feel in pushing the envelope for what is possible in "longest-tallest-fastest" types of projects.[41] The second is the political sublime, the rapture politicians experience from building monuments to themselves and for their causes, as well as from the visibility this generates with the public and media. The third is the economic sublime, the delight businesspeople and trade unions feel in making lots of money and jobs from megaprojects, including money made for contractors, construction and transport workers, consultants, bankers, investors, landowners, lawyers and developers. The fourth is the aesthetic sublime, the pleasure designers and people who love good design experience from building and using something substantial that is also iconic and beautiful. According to Sankaran and others, megaprojects could be a sustainable development tool if the "sustainable sublime" is introduced.[42] The sustainable sublime would deliver megaprojects aligned with government SDGs targets. In the case where the sustainable sublime is linked to localization, the optimal effect on accelerating the SDGs is achieved to help meet the targets and provide large-scale benefits.

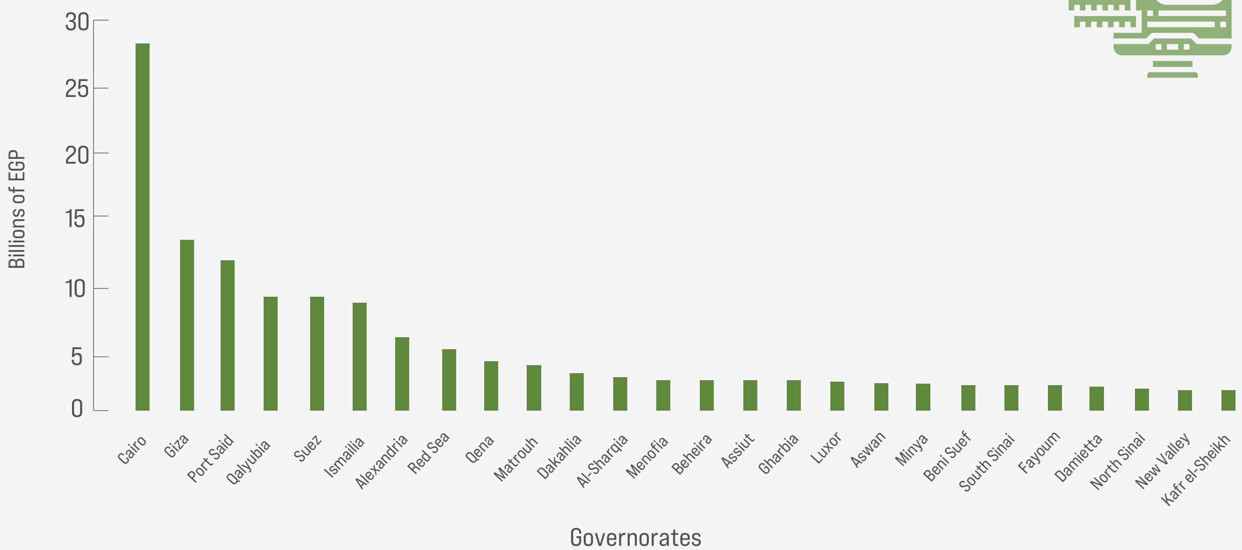
Since 2015, the Government of Egypt has embarked on several national megaprojects that aim to enhance the competitiveness of the economy, create employment opportunities and attract foreign and domestic private investments, while driving growth in critical sectors, including transport and infrastructure, building and construction, tourism, telecommunications, renewable energy and the development of the Suez Canal.

According to the national projects investment plan 2020/21, issued by the Ministry of Planning and Economic Development, Egypt currently has 25 megaprojects underway, with a total budget of LE 163 billion.[43]

The analysis of the megaprojects across governorates is focused on 21 of the 25 megaprojects that are linked to a precise geographical distribution. If no details are available on the share of government benefiting from investment, the investment is distributed equally across the governorates targeted.

Figure 153 shows that investment in megaprojects is unevenly distributed and that some

Figure 153: Investment in megaprojects by governorate, in billions of Egyptian pounds, 2020/21



Source: Ministry of Planning and Economic Development, Egypt (2020).

governorates receive higher-value projects than others, with the Greater Cairo area being the primary recipient and Cairo receiving the largest share, amounting to LE 28.4 billion.

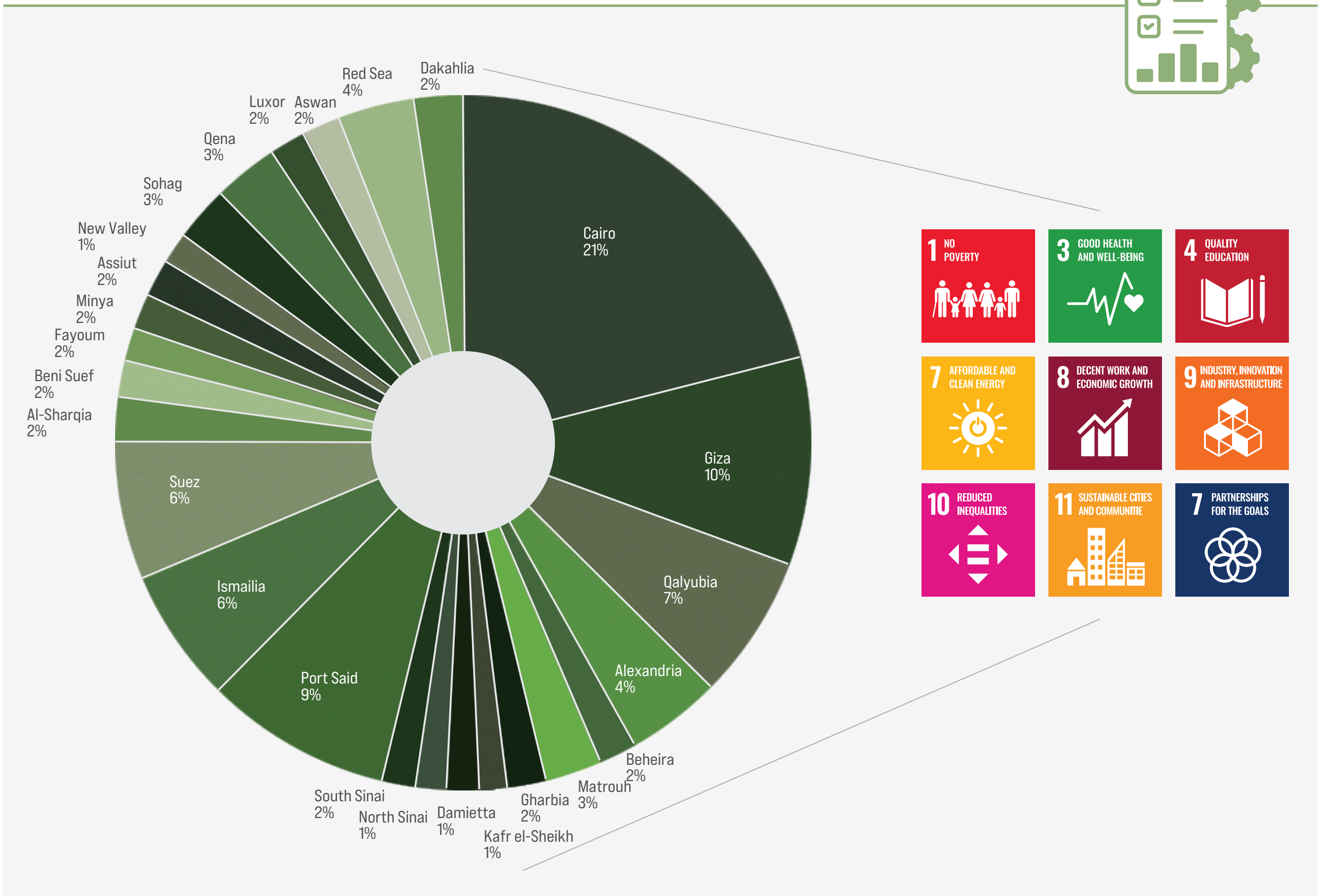
From a localization perspective, the location-specific megaprojects capitalizing on the governorates' comparative advantage have the highest spillover effect. Megaprojects in Egypt can therefore be divided into two types. The overarching megaprojects spread over most governorates concern the establishment of the country's infrastructure, such as the national project for social housing and the national road network. The second type concerns location-specific projects, such as fourth-generation cities, local development in Upper Egypt (Sohag and Qena), the civilization museum and Damietta Furniture City, which addresses a somewhat more localized agenda for governorate development. Location-specific projects account for 30 per cent of the total budget of megaprojects and play a prominent role in developing the areas targeted. The megaprojects are focused on specific SDGs, as shown in figure 154. For that reason, introducing the sustainable sublime to the megaprojects would contribute to achieving the SDGs at the local level.

4. Phase three of intervention logic: the effect on Sustainable Development Goals at the local governorate level

Following the intervention logic, this section examines the current situation of indicators to measure the effect of the previous phases on SDG output at the governorate level. This section is focused on SDG 1, as it is the main focus of current national plans and programmes. Considerable financial resources are currently directed to SDG 1, mainly through the presidential Haya Karima initiative and the Takaful and Karama programmes. It is directly included in the funding formula created to handle government investments in governorates. SDG 1 is measured using twelve indicators worldwide; Egypt reports on two of these indicators, only one of which has a target for 2030. In the 2021 VNR, SDG 1 progress is presented with reference to: (i) the proportion of the population living below the extreme poverty line, (ii) the proportion of the population living below the national poverty line, (iii) the proportion of the population covered by social protection systems (Takaful and Karama), (iv) the proportion of the population living in households with access to basic services (electricity, clean water and sanitation), and (v) the proportion of total government spending on essential services (health, education and basic services). To analyse the effect of current actions and resources on local indicators, this chapter will focus on performance at the local governorate level of the indicator on the proportion of the population living below the national poverty line.[44] This is the indicator under which Egypt announced its target to reduce poverty by half between 2016 and 2030. The poverty rate can be considered a lagging indicator; it reflects the effectiveness of all leading policies that directly affect the progression of the poverty rate in each governorate.

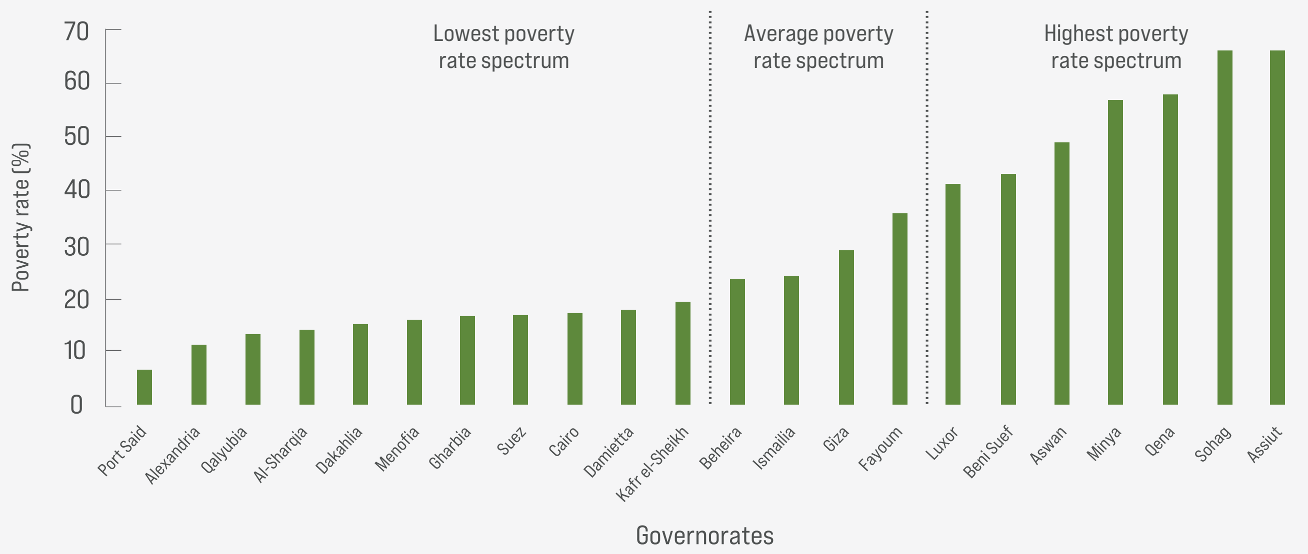
The poverty rates calculated from the Household, Income, Expenditure and Consumption Survey show an increase in the national poverty rate from 27.8 per cent in 2015 to 32.5 per cent in 2017. Figures 152 and 153 show the 2015 and 2017 poverty rates for 22 governorates. Port Said and Assiut witnessed the minimum and maximum poverty rates in both years, respectively. The range of the poverty rate was almost the same across governorates. The poverty rate variance in 2017 (285) was lower than in 2015 (353). Governorates appeared to be more dispersed on the lower poverty spectrum in 2015, while they were more disbursed across the average range in 2017. This indicates an increase in poverty; more governorates moved from the lower to the moderate spectrum. Moreover, the governorates of Upper Egypt remained in the highest poverty spectrum.

Figure 154: Megaprojects and the Sustainable Development Goals at the governorate level



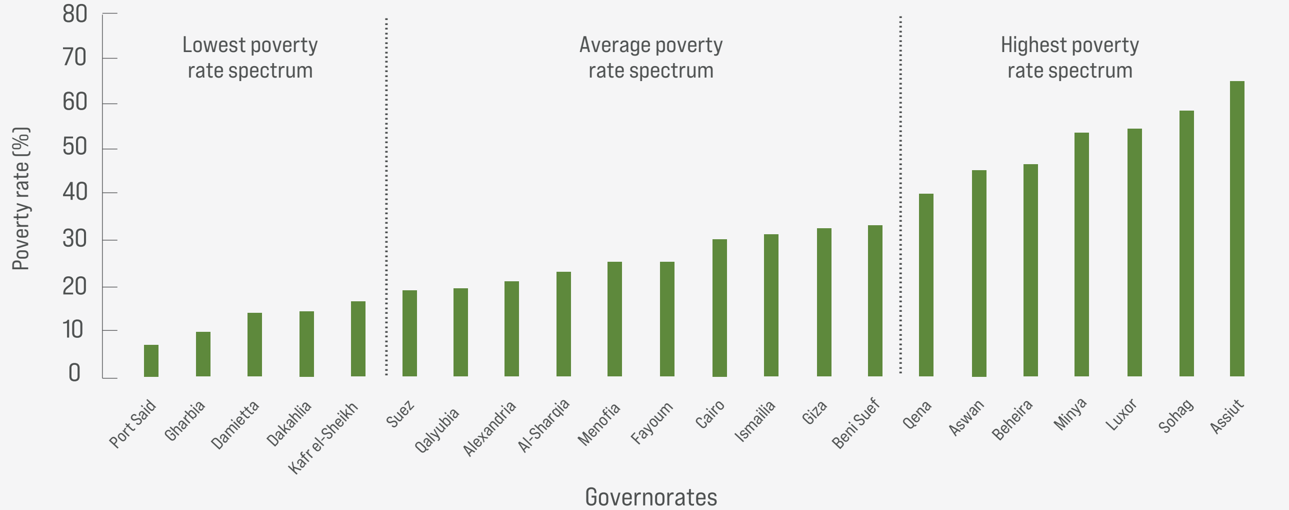
Source: Ministry of Planning and Economic Development, Egypt (2020).

Figure 155: Goal 1 at the local governorate level – proportion of the population living below the national poverty line (2015/16)



Source: Author, based on data from the Central Agency for Public Mobilization and Statistics, Egypt.

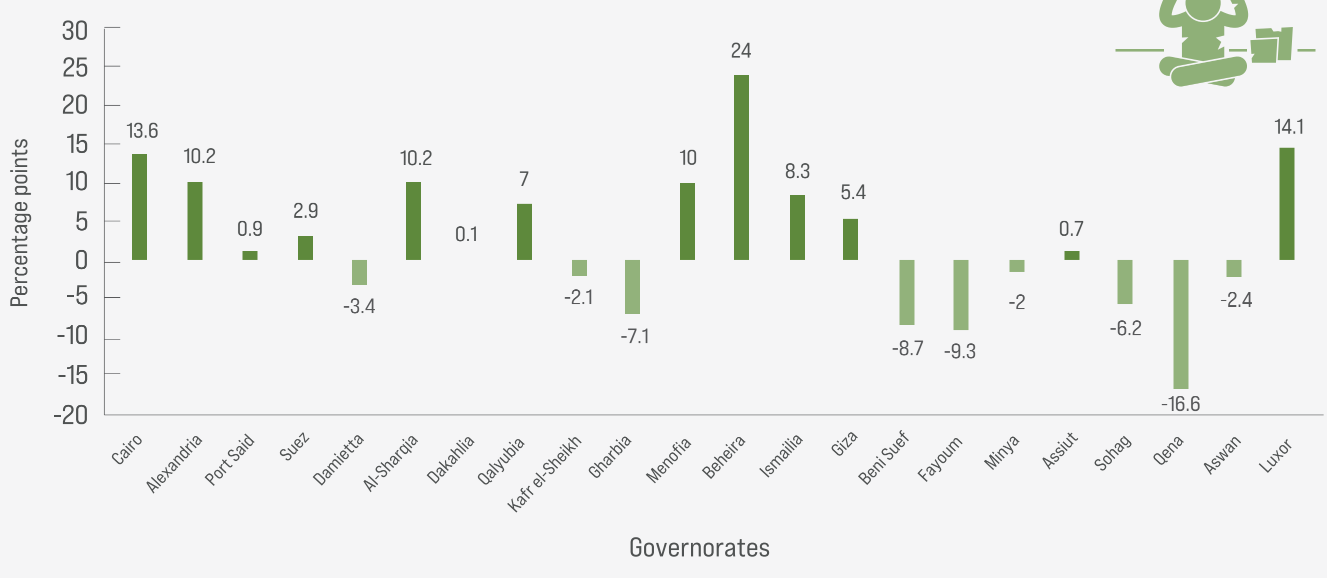
Figure 156: Goal 1 at the local governorate level – the proportion of the population living below the national poverty line (2017/18) (percentage)



Source: Author, based on data from the Central Agency for Public Mobilization and Statistics, Egypt.

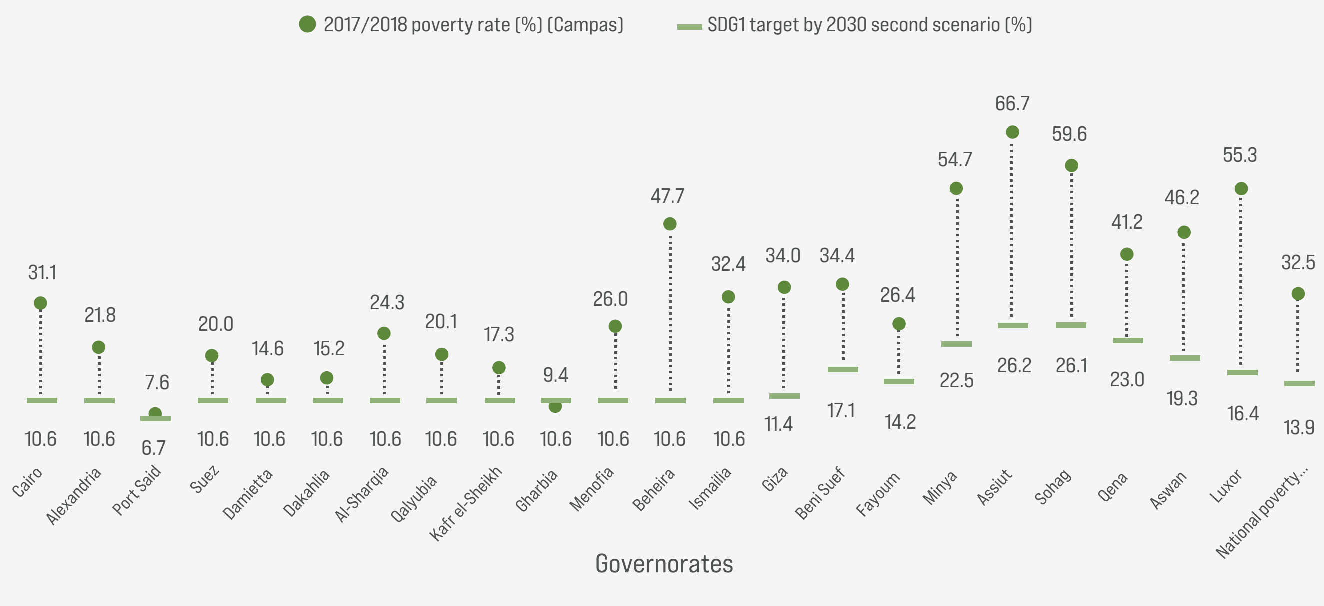
Figure 157 presents the change in the poverty rate at the local governorate level from 2015 to 2017. Eight governorates improved: Damietta, Kafr el-Sheikh, Gharbia, Beni Suef, Fayoum, Sohag, Qena and Aswan. The most significant improvement appeared in Qena where the poverty rate decreased by 16.6 percentage points. In contrast, the rest of the governorates experienced an increase in the poverty rate. Beheira had the worst increase in poverty rate, rising by 24 percentage points from 23.7 per cent in 2015 to 47.7 per cent in 2017. Peripheral governorates accounted for a striking 51.5 per cent of the 2017 national poverty rate.[45] The situational change for these governorates remains unclear, however, owing to incomplete data. Comparable data on the poverty rates of peripheral governorates in 2015 and their local SDG targets are missing from the Baseera report estimates as well.

Figure 157: Change in poverty rate (Goal 1) at the local governorate level, in percentage points, (2015/17)



Source: Author, based on data from the Central Agency for Public Mobilization and Statistics, Egypt.

Figure 158: Goal 1 – the calculated gap between the actual 2017 poverty rate and the 2030 target, at the local governorate level



Source: Author, based on data from the Central Agency for Public Mobilization and Statistics, Egypt.

Government intervention and investment through the funding formula is focused on the governorates with the highest poverty rates. Such an approach could be for two reasons: the target of leaving no one behind and the fact that governorates with high poverty rates generate a higher return on spending, which translates into a lower national poverty rate, as shown in the case of the governorates of Upper Egypt in particular.

Some high-poverty governorates such as Assiut and Luxor have received high levels of government investment; however, they also experienced an increase in poverty rates (figure 157). This indicates the importance of interventions targeting poverty, rather than simply financing interventions.

There are fewer than ten years until the end of the 2030 Agenda, and progress at the local level is still critical to achieving national commitments. There were severe gaps between the Goal 1 governorate targets[46] and the actual 2017 poverty rates at the local level (figure 158). Most governorates, except Gharbia, appear to be far behind in achieving the 2030 target; nine governorates have witnessed an increasing trajectory in the poverty rate even though their poverty rate decreased in 2017. They are Damietta, Kafr el-Sheikh, Gharbia, Beni Suef, Fayoum, Minya, Sohag, Qena and Aswan.

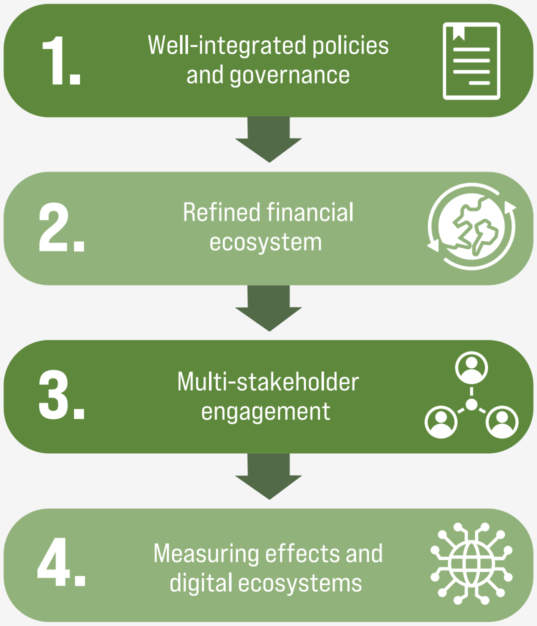
D. Conclusion and policy recommendations

While government commitment, actions and spending are increasingly directed towards the SDGs, there remains a pressing need to tackle the difference between performances of governorates at the local level. The analysis of localization in Egypt using the intervention logic sheds light on a significant gap between de jure localization and the reality on the ground. The empowerment of governorates requires several well-integrated policies and actions to accelerate local autonomy to achieve national SDG-related ambitions. Generally, localization is more successful when backed by a clear national localization strategy and the empowerment of local governments in terms of their actions, capacities and resources. Empowered communities can have an impact on their communities' priorities and needs through autonomous local planning, budgetary allocations, implementation and monitoring. The capacities and resources of local communities are the most critical dimensions for local development. In all regions around the world, especially in developing countries, the cumulative shortfall of local financing for services and infrastructure constitutes a crucial problem for localizing the SDGs. Empowered local units with ownership of local SDGs, adequate capacities and the allocation of financial resources enable them to accelerate SDG progress to achieve local SDG-related ambitions and further the international commitments of countries. The Egyptian governments have implemented several commendable initiatives in collaboration with other stakeholders to provide local areas with the necessary financing and capacities.

While these attempts appear to be scattered in the short term, the Government is moving towards consolidating efforts to direct progress. Nevertheless, integration with the local public administration units that should be held accountable for the entire process of local development is yet to be achieved. It remains challenging and costly for a centralized country such as Egypt to reform local public administration, which has been a reason for the incomplete decentralization attempts.

The Government is currently consolidating its efforts to customize its approach to suit its own unique context and challenges properly. In line with this, an integrated programmatic process (figure 159) that includes four accelerators for localizing the SDGs is recommended. The accelerators are well-integrated policies and governance between government tiers, a refined financial ecosystem, multi-stakeholder engagement and measuring effects and digital ecosystems. These four accelerators are particularly striking in the context of the global and national commitment to leave no one behind in order to ensure inclusive development. They are also applicable in various local communities with different socioeconomic contexts.

Figure 159. Accelerators for localizing the Sustainable Development Goals in Egypt



Source: Author.

1. Well-integrated policies and governance

The 2030 Agenda has acknowledged that whole-of-government and whole-of-society approaches are essential for the achievement of the SDGs. Developing a thorough set of linkages between subnational, national, regional and global governance arrangements is essential to avoid overlap and ensure policy coherence for the effective achievement of the SDGs.

The Egyptian Government has implemented several commendable initiatives, in collaboration with other stakeholders, to provide local areas with the necessary financing and capacities. As previously mentioned, however, these attempts are fragmented and not well-integrated with local public administration units. A well-tailored arrangement for multilevel governance based on the principles of subsidiarity and respect for local autonomy can better facilitate successful localization. Such an approach is crucial to developing the notion of local ownership of the SDGs. Although adequate resources and means of implementation remain a problem in efforts to accelerate localization.

2. Refined financial ecosystem

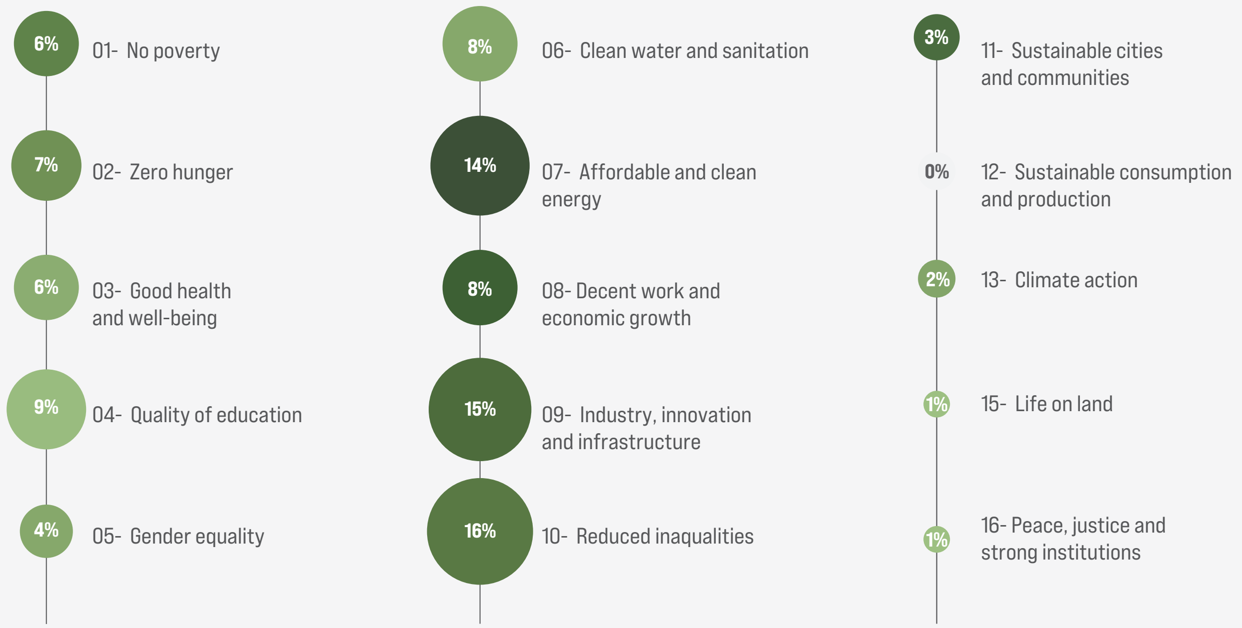
Implementation of the SDGs will cost between $50 trillion and $70 trillion over the next ten years (2020–2030).[47] The estimated financial gap is around $2.5 trillion per year in developing countries.[48] Under the Addis Ababa Action Agenda, United Nations Member States have committed to the effective financial empowerment of local governments in order to achieve the SDGs; however, there is a serious mismatch between the local SDG targets (responsibilities) and the revenues allocated to local governorates, as shown in the previous analysis of Egypt. Localizing the SDGs requires effective planning by local governments to ensure that budgetary allocations reflect the priorities of local communities.

This must take place while identifying and capitalizing on the comparative advantage of each governorate. During the past two years, the Egyptian government has begun to align national financing and planning with local needs to achieve national goals 2030. It is in the process of preparing competitive indicators at the governorate level. India presents a pioneering model for an efficient financial environment that supports the localization of the Sustainable Development Goals.[49] India is a federal union comprised of 28 states and 8 union territories. Every state has crafted its own action plan for coherent achievement of the SDGs, including Haryana State.[50] Haryana is a pioneering example of budget allocation linked to its 16 local SDGs (box 7). The highest budget shares go to Goals 10, 9 and 7, respectively, based on local priorities and in accordance with its national strategy. Haryana's practice provides essential lessons for successful and inclusive SDG implementation strategies that are relevant to the Egyptian governorates at all decision-making levels within society.

Box 7: Local budgeting for the Sustainable Development Goals in Haryana State, India

Haryana is a State located in northern India that had a population of over 28 million in 2021. The State provides lessons on how to make the SDGs successful, inclusive and local.

In 2017, the Government of Haryana published its Vision 2030, which was aligned with the SDGs. In 19/2018, the State government carried out a detailed assessment of its budgetary allocations towards these goals, as shown in the figure. The state distributed the planned budget to ensure achievement of the SDGs under the existing schemes and further determined the amount provided to certain projects that have been mapped out to achieve specific SDGs.



Source: Government of Haryana, India (2018). Sustainable Development Goals Budget Allocation 2018–19. Haryana Department of Economic and Statistical Analysis.

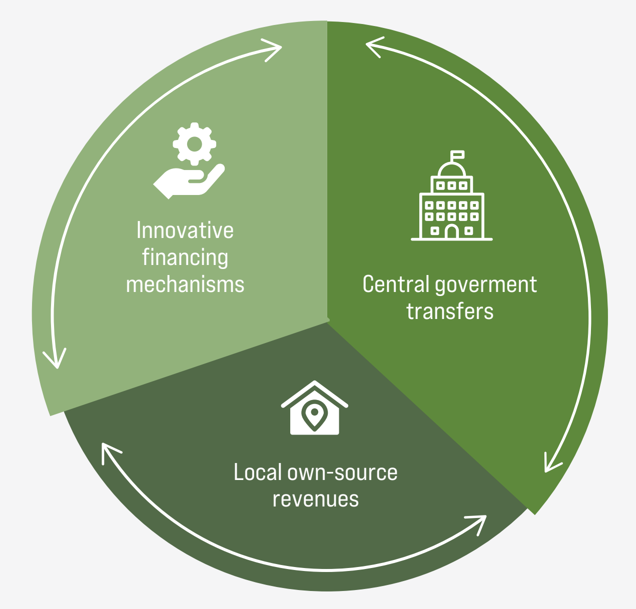
Mobilizing financial resources became more pressing with the outbreak of COVID-19. Local governorates became obliged to invest in measures to increase resilience to protect against future shocks. Tremendous efforts are needed to estimate the actual costs of the SDGs and the financial gaps at the governorate level. Furthermore, the Egyptian Government needs to ensure that local communities and governorates receive adequate funding from diversified financing sources to achieve local SDG targets by 2030.

In 2019/20, the Government announced and successfully implemented the new citizen investment plan and the funding formula to improve the structuring of intergovernmental transfers in order to reduce inequalities in the governorates, especially in regard to Goal 1.

The previous analysis showed the changes in the allocation of financial resources in the 2020/21 budget allocation. It is recognized that the scale of investments needed in infrastructure and service provision at the governorate level require the contributions of all stakeholders, in particular the private sector. The next step should be strengthening local own-source revenues and allowing more governorate access to innovative financing mechanisms (figure 160) to fill in the financing gap at the local level.

Additional efforts should be taken to capture the value added of local land, which improves the local-land-based financing mechanism and raises local revenue from user charges, such as developers, private individuals and the business sector.

Figure 160. Financial resources mobilized at the local level



Source: Author.

Local revenues could be enhanced by identifying the local economic sectors that are generating revenue based on the local comparative advantage and develop a tailored local investment plan accordingly. Egypt has recently been working on localizing sustainable development through creating a competitive indicator for governorates to achieve inclusive growth and sustainable and balanced development, as one of the core pillars of the Egypt Vision 2030.

Reshaping the fiscal policy could create an additional source of local finance. The application of incentives and disincentives, such as carbon taxes and optimum pricing strategies, also ensures a fair share of taxation of natural resources.

Furthermore, innovative financing mechanisms are tools for mobilizing public, private and capital market funds to finance local SDGs. These tools include the energy performance contract, municipal development funds, improved access to borrowing, green and SDG bonds and/or sukuk, access to climate funds and blended finance mechanisms.

Figure 161. Green, social and sustainable bonds

Source: Author.

The cities of Boston and Graz have used the self-financing model under the energy performance contract to improve local energy efficiency and resilience. In India, the Ministry of Housing, Utilities and Urban Communities has established a state-level finance development funding scheme to provide credit enhancement to some local governments to allow them to access bond markets. In Micronesia, an assessment has been conducted to help the country to access and secure climate change and disaster risk financing from external sources. Moreover, national and subnational development banks and development financial institutions could mobilize additional funding for local development. Examples of such funds are found in Bangladesh, Cameroon, Colombia, Morocco and the Philippines.[51]

Many countries have established national green, social and sustainability bond and/or sukuk guidelines and regulations (figure 161) that are mostly aligned with the International Capital Market Association Green Bond Principles.[52]

The city of Malmö issued green bonds in 2017 to finance projects targeting climate change mitigation and adaptation and local environmental protection. In 2020, West Berkshire Council launched the first local government green bond in the United Kingdom to fund local solar panel installations. In 2017, the renewable energy group Tadau Energy issued the first green sukuk to finance its 50MW solar photovoltaic power plant in Malaysia. Indonesia issued green sukuk worth $1.25 billion in 2018 and $750 million in 2019 to fund environment-related projects. In 2019 Majid Al Futtaim of the United Arab Emirates raised $600 million with the region's first corporate green sukuk. It was followed by a 1 billion euros ($1.12 billion) green sukuk by the Saudi-based Islamic Development Bank to finance renewable energy, green transport and pollution control.

On 11 October 2019, the first sustainability sukuk was issued by Edra Solar to refinance the construction costs of its 50MW solar power plant in Malaysia, which also included a social component, namely land set aside for agricultural use by local farmers. HSBC Amanah Malaysia Berhad issued the first SDG sukuk in September 2018 to finance specific SDGs, namely good health and well-being (SDG 3), quality education (SDG 4), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7), industry, innovation and infrastructure (SDG 9), sustainable cities and communities (SDG 11) and climate action (SDG 13).

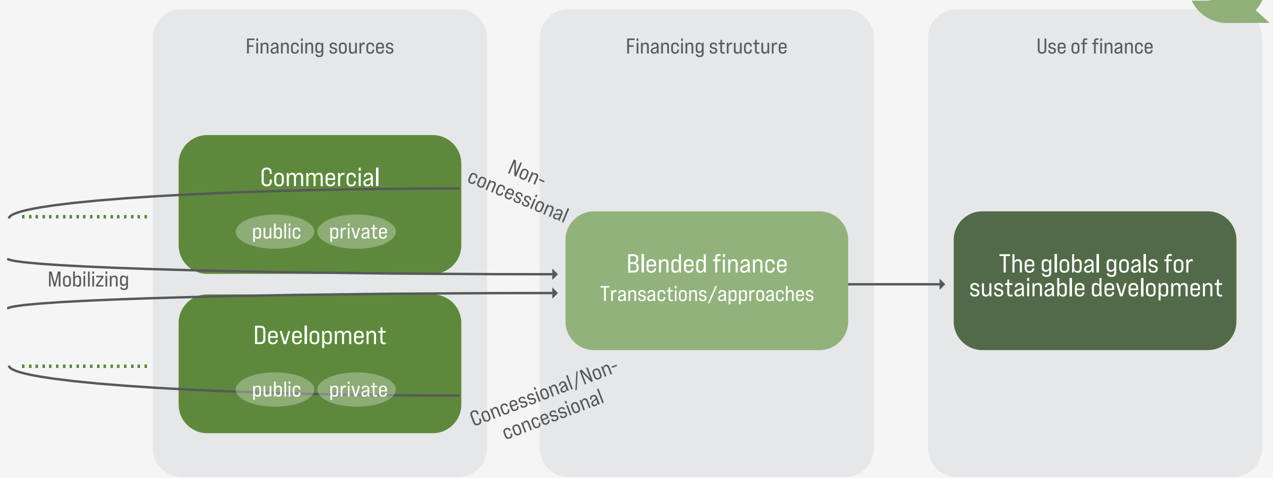
Blended finance is an innovative financing approach that aims to attract commercial capital towards projects that contribute to sustainable development while providing financial returns to investors.

As shown in figure 162, blended finance includes different tools to use public and philanthropic funds to leverage private sector investment. A local currency guarantee is an example of blended finance that is intended to make local currency financing more accessible for investors. Several programmes target local currency financing, including the "local currency lending in sub-Saharan Africa programme" (managed jointly by KfW Group and the African Development Bank) and the African Local Currency Bond Fund (managed by KfW Group).

Digital uprising is transforming blended finance solutions. Energy service companies use digital pay-as-you-go solutions as a new, rapidly growing method of blended finance. In some developing countries, energy service companies became the primary recipients of on-balance-sheet concessional lending, enabling follow-on investment by domestic financial institutions or international impact investors. Innovations in financial services and banking have made it possible to mobilize and channel informal savings into the formal financial system on a large scale. Digital technology can facilitate the reinvestment of savings into long-term local investments to improve local SDGs and well-being.

> While government commitment, actions and spending are increasingly directed towards the SDGs, there remains a pressing need to tackle the difference between performances of governorates at the local level.

Figure 162. Blended finance



Source: Organization for Economic Cooperation and Development (2018). The next step in blended finance: addressing the evidence gap in development performance and results. Workshop Report for the OECD DAC Blended finance principles for unlocking commercial finance for the SDGs. Copenhagen, 22 October.

3. Multi-stakeholder engagement

According to the intervention logic approach, identifying local targets is a critical step towards localizing the SDGs. Nevertheless, ownership, local accountability and the efforts of local institutions are the primary enablers in being able to successfully play a role in accelerating the 2030 Agenda. Local targets are best owned by relevant stakeholders, who plan and execute a local action plan to achieve the set targets. Promoting local ownership of national strategies is vital. If local and regional governments have a sense of ownership of the SDGs and a role in determining their roles and responsibilities, their involvement in implementation will be greater. Owners will work for and celebrate success. Voluntary local reviews are drivers for transformation and robust processes towards localized sustainable development. Local reporting engages people more directly than national reporting can. It is therefore important to increase joint ownership of the universal development agendas at all levels and increase the availability of localized data for SDG monitoring.

4. Measuring effects and digital ecosystems

Measuring the impact of interventions on the SDGs targeted by governorates is crucial for successful localization. The governance model should shift from simple outlay reporting to detailed reporting on the public money spent on various development projects, the delivery of government services and the creation of infrastructure in each fiscal year. Moreover, it would identify the short-term and long-term impacts on the well-being of local citizens. Local governorates would thereby have a better understanding of all government welfare and development activities among all local stakeholders, have an integrated SDG achievement tracker at the local level and provide the central Government with local governorate progress on achievement of the SDGs.

Localization of the SDGs would therefore be enabled through the effective planning of local governments by ensuring that budgetary allocations reflect the priorities of local communities. This could be used further as a cost-benefit analysis tool to rebalance and sharpen the policy portfolio and fiscal assignments.

Table ٣٢. Examples of how government spending leads to output, outcomes and the achievement of the Sustainable Development Goals

Public spending under various development and welfare schemes		
Output	Outcome	Relevant SDG
Workshops conducted for creating awareness on maternal health	Change in maternal mortality ratio and infant mortality rate	SDG 3: Health and well-being
Skills training courses conducted	Youth attended and received certification, which led to improved employment	SDG 8: Decent work and economic growth
Number of trees planted as part of the project to create a green belt in urban areas	Increase the green cover for improvement in the environment and to check air pollution	SDG 15: Life on land
15 per cent additional subsidy for protected cultivation	Make diversified farm activity profitable for farmers through sustained and advanced technologies	SDG 2: Zero hunger

Source: Government of Haryana, India (2020). Budget 2021–22: Output Outcome Framework Report. Haryana Finance Department.

Haryana has given another excellent example of citizen-centric governance by introducing the output-outcome framework for its 2020/21 budget.[53] This framework has been adopted by the Government of India and other State governments to acquire greater transparency in financial outlays, targets and development outcomes under different development and welfare schemes. Outputs identify the products, capital goods and services resulting from local government work under various schemes. Outcomes are the progressive development changes that the outputs are likely to produce in the medium to long term. Table 32 explains how government spending leads to output, outcomes and the achievement of the SDGs.

The output-outcome framework has changed Haryana's focus from money to achieving local SDG outcomes. The output-outcome framework report of Haryana State for the 2020/21 fiscal year covered development and welfare schemes from 37 departments, 95 per cent of its total development expenditure. The report was drafted through a series of interdepartmental sessions to build awareness of the framework and establish targets for departments that are realistic, measurable and synchronized with the planned budget. This report takes a clear step towards linking schemes to SDGs. Every operational development and welfare scheme[54] in the state has been linked to one (or more) SDG to map the contribution of scheme-level outcomes to the achievement of the SDGs. Ultimately, the Government of Haryana intends to use the output-outcome framework in the future for cost-benefit analysis as a dynamic tool for policy portfolio and budgetary allocations.

It is essential for localization to have consistent disaggregated data mapped to the 17 SDGs and their indicators at the governorate level. Efficient local monitoring systems require local and national statistics systems to provide adequate human, technical and financial resources. Efforts are also needed to bring about better collaboration between governorates and national statistics offices and a search for alternative systems. Systems should be able to produce consistent data related to the SDG targets and indicators. Without these, national reporting processes will lack a clear local perspective. They will tend to ignore the real needs and aspirations of local people, particularly the most vulnerable, and fail to achieve aims to leave no one behind. Digitization creates the potential for big data sets for indicators at the local level.

5. Policy recommendations

Based on the information presented in this chapter, the following policy recommendations can be made:

1 Ensure multi-stakeholder engagement for the ownership of local targets. Relevant stakeholders best own local targets. Promoting local ownership of national strategies is therefore vital. If local and regional governments have a sense of ownership of the SDGs and a role in determining their roles and responsibilities, their involvement in implementation will be greater. Owners will work for and calibrate success. The Egyptian Government embarked on producing governorate-level SDG localization reports and is on the track to produce human development reports at the subnational level. Local human development indicators will allow for monitoring progress and achievement towards the SDGs at the local level. This is a short-term goal.

2 Generate consistent, disaggregated data to map localization to the SDG indicators at the governorate level. Digitization creates a potential for big data sets of indicators at the local level. Efficient local monitoring systems require local and national statistics systems to provide adequate human, technical and financial resources. Simultaneously, efforts must include better collaboration between governorates and national statistics offices and a search for alternative systems that are able to produce consistent data related to the SDGs targets and indicators. Without these, national reporting processes will lack a clear local perspective and will tend to ignore the real needs and aspirations of local people, particularly the most vulnerable. This is a short-term goal.

3 Adopt well-integrated policies and governance. A well-tailored multilevel governance arrangement based on the principles of subsidiarity and respect for local autonomy can better facilitate localization success. Such an approach is crucial to develop the notion of local ownership of the SDGs. This is a medium-term goal.

4 Establish a refined financial ecosystem for localizing the SDGs. Localizing the SDGs requires effective planning from local governments' by ensuring that budgetary allocations reflect local communities' priorities. There is a need to consider allocating the budget in a way that links to the local SDGs. Simultaneously, identify and capitalize on the comparative advantage of each governorate based on the local priorities that align with the national strategy.

5 Ensure that local communities and/or governorates receive adequate funding from diversified financing sources to fulfil the local SDGs targets. The next step should be strengthening the local own-source revenues and allowing more governorate access to innovative financing mechanisms. Reshaping the fiscal policy could create an additional source of local finance. This is a medium-term goal.

6 Measure the impact of interventions on the governorates' SDGs. Citizen-centric governance should be applied by introducing the output-outcome framework for the budget. Such a governance model shifts from simple outlay reporting to a detailed reporting on public money spent on various development projects, delivery of government services, and infrastructure in each fiscal year. Having an integrated SDG achievement tracker that identifies the short-term and long-term impacts on local citizens' well-being would provide the central Government with information on the progress made by local governorates on the SDGs. This is a short-term goal.

> Decentralization in the Middle East is seen as a profoundly political process involving many actors at the political, institutional, technical and cultural levels, as well as the consideration of culture and gender-related norms.

Endnotes

1. There are 247 indicators listed in the global indicator framework for the Sustainable Development Goals; however, 12 indicators are repeated under two or three different targets.
2. United Nations, General Assembly, 2015, para. 45.
3. Oosterhof, 2018.
4. Adopted by the United Nations during the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992.
5. El Massah, 2016.
6. Wunsch, 1991.
7. Oosterhof, 2018.
8. Baseera, 2018.
9. United Nations, Economic and Social Council, 2021.
10. Greene and others, 1989.
11. Interview questions are presented in annex 8.
12. A list of interviewees is included in the table in annex 8.
13. Information about the stakeholders is presented in annex 8.
14. The interviews were conducted in unique circumstances owing to the spread of COVID-19; all necessary health and safety measures were taken. The researchers ensured that all ethical clearance guidelines were considered in the interview process.
15. Litvack and Seddon, 1999.
16. Bahl and Wallace, 2005.
17. Tosun and Yilmaz, 2008.
18. For example, countries in Eastern Europe and the Middle East.
19. OECD, 2020c.
20. Kleibrink and others, 2016; Gianelle and Kleibrink, 2015.
21. Association of Flemish Cities and Municipalities (VVSG), 2019.
22. Amin, 2020.
23. Ivanyna and Shah, 2014.
24. Treisman, 2002.
25. Ministry of Finance, Egypt, 2020d.
26. Alam and Alam, 2022.
27. The count does not include Djibouti and Comoros.
28. For example, the Strategy for Science and Technology for Sustainable Development 2030, under the Ministry of Higher Education and Scientific Research; the Industry and Trade Development Strategy 2020, under the Ministry of Trade and Industry; Egypt's Education Transformation Programme 2030, under the Ministry of Education and Technical Education; the Integrated Energy Strategy 2035, under the Ministry of Electricity and Renewable Energy; and the Agricultural Sustainable Development Strategy, under the Ministry of Agriculture and Land Reclamation.
29. Baseera, 2018.
30. The plan can be viewed here: https://mped.gov.eg/CitizenPlan (in Arabic).
31. Klun, 2006.
32. Ministry of Finance, Egypt, 2020d.
33. OECD, 2018a.
34. Republic of Slovenia Statisitcal Office, 2018. https://www.stat.si/StatWeb/en/news/Index/8563.
35. Ministry of Finance, Egypt, 2020d.
36. As highlighted in chapter 4 on budget design and priorities.
37. Based on data provided by the Ministry of Planning and Economic Development, Egypt, 2020.
38. Amin, 2020. These requests are considered together with budget requests from central ministries and other central administrative units.
39. Boex, 2011.
40. Of the previous three years, at the time of estimating the formula.
41. Flyvbjerg, 2014.
42. Sankaran and others, 2020.
43. According to a document on national megaprojects in 2020/21 by the Ministry of Planning and Economic Development, Egypt.
44. According to CAPMAS, extreme poverty in Egypt is calculated as earning less than LE 8,282 ($501.03) annually and less than $1.30 per day. Under the indicator on the proportion of the population below the international poverty line, it is defined as the percentage of the population living on less than $1.90 per day.
45. Matrouh, South Sinai, North Sinai, New Valley and Red Sea.
46. Baseera's second scenario was used.
47. Riaño and Barchiche, 2020.
48. Runde and others, 2020.
49. International Institute for Sustainable Development, 2020.
50. Haryana is a State in northern India that had a population of over 28 million in 2021.
51. United Cities and Local Governments, 2019.
52. These include the Ministry of Environment in Japan and green bond listing requirements from the Taipei and Johannesburg stock exchanges.
53. Government of Haryana, India, 2020.
54. Central-sponsored scheme, State-sponsored scheme or central-share scheme.